Report Number: ICRR0021996

1. Project Data

Project ID P131709	**Project Name** MX Coastal Watersheds Conserv Project
Country Mexico	**Practice Area(Lead)** Environment, Natural Resources & the Blue Economy

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
TF-15475	30-Jun-2019	39,518,000.00
Bank Approval Date	**Closing Date (Actual)**	
21-Nov-2013	28-Jun-2019	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	39,518,000.00	39,518,000.00
Revised Commitment	39,518,000.00	39,518,000.00
Actual	39,518,000.00	39,518,000.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Chikako Miwa	J. W. van Holst Pellekaan	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The objective was to promote integrated environmental management of selected coastal watersheds as a means to conserve biodiversity, contribute to climate change mitigation, and enhance sustainable land use. (Global Environment Facility Grant Agreement, Schedule 1, page 8).

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

Component 1: Creation and Consolidation of Protected Areas (Appraisal costs: US$75.018 million of which GEF was US$20.349 million. Actual costs were the same as the appraisal costs.)

Component 1 intended to support creating new protected areas (PAs) and consolidating the existing PAs. The key activities included: capitalizing the Coastal Watersheds Fund (Fondo para Cuencas Costeras—FCC) for financing activities to conserve biodiversity and raising additional funding outside GEF to strengthen sustainability of the FCC.

Component 2: Promoting Sustainability within Watersheds (Appraisal costs: US$153.93 million of which GEF was US$17.096 million. Actual costs were the same as the appraisal costs.)

Component 2 aimed to promote sustainability of watersheds and mitigate climate change. The key activities included: capitalizing the Biodiversity Endowment Fund, improving Payment for Ecosystem Services (PES), and implementing subprojects to strengthen capacities of communities to sustainable manage forests and lands.

Component 3: Enabling Adaptive Management by Strengthening Monitoring Capacities (Appraisal costs: US$11.189 million of which GEF was US$0.439 million Actual costs were the same as the appraisal costs.)

Component 3 envisioned enabling adaptive management of watersheds. The key activities included: identifying priority sites and implementing activities on integrated watershed management including developing integrated watershed/sub-watershed action plans (IWAPs) and strengthening community monitoring of ecosystem services.

Component 4: Innovative Mechanisms for Inter-institutional Collaboration and Promoting Social Participation (Appraisal costs: US$16.892 million of which GEF was US$0.979 million. Actual costs were the same as the appraisal costs.)

Component 4 aimed to enhance cross-sectoral coordination and social participation to the IWAPs. The key activities include establishing and managing innovative collaboration mechanisms such as networks, forums, and learning communities.

Component 5: Project Management (Appraisal costs: US$10.768 million of which GEF was US$0.655 million. Actual costs were the same as the appraisal costs.)

Component 5 intended to support implementation and supervision of the project. The key activities included procurement of goods and provision of technical assistance and training to the institutions that participated in project coordination, regional coordination, and technical oversight.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: At appraisal, the original cost estimate was US$267.797 million. The actual cost was the same amount as the estimate.

Financing: At appraisal, the GEF grant and the total co-financing from the Borrower was estimated at US$39.518 million and US$228.279 million, respectively. The actual GEF grant and the total co-financing were the same amounts as the appraisal estimates.

Dates: The project had a Level-II restructuring on June 19, 2018 to modify the results indicators and reallocate funds between disbursement categories. Funds were reallocated from the category for subprojects to the category for management effectiveness activities of PAs. The project closed on June 28, 2019, in line with the original schedule.

The modifications of the results indicators did not lower the level of ambition of the project's objectives and therefore there will be no split rating of outcomes in this review.

3. Relevance of Objectives

Rationale

Country Context. Mexico's past economic expansion enabled the country to position it as the second largest economy in Latin America. Nevertheless, the economic growth induced the land use conversion and the unsustainable land use practices, such as expanding urban development, encroaching agricultural fields, cattle ranching, slash-and-burn agriculture, sugar cane cultivation, rapid coastal development, and other human activities. These caused serious environmental degradation including deforestation and biodiversity loss. According to the National Geographic and Statistics Institute of Mexico, it was estimated that 35 percent of the country's forests disappeared over the past two decades, which contributed 2,606 species to be under threat (ICR, para.1, page 5).

Sector Context. In the Gulf of Mexico and the Gulf of California regions, land use conversion and the unsustainable land use practices caused degradation of the aquatic ecosystem, such as an increase in runoffs and a contamination of watersheds by wastewater. According to the National Water Commission (Comisión Nacional del Agua - CONAGUA), 38 percent of Mexico's rivers were considered to be highly polluted in 2013 (ICR, para. 2, page 5). Compounding these challenges, climate change would increase the severity of natural disasters, such as flooding, landslides, drought, and forest fires. The impacts of climate change would be most evident in the coastal watersheds of the Gulf of Mexico and the Gulf of California, where deforestation and depletion of carbon stocks were driven by demographic growth, urban expansion, and lack of enforcement of environmental regulations. If no remedial action would be taken, an additional 35 percent of rain forests and 18 percent of temperate forests would be lost in these two regions by 2050, leading to additional increase in greenhouse gas emissions (PAD, para. 8).

Relevance to Bank Assistance Strategies. At appraisal, the project objective was relevant to the Country Partnership Strategy (CPS) FY08-13, supporting the environmental sustainability pillar. At project closure, the project objective was relevant to Theme 4. "Promoting Green and Inclusive Growth" in the CPS FY14-19.

Relevance to Government Strategies. At appraisal, the project objective was relevant to the National Development Plan 2013-2018, specifically to the pillar on promoting prosperity, which empathized the sustainable use of natural resources and the preservation of environment and biodiversity. At project closure, the project objective was relevant to the National Development Plan 2019-2024, particularly with regards to sustainable livelihoods, agroforestry management, and biodiversity. Moreover, the project objective was in alignment with the country's international commitments (PAD, para 48). The project contributed to reducing greenhouse gas emissions by 30 percent by 2020 stated in the national green growth agenda and the Climate Change Law of 2012. The project objective was also in alignment with the global climate change mitigation goals under the United Nations Framework Convention on Climate Change (UNFCCC). The project contributed to Aichi goal 11 under the Convention on Biological Diversity (CBD) by reducing pressures on biodiversity and strengthening PA systems.

Institutional Capacity and Realism. The Borrowers were the Mexican Fund for the Conservation of Nature (Fondo Mexicano para la Conservación de la Naturaleza—FMCN), National Forestry Commission (Comisión Nacional Forestal - CONAFOR), and Nacional Financiera, S.N.C (NAFIN). The fund managements were mainly conducted by FMCN and CONAFOR, while NAFIN played a role of a financial agency for the part 2.1 of the Project. The Implementing Agencies were the National Commission of Protected Areas (Comisión Nacional de Áreas Naturales Protegidas—CONANP) and the National Institute of Ecology and Climate Change (Instituto Nacional de Ecología y Cambio Climático—INECC). FMCN, CONAFOR, CONANP and INECC had previous experience working with the World Bank and other donors to address issues on biodiversity loss and natural resources degradation. The project had a project coordination unit (PCU) run by FMCN and a regional coordination unit (RCU) for each regional fund (FGM and FONNOR) in each of the two regions, both overseen by a Technical Project Committee (TPC). The TPC was composed of representatives of CONANP, CONAFOR, INECC, and FMCN and approved operational procedures, provided policy guidance, and supervised and supported the implementing agencies. FMCN supervised the project operations through grant agreements with two regional funds, the Fund for the Gulf of Mexico (Fondo Golfo de México— FGM) and the Northwest Fund (Fondo Noroeste—FONNOR), as well as through direct administration of subproject finances. The procurement team within FMCN had a sound knowledge of World Bank procurement policies from its prior experience implementing the World Bank projects. FMCN was accountable for all the procurement activities, including subproject and operating cost to be conducted by FGM and FONNOR.

Previous Sector Experience. The World Bank had stages of climate change engagements in the country, as summarized in Annex 8 in PAD. The key achievements were as follows: investments in protected areas were increased by 90-folds since 1995; the Mexican Forest Fund was established, which provided the largest Payment for Ecosystem Services (PES) in Latin America and supported protecting over 1 million hectares of forest area along the Gulf of California and Gulf of Mexico; and monitoring initiatives such as the National Forest and Soil Inventory and an integrated watershed monitoring system were implemented. In particular, this project coordinated with the Adaptation to Climate Change Impacts on the Coastal Wetlands in the Gulf of Mexico Project (P100438, FY11-16), which targeted different watersheds in the Gulf of Mexico. The project received the information on costs and benefits of alternative approaches from the preceding project, in order to design the pilot measures to reduce the vulnerability of those coasts to climate change (PAD, para. 4, page 1). The Consolidation of the Protected Areas System (Sistema Nacional de Áreas Protegidas-SINAP II) Project (P065988, FY02-10) set up Information System for Project Follow-up (Sistema de Información y Seguimiento de Proyectos - SISEP) that supported implementation and supervision of the project.

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Project Development Objective (PDO) in the grant/legal agreement: To promote integrated environmental management of selected coastal watersheds as a means to conserve biodiversity, contribute to climate change mitigation, and enhance sustainable land use.
The Global Environmental Objective (GEO) was exactly the same as the PDO in the grant/legal agreement.

Rationale

Theory of Change (TOC) for the project:

Capitalizing funds would support consolidating the Protected Areas (PAs) and improving the Payment for Ecosystem Services (PES). Developing integrated watershed/sub-watershed action plans (IWAPs) in an inclusive manner with a wide variety of participants including communities would foster an enabling environment for implementing a landscape approach and strengthen local capacities to monitor and manage natural resources. Enhanced and strengthened PA systems, improved PES mechanisms, and developed and adopted IWAPs would lead to promote integrated environmental management of coastal watersheds. Improvements in integrated management watersheds would enhance sustainable use and management of land and forests, contributing to reductions of forest loss and carbon emissions. Reduction in greenhouse gas emissions would contribute to climate change mitigation and biodiversity conservation, leading to a further enhancement of sustainable land use. In the long-term, the project would contribute to conserve forest and watershed resources providing the basis for increased biodiversity, enhanced resilience and stability, and hence reduced land degradation in critical coastal watersheds. Key assumptions of the TOC included: (1) legal framework to create new PAs would come into effect in a timely manner; (2) the stakeholders in local communities and the municipal, regional, and federal governments had capacities and commitments to adopt the newly developed IWAPs through inter-institutional coordination; and (3) The PAs and CONAFOR had financial capacities to manage the funds and the PES in a sustainable manner.

Inputs:

Provision of goods, consultants, and training/workshops for technical support and capacity strengthening to conduct the following key activities:

- Creating new Protected Areas (PAs) and consolidating existing PAs in six project sites in coastal watersheds: Tuxpan, Antigua, and Jamapa in the Gulf of Mexico, as well as Baluarte, San Pedro, and Region Vallarta in the Gulf of California.
- Capitalizing the Coastal Watersheds Fund (Fondo para Cuencas Costeras— FCC) and raising additional funding outside GEF to strengthen sustainability of the FCC

- Capitalizing the Biodiversity Fund at CONAFOR to improve Payment for Ecosystem Services (PES)
- Developing Annual Operational Plans (AOPs) in the PAs to support key biodiversity conservation activities
- Implementing subprojects to strengthen capacities of communities to sustainable manage forests and lands
- Developing IWAPs through encouraging participations of a wide variety of stakeholders to realize a landscape approach
- Strengthening community monitoring of ecosystem services
- Establishing and managing innovative inter-institutional collaboration mechanisms, such as networks, forums, and learning communities

Outputs:

Key outputs of the project were as follows:

- Ten PAs of 1,106,919.27 hectares were consolidated. One new PA of 354,849 hectares was created.
- The FCC was capitalized with the total fund of US$39 million, including matching finance equivalent to US$19.518 million from private and public sources. This strengthened financial sustainability of the PAs.
- The Biodiversity Endowment Fund was capitalized with a total fund of US$18.2 million, including matching finance equivalent to US$9.1 million from the Mexican Government. The total initial funds continued to accrue interest beyond project closure (ICR, para. 34) . The interest earnings from the funds supported the PES mechanism, under which forest remnants were to be conserved and serve as connecting units within the watersheds.
- There were 1,669 workshops held for community members to strengthen technical and administrative capacities for monitoring and managing natural resources. There were 16,173 participants—6,585 women and 9,588 men. Of which, 1,605 women and 1,980 men were indigenous people from 5 ethnic groups.
- Six IWAPs were developed through the workshops in a participatory manner. In accordance with the IWAPs, the PES supported by the Biodiversity Endowment Fund and the subprojects on agro-ecosystem and forest management were implemented, covering an area of 35,784 hectares. This surpassed the intermediate results indicator target of 18,696 hectares (191 percent of the original target).
- Thirty-two subprojects on agro-ecosystem and forest management were implemented, covering a total area of 23,572 hectares. Of which, 90 percent of subprojects reported continuity in their activities at project closure. The subprojects were closely monitored by community members who participated in the workshops.
- Six local organizations incorporated better land use and biodiversity friendly practices derived from the interaction with the project in two states (Veracruz and Jalisco): Fondo Ambiental Veracruzano, Instituto de Ecología, Asociación de Industriales de Veracruz, Ayuntamiento de Xalapa, Junta Intermunicipal de Medio Ambiente Sierra Occidental y Costa (JISOC), Fondo Ambiental de Jalisco. It achieved the IR target of 6 local partners (100 percent of the original target).

Outcomes:

The achievements of PDO outcome indicators were as follows:

1. Consolidation of at least 1.1 million ha of protected areas, including at least two new protected areas of an estimated 500,000 ha (End Target: 1,100,000 ha). Consolidated 1,748,205 hectares of PAs achieved, exceeding the target of 1,100,000 hectares (158 percent of the original target). The consolidation of PAs supported them to secure endowment funds in order to improve their financial sustainability in the long-term. On the other hand, only one new PA of 354,849 hectares in Río Ameca was created, not meeting the PDO outcome targets of "estimated 500,000 hectares in at least two new protected areas" (71 percent and 50 percent of the original targets on creation of PAs, respectively). In addition, development of a decree for designing new PAs was delayed; because, it was challenged by the mining sector in the region and because it overlapped with pre-existing decrees for Marine Protected Areas that received federal priority for attaining the Aichi biodiversity targets. While waiting for the creation of new PAs, only existing PAs (10 PAs) were able to implement activities on improving their management effectiveness, not meeting the intermediate results target of 12 PAs (83 percent of the original target). Two new PAs were expected to be decreed by December 2021 (ICR, para. 40).
2. Improved land and forest management with reduced carbon emissions in selected sites in six watersheds (End Target: 1,027,554 ha). The watershed areas with improved land and forest management were increased from the baseline of 1,008,858 hectares to the achievement of 1,092,027 hectares (102 percent of the original target) and contributing to carbon emissions reductions. There were 5.53 Mt CO2 emissions avoided and sequestered in the targeted watersheds/sub-watersheds, exceeding the intermediate results target of 4.015 Mt CO2 (137 percent of the original target).
3. Integrated watershed/sub-watershed action plans (IWAPs) adopted by different government levels (municipal, regional, or federal) or local actors (End Target: Six watersheds). Six integrated watershed/sub-watershed action plans (IWAPs), also known as Action Plans for the Integrated Management of Watershed (Planes de Acción de Manejo Integrado de Cuenca - PAMIC), were finalized at the six project sites, fully meeting the target (100 percent of the original target). The IWAPs were adopted at different government levels (municipal, regional, or federal) or local actors. The PES mechanism was operated in alignment with the IWAPs.

Summarizing the positive achievements, the project contributed to the promotion of "integrated environmental management of selected coastal watersheds" by enhancing the integrated watershed management at government and community levels, improving inter-institutional collaboration among the stakeholders for sustainable natural resources management, decelerating forest loss by strengthening the financial sustainability of protected areas (PAs), and reducing carbon emissions. On the other hand, the delay in legalizing new PAs hindered implementing the activities on effective management of these areas. On balance, the achievement of the objective was substantial.

Rating
Substantial

OVERALL EFFICACY
Rationale

The project promoted “integrated environmental management of selected coastal watersheds” and contributed to biodiversity conservation, climate change mitigation, and sustainable land management. The overall efficacy of the achievement of the project’s development objective was therefore rated substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Analysis: At appraisal, the economic analysis in PAD (Annex 6, page 61) provided the Internal Rates of Return (IRR) for sub-components of the project, while unable to provide the IRR for the whole project due to the lack of quantified data on expected benefits on biodiversity and hydrological services.

At project closure, the ICR (Annex 4, para. 5) noted that according to the latest official estimates the average yearly deforestation rate from 1993 to 2011 was 0.7 percent. It was assumed that the project had helped to reduce deforestation by 20 percent, based on evidence in a paper published by Sims and Alix-Garcia in 2017. This reduction was used in the application of the FAO’s Ex-Ante Carbon-balance Tool (ExAct) model to estimate reduced CO2 emissions in the project’s PAs. It was found that “protecting” one hectare would, on average, reduce CO2 emissions by approximately 518 tons equivalent. In the case of “restoration”, a hectare protected was estimated to reduce emissions by 441 tons. Thus, based on the protection and restoration activities in the project’s PAs, the project interventions (such as the PES program) prevented an additional 1.67 Mt CO2 from entering the atmosphere (Annex 4, Table 1). Assuming a shadow price for CO2 emission of US$40 per ton following the Bank's guideline, and based on a time horizon of 20 years and a discount rate of 6 percent, the net present value of benefits in terms of reduced CO2 emissions generated by the project was estimated to be US$402 million and the estimated internal rate of return was 46 percent.

These results were robust against adverse changes in the key parameters as shown in Table 2 of Annex 4 in the ICR. For example, in the worst-case scenario, reduction of benefits by 50 percent, the NPV was still positive (US$82 million) and the IRR was 33 percent.

Cost-Effectiveness Analysis: At appraisal, according to CONAFOR’s study in 2014, the similar preceding projects used US$55 per hectare annually for agroforestry management, US$446.15 per hectare annually for sustainable forest management, and US$230.77 annually for agroecosystem activities. At project closure, the ICR (para. 44) reported the sustainable forest management and agroecology subproject had a cost per hectare of US$69.75 per year. In general, the cost was on the lower side when compared with the component costs for the other projects implemented for the sector.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate	✓	46.00	95.00 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objective was high, due to the project's alignments with the main strategies for the country and its continuity from the preceding interventions which gradually strengthened the sector's capacities and systems. The efficacy was substantial, as the project contributed to biodiversity conservation, climate change mitigation, and sustainable land management by successfully integrating environmental management of selected coastal watersheds. The efficiency was substantial, as the internal rate of return and the net present value at project closing showed good results throughout a range of scenarios with different assumptions. The project had minor or no shortcomings in its relevance, achievement of objectives, and its efficiency and therefore the project's overall outcome has been rated satisfactory.

a. Outcome Rating
Satisfactory

7. Risk to Development Outcome

The anticipated risk to development outcome was decreasing engagements by the implementing partners over the long-term. To mitigate the risk, at project closure, the Technical Project Committee (TPC) developed a legal agreement and an implementation plan for its four member institutions (CONAFOR, INECC, CONANP, and FMCN) to follow. This arrangement enabled the TPC to continue operating after the project duration by expanding its operational scope from the activities under this Project only to a wider area of topics in the watershed ecosystem management across institutions and projects. Based on these actions this review agrees with the conclusion in the ICR that the risk to the development outcome for this project is moderate (para. 81).

8. Assessment of Bank Performance

a. Quality-at-Entry

Strategic relevance and approach were thoroughly considered, by focusing on gaps and opportunities for interventions in Mexico's environment sector to conserve coastal watersheds to achieve national goals and international commitments. Major relevant aspects such as technical, financial, economic, institutional, and procurement were adequately considered to develop the project design. The assessments on risks and mitigation measures were sufficiently assessed and the project's M&E design was adequate. The task team at entry had the appropriate mix of technical expertise on environment, social, financial management, and procurement.

On this basis, the quality the Bank's performance at entry was rated as satisfactory.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision
According to the ICR, the project benefited from a continuity of some task team members working on the project from design to the end of implementation. The task team conducted supervision missions approximately every 6 months. The disbursements were made at a steady rate throughout the project duration. The project restructuring and funds reallocation were timely. The Bank task team supported inclusiveness during implementation, collecting and reporting data on beneficiaries who were female and/or had indigenous identities.

On this basis, the quality of the Bank's supervision was rated as satisfactory.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The Results Framework was designed well as the basis for monitoring achievements of the intended results. The retro-actively formulated theory of change reflected the project's design and results chains. The PDO outcome indicators and intermediate results indicators, in general, met the criteria of being specific, measurable, achievable, relevant, and time-bound. All indicators had baselines and targets at appraisal. The project coordination unit (PCU) in the FMCN was arranged to be responsible for the M&E, collecting technical data from the regional coordination units (RCUs) and reporting to the Technical Project Committee (TPC) and the Bank. The project lacked gender-specific indicators, as there were no person-

level indicators. Nevertheless, the project engaged in development of the gender strategy and the indicators, which encouraged female stakeholders to participate in the project.

Adjustments to the indicators were made during the restructuring in 2018 to strengthen the ownerships of governmental and community levels on Component 3. PDO outcome indicator 3 was revised to include the local actors as a key stakeholder to adopt the IWAPs. IR indicator 2.3 was dropped, as it was similar to IR Indicator 3.1 and ambiguous in target description. IR indicator 3.1 was revised to drop the descriptions on data collection measures.

b. M&E Implementation

The progress of project implementation was monitored in accordance to the Result Framework. There was a bi-annual Monitoring and Evaluation Plan which aligned with bi-annual Bank supervision missions. This ensured that all watersheds were visited and effectively monitored by the relevant implementing partner and the Bank team. Data for GEF's Management Effectiveness Tracking Tool (METT) were collected starting at project inception, the Mid-Term Review (MTR), and project closure. Monitoring teams across implementing partners relayed information to the TPC, which FMCN compiled and systematically recorded and reported on the advances in activities and towards overall outcomes (ICR, para. 65).

c. M&E Utilization

M&E data and information were well utilized to monitor the progress of implementation, providing support for making administrative decisions, and facilitating corrective actions as needed. The MTR utilized the M&E data to trigger the restructuring process to revise the indicators as described in 9.a and to reallocate funds across disbursement categories. Lastly, M&E data and information supported development of the IWAPs and the guidelines for PES and subprojects (ICR, para. 66).

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

At appraisal, the project was designated a “B” safeguards category. Six safeguards consisting of four environmental safeguards and 2 social safeguards were triggered, which were: Environmental Assessment (OP/BP 4.01); Natural Habitats (OP/BP 4.04); Forests (OP/BP 4.36); Physical Cultural Resources (OP/BP 4.11); Indigenous Peoples (OP) (BP 4.10); and Involuntary Resettlement (OP) (BP 4.12). An environmental assessment was completed and disclosed on July 31, 2012. The project followed guidelines established in the Environmental and Social Management Framework (ESMF), Indigenous Peoples Planning Framework (IPPF), and Process Framework (PF). The project also developed and applied a gender strategy.

At project closure, it was confirmed that all safeguards categories consistently received Satisfactory ratings vis a vis compliance. There was no significant environmental issue. The Grievance Redress Mechanism received only one formal grievance related to social safeguards, which was resolved satisfactorily.

b. Fiduciary Compliance

Financial Management:

The project's asset management transactions, financial reporting, expenditures, and audits were all reviewed by Bank personnel and found to be Satisfactory. The project's TPC followed the Bank's standards on financial management. The FMCN grants specialist provided an oversight for all accounting and reporting activities to ensure compliance. Financial transactions were recorded digitally, which materialized in timely submission of quarterly interim financial reports. Project funds were audited by external auditors, as part of the entity-wide financial statements prepared by the implementing partners and led by the TPC. The audit reports prepared by external auditors were provided on time and accepted by the Bank. The implementing partners also promptly submitted audited financial reports that did not contain any internal control inadequacies with regard to the project.

Procurement:

The Mexican Fund for the Conservation of Nature (FMCN) was directly responsible for monitoring procurement activities outlined in the Operating Plans of the PAs. The PCU (FMCN) and the RCUs (FGM and FONNOR) utilized the Information and Tracking/Monitoring System (SISEP) tool for managing procurement-related activities. All goods and technical services procured under the project followed Bank guidelines.

c. Unintended impacts (Positive or Negative)

There were positive unintended impacts, as follows. First, FMCN was accredited by the Green Climate Fund (GCF), enhancing Mexico's opportunities for raising fund to address biodiversity conservation and climate change. Second, environmental monitoring at the community level was strengthened with development of simplified methodology. Third, two regional funds were created, with the aim to support community involvement, establish new partnerships, and build trust. Fourth, two state environmental governance committees and two localized watersheds committees were created, expanding the project coverage to encompass the watersheds in the states of Veracruz and Tabasco, as well as the Baluarte River and the San Pedro River in the Gulf of California (ICR, para. 54).

d. Other

---

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

Based on the lessons in the ICR, this review has summarized the main generally applicable lessons which this review has highlighted – with some editing.

When communities work together it facilitates knowledge exchange and strengthens bonds across them. These bonds can lead to the creation of coalitions which continued to operate after this project's closure, such as the Coalition of Organizations of the Jamapa-Antigua Bio-basin. In addition, community enterprises can be strengthened by regional networks with their support for enlarging scale for activities such as collective marketing, and community integration into the local economy as they were in this project.

Participation in environmental monitoring inspires communities to raise awareness on the importance of natural resource conservation and management. For example, the community that monitored water quality and biodiversity built a sense of stewardship towards the resources and enhanced monitoring methodologies through creation of Community Biological Monitoring (Monitoreo Comunitario de la Biodiversidad - BIOCOMUNI) and application of the National Biodiversity Monitoring System (SNMB) under coordination of National Commission for the Knowledge and Use of Biodiversity (Comisión Nacional para el Conocimiento y Uso de la Biodiversidad - CONABIO).

Communicating protective area (PA) creation plans early on can ensure that these plans are aligned with policy objectives for conservation and climate change. In this project coordination between the national government and communities to integrate the PA creation plans into pre-existing conservation plans avoided overlaps in target areas, leading to acceleration in PA creation process. At the local level, communicating plans for PAs early minimized conflicts among existing resource users, reducing potential opposition against restrictions in land use and access associated with the PAs.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a detailed overview of the project. The ICR was candid and the text was generally aligned to the achievement of the project development objective. The project's presentation of the Theory of Change in the ICR thoroughly explained the causal relationships among inputs, outputs, outcomes, and impacts. The quality of evidence and analysis (with the exception of some aspects of the efficiency analysis e.g. the price of carbon was not specified in the ICR but later provided to IEG by the Bank's project team) is substantial and informs all aspects of the ICR and there are few lapses in the quality of data and information.

On this basis, the quality of the ICR was rated as substantial.

a. Quality of ICR Rating
Substantial