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PROJECT MANAGEMENT FOR GEFSEC

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Due Date: 10/22/99

FOR ACTION: Mario A. Ramos

STATUS: Open

Project Name: Consolidation of the Protected Areas Program

VPU/Dept/Div: GEF	Date Logged: 10/07/99 06:40:11 PM
Room : G 6-029	Logged By: Ramon Prudencio C. De Mesa (GEF)
Telephone: 473-3297	

CORRESPONDENCE DESCRIPTION:

From: Lars Vidaeus
Organization: WB
Reference #:
To: Mr. Keneth King
Dated: 10/06/99
Type: OP3
Subject: PDF B: Mexico: Consolidation of the Protected Areas Program

ACTION INSTRUCTIONS:

<i>Please review and/or technical comments for bilateral meeting</i>
Note: electronic file attached. GEF staff, pls send comments to Mario by Oct 12.

INFORMATION COPIES:

Colin P. Rees/Person/World Bank, Herbert Acquay/Person/World Bank, Walter J. Lusigi/Person/World Bank, Kanta Kumari/Person/World Bank, Maria C. J. Cruz/Person/World Bank, Samia Rechache/Person/World Bank, Alfred M. Duda/Person/World Bank, Andrea Merla/Person/World Bank

Note: If an electronic document is not attached, a hard copy of the document will be sent directly to your attention. Please return to this tracking sheet and attach your response with a copy to the Program Coordinator (gcoordination@worldbank.org) on or before the due date.





Global Environment Facility

1818 H Street, N.W., Washington, DC 20433 USA
Tel: (202) 473-0508 - Fax: (202) 522-3240 / (202) 522-3245

Facsimile Cover Sheet

DATE: October 7, 1999 No. of Pages:
Inc. Cover sheet

TO: Mr. Mario Ramos (Hotel Guest) PHONE:
ORGANIZATION:  FAX: 528 344 3007

FROM: Ramon de Mesa PHONE: (202) 458-9285
 Program Coordinator FAX: (202) 522-3245

CC:

SUBJECT: Mexico: Consolidation of the Protected Areas Program

Message:

Mario,

Please find attached a copy of the above-mentioned proposal for your review.

Regards.

Ramon

**GLOBAL ENVIRONMENT FACILITY (GEF)
PROPOSAL FOR PROJECT DEVELOPMENT FUNDS (PDF)
BLOCK B GRANT**

Country: Mexico
GEF Focal Area: Biodiversity
Project Title: Consolidation of the Protected Areas Program in Mexico
Requesting Agency: World Bank
Executing Agency: Secretariat of the Environment, Natural Resources and Fisheries (SEMARNAP); Mexican Nature Conservation Fund (FMCN)

Estimated Total Project Cost: US\$ 120.38 million (phases 1 & 2, total cost to be further defined)

Estimated Financing Plan: In capital funds:
US\$ 22.5 million GOM
US\$ 22.5 million GEF

In sinking funds:
US\$ 50 million GOM (secured)
US\$ 17.5 million GEF (requested)
US\$ 7 million private co- financing (Mex. private sector, secured)

Related Funding Sources: US\$ 0.8 million bilateral parallel financing (DFID, EU)
US\$ 2.0 million bilateral parallel financing (SEMARNAP - UNDP Capacity 21)

Project Duration: 10 years, in 2 phases (5 years each;)

PDF Block B Funds Requested: US\$ 350,000

Estimated PDF Co-funding:
US\$ 120,000 (GOM)
US\$ 5,000 (FMCN)
US\$ 75,000 (MacArthur Foundation through FMCN)
US\$ 236,000 (DFID)
US\$ 30,000 (World Bank Social Compact funds, to be confirmed)
US\$ 60,000 (Bilateral Trust Funds, to be confirmed)

Country Endorsement Letter 305.VI.4.-196 from SHCP dated August 16, 1999
Block A Grant Awarded: No

LIST OF ABBREVIATIONS

AECI	Spanish Agency for International Cooperation
CI	Conservation International
CONABIO	Mexican National Commission for Knowledge and Use of Biodiversity
CONANP	Mexican National Council for Protected Areas
CTFANP	Technical Council for the Protected Areas Fund
DFID	Department for International Development, United Kingdom
FANP	Protected Areas Fund, FMCN
FMCN	Mexican Nature Conservation Fund
GEF	Global Environment Facility
GOM	Government of Mexico
INE	Mexican National Ecology Institute
IUCN	International Union for Nature Conservation
OECD	Organization for Economic Cooperation and Development
PA	Protected Areas
PRODERS	Regional Sustainable Development Programs
SHCP	Mexican Finance Ministry
SEMARNAP	Mexican Ministry of Environment, Natural Resources and Fisheries
SINAP	Mexican National Protected Areas System
TAC	Technical Advisory Councils
TNC	The Nature Conservancy
UCANP	Coordination Unit for Protected Areas, INE
EU	European Union
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
USAID	United States Agency for International Development
USNFWS	United States National Fish and Wildlife Service
WWF	Worldwide Fund for Nature

Global importance of Mexico in Biodiversity

1. 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. Together with Brazil, Colombia and Indonesia, Mexico figures prominently in species richness (Mittermeier and Goettsch 1992). Recent technical reports indicate that Mexico is the country with the highest ecological diversity in the Americas (Dinerstein *et al.* 1995), and that is a key center of origin of agricultural crops (Ramamoorthy *et al.*, 1993).
2. By the 1980's, Mexico reached one of the highest deforestation rates in Latin America, and estimates indicate that Mexico has already lost more than 95% of its humid tropical forests (including rainforests and cloud forests) and more than half of its temperate forests (Dirzo 1992). The percentage lost of its arid regions 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. For example, from 1950 to 1990 the area cleared for livestock grazing increased from 50 to 130 million ha, although it is calculated that the area used for permanent grazing amounts to some 70 million ha¹. Approximately 20 million ha are devoted to agriculture, and due to shifting agricultural practices new areas are opened every year. It is estimated that the country has reached the limit of its agricultural potential (CONABIO 1998), unless new practices are developed and implemented for intensified production in appropriate regions.
3. The establishment and protection of protected areas has gained increasing importance within the national strategy for conservation. During the 1980's, in response to growing concerns from the Mexican society on the disappearance rate of natural resources, the Mexican Government established the National System of Protected areas (SINAP). The National Ecology Institute (INE), a semi-autonomous agency of the Secretariat of Environment, Natural Resources and Fisheries (SEMARNAP), is responsible for protected area management. 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.
4. The establishment of the National Council on Protected Areas (CONANP) in 1996 represents a clear evolution in the development of public participation instruments in conservation policy formulation. CONANP is comprised of 30 renowned member of the academic, private, non-governmental and social sectors, including members of the legislature and other cabinet-level ministries, and has been designed as the maximum advisory body in the nation relative to protected area policy. The institutional integrity of CONANP has been ensured through its full incorporation in the General Law for Ecological Balance and Environmental Protection.

Civil society and conservation

5. The Mexican Nature Conservation Fund (FMCN) evolved from talks in 1992 between the President of World Wildlife Fund (WWF) and the President of Mexico on the opportunity of establishing the first environmental fund in Mexico. With the support of WWF and donors such

¹ Livestock grazing is an extremely dynamic process in Mexico, making it difficult to identify with precision the total area under active use. Common practices include foraging in secondary forest vegetation, in semi-arid and desert shrub, and in partially recuperated parcels included in rotating agriculture systems.

as MacArthur and Packard Foundation, the United States Agency for International Development (USAID) and Banker's Trust, a design committee was conformed, terminating in the constitution of the FMCN and the incorporation of its board in 1994. The initial endowment was composed of US\$ 10 million granted by the Mexican Government and US\$ 19.5 million by USAID, and the interests earned on this capital have supported a total of 263 projects since 1996.

6. The increase in the number of conservationist NGOs in Mexico has been very significant and has been accompanied by new economic incentives such as tax-deductions for activities carried out in protected areas. At the federal level, SEMARNAP has established a precedent for working with NGOs through the elaboration of protected area administration contracts (8 have been signed in the past four years), coordination agreements and research covenants. Civil society has also influenced the legislative branch whereas the National Congress added the "right to sustainable development" as one of the constitutional rights for all citizens.

GEF Project for Ten Selected Protected areas

7. To financially assist the national initiative on protected areas, the Mexican Government sought collaboration with the World Bank (WB) which led to the approval of a GEF grant for US\$ 25 million in 1992. The objective of this pilot phase grant, which became effective in 1994, was to provide the basis for conservation and sustainable use in ten pilot reserves in Mexico through the incorporation of basic management tools, such as:
 - a) Long-term Management Programs aimed at developing and implementing priority activities to address the main threats to conservation in each area;
 - b) Annual Operating Plans, which detail specific yearly activities, based on the strategies included in the Management Plans;
 - c) Technical Advisory Councils (TACs), in which representatives of all sectors present in a given community, provide their insights and expertise in the design and implementation of conservation activities in the reserves;
 - d) Basic infrastructure and equipment, which allow a reduced number of personnel to ensure protection of the area.

Restructured Project

8. Due to a generalized concern on slow implementation, GOM and WB agreed to conduct an independent review on project performance in 1996. This analysis recommended that the remaining funds be invested in an endowment fund in a private institution to provide long-term support to the reserves. After an extensive consultation process carried out by CONANP, it was recommended that the Mexican Nature Conservation Fund (FMCN) be the recipient of the remaining funds (US\$ 16.48 million). A new entity within the FMCN, the Fund for Protected areas (FANP) was created to administer this grant. A description of the Operational Manual and Project Cycle are included in Annex 1 of this proposal.

Achievements

9. SINAP system. The partnership between the Government of Mexico and the international community (via the GEF project) has made it possible for SINAP to significantly improve the record of Mexico's conservation policy. Key areas of progress include staffing, budget allocations, and the number and coverage of areas under active protection (currently 36). The current fiscal budget for protected areas of US\$ 5,000,000 represents an increase of more than 1500% from the budget in 1994. In addition, SEMARNAP finalized negotiations this year for a further increase of US\$ 2,000,000 for salaries of technical staff. From 1994 to 1999, the number of protected areas has increased from 99 to 116, increasing their surface area from 10,580 million ha to 12,672 million ha, which represents an increase from 5.38 to 6.44% of national

territory. Within this same period, a total of 180 people have been hired by INE (no official, permanent staff was working in the reserves in 1994), which ensures that 10,325 million ha are under active protection. Management Programs have been published in ten reserves, nine will soon be published and 21 are under preparation. The experience gained in the development of methodologies for protected area management in the 10 areas supported by GEF has been applied to an additional 26 areas, and long-term institutional strengthening strategies have been undertaken in the entire SINAP.

10. GEF protected area program. Significant progress in the implementation of the GEF project has been achieved since the FANP mechanism began channeling funds to the reserves in January 1998. Since then the achievements include²:

- a) **Project cycle successfully executed.**
- b) **Timely disbursement for the FANP program.**
- c) **Endowment has provided sufficient resources for the program.**
- d) **Complementary support for protected areas.**
- e) **Monitoring and evaluation (M&E) system in place.**
- f) **Mechanisms of social participation in operation.**
- g) **FANP received highly positive evaluation during study on environmental funds.**

11. Institutional Arrangements. Since its establishment in 1996, CONANP has been designed as the maximum advisory body in the nation relative to protected area policy. In addition to its active participation in restructuring the GEF project and creating FANP, as well as reviewing the ideas presented in this proposal, CONANP has been involved in the following activities as an independent advisor to SEMARNAP:

- The revision of the General Law for Ecological Balance and Environmental Protection, as well as the development of the legal framework that has evolved around protected areas;
- The promotion of agreements with the private sector to finance protected areas;
- Negotiation with state governors to gather their support for protected areas and aid in the solution of land tenure conflicts;
- Establishment of criteria to integrate the SINAP;
- Review of the selection process for management positions in the reserves;
- Evaluation of the existing Coordination Unit for Protected areas within INE;
- Elaboration of the first set of by-laws for protected area regulation

12. Given the increasingly complex management, financial and governance issues involved in *in-situ* conservation, in June 1999 CONANP recommended the creation of a semi-autonomous National Commission on Protected Areas for future PA management. Following this recommendation, SEMARNAP has negotiated a technical assistance program with the Department for International Development (DFID) of the United Kingdom, which will finance a scoping study from September to December 1999. Specific products will include an institutional evaluation of SINAP; costing of the different options for decentralized management, based on both national and international experience; evaluation of the best option; and the business plan itself covering the legal and institutional framework, budget and revenue, and management and human resource issues. The total amount of DFID support for the study is £ 150,000 (US\$ 236,000 approx.) with counterpart funding to be provided by SEMARNAP.

13. The legal framework has been modified to provide more opportunities for civic participation in environmental management. With respect to protected areas, the General Law for Ecological Balance and Environmental Protection was modified to promote social participation in functions

² More detailed information on specific achievements is included in Annex 2

that the Government formerly exercised without any type of public consultation. These include the preparation and proclamation of decrees to establish protected areas; the preparation of official norms related to the environment; the establishment, administration and management of protected areas; and finally, the formulation and implementation of management programs for the reserves.

14. To help provide a comprehensive assessment of the performance of the GEF protected areas project in the broader context of Mexico's conservation policy, an independent evaluation of the project is programmed for the first quarter of 2000. Both the results of this exercise, and the outcome of the World Bank's mid-term review (scheduled for mid-2000) will be taken into account during preparation of the project proposed here.

Opportunities

15. Experience accumulated in the last decade suggests that favorable conditions exist for further consolidation of the Mexican protected areas and conservation system. These include promising avenues for fund raising, awareness raising, social participation, partnerships with NGO's, etc.
16. Fund Raising. In addition to direct budget negotiations, SEMARNAP is working with the Finance Ministry (SHCP) to establish an institutional basis for increased revenue for biodiversity conservation. Proposed elements in this strategy include entrance fees for protected areas, earmarked by SHCP for conservation; licensing fees for low-impact commercial use of protected areas (filming, use of logotypes); and registration of the protected areas as fiscal entities. Additional opportunities for debt-for-nature swaps and reductions are being explored in coordination with SHCP. A special sector program for reduction, including swaps, has been prepared by SHCP for the consideration of the Executive Branch, which would provide an institutional framework for these operations in the future.
17. There is great potential for the development of private sector market mechanisms based on environmental goods and services fees (water generation fees, carbon mitigation, etc.). Through the efforts of TNC and Pronatura, among others, some progress has been made in two FANP I sites, Calakmul and El Triunfo, and initial results indicate that there is significant potential for a new GEF investment to assist in leveraging additional public and private sector involvement in this area. GOM, with the assistance of the World Bank, is contributing through studies on methodologies for biodiversity valuation.
18. Both Pronatura, A.C., and Comunalidad A.C., two Mexican NGO, have made progress in designing a series of innovative mechanisms for land conservation related to environmental services such as water generation fees and carbon sequestration, as well as conservation easements. Project support from GEF will accelerate this process by mobilizing bi-lateral and private assistance.
19. Social Participation. SEMARNAP is breaking new ground in expanding opportunities for civic participation in environmental management (SEMARNAP, 1999). Significantly, INE has recently created a Direction-level Social Participation unit with UCANP, to design and implement strategies to increase social participation in conservation efforts. The first tasks include the carrying out of in-depth studies on Montes Azules and Ría Lagartos, to be financed by the central coordination of FANP and the WB. It is expected that the results of these social evaluations will be available in December 1999. Appropriate recommendations will be

incorporated in the annual operating plan of these reserves for 2000, and serve as input for the independent evaluation of FANP planned in January 2000.

20. Experience in protected areas has shown the need to further integrate the people living in the reserves with their environment. In addition to the efforts of SEMARNAP with UNDP's Capacity 21, FMCN has signed an agreement with Summit Foundation to support the links between population and environment in five protected areas on topics including reproductive health, gender, indigenous peoples and conservation. The results from these workshops will serve to elaborate a call for proposals, which is expected to lead to project selection in February 2000.
21. The Media. Although no precise statistics have been compiled, communication media have dramatically increased their coverage on protected areas in the country, and the number of requests for information from INE has increased. Most of the protected areas with active management are having an incidence on both formal and informal local education programs. Increased local-level capacity and federal support for expanded social participation have figured prominently in raising the level of public interest in Protected Areas.
22. Partnerships. Partnerships between local conservation organizations and protected areas have shown to increase the capacity for management and administration of the resources at reserve level. One of the principle objectives of FMCN is to improve local capacities of NGO's. In the past, organizations have been invited to receive training in logical framework, project design and administrative practices. In coordination with The Nature Conservancy and the Technological Institute in Monterrey (ITESM), the possibility to train these organizations through the virtual university that ITESM leads is being explored. This system will allow the staff of these organizations to be trained in the nearest urban center, as well as to have direct contact with a wide array of experts in different topics.
23. Monitoring and Evaluation. A monitoring and evaluation system is a key part of the design of any program. This system is usually costly and has to be factored in during project elaboration, however the advances made during FANP provide the basis for a monitoring system in additional areas, facilitating the process of obtaining baseline data. In coordination with the World Bank and CONABIO, terms of reference are being prepared by SEMARNAP for an integrated approach to information management in the protected areas, which will be used to provide feedback on how conservation and human resource policies, Management Plans and other instruments are impacting *in-situ* conservation.

Challenges

24. In the face of its significant achievement, and of promising opportunities, the Protected Areas program faces a number of important challenges, which justify the request for additional financing.
25. Coverage. The National System of Protected Areas (SINAP) includes 116 areas spanning the impressive diversity of Mexico's nature, at the ecosystems, landscape, species and genetic level. However, levels of actual enforcement of the protected status vary widely across the reserves in the system. It is estimated that currently 10,320,000 hectares are under adequate protected area management (or 80% of the total). In order to meet a long-term target of 13% of the national territory under protected status, an additional 15,000,000 hectares should be brought under active protection. Important efforts have already been undertaken to establish criteria for

guiding further upgrading of the protected area system. Based on a detailed priority building exercise undertaken by leading Mexican scientists under the auspices of INE, CONABIO and FMCN (see annex 4), a total of 23 protected areas have been identified as priorities to ensure adequate coverage of Mexico's arid, forest, mountain and coastal marine ecosystems.

26. Biodiversity Mainstreaming. While remarkable progress has been done in strengthening protected areas management, both at the central and at the reserve level, (with further progress to be achieved via the forthcoming reform of the reserves' central coordination), much remains to be done to mainstream biodiversity concerns into the design and operation of regular development programs taking place around (and in some cases, within) protected areas. For budget year 1999, a total of US\$ 950 million was programmed by various agencies in the federal government to promote basic development activities in Mexico's poorest regions. The potential of re-orienting even small fractions of these resources towards mitigation of the root causes of biodiversity loss is enormous. There are agreements signed between Social Development (SEDESOL), Defense (SEDENA), Agriculture and Livestock (SAGAR), Communications and Transport (SCT) and the Public Education Ministries which have been used successfully in Chiapas to identify common goals and rational investments in and around protected areas. In the field, several reserve directors are taking the lead in promoting coordination between reserve management and regular development programs. However, those efforts need to be up-scaled, systematized and institutionalized in order to make a lasting difference, and the proposed project will be used to identify best and most efficient practices to achieve better coordination both at central and *in-situ* levels.
27. Community integration. The vast majority (some 85%) of land under protected status in Mexico is owned by *ejidos* or is under other forms of private or collective ownership. The full engagement of these groups is key for protected area management to be both effective and equitable. The establishment of CTA is a first crucial step in that direction; but there is further important work to be done to consolidate partnerships between government agencies and community groups for better management of natural resources in and around protected areas. The unfinished agenda includes improving the linkages between CTAs and ordinary community participation and decision making mechanisms, enhancing consensus building processes between reserves staff and CTAs, strengthening CTAs' capacity to exert legitimate influence in other development planning fora with a bearing onto protected areas.
28. The government is already taking action to address these issues. A recent SEMARNAP report on the institutional experience of social participation, including both CONANP and the TACs (SEMARNAP 1999) has identified the need for the TACs to ensure that information is transferred from community representatives to their respective organizations. To strengthen social participation at the local level, INE is presently conducting an evaluation of the existing 27 TACs. Recommendations to improve this mechanism for social participation will emerge from this study and will be incorporated in the future annual operating plans of the reserves, as well as in the SINAP strategy.
29. Indigenous groups. Much of Mexico's biological diversity and natural wealth is found in areas of high poverty and marginalization, often coinciding with the presence of one of the more than 50 ethnic groups found in the country. The TACs of several reserves (such as Montes Azules, Calakmul, Los Tuxtlas and Mariposa Monarca) with presence of indigenous communities actively promote the informed participation of these groups through specially designed training courses and planning workshops. At the federal level, there is active participation from the

social and indigenous sectors in the CONANP. SEMARNAP and FMCN are exploring expanded opportunities for active participation at the local level through the social evaluations to be carried out in a total of 7 reserves. The preparation of five Indigenous People Development Plans (IPDPs) in the existing GEF project has helped promote a programmatic approach to the treatment of indigenous issues. However, IPDP implementation and the experience of some CTA suggest that more can be done by further integrating and streamlining indigenous issues into regular reserve management program operation. Through the outreach strategy to be developed during project preparation, efforts will be made to engage social development agencies –both public and private- in sharing conservation goals at the reserve level.

30. This proposal intends to build on the achievements of the existing program to broaden the coverage of Mexico's protected areas program, and strengthen its ability to tackle the social and institutional challenges to conservation and sustainable use of biodiversity.

Lessons learned

31. INE has developed institutional capacity for on-site protection of biological diversity, in a manner consistent with the original and restructured project goals. The experience gained in the development of methodologies for protected area management in the 10 areas supported by GEF has been applied to an additional 26 areas, and long-term institutional strengthening strategies have been undertaken in the entire SINAP. *In-situ* protection has greatly reduced the pressures and threats on key ecosystems represented in the SINAP. Before the existence of full time staff in the field, very isolated efforts were made to include local communities in conservation efforts. Further advances in *in-situ* human resource development will be accompanied by decentralization of relevant environmental management tools and increased opportunities for inter-agency coordination in the protected areas.
32. Fundraising efforts for protected areas have shown the need to combine both sinking and endowment funds. While endowment funds are essential to provide the basis for permanent management in the areas, sinking funds are important to address specific needs, such as improvement of infrastructure, studies on land tenure issues, and development of fundraising strategies. Most donors prefer to invest in projects based on sinking funds, given their more immediate results, but it is expected that as they become familiar with the national strategy and the FANP program, contributions to the endowment will increase.

Project objectives and components

33. Mission: to consolidate the conservation and sustainable use of biodiversity in protected areas in Mexico.

Objectives:

1. to conserve biodiversity in selected protected areas within SINAP;
 2. to strengthen social capital for *in-situ* conservation.
 3. to promote and implement sustainable productive processes in the reserves' buffer zones in collaboration with the communities and stakeholders;
 4. to create policies and long-term financial mechanisms that mainstream inter-agency coordination for *in-situ* conservation to help address the root causes of biodiversity loss
34. Modality of Implementation: the project will follow the World Bank's Adaptable Program of Lending (APL) framework, and will be implemented in two phases of five years each. Tentative

phasing arrangements will be as follows: under the first phase, ten new protected areas will be included in the project. Subject to satisfactory performance in the first phase (according to pre-determined trigger indicators), 15 additional areas will become eligible for financing in phase two.

35. Four components have been identified for the consolidation of the Protected areas program in Mexico:

1. **Reserve conservation programs:** based on the experience gathered from FANP, it is important to extend the support for basic management in those priority protected areas in which the Mexican Government has already established a core staff and minimum operation support. This entails the expansion of the FANP to new reserves. Some 25 reserves have been determined as priority (23 already identified, see Annex 4, plus two areas in dry forests ecosystem to be specified). These are considered as prime candidates for funding under the proposed project. The final number of new reserves to be included in the program will be determined during preparation, taking into account criteria of financing needs, absorptive capacity and fit with national conservation strategies.

a) **Permanent endowment for protected areas:** this sub component entails the expansion of the FANP endowment to cover the new reserves, strengthening the current structure as needed. Under the direction of the CTFANP, FANP's activities will continue to cover the financial, administrative, and technical oversight of the program according to the project cycle and guidelines contained in the Operational Manual. Fundraising activities will continue to increase the support for protected areas from other sources. Based on current project experience, a US\$ 1.6 million endowment per reserve is needed for adequate long-term conservation.

b) **Increased knowledge on protected areas:** The data and knowledge derived from research is of great importance for Protected Area management, providing baseline indicators for monitoring and evaluation of the general conditions of the PAs as well as for the detection of threats. Research also permits a better understanding of complex ecological functions such as water quality, rain or soil pH, temperature, soil depth, etc., which are essential elements for any valuation of ecological goods and services. National research in PAs is far from being comprehensive, which may result in underestimates of the country's total biodiversity.

c) **Monitoring and Evaluation System:** A monitoring and evaluation system will be developed to strengthen capacity at the reserve level in information management and to document project development. These efforts will be compatible with the activities being carried out by SEMARNAP's General Direction for Information in the development of regional information systems and the Information Systems for Environmental Management (SIGAs) such as those for the Lancandón and Pátzcuaro regions.

2. **Central coordination programs:**

a) **Expansion of the central coordination activities:** These activities will continue to center on overseeing the monitoring systems implemented in the program, strengthening mechanisms for social participation in the areas, training both personnel in the areas and TACs through workshops and technical assistance, and increasing inter-agency government coordination. National coordination of project planning, contracting, procurement and independent evaluation of project implementation will be conducted by the central coordination as needed.

b) **Social Participation in the protected areas program:** Existing mechanisms for social participation in *in-situ* conservation will be strengthened. TACs will be strengthened through the technical assistance program under preparation with UNDP-Capacity 21, with emphasis on increasing their ability to function as efficient and inclusive participatory fora for sustainable

natural resource conservation and use over the long-term. Explicit information-sharing mechanisms between the TACs and the CONANP will be developed and strengthened, and additional forms of social participation for *in-situ* conservation efforts will be explored during preparation and strengthened through the project. Environmental education programs already under implementation will be reviewed and recommendations will be taken into account to increase their efficacy. Specific efforts will be made to incorporate local knowledge and practices in reserve conservation planning exercises, and comprehensive training courses will be devised to accompany the new institutional arrangements currently being implemented by INE.

3. Institutional Strengthening

a) **Government institutional strengthening:** Streamlining and decentralization of the unit in charge of the protected areas within SEMARNAP will require solid design and resolute implementation. The design, with the aid of DFID, will include new revenue-generating activities, consolidation of a professional career path in protected areas, improved coordination with other government entities in support of the objectives of the protected areas at the local level, and increased social participation. Likewise, the design of a professional civil service for SINAP would ensure the constant improvement of its human resources. Given the rates of natural habitat destruction in the country, priority is assigned to developing practices and incentives to attract and retain the most qualified professionals for the conservation of protected areas

b) **NGO institutional strengthening:** A key issue for successful *in-situ* conservation efforts over the long-term is the strengthening of local conservation organizations. Due to their complementary capacities, a combination of efforts is necessary to strengthen both the managerial and financial capacities of these organizations. The current programs being executed by Pronatura, FMCN, The Nature Conservancy, and WWF will be reinforced to increase their potential and effectiveness, together with the identification and development of expanded opportunities for cooperation and co-responsibility with the protected area management units. The Nature Conservancy and the Technological Institute of Monterrey (ITESM) are collaborating to explore the implementation of NGO management courses via the Virtual University run by ITESM. PACT, a US-based NGO specialized in institutional strengthening and capacity-building programs, is offering its experience in the design and implementation of comprehensive institutional strengthening programs.

c) **Consolidation of CONANP:** CONANP functions need to be strengthened within the framework of a new decentralized entity for protected area management, particularly in the area of reaching consensus on policies in diverse sectors, providing qualified expert advice and the formal incorporation of communication mechanisms between CONANP and the TACs.

4. Mainstreaming Conservation and Sustainable Use policies

a) **Interagency coordination:** Significant advances have been made in mainstreaming public policies and investments in 24 priority regions through the formal coordination mechanism established between SEMARNAP, SAGAR, SEDESOL, SSA, SRA, SEP SECOFI y SCT, however a long-term, multi-level approach that respects institutional mandates is needed to consolidate these efforts. Under the proposed project, increased inter-agency coordination and planning will be sought in and around the PA included in the strategy, with a view to establish partnership and cooperation arrangements at the reserve level, which could catalyze baseline development programs and activities towards sustainable use practices in the buffer and influence zones of the reserves. Special efforts will be made to identify activities financed under the Bank portfolio in support of reserve conservation efforts. Specifically, advances made under the Mesoamerican Biological Corridor Project in mainstreaming activities that are

compatible with *in-situ* conservation will be evaluated and incorporated during implementation of the present project proposal.

b) **Consolidation of the national conservation strategy:** Following the example of the National Strategy for Biological Diversity, a comprehensive outreach program will be devised for the dissemination of Management Plans, identifying key constituencies (in addition to the TACs) and decision makers at all levels of government that may have an impact on conservation programs. Based on the results of the program, the option will be explored of engaging diverse agencies in accompanying the conservation programs with linked activities and/or policies. It is expected that GEF incremental cost resources for *in-situ* conservation will have a consolidating effect on investments made in the reserves.

Baseline and GEF role

36. Analysis conducted by SEMARNAP show that the average cost for conservation of one hectare in Mexico ranges between US\$ 0.60 and US\$ 5.3 at present levels. In contrast, restoration of one degraded hectare can reach averages of US \$160. Ensuring sustainable use, as expected, has costs that lie in between. SEMARNAP has designed a series of programs directed towards conservation, sustainable use and ecological restoration in protected areas, forests, commercial plantations and ecologically friendly production units.
37. Based on these trends, SEMARNAP has established priorities in conservation and sustainable use, which translate into a long-term target of 98 million ha under a combination of protected status and sustained use. Based on current levels of support for protected area conservation – inclusion of approximately 630,000 hectares/year of ecologically relevant sites into the SINAP – a total of 16,000,000 hectares would be under protection by 2010, or 62% of the long-term goal of protected area surface (26,000,000 hectares).
38. The support from GEF directed to 25 additional reserves will accelerate this process significantly. Through FANP, GEF is currently ensuring permanent *in-situ* protection of 4,607,153 ha in partnership with SEMARNAP. A preliminary selection of the 25 additional protected areas indicates that the requested GEF support would protect an additional 4.5 million ha. Together with support from GOM and additional resources, the potential total of 9.1 million ha would mean permanent, *in-situ* protection in 72% of the surface area currently under decree.
39. The GEF support for 4,607,153 ha has mobilized federal resource allocations that allow GOM to provide *in-situ* protection in a total of 10,320,000 ha, representing a leveraging factor of nearly 2.25. A similar effect is expected under the proposed project, with the combination of resources from GOM, its civil society partners, and non-GEF international support. This increase in protection over the next ten years would come close to providing protection for 80% of the long-term goal of 26,000,000 ha (13% of national territory), consistent with IUCN recommendations.

Estimated financial plan

40. An iterative approach to the financing and implementation of the consolidation program will be adopted. The support to the additional 25 reserves over 10 years will proceed in phases according to secured counterpart funding and triggering indicators. Project preparation will identify sources and amounts of contributions to the project. At present, it is expected that the total project costs will amount to US\$ 120.3 million.

41. The financial plan includes a mix of endowment, sinking and parallel funds. An additional US\$ 45 million would be transferred to the existing endowment fund (US\$ 16.5 million), with US\$ 22.5 million to be provided by the GOM, and US\$ 22.5 million requested from the GEF.
42. In addition to increasing the endowment fund, the project will finance normal disbursements during the project's duration. It is expected that GOM will contribute to those expenditure for about US\$ 50 million.
43. The private sector is currently supporting the consolidation of protected areas with a US\$ 7 million commitment directed to reserve conservation programs. Bilateral funding is estimated to amount to US\$ 0.8 million, with US\$ 0.5 million to be directed to reserve conservation programs (EU), and US\$ 0.3 million will support GOM institutional strengthening (DFID).
44. The following is a provisional estimate of the project's financial plan for both phases, which will be further defined during preparation. Apportioning of total project costs to phases is expected to be proportional to the number of protected areas to be included in each phase, allowing for some front-loading of costs related to system-wide improvements, and to phase 2 preparation. Annex 3 provides additional information on initial cost estimates adopted.

Provisional financing plan (US\$ million, phases 1& 2)

	SEMARNAP / INE	GEF	Private Sector	Bilateral	Total
Reserve conservation	34.0	22.5	7.0	0.5	64.0
Central coordination programs	3.5	4.8			8.3
Institutional strengthening	15.0	0.2		0.3	15.5
Mainstreaming	20.0	12.5			32.5
Total	72.5	40.0	7.0	0.8	120.3

Eligibility

45. Mexico ratified the Convention on Biological Diversity on March 11, 1993. The proposed project is consistent with GEF Operational Strategy, supporting long-term protection of globally important ecosystems. With respect to GEF operational programs, the project will directly address program N°1 (arid and semi-arid ecosystems), operational program N°2 (Coastal, marine and freshwater ecosystems) operational program N°3 (Forestry ecosystems), and operational program N°4 (mountain ecosystems). The estimated surface addressed per program according to a preliminary selection of protected areas is outlined in the table contained in Annex 4. The project outputs will include increased protection for protected areas, alleviation of demographic and economic pressure, sustainable use, poverty alleviation, institutional strengthening for conservation and sustainable development, and integrated community development, including indigenous communities located in or around the protected areas.

Coordination with other Implementing Agencies

46. The program will have a positive and consolidating effect on the regional effort of the Mesoamerican Biological Corridor (MBC) currently being supported by UNEP, by reinforcing the chain of Protected Areas to be connected via biological corridors, and by strengthening the capacity of civil society and communities in the buffer zones for *in-situ* conservation. With respect to the national component of the MBC under Block B execution with the World Bank,

the proposed project will complement proposed corridor activities, through the strengthening of existing Protected Areas, particularly in the states of Chiapas and Tabasco. More effective conservation in Protected Areas validates and accompanies the proposed processes in biological corridors, both in conservation *in situ* of globally important biodiversity, as well as in increased community capacity for biodiversity protection and sustainable use.

47. Monitoring and evaluation activities will be linked to activities in execution supporting the consolidation of protected area systems in Latin America and the Caribbean. Advances made in the development of M&E methodologies through cooperation with PNUMA, OECD and DFID will be evaluated and included in the project when feasible.

<i>GEF – Biodiversity</i>
Protected Areas Program (FANP-WB-under execution)
Indigenous Community Reserves (WB-Block B under implementation)
El Triunfo Biodiversity Conservation through shade-grown coffee (WB-MSP under implementation)
Mesoamerican Barrier Reef (regional project) (WB-PDF Block B under implementation)
Mesoamerican Biological Corridor (WB-PDF Block B under implementation)
Sierra Gorda Conservation project (UNDP-MSP under preparation, Reserve may be excluded from present proposal)
Biodiversity conservation and Sustainable Use in Priority Areas (UNDP-PDF Block B under implementation)
Sustainable Development in the Pantanos de Centla biosphere reserve (UNDP-MSP under preparation, Reserve may be excluded from present proposal))
Sustainable Community Resource Management in the Mayan Mazehual Region of Quintana Roo (UNDP-MSP under preparation)
Private Lands Management (WB-PDF Block A under implementation)
Sea of Cortéz Biodiversity Project (WB-MSP under preparation)

National level support

48. Financial support for protected areas is a clear part of the national strategy for biodiversity conservation, which is derived from the Convention on Biological Diversity. The Executive of the Nation has responded to the ratification of this international commitment with the 1995-2000 Environmental Program, which forms part of the National Development Plan. Parallel to these efforts, SEMARNAP has implemented a series of programs, as stated above, that supports the objectives of the national strategy. One of these programs is the strengthening of protected areas.

49. The consolidation of the Protected Areas Program is the product of a broad participatory process. At the local level, CTAs have contributed to the establishment and operation of the programs, with the strong support of *in-situ* reserve personnel. At the program level, CTFANP has assigned a high level of commitment and priority to continued program strengthening. At the national level CONANP has generated a significant number of program initiatives and both CONANP as well as *in-situ* personnel have been briefed on this proposal, and their feedback has been duly incorporated.

Justification of PDF grant

50. The PDF grant will finance preparation of a project that will have the global benefit of protecting unique biodiversity and ecosystems ranging from the Neartic region to the Neotropical zone in Mexico. The consolidation of the protected areas program in Mexico has full support of Mexican society, which has been involved in the initial definition of the areas to be supported under an expanded endowment fund. Validation of the selection process, social assessments in the reserves to be supported, a social participation strategy, a needs analysis,

baseline information and incremental cost definition are required to complete project preparation. The Block B PDF grant, together with support from GOM, the FMCN, the MacArthur Foundation and other agencies will finance preparation of the project including all project components.

Preparation activities already commenced

51. Several activities in support of the consolidation of the protected areas program have already been undertaken, which are detailed in Annex 4.

PDF activities

52. The following preparatory activities are considered necessary within the four components of the project:

1. **Reserve conservation programs:** four activities are planned (US\$ 230,000 from GEF, US\$ 40,000 from the Mexican Government, US\$ 45,000 from MacArthur Foundation, and US\$ 5,000 from FMCN, \$30,000 from World Bank – to be confirmed):

a) Social assessments of the first ten reserves identified for the proposal. Assessments will address the following issues:

- Stakeholder analysis
- Exogenous (market conditions, political context) and endogenous (social and cultural cohesion, local institutions, etc.) factors will be identified that determine stakeholders' use of natural resources in the reserves.
- What activities could promote sustainability in stakeholders' use of natural resources in the reserves.

This information will be used ensure that specific actions in each reserve respect local customs and promote social participation and conservation techniques consistent with existing traditions. It is expected that each social assessment will cost an average of US\$ 20,000, so that US\$ 200,000 will be required, as well as an additional US\$ 20,000 for the integration of the ten assessments. A total of US\$ 170,000 is requested from GEF for this activity. In addition, GOM is directing US\$ 20,000 to assess the majority of the TACs as mechanisms for social participation, and to oversee the social diagnoses conducted in FANP reserves through an independent consultant, which will provide input for the new project. US\$ 30,000 from the World Bank via Social Compact funds are also allocated to this activity (to be confirmed).

b) Identification of the 13 additional reserves to be supported by the project: based on the framework and results provided by the workshop, the criteria will be analyzed quantitatively, and selection will be verified against GEF criteria. Academics have already been contacted for this exercise, which will provide transparency for prioritization of protected areas. This study will imply strengthening of the GIS facilities at INE to produce maps and superimpose databases. Through meetings of a technical committee composed by social and natural scientists, the selection methodology provided by the participatory workshop will be enriched by the latest quantitative data available. US\$ 20,000 are requested from GEF to provide the tools for this analysis for the GIS unit at INE and to carry out the workshops with experts. The estimated contribution from the Mexican Government, which will provide the services of a GIS technician and the existing facilities, amounts to US\$ 20,000. FMCN estimates that it will provide US\$ 10,000 from resources provided by the MacArthur Foundation to acquire equipment and US\$ 5,000 from its own funds to produce a document that compiles the information on the selection procedure. A methodology to determine trigger indicators to support reserves with GEF funds (iterative approach), as well as the establishment of a five-year phased financial plan needs to be

developed based on the information provided by the existing funding sources and identified needs for each area. US\$ 5,000 is required from GEF for this methodology, while US\$ 5,000 will be provided by MacArthur through FMCN. Based on the information provided by the analysis of the existing support in each area, a consultant will be hired to conduct an incremental cost analysis to determine the support needed to ensure global benefits through the project. US\$ 5,000 is requested from GEF to hire this consultant

- c) Coordination of PDF activities, as well as the integration of the final proposal will require strengthening of personnel at FANP and INE. Traveling expenses and hiring of consultants will be necessary, as well as the design of a communication strategy for stakeholders involved in project preparation. US\$ 30,000 are required from GEF, MacArthur funds will contribute with additional US\$ 30,000.

2. **Central coordination programs:**

- a) Training program on the planning methodology for reserve personnel. (US\$ 40,000 from GEF, US\$ 10,000 from the Mexican Government, US\$ 10,000 from MacArthur). Once familiar with the methodology, it is important to define the indicators at the reserve level. Baseline data for these indicators and those that correspond to the program level need to be obtained. US\$ 40,000 is requested from GEF; the Mexican Government will provide approximately US\$ 10,000 of staff/hours to search for available data; and FMCN will provide approximately US\$ 10,000 from MacArthur Foundation funds. GEF and MacArthur funds will be used for the workshops with the personnel and to obtain baseline data (hiring of academics to obtain and analyze satellite images, definition of indicator species and their frequency of observation, number of people involved in sustainable projects, rates of deforestation).

- b) Project Management Information System. (US\$ 10,000 from GEF, US\$ 60,000 from bilateral trust funds, to be confirmed.) The PMIS would facilitate the effective and efficient administration and management of the program at the central level and at the reserve level. Project management will be streamlined by organizing many of the administrative functions into five project management modules (communications, finances, monitoring, planning, and evaluation).

3. **Institutional Strengthening**

- a) Government institutional strengthening (US\$ 35,000 from the Mexican Government, US\$ 236,000 from DFID): The design and implementation of a decentralized organism within the Mexican Government to manage the protected areas is currently underway. DFID will support a scoping study to develop an institutional evaluation of SINAP; costing of the different options for decentralized management, based on both national and international experience; evaluation of the best option; and the business plan itself covering the legal and institutional framework, budget and revenue, and management and human resource issues. GOM will provide the equivalent of US\$ 35,000 in infrastructure and personnel for the preparation of the scoping study.

- b) NGO institutional strengthening (US\$ 20,000 from MacArthur funds channeled through FMCN) has been identified as a key element to ensure the successful expansion of the program. FMCN institutional strengthening efforts will focus on stimulating and supporting the development of a sustained learning program through which organizations and individuals active in the protected areas will have access to a wide range of materials and training opportunities. The FMCN institutional strengthening initiative will seek to bring organizations and specialists together, creating cohorts or learning groups, so that best practices can be identified and shared. The initiative will promote the development of “standards of excellence”

through which organizations can benchmark their core capacities against those of similar peer organizations.

c) Consolidation of CONANP (US\$ 5,000 provided by the Mexican Government): through regular CONANP meetings and dedicated time of senior staff at SEMARNAP, the most appropriate role for CONANP within the new decentralized structure will be defined. An institutional charter has been elaborated which ensures continuity in the mandate of the CONANP while providing transparent procedures for Council member election and rotation.

4. Mainstreaming Biodiversity Conservation and Sustainable Use policies:

(US\$ 70,000 requested from GEF, US\$ 30,000 provided by SEMARNAP). Consultation and studies will be conducted in a sample of reserves to answer the following question:

- a) What are the social and economic root causes of biodiversity loss in the reserves;
- b) What existing government programs offer the potential, if suitable coordinated with the reserve management, to mitigate those causes;
- c) What activities would need to be carried out to produce the desired coordination;
- d) What would be the appropriate planning forum to generate consensus on the proposed coordination;
- e) What change would need to be made in the *modus operandi* of the programs.
- f) What mechanisms could be established at the reserve level to promote coordinated execution of government programs consistent with the reserves' conservation objectives.

A study to identify all of the projects in other federal and state agencies will be undertaken so that SEMARNAP can fully identify the specific actors with whom it needs to work both at the central and the protected area level. Second, through workshops and direct consultation, current and former experiences on mainstreaming in protected areas will be gathered and reviewed, with relevant information to be compiled as a strategy for SEMARNAP. This will include designing specific mainstreaming strategies for each protected area, taking into consideration local interactions and dynamics. Additionally, a high-level Seminar on Biodiversity and Protected Areas will be planned at this phase directed to top Mexican authorities in the executive and legislative branch. The main objective will be to underline the importance of biodiversity and protected areas and its relationship to economics, finance and the future of the country. Parallel seminars will be held with local officials and active participation of the directors of protected areas. One element which is essential for mainstreaming efforts is the dissemination of the Management Plans which specify the uses and zoning of each protected area. Interagency coordination will be expanded to include several pilot reserves in the SINAP through the formal coordination mechanism established between SEMARNAP, SAGAR, SEDESOL, SSA, SRA, SEP SECOFI y SCT. Special emphasis will be placed on planning issues for local-level expenditures on sustainable use projects in the buffer zones and the implementation of pilot contracts for environmental goods and services. Links between conservation and other policies will be explored, with recommendations to be incorporated into project integration. A dissemination strategy for management plans will be developed in order to engage key sectors and decision-makers in the long-term conservation process.

Budget

50. Total preparation costs are estimated to be US\$ 876,000, with US\$ 350,000 requested from GEF. Contributions by GOM and FMCN have been secured. The funds from MacArthur have already been granted for the fundraising campaign for the FMCN. The specific use as presented in this proposal is being reported for its authorization. The contributions by component are summarized as follows in thousands of US\$:

Components	GEF	GOM	MacArthur	FMCN	WB (to be confirmed)	Bilateral trust funds (to be confirmed)	DFID	Total
Reserve conservation programs	230	40	45	5	30			350
Central coordination programs	50	10	10			60		130
Institutional Strengthening		40	20				236	296
Mainstreaming Conservation Policy	70	30						100
Total	350	120	75	5	30	60	236	876

Expected Outputs

51. The following outputs will be delivered according to the project components:

a) Reserve conservation programs:

- Social assessments in the 10 reserves to be initially supported by GEF
- Social participation strategy
- Validation of the methodology used to select subsequent protected areas for project support
- Elaboration of phased implementation strategy, with identification of trigger indicators
- Evaluation of investment performance of endowment and recommendations
- Final incremental costs assessment
- Final project proposal

b) Central coordination programs:

- Definition of the monitoring and evaluation system of each area, and identification of program and reserve baseline data
- Establishment of a Program Management Information System

c) Institutional Strengthening:

- Analysis of SINAP operation and management
- Evaluation of INE Liaison Office
- Design of decentralized structure and recommendations and follow-up for implementation
- Design of strategy and initial implementation for NGO strengthening
- Design of the integration of the new decentralized structure

d) Mainstreaming Conservation and Sustainable Use Policies

- Identification of links between conservation policies and other policy instruments in diverse sectors aimed at sustainable natural resource use.
- Action plan for biodiversity mainstreaming in 2 pilot Protected Areas based on formal inter-agency coordination mechanisms
- Strategy for program-wide coordination between conservation and development programs in and around protected areas
- Identification of options for the implementation of the project's mainstreaming component
- Strategy for dissemination of Management Programs to key sectors and decision-makers at all levels of government

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Annex 1 FANP Administrative Structure and Project Cycle

Within the FMCN an administrative component was established to ensure an efficient flow of funds to the reserves, oversee the budget and project cycle, serve as a link between the reserves and the WB, report to the WB on project progress and raise additional funds for the reserves. This unit reports at least every four months to the Technical Committee for the Fund for Protected areas (CTFANP) within the FMCN, which is composed of representatives appointed by the CONANP from the public, private, conservation, social and academic sectors. This counseling body is responsible for the overall management of the funds. The CTFANP, in turn, reports to the board of the FMCN.

According to the program spending rules, between 75% and 82% of the yearly interests of the endowment are channeled to the reserve annual operating plans, while between 9% and 12% percent each are allocated to the central coordination and FANP administration. A professional investment firm (Smith Barney Salomon), selected according to WB procedures (also known as the financial agent), manages the endowment. An independent financial consultant oversees that the financial agent follows the investment guidelines agreed with WB. Additional operating funds (up to 27%) are obtained through the purchase of Mexican public debt (the "swap" program) and local management (7%).

The project cycle begins in July, when the CTFANP assigns the following year's budget to the 12 components of the program (ten reserves, the central coordination, and FANP administration), according to investment performance, program spending rules and a methodology to determine allocation among reserves. Each component of the program prepares its annual operating plan. Once the plans from the reserves are approved by INE, the plan of the central coordination and the FANP administration are added, so that all plans can be simultaneously reviewed by CTFANP and WB. The comments of the latter two are incorporated into an overall Annual Spending Plan and Consolidated Budget. Once CTFANP and WB grant approval is granted, the Plan is submitted to the FMCN board in December. The financial agent requires specific authorization from the WB to the Annual Spending Plan and Consolidated Budget to release the funds. Disbursements to the reserves take place every four months, once FANP administration and the central coordination have approved the monthly reports on expenses and tri-annual technical reports.

The design of the FANP within the FMCN required a restructuring of the original GEF project (World Bank 1997). An Operational Manual reflecting the new structure, procedures and responsibilities was prepared. Within the FANP program a central coordinating unit within the INE was created to:

- implement a monitoring program to measure the impact of the project;
- develop a training program for the personnel at the reserves;
- serve as a link between the INE, the FMCN, and other agencies;
- respond to generalized needs from the reserves.

Annex 2
Detailed information on achievements

Project cycle successfully executed. The project cycle described in the Operational Manual has been successfully executed for a year and a half. Reports have been submitted on time, annual operating plans have been prepared according to schedule, and both CTFANP and CONANP have met at least four times per year. Compliance with the project cycle has required training of the reserve personnel and the TACs through workshops covering aspects ranging from administration, project planning and conflict resolution. The challenge remains to continue the development of a career path for the personnel working in the areas to improve the available human resources and provide continuity to *in-situ* conservation in Mexico.

Timely disbursement for the FANP program. Disbursements in the program amounted to US\$ 1.56 million dollars in 1998 and US\$ 1.67 million dollars in 1999. While the core staff (five people per reserve) is supported by GOM budget allocations, complementary personnel (on average fifteen people per reserve) have been hired with full benefits. Accounting and hiring has gradually been passed to local NGOs (non-governmental organizations), which promotes the forming of partnerships with the reserves. The Emergency Fund within the program has disbursed needed resources in a matter of hours. In 1998, US\$ 60,000 was channeled to attend 12 emergencies, while US\$ 10,000 has been directed to three emergencies during the first semester of 1999³. Timely disbursement allows for better planning and spending programs within the reserves. Three reserves have already set in place local mechanisms to raise funds, based on ecotourism and soft credits to communities for sustainable projects. One of the important challenges ahead is to increase these fundraising mechanisms, so that reserves can attain self-sufficiency in their administrative costs.

Asset management has provided sufficient resources for the program. The earnings since inception of the endowment have been US\$ 3,237,415 (through May 1999), corresponding to a 19.6% total yield. The average annual yield has been 10.7%. No capital invasion was needed to offset the mid-1997 inception date. The investment strategy for 1999 has been adjusted to a more conservative position following the recommendations of the financial agent.

Complementary support for protected areas. As an institutional priority, the FMCN has focused its fundraising strategy on increasing support for protected areas. Since the creation of the FANP, a total of US\$ 9.3 million has already been committed to protected areas by bilateral donors (Spanish Agency for International Cooperation (AECI), USAID, The Nature Conservancy, a U.S. power utility, National Fish and Wildlife Service and the FMCN) through signed agreements. Additionally, technical missions of the European Commission have recommended approval for a \$1,000,000 Euro proposal for two regions (Sierra de Alamos and Yum Balám), and the Interior Ministry has shown interest in raising US\$ 1.6 million to set up a fund for the Sierra de los Ajos-San Pedro reserve. After gaining their initial trust through the responsible

³ Preliminary statistics show that this immediate response, together with competent teams in the field, have resulted in a significant reduction of surface area affected per fire than in years prior to the existence of the FANP. As a result of experience, the bilateral agreement signed between Mexico and the United States on fire prevention and restoration is being partially implemented through the FMCN

management of donations in sinking funds, it is expected that donor contributions to the endowment fund will gradually increase.

Monitoring and evaluation (M&E) system in place. A M&E system has been designed and established in the ten protected areas in the program and is being implemented in additional areas in the country (replication effect). The planning methodology and logical framework for the entire program was designed through a participative process with stakeholders and representatives of all sectors of Mexican society. This framework contains both performance and impact indicators, and is supported by inputs developed by each reserve through regional workshops, in which the personnel of each area participated. The baseline data both for the program and the reserve frameworks has been determined. The challenge ahead consists of standardizing methods for data collection in the field, and turning this monitoring system into a useful management tool for all stakeholders in the program.

Mechanisms of social participation in operation. Three different fora at the local, program and national level ensure that all sectors of society participate on a permanent basis in the program. At the local level, TACs have been established in the ten protected areas included in the program, . This initial process has had a replication effect in 17 additional reserves. Targeted training programs coordinated with INE have prepared personnel in the reserves in conflict resolution and social participation. TACs meet at least three times per year and in many reserves subcommittees by region or productive sector have been established. The documented participation of the TAC members in the elaboration of the annual operating plans is a condition for access to annual funding. Additionally, CTFANP and CONANP meet at least three times per year.

Positive evaluation during study on environmental funds. The FMCN was selected as part of a worldwide study conducted by GEF on 13 environmental funds. Among the funds reviewed, the FMCN was recognized as outstanding for the following factors (as described in GEF Lessons Notes 7):

Structures within the FMCN (both the committees and board) that encompass all sectors in the Mexican society;

Development and strict application of fair and transparent procedures for the grants program and the protected areas program;

Promotion of targeted partnerships with other conservation and sustainable use organizations, taking advantage of specific institutional strengths;

Results-oriented program objectives that benefit from lessons learned;

Technical and financial support from the Mexican Government, important organizations and international donors.

Annex 3

Justification of GEF Finance Plan

Based on the needs analysis of the new areas to be included in the project, an accurate itemization of the reserve conservation component will be provided with more detail. The Mexican Government and other organizations will channel funds to the development of Management Programs, core staff, some basic operating costs and the establishment and operation of Technical Advisory Councils. Sinking funds will thus be channeled to cover basic infrastructure, equipment, and other operating costs, especially initial investments. Based on previous experience, each natural protected area will require on average US \$138,400 during the first year:

Type of expense	Yearly amount (US dollars)
Basic operation costs (rent, electricity, telephone, office supplies)	\$ 12,000
Complementary personnel	\$ 35,700
3 computers (modem, network, software licenses)	\$ 10,000
1 printer	\$ 400
1 fax	\$ 200
3 telephone machines	\$ 100
Furniture	\$ 15,000
Field station	\$ 38,000
Field equipment (radios, solar cells)	\$ 12,730
NGO accounting & hiring	\$ 14,270
Total	\$138,400

Although significant variation is expected between areas, on average US \$138,400 x 25 reserves = US\$ 3,460,000 will be required to bring the 25 reserves to the level required to operate under the current FNPA program.

It is important that both the administration of the endowment fund and the central coordination are prepared to operate the expansion of their respective programs before funds are channeled to the reserves. Hence, it is expected that the costs of the establishment and operation of these two components, including four months of operation in addition to the first year, will amount to US \$340,000. The early start will allow recruiting and training of required personnel, acquisition of equipment and office space.

Based on the experience of the FANP, a solid monitoring and evaluation scheme is necessary to measure progress through time and have a reliable feedback source to redirect activities. Preparation activities will aid in the design of the monitoring scheme and development of specific indicators for each reserve, as well as in obtaining the baseline data. Once the support for the additional 25 areas starts, it is important to have a database in place to systematically classify the data gathered and make it available to donors, stakeholders and the general public through Internet. Once running, the central coordination could be in charge of overseeing its operation, as well as obtaining additional funds to insure its long-term service and update. Additionally, extensive training is required for in-situ personnel, and a system to

professionally analyze the data needs to be established. Establishing this initial database, personnel training, establishing standardized methods for data collection and a system to analyze data systematically will cost an estimated US\$ 200,000.

Endowment fund:

FANP started with a fund of US \$16,480,080 to cover over the long-term basic operation costs in conservation, projects on sustainable use and capacity-building of ten reserves. Assuming that 25 new protected areas will be included in the system, an additional US\$ 40,000,000 will be needed in the endowment fund. The financial management of this capital with an annual estimated net yield of 8% will allow to channel at least 82% of the income to the reserve conservation programs, 10% to the central coordination programs, and 10% to the administration of the endowment fund. Based on the experience of the first year of the FANP, access to an Emergency Fund has been extremely important. Given predictions for natural disasters, Emergency Funds will be increasingly important. Hence, the existing mechanism within FANP will also be applied for the additional 25 reserves.

Annex 4

Preparation activities already commenced

Initial selection of protected areas for future support with international funds: On January 28, 1999, 34 experts on protected areas representing all sectors of society and all regions of the country were invited by INE and FMCN to participate in a workshop at the Technological Institute of Monterrey in Mexico City. Through the use of a computerized blind selection system allowing for independent and anonymous responses, this group identified the following criteria to select future areas to receive funding:

- Type, dimension and speed of threat to conservation
- Number and type of ecosystems
- Species richness
- Endemism content
- Socioeconomic feasibility for a conservation project
- Environmental services and functions
- Concentration of endangered species
- Ecoregional representation

A total of 49 protected areas (excluding the ten already supported by FANP) were evaluated according to these eight criteria on a scale from 1 to 5. The Coordinating Unit for Protected areas within INE analyzed the results of the proposed areas and confirmed the selection of the first ten areas in the list, based on the global biological importance of these areas, as well as the support already available to make them eligible for possible GEF funding:

- Tehuacán-Cuicatlán
- Alto Golfo de California y Delta del Río Colorado
- Los Tuxtlas
- Cuatro Ciénegas
- Corredor Chichinautzin-Zempoala
- Sierra de Álamos
- Sierra Gorda
- Huatulco
- El Ocote
- La Encrucijada

The selection process was presented and approved by CONANP, with the recommendation that a total of 23 decreed areas be selected (see Table 1 for a detailed listing), leaving two additional slots for future reserve decrees. The latter would be the result of recommendations from studies currently being carried out (such as the analysis of dry tropical forests by WWF). As stated above, the addition of 25 protected areas to receive support from GEF would allow the protection of 72% of the protected areas under decree and would catalyze the process to reach the mid-term goal of 26 million ha under active management by the year 2010. Using the results of the workshop as a starting point, the validation of the subsequent 13 areas will be part of the PDF activities.

Existing financial support for each of the 23 priority areas identified in the workshop, as well as their additional financial needs and possible sources of financing, is currently being identified by an independent consultant hired by FANP. The results of the study will be used to determine itemized budgets for each reserve, as well as to provide necessary information for the incremental cost analysis. Although the validation of the selection procedure may modify some of the reserves identified by the workshop, no

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major changes are expected. Additionally, the results of the analysis will be of significant value for INE and the fundraising efforts by FMCN.

As mentioned above, the general design and characteristics of a decentralized organism responsible for the management of protected areas has already been analyzed and approved by CONANP. Initial funding from DFID has been secured and studies to further determine the new structure of a future National Commission on Protected areas will initiate between August and September.

The guidelines for a long-term vision for the national strategy for conservation, sustainable use and restoration of the natural resources have been established. Further work on particular programs is being elaborated to consolidate a national strategy that will serve as a framework to unite efforts from all sectors of society, including future donors. These efforts will be reviewed in the fall of 1999 during a planning workshop to be held in Mexico City with senior personnel from the GEF Secretariat and GOM officials.

Table 1 - Proposed list of Protected Areas to include in the project

Initial selection of 23 natural protected areas to include in the proposal	Total surface under decree	Terrestrial surface included	Calculated marine surface	Arid and semiarid ecosystems	Coastal, marine and freshwater ecosystems	Rainforest	Forest (mountain ecosystems)	Calculated total surface
TEHUACAN-CUICATLAN	490,187	426,709		111,723	2,848	182,257	101,582	486,524
ALTO GOLFO DE CAL Y DELTA DEL RIO COLORADO	934,756	406,456	528,300	362,473	572,283			934,756
LOS TUXTLAS	155,122	145,997				46,784	1,665	153,171
CUATROCIENEGAS	84,347	81,794		81,794				83,495
CORREDOR BIOLOGICO CHICHINAUTZIN- LAGUNAS DE ZEMPOALA	42,092	27,131				3,387	22,026	41,862
SIERRA DE ALAMOS-RIO CUCHUJAQUI	92,890	91,966		154		60,776	29,416	92,188
SIERRA GORDA	383,567	336,336		91,268		51,863	183,519	381,190
HUATULCO	11,891	6,680	5,211		5,211	6,680		11,891
SELVA EL OCOTE	48,140	49,058				49,000		49,058
LA ENCRUCIJADA	144,868	103,825			67,440			109,507
PANTANOS DE CENTLA	302,707	299,389			261,509	1,950		299,461

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Subdirección de Proyectos Ambientales y de
Desarrollo Urbano

Oficio No. - 305. VI. 4. - 196

México, D.F., a 16 de Agosto de 1999

SR. OLIVIER LAFOURCADE
Director para México del Banco Mundial
Insurgentes Sur 1605, piso 24
Colonia San José Insurgentes
Ciudad

Hago referencia a la ~~segunda~~ fase del Proyecto de Conservación de la Biodiversidad en Áreas Protegidas Selectas de México, que será apoyado con recursos del Fondo para el Medio Ambiente Mundial (GEF), a través del Banco Mundial como Agencia Instrumentadora.

Sobre el particular, a través del presente, me permito informar a usted que el proyecto de referencia cuenta con el apoyo tanto de esta Secretaría de Hacienda y Crédito Público como Punto Focal del GEF, como de la Secretaría de Medio Ambiente, Recursos Naturales y Pesca, por lo que solicito atentamente que por su amable conducto, se inicien los trámites correspondientes ante el GEF con el objeto de contar con apoyo para el mencionado proyecto, y específicamente para el financiamiento del Bloque B.

Adicionalmente, le solicito que se realicen las gestiones pertinentes para que el Banco Mundial actúe como administrador de los recursos de la Donación de referencia, así como que durante el periodo de ejercicio de la Donación se mantenga una estrecha coordinación entre ese organismo financiero internacional y el Gobierno Federal con el objeto de que las acciones y gastos sean acordados y autorizados por ambas partes; lo anterior, con la finalidad de contar con un mejor control de los recursos disponibles y contribuir a alcanzar las metas establecidas mediante una efectiva asignación de los mismos.

Agradezco de antemano la atención que se sirva prestar al presente, y sin otro particular por el momento, me es propicia la ocasión para manifestar a Usted reiteradamente las seguridades de mi más atenta y distinguida consideración.

Atentamente,
SUFRAGIO EFECTIVO. NO REELECCION.
El Director de Organismos Financieros
Internacionales


CMB Ricardo Ochoa