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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT FROM THE
GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF US\$12.0 MILLION

TO THE

CENTRAL AMERICAN COMMISSION ON ENVIRONMENT AND DEVELOPMENT

FOR THE

NICARAGUA/HONDURAS
CORAZÓN TRANSBOUNDARY BIOSPHERE RESERVE PROJECT

May 22, 2006

Environmentally and Socially Sustainable Development
Central America Country Management Unit
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 4, 2006)

Currency Unit	=	Lempiras, Cordobas, Quetzales
19.7 Lempiras	=	\$1
17.9 Córdobas	=	\$1
8.0 Quetzales	=	\$1

RECIPIENT'S FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AFE-COHDEFOR	<i>Administración Forestal del Estado–Corporación Hondureña de Desarrollo Forestal</i> (Honduran Corporation for Forest Development)
ATP-II	Second Agricultural Technology Project, World Bank, Nicaragua
BNC	Bosawas National Commission
CAS	Country Assistance Strategy
CCAD	<i>Comisión Centroamericana de Ambiente y Desarrollo</i> (Central American Commission on Environment and Development)
CONADETI	<i>Comisión Nacional de Demarcación y Titulación</i> (National Commission for Demarcation and Titling), Nicaragua
CTBR	Corazón Transboundary Biosphere Reserve
DAF	Department of Financial Administration (MARENA)
DANIDA	Danish Ministry of Foreign Affairs
DAPVS	<i>Departamento de Áreas Protegidas y de Vida Silvestre</i> (Protected Areas and Wildlife Department) of AFE-COHDEFOR
EA	Environmental Assessment
EU	European Union
FHAP	<i>Fondo Hondureño de Áreas Protegidas</i> (Protected Areas Fund of Honduras)
FMR	Financial Monitoring Report
GEF	Global Environment Facility
IABIN	Inter-American Biodiversity Information Network
IBRD	International Bank for Reconstruction and Development (WB Group)
ICB	International Competitive Bidding
IDB	Inter-American Development Bank
ILO	International Labour Organization
INA	<i>Instituto Nacional Agrario</i> (National Agrarian Institute), Honduras
INTA	National Institute for Agricultural Technology, Nicaragua
IP	<i>Instituto de la Propiedad</i> (Property Institute), Honduras
IPDP	Indigenous Peoples Development Plan
M&E	Monitoring and evaluation
MAG-FOR	Ministry Agriculture, Livestock, and Forestry, Nicaragua
MARENA	<i>Ministerio del Ambiente y de Recursos Naturales</i> (Ministry of the Environment and Natural Resources), Nicaragua
MBC	Mesoamerican Biological Corridor
NCB	National Competitive Bidding
NGO	Nongovernmental organization
OP	Operational Program (GEF) or Operational Policy (World Bank)
PAAR	<i>Proyecto de Administración de Áreas Rurales</i> (Rural Land Management Project), Honduras

PATH	<i>Proyecto de Administración de Tierras de Honduras</i> (Land Administration Project), Honduras
PBPR	<i>Proyecto de Bosques y Productividad Rural</i> (Forests and Rural Productivity Project), Honduras
PCU	Project Coordination Unit
PDF-B	Project Development Facility Block B Grant (GEF preparatory grant)
PDO	Project development objective
PIU	Project Implementation Unit
PROARCA	Program Assessment of the Regional Environmental Program
PRODEP	<i>Proyecto de Ordenamiento de la Propiedad</i> (Land Administration Project), Nicaragua
PRORURAL	Rural sector SWAp of Nicaragua
PRSC	Poverty Reduction Strategy Credit
QCBS	Quality and Cost-Based Selection
RAAN	<i>Región Autónoma del Atlántico Norte</i> (Autonomous Region of the North Atlantic)
RAAS	<i>Región Autónoma del Atlántico Sur</i> (Autonomous Region of the South Atlantic)
RPBR	Río Plátano Biosphere Reserve
SAG	Secretary of Agriculture and Livestock (Honduras)
SEPCA	<i>Secretaría de la Presidencia para Asuntos de la Costa Atlántica</i> (Presidential Secretariat for Atlantic Coast Affairs), Nicaragua
SERNA	<i>Secretaría de Recursos Naturales y Ambiente</i> (Secretariat of Natural Resources and the Environment), Honduras
SETAB	<i>Secretaría Técnica de Bosawas</i> (Technical Secretariat for Bosawas)
SIAM	<i>Sistema de Información Ambiental Mesoamericano</i> (Mesoamerican Environmental Information System)
SICAP	<i>Sistema Centroamericano de Áreas Protegidas</i> (Central American System of Protected Areas)
SINAP	<i>Sistema Nacional de Áreas Protegidas</i> (National Protected Areas System)
SINIA	<i>Sistema Nacional de Información Ambiental</i> (National Environmental Information System)
SOE	Statement of Expenditure
SWAp	Sector-wide Assistance Program
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
WB	World Bank
WWF	World Wildlife Fund

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CENTRAL AMERICA

Corazón Transboundary Biosphere Reserve Project

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MAPS

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Map # IBRD34787
Map # IBRD34788
Map # IBRD34789
Map # IBRD34832

CENTRAL AMERICA
CORAZÓN TRANSBOUNDARY BIOSPHERE RESERVE PROJECT
PROJECT DOCUMENT
LATIN AMERICA AND CARIBBEAN
LCSEN

Date: May 1, 2006	Team Leader: Douglas J. Graham
Country Director: Jane Armitage	Sectors: Forestry (100%)
Sector Manager/Director: Abel Mejia	Themes: Biodiversity (P); Other rural development (S)
Project ID: P085488	Environmental screening category: Partial
Focal Area: Biodiversity	Assessment
Lending Instrument: Specific Investment Loan	

Project Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:
Total Bank financing (US\$m.): 0.00
Proposed terms:

Financing Plan (US\$m)			
Source	Local	Foreign	Total
BORROWER/RECIPIENT	22.35	0.00	22.35
GLOBAL ENVIRONMENT FACILITY	11.49	0.51	12.00
Total:	33.84	0.51	34.35

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Estimated disbursements (Bank FY/US\$m)

FY	6	7	8	9	10	11	12	0	0
Annual	0.00	0.84	1.54	2.23	2.57	2.64	2.18	0.00	0.00
Cumulative	0.00	0.84	2.38	4.61	7.18	9.82	12.00	12.00	12.00

Project implementation period: Start July 3, 2006 End: August 1, 2012

Expected effectiveness date: July 17, 2006

Expected closing date: August 1, 2012

Does the project depart from the CAS in content or other significant respects? []Yes [X] No

Ref. PAD A.3

Does the project require any exceptions from Bank policies?

Ref. PAD D.7

[]Yes [X] No

Have these been approved by Bank management?

[]Yes [] No

Is approval for any policy exception sought from the Board?

[]Yes [X] No

Does the project include any critical risks rated "substantial" or "high"?

Ref. PAD C.5

[X]Yes [] No

Does the project meet the Regional criteria for readiness for implementation?

Ref. PAD D.7

[X]Yes [] No

Project development objective **Ref. PAD B.2, Technical Annex 3**

The project development objective (PDO) of the proposed project is to improve the national and binational management of the area of the proposed Corazón Transboundary Biosphere Reserve (CTBR), respecting the rights of traditional populations.

Global Environment objective **Ref. PAD B.2, Technical Annex 3**

The global objective is to ensure the long-term conservation of the heart of the MBC, the largest contiguous area of natural habitat remaining in Mesoamerica, and perhaps the best hope in that area for the maintenance of ecological dynamics and processes at a large ecoregional scale.

Project description **Ref. PAD B.3.a, Technical Annex 4**

The proposed project consists of six components:

1. Consolidation of the Corazón Transboundary Biosphere Reserve (\$0.79 million in GEF

funds): This component will support the creation, consolidation, and strengthening of binational coordination mechanisms for the Reserve area. This component also seeks to consolidate indigenous land rights.

2. Strengthening of the National Protected Areas Systems (\$2.12 million): In Honduras, the effective day-to-day management of individual protected areas is to fall under the responsibility of the Honduran Protected Areas Fund, which the project will support. In Nicaragua, the project will similarly support the creation and strengthening of sustainable financing mechanisms for protected areas.

3. Implementation of Protected Area Management Plans (\$2.73 million): This component will help the protected area administrations of Nicaragua and Honduras implement individual protected areas management plans.

4. Community-Based Natural Resource Management (\$3.56 million): This component focuses on community-level management of natural resources to mainstream biodiversity conservation into productive activities.

5. Monitoring and Information Management (\$0.99 million): This component will strengthen biological monitoring programs for the entire project area, support research programs, and investments for informal and formal environmental education.

6. Project Administration (\$1.80 million): This component supports the effective and efficient administration and operation of the proposed project.

Which safeguard policies are triggered, if any? *Ref. PAD D.6, Technical Annex 10*
Although a Category "B" project, the following safeguard policies are considered triggered: Environmental Assessment, Natural Habitats, Pest Management, Cultural Property, Involuntary Resettlement, Indigenous Peoples, and Forests. A stand-alone EA has been prepared as well as a Process Framework and an Indigenous Peoples Development Plan (IPDP).

Significant, non-standard conditions, **if any**, for:

Ref. PAD C.7

Board presentation:

None.

Loan/credit effectiveness:

Signature of Tripartite Agreement and association inter-institutional agreements.

Covenants applicable to project implementation:

There are two disbursement conditions: i) creation of satisfactory protected area funds for deposit of seed funds into them; and ii) preparation of a satisfactory implementation manual for subprojects and grants.

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and Sector Issues

The Central American countries of Honduras and Nicaragua contain a wealth of biodiversity and natural resources, with ecosystems stretching from coral reefs off the Caribbean coast to inland mountainous tropical forests. Included within this diverse area is the largest remaining area of humid tropical forest north of Colombia, the proposed Corazón Transboundary Biosphere Reserve (CTBR). The name “Corazón” derives from its location in the “heart” of the Mesoamerican Biological Corridor (MBC).

This area of 34,000 square kilometers (km²) (3.4 million hectares) along the Nicaragua/Honduras border contains four established protected areas: the Bosawas Biosphere Reserve in Nicaragua, the Tawahka Asangni Reserve, the Patuca National Park, and the Río Plátano Biosphere Reserve in Honduras. This area harbors many threatened and endangered species that require large intact areas of pristine forest, such as Harpy Eagles, jaguars, and tapirs. More than 50 percent of the ecosystem classes of the two countries are found within the proposed project area. (See the map in Annex 17 for the identity and location of the area’s 14 principal types of ecosystems.)

The bulk of the Corazón area, with the exception of large parts of Patuca National Park that are uninhabited, include the traditional territories of indigenous peoples. These include approximately 70,000 Tawahka, Mayangna, Pech, Garífuna, and Miskito peoples. Any designation of protected area status superimposed on a traditional indigenous territory, and any effort to manage and protect its biodiversity, must recognize the ancestral rights of its occupants. Consolidating the land rights of indigenous peoples is perhaps the best buffer against encroaching settlers at the agricultural frontier. Most of the Bosawas Biosphere Reserve in Nicaragua has been titled to the indigenous peoples of that area (although registration of titles is pending), but recognition of ancestral land rights in Honduras is less advanced. These ancestral rights must be consolidated in both countries.

However, the management regimes of these four protected areas have not been sufficient to protect the ecosystems and their human populations from encroaching threats. Despite a concerted effort by national and local authorities, and technical and financial assistance from international donors, the area’s integrity is threatened by a lack of sustainable income-generating activities and weak protection and enforcement practices. Deforestation continues to be a problem, with rapid losses still occurring at the agricultural frontier. While local agricultural and forest management techniques are partially responsible for the loss of forest cover, the greatest problem is seen along the western agricultural frontier, where recent arrivals are clearing land for farming and cattle ranching at alarming rates. Among the indigenous communities, poverty and a lack of economic options contribute to suboptimal land use practices.

While the National Protected Areas Systems (*Sistema Nacional de Áreas Protegidas*, SINAPs) of Nicaragua and Honduras are staffed by dedicated professionals, the systems are severely under funded and often lack the capacity and legal frameworks necessary to carry out their mandate. The individual protected areas suffer from similar problems, with a lack of resources and trained staff contributing to problems of planning, demarcation, enforcement, and

monitoring, critical to the effective management of protected areas. While there are numerous donor-funded efforts to create and consolidate protected areas, a lack of coordination among projects, and between national policies and regulations, creates additional challenges. In Honduras, these problems have been exacerbated by a lack of clarity in roles and coordination among the national agencies responsible for protected areas. The result is a weak protected areas system in both countries.

The rationale of the proposed project centers around two broad thrusts to reverse these trends. First, through its first two components and through the monitoring component, there will be an emphasis on large-scale territorial management of the four existing protected areas. No new protected area will be created, although, if formally accepted by the United Nations Educational, Scientific and Cultural Organization (UNESCO), a status of transboundary biosphere reserve would confer additional global recognition of the importance of the Corazón area. Biosphere reserves are mosaics of ecosystems that are nominated by national governments and recognized by UNESCO. They have core, buffer, and transition zones, allowing them to fulfill conservation, development, and logistic functions. Productive, educational, research, and recreational activities are permitted in the buffer and transitional areas, while only research, monitoring, and traditional extractive activities are allowed in the core zones. The superimposition of a UNESCO transboundary biosphere reserve on existing UNESCO biosphere reserves (Río Plátano and Bosawas Reserves) does not change the status or importance of existing reserves, but serves to further consolidate their recognition as globally important areas, and serves as a tool to strengthen management of all included areas. Improved management of this large territory also requires strengthening and consolidating indigenous land rights, creating and strengthening a binational management framework, particularly to include civil society and indigenous voices, and strengthening the SINAPs so that the four protected areas are supported by strong national systems. Second, the project focuses on smaller-scale community-level management of natural resources. The third and fourth components would implement protected area management plans and support locally-driven, community-based natural resources management activities.

Country Eligibility and Country Drivenness

Both Honduras and Nicaragua are eligible to receive Global Environment Facility (GEF) funding. Honduras is a party to the Convention on Biological Diversity, having signed the convention on September 13, 1992, and ratified it on July 31, 1995. Nicaragua is also a party to the Convention, having signed it on the same day as Honduras and having ratified it on November 20, 1995.

2. Rationale for Bank Involvement

To address the challenges outlined above, the governments of Honduras and Nicaragua have requested the assistance of the World Bank in preparing a proposal to the GEF. This proposed World Bank/GEF project would be partially-blended with two Bank-financed projects in Honduras and Nicaragua: the Forests and Rural Productivity Project (PBPR) in Honduras, and the Second Agricultural Technology Project (henceforth “ATP-II”) in Nicaragua, which falls under the umbrella of PRORURAL, the government of Nicaragua’s sector-wide approach to productive rural development. This cofinancing leverages the GEF investment in the area of

community-level management of natural resources and promotes the mainstreaming of biodiversity concerns into the forestry and agriculture sectors. These projects also address many of the systematic policy and national capacity issues noted above. The coordination and collaboration between the Bank-financed operations in Honduras and Nicaragua (see section on Associated Projects in Annex 4), together with the proposed project, will be instrumental in resolving the complex set of problems that have inhibited effective protected area management, biodiversity conservation, and sustainable rural development in Honduras and Nicaragua in the project area.

Although not formally linked to the proposed project, Nicaragua and Honduras are also implementing land administration projects with World Bank funding, which in both cases include components focused on indigenous land rights. These are the Honduras Land Administration Project (PATH) and the Nicaragua Land Administration Project (PRODEP).

In the area of environmental information management, the World Bank is playing a leading role in Mesoamerica. In Nicaragua, the National Environmental Information System (SINIA) is being supported under the Bank's Second Rural Municipalities Development Project. The Bank has played an important role in moving forward the agenda of the Mesoamerican Environmental Information System (SIAM), and is currently supporting the hemispheric Inter-American Biodiversity Information Network Project.

Finally, this project falls within the overall framework of the Mesoamerican Biological Corridor (MBC). Since 1995, the Bank has been recognized as one of the key international players supporting the implementation of this concept through a number of national and regional projects stretching from Mexico to Panama.

3. Higher-level Objectives to which the Project Contributes

The global objective to which the project contributes is the conservation of the globally important biodiversity of the Corazón Reserve through more effective protection and through improved and more sustainable use of natural resources in the project area. As a higher-level objective, the Project also modestly contributes to poverty alleviation in these extremely poor areas of Honduras and Nicaragua.

The proposed project responds directly to the Operational Programs for Forest Ecosystems (OP3) and Mountain Ecosystems (OP4) within the biodiversity window of the GEF. The objective of OP3 is the conservation and sustainable use of biological resources in forest ecosystems. The objective of OP4 is the conservation and sustainable use of biological resources in mountain ecosystems.

The proposed project, which strives to ensure the conservation and sustainable use of a large swath of tropical forest primarily located in mountainous terrain in Mesoamerica, is fully consistent and complementary with the Forest Ecosystems and Mountain Ecosystems Operational Programs of the GEF. Emerging strategic priorities for the GEF are also reflected in the fundamental concept of the project, in particular the two main strategic directions of the GEF: Strategic Priority (SP) 1, Sustainability of National Protected Areas Systems, and Strategic

Priority 2, Mainstreaming Biodiversity Conservation in Productive Landscapes. Approximately 18% of GEF funding responds directly to SP 1 and another 50% finances activities directly related to SP 2.

Nicaragua's 2002–2005 Country Assistance Strategy focused on the four pillars of the Poverty Reduction Strategy Paper: (a) broad-based economic growth with an emphasis on productive employment generation and rural development, (b) greater and better investment in the human capital of the poor, (c) better protection for vulnerable populations, and (d) strengthening of institutions and good governance. These four pillars are intertwined with three cross-cutting themes: (a) reduction in environmental degradation and ecological vulnerability, (b) increased social equity, and (c) further decentralization. The proposed project specifically addresses rural development, protection of vulnerable populations, and reduction in environmental degradation and ecological vulnerability. The 2005 Interim Strategy Note focuses on a draft of a second-generation Poverty Reduction Strategy Paper, and on the National Development Plan 2005–2009, which emphasizes environmentally sustainable growth for poverty reduction. The proposed operation's focus on sustainable productive activities, which foster local economic development, will contribute directly to these goals.

Similarly, the Honduran Country Assistance Strategy reflects the six pillars of that country's Poverty Reduction Strategy Paper: (a) accelerating equitable and sustainable growth to levels consistent with the income poverty reduction targets, (b) reducing rural poverty, (c) reducing urban poverty, (d) enhancing investment in human capital, (e) strengthening social protection for specific vulnerable groups, and (f) ensuring the sustainability of the strategy through governance and institutional reforms and enhanced environmental sustainability. The proposed project contributes to many of these objectives, including reducing rural poverty, strengthening protection for vulnerable groups, and enhancing environmental sustainability.

The proposed project will also contribute to a broader effort by the Nicaraguan government to strengthen its National Protected Areas System (SINAP). Nicaragua is currently preparing with the United Nations Development Programme (UNDP) a national GEF-financed project to strengthen its SINAP. The proposed Corazón Project has been designed to lay the groundwork for this effort through strategic investments to further decentralize protected areas management to local and traditional authorities, and to increase financial sustainability.

Spanning a national border, an important higher-level objective of the proposed Corazón Project is the improvement of binational coordination between Honduras and Nicaragua. Such coordination would not only be essential for the proposed transboundary reserve, but would contribute to bilateral and regional cooperation efforts, and especially to the operationalization and adoption of protocols for conservation, sustainable use, and sustainable economic development.

B. PROJECT DESCRIPTION

1. Lending Instrument

The proposed project six-year project will be financed by a \$12 million grant from the Global Environment Facility (GEF), partially blended with two World Bank operations: the \$20 million Forests and Rural Productivity Project (PBPR) in Honduras and the \$12 million Second Agricultural Technology Project (ATP-II) in Nicaragua. Approximately \$16 million of the associated financing directly complements and leverages the GEF resources through closely coordinated planning and activities, and thus constitutes the main cofinancing of the proposed project. Government counterpart funding of \$6.04 million, and Central American Commission on Environment and Development (*Comisión Centroamericana de Ambiente y Desarrollo*, CCAD) counterpart funding of \$0.32 million will also be provided, for a total project cost of \$34.36 million.

2. Program Objective and Phases

The proposed operation is not part of a phased program.

3. Project Development Objective and Key Indicators

The project development objective (PDO) is to improve the national and binational management of the area of the proposed Corazón Transboundary Biosphere Reserve (CTBR), respecting the rights of traditional populations. This will contribute to a global objective of ensuring the long-term conservation of the heart of the Mesoamerican Biological Corridor, the largest contiguous area of natural habitat remaining in Mesoamerica, and perhaps the best hope for the maintenance of ecological dynamics and processes at a large ecoregional scale. The PDO will be achieved by: (i) improving binational coordination mechanisms and strengthening indigenous land rights; (ii) strengthening national protected areas systems, (iii) facilitating and updating protected areas management plans, and (iv) increasing local capacity through community-based natural resource management activities.

These objectives will be achieved through five technical components focusing on: (a) improving binational coordination mechanisms and strengthening indigenous land rights; (b) strengthening the National Protected Areas Systems (SINAPs) and legal frameworks; (c) facilitating the updating and implementation of protected area management plans; (d) promoting community-based management of natural resources, mainstreaming biodiversity conservation into productive activities, and strengthening local and indigenous governance structures; and (e) increasing inter-sectoral information exchange.

Annex 3 presents detailed information on results indicators and intermediate outcome indicators of the PDO. The three key indicators include:

- The management effectiveness rating of the CTBR area improves from an estimated baseline rating of Poor (1) to Regular (2) using the ratings of the Regional Environmental Program (PROARCA) scorecard system in use in Central America. The baseline value is

to be confirmed at a workshop within two months of project start-up. The GEF Protected Areas Tracking Tool values would also be revalidated during the same workshop.

- The % of indigenous residents in the CTBR which participate fully in the implementation of management plans for their respective protected areas increases to at least 75% by EOP (based on viewpoints of organizations representing local indigenous populations).
- Deforestation rate of core areas of the Reserve declines by at least 25% from the baseline value to be determined at project start-up (biannual measures to be made by the National Environmental Information Systems of each country).

4. Project Components

The proposed project consists of six components which are detailed in Annex 4. Each component is financed by GEF grant resources, together with CCAD or government cofinancing; total component costs take into account GEF, government, and CCAD resources. See Annex 4 for an explanation of the project area, which varies by component activity. The project components are:

1. Consolidation of the Corazón Transboundary Biosphere Reserve (GEF US\$0.79 million, Total US\$0.72 million): Activities under this component will support the creation, consolidation, and strengthening of binational coordination mechanisms for the Reserve area, permitting the involvement of all stakeholders in the management of the area. This component include activities to advance the process of land regularization in the Reserve area (though not to title or register lands), which is key to improving management of the protected areas. It also includes the establishment of an independent conflict resolution mechanism for project-related disputes, and the formulation of a final proposal to UNESCO for creation of the new transboundary reserve. Although desirable, formal acceptance by UNESCO of the area's biosphere reserve status is not a prerequisite to implementing any part of the project.

2. Strengthening of the National Protected Areas Systems (GEF US\$2.12 million, Total US\$5.57 million): More than half¹ of the geographic area of the Honduran and Nicaraguan National Protected Areas Systems (*Sistemas Nacional de Áreas Protegidas*, SINAPs) is included within the proposed Corazón Reserve, making the proposed project an appropriate vehicle for focusing on their national systems. In Honduras, an ambitious rethinking and restructuring is underway of the institutional structure for the effective day-to-day management of individual protected areas. This is to fall under the responsibility of the Honduran Protected Areas Fund (*Fondo Hondureño de Áreas Protegidas*, FHAP), which the project will support. In Nicaragua, the project will similarly support a protected areas fund for the SINAP, as well as the creation of compatible long-term financing mechanisms. The activities carried out under the Corazón Project are expected to lay the groundwork for a future UNDP/GEF project, to further improve the SINAP of Nicaragua. These activities will help ensure the financial sustainability of the protected areas systems of Nicaragua and Honduras, and therefore the sustainability of the CTBR.

3. Implementation of Protected Area Management Plans (GEF US\$2.73 million, Total US\$3.61 million): This component will finance activities to help the protected area

¹ Nicaragua's SINAP covers 22,422 km², or 17 percent of the national territory, in 75 protected areas. Honduras's SINAP covers 33,000 km², or 27 percent of the territory, in 98 protected areas.

administrations of Nicaragua and Honduras implement individual protected areas management plans, through a community-based co-management structure. Investments will include equipment and infrastructure, additional demarcation where necessary, strengthening of stakeholder groups, and updating and implementation support of management plans. Community participation supported through capacity-building and related subprojects to pilot stronger community participation in protected area co-management. Subprojects will be designed by the communities in order to facilitate their effective participation in the implementation of the management plan for their area. It is not expected that the CTBR will have its own distinct management plan, but rather that it will benefit from coordinated management plans of its four constituent protected areas.

4. Community-Based Natural Resource Management (GEF US\$3.56 million, Total US\$4.23 million): This component focuses on community-level management of natural resources to mainstream biodiversity conservation into productive activities. This component will be jointly implemented with financing from the partially blended World Bank projects which have similar goals. Communities will identify priority activities and design training programs to implement their own subprojects, with the support, as needed, of the subproject implementing agencies. Subproject proposals will be screened by a national evaluation committee for compatibility with project objectives and priorities, contribution to the conservation of globally significant biodiversity, location in critical areas, complementarity with ongoing initiatives, capacity for implementation, and social and economic sustainability, among other criteria. The focus of these demand-driven, community-based subprojects will be the connection between natural resource management and local socio-economic development. Examples of potential financing lines include farm diversification with economic and nutritional goals; community ecotourism; community productive infrastructures; support to rural micro-enterprises for transformation, transport and marketing of agricultural products; agroforestry; reestablishment of production and commercialization of cocoa; establishment of native fauna farms and of controlled hunting areas; sustainable livestock raising and silvopastoral systems; support to the sustainable production, cultivation and marketing of medicinal plants; restoration of degraded areas and small watersheds; sustainable forest products extraction; development of ecological products and initiatives for socio-environmental certification; support to workshops of craftsmanship, goldsmith art, cabinet-making, and mechanics; support to craftsmanship workshops; marketing of environmental services; and production of sustainable and renewable energy sources.

Indigenous groups living in and around the project area will be major beneficiaries of this component, as will traditional ladino communities. In addition to technical assistance focused on natural resources management, special emphasis will be placed on the institutional strengthening of local management structures. As the subproject proposals will be designed by the communities themselves, they will respond to the different profiles, priorities, and needs of each community and seek to address the issues in a manner which is appropriate to that community.

5. Monitoring and Information Management (GEF US\$0.99 million, Total US \$1.09 million): This component will strengthen biological monitoring programs for the entire project area. It will build on existing capacities at national levels (for example, the Nicaraguan National Environmental Information System [SINIA]), and at regional levels (for example, the Mesoamerican Environmental Information System [SIAM] and the Inter-American Biological

Information Network [IABIN]). This component will also support research programs, in particular traditional uses of biodiversity in productive landscapes, and investments for informal and formal environmental education.

6. Project Administration (GEF US\$1.80 million, Total US\$3.03 million): This component will support the administration and operation of the proposed project. Activities will include project coordination; production of manuals, audits, financial management; design of a communications strategy for the program; a midterm review; and activities related to project closing. Other activities include publications, systematization of project information, project monitoring and evaluation (M&E), and sharing of good practices.

Project M&E will be a primary responsibility of the national governments (and the Central American Commission on Environment and Development [CCAD] where binational activities are involved). Project-specific data (e.g. number of families benefiting from subprojects) will be managed by the project itself. Indicators specific to protected area management effectiveness will be managed by the protected area divisions of the respective environment ministries. Other indicators requiring landscape-level measurements (e.g. deforestation rates), will be measured by the national SINIAs (or by the regional SIAM) using existing systems or taking advantage of project-financed support to the SINIAs. Full details on the monitoring system will be included in the Operational Manual.

5. Lessons Learned and Reflected in the Project Design

The proposed project builds on two previous World Bank/GEF projects: the Biodiversity in Priority Areas Project in Honduras and the Atlantic Biological Corridor Project in Nicaragua. The former project closed in June 2005, and the latter in September 2005. Comprehensive reviews, closing reports, and compilations of lessons learned have been prepared and are available in the project files (see Annex 12). The main lessons of these projects have been incorporated into the project design. Key lessons include:

- In both countries, the importance of supporting legitimate indigenous land rights issues through projects became clear. It is important to support not only indigenous organizations themselves, but also national governments as they tackle these difficult agendas. Although the proposed Corazón Project is not a land titling project, it would provide land regularization support to governments and indigenous peoples, as a complement to the Bank-financed land administration projects in Honduras and Nicaragua.
- In Nicaragua, a key lesson learned of particular pertinence to the proposed Corazón Project was the importance of decentralizing technical control of the project to local actors (in that case, those on the Atlantic Coast). The proposed project addresses this by giving the principal management role to the Technical Secretariat of Bosawas (*Secretaría Técnica de Bosawas*, SETAB) in coordination with the Bosawas National Commission (representing local stakeholders).

- The situation is more complex in Honduras, with three protected areas and more institutional and ethnic heterogeneity, but the majority of project management will also be carried out from the Secretariat of Natural Resources and the Environment (*Secretaría de Recursos Naturales y Ambiente*, SERNA) and/or the Honduran Corporation for Forest Development (*Administración Forestal del Estado–Corporación Hondureña de Desarrollo Forestal* (AFE-COHDEFOR) offices in the Reserve area. Moving project management and control to the most local level possible, while laying the groundwork for clarifying and strengthening the institutional arrangements at the national levels, is clearly incorporated into the project design. Other key lessons learned in Nicaragua relate to the importance of participatory processes, inter-institutional collaboration, and the importance of moderation in defining project objectives.
- Particularly with regards to Component 4, the project builds on the successful experiences of the Honduras Rural Land Management Project (*Proyecto de Administración de Áreas Rurales*, PAAR). The PAAR Project was instrumental in piloting approaches for forest management incorporating the rights of forest dwellers and communities, and implementation of forest management plans through community participation and outsourcing of technical and operational activities to community groups and the private sector. Subproject activities in the proposed Corazón Project will be co-executed with the ongoing Forestry and Rural Productivity Project (*Proyecto de Bosques y Productividad Rural*, PBPR) to ensure lessons learned are incorporated into this new project.

In addition to lessons learned from previous GEF and World Bank initiatives, experiences from projects financed by other key donors such as German Technical Cooperation (GTZ), the Danish Ministry of Foreign Affairs (DANIDA), the United States Agency for International Development (USAID), and the European Union (EU) within the Corazón Reserve area have helped shape the design of the project. Further efforts will be needed in project implementation to continue sharing best experiences under the various donor-financed projects.

6. Alternatives Considered and Reasons for Rejection

One option considered during project preparation was to design two separate national projects, one for Honduras and one for Nicaragua. However, it was decided that a binational project was preferable for several reasons. The Corazón Reserve area lies along the boundary between the two countries, and there is continuity in ecosystems and populations across the border. Creating a binational project supports a higher degree of coordination of policies and activities within the proposed binational biosphere reserve. A binational project also allows for the harmonization of management plans for the four protected areas, ensuring a more rational management of cross-boundary natural resources, more effective conservation of ecosystems, easier sharing of information, economies of scale, and learning opportunities. This integrated management structure does not imply a single plan for the reserve, but rather that it will benefit from a binational coordination and synchronization encompassing existing plans and activities. Strengthening the role of indigenous organizations in the cross-border management of these areas, traditionally under their management, is also critical element possible under a binational project.

Another option considered during project preparation was to fully blend the proposed Corazón Project with the PBPR in Honduras and ATP-II in Nicaragua. Fully-blended projects, as defined by the GEF, have combined budgets and project implementation teams; partially-blended projects have closely coordinated and possibly co-implemented activities in the field. The additional time required to prepare a GEF-financed project made partial blending a more attractive option because these other projects were ready to proceed, and could easily accommodate future partial-blending arrangements.

A third option was to create a second phase of previous World Bank/GEF projects in Nicaragua and Honduras rather than creating a new project. However, while the conceptual overlap of both the Atlantic Biological Corridor Project in Nicaragua and the Biodiversity in Priority Areas Project with the proposed Corazón operation is significant, there is less geographical overlap. The Corazón Reserve, and the associated project activities, will include about 60 percent overlap with the previous project area in Honduras and 25 percent with the previous area in Nicaragua. Preparing a new project has also permitted the incorporation of a more innovative binational project design that would not have been possible if the proposed Corazón Project had been conceptualized as a second phase of existing projects.

C. IMPLEMENTATION

1. Partnership Arrangements

As its name suggests, the Corazón Reserve area lies at the heart of the Mesoamerican Biological Corridor (MBC), and much of the work of previous World Bank/GEF projects in Honduras and Nicaragua has been done within the MBC framework. The partnership between the Corazón Project and the MBC initiative of the Central American Commission on Environment and Development (CCAD) will help ensure that the MBC principles of ensuring sustainable land use and conservation in Mesoamerica are promoted. This project will also help sustain the initiatives supported under the recently-closed GEF-financed MBC projects in Nicaragua and Honduras (the Atlantic Biological Corridor and Biodiversity in Priority Areas Projects, respectively). Both projects were considered successful in building community and government support for the MBC concept and for the conservation of biodiversity in critical areas. The Corazón project will help strengthen and expand this support.

A second important relationship is that between the proposed Corazón Project and the existing binational initiative to create a Transboundary Biosphere Reserve. The proposal to establish this Biosphere Reserve was submitted jointly by the two countries to UNESCO in August 2004 and is currently being revised for resubmission, and cross-border coordination mechanisms have been established. The proposed project will support this process, without being dependent on its outcome.

The proposed project will be closely coordinated with GTZ and EU projects in Honduras. In Nicaragua, GTZ cofinancing is also significant, as is Danish/Finnish support through their *Programa de Apoyo Sectorial al Medio Ambiente* (Environmental Support Project in Nicaragua), which includes support to Bosawas and to the National Protected Areas System (SINAP). To ensure coordination with other key partners that implement or may be implementing GEF-

financed projects in the future and with other key bilateral organizations, CCAD, with the support of the Binational Commission, will play a critical coordinating role.

2. Institutional and Implementation Arrangements

The Recipient of the GEF grant for the proposed Corazón Project will be CCAD, representing the Ministries of Environment of Honduras and Nicaragua. CCAD has been specifically tasked in Central America with the responsibility of fostering binational partnerships in protected areas. The overall responsibility for project coordination and management, technical responsibility for binational activities, and fund management for binational activities will fall to the project administration and financial management units of CCAD, which have successfully executed the project preparation grant from the GEF. CCAD will manage nine percent of project funds for these binational and coordination activities.

A Steering Committee will be formed to provide high-level guidance to the project. Composed of Ministers of Agriculture and Environment from each country, two members from the Binational Forum (see below; one from each country). Coordinated by CCAD, the Steering Committee will approve annual operational plans. The Presidents of Nicaragua and Honduras have announced the creation of a high-level Binational Commission for the long-term coordination of the Corazón Transboundary Biosphere Reserve (CTBR) at a broader political level. Its creation is pending and is expected to take place in the first year of project implementation. It is expected to act in an advisory function to this project. Provisionally, it is expected to include three ministers from both Honduras and Nicaragua, together with representatives from civil society.

The Binational Forum of “Indigenous Peoples, Ethnic Communities, Native *Ladino* Communities, Regional Authorities, and Municipal Authorities from the Honduras-Nicaragua Corazón Reserve Area” has led the process over the last several years to have the Corazón area declared a reserve. The Binational Forum represents a wide range of civil sector interests, particularly including indigenous groups. Its role is to represent their interests in issues related to the management of the Corazón area. In this project funds are available to strengthen the Binational Forum through capacity building, support for meetings and communications, and insertion in decision-making structures, in order to ensure that the Forum plays a strong role both in the Binational Commission and the Steering Committee, and as an independent advisory body to the project,

Ninety-one percent of the grant funds will be managed nationally (45.5 percent in each country) by national financial administration units. In Honduras, grant resources will be administered by the project implementation unit of the ongoing, Bank-financed Forests and Rural Productivity Project (PBPR) under the Secretariat of Agriculture and Livestock (SAG), the project with which the proposed Corazón project is partially blended. In Nicaragua, grant resources will be administered by the Financial Management Unit of the Ministry of the Environment and Natural Resources (*Ministerio del Ambiente y de Recursos Naturales*, MARENA).

In Nicaragua, technical and administrative capacity will be provided by the Technical Secretariat for Bosawas (*Secretaría Técnica de Bosawas*, SETAB), which has been in operation for many

years as a mechanism for managing the diverse projects and initiatives underway in Bosawas. It is institutionally a part of MARENA and chaired by the Minister, but includes all important stakeholders from the Bosawas Reserve. Technical project staff will be placed in two local SETAB offices in Bosawas. The Presidential Secretariat for Atlantic Coast Affairs (SEPCA, *Secretaría Presidencial para Asuntos de la Costa Atlántica*) and the Property Intendancy will sign an inter-institutional agreement with MARENA for the implementation of activities in Nicaragua under Component 1. SEPCA is charged with coordinating the Government's role in titling of indigenous territories in the Atlantic and the Property Intendancy has responsibility for title registration, the only step that is missing for the Bosawas titles.

In Honduras, administrative and technical capacity will be provided by Catacamas, Palestina, and Wampusirpe field offices of the Secretariat of Natural Resources and the Environment (*Secretaría de Recursos Naturales y Ambiente*, SERNA) in coordination with the Honduran Corporation for Forest Development (*Administración Forestal del Estado–Corporación Hondureña de Desarrollo Forestal*, AFE-COHDEFOR), since the two institutions share responsibility for protected areas in Honduras. The National Agrarian Institute (INA, *Instituto Nacional Agrario*) and the Property Institute (IP, *Instituto de la Propiedad*), will sign an inter-institutional agreement with the Secretariat of Finance (SEFIN, *Secretaría de Finanzas*), SERNA, and AFE-COHDEFOR for the implementation of activities in Honduras under Component 1.

The Corazón project is partially blended with the Forests and Rural Productivity Project (PBPR) in Honduras and the Second Agricultural Technology Project (ATP-II) in Nicaragua. ATP-II is financing Bosawas field offices to be shared with Corazón Project, technological innovation and sustainable forestry development subprojects in the buffer zone of Bosawas, and government capacity building. This cofinancing is worth an estimated \$4.0 million. PBPR finances natural resource management subprojects in the buffer zones of the CTBR protected areas, support to the national protected area system (including seed funding for the patrimonial fund for protected areas), and promotion of regularization and agroforestry practices, for an estimated cofinancing of \$12.0 million.

Coordination with the associated ATP-II and PBPR projects will be achieved at several levels: at the political level, the two Ministries of Environment and Agriculture (the latter in charge of the associated projects) will be the government representatives on the Project Steering Committee; at a technical level both Ministries (and other institutions as needed) will be on the Binational Technical Committee to advise the project technically; at an operative level in each country the two projects will meet regularly to coordinate activities; and at a legal level, the agricultural ministries will sign the inter-institutional agreements for the project. In Honduras, the project implementation unit of the PBPR will administer the Corazón project funds, and will play a major role in the SINAPH and subproject components. In Nicaragua the projects will be sharing offices in Bosawas and coordinating on subproject programs. The Operational Manual spells out the details of these arrangements.

Annex 6, including Figure A6.1, provides a more detailed explanation of institutional and implementation arrangements, and Annex 7 includes a detailed explanation of financial

management and disbursement arrangements. The project's Operational Manual outlines in more detail the responsibility of each actor.

3. Monitoring and Evaluation of Outcomes/Results

A distinction is made between the need for: (a) biological and socioeconomic monitoring of the CTBR itself, and (b) project monitoring.

Monitoring of the CTBR is accorded considerable importance in the project design. One of the components of the proposed project is Monitoring and Information Management. As described in more detail in Annex 4, the project will support the development of an efficient monitoring network, coordinated between the two countries, and will invest in information management through the National Environmental Information Systems (SINIAs).

Monitoring of project-specific indicators of outcomes and results will be derived in part from the monitoring programs to be developed under the auspices of the two Ministries of Environment. These will be a responsibility of the project implementation units, under the general coordination of the CCAD project unit. The project will use both the World Bank-WWF Tracking Tool for Management Effectiveness and the Regional Environment Program for Central America (PROARCA, for its acronym in Spanish) system to measure protected area management effectiveness. Further information on indicators and information collection and interpretation will be collected and interpreted is provided in Annex 3.

4. Sustainability and Replicability

Nicaragua and Honduras are two of the poorest countries in the Western Hemisphere. Within them, the Corazón Reserve area represents a pocket of extreme poverty, populated by indigenous groups and subsistence farmers. While the proposed project cannot solve all the problems of the area, it aims to improve the management of the reserve area and the national protected areas systems and promote better management of natural resources by local populations. The sustainability of these project outcomes will be assured in four ways.

First, by strengthening the protected areas systems of Honduras and Nicaragua, the project will help ensure more effective, efficient, and rational management of all protected areas in the two countries in the long run, through the project's strong support to the National Protected Areas Systems (SINAPs). As the Corazón Reserve area accounts for more than half of the protected area in each of the two countries, strengthening the management and sustainability of the protected areas system as a whole will have a substantial direct impact on the CTBR. Second, by creating effective binational mechanisms for managing the Corazón Reserve, consolidating indigenous land rights, and harmonizing and fully implementing management plans for the Corazón Reserve, the project will help create a permanent framework for the conservation of biodiversity and sustainable use of natural resources in the reserve area. Third, the project will empower local populations and create long-term incentives for them to better manage the reserve area by: (a) focusing on the creation of environmentally friendly economic activities for communities within the Corazón Reserve area, (b) promoting a greater awareness and appreciation of the value of natural resources, and (c) including local communities in the

management of the Corazón Reserve. Finally, the project will create and/or support mechanisms designed to secure financial sustainability for the protected areas systems of the two countries, including the Honduran Protected Areas Fund (FHAP) and a SINAP protected areas fund in Nicaragua.

The proposed Corazón Project has substantial potential for replicability throughout the region, and perhaps in other parts of the world. In particular, two areas that are innovative for GEF operations in Latin America may be of interest to a diverse set of countries including: (a) political and institutional complexities inherent to binational conservation projects, and (b) strategies of simultaneously pursuing territorial rights issues of indigenous peoples and biodiversity conservation goals.

5. Critical Risks and Possible Controversial Aspects

See the table below for the main risks which have been identified for the project. Only a few, considered in the texts below, have been identified as a High risk.

Some indigenous organizations seek reforms and advances in land ownership that may exceed what is likely to be achieved in the project area during the six-year project. There may thus be a risk of “underachieving” in the eyes of some groups with unrealistic expectations of what can be achieved in a single project or in a relatively short time. Extensive consultations with local communities during the preparation phase, and work in areas such as the process of land tenure regularization and income-generating activities, have addressed these concerns and led to more realistic expectations. This process will continue during implementation.

The Corazón project will not exercise any direct control over the process of registration of titles in Bosawas. There is a High risk however of this process being slowed because of legal and institutional problems and this could undermine the support of indigenous peoples for the project. The World Bank, through PRODEP, is assisting the government to resolve outstanding problems.

There is a High risk that insufficient progress will be made on the creation of a protected area fund in Nicaragua. Although the government is committed to this end and it is being supported by the international community, slow progress in fund creation and pledging of a seed fund amount at least equivalent to the GEF contribution could make it difficult to disburse these funds under the Corazón project.

Finally, the arrangements for the administrative management of the funds are complex and require the creation or consolidation of administrative capacity in three different units in three different countries. Each of the units has had its capacity assessed by the Bank and it has been determined that sufficient capacity exists, albeit in need of strengthening under the project. CCAD has extensive experience managing complex, multinational projects, including a Bank-financed multi-country project, and is considered to represent a Medium risk. The PIU of the PBPR in Honduras is also implementing Bank projects, but is undergoing institutional changes and is also judged to present a High risk overall. In Nicaragua, where the government has a policy of reducing dependence on PIUs, the administration of the project from MARENA’s

Financial Administration Department (DAF, *Departamento de Administración Financiera*) represents a High risk, as their financial and procurement capacity has been evaluated as low. However, the Bank supports MARENA's initiative to internalize project administration. To mitigate these risks, a high proportion of project funds (15 percent) are allocated to administrative costs (including capacity building), and it is intended that these aspects will be closely supervised by the Bank during supervision.

Summary of Risks

Risk	Rating	Mitigation Measures
Binational Issues		
Binational conflicts	L	There are no terrestrial border disputes between the two countries although there are unresolved marine territorial disputes outside the project area.
Associated Projects		
Ineffective Coordination with ATP-II (Nicaragua)	M	MAGFOR represented in Corazón committees; shared field offices for technical staff.
Ineffective Coordination with PBPR (Honduras)	M	SAG represented in Corazón committees; PIU of PBPR will be responsible for Corazón project administration.
Natural Resource Management Subprojects		
Subprojects will not generate global biodiversity benefits	L	Global biodiversity benefits accrue from the long-term and cumulative impact of the entire project within a complex legal, economic, and ethnic mosaic. NRM subprojects to benefit local communities are required for the overall project success. Conservation of biodiversity is one of the key criteria for selecting subprojects; another is ensuring the location is not in environmentally sensitive areas.
Insufficient differentiation and targeting for different beneficiary groups	M	Subprojects (Components 3 and 4) and capacity-building activities (Component 1) will be designed by beneficiary communities to address their own particular needs. Communication strategies will take into account different beneficiary characteristics.
Indigenous & Land Issues		
Limited scope of project interventions may be misunderstood in future leading to perceptions of "underachieving"	H	Project scope has been amply consulted, clarified and agreed upon with indigenous representatives. A communication strategy for the project will be designed and implemented.
Registration of titles for indigenous territories in Bosawas (Nicaragua) does not take place	H	Under the Bank's PRSC and Land Project these issues could be resolved in the short-term; in the worst case scenario, registration of titles is not a precondition for any activity under Corazón Project.
Land agencies in both countries are involved in and committed to actions undertaken under this project	M	Such agencies will be signatories of the project's inter-institutional agreements but effort will be needed to maintain this coordination.

Management of Protected Areas		
Unclear responsibilities in Honduras between SERNA and AFE-COHDEFOR	M	Progress is expected as PA funding shifts to the PA Fund and as the new government moves forward with pledges to resolve these issues. The inter-institutional agreement outlines the roles of SERNA and AFE-COHDEFOR. The Operational Manual details coordination mechanisms between the two institutions.
Unclear tenure regimes in Honduran protected areas	M	Under Components 1 and 3 the project will be addressing this as a part of supporting land regularization and harmonizing and implementing management plans.
Protected Area Fund (FHAP) does not become effective in Honduras	M	FHAP creation and operationalization is a condition of Bank's PRSC and there is currently good momentum for this to happen. Disbursements to the FHAP will be conditioned to the implementation of a FHAP with a structure that is acceptable to the Bank.
Protected area fund in Nicaragua does not become effective	H	Disbursements to the Nicaraguan Fund will be conditioned to the implementation of a fund with a structure that is acceptable to the Bank.
Implementation and Administrative Arrangements		
Trilateral arrangements (CCAD, Nicaragua, Honduras) too complex	H	The arrangements are built on lessons learned from other multinational projects. Responsibilities of each institution are included in the Operational Manual and in the Tripartite and inter-institutional Agreements.
Low administrative capacity in Nicaragua	H	MARENA is in the process of strengthening the capacity of the DAF; the Bank will closely supervise administration and provide training as necessary.
Low administrative capacity in Honduras	H	PBPR unit has previously managed Bank projects but a capacity assessment has indicated weaknesses; an action plan will be agreed on by effectiveness.
Low administrative capacity in CCAD	M	The unit is currently managing Bank projects and has demonstrated capacity. However the procurement capacity of CCAD has been rated as low and an action plan will be agreed on by effectiveness.

The overall risk for the project has been determined to be High.

One controversial aspect of the project is its binational nature. However, this is also one of the most innovative and promising aspects of the project, and if the risks are indeed higher, the potential benefits of improved binational relationships are correspondingly high. The Binational Forum, Steering Committee and Binational Commission are designed to function in a complementary manner and will help ensure that the project is implemented in a consistent, harmonious fashion. The second controversial aspect is indigenous landownership. By its nature, this topic is sensitive and controversial in both countries, but in extensive consultations the limited contribution of the proposed project has been clearly delineated and understood by indigenous organizations. In addition, both land projects of the World Bank in Honduras and Nicaragua are continuing to address at a larger scale issues related to indigenous land rights.

6. Grant Conditions and Covenants

Conditions of effectiveness: Signature of the Tripartite Agreement between CCAD, Honduras, and Nicaragua and the linked inter-institutional agreements among the implementing and cooperating agencies in Nicaragua and Honduras.

Conditions of disbursement: i) disbursement of seed capital to the protected areas funds in Honduras and Nicaragua is conditioned to the funds being established in form and substance satisfactory to the Bank. A protected area fund satisfactory to the Bank would have to be consistent with international standards in terms of the constitution of its governing board (including a requirement that the government does not exercise a control of the votes), intended use of the funds, minimal cofinancing, experience of its asset manager, choice of a financial institution in which to place funds, quality of operational manual or other operational instruments, and measures to ensure transparent operations; and ii) approval by the Bank of detailed guidelines for subproject and grant execution would be a condition of disbursements for Community Co-management Subprojects, Natural Resource Management Subprojects, Research Grants, and Scholarship Grants.

D. APPRAISAL SUMMARY

1. Economic and Financial Analyses

For a complete Incremental Cost Analysis, see Annex 15.

2. Technical

See the detailed project description in Annex 4 and the Operational Manual for a full technical description of all project activities. No particular technical issues stand out as being problematic with this project.

3. Fiduciary

CCAD maintains and manages an integrated management information system. Their project accounting system meets the Bank's fiduciary requirements and produces the financial statements required for achieving satisfactory project management. SAG, through the administrative unit for the Forestry and Rural Productivity Project (PBPR) and MARENA through their internal administrative unit will be responsible for financial management and procurement nationally. Both have adequate systems in place, and will hire additional financial management personnel based on the terms of reference included in the draft Operational Manual. Their capacity is considered to be adequate, although in need of strengthening under the project, particularly in Nicaragua.

The overall project risk for procurement and financial management is considered High.

4. Social

Annex 10 presents additional information on relevant Safeguard Policy issues. A full analysis of the social context of the Corazón Reserve can be found in the Spanish language Social Assessment and the Indigenous Peoples Development Plan (IPDP) of the Recipient; an English-language executive summary of both documents may be found in Annex 10. See also the detailed appendix on the preparation consultation process in the Operational Manual annex on Social and Indigenous Assessment.

The proposed Corazón Reserve is home to five indigenous or ethnic groups: Garífuna (approx. 6,000; Río Plátano Biosphere Reserve); Miskito (approx. 54,000; Río Plátano and Bosawas Biosphere Reserves); Pech (approx. 2,000; Río Plátano Biosphere Reserve); Sumu/Mayangna (approx. 8,400; Bosawas Biosphere Reserve); and Tawahka (approx. 4,800; Tawahka Asagni Indigenous Reserve). There are thus about 70,000 indigenous or ethnic minority groups living within the Reserve area. Approximately the same number of *mestizo* settlers also live in the Reserve, with some families having lived in the area for several generations and while others are recent arrivals. The total population of the municipalities that include some part of the reserve area is approximately 250,000.

While there are significant cultural differences among the groups living in the proposed Corazón Reserve, the traditional inhabitants share many commonalities. Most still depend for survival on subsistence agriculture, hunting, and fishing. Agriculture is often a family activity carried out on communally owned lands. Forests are typically managed for the perpetual use of the community. Levels of commercial activity are low and may include ecotourism and the production of coffee, cacao, latex, lumber, handicrafts, and gold. Low population densities, combined with traditional resource use practices and values that do not promote material accumulation, creates a relatively small likelihood of natural resources degradation. Among the greatest threats to these traditional communities are poverty, low socioeconomic indicators, a growing focus on material accumulation, rapid population growth, immigration pressures from surrounding areas, and a lack of legal land title.

Under the proposed Corazón Project, special attention will be paid to the strengthening of local binational and indigenous groups in order to allow them to take full advantage of the benefits of the proposed project. Activities will be tailored specifically to the characteristics of each community by allowing them to lead the design of activities at a local level. There is also a strong focus on facilitating the process of land regularization—something critical to ensuring rational management of natural resources and reduced socioeconomic vulnerability.

The project will support an independent conflict resolution mechanism, described in detail in the Operational Manual, including if needed the convening of a conflict resolution committee to resolve disputes stemming from project-related activities which the Binational Forum and Steering Committee have proven unable to resolve in a manner satisfactory to all parties. The committee would be composed of representatives of third-party organizations acceptable to both the governmental and civil society representatives of the Steering Committee. Should potential areas of conflict be detected early, the committee could also be called on to suggest mitigatory measures.

Participation of local communities has been important at all stages of project design. Over 800 persons representing civil society, indigenous peoples, and other stakeholders participated in consultation meetings on project design from August 2004 to January 2006. An important development and a lesson learned during project preparation was the need to develop consensus among the disparate views of different indigenous groups. Over 45 representatives of all major indigenous and *ladino* stakeholder groups in both countries, as well as from CCAD, national governments, and the World Bank, met in Ocotol, Nicaragua in January 2006 to discuss the proposed Corazón project. At the end of this meeting, representatives of all stakeholder groups signed the "Ocotol Declaration" in support of the project. This document is included in Annex 10.

The lessons learned from this process, including the need to integrate stakeholders completely into the project, hold frequent consultations with all actors, and involve local actors in the decision-making structure, have been incorporated into the project design, making the project much stronger. Local actors, and especially indigenous groups, will continue to be an integral part of the project through implementation. Local stakeholders are represented by the Binational Forum. They will be particularly involved in the drafting and implementation of management plans and during selection and implementation of productive activities. Communities will also be instrumental in carrying out social and biological monitoring.

5. Environment

Additional information can be found in Annex 10 on safeguard polices. The Recipient has prepared a stand-alone Environmental Assessment (EA), which includes an annexed Pest Management Plan.

Though the affect of the project on the environment is expected to be overwhelmingly positive, some minor negative impacts are possible, and include local impacts associated with natural resources management subprojects and perhaps associated with implementation of some activities in the protected areas management plans. The project's environmental management plan in the Recipient's EA defines mitigating measures, with budget and institutional responsibilities for implementation and monitoring of the plan.

6. Safeguard Policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP/GP 4.01)</u>	[X]	[]
Natural Habitats (OP/BP 4.04)	[X]	[]
Pest Management (OP 4.09)	[X]	[]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[X]	[]
Involuntary Resettlement (OP/BP 4.12)	[X]	[]
Indigenous Peoples (OD 4.20, revised as OP 4.10)*	[X]	[]
Forests (OP/BP 4.36)	[X]	[]
Safety of Dams (OP/BP 4.37)	[]	[X]

Projects in Disputed Areas (OP/BP/GP 7.60)**	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP/GP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

OP = Operational Policy, BP = Best Practice, GP = Good Practice, OPN = Operational Policy Note, OD = Operational Directive.

*This project is subject to OD 4.20 because it was under preparation before the approval of OP 4.10.

**By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas.

The safeguard screening category of the project is "S2". The project is classified as Category "B", requiring an Environmental Analysis but not a full-scale Environmental Assessment study. In accordance with OP 4.01, an Environmental Analysis has been carried out. Important findings and useful recommendations from the EA have been integrated into project design (see Annex 10).

7. Policy Exceptions and Readiness

The project meets the regional criteria for readiness for implementation. The fiduciary arrangements are in place as are adequate monitoring and evaluation capacity. The Environmental Analysis and all other Safeguard Policy Documents have been disclosed in the countries and are available at the Bank's InfoShop and on the CCAD website.

Annex 1: Country and Sector Background

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Honduras and Nicaragua share more than a common border. Though the challenges each faces are unique, the socioeconomic situation and development challenges of these Central American neighbors are quite similar. Some of these pressing issues, like environmental protection, do not recognize political borders, making joint action even more important.

Honduras

After several decades of civilian and military authoritarian governments ended in the mid-1980s, Honduras has shown clear signs of becoming a mature and consolidated democracy. Despite definite advances in the political field, socioeconomic indicators lag far behind. With a gross national income per capita of just \$1,020 per year in 2004, Honduras remains extremely poor. The Gini coefficient, showing income inequality, is a very high 0.6. The country has a population of 7,100,000 and a density of approximately 56 people per square kilometer (km²). Nearly two-thirds of the population is considered poor; nearly half are identified as extremely poor. In rural areas, the situation is even worse: over 70 percent of the population is poor, and nearly 63 percent extremely poor.

The precarious economic growth and development progress were interrupted in October 1998 by Hurricane Mitch, which extracted a heavy toll not only in terms of lives lost, but also an estimated \$3.8 billion in direct and indirect economic losses. These losses were heaviest in rural areas. Though much of the infrastructure has been rebuilt, the economy has still not fully recovered.

Nicaragua

Nicaragua is one of the hemisphere's poorest countries, with a low per capita income, flagging socioeconomic indicators, and huge external debt. It is also the largest and least-densely populated country in Central America, with a population of 5,600,000 and a density of nearly 45/km². The country suffered from decades of civil wars and social strife, with a succession of authoritarian governments in a sharply divided country. Since 1990, transitions of power have been peaceful, but years of conflict left their mark on the country's economy; gross national income per capita was estimated at just \$790 in 2004, making it the second-poorest nation in the Americas after Haiti. GNP per capita in the Atlantic Coast region is under \$450. It is therefore not surprising that the Gini Index of the country, which measures inequality, is 55.9, one of the highest in the region. However, extreme poverty has been declining, from 19.4 percent in 1993 to 15.1 percent in 2001. Like in Honduras, rural extreme poverty is higher, but has been decreasing more quickly than urban poverty, largely due to strong growth in the agricultural sector in recent years.

Nicaragua's economy has historically been based on the export of cash crops such as bananas, coffee, tobacco, and beef, and rum. Because of this dependence on the agricultural sector, exacerbated by inadequate natural resources management and population pressures, Nicaragua is extremely vulnerable to natural disasters. In addition to Hurricane Mitch, in the last decade the

country has suffered volcanic eruptions, earthquakes, a tsunami, and droughts. Despite relatively quick physical recoveries, these disasters, combined with trade shocks, have made economic growth and stabilization difficult.

Environment, Natural Resources, and Rural Development

Honduras and Nicaragua both contain a wealth of biodiversity and natural resources, with ecosystems stretching from coral reefs off the Caribbean coast to mountainous tropical forests further inland.

Included within this rich and diverse zone is the largest and most important remaining area of tropical forest north of Colombia, which is also home to five indigenous and ethnic groups: Tawahka, Sumu/Mayangna, Pech, Miskito, and Garífuna. This area, which spans the Honduras/Nicaragua border, is critical to protecting highly threatened habitats, important watersheds, and preserving biodiversity. Geographically and conceptually, it is the heart of the Mesoamerican Biological Corridor, a concept of conservation and rural development spanning the isthmus from southern Mexico to Panama.

The Corazón area is critical for species and ecosystem processes that are dependent on large areas of habitat. With natural areas increasingly fragmented in Mesoamerica, the Corazón Reserve is already, or soon will be, the last refuge for many species in the region dependent on large areas. The global biodiversity importance of the region has also been recognized by institutions such as Conservation International and the World Wide Fund for Nature.

The proposed project area of 34,000 km² (3.4 million ha) along the Honduras/Nicaragua border contains four established protected areas: the Bosawas Biosphere Reserve in Nicaragua (20,000 km² or 2.0 million ha), the Tawahka Asagni Indigenous Reserve, Patuca National Park, and the Río Plátano Biosphere Reserve in Honduras (with a combined total of 14,000 km² or 1.4 million ha). However, the existence of these protected areas has not been sufficient to protect the ecosystems and populations they contain from encroaching threats.

Honduras has 98 protected areas, of which only 35 have a firm legal basis. The rest are protected through Presidential Agreement 1118-92. Almost all are severely understaffed and lack resources; many do not have basic information on size and limits. Currently, responsibility for managing protected areas in Honduras lies with the Honduran Corporation for Forest Development (*Administración Forestal del Estado–Corporación Hondureña de Desarrollo Forestal*, AFE-COHDEFOR). Within COHDEFOR, specific responsibility lies with the Protected Areas and Wildlife Department (*Departamento de Áreas Protegidas y de Vida Silvestre*, DAPVS). However, the Secretariat of Natural Resources and the Environment (*Secretaría de Recursos Naturales y Ambiente*, SERNA) is responsible for natural resources and the environment, and for policies related to protected areas. In some cases, nonprofit, nongovernmental organizations (NGOs) manage individual protected areas.

In Nicaragua, the Ministry of the Environment and Natural Resources (MARENA) is responsible for protected areas, and for environmental policy and natural resources. There are currently 76 protected areas in the country, most of which have adequate information on size and boundaries.

As in Honduras, MARENA lacks the technical and financial resources to provide adequate management and protection to all protected areas. In recognition of these limitations, MARENA has expressed an interest in delegating some responsibility for the management and administration of specific protected areas to local governments and NGOs, while maintaining its regulatory role for environmental management. In the Atlantic region protected area (Bosawas, Reserva Indio Maíz, Cayos Miskitos, Wawashan, and Cerro Silva), international organizations play an important role in providing financial and technical support.

Other issues compound the problems caused by weak protected areas systems and a lack of capacity. The population of the Corazón Reserve is extremely poor, mostly composed of marginalized indigenous groups and subsistence peasants. For rural populations, issues related to access to basic resources such as land and forests, and to factors supporting production and marketing, have been identified as being among the principal determinants of poverty and social inequality.

Migration has been an important phenomenon in the Corazón Reserve area, and has significantly increased the challenges faced by residents. Settlers move from overcrowded lands in western Nicaragua and southern Honduras seeking more opportunities along an agricultural frontier, which is leading to the destruction of remaining stretches of intact natural habitat in the area. The agricultural practices of these settlers are not adequately adapted to the humid forests they settle in, resulting in high rates of land degradation. The conversion of the degraded lands into cattle pastures and small-scale mining operations further contributes to the transformation of forest ecosystems. This, when added to increasing demographic pressures and a shift from traditionally sustainable land and resource use practices among native (indigenous and non-indigenous) populations, has placed ever-growing pressures on these biologically rich environments.

Land

Legalizing rights to land and natural resources are among the main priorities for indigenous peoples and ethnic groups living in the Corazón area in Honduras and Nicaragua. The International Labor Organization's (ILO) Convention 169, drafted in 1989, states that the term "indigenous lands" should be conceived as the total environment of the areas that indigenous peoples occupy and use. It also calls for the participation of indigenous peoples in the use, administration, and conservation of natural resources contained in such lands. Honduras has made a high-level commitment through the ratification of ILO Convention 169, but it does not have an adequate regulatory framework to recognize indigenous land rights. Nicaragua has created a regulatory framework to recognize indigenous rights and has embarked on concrete actions to ensure those rights in the six territories of the Bosawas Reserve. Nevertheless, an efficient mechanism to allow titling is still missing in both countries.

In Honduras, this proposed project is an opportunity for indigenous peoples and ethnic communities to analyze the existing regulatory framework, develop instruments for its implementation, and draft proposals for its improvement. In Nicaragua, this project can contribute to implementation of regularization processes in indigenous territories.

Honduras

The Constitution of 1982 recognizes the responsibility of the State to “establish measures for the protection of the rights and interests of the indigenous communities that exist in the country and especially of the lands and forests in which they live.”² The Agricultural Sector Modernization and Development Law (Decree 31-92), passed in 1992, promised to title community land to indigenous communities for free, but this provision has been rarely applied. The new Property Law, passed in 2004, recognizes the right of indigenous peoples and ethnic groups to receive communal titles over the lands traditionally possessed by them, without eliminating the ownership rights of third parties that hold legal titles. The law has however not yet been regulated. In the past, land adjudication to indigenous communities has been done under the general agrarian reform laws. Nevertheless, there are contradictions between the agrarian reform laws and other regulations, especially those governing forest and environmental issues. The new Territorial Planning Law (Decree) passed in 2003, and the Forestry Law, currently being discussed in Congress, could provide a better policy framework toward the recognition of indigenous territorial rights.

The Bank is supporting land regularization in Honduras through the \$25 million Land Administration Project (PATH). This project was developed based on the experiences of the Bank’s Rural Land Management Project. Among the main activities of the PATH Project is the establishment of a National Property Administration System through legal, regulatory, and institutional means. This system will include a National Territorial Information System (SINIT), a Registry of Norms (RENOT), and the Unified Registries System (SURE) and will be operated by public and private entities. The project finances preparation of policies and norms for the system, technological development, and institutional strengthening. A second focus is the incorporation of land parcels in the project area into the National Property Administration System. The project is financing aerial photography, field surveying of macro boundaries such as intermunicipal boundaries, parcel-level surveying and validation, conflict resolution, regularization, titling, and mass registration into SINIT.

PATH aims to cover different types of rural and urban land and a diverse cross-section of Honduran society including the rich and the poor; men and women; *ladino*, indigenous, and Afro-Honduran. As such, it is financing the regularization of eight Miskito and eight Garífuna communities in the departments of Atlántida, Colón, and Gracias a Dios. Miskito and Garífuna commissions (*mesas de regularización*) have been created to socialize the project among the communities, adjust and validate the methodology for regularization, and provide social monitoring. None of the communities selected are included in the area covered by the proposed Corazón project. Nevertheless, the lessons learned from PATH in this area will contribute to the land regularization process for indigenous lands in the Corazón area.

The Corazón project is complementing the work done under PATH and extending its geographic reach into the area of the proposed Corazón Reserve. Specifically, Subcomponent 1.1 will complement the work being done under PATH by supporting the drafting of a governmental policy note outlining the strategy for the regularization of land in Río Plátano, Patuca, and Tawahka protected areas, as well as the participatory development of procedures to implement

² Chapter III, Agrarian Reform, article 346.

this strategy and training to local communities in the legal and procedural aspects of the regularization process. Both the National Agrarian Institute (INA) and the Property Institute (IP), which share competency over land titling and registry issues, will jointly implement this subcomponent with SERNA and AFE-COHDEFOR.

Nicaragua

Nicaragua has made progress in formal recognition of indigenous land rights on the Atlantic Coast with the passage of the Autonomy Law (Law 28) and the Demarcation and Titling Law (Law 445), passed in 1987 and 2002, respectively. Although the Autonomy Law defines indigenous lands as inalienable, untransferable, unmortgageable, and imprescriptible, it has never been regulated and the recognition of indigenous lands has thus far taken place only under the normal agrarian laws, without any special regimen that integrates traditional usage and norms. Law 445 defines more clearly the rights of indigenous peoples over their land and natural resources, including joint management systems by the indigenous communities and the State for the administration of protected areas on communal lands. Law 445 mandated the creation of: (a) the National Commission for Demarcation and Titling (CONADETI) to lead the demarcation process and coordinate with government the issuing of titles; and (b) three Inter-sectoral Commissions for Demarcation and Titling (CIDTs) to receive and follow up the request for communal titling. The Presidential Secretariat for Atlantic Coast Affairs (SEPCA) was created in March 2004 by the Executive to coordinate all government activities in the Atlantic Coast, with special emphasis on the demarcation and titling of indigenous lands, and the strengthening of regional autonomous institutions and the entities established by Law 445.

The Bank is supporting the regularization of the six territories in the Bosawas Reserve through the \$32.6 million Land Administration Project (PRODEP).³ The titling and registration of these territories is also one of the requirements of the Bank's Poverty Reduction Strategy Credit. Among the activities supported by PRODEP are dialogue between government and civil society to establish a better and more sustainable foundation for policy, legal and institutional reforms; alternative conflict resolution mechanisms; an integrated Information System (SUCAR) at a departmental level; systematic parcel-based legal cadastral process in the three priority departments of Esteli, Madriz and Chinandega; demarcation and consolidation of existing protected areas in these three priority areas; (iii) an appropriately designed demarcation, titling and registration of 15 indigenous communities in the RAAN and RAAS; (iv) the processing of the backlog of titling requests in the reform sector and in the peri-urban areas outside the three priority areas.

Perhaps most importantly, PRODEP has significantly improved the access to land administration services and land tenure security of the indigenous communities in the Bosawas reserve by providing financing and technical assistance to the entities created by Law 445, thus enabling them to complete the demarcation and titling of the indigenous territories. Five territories have been demarcated and received communal titles in May 2005, benefiting a total of 87 communities. Registration of the five titles in the Registry is expected in 2006, once legal

³ The six indigenous territories in Bosawas are: Miskitu Indian Tasbaika Kum (69,055 ha), Mayagna Sauni Bu (102,452 ha), Kiplu Sait Tasbaika (113,632 ha), Li Lamni Tasbaika (103,632 ha), Mayagna Sauni As (166,800 ha), and Mayagna Sauni Bas Sikilta (42,069 ha).

impediments to the registration have been solved. The sixth territory in Bosawas (Sikilta) is still in the phase of identifying third parties, given the complexity caused by overlapping land rights in this territory.

Although demarcation activities in Bosawas are completed, effective mechanisms to resolve conflicts with third parties need to be developed and implemented. The proposed Corazón Project will assist in this task. The precedent established by Bosawas will contribute to the improvement of the legal framework established for this purpose and the definition of a more effective mechanism to continue with regularization activities in the rest of the Atlantic Coast.

More specifically, Subcomponent 1.1 will complement the PRODEP project in strengthening the technical capacity of local communities to advance the titling and registration of the six indigenous territories in Bosawas. It will support regular meetings between local indigenous leaders and government officials responsible for the process of titling and registering the six indigenous territories in Bosawas, provide training for local communities on legal and procedural issues related to the titling process, and facilitate negotiations with “third parties” through logistical support, conflict resolution aid, and legal aid. SEPCA, which coordinates land issues on the Atlantic Coast, and CONADETI, which is responsible for demarcation and shares responsibility for titling, will be responsible for the implementation of this subcomponent in coordination with MARENA.

For complete information on the ethnic, social, and environmental characteristics of the Reserve area, as well on the legal framework and status of indigenous territories within the CTBR, please see the Environmental Assessment and Social and Indigenous Assessment prepared for the project.

Country Assistance Strategies (CASs)

The Nicaragua and Honduras CASs reflect in greater detail the development priorities and strategies of the national governments and their World Bank counterparts. Nicaragua’s 2002–05 CAS focuses on the four pillars outlined in the country’s Poverty Reduction Strategy Paper:

- Broad-based economic growth with an emphasis on productive employment generation and rural development
- Greater and better investment in the human capital of the poor
- Better protection of vulnerable populations
- The strengthening of institutions and good governance.

These four pillars are intertwined with three cross-cutting themes:

- A reduction in environmental degradation and ecological vulnerability
- An increase in social equity
- Further decentralization.

The 2005 Interim Strategy Paper summarizes four strategic areas included in the draft National Development Plan 2005–2009:

- Economic growth for poverty reduction (including environmentally sustainable growth)
- Human capital development and social protection
- Productive and social capital infrastructure
- Governance and state reforms.

The Honduras CAS focuses on the six pillars of that country's Poverty Reduction Strategy Paper:

- Accelerating equitable and sustainable growth to levels consistent with the income poverty reduction targets
- Reducing rural poverty
- Reducing urban poverty
- Enhancing investment in human capital
- Strengthening social protection for specific vulnerable groups
- Ensuring the sustainability of the strategy through governance and institutional reforms and enhanced environmental sustainability.

The proposed Corazón project addresses many of these development pillars and their associated objectives. Stimulating rural development and reducing rural poverty, both objectives of the proposed Corazón Project, are primary focuses of the two CASs. Improving property rights, a primary focus of the proposed project's work in indigenous areas, is an objective of Pillars I, II, and IV of Nicaragua, and Pillar II of Honduras. Reduced ecological vulnerability and enhanced environmental sustainability are also primary objectives of the Nicaragua and Honduras CASs. Through the consolidation of protected areas systems, better management of natural resources, facilitation of access to environmental information, and promotion of sustainable income-generating activities, the Corazón Project will contribute to these objectives.

Addressing the Issues

This project seeks to address many of the challenges faced by Honduras and Nicaragua through an innovative binational initiative with global implications. Its primary objective is to improve the local and binational management capacity of the Corazón Transboundary Biosphere Reserve (CTBR) by strengthening the protected areas systems of Honduras and Nicaragua; establishing operations, management, and monitoring strategies for the protected areas included in the reserve; and working with local communities to ensure that these populations participate in, and benefit from, the creation of the reserve. At the same time, it will help promote sustainable development options for poor populations (including indigenous, Afro-Caribbean, and *mestizo* groups) through the identification of alternative income-generating activities, community-managed sustainable forestry, and improved agricultural practices.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

This proposed Global Environment Facility (GEF) project is partially-blended with two projects for which Honduras and Nicaragua are borrowing funds from the World Bank: the \$20 million Forestry and Rural Productivity Project (PBPR) in Honduras and the \$12 million Second Agricultural Technology Project (ATP-II) in Nicaragua, which falls under the umbrella of PRORURAL, a government Sector-wide Assistance Program (SWAp) supported by many donors. The Corazón Project will closely coordinate investments with these projects in community-level management of natural resources, particularly forestry resources.

The opportunity to prepare a partially-blended operation with the ATP-II and PBPR projects represents a significant mainstreaming opportunity for the GEF. The previous GEF operations in both countries were complemented by World Bank operations focusing on root causes of biodiversity loss, which were effective to some degree, but reduced GEF leverage because the projects were for the most part implemented in different areas of the country (on the Pacific Slope in Nicaragua and in Olancho in Honduras). The current proposal involves much more direct collaboration and cofinancing. Already project preparation workshops in both countries have resulted in significant mainstreaming of biodiversity and conservation concerns into the World Bank operations, representing important progress in incorporating biodiversity concerns into the forestry and agricultural sectors in Honduras and Nicaragua. For more information on the partially-blended projects, see Annex 4.

Although not formally linked to this GEF proposal, Nicaragua and Honduras are also both implementing land administration projects with the World Bank, which in both cases include components focused on indigenous land rights. Both Honduras and Nicaragua have agreed with the World Bank on Poverty Reduction Strategy Papers and are preparing associated Poverty Reduction Support Credits to target their poorest areas, including those included in the Corazón Project.

Within the overall framework of the Mesoamerican Biological Corridor, Honduras completed the implementation of the GEF Biodiversity in Priority Areas Project in June 2005 and Nicaragua closed the Atlantic Biological Corridor Project in September 2005. These World Bank-implemented (co-implemented by UNDP in Honduras) GEF-financed projects have been important in establishing the MBC conceptually, in working with indigenous peoples, and in consolidating the protection of key protected areas. This proposed new World Bank/GEF project builds on the advances of these projects and geographically overlaps to some degree. Approximately 60 percent of the Corazón Project area was included in the previous project area in Honduras; overlap in Nicaragua is about 25 percent. In both countries, the new project builds on major advances in working with the indigenous populations of the Corazón area.

The World Bank and the IDB have prepared the Regional Integrated Ecosystem Management in Indigenous Communities Project. During preparation, discussions were held to ensure that they will be well-coordinated initiatives. Because the regional indigenous project will be implemented over the entire Central American region, it will have few resources available for any given area.

However, the Regional project will contribute in a very important way to development of institutional and methodological aspects of the Corazón Project.

As was mentioned earlier, the Corazón project is coordinating closely with the PATH project in Honduras and the PRODEP project in Nicaragua on the implementation of subcomponent 1.1, which focuses on support to the regularization of land rights. For more information on these projects and the coordination with the Corazón project, please see Annex 1.

Coordination has been ensured with GEF-financed projects implemented by other agencies. In Honduras, the government is working with UNDP and the International Fund for Agricultural Development (IFAD) toward implementation of a project, which in part will be implemented in the areas adjacent to the Plátano Reserve. The World Bank works closely with UNDP in Honduras (the two institutions co-implemented the previous Honduras MBC project, the Biodiversity in Priority Areas Project) and they have coordinated the development of these two projects. The IFAD project does not propose to work on protected area issues or on forestry issues, but in some thematic areas there will be opportunities for joint initiatives.

UNDP is also the GEF implementing agency for an ongoing regional MBC Project, executed by and with political support of the Central American Commission on Environment and Development (CCAD), based in Managua, which provides an institutional basis and framework for many of the innovative investments planned under the Corazón Project. The Regional MBC project focuses on transboundary areas, and the support of this regional UNDP/GEF project has been important to both Honduras and Nicaragua in the development over the last few years of the concept of the Corazón Reserve. The proposed Corazón Project will be able to build on the UNDP project's advances and experience in the area of fostering binational cooperation.

The Ministry of the Environment and Natural Resources (MARENA) in Nicaragua is preparing a proposal to the GEF to support the strengthening of the National Protected Areas System (SINAP). It is envisioned that under the Corazón Project, initial support will be provided to a restructuring of the SINAP, with a particular focus on decentralization and deconcentration mechanisms. A UNDP/GEF operation will focus a larger amount of funds and more specific attention on the sustainability of the overall SINAP.

Finally, Tables A2.1 and A2.2 mention only a few of the many projects in the huge area of the Corazón that are being financed by NGOs and bilateral donors. Some of these projects are large and represent many years of experience in the region. The Corazón Project will have to coordinate closely with many of these projects if it is to achieve its objectives. This is particularly true of the investments of German Technical Cooperation/German Cooperation Bank (GTZ/KfW) in the Río Plátano Biosphere Reserve (RPBR) in Honduras and of the Danish/Finnish Environmental Support Project (PASMA) in Nicaragua. It is proposed that during implementation, efforts be made to carry out joint planning of operational plans for each year, at the very least, with these two large interrelated projects, but also with many other important projects.

Table A2.1. Status of Related Bank Projects Under Preparation or Implementation						
Project Name	Amount (\$ Million)	Financer	Project ID	Country	Latest IP Rating	Latest DO Rating
Forests and Rural Productivity (PBPR)	20.0	World Bank	P064914	Honduras	Moderately Satisfactory	Moderately Satisfactory
Second Agricultural Technology Project	7.0	World Bank	P087046	Nicaragua	Satisfactory	Satisfactory
Regional Integrated Ecosystem Management in Indigenous Communities	9.0	GEF	P075219	Central America	Satisfactory	Satisfactory
Land Administration Project (PRODEP)	38.47	World Bank	P056018	Nicaragua	Moderately Satisfactory	Moderately Satisfactory
Land Administration Project (PATH)	25.11	World Bank	P055991	Honduras	Highly Satisfactory	Highly Satisfactory
Second Rural Municipal Development Project	31.08	World Bank	P055823	Nicaragua	Satisfactory	Satisfactory
Building the Inter-American Biodiversity Information Network (IABIN) Project	6.0	GEF	P077187	Regional	Satisfactory	Satisfactory

IP = Implementation Progress, DO = Development Objective.

Table A2.2. Other Major Related Projects in the Corazón Reserve Area

Name	Amount (US\$ Million)	Financier	Years	Start Date	Country
Environmental Support Program (PASMA)	2.5	DANIDA/FINNIDA	5	2006	Nicaragua
Proyecto Zona Norte	14.0	EU	5	2001	Nicaragua
PRRAC FOSED	6.0	EU	5	2002	Nicaragua
Manejo Sostenible de Recursos Naturales y Fomento de Capacidades Empresariales	6.0	GTZ	5	2005	Nicaragua
FORCUENCA	41.6	EU	5	2003	Honduras
Probosques	23.1	IDB	5	2005	Honduras
Manejo Integrado de Recursos Ambientales (MIRA)	28.0	USAID	4-5	2004	Honduras
Proyecto Biosfera Río Plátano (PBRP 2)	10.4	KfW	3	2005	Honduras
Demostrando el Manejo de Ecosistemas	4.2	GEF/UNDP	6	2005	Honduras
Programa Nacional de Desarrollo Local (PRONADEL)	42.0	IFAD	6	2005	Honduras
Establecimiento de un Programa para la consolidación del Corredor Biológico Mesoamericano (CBM)	18.0	GEF/UNDP/GTZ	7	1999	Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica, y Panama

Annex 3: Results Framework and Monitoring
CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Results Framework

PDO	Outcome Indicators	Use of Outcome Information
Improved national and binational management of the proposed Corazón Transboundary Biosphere Reserve area, respecting the rights of traditional populations.	<ul style="list-style-type: none"> - Management effectiveness rating for the area of the combined protected areas of the CTBR improves from an estimated baseline of 1 (Poor) (to be measured during the first 2 months of the project) to 2 (Regular) (using Central American PROARCA system) by end of project (EOP). - The % of indigenous residents in the CTBR which participate fully in the implementation of management plans for their respective protected areas increases to at least 75% by EOP (based on viewpoints of organizations representing local indigenous populations). - Deforestation rate of core areas of the Reserve declines by at least 25% from the baseline value to be determined at project start-up. 	To varying degrees, the measured indicators are subject to influence from the proposed project or from the suite of related WB investments. Less-than-expected improvements in the management of the CTBR will trigger interventions in policy and will require changes in the management regime. If overall deforestation of core habitats is not being slowed, the project's overall orientation would need to be reviewed at the midterm review.
Intermediate Results One per Component	Results Indicators for Each Component	Use of Results Monitoring
Component 1: CTBR consolidated, and strengthened with binational institutional mechanisms that guarantee adequate coordination.	Component 1: - Percentage of the management activities (as measured by \$ cost) in the four protected areas of the CTBR that is coordinated through joint Annual Operating Plan exercises or other effective coordination mechanisms increases from an estimated baseline of about 10% (to be measured at first harmonization workshop) to 80% at EOP.	Component 1: Failure to meet targets of inter-institutional coordination and binational coordination would indicate systemic coordination issues that would need strengthening under the project and strengthened commitments from governments and local actors.
Component 2: National Protected Areas Systems strengthened politically, financially, technically, and administratively.	Component 2: - Overall effectiveness rating of management of the two SINAPs based on the annual country reports to CCAD's Central American PROARCA system improves by EOP.	Component 2: The overall strength and effectiveness of the National Protected Areas Systems will to a large degree be beyond the sphere of influence of the project, but failure to at least improve in this area would trigger a reassessment of government and international donor priorities.

Intermediate Results One per Component	Results Indicators for Each Component	Use of Results Monitoring
<p>Component 3: Management plans for the CTBR protected areas harmonized and effectively implemented with local participation.</p>	<p>Component 3: - Effectiveness rating of management of each individual area (excluding the RPBR) using Central America's PROARCA protected areas scorecard increases from an Ineffective rating to a Moderately Effective rating.</p>	<p>Component 3: Less-than-expected improvements in any given protected area will trigger a reassessment of the allocation of project resources and an evaluation of area-specific problems that are perhaps not being adequately addressed through management plans and project activities. Since the project will not be prioritizing the Río Plátano Reserve in Honduras for on-the-ground investments, it is not included in this indicator, but will be targeted under harmonization investments.</p>
<p>Component 4: Local communities more sustainably managing natural resources.</p>	<p>Component 4: - In communities targeted by subproject components, number of families benefiting from own-managed external investments in sustainable natural resources management increases by 3,000 by EOP.</p>	<p>Component 4: Any unexpected delays in reaching goals of sustainable use of natural resources and how subprojects are managed would require analysis to determine the cause (land titling problems, marketing, organization, etc.) and would allow for fine-tuning of project investments and perhaps those of related projects.</p>
<p>Component 5: Monitoring and information management capacity of National Environmental Information Systems strengthened and benefiting management needs of the CTBR.</p>	<p>Component 5: - Percent of field data from biological and socioeconomic monitoring programs that are integrated into coordinated and accessible database increases from 5% (estimated baseline value) to 75% by EOP.</p>	<p>Component 5: The effectiveness of Corazón monitoring programs will be a measure not only of local monitoring programs but also of the level of integration, nationally and binationally, of the SINIAs.</p>
<p>Component 6: Project administered efficiently.</p>	<p>Component 6: - Project management system working efficiently, according to World Bank rules and national and CCAD requirements. To be measured by output indicators such as audits, disbursement reports, reports, etc.</p>	<p>Component 6: Any failures in project administration would require coordinated corrective measures taken between CCAD, the World Bank, and the national governments.</p>

Arrangements for Results Monitoring*

Outcome Indicators	Target Values			Data Collection and Reporting			
	Baseline*	YR2	YR4	YR6	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
- Management effectiveness rating of CTBR**	Poor (1)	Poor (1)	Regular (2)	Regular (2)	Measured every two years as part of a comprehensive monitoring report	Workshop of all key stakeholders (first to be held during first 2 months of project implementation)	CCAD and national and traditional authorities
- Effective management role of indigenous populations	40%	50%	65%	75%			
- Deforestation rate of core areas	2%/year	2%	<2%	<1.5%		Satellite image analysis	SINIAs
Results Indicators for Each Component							
Component 1: Percent of management activities that are coordinated across all four areas	10%	40%	60%	80%	As above	Workshop of representatives from all areas and independent observers	CCAD and national authorities
Component 2: Effectiveness rating of management of each national SINAP**	TBD	Improved	Improved	Improved	As above	As above	CCAD and national authorities (particularly protected area divisions)
Component 3: Effectiveness rating of each protected area using PROARCA Protected Area Scorecard	Regular (2)	Regular (2)	Good (3)	Good (3)	As above	As above	CCAD and national authorities (particularly protected area divisions)
Component 4: Number of families benefiting from sustainable natural resources management programs	Baseline*	+500	+2,000	+3,000	As above	Analysis of subproject proposals and subproject monitoring program	CCAD and national and traditional authorities
Component 5: Percent of data from Reserve integrated into binational databases	5%	40%	60%	75%	As above	Contracted assessments by third parties	SINIAs, IABIN
Project Administration: Output indicators such as audits, disbursement reports, supervision missions, etc.	N/A	Satisfactory	Satisfactory	Satisfactory	As above	World Bank supervision missions, audits	World Bank, CCAD, national authorities

*Baseline values are only estimated and will be determined in a planned workshop within first two months of project effectiveness.

**Measured using Central America's PROARCA system of measuring management effectiveness in protected areas. The GEF Protected Areas Tracking Tool will also be used.

PROARCA Monitoring System

At a 1997 workshop of Central American experts, the Regional Environmental Program for Central America (PROARCA, for its acronym in Spanish) developed a comprehensive methodology for measuring the management effectiveness of protected areas. Honduras developed its national version of this system in 2000; Nicaragua followed suit in 2001. The seven Central American countries have maintained common indicators and standards which allow them to contribute comparable data to the Central American Protected Areas System (SICAP, also for its acronym in Spanish).

The PROARCA methodology involves the identification of objects to be conserved. Information is then compiled for indicators that measure how well each object is conserved, and a final score category is assigned. Categories range from Poor to Very good.

Indicator values	Category
≥ 3.75	Very Good
3.0-3.74	Good
1.75-2.99	Average
< 1.75	Poor

Each evaluated protected area is then assigned a value from 1 to 5, based on a system that weights the different indicators.

Value indicated for protected area	Description
5	The ecological integrity of the protected area is in a desirable ecological state, requiring little human intervention for the maintenance of natural ecosystems.
4	The ecological integrity of the protected area is within an acceptable range of variability, although some human intervention may be required for maintenance.
3	The ecological integrity of the protected area (and therefore some of the conservation objects and their key ecological attributes) is outside the acceptable range of variability and requires human intervention for maintenance. If no follow-up is performed, the object of conservation will be vulnerable to severe degradation.
2	If the ecological integrity is allowed to stay in this category, in the long term it will make the restoration or prevention of the disappearance of this object of conservation practically impossible (e.g., complicated, costly, and with little certainty of reversing the alteration process).
1	The evaluation has not been carried out, so it is possible that the objects of conservation, and therefore the protected area, are in a critical state.

A full description of the PROARCA methodology and rating system can be found at http://www.proarca.org/p_apm10.html.

While a decision was made by the countries to measure management effectiveness using their own PROARCA system, in order to be consistent with existing monitoring initiatives and agreements in Honduras, Nicaragua, and the rest of Central America, the World Bank-WWF Tracking Tool for Management Effectiveness will also be measured annually and reported to the GEF.

Annex 4: Detailed Project Description

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Global Objective

The global objective to which the project contributes is the conservation of the globally important biodiversity of the Corazón Reserve through more effective protection and through improved and more sustainable use of natural resources in the project area. As a higher-level objective, the Project also modestly contributes to poverty alleviation in these extremely poor areas of Honduras and Nicaragua.

Project Development Objective

The Project Development Objective (PDO) of the Corazón Transboundary Biosphere Reserve (CTBR) Project is to improve the national and binational management of the CTBR area, respecting the rights of traditional occupants. The future Corazón Reserve extends in Honduras from the Río Plátano Biosphere Reserve through the Tawahka Asagni Indigenous Reserve and Patuca National Park, to the Bosawas Biosphere Reserve in Nicaragua. Honduras and Nicaragua jointly submitted a proposal to UNESCO in August 2004 to form the CTBR.

Biosphere reserves are mosaics of ecosystems that are nominated by national governments and recognized by UNESCO. They have core, buffer, and transition zones, allowing them to fulfill conservation, development, and logistic functions. Productive, educational, research, and recreational activities are permitted in the buffer and transitional areas, while only research, monitoring, and traditional extractive activities are allowed in the core zones. The superimposition of a UNESCO transboundary biosphere reserve on existing UNESCO biosphere reserves (Río Plátano and Bosawas Reserves) does not change the status or importance of existing reserves, but serves to further consolidate their recognition as globally important areas, and serves as a tool to strengthen management of all included areas.

The improved management of the Corazón Reserve will contribute to a strengthening of the protected areas systems of the two countries, enhancement of biodiversity conservation within the Reserve, improvement of the community management of natural resources, and improved management of environmental information. From a biological perspective, this Reserve is the largest and most important remaining area of natural habitat in Central America. It is also home to important indigenous and ethnic groups, notably the Tawahka, Pech, Sumu/Mayangna, Miskito, and Garífuna, some of the most vulnerable populations in Honduras and Nicaragua, and the project aims to consolidate their traditional rights on these territories. Furthermore, as an area spanning a national border, the Corazón Reserve represents an important opportunity to support binational cooperation and integration.

It is likely that the improved conservation of biodiversity in the Corazón Reserve, along with stronger and more efficient Natural Protected Areas Systems and UNESCO recognition, will attract additional national, international donor, and private funds to Honduras and Nicaragua, and especially to the reserve itself. This increased willingness to pay for conservation is an important additional benefit of this project.

Project Components

The Corazón Project is composed of six components, each of which is divided into subcomponents and lines of action. Each line of action is divided into specific activities. The following sections contain details to the level of lines of action. Detailed information at the activity level can be found in the implementing agency's Operational Manual. The total component cost includes GEF, government, and CCAD funding. For details on the contribution of non-Global Environment Facility (GEF) financing to the total component costs, as well as the cofinancing provided by the partially-blended IDA projects, see Annex 5, Table A5.2.

1. Consolidation of the Corazón Transboundary Biosphere Reserve (GEF US\$0.79 million, Total US\$0.82 million)

The bulk of the future CTBR is in areas traditionally occupied by indigenous peoples, and their support of the reserve concept is a necessary condition for its establishment. In both Nicaragua and Honduras, legal recognition of ancestral land rights needs to be strengthened, a process that will be supported in this Project. This component also supports the process of proposing a UNESCO-recognized CTBR, and improved management and coordination of the reserve area.

A first subcomponent will support progress in Nicaragua and Honduras toward the recognition of ancestral land rights of indigenous peoples (see also a background text in the Social and Indigenous Assessment, annexed to the Operational Manual). In Honduras, this subcomponent will support the drafting of a governmental policy note outlining the strategy for the regularization of land in Río Plátano, Patuca, and Tawahka protected areas, as well as the participatory development of procedures to implement this strategy. The subcomponent will also provide training to local communities in the legal and procedural aspects of this regularization process, so that they can be full participants. INA and IP, in coordination with SERNA, will be responsible for developing governmental policy and procedures to regularize indigenous lands in protected areas in coordination with local populations. These activities will complement and expand the geographical reach of work being done under the Bank-financed PATH project.

In Nicaragua, the subcomponent will support regular meetings to exchange views between local indigenous leaders and government officials responsible for the process of titling and registering the six indigenous territories in Bosawas. It will also provide training for local communities on legal and procedural issues related to the titling process, and facilitate negotiations with "third parties" through logistical support, conflict resolution, and legal support. Community proposals for support will be approved by a committee composed of technical staff from MARENA, SEPCA and CONADETI to ensure that the proposals are coordinated with other initiatives in the area and consistent with the overall titling process. This work will complement the work of the Bank-financed PRODEP project in titling the five territories and in seeking registration for those titles.

The second subcomponent will finance the creation and/or consolidation of binational coordination mechanisms for the reserve area at the political, technical, and civil society levels, promote strong public participation in the management of the reserve area, and strengthen the

legal framework for the binational area. During project preparation, major stakeholders recognized the need to create an independent conflict resolution mechanism to resolve potential conflicts created by project activities. As such, the project will support an independent conflict resolution committee to be composed of representatives of third-party organizations acceptable to both the governmental and civil society representatives of the Steering Committee. The conflict resolution committee will be established to resolve disputes stemming from project-related activities which the Binational Forum and Steering Committee have proven unable to resolve in a manner satisfactory to all parties. Should potential areas of conflict be detected early, the committee will also be called on to suggest manners for mitigating disputes.

The final subcomponent will support further needed actions to complete the establishment of the Reserve, which is expected to happen by the first year of the Project. An initial petition to create the Biosphere Reserve was submitted to UNESCO by Nicaragua and Honduras in August 2004, and further actions are now taking place as part of the creation process. The official acceptance by UNESCO of the Reserve proposal is considered strategically important, but any unanticipated delay in officially recognizing this status for the project area in no way precludes carrying out any of the activities anticipated under the Project or planned by the two countries. Thus the formal establishment of the CTBR is not considered a necessary prerequisite for any project activity, or of project output.

Subcomponents and lines of action for this component include:

1.1. Support to the Regularization of Land Tenure:

- Participatory development of procedures for the regularization of land tenure in the CTBR protected areas (Honduras)
- Development of local capacity in indigenous territories for the regularization process (Nicaragua)

1.2. Efficient Binational Coordination Mechanisms for the CTBR:

- Binational Commission and Steering Committee
- Binational Forum and other civil society organizations
- Binational Technical Committee

1.3. Recognition of the Corazón Transboundary Biosphere Reserve by UNESCO:

- Interaction with UNESCO and other international organizations
- Binational dissemination and promotion of the Reserve declaration

In addition to the GEF funding, CCAD will contribute \$34,000 towards the binational management of the area. This cofinancing will be largely in the form of staff time provided by the Executive Secretary of CCAD, and technical staff.

2. Strengthening of the National Protected Areas Systems (GEF US\$2.12 million, Total US\$5.57 million)

The Corazón Reserve constitutes an extensive area, representing well over half the total area of the two countries' protected areas systems. A project focused on the Corazón Reserve is thus an

appropriate vehicle for addressing systemic issues in the sustainability of the protected areas systems of both countries. This component aims to promote the establishment of financial and administrative mechanisms, policies, and legal frameworks, and to ensure the sustainability of the National Protected Areas Systems (*Sistema Nacional de Áreas Protegidas*, SINAPs) of Honduras and Nicaragua. Currently, the budgetary and personnel allocations of the national governments are insufficient for the management of the SINAPs and are being reduced, provoking deterioration in the protected areas and limiting their conservation and development potential.

In Honduras, the previous World Bank/GEF project and the Rural Land Administration Project have supported a proposal for a Protected Areas Fund (*Fondo Hondureño de Áreas Protegidas*, FHAP). The Fund was officially created in February 2005, but the decree creating it needs to be reformed, which this project will help to achieve. Project funds will be contributed to the patrimonial fund of the FHAP (jointly with the Forestry and Rural Productive Project, from which the government of Honduras has designated additional seed funds to be directed to the patrimonial fund). They will also support the strengthening of the Fund itself, the consolidation of fund management and operational procedures and structures, and contributions to proposed reforms for the SINAP and the transition to this new framework.

In Nicaragua, much remains to be done in addressing issues of financial sustainability, private sector participation, and co-management. The activities carried out under the Corazón Project are expected to lay the groundwork for a future UNDP/GEF project, to further improve the SINAP of Nicaragua. In Nicaragua, work under the Corazón Project will focus primarily on supporting the decentralization of the SINAP and the strengthening of long-term financial instruments. The proposed Corazón Project will support the strengthening and capitalization of a protected areas fund for the SINAP, assuming at least an equal contribution from another source, and annual meetings between indigenous groups and fund management. Government cofinancing will stimulate the creation of complementary long-term financing mechanisms.

Subcomponents and lines of action for this component include:

2.1. Modernization of the Nicaraguan SINAP through Support to Management and Policy Instruments:

- Natural resources management instruments
- Sectoral planning instruments
- Decentralization instruments at the regional, municipal, and local levels.

2.2. Establishment of Financial Sustainability Mechanisms for the Nicaraguan SINAP:

- Strengthening and capitalization of a SINAP protected areas fund and associated financial sustainability mechanisms, to complement the investments of the Danish/Finnish Environmental Support Project in Nicaragua (*Programa de Apoyo Sectorial al Medio Ambiente*, PASMA)

2.3. Modernization of the Honduran SINAP:

- Improved management of the SINAP

2.4. Support to financial sustainability mechanisms for the Honduran SINAP:

- Strengthening, consolidation, and capitalization of the Honduran Protected Areas Fund (FHAP)

In addition to the GEF funds, \$3.3 million of cofinancing from the government of Honduras is included under this component. These are the funds the government is investing in the FHAP in close coordination with the Corazón Project, and were deposited in February 2005 in the patrimonial fund of the FHAP (the government allocated resources from the World Bank's Poverty Reduction Strategy Credit). The government of Nicaragua will also be contributing approximately \$418,000 to the modernization and decentralization of their SINAP. The total component financing also includes an estimated \$4 million PBPR will spend on strengthening the SINAP in Honduras and on contributions to the FHAP.

3. Implementation of CBTR Protected Areas Management Plans (GEF US\$2.73 million, Total US\$3.61 million)

The objective of this component is to harmonize and implement management plans within the four constituent protected areas of the Corazón Reserve. These plans are the operational tools for the participatory management of the Reserve. The recently closed GEF Nicaragua Atlantic Biological Corridor financed management plans for areas in the Mosquitia adjacent to Bosawas Reserve, and GTZ and USAID have financed management plans in the Bosawas Biosphere Reserve. In Honduras, the recently closed World Bank/GEF Biodiversity in Priority Areas Project has financed management plans in the Tawahka Indigenous Reserve and the Patuca National Park, and GTZ has done likewise in the Río Plátano Biosphere Reserve.

However, in the absence of this project, the plans would be implemented in isolation, and in most cases would not have sufficient funding to permit the execution of all but the most basic activities. By harmonizing these plans, the project will help ensure a more rational management of cross-boundary natural resources, more effective conservation of ecosystems, easier sharing of information, economies of scale, and learning opportunities. This component will also help the respective protected area administrations of Nicaragua and Honduras to implement the plans, through a community-based co-management structure. This integrated management structure does not imply a single plan for the reserve, but rather that it will benefit from a binational coordination and synchronization encompassing existing plans and activities. Strengthening the role of indigenous organizations in the management of these areas, traditionally under their management, is a critical part of the Project.

Of the four protected areas, the Río Plátano Biosphere Reserve (RPBR) benefits from the most funding support from non-GEF sources. German Cooperation (GTZ and KfW) is in the process of beginning its next phase of support to the RPBR, which is expected to provide an amount of financing about equivalent to the entire funding of the Corazón Project. Therefore, under the

GEF Corazón Project, the highest priority in Honduras for the actual implementation of management plans will be accorded to the Tawahka and Patuca areas, and this Project will not directly support the RPBR under this component, if being financed by other sources.

Subcomponents and lines of action for this component include:

3.1. Harmonization, Updating, and Implementation of Protected Areas Management Plans:

- Updating of the management plans for the four protected areas (including indigenous territories)
- Dissemination of management plans and consensus building with stakeholders
- Implementation of the management plan programs in coordination with local authorities
- Strengthening of regional, departmental, and municipal capacity to implement management plans
- Monitoring of the implementation of the management plans

3.2. Strengthening Community, Indigenous, and Civil Society Participation in the Implementation of Management Plans:

- Evaluation of administrative and organizational capacity to participate in co-management activities
- Promotion of community participation
- Subprojects to promote co-management activities

In addition to GEF funding, the governments of Honduras and Nicaragua will contribute an additional \$88,000 to the implementation of the updated protected areas and indigenous territory management plans. The associated PBPR project also includes an estimated \$1.5 million for management plan related activities that have been included here as cofinancing.

4. Community-based Natural Resources Management (GEF US\$3.56 million, Total US\$4.23 million)

The goal of Component 4 is to contribute to improving the living conditions of indigenous and *mestizo* communities in the project areas, through the conservation and sustainable use of natural resources. The specific objectives are: (i) to strengthen local capacities for natural resource management, and (ii) to finance and support community initiatives related to natural resource management in order to enhance local economies, access to markets and the wellbeing of the population.

The main beneficiaries are local communities and grassroots organizations that aim at engaging in conservation and sustainable use of natural resources in the Reserve and buffer areas. Other relevant actors will be indigenous federations, municipalities, NGOs, service providers and agencies in charge for management of protected areas and rural development. The component will be highly participatory, will pay priority attention to gender and generational equality, will aim at generating local environmental leaders and will support productive initiatives at the community level.

This component will give local organizations and communities control to create initiatives that fulfill the needs of local people while benefiting the global environment. Through the design of subprojects and of complementary capacity-building modules, the proposed project will assist local organizations in filling gaps in capacity they have identified as critical for improved management of natural resources, and will support community-designed and implemented subprojects that will strengthen the management of natural resources in the reserve area.

The subprojects will include a diverse array of themes designed to meet the needs of target communities; initial lines of financing are listed below. These activities will focus on the integration of sustainable technologies into production techniques, provision of technical assistance and training to community groups so that they can comply with relevant protected areas management norms and regulations, extension of technical assistance, and assistance with marketing. All activities will be in accordance with usage permitted under relevant management plans; any forest activities will be carried out only in the buffer zones of the Reserve.

Subprojects proposals will be assessed by a national evaluation committee composed of representatives from both government and civil society. Subproject proposals will be screened for compatibility with project objectives and priorities, contribution to the conservation of globally significant biodiversity, location in critical areas, complementarity with ongoing initiatives, capacity for implementation, and social and economic sustainability, among other criteria. The project will exclude activities that have negative ecological impacts and risks, projects that do not contain at least 30% of women among the direct beneficiaries (except when sufficiently justified) and the financing of activities and works with religious, political, military or security purposes. Subprojects will be assigned a score based on the established criteria, and ranked according to this score.

Subproject programs will be implemented by organizations with proven experience in executing similar subproject or small grants programs, and will be closely monitored by project staff. This monitoring will inform the adjustment of selection criteria, implementing mechanisms, and so forth, as necessary. The subcomponent will also finance activities for awareness of the subprojects scheme, evaluation of subproject proposals and monitoring of the Component.

This component will be closely linked and jointly implemented with major cofinancing from the two associated World Bank projects with similar natural resource management goals. The focus will be on the management of natural resources, training, and provision of assistance through subprojects, and on environmental education efforts promoting biodiversity conservation and the sustainable use of biodiversity.

Subcomponents and lines of action for this component:

Subcomponent 4.1. Local Governance for Natural Resources Management:

- Training of local organizations in natural resource management, such as municipalities, women groups, community committees and cooperatives

- Scholarships, of two types: (i) technical training on environmental sciences or rural development for the community youth, in nearby centers and universities, for a limited period; and (ii) participation of community members in technical and organizational training courses
- Contracting technical staff in each country to support the implementation of the Component

Subcomponent 4.2. Community Subprojects

This subcomponent will finance community-based subprojects that promote natural resource management through local socio-economic development. Examples of potential financing lines include:

- Farm diversification with economic and nutritional goals
- Community ecotourism
- Community productive infrastructures (e.g. granaries, marketplaces, village docks)
- Support to rural micro-enterprises for transformation, transport and marketing of agricultural products (seed capital + technical assistance)
- Agroforestry
- Reestablishment of production and commercialization of cocoa
- Establishment of native fauna farms and of controlled hunting areas
- Sustainable livestock raising and silvopastoral systems (in buffer zones)
- Support to the sustainable production, cultivation and marketing of medicinal plants
- Restoration of degraded areas and small watersheds
- Sustainable forest products extraction
- Development of ecological products and initiatives for socio-environmental certification
- Support to workshops of craftsmanship, goldsmith art, cabinet-making, and mechanics
- Support to initiatives for marketing of environmental services
- Production of sustainable and renewable energy sources

The total cost for this component includes an estimated \$67,000 that will be spent by the two governments as counterpart for activities related to the management of natural resources. This includes direct costs that will accrue to the governments for the implementation and supervision of the subprojects. The associated PBPR and ATP-II projects will implement an estimated \$10.5 million in complementary natural resource management activities in the project area.

5. Monitoring and Information Management (GEF US\$0.99 million, Total US\$1.09 million)

Effective management of the Corazón Reserve and the protected areas systems of both countries requires effective monitoring and management of environmental information. This component seeks to ensure the continued monitoring of the Corazón Reserve through harmonized monitoring systems, to create an information-sharing relationship with national and international

environmental systems, and to support scientific research promoting better natural resources management. To ensure socioeconomic and biological monitoring, training and equipment are needed, and systematic and harmonized methodologies must be established and implemented. Information management activities will coordinate with and be based on existing programs at national levels (for example, the Nicaraguan National Environmental Information System [SINIA]), and at regional levels (the Mesoamerican Environmental Information System [SIAM] and the Inter-American Biological Information Network). Research to promote better use of natural resources will also be supported in order to further project objectives.

The Nicaraguan SINIA has been supported for several years under the World Bank's Second Rural Municipal Development Project and by other initiatives, including national funds. It is the best example of a functional environmental information network in Central America, with a strong focus on decentralized nodes, monitoring indicators at national and municipal levels, and information sharing between sectors (<http://www.sinia.org.ni>). The corresponding SINIA in Honduras is very weak; the current project will be able to provide only minimal support in launching this network.

On a regional scale, the SIAM covers all of Central America and is managed by CCAD. It is managed out of a central node in Panama with different functions decentralized to Central American countries. Benefiting from extensive support of the National Aeronautics and Space Administration (NASA) and the World Bank, there are many remote sensing tools and applications at the Mesoamerican Environmental Information System (*Sistema de Información Ambiental Mesoamericano*)/Central America Monitoring and Visualization System (*Sistema de Monitoreo y Visualización para Mesoamerica*) (SIAM/SERVIR) (the geospatial node of SIAM) that will be used to help monitor landscape-level monitoring data of the Corazón Project. Finally, the Inter-American Biodiversity Information Network (IABIN) is a hemispheric network dedicated to the promulgation of standards for biological information and its effective use. It is currently being strengthened by a World Bank/GEF project (<http://www.iabin.net>).

Subcomponents and lines of action for this component include:

5.1. Biodiversity and Social Monitoring System Incorporated and Linked to Information Systems:

- Harmonization of monitoring indicators and criteria among protected areas
- Creation of human capacity and infrastructure needed for monitoring
- Information collection
- Strengthening of national capacity to manage information generated in the CTBR

5.2. Promotion of Scientific Biodiversity Research in the CTBR:

- Establish strategic partnerships with the national and international research centers
- Design and implementation of small grants program for research
- Promote exchanges between indigenous communities on traditional knowledge

5.3. Promotion of Environmentally Friendly Views and Actions:

- Implementation of environmental education strategy in each country

In addition to GEF funds, \$47,500 will be contributed by the governments of Nicaragua and Honduras, and \$45,000 by CCAD in the form of technical information and studies, maps, images, staff time, and website space and services.

6. Project Administration (GEF US\$1.80 million; Total US\$3.03 million)

This component supports the effective and efficient administration and operation of the Corazón Project. This includes both administrative functions such as the drafting of manuals and periodic reports, financial and procurement functions, and technical oversight for the project as a whole. Because of the trilateral nature of the project, this component has been divided into three subcomponents.

Subcomponents and lines of action for this component include:

6.1. Project Administration (CCAD):

- Establishment and operation of CCAD's coordination unit
- Promotion of project sustainability and synergies with other projects, including design of a project communication strategy
- Monitoring and evaluation system

6.2. Project Administration (Nicaragua):

- Establishment and operation of the Nicaraguan project implementation unit

6.3. Project Administration (Honduras):

- Establishment and operation of the Honduran project implementation unit

In addition to the GEF financing, the governments of Nicaragua and Honduras will contribute an estimated \$986,020, and CCAD an estimated \$239,000, in in-kind financing of the project coordination and administration costs (personnel and office and logistical costs).

Project Area

Each component has a slightly different geographic focus. Table A4.1 summarizes the different areas of activity for each technical component, as well as the institutions responsible for their implementation. On-the-ground investments such as implementing management plans and the natural resource management subprojects do not prioritize the Río Plátano Biosphere Reserve (RPBR) in order to ensure synergy with existing GTZ/KfW investments in that area. If the Steering Committee later chooses to prioritize some investments in the RPBR, this could be done as part of the process of preparing each year's implementation plan.

Table A4.1. Areas of Activity and Institutional Responsibilities for Technical Components

COMPONENT	SUB-COMPONENT	RESPONSIBLE INSTITUTIONS	Subcomponent focus			
			Entire Country	CTBR Río Plátano, Patuca, Tawahka, Bosawas	Core Zones Patuca, Tawahka, Bosawas	Buffer Zones Patuca, Tawahka, Bosawas
1. Consolidation of Reserve	1.1	HN: SERNA/COHDEFOR/ IP/ INA NI: MARENA-SETAB/ SEPCA/OTR	Minor	Major		
	1.2	CCAD HN: SERNA/COHDEFOR NI: MARENA-SETAB		Major		
	1.3	CCAD HN: SERNA/ AFE NI: MARENA-SETAB		Major		
2. SINAPs	2.1	NI: MARENA-DGAP	Major			
	2.2	NI: MARENA-DGAP	Major			
	2.3	HN: SERNA/COHDEFOR	Major			
	2.4	HN: SERNA/COHDEFOR	Major			
3. Management Plans	3.1	HN: AFE/ SERNA NI: MARENA-SETAB, DGAP		Minor	Major	Minor
	3.2	Binational Forum HN: SERNA/COHDEFOR NI: MARENA-SETAB, DGAP			Major	Minor
4. Community Natural Resource Management	4.1	Binational Forum HN: SERNA/COHDEFOR NI: MARENA-SETAB			Minor	Major
	4.2	Binational Forum HN: SERNA/COHDEFOR NI: MARENA-SETAB			Minor	Major
5. Monitoring/ Information Mgmt.	5.1	CCAD HN: SINIA-SERNA/ AFE NI: SINIA, MARENA-SETAB, y DGAP.	Minor	Major	Minor	
	5.2	HN: SERNA/ IHAH NI: MARENA-SETAB, DGB y RN, DGAP	Minor	Major		
	5.3	HN: SERNA/COHDEFOR/ Ministerio de Educación NI: MARENA SETAB/Municipalities	Minor	Major		

Associated Projects

The Corazón project is partially blended with two World Bank projects, Forests and Rural Productivity (PBPR) in Honduras and ATP-II in Nicaragua. These projects have been designed in parallel, with objectives and strategies that are complementary. The incremental Cost Analysis in Annex 15 explains in detail the financial contributions of the PBPR and ATP-II projects. As part of an effectiveness condition, a detailed coordination agreement will be signed with the institutions implementing the two associated projects; their project operational manuals will be revised accordingly.

The project activities will be cofinanced in Honduras by work done under the PBPR Project. Approximately \$4 million from PBPR is earmarked for coordinated activities aimed at strengthening the National Protected Areas System of Honduras. This includes support for the decentralization of protected areas management, implementation of a protected areas fund, development of policies and norms for environmental services payments, strengthening of community co-management and AFE-COHDEFOR's supervision using co-management, technical assistance for changes to legal and institutional frameworks, and the development of economic activities supporting conservation. Technological, methodological, and organizational/administrative training will also be provided to key government promoters working with communities in the Corazón Reserve area. Finally, PBPR includes \$300,000 to be added to the FHAP's Patrimonial Fund.

The partially-blended project in Honduras will also promote activities supporting the implementation of management plans in the protected areas incorporated within the Corazón Reserve. Approximately \$1.5 million will fund implementation activities in the Tawahka Asagni Indigenous Reserve and Patuca National Park. Activities include the rehabilitation and improvement of visitor and research centres and interpretive trails, where appropriate; maintenance of the demarcation of protected areas boundaries; and training to local staff and communities to develop better management structures.

In technical terms, their most important contribution is to Component 4, where GEF-financed activities are closely coordinated with other activities financed by PBPR and ATP-II.

PBPR Associated Activities

Approximately \$6.5 million from PBPR in Honduras will finance community natural resources management activities of relevance to project objectives in the Corazón Reserve area. This includes technology transfer through private technical service providers and training in new technologies, methodologies, organization, and administration. Other activities include the facilitation of access to alternative funding, and design of other financial mechanisms to fund productive activities; marketing and commercialization assistance, especially for small forest producer groups; forest fire prevention and control; watershed management planning and implementation; and forest pest management and control. The PBPR will also support the regularization of traditional land rights through the delimitation of areas, census of forest occupants and users, socioeconomic diagnostics and consultations, and regularization processes.

ATP-II Associated Activities

In Nicaragua, the Corazón Project will be associated with the Second Agricultural Technology Project (ATP-II), which will start operations in late 2006. Their cooperation will concentrate on Bosawas Reserve. Although the projects have different technical approaches (ATP-II aims at providing communities with broader access to natural resource management and innovations and to strengthening agricultural public sector institutions, while the Corazón Project works with conservation agencies and supporting community-driven development), they share a common interest in catalyzing rural, agricultural and indigenous economies, as well as in providing tested and adapted technologies to communities that are socio-economically marginalized. In terms of collaboration and synergies, it is worth noting that the actions under the ATP-II Extension subcomponent will be highly valuable in the training and subproject activities of component 4 of Corazón Project, with the main focus of reducing the advance of the agricultural frontier and manage the buffer zones of the Bosawas Reserve, and that the support of ATP-II to public extension services in the North Atlantic Autonomous Region (RAAN) will blend with Corazón Project's support to Bosawas ladino and indigenous communities. The operational process of technical assistance competitive funds under ATP-II will also harmonize with the subproject cycle under component 4 of Corazón Project. In order to accomplish coordination and collaboration, inter-institutional mechanisms between ATP-II and Corazón Project have been established, including joint work at the field office in Siuna (where both projects will have representatives) and coordination on an institutional level.

Annex 5: Project Costs

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Table A5.1 summarizes the financing for the Corazón Project, from all sources. Table A5.2 presents a more detailed summary of the GEF financing.

Table A5.1. Project Financing from all Sources*

Project Cost By Component and/or Activity	US\$ Million					Total
	GEF	Govt.	CCAD	PBPR	PRO-RURAL	
1) Consolidation of the Corazón Transboundary Biosphere Reserve	0.79		0.03			0.82
2) Strengthening of the SINAPs	2.12	3.45		4.00		9.57
3) Implementation of Protected Area Management Plans	2.73	0.88		1.50		5.11
4) Community-Based Natural Resource Management	3.56	0.67		6.50	4.00	14.73
5) Monitoring and Information Management	0.99	0.05	0.05			1.09
6) Project Administration	1.80	0.99	0.24			3.03
Total Project Costs	12.00	6.04	0.32	12.00	4.00	34.36

*Note: all numbers are rounded. For details on the precise sources of the financing and what they will be used for, consult Annex 4 on Detailed Project Description. CCAD cofinancing, and government cofinancing, is in-kind except for \$0.25 million in counterpart funding in Nicaragua and \$0.11 million in counterpart financing in Honduras. (\$3.0 million from the Government of Honduras for the FHAP is also direct funding). Beneficiary cofinancing of subprojects is included under the national cofinancing totals.

Table A5.2. Project GEF Financing (US\$ Million)

Project Cost By Component and/or Activity	Local	Foreign	Total
(1) Consolidation of the Corazón Biosphere Reserve	0.77	0.02	0.79
1.1 Support for Land Regularization Process	0.35	0.00	0.35
1.2 Binational Coordination of the CBTR	0.32	0.01	0.33
1.3 Recognition of the CBTR by UNESCO	0.10	0.01	0.11
(2) Strengthening of the SINAPs	2.00	0.12	2.12
2.1 Modernization of the Nicaragua SINAP	0.51	0.03	0.54
2.2 Nicaragua SINAP Financial Sustainability Mechanisms	0.49	0.03	0.52
2.3 Modernization of the Honduran SINAP	0.28	0.03	0.31
2.4 Honduras SINAP Financial Sustainability Mechanisms	0.72	0.03	0.75
(3) Implementation of Protected Area Management Plans	2.63	0.13	2.73
3.1 Management Plans Updated, Harmonized, Implemented	0.85	0.10	0.95
3.2 Community Participation in Management Plan Implementation	1.76	0.03	1.79
(4) Community-based Natural Resource Management	3.54	0.02	3.56
4.1 Local Management of Natural Resources	0.68	0.02	0.70
4.2 Community Natural Resource Management Subprojects	2.86	0.00	2.86
(5) Monitoring and Information Management	0.84	0.15	0.99
5.1 Biodiversity and Social Monitoring System	0.53	0.08	0.61
5.2 Promotion of Biodiversity Research in CBTR	0.12	0.06	0.18
5.3 Biodiversity-Friendly Practices Promoted	0.19	0.01	0.20
(6) Project Administration	1.72	0.08	1.80
6.1 CCAD	0.39	0.08	0.47
6.2 Nicaragua	0.65	0.00	0.65
6.3 Honduras	0.68	0.00	0.68
Total Project Costs	11.49	0.51	12.00

Note: all figures are rounded.

Ninety-one percent of GEF funds will be managed by Honduras and Nicaragua (45.5% in each country) for activities of national scope. For binational and overall coordination activities, CCAD will manage 9% of grant funds. A complete breakdown of project funds at the level of activities has been included in the project's Operational Manual.

Annex 6: Implementation Arrangements

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Several principles guided the design of the institutional and implementation arrangements (illustrated in Figure A6.1), including the need for a balance among binational and national roles and capacities, sustainability objectives, and emphasis on a decentralized implementation, with special attention to strengthening the roles and capacities of the local governments and participating communities.

Institutional Arrangements

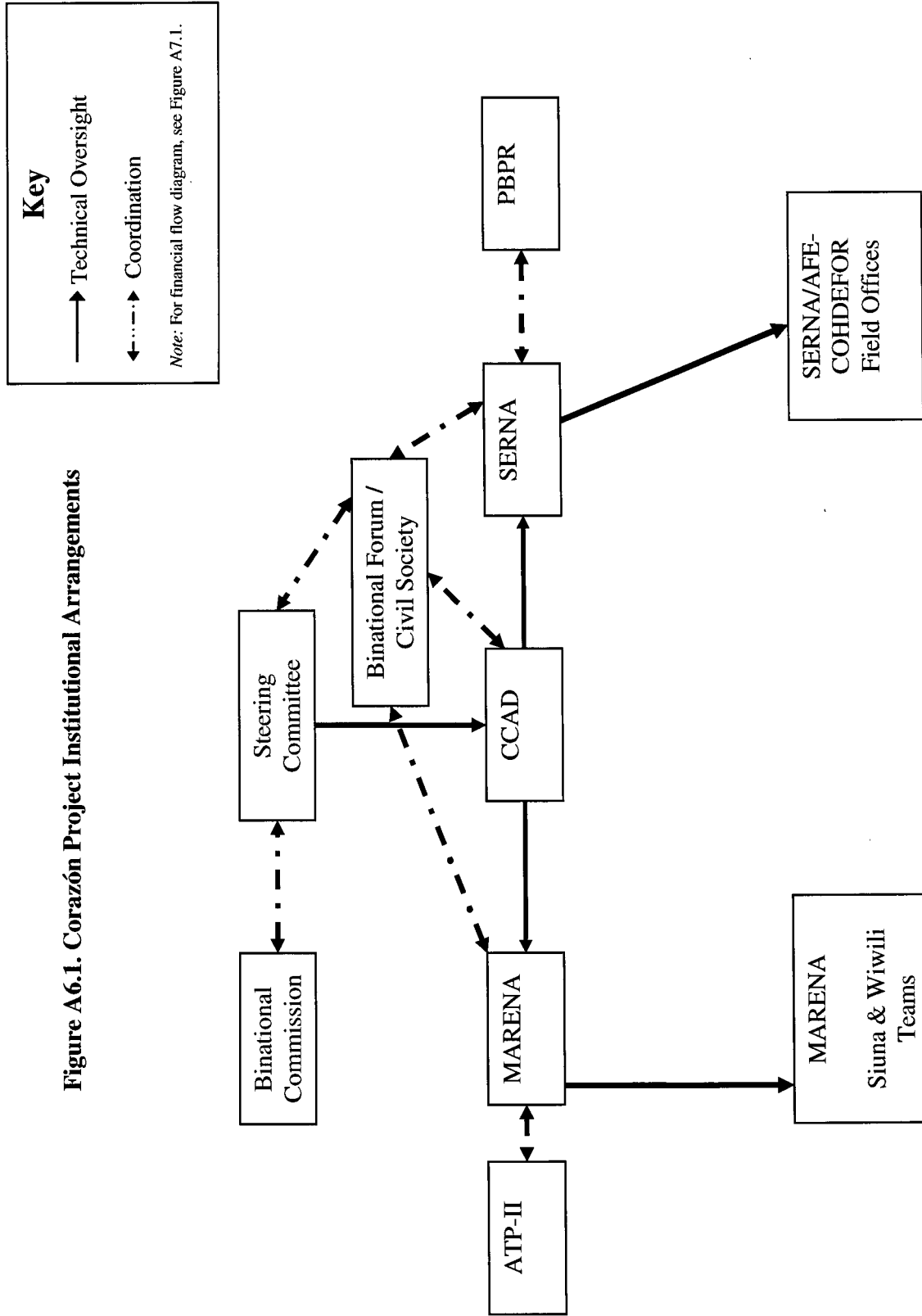
Although the *Comisión Centroamericana de Ambiente y Desarrollo* (CCAD) will be the Recipient of the Grant, the Corazón project will be implemented in a tripartite arrangement by: (a) CCAD, which will implement binational activities and be responsible for oversight of the project as a whole; (b) in Nicaragua, national activities will be implemented by the Ministry of the Environment and Natural Resources (MARENA); and (c) in Honduras, the Secretariat of Natural Resources and the Environment (SERNA) will have this responsibility, in coordination with the Honduran Corporation for Forest Development (*Administración Forestal del Estado–Corporación Hondureña de Desarrollo Forestal*, AFE-COHDEFOR). (For clarity, financial flow arrangements are illustrated in a separate figure, Annex 7 Figure 7.1.) In Honduras the administration of project resources will be delegated to SAG, through the project implementation unit of PBPR. Additional information on institutional arrangements, including detailed responsibilities, can be found in the Operational Manual. A tripartite agreement will be signed among CCAD and the governments of Honduras and Nicaragua to formalize these arrangements as well as national inter-institutional agreements as needed.

Following is further information on the role of each major actor in the implementation of the project.

Binational Commission

The concept of the Binational Commission was announced on June 30, 2005 by the governments of Honduras and Nicaragua to facilitate the binational coordination of the Corazón Reserve area. The proposed membership of the Binational Commission includes the Ministers of Environment, Agriculture, and Foreign Relations for Nicaragua and Honduras, and civil society representatives from the Binational Forum, and CCAD. The Commission will be responsible for promoting cooperation and coordinating the integration of the CTBR zone in order to assure the conservation and sustainable use of the protected areas that constitute the reserve, and the ecological connectivity between the areas, and seek benefits for the human populations in the zone and contribute to the conservation of cultural and ethnic values. CCAD was asked by the Presidents of Nicaragua and Honduras to take the lead on forming the Binational Commission.

Figure A6.1. Corazón Project Institutional Arrangements



The Binational Commission is not expected to be definitively constituted by the start-up of the Project and so has no precise roles defined for this project. Once in existence however, the Commission is expected to make strategic, policy-level decisions for the Reserve area, and help ensure the consistency of projects and programs active in the Corazón Reserve. As such, the Commission is expected to be important to ensuring that the Corazón project is well placed within the Reserve's broader framework, and to help facilitate the establishment of synergies and partnerships with other initiatives. The Commission is expected to meet at least twice per year, or as needed. CCAD will provide the Secretariat for this Commission, including the meeting agendas and follow-up actions.

Steering Committee

By not later than three months after signature of the Grant Agreement, and as it will be provided for in the Tripartite Agreement, a project Steering Committee will be formed to provide oversight to the Project. It will be constituted by four members of the Binational Forum representing indigenous peoples and civil society (one indigenous and one civil society representative from each country) and Ministers of Environment and Agriculture (the latter being responsible for the associated project in each country) from each country. CCAD will coordinate the Steering Committee.

The Steering Committee will approve an annual strategic work plan, ensuring a strong voice of civil society and indigenous organizations in major decisions under the project, and a strong role for the major governmental players. It will also review annual project progress reports. As needed, it will play a policy advisor role on an ad hoc basis throughout the life of the project. The Steering Committee will meet once a year.

Binational Forum

The Binational Forum is an independent forum with broad representation among stakeholders in the Corazón Reserve area. Translated into English, the full name of the organization is the "Binational Forum of Indigenous Peoples, Ethnic Communities, Native *Ladino* Communities, Regional Authorities, and Municipal Authorities from the Honduras-Nicaragua *Corazón del Corredor Biológico Mesoamericano* Transboundary Biosphere Reserve". This Forum has been important in ensuring a voice for indigenous peoples and other civil society groups in guiding the process leading to the petition to UNESCO for the nomination of the Biosphere Reserve, and in the preparation of this proposed project.

The continued participation of the Binational Forum in the project, including reviewing proposed activities and work plans, commissioning needed studies, providing technical advice, and monitoring progress, will be vital during project implementation. The project itself will provide substantive support and capacity building to the Forum. As the most representative organization of civil society interests in the Corazón area, the Forum will play a particularly important role as an interlocutor of the Project. However, this does not preclude coordination mechanisms being created with other groups that, for whatever reason, may not be included in or represented by the Forum.

Binational Technical Committee

The Binational Technical Committee will be convened by CCAD at least semi-annually to provide technical advice to the project. It will include representatives of the Binational Forum, the principal governmental institutions with responsibilities for some aspect of project implementation (including the Ministries of Environment and of Agriculture, which are responsible for the associated projects) and others as determined on an *ad hoc* basis. The Binational Technical Committee will participate in the formulation of the Annual Operating Plans, monitor the execution of these plans, establish synergies with the associated projects, assist in the preparation of project reports, and provide technical inputs to the Steering Committee.

CCAD

CCAD will be the Grant Recipient and an executing agency for the binational investments of the Corazón Project. The technical and supervisory capacity of CCAD has been reinforced by other complementary initiatives, including the GEF Mesoamerican Barrier Reef System Project (World Bank) and the GEF Mesoamerican Biological Corridor Project (UNDP). The Project will provide some strengthening to CCAD.

CCAD will be responsible for the overall management and coordination of the project, and for the execution of binational activities. CCAD will receive 9% of the GEF grant funds directly from the World Bank for binational and oversight activities. The CCAD technical team will be responsible for establishing relationships with related projects and organizations, representing the project at relevant events, monitoring results and impacts, and interacting with civil society. Other responsibilities include fostering cooperation with other partners, promoting the exchange of biodiversity information, and coordinating and recording counterpart financing. In coordination with the national teams and its Financial Administration Unit in Guatemala City, the CCAD technical team will also prepare consolidated annual budgets, annual operating plans and procurement plans, and technical project reports, for submission to the World Bank. The CCAD project team will include a Binational Coordinator, technical assistant, and procurement official, and will also benefit from the services of CCAD's Director of Financial Administration.

Honduras

In Honduras, the project will be coordinated overall by the Secretariat of Natural Resources and the Environment (SERNA). On a day-to-day basis, the project will be technically supported by a technical team based in offices in Catacamas, Palestina, and Wampusirpe. The technical team will include personnel from AFE-COHEFOR, the Forestry and Protected Areas Agency.

The technical team will be responsible for the hiring of national personnel and consultants, execution of all national-level activities in the field, monitoring of results and impacts, and preparation of national technical reports to be sent to CCAD for consolidation. The technical team will work closely with CCAD, the national government, national and local civil society, the Steering Committee, the Binational Forum, and all consultants. The technical team will be composed of a national coordinator and administrative assistant, and two technical specialists based in Catacamas and two technical specialists based in Palestina and Wampusirpe.

Key to the implementation of the technical aspects of the project will be the relationship between SERNA and AFE-COHDEFOR in Tegucigalpa and in the field. Both institutions have responsibility over protected areas, SERNA for normative issues and AFE-COHDEFOR for management. Both SERNA and AFE-COHDEFOR have a qualified technical staff, and with the hiring of technical staff under the project, are expected to have the needed technical capacity to implement the project.

The National Agrarian Institute (INA) and Property Institute (IP) will participate in the development of a policy statement and procedures on land regularization under Subcomponent 1.1. Their relationship with the project will be codified in an inter-institutional agreement with the Secretariat of Finance (SEFIN, Secretaría de Finanzas), SERNA, and AFE-COHDEFOR, as they will be partially responsible for the implementation of activities under Component 1.

Project administration, including financial management, procurement and disbursement tasks, will be the responsibility of SAG, through the PBPR PIU which is implementing the Bank's PBPR project and has extensive experience in Bank rules and procedures. The PIU of PBPR will coordinate closely with the technical staff in SERNA and AFE-COHDEFOR, and will base their actions on the technical design of the project. For more information on the administrative arrangements and structures, see Annexes 7 and 8 and the Operational Manual.

Nicaragua

In Nicaragua, the technical aspects of the project will be coordinated by a technical team based in MARENA's Technical Secretariat for Bosawas (SETAB), with financial management handled by the Department of Financial Administration (DAF) of MARENA (see Annex 7). The responsibilities of the Nicaraguan national team mirror those of the Honduran team. The project-contracted technical team will be composed of a national coordinator and administrative assistant, and five technical specialists to be based in the SETAB offices in Siuna and Wiwili. They will strengthen in the field a group of six technicians in SETAB plus five more to be hired as counterparts of the project.

SETAB has limited experience implementing donor-financed projects. Their small team will be bolstered by technicians from other areas of MARENA, including Protected Areas and SINIA, which also have a responsibility for some parts of the Corazón project. The activities of these technical staff will be coordinated through an internal MARENA committee. Once additional technical staff are hired under the project, technical capacity is expected to be sufficient for project implementation.

The Presidential Secretariat for Atlantic Coast Affairs (SEPCA) and Property Intendancy will be partially responsible for the implementation of activities under Subcomponent 1.1, as they will jointly form a committee to approve proposals for support of capacity building and workshops under the subcomponent communities in Bosawas. In this way, the project will guarantee that the activities implemented are consistent with the overall process of titling and registration for the five indigenous territories in Bosawas that have been titled. SEPCA and the Property Intendancy will sign an interinstitutional agreement with MARENA.

The Bosawas National Commission (BNC) is also a major actor in the area of the Bosawas Reserve. Intended to provide direction to SETAB, it includes representatives of all indigenous

peoples in the Reserve, municipal authorities, and other stakeholders. The role of the BNC in this project will be an advisory one.

Project administration, including financial management, procurement and disbursement tasks, will be the responsibility of the Financial Administration Department (DAF) of MARENA. The administrative capacity of the DAF is considered weak, and will require strengthening and close supervision during the project. For more information on the administrative arrangements and structures, see Annexes 7 and 8. By Effectiveness, the PIU will be staffed to the satisfaction of the Bank.

Associated Projects

The Corazón Project has been “partially blended” with two associated World Bank-financed Projects described below. The arrangements noted below will be described in a detailed coordination agreement to be signed with each of the associated projects by project effectiveness and their operational manuals will be revised accordingly.

The government of Nicaragua is moving forward with a multi-donor rural sector Sector-wide Assistance Plan (SWAp) in Nicaragua named PRORURAL. The Bank is supporting this initiative through the Second Agricultural Technology Project (ATP-II). MARENA, the responsible national agency for the Corazón Project (Nicaragua portion), is one of the participating agencies and is responsible for promoting and mainstreaming environmental sustainability in all of PRORURAL’s six components, and will co-execute portions of several components that promote various aspects of sustainable and community natural resources management (for example, technological innovation and sustainable forestry development, with special focus on agroforestry in the buffer zones of Corazón), and will support government capacity building. The Corazón project community-based natural resources management activities will be closely coordinated with ATP-II operations and related PRORURAL components (especially the natural resource management and capacity-building activities).

The proposed project activities will also be coordinated with PRORURAL cofinancing from the International Fund for Agricultural Development (IFAD), Finland, and Switzerland. Not only do the World Bank and other cofinancing represent a significant leveraging of GEF funds in the project area of community natural resources management, the proposed Corazón Project’s coordination with ATP-II has strengthened the role of MARENA and of environmental issues in the overall SWAp.

The government of Nicaragua and several donor agencies are also actively exploring a potential Environmental SWAp. If and when this SWAp is further developed, the Corazón experience will provide a valuable input, and every effort will be made to ensure close coordination with the Corazón Project. Finally, the government has a donor coordination system in its infant stages, which includes two “roundtables”—one for rural productive development and one for natural resource management. The Corazón Project will benefit from the partnerships.

In the case of Honduras, the Bank is financing a recently launched Forests and Rural Productivity Project (PBPR), which has a protected areas subcomponent, and which covers some of the same area as the proposed Corazón Project. Other components of the PBPR complement the Corazón Project by financing good practices and experiences in promoting effective land regularization and enhanced agroforestry practices, primarily among indigenous peoples, and

contributing to an enhanced protected areas system. Policy, institutional, and field-level coordination and collaboration mechanisms have been worked out between the PBPR and the Corazón Project. The Corazón project will also be administered by the same unit which implements the PBPR project.

Several levels of coordination have been established to ensure that the policies and activities of the Corazón project are complementary to, and benefit from, those of the PBPR and ATP-II projects. At a political level, the two Ministries of Environment and Agriculture (the latter in charge of the associated projects) will be the four government representatives on the Project Steering Committee, which gives them a strong obligation to work together on operational and strategic issues. At a technical level, both Ministries (and other institutions as needed) will be on the Binational Technical Committee to advise the project technically. At an operational level in each country, the two projects will meet regularly to coordinate activities. In Honduras, PBPR will be administering Corazón Funds, and plays a major role in the SINAPH and subproject components. In Nicaragua the projects will be sharing offices in Bosawas and coordinating not only on subproject programs, but also meeting in the context of PRORURAL and the potential environmental SWAp. At a legal level, the agricultural ministries will sign the inter-institutional agreements for the project. The Operational Manual spells out the details of these arrangements.

Related Operations

In addition to the partially-blended World Bank operations of the World Bank, the project has developed close coordination with two other projects in Honduras. The Corazón Project will be closely coordinated with projects of German Cooperation (KfW and GTZ) and the European Union (EU). Funds will not be pooled, but future operations in the Corazón Project area will, by common agreement, be closely coordinated in day-to-day activities, planning, and likely in project implementation arrangements. German Cooperation has been the principal source of investment funds in the Río Plátano Biosphere Reserve over the last 10 years. A new phase of cooperation is now being planned for 2006–10 and these activities will be closely coordinated with Corazón. The GEF Corazón Project will have limited activity in the Río Plátano area for this reason. The EU is beginning implementation of a large watershed management project in, among other areas, the Patuca River watershed. Again, this will be coordinated closely with the Corazón Project.

It was not considered feasible to seek a similar level of cofinancing in Nicaragua with a project of international cooperation because existing and planned financing of development needs in Bosawas tend to be fairly small, numerous, and dispersed. It will instead be the coordinating roles of SETAB and the Corazón Project that will be critical in Nicaragua. However, a working relationship has been established with the Danish/Finnish Environmental Support Project in Nicaragua (*Programa de Apoyo Sectorial al Medio Ambiente*, PASMA), which is providing strong support to the environmental sector in Nicaragua, especially in Bosawas, and activities are being coordinated between the initiatives.

Annex 7: Financial Management and Disbursement Arrangements
CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Summary of Administrative and FM Arrangements

CCAD will execute specific components and activities for the Corazón Reserve Project. SERNA (the GEF agency for Honduras) through SAG and MARENA (the GEF agency for Nicaragua) will execute specific components and activities under the project and will also be responsible for managing their own share of project funds.

CCAD, through its project administrative unit located in Guatemala, will have the responsibility of managing project funds associated with the components and activities implemented by CCAD (it is expected the CCAD will also have a broader coordinating role in the implementation of the project). While each country implementing agency will be responsible for its segment of the project (including managing its own special account, preparing interim financial and project reports, and facilitating the audit of its portion of the project expenditures independently of the other country implementing agencies), CCAD will be responsible to coordinate and consolidate twice-yearly project reporting to the World Bank.

The assessment in this annex represents the reviews of the CCAD in Guatemala, the PIU of PBPR in Honduras, and MARENA in Nicaragua. Based on these assessments, the implementation units for CCAD and SERNA have sufficient capacity to manage the Corazón project; the implementation unit for MARENA will be strengthened with additional personnel contracted under the project.

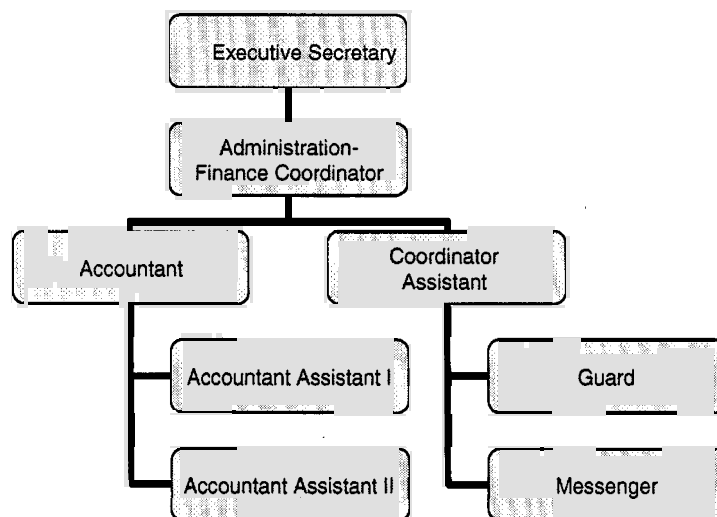
CCAD - Guatemala

CCAD (created in 1989) is a legal entity designed to establish a system of regional cooperation for the optimum and rational utilization of natural resources in Central America. CCAD is headed by a board of Ministers of Natural Resources from each country in Central America, and includes a rotational presidency, an executive secretariat, a technical unit and an administrative unit (UAFP). The UAFP is responsible for financial management under CCAD's responsibilities, and as such, will be the unit responsible for CCAD's financial management in the Corazón project.

As represented in the organizational chart below, the UAFP is responsible for the financial monitoring of projects implemented by CCAD. The unit includes a Coordinator, an Accountant and two Accountant Assistants. Each position has specific responsibilities and participates in the administrative and financial process of all active projects.

The Coordinator is responsible for assisting the Director General, preparing financial reports, coordinating the preparation of the budget, reviewing the financial statements, and the financial execution of each project. The Accountant is responsible for reviewing the supporting documents for each check, reviewing transactions in the accounting system and preparing financial statements. The Accountant Assistant I is responsible for maintaining the fixed asset register, preparing the payment vouchers, and maintaining the information regarding checks in the FM system. The Accountant Assistant II is responsible for reviewing monitoring cash advances, including for travel expenditures, entering receipt information into the FM system and monitoring petty cash.

The unit currently manages nine projects with financing from international organizations, including the World Bank and IDB. The unit has experience managing financial aspects of internationally funded projects, including prior experience with the World Bank. In addition, UAFP has experience working with national coordinating units, including units in Nicaragua and Honduras. Overall, the unit is adequately staffed to manage the existing portfolio and proposed project, and has an adequate separation of duties.



Information Systems. UAFP utilizes an integrated financial management system, specifically developed for the needs of CCAD (called Soft). The system includes various modules, including accounting, budgeting, contracts, banking and fixed assets. The system is utilized to manage financial transactions and execute the budget of each of the nine projects. Each project is monitored separately (identified in the system as a separate company), and the system has the ability to compile and consolidate information for the organization as a whole.

Safeguard over assets. UAFP has a financial management and administrative procedures manual (available to staff and last updated in December 2003), which includes the pertinent information regarding the management of internationally funded projects and the financial transactions pertaining to these projects, including the monitoring of fixed assets. Fixed assets acquired with project funds are monitored through the fixed asset module of the financial management system. The amounts in the register are reconciled monthly to the amounts in the respective account balance. Additionally, at least one annual physical inspection of the assets is undertaken by UAFP staff.

Financial reporting. The chart of accounts enables the monitoring of expenditures by component, activity and category, which is necessary for the production of financial reports. In addition, the system has been upgraded, and can now produce financial reports such as the Financial Monitoring Reports (FMRs).

Audit. CCAD does not have an internal audit department. As such, greater reliance will be placed on the use of external independent auditors (as described in the section on Audit Arrangements).

SERNA – Honduras (through SAG)

In Honduras, the funds of the Corazón project will be managed by SAG through the Project Implementation Unit (PIU) that is currently managing the Forests and Rural Productivity Project (PBPR) financed by the Bank. Accordingly, the PBPR PIU will be responsible for: (i) budget formulation and monitoring; (ii) cash flow management (including submitting loan withdrawal applications to the Bank); (iii) maintenance of accounting records, (iv) preparation of interim and year-end financial reports, (v) administration of underlying information systems, and (vi) arranging for execution of external audits. The fact that the PIU has ongoing experience managing projects financed by donors and the World Bank, for which it has administrative structures and systems in place, puts it in a good position to manage and administer the required project FM functions.

The Accounting/Administrative unit of the PIU includes an Administrative/Finance Officer, a General Accountant, a Procurement Officer, and a Disbursement Officer. Each position has specific responsibilities and participates in the administrative and financial process of active projects financed by the Bank. The Administrative/Finance Officer is responsible for preparing financial reports, coordinating the preparation of the budget, reviewing the financial statements, and the financial execution of each project. The General Accountant is responsible for reviewing the supporting documents for each check, reviewing transactions in the accounting system and preparing financial statements. The Disbursement Officer is responsible for monitoring projects cash flow, and preparing and following up on disbursement requests. In addition, as mentioned above, the unit is currently overseeing two projects financed by the World Bank, which gives it experience managing financial aspects of Bank funded projects. Therefore, overall, the PBPR PIU is adequately staffed (with qualified individuals) to manage the existing portfolio and proposed project, and has an adequate separation of duties. The only remaining uncertainty is whether or not contracts of key staff (the positions mentioned above) have been renewed given the recent Presidential elections and change in administration.

The PBPR PIU utilizes an adequate computerized financial management system, which includes various modules, including accounting, budgeting, banking and fixed assets, and is utilized to monitor financial transaction of each project. Each project is monitored separately, and the chart of account enables the monitoring of expenditures by component, activity and category, which is necessary for the production of financial reports (e.g., FMRs).

The PIU has a financial management and administrative procedures manual, which includes the pertinent information regarding the management of internationally funded projects and the financial transactions pertaining to these projects, including the monitoring of fixed assets. Fixed assets acquired with project funds are monitored through the fixed asset module of the financial management system. The amounts in the register are reconciled monthly to the amounts in the respective account balance.

MARENA - Nicaragua

The Department of Financial Administration of the Ministry of Environment and Natural Resources (MARENA) will be the executing agency for the Nicaragua portion of the project and will also be responsible for financial management of the project funds used in Nicaragua. The financial management duties include (i) maintenance of accounting records, (ii) preparation of project financial statements in accordance with World Bank guidelines, (iii) management of bank accounts, (iv) preparation of quarterly project reports, and (v) preparation and submission of withdrawal applications (disbursement requests).

MARENA's Department of Financial Administration (DAF) has limited experience managing World Bank-financed projects. MARENA currently implements Credit 3480 NI and until recently, implemented the now closed PHRD TF Grant 026845 and GEF TF Grant 28631. Despite this experience, MARENA's DAF has limited capacity since project implementation units managed these grants, not the DAF. Therefore, the project assessment has identified key actions designed to strengthen MARENA's DAF FM capacity that are included in the FM action plan.

MARENA's DAF staff include: the Finance Director, the Budget Unit with the Officer and one Assistant; the Accountancy Unit with the officer, 3 Analysts and 2 Assistants, the Treasury Unit with the Officer and 2 Assistants. Their duties and responsibilities are clearly established in a "Functions Manual". It is important to note that MARENA's DAF is responsible for managing several types of financing modalities and funding sources (national funds/Treasury, IDB, Denmark, Finland, Spain).

However, based on the estimated additional volume of activity resulting from the Corazón project, additional human resources may be needed to complement the existing DAF staffing. These positions, to be financed by the grant, include a Disbursement Officer, an Accountant and an Assistant, which would help manage project resources.

Aggregate project expenditures are incorporated by the DAF into MARENA's multi-annual budget and further inform the annual budget formulation process. Between August and September of each year, the DAF prepares its tentative investment program for the subsequent year. The investment program should be consistent with the budget policy provided by the Ministry of Finance (MHCP), and should also be incorporated into the national public investment system (SNIP). Once approved, the program is reflected in MARENA's budget proposal. In turn, this budget is incorporated by MHCP into the general state budget for its submittal to National Assembly for review and approval by October. On the basis of the approved budget, the DAF adjusts, as needed, its project annual work and procurement plan (POA), which will be reviewed by the project and task team.

The principle accounting framework for the DAF relies on: (i) Law 550 of Financial Management and Budget Regime ii) the annual Law of the General State Budget; (iii) MHCP decrees/regulations based upon the cited laws; and (iv) the norms of the integrated financial management system (SIGFA); all of which establish sound public financial management policies and procedures applicable to project transactions.

Information Systems. Since June 2003, MARENA's DAF has partially operated the Government's integrated financial management system (SIGFAPRO) to manage project financial transactions. The information system is generally adequate to produce relevant

information for project monitoring. MARENA's DAF is in discussions with MHCP to implement remaining modules of SIGFAPRO.

Safeguard over assets. Assets acquired using project funds will be in the custody of the respective beneficiary entities. Within the DAF's Office of Goods (*Oficina de Bienes*), there is an independent system to register the fixed assets but it is not connected or reconciled with the financial information of SIGFA. As such, it is essential that the DAF carry-out at least one annual physical inspection of the assets, preferably with the participation of external auditors.

Project Flow of Funds

The flow of funds for the Corazón project calls for project funds to be channeled through three Special Accounts denominated in USD, one of which will be established and maintained by CCAD in Guatemala, and the other two will be established and maintained in Honduras and Nicaragua respectively. Direct payments to suppliers can be made from the Special Accounts.

CCAD Special Account and Disbursement Arrangements

To facilitate disbursements against eligible expenditures for its components, CCAD in Guatemala will open and maintain a Special Account (SA) in USD in a commercial bank, under the terms and conditions acceptable to the World Bank. The Special Account will be a dedicated account, separate from other project accounts that CCAD manages to avoid the commingling of project funds – this is consistent both with CCAD's operating procedures as well as with its experience managing other donor projects. The Special Account will receive disbursements from the World Bank and will be used to cover expenditures eligible under the grant. The World Bank will, upon request, make an advance to the Special Account. Applications for the replenishment of the SA should be submitted on a regular basis in order to maintain liquidity in the account (usually when 20% of the initial deposit has been utilized). The replenishment application will be supported by the necessary documentation, the SA bank statement and a reconciliation of this bank account. The CCAD SA authorized allocation will be USD 100,000.

Because of the experience of CCAD with traditional disbursement method, withdrawals from the grant will be made using transaction-based disbursement procedures (the SOE method). The SOE threshold will be consistent with the procurement prior review thresholds. All supporting documentation for payments using SOE procedures and other payments in general for project activities will be retained by UAFP for audit purposes and made available for the Bank's supervision.

SERNA Special Account and Disbursement Arrangements

To facilitate disbursements against eligible expenditures for its components, SAG through the PBPR PIU will open and maintain a Special Account in USD in the Central Bank, under instructions from SERNA. The Special Account will be a dedicated account, separate from other accounts managed by the PIU to avoid the commingling of project funds – that is consistent with the PIU's operating procedures and its experience managing other Bank projects. The Special Account will receive disbursements from the World Bank and be used to cover expenditures eligible under the grant. The World Bank will, upon request, make an advance to the Special Account. Applications for the replenishment of the SA should be submitted on a regular basis in order to maintain liquidity in the account (usually when 20% of the initial deposit has been utilized). The replenishment application will be supported by the necessary documentation, the SA bank statement and a reconciliation of this bank account.

Because of the experience of the PBPR PIU with traditional disbursement method, withdrawals from the grant will be made using SOE procedures. The SOE threshold will be consistent with the procurement prior review thresholds; the SA authorized allocation will be USD 550,000. All supporting documentation for payments using SOE procedures and other payments in general for project activities will be retained by the PIU for audit purposes and made available for the Bank's supervision.

MARENA Special Account and Disbursement Arrangements

Grant proceeds will be disbursed on the basis of SOEs. At any time, the SOE supporting records will be available for review by the external auditors and Bank supervision missions. The National Treasury (in the MHCP) will open and maintain a segregated account in US Dollars in the Central Bank of Nicaragua, to be used exclusively for deposits and withdrawals of grant proceeds. After the conditions of effectiveness have been met, and the designated account has been established, MARENA will submit its first disbursement request to the WB. For subsequent withdrawals, MARENA will submit the disbursement request along with the mentioned SOEs. At any time, the undocumented advance to the designated account cannot exceed the authorized allocation of USD 550,000.

Payments in local currency will be made from a Córdobas Account to be maintained by MARENA's DAF in the Central Bank or a commercial bank acceptable to the Bank (this account will be reconciled against the USD Special Account for the purposes of financial reporting and disbursement applications). On a regular basis, preferably once per week, the TGR will transfer funds from the Special Account to the Córdobas Account, in accordance with official requests from MARENA's DAF (transfers to the Córdobas Account will only be to cover accrued expenses).

Establishment of Protected Areas Funds

In Honduras and Nicaragua, a portion of grant financing will be used to support the creation of Protected Areas Funds (see Annex 4 for more details). Neither government has yet created a fund under terms and conditions satisfactory to the Bank.

In both countries, the management and responsibility of the funds is still unclear, and as such, it will be necessary to continue to work with both governments in order to ensure that a transparent and sustainable model is established – and that the new funds are created in accordance with and is consistent with both the existing legal public financial management frameworks as well as with on-going fiscal transparency and modernization programs in each country. The results of this particular work will be recorded in the supervision documentation of the project, and will need to be subject to regular supervision of the project.

The eventual transfer (disbursement) of grant financing to the newly created Protected Areas Funds is already conditioned on the basis of an Asset Management Agreement acceptable to the Bank and other conditions as outlined in the Grant Agreement. The disbursement of grant proceeds to these Funds would be based on a direct payment basis – outside the normal procedure of the Special Account disbursements as an additional means through which the Bank can derive assurance that acceptable, sustainable and transparent mechanisms have been in established to manage and operate the Funds.

Subprojects (Small Grants Program)

The implementing units in Honduras and Nicaragua will be responsible for managing the transfers of grant proceeds to community groups, NGOs, etc. as well as monitoring the implementation of subprojects in the respective countries. Such grants will be for community-based natural resource management subprojects, protected area management plan subprojects, and for research grants under the Monitoring component as well as for scholarship grants. The process to select community proposals is based on clear criteria – which have been appropriately disclosed in the operational manual. Once community proposals have been approved, the beneficiary will enter into a contract with the country implementing agency.

This contract establishes the terms of transfer of resources and the obligations of each community group/NGO or the beneficiary to periodically report on implementation progress. The average subproject is estimated to be implemented over a period of two years, with a level of financing of approximately USD 25,000. Transfers for the contracts would be considered eligible expenditures and can be included on SOE applications for disbursements.

While the subprojects will be included in the terms of reference (scope) of the annual audit for each country's implementing agency, given the small size of each subproject and the average time allocated for implementation, greater reliance will be placed on supervision and local oversight arrangements. SERNA and MARENA respectively, will be responsible to carry out regular field visits and supervision of the subprojects. While the community groups/NGOs will be required to submit periodic reports to the PBPR PIU and DAF, the aggregate level of transfers (and list of subprojects) under the component will be reported regularly on the quarterly FMRs; this component represents nearly one-quarter of total grant financing. In addition, the results of supervision and field visits (SERNA and MARENA) will also be included in the quarterly project reporting.

One of the key features of this project will be the support for local accountability/oversight arrangements (also captured in the operational manual). At the local or community level, one of the requirements to obtain grant financing for subprojects will be to establish local oversight groups (also called social audit committees). Upon notification that a proposal has been approved, the community group/NGO will be required to publicly disclose the subproject and the community benefits to be derived upon completion. Furthermore, the community group/NGO will be required to periodically (at least every 6 months) report to the community on progress, including a review of expenditures incurred with grant financing. Evidence of this will be required to be presented and/or reviewed during the field visits and supervision carried out by SERNA/MARENA as well as by the auditors and the task team.

Reporting and Monitoring

SERNA/MARENA to CCAD

Each national coordinating unit will submit to CCAD financial and technical reports to monitor the use of funds based on the approved annual work plan. These reports will be un-audited interim financial reports for monitoring purposes only, and will consist of: (i) a statement of sources and uses of funds and cash balances (with expenditures classified by subcomponent); (ii) a statement of budget execution per subcomponent (with expenditures classified by the major budgetary accounts); and (iii) a special account activity statement (including a copy of the bank statement). These reports should be sent to CCAD no later than 30 days after the end of each quarter. CCAD will be responsible for reviewing and consolidating the reports and sending them to the Bank. These reports will only be for project monitoring purposes.

The supporting documentation of all financial reporting will be maintained by each country implementing unit and will be made easily accessible to both the task team (for supervision) and to external auditors.

CCAD to the World Bank

CCAD-UAFP will be responsible for producing the FMRs on a quarterly basis to be submitted to the Bank, which will be used for monitoring purposes. The FMRs will include a narrative outlining the major project achievements for the quarter, the project's consolidated sources and uses of funds (expenditures by component and activities in a format consistent with the project's budget and operating plan), uses of funds by disbursement category, and a procurement report (summary sheets of contracts above and below the Prior-review threshold). The FMRs should be submitted to the Bank no later than 45 days after the end of the reporting period.

The annual financial statements will include the project's sources and uses of funds, a report presenting expenditure by component and activity, the schedule of uses of funds by disbursement category and a reconciliation of the Special Account. These reports will be prepared by CCAD-UAFP and made available to the auditors after the end of the fiscal year.

Auditing Arrangements (external auditing)

The project financial statements audits will be conducted in accordance with International Standards of Auditing (ISA) by independent private auditors and on terms of reference acceptable to the Bank. Currently, CCAD and the projects it administers that are financed by external donors, are audited by PricewaterhouseCoopers, which produces a consolidated report for CCAD and a report for each project administered by CCAD.

SERNA/MARENA

Each implementing agency will provide the annual audited *project* financial statements to the Bank within six months after the end of each fiscal year and also at the closing of the project. In addition, CCAD will be required to provide its *consolidated* annual audited financial statements (which represents a report covering its administration of all projects being implemented by CCAD) also within six months after the end of its fiscal year. The contract for the audit awarded during the first year of project implementation may be extended from year-to-year with the same auditor, subject to satisfactory performance. The cost of the audit will be financed from the project resources.

The audit policy of the World Bank, as documented in "Guidelines: Annual Financial Reporting and Auditing for World Bank-financed Projects" will be applicable to the project. For each of the

three project implementing agencies (CCAD, SERNA, and MARENA) this requires a single *project* audit opinion covering: (i) project financial statements, (ii) special account statement, and (iii) adequacy of supporting documentation maintained in respect of expenditures claimed for reimbursement via SOE procedures and eligibility of such expenditures for financing under the respective Grant Agreement will be required. For SERNA and MARENA, the scope of the audit would also include a sample of community subprojects.

In addition to the audit opinions presented above, the auditors will have to present the management letter, covering: (i) weaknesses noted by the auditors in the internal control systems of the project, (ii) cases of application of inappropriate accounting policies and practices, (iii) issues regarding general compliance with broad covenants, and (iv) any other matters that the auditors considers should be brought to the attention of the grant recipient.

Project FM Risk

The level of project financial management risk ranges from moderate to high. While CCAD has limited experience managing Bank-financed projects, its capacity and financial systems are adequate, and the overall risk assigned to CCAD is moderate.

The PBPR PIU has a strong record and ample experience managing Bank-financed projects, and its capacity and systems are adequate as well. However, there is uncertainty as to the retention of the current personnel, whose contracts have not yet been renewed by the new administration. Additionally, there is uncertainty as to the final design and the management and governance arrangements for the Protected Areas Fund. As such, the risk assigned to the Honduras component is high.

The DAF in Nicaragua has limited experience managing Bank projects, but does have acceptable systems to manage the project. As in the case of Honduras, the design, management and governance arrangements for the Protected Areas Fund have not been finalized; this results in a high risk rating.

Lastly, as nearly one-quarter of grant financing will support subprojects, the risk of misuse of funds at the community level is high. Therefore, it is critical that the local accountability arrangements as described above be in place and function as a local oversight mechanism. This is a requirement for each community proposal and will be regularly reviewed during supervision.

Project FM Supervision Plan.

A Bank FM Specialist should carry out a final mission prior to effectiveness to ensure that all parties have in place the proper administrative arrangements for project implementation. Subsequently, the FM Specialist should perform at least two supervision missions per year for the first year of implementation to ensure that each implementing agency/unit is able to maintain these arrangements and is performing in accordance with the design set forth in this annex.

Financial Management Action Plan

Action	Responsible Party	Estimated Completion Date
Guatemala - CCAD		
1. Financial Monitoring Reports	CCAD	Negotiations
2. Finalize consolidated operational manual	CCAD	Negotiations
3. Modification of existing external audit contract	CCAD	3 months after effectiveness
Honduras - SERNA		
1. Modification of existing external audit contract for PBPR PIU	PIU/SERNA	3 months after effectiveness
Nicaragua - MARENA		
1. Arrange for contracting additional staff - Disbursement Officer, an Accountant and an Assistant	MARENA	3 months after effectiveness
2. Contract external auditors	MARENA	3 months after effectiveness

Allocation of Grant Proceeds

Expenditures for the following items and activities may be financed out of the proceeds of the Grant and shall be used exclusively for carrying out the Activities:

Expenditure Category	Amount of the Grant Allocated in US Dollars In US\$ million	% of Expenditures to be Financed
Goods, Works and Non-consultant Services, Consultants' Services, and Operating Costs, for:		100%
a) CCAD	0.992	100%
b) Honduras	2.859	100%
c) Nicaragua	2.859	100%
Subprojects, Research Grants, and Scholarship Grants, for:		100%
a) CCAD (Research Grants only)	0.09	
b) Honduras	2.1	
c) Nicaragua	2.1	100%
Endowment Fund Contributions, for:		100%
a) Honduras	0.5	100%
a) Nicaragua	0.5	
Total Project Costs	12.0	100%

Annex 8: Procurement Arrangements

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

A. General

Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Grant Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Grant the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Recipient and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Procurement of Works: Works procured under this project could include: remodeling offices and visitors centers, construction of trails and visitor centers as necessary in the Reserve area, tree planting (other than consulting services), installation of monitoring equipment (other than consulting services), and some small infrastructure, would be procured using the Bank's Standard Bidding Documents (SBD) for all ICB and SBD agreed with the Bank for NCB and shopping (model Request for Quotations - RfQ).

Procurement of Goods: Goods procured under this project would include: vehicles, computers, office supplies and equipment, satellite images, publications, seedlings, agricultural and forestry equipment, monitoring equipment, construction materials, and software, will be procured using the Bank's Standard Bidding Documents (SBD) for all ICB and SBD agreed with the Bank for NCB and shopping (model Request for Quotations – RfQ).

Procurement of non-consulting services: Technical services procured under this project could potentially include services such as printing, will be procured using the Bank's Standard Bidding Documents (SBD) for all ICB and SBD agreed with the Bank for NCB and shopping (model Request for Quotations – RfQ).

Selection of Consultants: Consulting services contracted under this project are expected to include: technical assistance, studies and capacity building to develop the capacity of project actors (personnel of governments, executing agencies, municipal governments, communities, private service providers, project and administrative staff). Advertisements requesting expressions of interest will be published in either national or international newspapers and consultants will be selected through a competitive process as per the Bank Consultant Guidelines.

Short lists of consultants for services estimated to cost less than \$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Operating Costs: The project will cover office and administrative costs related to managing a project. These costs have been reviewed and found acceptable by the Bank, and will follow the procurement guidelines outlined above.

Small Grants Program:

Small grants would be provided under this project for activities including the adaptation of sustainable production techniques, strengthening of community organizations, and research on the sustainable use of biodiversity. These grants, up to \$25,000 each, will be awarded based on the quality of the proposal and the qualification of the proposed grantee, in accordance with the Operational Manual. Procurement rules will not apply to the selection of these grants.

Contributions to Trust Funds: One-time contributions of \$500,000 will be made to the Protected Areas Fund in Honduras and a similar amount to a similar financial instrument in Nicaragua. There will be no procurement associated with these contributions.

The procurement procedures and SBDs to be used for each procurement method, as well as model contracts for works, goods and consulting services procured, are presented in the Project’s Operational Manual.

Thresholds recommended for the use of each method discussed above are identified in the table below (more flexible thresholds could be used for community procurement). These thresholds will be reviewed annually when the capacity is reassessed during procurement post-review missions. As indicated in paragraph 1 above, the agreed procurement plan will determine which contracts will be subject to Bank prior review. Prior review thresholds apply to each of the three administrative units; as an example, “first two contracts” would therefore apply to the first two contracts procured in each of Honduras, Nicaragua, and by CCAD.

Recommended Thresholds for Procurement Methods and Prior Review

<i>Expenditure category</i>	<i>Contract value threshold^a (US\$ thousands)</i>	<i>Procurement method</i>	<i>Contracts subject to prior review</i>
Works	>1, 500	ICB	All
	150 to 1,500	NCB	First two contracts
	< 150	Shopping	First two contracts
	Regardless of value	Direct Contracting	All
Goods	>150	ICB	All
	50 to 150	NCB	First two contracts
	<50	Shopping	First two contracts
	Regardless of value	Direct contracting	All
Technical Services	>150	ICB	All
	50 to 150	NCB	First two contracts
	<50	Shopping	First two contracts
	Regardless of value	Direct contracting	All
Consulting	> 200	QCBS/QBS/FBS/LCS/	All contracts

(firms) ^a	< 200	QCBS/QBS/FBS/LCS /CQS	All contracts above \$100,000 and first two contracts independently of value
	Regardless of value	Single Source	All
Consulting (individual) ^a	Regardless of value	Section V in the Guidelines	All contracts above \$50,000
	Regardless of value	Single Source	All

Note: QCBS = Quality- and Cost-Based Selection QBS = Quality-Based Selection
FBS = Fixed Budget Selection LCS = Least-Cost Selection
CQS = Selection Based on Consultants' Qualifications

B. Assessment of the agency's capacity to implement procurement

Procurement activities will be the responsibility of: i) CCAD for binational disbursements (CCAD's financial management unit is in Guatemala); ii) the administrative unit of the PBPR Project in Honduras (under SAG); and iii) MARENA's Division of Financial Management in Nicaragua.

CCAD

A preliminary assessment of the capacity of CCAD (through their administrative offices in Guatemala) to implement procurement actions for the project was carried out in a desk review in March 2006. It was concluded that CCAD, at present, does not have adequate institutional capacity to carry out procurement for the project. To mitigate the HIGH risk for implementation of procurement by CCAD, an Action Plan will be agreed with CCAD before project effectiveness. The Action Plan will include, among other actions, the hiring of a Procurement Official as described in the Implementation Arrangements (Annex 6 above).

NICARAGUA

A preliminary assessment of the institutional capacity of MARENA to implement procurement actions for the project was carried out for Nicaragua in January 2006. The assessment revealed that the staff at MARENA did not have the capacity to implement Bank-financed procurement for the project at the time of the assessment. Since the assessment, MARENA has hired a Procurement Specialist with experience in Bank-financed procurement. The risk for procurement implementation at MARENA is MEDIUM.

HONDURAS

A preliminary assessment of the institutional capacity of the administrative unit of the Forestry and Rural Productivity Project (PBPR) under SAG (to whom SERNA has delegated administrative functions under the Corazón Project) to implement procurement actions for the project in Honduras was carried out in office, i.e., through review of responses to a questionnaire, in March 2006. The assessment revealed that PBPR did not have adequate institutional capacity to implement procurement for the project at the time of the assessment. A more detailed assessment will be carried out before project effectiveness. The assessment will generate an Action Plan aimed at mitigating the implementation risks, to be agreed with SERNA and SAG before project effectiveness.

The risks concerning procurement for implementation of the entire project have been identified, at present, as HIGH. Action Plans to mitigate identified risks will be prepared and agreed with each implementing institution before project effectiveness.

C. Procurement Plan

Using inputs from Nicaragua and Honduras, CCAD prepared the overall procurement plan for project implementation which provides the basis for the procurement methods. A final version of this plan will be agreed between CCAD and the Project Team prior to negotiations. It will be available in the project’s database and in the Bank’s external website. The procurement plan will be updated in agreement with CCAD annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision

In addition to the prior review supervision to be carried out from Bank offices, the preliminary capacity assessments of CCAD, Nicaragua, and Honduras has recommended full supervision mission to visit the field to carry out post review of procurement actions once a year.

E. Details of the Procurement Arrangements Involving International Competition

1. Goods, Works, and Non Consulting Services

(a) List of contract packages to be procured following ICB and direct contracting:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
NONE. CONTRACTS ARE OF SMALL VALUE.								

(b) ICB contracts and all direct contracting will be subject to prior review by the Bank.

2. Consulting Services

(a) List of consulting assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
NONE. THERE ARE NO CONTRACTS ABOVE \$200,000						

(b) Consultancy services estimated to cost above \$100,000 (firms) and \$50,000 (individuals) per contract and single source selection of consultants will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than \$200,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Annex 9: Economic and Financial Analysis

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

For a detailed Incremental Cost Analysis, please see Annex 15. For the \$16.0 million of the Alternative Scenario that is financed by the partially-blended World Bank credits, the World Bank has carried out extensive economic and financial analyses. These are included in the Project Documents for the Forestry and Rural Productivity Project (Honduras) and the Second Agricultural Technology Project in Nicaragua.

Annex 10: Safeguard Policy Issues

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Summary of Environmental Analysis:

Overview

The safeguard screening category of the proposed operation is S2. The project is classified as Category “B”, requiring an Environmental Analysis (EA) but not a full-scale Environmental Assessment study.

In accordance with the Bank’s Information Disclosure Policy (BP 17.50), copies of the Environmental Analysis report in Spanish have been made available to the public at the Bank’s Public Information Centers in both countries and on the website of the Central American Commission on Environment and Development (CCAD). Copies of all final documents have also been forwarded to the World Bank's InfoShop.

Project Summary

The project development objective (PDO) is to improve the national and binational management of the area of the proposed Corazón Transboundary Biosphere Reserve (CTBR), respecting the rights of traditional populations. This will contribute to a global objective of ensuring the long-term conservation of the heart of the Mesoamerican Biological Corridor, the largest contiguous area of natural habitat remaining in Mesoamerica, and perhaps the best hope for the maintenance of ecological dynamics and processes at a large ecoregional scale. The PDO will be achieved by: (i) improving binational coordination mechanisms and strengthening indigenous land rights; (ii) strengthening national protected areas systems, (iii) facilitating and updating protected areas management plans, and (iv) increasing local capacity through community-based natural resource management activities.

Positive Environmental Impacts

It is expected that the project will have a highly positive impact, both locally and globally, and that this proposed operation will have an important impact on reducing some of the most important threats to the sustainability of the Corazón Reserve area. Among the positive environmental impacts expected are the following:

- Reduction in the deforestation rate;
- Improve conservation of critical natural habitats;
- Improved protection of watersheds;
- Improved use of natural resources to the benefit of local communities;
- Increased capacity of local communities to manage both protected areas and their own natural resources;
- Improved sustainability of the national protected area systems.

Adverse Environmental Impacts

It is possible however that some activities of the project could have a negative environmental impact, if appropriate mitigating mechanisms are not put in place. Possible impacts which have been identified include the following:

- Very localized deforestation caused by natural resource management projects;
- Localized use of pesticides;
- Possible economic displacement caused by implementation of existing protected area management plans;
- Local impacts, social and environmental, caused by very small infrastructure constructed under the project (research stations, park management infrastructure, monitoring stations, etc.).

Compliance with Safeguard Policies

This project is designed to comply fully with the letter and spirit of all applicable World Bank Safeguard Policies, as indicated below.

Environmental Assessment (OP 4.01)

In accordance with World Bank Safeguard Policies, an Environmental Analysis, including an Environmental Management Plan and Integrated Pest Management Plan, was prepared by CCAD, MARENA, and SERNA. In addition, a wide variety of actors involved in the preparation of the study participated to greater or lesser degrees in evaluating safeguard policy issues. The preparation team has relied heavily on the extensive work carried out in the last two years for a range of similar World Bank projects in Nicaragua and Honduras. The detailed safeguard policy studies are available in project files and are annexed to the Operational Manual.

The analysis found that the project area is important for both locally and globally important biodiversity and is under increasing pressure, placing this unique region and its biodiversity at risk. It determined that the Corazón project is likely to have overwhelmingly positive impact on the project area. Where potential, limited negative impacts stemming from project activities were identified, a plan to mitigate these impacts was prepared. Below is a brief summary of the findings of the EA.

After summarizing the local context, including zoning, for the four protected areas included in the CTBR, the evaluation outlines the relevant geography and details the natural resources present in the Reserve. Of special note are the four principal watersheds (Plátano, Sico, Patuca, and Wans Coco or Segovia rivers) and ten ecosystems covering the Honduran side of the CTBR. On the Nicaraguan side there are nine principal watersheds and four ecosystems included in Bosawas. A recent biological inventory found 215 species of birds and 25 mammals on the Nicaraguan side of the CTBR, though this list is incomplete.

The Environmental Analysis documented the uses of natural resources in the CTBR area. Among the principal activities are subsistence agriculture, hunting and gathering, fishing, and small-scale logging and mining. It then outlines major threats to the continued integrity of the ecosystems, and their sustainable use by inhabitants. Among these are weak institutions, contradictory state policies, migration, extensive cattle ranching, irrational use of biodiversity, illegal trafficking in animals and wood, natural disasters, lack of solid waste treatment, and frontier issues.

The evaluation found that the project would likely have the following positive impacts on the environment in the project area: reduction in the deforestation rate, increase in the conservation of critical habitats, protection of important watersheds, reduction in rate of biodiversity loss, increase in the capture of carbon dioxide, better use of natural resources, and involvement of local populations in the protection of the CTBR and its natural resources.

The evaluation noted that the subprojects, research financed with small grants, and monitoring activities has a slight possibility of provoking localized negative impacts if not carefully planned and monitored. Although unlikely, these could include an increase in localized deforestation, loss of natural habitats, increase in erosion on steep land, increase in pesticide use (see below), or loss of native species. However, activities with the possibility of provoking highly negative impacts, such as extensive cattle ranching or the conversion of forests to pastures, will not be financed (the Environmental Management Plan includes a negative list of activities which will not be financed). The cumulative impact of activities, especially subprojects, will be carefully monitored.

For local impacts, as part of project preparation, a framework for environmental screening and impact mitigation was designed to determine the risks presented by the activity and a mitigation plan to minimize impacts. This framework is included in the project's Operational Manual. The Environmental Evaluation, including the Pest Management Plan, is included as an Annex in the Operational Manual.

Natural Habitats (OP 4.04)

The Natural Habitats safeguard policy is triggered when there is the potential for a significant conversion or degradation of natural habitats where most original species are still present. The Corazón Project will only promote small-scale sustainable productive activities which will not contribute to significant conversion of habitats, and these activities would be carried out only in the buffer areas of the Reserve. However, as there is a slight possibility of degradation of natural habitats if appropriate measures are not taken, OP 4.04 is triggered. Mechanisms for avoiding conversion or degradation caused by project activities have been included in the above-mentioned screening mechanism.

Pest Management (OP 4.09)

According to evaluations carried out during project preparation, there is a slight possibility that this project will trigger OP 4.09, Pest Management, as the project will work with community forestry and agroforestry activities in the Reserve area. Although only a possibility, small amounts of herbicides or pesticides could be potentially procured and used under the project. The project will not finance the purchase of pesticides prohibited by national legislation, or included in categories IA, IB, or II on the WHO Recommended Classification of Pesticides by Hazard and Guidelines to Classification. The project team has therefore developed a short Pest Management Plan, annexed to the EA. It provides guidance to focus on cultural practices and biological controls to control insects and diseases and information on integrated pest management. Should biocide use prove to be considered necessary, the Pest Management Plan lays out guidance to ensure the lowest possible environmental impact, training in safe pesticide use, handling, and disposal.

Physical Cultural Resources (OP 4.11)

This project is not expected to have any negative impact on movable or immovable objects, sites, structures, groups of structures, natural features or landscapes with archeological,

paleontological, historical, architectural, religious, aesthetic, or other cultural significance. The assessment carried out during project preparation indicated it would be unlikely any project activity would have any conceivable impact, positive or negative, on physical cultural resources. Nevertheless, in the unlikely event project activities were to have an impact (for example, if an archeological site were uncovered during biological monitoring activities), it is prudent to have measures in place. Therefore, the Environmental Analysis includes abbreviated guidelines on what measures should be taken if a physical cultural resource were to be endangered by the management strategies or productive activities of the project, and full details of conservation measures to be taken are included in the Operational Manual.

Social and Indigenous Assessment

In line with World Bank safeguard policies and in particular the Indigenous Peoples OP 4.20, a stand-alone Social Assessment was prepared, including an Indigenous Peoples Development Plan (IPDP) as an appendix (see below). This short text summarizes the main points of the Social Assessment (SA). The full Spanish version is available in project files, including an annex on the extended consultation process undertaken during project preparation.

The Corazón Transboundary Biosphere Reserve (CTBR) is located in the heart of the Mesoamerican Biological Corridor (MBC). A diversity of indigenous peoples is found in and around the CTBR. The main indigenous peoples in the CTBR are the Pech, Tawahka, Garífuna, Mayangna and Miskito peoples (the latter is the largest group). They are approximately 70,000 and account for 40 % of the population; the rest are *mestizo* (a mix between indigenous peoples and European settlers). Both countries are afflicted by poverty (approximately 60% in Honduras and 48% in Nicaragua) and this is extreme in their rural areas.

Methodology

The SA was based on primary information collected in the field and secondary information from available publications on both countries. It is also based on extensive consultations with key stakeholders carried out during project preparation between August 2004 and February 2006 (see the Social and Indigenous Assessment in the Operational Manual). Over 800 persons representing civil society, indigenous peoples, and other stakeholders participated in consultation meetings.

Key Stakeholders

The indigenous peoples' organizations in the Project area are key stakeholders. Local governments, NGOs, and international organizations are also key players. In August 2004, as a result of the consultation process on the creation of the Corazón Reserve, a Binational Forum was established to promote the active and permanent participation of key stakeholders in activities related to the CTBR, including the proposed Bank/GEF funded project. The Binational Forum includes indigenous peoples, ethnic communities, native *ladino* communities, regional authorities, and municipal authorities from the Honduras-Nicaragua CTBR. The Forum represents a wide range of civil sector interests, particularly including indigenous groups. Its role is to represent their interests in all issues related to the management of the Corazón area. The Forum membership was expanded in January 2006 with the incorporation of the Binational Indigenous Muihka Group that was established in August 2005 to monitor initiatives in indigenous territories of Honduras and Nicaragua.

Results

The involvement of indigenous and other groups in project preparation activities was very successful, as detailed in the consultation annex. During the consultations, stakeholders expressed interest in participating in all the phases of the project, supported the use of natural resources in a sustainable manner and gave importance to land tenure, technical assistance, decentralization, and a communication strategy for the project using local languages. One particularly important meeting was a meeting in Ocotol, Nicaragua in January 2006, attended by 45 stakeholders from both countries, including representatives of all key indigenous organizations. Representatives of all stakeholder groups present at this meeting signed the “Ocotol Declaration” in support of the project (see an attached scan of the declaration).

The full Social and Indigenous Assessment, with the Indigenous Peoples Development Plan and Process Framework as appendices, has been included as an annex to the Operational Manual.

Involuntary Resettlement (OP 4.12)

The protected areas policies of Honduras and Nicaragua do not allow for the involuntary resettlement of established residents within protected areas, and no involuntary resettlement will be carried out under this project. There is not expected to be a loss of shelter, loss of assets or access to assets, loss of livelihoods, or designation of new protected areas. Nevertheless, in accordance with the Involuntary Resettlement Policy (OP 4.12), the possibility of economic displacement within a protected area triggers the policy and requires a “process framework”. This Process Framework has been prepared and is an Appendix to the Social and Indigenous Assessment, which itself is an Annex to the Operational Manual. The Process Framework outlines criteria for identifying affected persons, eligibility criteria, and outlines how such impacts would be mitigated.

Indigenous Peoples (OD 4.20)

The project triggers the Indigenous Peoples Safeguard Policy as it will work directly with the Tawahka, Sumu/Mayangna, Pech, Garífuna, and Miskito peoples in the reserve area. As noted above, a full Indigenous People’s Development Plan was prepared in consultation with the indigenous groups of the Corazón Reserve area to ensure that the indigenous people of the project area receive the greatest degree of benefit possible from the project. It is estimated that 47% of project funding directly benefits indigenous people.

The IPDP includes a summarized report on social and indigenous issues, noting how the project is specifically targeting indigenous peoples and the measures that have been taken to maximize positive impacts and minimize negative impacts. The IPDP presents a detailed list of activities and a budget, responding to concerns expressed during the consultations. Responsibility for each activity falls to the institution responsible from implementing the subcomponent, as listed in Annex 4 of this document. As was mentioned earlier, the Corazón project is coordinating closely with the PATH project in Honduras and the PRODEP project in Nicaragua on the implementation of subcomponent 1.1, which focuses on support to the regularization of land rights, especially for indigenous territories in the Corazón project area. For more information on these projects and the coordination with the Corazón project, please see Annex 1.

Of particular interest under this binational Corazón Project, a special emphasis has been placed on strengthening local and binational indigenous organizations in order to allow them to maximize benefits gained from this project and other initiatives (see Annex 4). Indigenous groups were consulted throughout project preparation, and implementation of the project will be

highly participatory at all stages, involving both indigenous and ladino groups. Because of this emphasis on indigenous cultures during project design and the special focus placed on strengthening indigenous associations, the overall impact on local indigenous people is expected to be highly positive.

Land and titling issues are viewed as critical elements of the development process by all the indigenous groups in the area of the Corazón Reserve. This proposed project does not contemplate direct titling activities or preparation of land titling legal instruments as these are under active development by other World Bank-financed projects in both countries (see below). The proposed Corazón Project does include a subcomponent under Component 1 to provide technical assistance to land regularization activities and investments under Component 4 to support indigenous groups in training and organization management to allow them to more fully benefit from ongoing initiatives to support titling of their territories. In addition, the Project will play an active role in ensuring coordination on titling policy and legal issues with other projects and with the two national governments. The IPDP has been included as an Appendix to the Social and Indigenous Assessment, which is an Annex to the Operational Manual. A summary of the IPDP follows.

Indigenous Peoples Development Plan (IPDP)

The IPDP is an appendix of the Social Assessment (which in turn is an annex of the Operational Manual). This section presents the main issues addressed in the IPDP that have been incorporated in the design of the proposed Project. The IPDP recognizes the historic importance of the indigenous communities' presence in the Mesoamerican Biological Corridor (MBC) and hence in the area of the proposed Corazón Reserve. The Plan describes how the project will benefit and contribute to the development of indigenous peoples in the Reserve area, support their full participation in the project, and avoid the risk of potential negative impacts. A table summarizing the activities of the Plan of Action of the IPDP is included at the end of the IPDP document.

Objective

In summary, the objective of the Plan is to ensure that indigenous peoples participate in the Project design and implementation, to ensure they receive benefits from the Project, and to mitigate any potential adverse impact that may affect their traditional way of life.

Methodology

The preparation of the IPDP included the following activities:

- (a) Analysis of primary information from both countries obtained through workshops, focal points and interviews. (As part of the social assessment exercise, extensive consultations with key stakeholders was carried out during project preparation. Over 800 persons representing civil society, indigenous peoples, and other stakeholders participated.)
- (b) Analysis of secondary information such as social studies and evaluations, previous IPDPs developed for Bank projects in the same countries, censuses and surveys, and documents describing the conditions of indigenous groups.
- (c) Consolidation of the information and generation of the IPDP.

Land regularization

The IPDP includes a summary of the Bank projects that support land regularization in Honduras and Nicaragua. Further information on these projects and other active projects in the area is included in annexes 1 and 2 of the PAD.

Action Plan

The IPDP includes information on the communities' participation strategy in the design, preparation and implementation of the project. Specific activities that will benefit indigenous people are:

- Support to land regularization processes (review, adjustment and validation of methodologies in Honduras, and development of local capacity in Nicaragua).
- Binational institutional coordination in the Corazón Transboundary Biosphere Reserve (CTBR). All the political and technical bodies will include indigenous peoples' representatives.
- Enhancement of the management capacity to conserve the CTBR.
- Modernization of SINAP's management in Nicaragua.
- Development of mechanisms for the financial sustainability of the SINAP in Nicaragua.
- Modernization of SINAP's organizational structure in Honduras.
- Development of mechanisms for the financial sustainability of the SINAP in Honduras.
- Updating, harmonization and implementation of management plans.
- Involvement of indigenous and ladino communities in the implementation of management plans.
- Strengthening local governance.
- Development and implementation of productive subprojects based on the sustainable use of natural resources.
- Development of a social and biodiversity information and monitoring system.
- Promotion of environmentally-friendly activities.

Development activities

A comprehensive list of activities where indigenous peoples' participation is expected is included as a summary of the Action Plan. The table includes information by component, subcomponent and activity; a calendar of implementation; institutional responsibility for carrying out the activities recommended; and a detailed budget at the activity level, totaling US\$ 5.6 million.

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DECLARATORIA DE OCOTAL

Nosotros los representantes de los pueblos indígenas, comunidades ladinas, gobiernos locales y gobierno regional que habitamos el área del Corazón del Corredor Biológico Mesoamericano, junto con autoridades de los Ministerios del Ambiente de Honduras y Nicaragua, reunidos en la ciudad de Ocotal, considerando que:

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1. Estamos conscientes que es necesario unir esfuerzos en la conservación del rico patrimonio natural y cultural que caracteriza a esta área.

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2. Las Reservas de Biosfera Transfronterizas se conciben para promover la cooperación y la paz, así como para promover la conciliación entre la conservación de la diversidad biológica, el desarrollo económico y social, y el reencuentro de los pueblos originarios en las áreas transfronterizas, fundamentado en la sostenibilidad y mantenimiento de los recursos naturales y el respeto a los valores culturales asociados.

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3. La Reserva de Biosfera Transfronteriza "Corazón del Corredor Biológico Mesoamericano" constituye la alta expresión de las voluntades políticas de los gobiernos y pueblos indígenas y comunidades ladinas de Honduras y Nicaragua, manifestada en la Declaración Conjunta de la Creación del Corazón del Corredor Biológico Mesoamericano, efectuada el 12 de diciembre de 2001, en la ciudad de Tegucigalpa, Honduras.

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4. Los estados del Sistema de la Integración Centroamericana en varias de sus cumbres presidenciales han manifestado su decisión política de sumar esfuerzos, y recursos a favor de la conservación del patrimonio natural, específicamente encaminados a la consolidación del Corredor Biológico Mesoamericano.

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5. Los pueblos indígenas, Mayangna, Miskito, Tawahka, Pech y Garifunas, que habitan en el Corazón del Corredor Biológico Mesoamericano han sido los protectores desde tiempos inmemoriales del patrimonio natural y cultural presente en esta área, por lo que constituyen la fuerza social autóctona que puede garantizar la coexistencia entre la población humana y ese patrimonio, asegurando el desarrollo social, cultural e histórico.

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Por lo tanto, acordamos:

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D.T.G.

1. Ser parte de una alianza estratégica con los gobiernos de Honduras y Nicaragua con el fin de contribuir a la articulación, planificación, ordenamiento y coordinación de los esfuerzos de conservación y desarrollo, para consolidar el Corazón del Corredor Biológico Mesoamericano.

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2. Asegurar la plena y efectiva participación política, administrativa y operativa de los pueblos indígenas y comunidades ladinas en los procesos de desarrollo y conservación que se impulsen en sus territorios; así como alcanzar el respeto en el ejercicio de sus derechos ancestrales sobre sus territorios y formas de vida.

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3. Fomentar la cooperación y la paz entre los pueblos indígenas que viven en los territorios propuestos a ser parte de la Reserva de Biosfera Transfronteriza "Corazón del Corredor Biológico Mesoamericano", y las comunidades ladinas asentadas en la zona de frontera agrícola.

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4. Cooperar en la promoción de iniciativas que fortalezcan las capacidades locales indígenas de gestión, mediante sus propias formas de organización, con el propósito de cumplir con el mandato del segundo decenio de los Pueblos Indígenas del Mundo.

5. Después de haber consensuado la propuesta de Proyecto Reserva de Biosfera Transfronteriza "Corazón del Corredor Biológico Mesoamericano", la respaldamos y hacemos un llamado al Banco Mundial y al Fondo para el Medio Ambiente Mundial a aprobar este Proyecto, para asegurar el inicio de su ejecución al más corto plazo.

Dada en la ciudad de Ocotal, departamento de Nueva Segovia, Nicaragua, a los catorce días del mes de enero del año dos mil seis


Eranivo Centeno
Coordinadora MUIHKA Nicaragua


Inel Dixon
Coordinadora MUIHKA Nicaragua


José Dimas Fernández
Presidente de ADEPCIMISUJIN


Marcos Sorapio
Vicepresidente KUNASPAWA


Ampelio Pulacios
Presidente MASAKU


Julia Pablo Pérez
Representante Territorial MAKALAHINA

Máximo Sevilla
Alcalde Municipal de Bonanza


Juan González
Presidente del Consejo Regional del
Atlántico Norte



Harvard Quintana
MARENA


Edgardo Benitez
Coordinadora MUIHKA Honduras


Delbert Bendler
Coordinadora MUIHKA Honduras


Donald Allen
Presidente RAYAKA


Melardo Dixon
Presidente FITHI


Marcos Aleman
Presidente BAKENASTA


Olegario Lopez
Representante MASTA

Nathan Pravia
Presidente CONPAH


Orlando Calderon
Representante de Alianza Verde


Lilián Diamantina Sánchez
Vicepresidenta de Central de Patronatos

M. Abaurrea

Marta Martha Abaurrea

MARENA

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Adriana Meza

MARENA

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Jacobo Sánchez

MARENA

Joaquín Agüero

SERNA

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Olivia Rendón

SERNA

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Heriberto Padilla

AFE-COMDEFOR

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Marco Antonio González

Secretario Ejecutivo de la CCAD

Testigos de honor

[Signature]

Douglas Graham

Gerente de Proyecto Banco Mundial

[Signature]

Thomas Manuel López

CCAD

Carlos Landero

SEPCA

[Signature]

Patricio Campos Cubas

Centro Humboldt

[Signature]

Alberto Chunchilla

Director Ejecutivo de ACICAFGC

[Signature]

Doris Bata

Administradora de AMICA

[Signature]

Carlos Montenegro

Mopawa

Forestry (OP 4.36)

The project triggers the Forestry OP 4.36 Operational Policy as it may provide support to community forestry activities through the sustainable harvesting of timber and non-timber forest resources. The policies and forest strategies that the governments of Honduras and Nicaragua wish to support through the project are consistent with OP 4.36. To comply with the OP, the project will: (a) where relevant, strengthen the capacity of local community forestry organizations to use sustainable technologies; (b) contribute to the management and conservation of protected areas through execution of environmentally appropriate management plans with clear definition of roles and responsibilities of public, private and community actors; (c) strengthen private and local community actors in the management and conservation of forest ecosystems; and (d) strengthen national and local capacity for environmental monitoring and protected areas management.

The Corazón project will not finance commercial logging operations and will only fund community forestry activities where legally permitted in the buffer zones of the protected areas and if they are demanded by communities. The project will provide technical assistance and training to community forestry groups so that they may comply with the relevant management plan of the protected area, and provide technical assistance and small grants to promote more sustainable forestry techniques. These activities will be in full compliance with OP 4.36. Falling under Component 4, they are designed to replace less sustainable techniques and forest management strategies currently in use in the buffer zones of the Reserve, and should therefore lead to a more sustainable use of forest resources. Long-term impacts on the environment in general, and on forests, are expected to be positive. The activities funded by the subproject component will be carefully screened to ensure that they promote the adoption of new, more sustainable technologies that will ensure a better use of resources.

Projects in Disputed Areas (OP 7.60)

Although the border between Honduras and Nicaragua has been disputed in the past, it has been determined that there are no active disputes between the neighboring countries on their terrestrial boundary in the project area. The marine boundary between Nicaragua and Honduras on the Caribbean side remains a source of discussion between the countries but this is well outside of the project areas. The project team has therefore determined that OP 7.60 is *not* triggered by this project.

In contrast, the binational formulation and implementation of this project signals a willingness of the two countries to work together along the common boundary. The improvement of bilateral relations is precisely one of the objectives and expected benefits of the project.

Annex 11: Project Preparation and Supervision
CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

	Planned	Actual
Project Concept Note (PCN) review	12/15/2003	1/14/2004*
Initial PID to PIC	12/19/2003	5/26/2004
Initial ISDS to PIC	12/19/2003	8/10/2005**
Appraisal	9/6/2005	3/16/2006
Negotiations	9/28/2005	4/18/2006
Board/RVP approval	12/19/2005	
Planned date of effectiveness	1/15/2006	
Planned date of mid-term review	12/1/2008	
Planned closing date	12/15/2011	

PCN = Project Concept Note, PID =Project Information Document, PIC = Project Information Centre, ISDS = Integrated Safeguards Data Sheet, RVP = Regional Vice-President.

*Two PCN review meetings were held for the Corazón Project: one with the partially-blended operation in Nicaragua (2 November, 2004) and one with the partially-blended operation in Honduras (14 January, 2004).

**The Initial ISDS was submitted to InfoShop on 3/16/2005. However, due to a system error it did not appear on the website, and was resubmitted on 8/10/2005.

Key institutions responsible for preparation of the project:

Central American Commission on Environment and Development (*Comisión Centramericana de Ambiente y Desarrollo, CCAD*): CCAD was the executing agency for the Project Preparation Grant (a \$400,000 PDF-B from the Global Environment Facility), and was responsible for all coordination, organization, procurement and disbursement under the grant.

***Secretaría de Recursos Naturales (Secretariat of Natural Resources and the Environment, SERNA)*:** SERNA was the institutional counterpart in Honduras, and provided logistical and technical assistance, as well as staff time, for the preparation of the Corazón Project.

***Administración Forestal del Estado—Corporación Hondureña de Desarrollo Forestal (AFE-COHDEFOR)*:** AFE-COHDEFOR is responsible in Honduras for the management of protected areas and was involved in the preparation of the project.

***Ministerio del Ambiente y Recursos Naturales (Ministry of the Environment and Natural Resources, MARENA)*:** MARENA was the institutional counterpart in Nicaragua, and also provided logistical and technical assistance, as well as staff time, for the preparation of the Corazón Project.

Bank staff, consultants, and key national counterparts who worked on the project included:

Name	Title	Bank Unit
World Bank		
Douglas J. Graham	Task Team Leader (TTL), Sr. Biodiversity Specialist	LCSSEN
Nelvia Díaz	Language Program Assistant	LCSSEN
Christine Dragisic	Junior Professional Associate	LCSSEN
Irani Escolano	Procurement Specialist	LCOPR
Josep Garí	Consultant, Natural Resources Specialist	FAO/CP
Armando Guzmán	Environmental & Operations Specialist	LCSSEN
John Kellenberg	Sector Leader	LCSSES
Juan Martínez	Sr. Social Devt. Specialist	LCSSEN
Abel Mejia	Sector Manager	LCSSEN
Marquez Martínez	Consultant, Indigenous Issues	LCSSEN
Marta Molaes-Halberg	Lead Counsel	LEGLA
Rajeev Swami	Financial Management Specialist	LCOAA
Richard Anson	Consultant, Institutional Issues	Consultant
CCAD		
Marco González	Executive Secretary	CCAD
Patricia Bourdeth	Honduran Coordinator	CCAD
Carlos Espinosa	Nicaraguan Coordinator	CCAD
Dimas López	Binational Coordinator	CCAD
Nicaragua Government		
María Marta Abaunza	Binational Technical Committee	MARENA
Bayardo Quintero	Director, Protected Areas	MARENA
Jacobo Sánchez	Binational Technical Committee	MARENA
Honduras Government		
Conrado González	Director, Protected Areas	AFE-COHDEFOR
Ivonne Oviedo	Protected Areas	AFE-COHDEFOR
Olivia Rendón	Environmental Specialist	SERNA
Juan Pablo Suazo	Director, Biodiversity	SERNA

Bank funds expended to date on project preparation:

1. Bank resources: \$250,000
2. Trust funds: \$400,000 GEF PDF-B grant (Recipient-executed)
3. Total: \$650,000 Bank-executed

Estimated Approval and Supervision costs:

1. Remaining costs to approval: \$5,000
2. Estimated annual supervision cost: \$100,000

Annex 12: Documents in the Project File

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

- Atlantic Biological Corridor Project Lessons Learned (Informe de Terminación del Proyecto, MARENA)
- Atlantic Biological Corridor Project Implementation Completion Report
- Binational Forum, Minutes of 8/19/04 Meeting
- Binational Forum, Minutes of 9/21/04 Meeting
- Convenio para la Conservación de la Biodiversidad y Protección de Áreas Silvestres Prioritarias en América Central
- Nicaragua Law 217 (Environment)
- Nicaragua Law 407 (Defining and Declaring RB Bosawas)
- Nicaragua Law 445 (Communal Indigenous Property)
- Nicaragua Law 462 (Forestry)
- Norms for the Management and Protection of Natural and Cultural Resources in the Río Plátano Man and Biosphere Reserve
- Parque Nacional Patuca Management Plan
- Parque Nacional Patuca and Reserva Indígena Tawahka Asagni Socioeconomic Pre-Diagnostic
- Biodiversity in Priority Areas Project (Honduras) Summary of Lessons Learned
- Biodiversity in Priority Areas Project Implementation Completion Report
- Proyecto Bosques y Productividad Rural Análisis Ambiental
- Proyecto de Tecnología Agropecuaria II. Evaluación Ambiental
- Proyecto de Tecnología Agropecuaria II Social Assessment, Indigenous Peoples Development Plan
- Reserva de la Biosfera Bosawas Management Plan
- Reserva Indígena Tawahka Asagni Management Plan
- RBTC\RBB BASE Map
- RBTC\RBT CCBM 2 Map
- Reserva de Biosfera Transfronteriza “Corazón del Corredor Biológico Mesoamericano” Honduras-Nicaragua Formulario de Aplicación para su nominación dentro del Programa MaB – UNESCO (Application submitted to the UNESCO Man and the Biosphere Program)
- Regional Strategy for the Conservation and Sustainable Use of Biodiversity in Mesoamerica report
- Río Plátano Man and Biosphere Reserve Management Plan
- Río Plátano Man and Biosphere Reserve Environmental Diagnostic
- Status of the Central American Protected Areas System report
- Tawahka Participative Community Diagnostic

Annex 13: Statement of Loans and Credits
CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P078991	2005	NI - (APL2)HEALTH SECTOR II	0.00	11.00	0.00	0.00	0.00	10.61	1.00	0.00
P078990	2005	NI - EDUCATION	0.00	15.00	0.00	0.00	0.00	13.68	2.07	0.00
P082885	2004	NICARAGUA PRSC I	0.00	70.00	0.00	0.00	0.00	35.77	33.97	0.00
P078891	2004	NI PUBLIC SECTOR TA	0.00	23.50	0.00	0.00	0.00	14.27	1.45	0.00
P077826	2004	NI Broad-Based Access to Finan Services	0.00	7.00	0.00	0.00	0.00	6.56	1.32	0.00
P075194	2003	NI Off-Grid Rural Electrification	0.00	0.00	0.00	4.02	0.00	3.66	2.71	0.39
P073246	2003	NI Offgrid Rural Electrification (PERZA)	0.00	12.00	0.00	0.00	0.00	8.86	5.02	-0.43
P056018	2002	NI LAND ADMINISTRATION PROJECT	0.00	32.60	0.00	0.00	0.00	26.28	5.78	0.00
P070016	2001	NI Competitiveness LIL	0.00	5.00	0.00	0.00	0.00	1.19	0.50	0.50
P068673	2001	NI Road Rehab. and Maintenance III	0.00	75.00	0.00	0.00	0.00	0.01	-9.38	0.00
P064916	2001	NI Natural Disaster Vulnerability Reduc	0.00	13.50	0.00	0.00	0.00	5.90	4.35	0.40
P064906	2001	NI Poverty Red.&Local Dev. FISE	0.00	60.00	0.00	0.00	0.00	2.71	-4.50	-4.50
P055823	2001	NI SECOND RURAL MUNICIPAL DEV. PROJECT	0.00	28.70	0.00	0.00	0.00	4.58	2.63	-2.74
P055853	2000	NI-Telecommunication Reform	0.00	15.90	0.00	0.00	0.00	0.12	0.76	0.00
Total:			0.00	369.20	0.00	4.02	0.00	134.20	47.68	- 6.38

NICARAGUA
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2004	Confia	4.50	0.00	0.00	0.00	4.50	0.00	0.00	0.00
1998	Frutan	0.31	0.36	0.00	0.00	0.31	0.00	0.00	0.00
1998	La Colonia	0.75	0.00	0.50	0.00	0.75	0.00	0.50	0.00
1999	SEF Dicegsa	0.25	0.00	0.00	0.00	0.25	0.00	0.00	0.00
Total portfolio:		5.81	0.36	0.50	0.00	5.81	0.00	0.50	0.00

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Project ID	FY	Purpose	Original Amount in US\$ Millions					Difference between expected and actual disbursements		
			IBRD	IDA	SF	GEF	Cancel.	Undisb.	Orig.	Frm. Rev'd
P081516	2006	HN JUDICIAL BRANCH MODERNIZATION	0.00	15.00	0.00	0.00	0.00	14.51	0.00	0.00
P082242	2006	HN Nutrition and Social Protection	0.00	20.00	0.00	0.00	0.00	19.68	0.00	0.00
P086775	2006	HN (CRLI) Rural Infrastructure Project	0.00	47.00	0.00	0.00	0.00	46.45	0.00	0.00
P088319	2006	HN (CRL) Barrio-Ciudad Project	0.00	15.00	0.00	0.00	0.00	14.51	0.00	0.00
P083311	2005	HN First Prog Fin Sec Dev Pol Credit	0.00	25.00	0.00	0.00	0.00	23.75	19.29	0.00
P083851	2004	HN PRS TAC	0.00	8.00	0.00	0.00	0.00	7.43	3.80	0.00
P083244	2004	HN Nuestras Raices Program	0.00	15.00	0.00	0.00	0.00	13.23	4.50	0.00
P064914	2004	HN FORESTS & RURAL PRODUCTIVITY	0.00	20.00	0.00	6.00	0.00	14.84	4.91	0.00
P055991	2004	HN LAND ADMINISTRATION PROGRAM	0.00	25.00	0.00	0.00	0.00	8.67	-2.50	0.00
P070038	2004	HN Trade Facilitatio & Productivity Enha	0.00	28.06	0.00	0.00	0.00	25.04	8.71	3.17
P081172	2003	HN Regional Dev in the Copan Valley	0.00	12.00	0.00	0.00	0.00	7.22	0.49	0.00
P040177	2003	HN Financial Sector Technical Assistance	0.00	9.90	0.00	0.00	0.00	8.61	6.24	0.00
P057859	2002	HN SUST COASTAL TOURISM PROJECT (LIL)	0.00	5.00	0.00	0.00	0.00	0.71	-0.07	-0.07
P053575	2002	HN- HEALTH SYSTEM REFORM PROJECT	0.00	27.10	0.00	0.00	0.00	16.80	7.59	0.00
P073035	2001	HN Access to Land Pilot (PACTA)	0.00	8.00	0.00	0.00	0.00	3.02	2.13	0.57
P007397	2001	HN COMMUNITY-BASED EDUCATION PROJECT	0.00	41.50	0.00	0.00	0.00	7.62	6.37	0.00
P057538	2001	HN ROAD RECONSTRUCTION AND IMPROVEMENT	0.00	66.50	0.00	0.00	0.00	20.76	11.75	0.00
P060785	2001	HN ECONOMIC & FIN.MANAGEMENT PROJECT	0.00	19.00	0.00	0.00	0.00	4.03	2.96	1.55
P064895	2001	HN FIFTH SOCIAL INVESTMENT FUND PROJECT	0.00	60.00	0.00	0.00	0.00	1.78	-1.92	0.00
P064913	2000	HN EMERG DISASTER MGMT (TAL)	0.00	10.82	0.00	0.00	0.00	3.52	2.88	0.00
Total:			0.00	477.88	0.00	6.00	0.00	262.18	77.13	5.22

HONDURAS
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

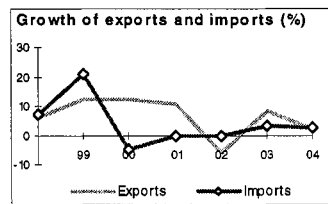
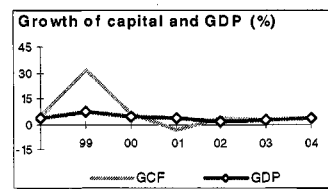
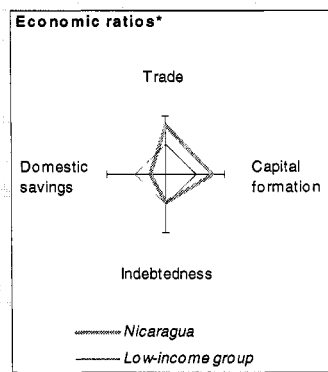
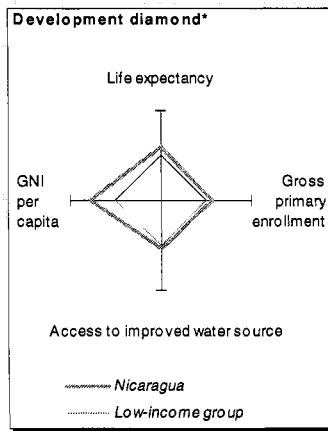
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
1999	Granjas Marinas	2.95	0.00	0.00	0.00	2.95	0.00	0.00	0.00
	Total portfolio:	2.95	0.00	0.00	0.00	2.95	0.00	0.00	0.00

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 14: Country at a Glance

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

POVERTY and SOCIAL	Latin America & Carib.		Low-income		
	Nicaragua				
2004					
Population, mid-year (millions)	5.6	541	2,338		
GNI per capita (Atlas method, US\$)	790	3,600	510		
GNI (Atlas method, US\$ billions)	4.4	1,948	1,184		
Average annual growth, 1998-04					
Population (%)	2.5	1.4	1.8		
Labor force (%)	3.1	0.9	2.1		
Most recent estimate (latest year available, 1998-04)					
Poverty (% of population below national poverty line)	48	..	..
Urban population (% of total population)	58	77	31		
Life expectancy at birth (years)	69	71	58		
Infant mortality (per 1000 live births)	30	28	79		
Child malnutrition (% of children under 5)	10	..	44		
Access to an improved water source (% of population)	81	89	75		
Literacy (% of population age 15+)	77	89	61		
Gross primary enrollment (% of school-age population)	108	123	94		
Male	109	126	101		
Female	108	122	88		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1984	1994	2003	2004	
GDP (US\$ billions)	3.1	3.0	4.1	4.4	
Gross capital formation/GDP	22.2	20.4	37.1	35.7	
Exports of goods and services/GDP	16.4	16.6	24.1	21.9	
Gross domestic savings/GDP	9.2	3.8	10.8	10.1	
Gross national savings/GDP	3.4	-10.4	21.0	23.2	
Current account balance/GDP	-22.0	-30.5	-17.7	-15.5	
Interest payments/GDP	11	3.2	13	..	
Total debt/GDP	154.2	402.9	67.2	..	
Total debt service/exports	16.4	39.9	14.8	..	
Present value of debt/GDP	..	..	37.6	..
Present value of debt/exports	..	..	111.9	..
	1984-94	1994-04	2003	2004	2004-08
<i>(average annual growth)</i>					
GDP	-2.1	4.1	2.3	3.7	4.2
GDP per capita	-4.6	13	-0.3	14	2.1
Exports of goods and services	3.6	9.2	8.1	19	2.2
STRUCTURE of the ECONOMY					
	1984	1994	2003	2004	
<i>(% of GDP)</i>					
Agriculture	24.9	19.8	17.7	17.1	
Industry	31.8	24.3	25.4	24.7	
Manufacturing	25.4	16.9	14.3	13.8	
Services	43.3	55.9	56.9	58.2	
Household final consumption expenditure	55.4	86.1	73.6	74.4	
General gov't final consumption expenditure	35.3	10.1	15.6	15.5	
Imports of goods and services	29.5	32.2	50.4	47.5	
	1984-94	1994-04	2003	2004	
<i>(average annual growth)</i>					
Agriculture	-10	4.2	3.2	0.2	
Industry	-3.2	4.1	2.4	0.5	
Manufacturing	-4.1	4.4	2.1	-0.3	
Services	-2.0	4.0	1.9	6.5	
Household final consumption expenditure	3.4	1.6	0.9	3.4	
General gov't final consumption expenditure	-10.8	6.6	1.3	7.6	
Gross capital formation	-7.2	10.3	2.4	3.0	
Imports of goods and services	0.3	7.1	3.2	2.5	



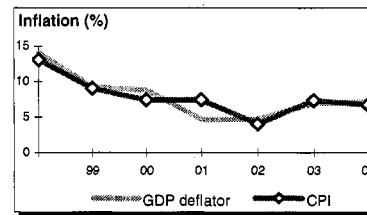
Note: 2004 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

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

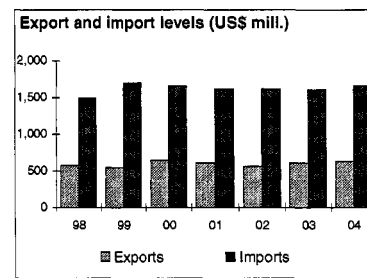
PRICES and GOVERNMENT FINANCE

	1984	1994	2003	2004
Domestic prices				
(% change)				
Consumer prices	36.4	7.8	7.3	6.7
Implicit GDP deflator	39.0	80.1	6.9	7.1
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	12.5	16.2	16.7
Current budget balance	..	-0.8	0.5	4.3
Overall surplus/deficit	..	-6.2	-6.7	-3.7



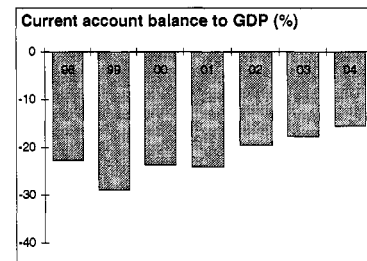
TRADE

	1984	1994	2003	2004
(US\$ millions)				
Total exports (fob)	413	335	605	631
Coffee	122	73	86	..
Shrimp and lobster	13	42	69	..
Manufactures	58	117	286	321
Total imports (cif)	825	867	1,608	1,653
Food	107	188	460	..
Fuel and energy	145	123	194	..
Capital goods	238	218	362	288
Export price index (2000=100)	92	97	93	100
Import price index (2000=100)	49	84	111	115
Terms of trade (2000=100)	186	115	84	87



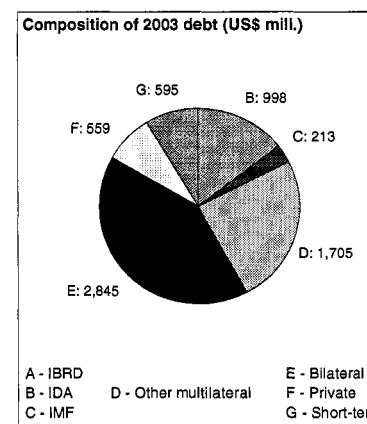
BALANCE of PAYMENTS

	1984	1994	2003	2004
(US\$ millions)				
Exports of goods and services	462	463	853	907
Imports of goods and services	884	949	2,004	2,056
Resource balance	-423	-486	-1,151	-1,148
Net income	-263	-472	-108	-96
Net current transfers	0	50	528	..
Current account balance	-686	-908	-731	-676
Financing items (net)	601	978	738	696
Changes in net reserves	85	-69	-7	-20
Memo:				
Reserves including gold (US\$ millions)	..	141	447	524
Conversion rate (DEC, local/US\$)	2.89E-9	6.7	15.1	15.9



EXTERNAL DEBT and RESOURCE FLOWS

	1984	1994	2003	2004
(US\$ millions)				
Total debt outstanding and disbursed	4,807	11,996	6,915	..
IBRD	134	76	0	..
IDA	59	254	998	..
Total debt service	86	207	205	..
IBRD	15	25	0	..
IDA	0	3	3	..
Composition of net resource flows				
Official grants	56	181	495	..
Official creditors	344	245	162	..
Private creditors	11	-6	28	..
Foreign direct investment (net inflows)	0	47	201	..
Portfolio equity (net inflows)	0	0	0	..
World Bank program				
Commitments	0	68	27	..
Disbursements	22	52	112	..
Principal repayments	7	19	0	..
Net flows	15	33	112	..
Interest payments	9	9	3	..
Net transfers	7	24	109	..

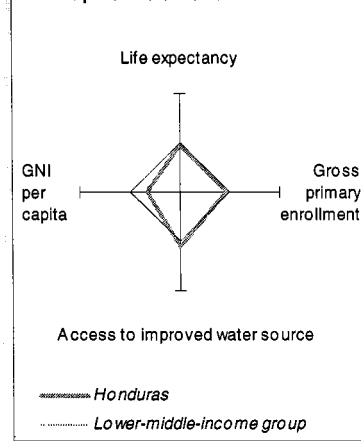


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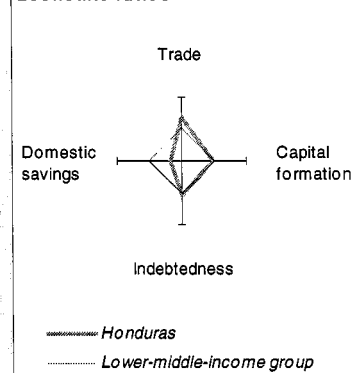
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POVERTY and SOCIAL

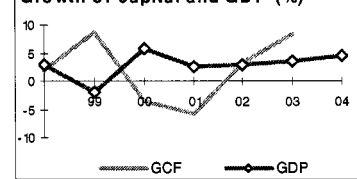
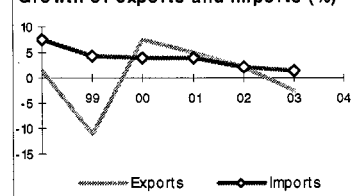
	Honduras	Latin America & Carib.	Lower-middle-income
2004			
Population, mid-year (millions)	7.1	541	2,430
GNI per capita (Atlas method, US\$)	1,030	3,600	1,580
GNI (Atlas method, US\$ billions)	7.4	1,948	3,847
Average annual growth, 1998-04			
Population (%)	2.6	1.4	1.0
Labor force (%)	2.9	0.9	0.7
Most recent estimate (latest year available, 1998-04)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	46	77	49
Life expectancy at birth (years)	66	71	70
Infant mortality (per 1,000 live births)	32	28	33
Child malnutrition (% of children under 5)	17	..	11
Access to an improved water source (% of population)	90	89	81
Literacy (% of population age 15+)	80	89	90
Gross primary enrollment (% of school-age population)	106	123	114
Male	105	126	115
Female	107	122	113

Development diamond*

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1984	1994	2003	2004	
GDP (US\$ billions)	3.3	3.4	6.9	7.4	
Gross capital formation/GDP	17.4	37.7	29.4	..	
Exports of goods and services/GDP	24.7	35.7	36.7	..	
Gross domestic savings/GDP	10.1	27.0	12.0	..	
Gross national savings/GDP	6.0	23.8	20.5	..	
Current account balance/GDP	-11.4	-13.9	-7.6	..	
Interest payments/GDP	2.7	5.2	1.3	..	
Total debt/GDP	68.9	136.8	82.1	..	
Total debt service/exports	22.4	32.2	11.9	..	
Present value of debt/GDP	..	..	50.8	..
Present value of debt/exports	..	..	100.5	..
	1984-94	1994-04	2003	2004	2004-08
(average annual growth)					
GDP	3.5	3.0	3.5	4.6	..
GDP per capita	0.5	0.3	0.9	2.1	..
Exports of goods and services	14	18	-2.5

Economic ratios*

STRUCTURE of the ECONOMY

	1984	1994	2003	2004
(% of GDP)				
Agriculture	20.8	24.3	13.6	..
Industry	25.8	28.8	31.0	..
Manufacturing	15.4	17.3	20.4	..
Services	53.3	46.9	55.5	..
Household final consumption expenditure	76.7	63.3	74.2	..
General gov't final consumption expenditure	13.2	9.6	13.8	..
Imports of goods and services	32.0	46.4	54.1	..
	1984-94	1994-04	2003	2004
(average annual growth)				
Agriculture	3.5	2.1	9.0	..
Industry	3.8	3.6	4.4	..
Manufacturing	3.6	4.4	3.8	..
Services	3.4	3.9	0.4	..
Household final consumption expenditure	2.9	3.5	3.2	..
General gov't final consumption expenditure	0.0	7.7	1.4	..
Gross capital formation	10.8	1.6	8.4	..
Imports of goods and services	3.6	3.3	1.3	..

Growth of capital and GDP (%)

Growth of exports and imports (%)


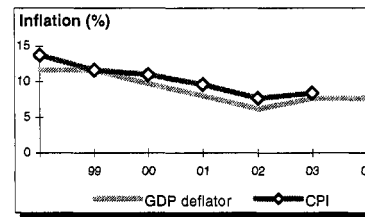
Note: 2004 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

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

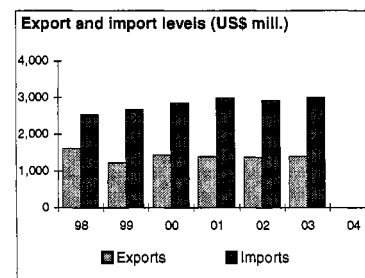
PRICES and GOVERNMENT FINANCE

	1984	1994	2003	2004
Domestic prices				
(% change)				
Consumer prices	..	21.7	8.4	..
Implicit GDP deflator	3.4	28.9	7.7	7.7
Government finance				
(% of GDP, includes current grants)				
Current revenue	14.7	15.9	20.1	..
Current budget balance	-1.6	1.3	1.4	..
Overall surplus/deficit	-11.0	-4.7	-4.1	..



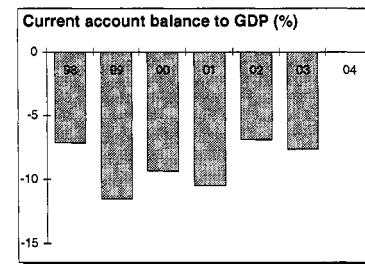
TRADE

	1984	1994	2003	2004
(US\$ millions)				
Total exports (fob)	737	1,017	1,396	..
Bananas	232	155	..	..
Coffee	169	200	..	..
Manufactures	..	..	..	..
Total imports (cif)	960	1,498	2,994	..
Food	129	189	..	..
Fuel and energy	180	191	..	..
Capital goods	171	345	892	..
Export price index (2000=100)	86	104	..	..
Import price index (2000=100)	93	92	..	..
Terms of trade (2000=100)	93	113	..	..



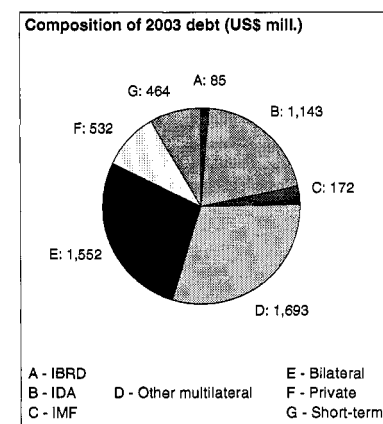
BALANCE of PAYMENTS

	1984	1994	2003	2004
(US\$ millions)				
Exports of goods and services	847	1,226	2,550	..
Imports of goods and services	1,066	1,591	3,758	..
Resource balance	-219	-365	-1,208	..
Net income	-178	-194	-165	..
Net current transfers	19	83	849	..
Current account balance	-377	-477	-524	..
Financing items (net)	362	502	524	..
Changes in net reserves	15	-25	0	..
Memo:				
Reserves including gold (US\$ millions)	133	205	1,492	..
Conversion rate (DEC, local/US\$)	2.0	8.4	17.5	18.4



EXTERNAL DEBT and RESOURCE FLOWS

	1984	1994	2003	2004
(US\$ millions)				
Total debt outstanding and disbursed	2,286	4,695	5,641	..
IBRD	273	469	85	..
IDA	81	307	1,143	..
Total debt service	198	473	414	..
IBRD	32	90	28	..
IDA	1	3	17	..
Composition of net resource flows				
Official grants	98	83	128	..
Official creditors	214	77	96	..
Private creditors	-28	13	-58	..
Foreign direct investment (net inflows)	21	35	198	..
Portfolio equity (net inflows)	0	0	0	..
World Bank program				
Commitments	20	28	22	..
Disbursements	62	69	45	..
Principal repayments	11	53	29	..
Net flows	50	16	15	..
Interest payments	22	40	15	..
Net transfers	29	-24	0	..



Note: This table was produced from the Development Economics LDB database.

8/25/05

Annex 15: Incremental Cost Analysis CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

Introduction

1. The largest remaining area of humid tropical forest north of Colombia is found along the eastern border between Honduras and Nicaragua. This 34,000 km² area encompasses much of the remaining habitat of many threatened and endangered species that require large intact areas of pristine forest, such as Harpy Eagles, jaguars, and tapirs, and contains more than 50 percent of the ecosystems of the two countries. It is also home to approximately 41,000 Tawahka, Mayangna, Pech, Garífuna, and Miskito indigenous peoples. This is the area proposed for the Corazón Transboundary Biosphere Reserve (CTBR). The Reserve name reflects its location in the “heart” of the Mesoamerican Biological Corridor (CBM).

2. The proposed Corazón Reserve encompasses four existing protected areas: the Bosawas Biosphere Reserve in Nicaragua and the Tawahka Asangni Reserve, Patuca National Park, and Río Plátano Biosphere Reserve in Honduras. The Corazón Project will strengthen the management of this binational area in order to better preserve the globally important biodiversity of the Corazón Reserve. In addition, the Project will strengthen the national protected area systems.

Baseline Scenario

3. **Scope:** Under the Baseline Scenario, the area of the project, the future Corazón Transboundary Biosphere Reserve, continues under formal protected area status but, except for isolated patches which have some effective protection (core area of the Río Plátano Biosphere Reserve and some areas of the Bosawas Biosphere Reserve and Tawahka Asangni Indigenous Reserve conserved by indigenous populations under traditional conservation practices and benefiting from GTZ and EU investments), there is no effective protection or official presence of the state. Areas that are protected by their remoteness or low population density will remain essentially unchanged in the near future but the periphery of the entire reserve will continue to be impacted by a fast-moving agricultural frontier.

4. Human populations in and near the Corazón Reserve are poor and although dependent on natural resources of the area, their use of the resources is inefficient, contributing to the erosion of biodiversity and to a cycle of poverty. There are some ongoing investments in Corazón communities but these tend to be focused in small areas and most communities, particularly indigenous communities, do not benefit from any external support.

5. Under the Baseline Scenario, the four areas of the Corazón Reserve will continue to be managed as independent units with little coordination between them and virtually none across the international boundary. This contributes to inefficiencies in terms of costs and impact but also means that this single ecoregional unit, from a conservation science perspective, does not benefit from a uniform management regime nor does it benefit from a promotion of shared traditions and practices of indigenous peoples.

6. In summary, the situation is expected under the Baseline Scenario to change little for the next six years. There would be a continuing and ongoing loss of biodiversity attributable

principally to few and uncoordinated investments in this huge area of the Mesoamerican Biological Corridor.

7. **Costs** (\$20.6 million): The table later in this section provides the expected baseline investment in the Corazón area for the next six years under the Baseline Scenario. This analysis has not quantified every small project or ongoing activity as there are a large number of these but it does include all major sustained sources of financing. In summary, investment levels are expected to be about \$4.2 million in total in the next 6 years from governments (\$0.7 million/year) and \$16.4 million from international donor projects (\$2.7 million/year). The Baseline Scenario includes donor projects of GTZ, the European Union, and USAID which will be very closely coordinated with the Corazón Project over the next six years. Although they are not included as part of the proposed project costs because no formal cofinancing agreements have been signed due to the projects being on different timelines, they are part of the Baseline Scenario as they contribute to the conservation efforts in the project area.

8. The Baseline Scenario more specifically in regard to each of the project's components is summarized below and in the table at the end of section:

9. **Component 1: Consolidation of the CTBR (\$0.1 million)**: Under the Baseline Scenario, although both countries are committed to the concept of the binational Corazón Reserve and would continue to lobby UNESCO, there are only minimal funds available for actions of promoting binational management and coordination. We estimate these as no more than \$100,000 over the next 6 years, all being government funds, in the absence of an externally funded project.

10. **Component 2: Strengthening of SINAPs (\$3.6 million)**: The Baseline Scenario provides for minimal investments in the SINAPs of each country. Current national budgets for the protected area systems range from about \$250,000/year in Honduras to about \$400,000 per year in Nicaragua. However, virtually all of these resources are targeted to meeting the minimal investment needs necessary in critical protected areas, and funds are not available for the needed strengthening of the national systems. Various projects supported by other international donors, in particular by GTZ, the EU and USAID, do provide some funding for strategic considerations and strengthening at the national level. Therefore, under the Baseline Scenario, each country will be benefiting from about \$300,000 per year in direct donor investments in strengthening the SINAPs for a total of about \$3.6 million over 6 years.

11. **Component 3: Implementation of Protected Area Management Plans (\$1.6 million)**: Under the Baseline Scenario, the four individual protected areas making up the Corazón area would benefit from investments that would allow their individual management plans to be implemented. Resources available for each area from national budgets are negligible as overall SINAP budgets are so low and are fragmented among the 170 protected areas in both countries; at best each country can maintain a single director on each side of the border and a handful of park guards. More substantive resources will be invested from various programs of international cooperants but this varies substantially from area to area.

12. The best endowed area is that of the Río Plátano Reserve in Honduras. It is, however, the most complex area to manage as it is the largest and has a large human presence in buffer zones, which are a dynamic mix of indigenous and mestizo populations. The Río Plátano Reserve will

continue to benefit from German Cooperation investments of about \$1 million over the next 6 years, specifically for the implementation of the management plan.

13. The Tawahka and Patuca protected areas in Honduras do not benefit from any focused project in protected area management, with the expected closing in 2005 of the GEF Protected Areas in Priority Areas Project (PROBAP). PROBAP provided support for the creation of the Tawahka Reserve and also provided minimal but key support to the management of both protected areas. The Baseline Scenario includes the investments in implementing the two existing management plans for these areas which is estimated to be about \$200,000 over the next 6 years.

14. Finally, the Bosawas Reserve in Nicaragua does receive a large number of scattered investments from the Government of Nicaragua, NGOs, and international donors, in particular GTZ and USAID. The Baseline Scenario includes about \$400,000 of these investments over the next 6 years.

15. Thus the total of the Baseline Scenario investments under this component are estimated at \$1.6 million of which \$1.5 million from externally funded projects.

16. ***Component 4: Community-Based Sustainable Natural Resource Management (\$15 million)***: There are substantial investments under the Baseline Scenario for sustainable natural resources management, in particular in working with indigenous and non-indigenous populations in and around the four protected areas. Particularly, investments are expected in the Río Plátano (GTZ), the Tawahka and Patuca areas (EU, USAID), and in Bosawas (GTZ, USAID, The Nature Conservancy, and many other smaller projects). The total investment for the four areas that have been included in the Baseline Scenario is \$15 million (of which \$1 million being government's own resources) - \$5 million, \$5 million, \$2 million, and \$3 million respectively for the four areas. Although substantial, it is noteworthy that this is an enormously large area of extremely difficult access with large populations of very poor people. In addition, because the various investments across the four areas are currently moving forward as individual non-coordinated investments, there are great potential drawbacks in sharing the most innovative technologies, ensuring coordination, and providing guarantees that all these investments are indeed moving in the direction of more sustainable natural resource management.

17. ***Component 5: Monitoring and Information Management (\$0.3 million)***: Under the Baseline Scenario, both countries will make meager investments in biological monitoring in the Corazón area. Small investments under scattered projects will be carried out (for example, St. Louis Zoo in Bosawas, GTZ in Bosawas and Río Plátano Reserve) for an estimated \$200,000 over the next six years. Nicaragua also has a dynamic and effective SINIA at the national level which is contributing to better overall management of environmental information. Honduras is only at the earliest stages of having an effective national environmental information system. Finally, although at a hemispheric level, the GEF-funded IABIN project will be yielding important benefits for each country in terms of providing tools and guidance for more efficient and focused management of biological information. It would seem extremely difficult to quantify the monetary value of these investments for the Corazón area but with a conservative estimate, it is about \$100,000 for the overall Corazón area. Therefore, an overall total of \$300,000 is included in Baseline Scenario under this component.

18. **Benefits:** While the Baseline Scenario would generate national and limited global benefits, it would have very limited global impacts due to fragmented approaches in conservation efforts and without coordination at the landscape level. It would not be sufficient to address the existing threats to the most critical areas of the highest biodiversity and international conservation importance. Moreover, it would not adequately integrate biodiversity conservation on a broader, landscape-level, which is necessary for long-term ecosystem management and biodiversity conservation. Total expenditures under the Baseline are estimated at \$20.6 million.

2. Global Environmental Objectives of the GEF Alternative

19. The **objective** of the GEF Alternative is to ensure the long-term conservation of the heart of the Mesoamerican Biological Corridor, the largest contiguous area of natural habitat that remains in Mesoamerica and perhaps the best hope for maintenance in Mesoamerica of ecological dynamics and processes at large ecoregional scales. This objective cannot be achieved only through isolated national actions but requires concerted binational actions for the entire region.

20. **Scope:** The GEF Alternative will provide the means (above and beyond the Baseline Scenario) for creating the institutional, technical, and socioeconomic conditions for enabling the sustainable conservation of the globally significant biodiversity resources of the Corazón Reserve. Since the area is huge and the threats are significant, it is not likely that the GEF Alternative will stabilize the agricultural frontier. However, the proposed GEF Alternative, principally by increasing investments, leveraging training and natural resources management in rural communities, and better coordinating binational management, will substantially improve on the Baseline Scenario and set in place the basis for a long-term investment over the next generations in conserving the biodiversity and cultural richness of this area.

21. **Costs:** The GEF Alternative, in addition to the Baseline Scenario described above, includes a proposed \$12 million grant from the GEF, \$16 million of investments from the partially-blended IDA credits that have been prepared jointly with the Corazón Project, \$6.04 million from the two national governments, and \$0.32 from CCAD. Although the project will also leverage and significantly influence additional donor resources, such costs under the Baseline Scenario have not been presented as cofinancing for the proposed project. This additional financing presented under the Baseline Scenario would likely take place in any event, albeit in a less coordinated and less focused environment.

22. The GEF alternative thus includes a wide set of activities organized under six components with the following corresponding costs and focus (see also Annex 4 for a more detailed explanation of the project design and the table below with additional information on the national and global benefits):

23. **Component 1: Consolidation of the CTBR (\$0.92 million: GEF \$0.79 million):** This component of the proposed GEF Alternative will be focused on the consolidation of the binational management and coordination of the Corazón Reserve. For efficiency and effective management to achieve global environmental objective, it is important to have a consolidated approach to the management of the whole area that lies in both countries. The component is almost entirely funded by GEF resources.

24. **Component 2: Strengthening of SINAPs (\$13.17 million: GEF \$2.12 million):** A key objective of this component is strengthening of national protected area systems which is consistent with the GEF strategies, in addition to investments in smaller targeted areas. It ensures the sustainability of an investment in a specific area such as the Corazón, but also yields important global benefits as the overall management and financial sustainability of all protected areas in both countries improves. To avoid duplication of efforts under this component, in the case of Nicaragua, the Corazón Project will be coordinated with an expected UNDP-implemented GEF project to strengthen the SINAP. The cost of this potential GEF investment has not been included under this GEF Alternative.

25. **Component 3: Implementation of Protected Area Management Plans (\$6.71 million: GEF \$2.73 million):** The objective of this component under the GEF alternative is to ensure the more effective management of each of the four individual protected areas, albeit under the concept of a well-coordinated binational transboundary biosphere reserve.

26. **Component 4: Natural Resource Management (\$29.73 million: GEF \$3.56 million):** The objective of this component is to provide support to indigenous and non-indigenous communities in the project area in the more sustainable management of natural resources. Where necessary, this also implies capacity-building investments and better coordination of programs seeking to further clarify indigenous territorial claims. It is estimated that activities (worth at least \$10.5 million) of the two World Bank financed projects will fully complement the Corazón Project activities.

27. **Component 5: Monitoring and Information Management (\$1.39 million: GEF \$0.99 million):** Largely financed by the GEF Project, the GEF Alternative Scenario aims to ensure the global and national benefits of carefully designed and implemented biological monitoring systems across the two countries and coordinated schema of environmental information management.

28. **Component 6: Project Administration (\$3.03 million: GEF \$1.80 million):** This component will ensure effective coordination of project activities and information dissemination among ministries, national commissions, stakeholders at all levels and donor groups.

29. **Benefits:** The GEF Alternative incorporates the benefits of the Baseline Scenario, and will enable further locally and globally beneficial outcomes to be achieved. In addition to the Baseline benefits, incremental benefits to the global community include the ability to conserve and sustain globally significant and representative biodiversity, despite competing economic pressures on the resource base. GEF assistance will enable conservation and protection of a vast area of globally significant habitats. Global benefits will include enhanced monitoring and information exchange through improved record-keeping at the bi-national level, and the development of significant new effective capacity at both the systemic and site levels to preserve endangered species and habitats. Continued protection of many additional ecological functions, and of option and existence values is an unquantified but large benefit to the regional and global community. Furthermore, it also provides institutional benefits that remove a number of the barriers to long term biodiversity conservation in this important bi-national transboundary resource.

Incremental Costs

30. The incremental costs are those that would not have existed in the absence of the GEF Alternative and are above and beyond what was estimated under the Baseline Scenario. Some of these costs are financed by the two partially-blended World Bank funded projects as they have both been prepared incorporating the concept of the Corazón Project and as a result of the latter, are directing resources toward the Alternative Scenario that would not otherwise have happened. Other costs of the Alternative Scenario are being assumed by the two national governments.

31. The incremental cost, the difference in cost between the Baseline Scenario (US\$20.6 million) and the GEF Alternative (US\$54.96 million), is US\$34.36 million. In addition to global biodiversity benefits, the project will generate national and local benefits. Of the incremental expenditures (costs) of \$34.36 million, the GEF is requested to fund only \$12.0 million; the balance of US\$22.78 million will be funded by the two governments (through the World Bank loans and budgetary allocations) and by CCAD.

Incremental Cost Matrix

Project Components	Cost Category	Cost \$ Millions	Domestic Benefits	Global Benefits
Component 1: Consolidation of the CTBR	Baseline	0.10	Very limited because of low levels of available financing	Very limited because of low levels of available financing
	GEF Alternative	0.92	More efficient use of resources for protected area management; improved bilateral relationships	More efficient use of international cooperation resources and better protection of this area of globally important biodiversity
	Incremental	0.82		
	Incremental (GEF)	0.79		
Component 2: Strengthening of SINAPs	Baseline	3.60	Current minimal investments in national systems are yielding some benefits in efficiencies; Protected Area Fund in Honduras is being established	As both national systems remain weak, global benefits are minimal
	GEF Alternative	13.17	Consolidating funds and decentralizing management will yield efficiencies and long-term availability of some funds for recurrent costs	Strengthened administrative systems and gradually increasing availability of operational funds will benefit all protected areas in both countries

Project Components	Cost Category	Cost \$ Millions	Domestic Benefits	Global Benefits
	Incremental	9.57		
	Incremental (GEF)	2.12		
Component 3: Implementation of Protected Area Management Plans	Baseline	1.6	Minimal investments will mean the status quo: a continuing and gradual loss of the protected areas to the agricultural frontier	Continuing erosion of key areas of global biodiversity importance
	GEF Alternative	6.71	More effective implementation of management plans should allow for stabilization of protected areas with corresponding benefits in terms of environmental services and tourism	The overall project and this component in particular provide for the maintenance of the integrity of the Corazón Reserve and maintenance of large-scale ecological processes in the largest remaining area of pristine habitat in Central America
	Incremental	5.11		
	Incremental (GEF)	2.73		
Component 4: Natural Resource Management	Baseline	15.00	Expected levels of investments will at best maintain current levels of poverty and will allow for minimal advances in more sustainable natural resource management	No measurable global benefits are to be expected under the Baseline Scenario
	GEF Alternative	29.73	Resources of the partially-blended sister projects plus the GEF investment will allow for more efficient use of natural resource management resources with some corresponding benefits in poverty alleviation. Better coordination of land titling issues should allow for progress in settling traditional land claims	Ensuring progress in more sustainable use of biodiversity in the area, along with progress in resolving land titling issues, yields global benefits in increasing likelihood that the protected areas will remain protected and in the use of biodiversity, also a global goal
	Incremental	14.73		

Project Components	Cost Category	Cost \$ Millions	Domestic Benefits	Global Benefits
	Incremental (GEF)	3.56		
Component 5: Monitoring and Information Management	Baseline	0.30	Benefits are negligible as monitoring investments are low-level, scattered, and have minimal coordination	No discernable global benefits under the Baseline Scenario
	GEF Alternative	1.39	Better coordinated and more effective monitoring programs allow for better national decision-making. More effective SINIAs have a similar impact on good stewardship decisions countrywide	Better monitoring and knowledge about biodiversity allows for better decisions to be made about use of international resources
	Incremental	1.09		
	Incremental (GEF)	0.99		
Component 6: Project Administration	Baseline	0.00	N/A	N/A
	GEF Alternative	3.03	Efficient use of resources under the project as well as more efficient resources of partially-blended and thematically related projects	Good management of the project will support attaining the overall global benefits of the project.
	Incremental	3.03		
	Incremental (GEF)	1.80		
Totals*	Baseline	20.6	Overall, expected resources allow for at best the maintenance of the status quo, i.e., an ongoing erosion of the biodiversity of the Corazón and unsustainable use of natural resource management by human populations.	The immense global biodiversity value of the Corazón Reserve will not be entirely lost but will suffer significant erosion and likely impacts on the integrity of some large-scale ecosystemic processes
	GEF Alternative	54.96	Stabilization of existing protected areas of national priority and	Stabilization of existing protected areas through better

Project Components	Cost Category	Cost \$ Millions	Domestic Benefits	Global Benefits
			improvements in use and allocation of poverty-focused investments. Long-term benefits in terms of environmental services and tourism potential.	coordination between countries and protected areas and more efficient use of poverty-targeted and investments targeted to natural resource management leading to measurably more effective conservation of biodiversity
	Incremental	34.36		
	Incremental (GEF)	12.00		

* Please note that any mathematical differences are caused by rounding

Annex 16: STAP Roster Review

CENTRAL AMERICA: Corazón Transboundary Biosphere Reserve Project

The Scientific and Technical Advisory Panel (STAP) External Reviewer was Dr. Sonia Lagos Andino de Witte. She provided these comments on May 11, 2005, based on two earlier versions of this document proposal. Observations/responses of the Project proponent appear in italics. Second round comments by the reviewer, based on an earlier version of Team Responses, appear in bold.

I. GENERAL COMMENTS:

This document provides the World Bank with a Technical Review (Phase II) of the proposed “Corazón Transboundary Biosphere Reserve” GEF Project. The importance of the binational approach of this project can not be overemphasized, particularly considering that the principal beneficiaries of the project are the indigenous people of the proposed Corazón Reserve. As mentioned in the previous comments in March 2005, the review of the Indigenous Peoples Development Plan (IPDP) is urgently needed. This IPDP is, in my opinion an essential part of the project in order to ensure “that these populations participate in, and benefit from, the creation of the reserve.” The success of the project will depend on how active local and indigenous people (including Afro-Caribbean (Garifunas) and mestizo population) will participate in the implementation of the project. Therefore, I strongly recommend to enclose the IPDP into the Project proposal at this stage, rather than to wait until the operational planning of the project is developed.

The project document presents a real picture of the lacking management capacity of the protected areas systems in both countries and the need to develop operations management and monitoring strategies. However, an approach to incorporate the local organizations to promote sustainable development options coming from local initiatives should be more explicit in the document. The project would benefit from including into the *Binational Forum, Binational Technical Committee and Binational Committee* stakeholders like local leaders and local organizations of the proposed locations (*the Bosawas Biosphere Reserve in Nicaragua and the Tawahka Asagni Indigenous Reserve, Patuca National Park and Río Plátano Biosphere Reserve in Honduras.*). The project appraisal states a commitment to local and indigenous people by supporting the “*participation of local communities as an integral part of the project through implementation*”.

It is clearly described that Nicaragua and Honduras “*have weak protected areas systems and both countries have shown lack of capacity to manage the four established protected areas, related to this project*”. This is in reality not very promising for the near future, considering the urgent need to protect the proposed Corazón Reserve.

Therefore, it is important to emphasis that the key issue of this project is to develop an innovative way to effectively work at local level and motivate local and indigenous people to active participation in the implementation of the project at all levels and to address a more effective conservation of biodiversity and sustainable use of natural resources also by strengthening the protected areas systems from Nicaragua and Honduras, as described in Annex 1 of the project appraisal document.

Team Response: The Indigenous Peoples Development Plan is being prepared and will be ready by Appraisal, near the end of August 2005. The findings will be incorporated into the project design and implementation. We agree that local participation in all stages of the project is key. Local leaders from the four protected areas do in fact form part of the Binational Forum, and have participated in numerous workshops during project preparation. Workshops were also held with a number of communities in the Reserve area during preparation. The Binational Committee and Binational Technical Committee are incorporated by representatives nominated by the two national governments, representing a different type of stakeholder participation. We also agree that strengthening both the national protected areas system and the capacity of local communities to participate in the management of their own protected areas is extremely important. Community capacity will be strengthened under Components C and D; the National Protected Areas Systems are the focus of Component B.

II. KEY ISSUES

Scientific and Technical Soundness of the Project

1. Is there sufficient ecological and technical information available to give the project a sound scientific base?

- Annex 1 presents sufficient ecological and technical information about the project regions. However, there is not sufficient cited literature that can support the information described. A list of references is still missing in Annex 1
- I agree that *'the protected areas of Corazón Reserve are part of the Mesoamerican Biological Corridor that constitutes a central development concept for the region, integrating conservation and sustainable use of biodiversity within the framework of sustainable economic development'*. There is a need, however, to share more information about similar projects in other parts of the world, if there is any information available that could help with lessons learned to develop the Corazón Transboundary Biosphere Reserve.

Team Response: This information has been added in Annex 1. While there is still rather limited experience in transboundary biosphere reserves, lessons learned in other transboundary parks have been incorporated into the project design, notably through a UNESCO-led workshop and the work of a consulting firm with experience in other transboundary protected areas.

2. Is there a need to develop indicators to achieve the objectives?

- It is necessary to introduce indicators referred to social aspects, especially to poverty/income and basic needs development within the project context;
- Other important aspects are the institutional cooperation and coordination among local, regional and national levels, degrees of involvement and consolidation of negotiation mechanisms of local stakeholders, especially indigenous groups, local municipalities, and so forth.

Team Response: The reviewer received an earlier version of the indicators. The current version addresses these issues. Interinstitutional coordination is measured by the Component A indicator. The Component C indicator specifically measures local participation (through the protected areas scorecard) as does the PDO indicator. We have not included poverty indicators because this has not been stated to be an explicit outcome of the project.

- **I don't have additional comments to this point.**

3. Will appropriate monitoring be put in place?

- The national policy decision makers in Honduras and Nicaragua should be encouraged to integrate GEF, WWF/WB protected area scorecard (or some of its essential elements) as national policy instruments with its respective application mechanisms.
- The monitoring system of the development objectives in general should be a shared system among national and local stakeholders, so that sustainability through appropriation will be more probable.
- The monitoring systems for the successful project implementation on an operational level could be based on a shared impact monitoring of each of the so-called “*subprojects of change*”, each one of which requires appropriation and endogenous efforts by the local actors.

Team Response: The use of appropriate management effectiveness techniques will certainly be promoted by the project. Care has been taken to include community participation in the monitoring process.

4. Will the approach taken in the project proposal achieve the objectives of conserving biodiversity?

- If there is not an essential focus on productive sustainable forest use, local population hardly will see the short or medium term socioeconomic benefit needed for the motivation to protect their natural resources. The project proposal still seems weak on this aspect, which could be presented under the perspective of territorial competitiveness, including local public and private—partially external—stakeholders (for instance in the area of ecotourism).

Team Response: Greater resources have been allocated to Component D, Community-based natural resource management to better achieve this goal of generating local socioeconomic benefits.

- **I don't have additional comments to this point**

5. Is there any area weakness, gap in the project?

- The conceptualization and operationalization of the special benefit of the binational project character which is indicated in a general form (chapter B., point 6., p.9), should be more specified.
- Conflicts between ethnic groups need more attention, particularly in Bosawas where the indigenous people has autonomous territorial regulations
- Clarification of benefit sharing

- The project structure is lacking control mechanisms to avoid corruption in the implementation of the project

Team Response: The project has been modified to explicitly include non-timber forest products as an additional investment area and to better focus on conflict resolution. The project structure control mechanisms will be put in place prior to Appraisal.

- **I agree with the Project team regarding the non-timber forest products, but still recommend improving the control mechanism in the implementation of the project. All the other points remain at this stage as recommended in the first project appraisal review, particularly with reference to the specific special benefit of the binational project character.**

Team Response: Noted. These issues will be addressed at appraisal.

6. Are there any controversial aspects about the project?

- Concession and permission system for natural resource exploitation: it seems still to be highly centralized and should open up to guarantee consideration of local interests and criteria as one of the serious inputs for the final concession decision.

Team Response: Neither area will have commercial forest concessions; decisions on local resource exploitation are best handled through the process of the local protected area management plans, which the project will support.

- **No additional comments to this point**

7. How will the drops in revenue as a result of conservation measures be compensated?

- This point has not been mentioned in the project appraisal and should be included in 2 ways: presenting preliminary ideas of what revenue drops are to be expected, and indicating which potential alternatives may be available.

Team Response: In no area is it expected that there would be revenue drops because the project is on the contrary attempting to maximize income for local stakeholders. However, in the event such were to happen, the project is preparing an involuntary resettlement framework (covering economic displacement) to be ready by Appraisal.

- **The Team has clarified this question and I don't have any additional comments.**

8. How effective will the proposed model be in the local situation?

- This depends to a high degree on its socioeconomic benefit and on its "structural institutionalization", both of which should be more emphasized.

Team Response: We agree with this and have attempted to make it more explicit in the document.

- **No additional comments**

How does the project fit within the context of the goals of GEF

- The project meets the goals of GEF in the context of the OP 4.

Team Response: We agree that the project responds to OP3 and OP4, as well as SP-1 and SP-2.

- **I agree with the Team Response.**

REGIONAL CONTEXT

The regional implication of this project is well understood in the document. The role of the Binational Technical Committee in the implementation of the project activities is crucial for the coordination of such a complex and extensive area, despite the political changes and new governments of both project countries to be elected in the next months.

Team Response: We agree that the Binational Technical Committee will play a key coordinating role.

- **No additional comments to this point**

Replicability of the project

Refers to the scope for replication of the intervention. If successful, could the intervention be replicated elsewhere on the basis of experience and learning?

- Lessons learned out of this project, specific in the context of direct involvement of indigenous people and reinforcement of Protected Areas System could benefit other regions in Latin America with similar vulnerable ecosystems and ethnic groups, particularly from the perspective of unification of management, coordination and monitoring mechanisms. It is recommended to network on similar experiences in Asia and Africa.
- The Corazón Reserve Project can be considered an initiative in support of the Global Strategy for Plant Conservation of the Convention on Biological Diversity, and in particular with its Target 13—*The decline of plant resources, and associated indigenous and local knowledge, innovations and practices that support sustainable livelihoods, local food security and health care, halted (by 2010)—and with Goal 7 of the Millennium Development Goals – Ensure environmental sustainability.*

Team Response: The dissemination of lessons learned will be very important, and has been emphasized by the project. It is very much in keeping with Convention on Biological Diversity Targets and Goals

ADDITIONAL ISSUES

Linkage to other programmes and action plans at the regional or subregional level

Are adequate links established with relevant ongoing regional or subregional programs and action plans? Is there evidence that the GEF intervention will be considered with other ongoing initiatives?

- According to page 39, at the bottom, and page 40, on the top, the Corazón Project will have limited activities in the Rio Plátano area, because it is already attended by GTZ and KfW. The fact that the coordination among both projects will be limited to “day to day activities, planning and likely to project implementation arrangements”, presents the risk that both projects could manage a different conceptual approach, which could be rather dangerous and confusing for the local development actors in this area.

Team Response: This is an important observation and we will discuss this further with the Government of Honduras and German representatives in the work leading up to Appraisal.

Comment from External Reviewer:

- **Please be aware that the GTZ –Cooperation in the Biosphere Reserve of Rio Platano will depend on the KfW financial support for the implementation of the activities planned in this region. The GTZ itself is reducing the investment in new activities and cutting budget in the most projects in Latin America. This situation should be considered in the decision to keep the GEF activities limited in this area.**

Team Response: This is valuable information. Discussions with KfW and GtZ have been ongoing during preparations. Should funding levels change significantly, the geographic focus of project activities will be reexamined.

Degree of Involvement of Stakeholders in the Project

1. Are the participatory schemes adequate?

- The role and territorial responsibility of local governments for facilitating the local planning processes, as a regulatory instance for land use conflicts and local basic infrastructure procurement should be especially focused to improve the sustainability perspective. If local governments together with local indigenous and other local interest groups do not appropriate themselves of the project and Biosphere protection mechanisms on local level and sustain and continue them, then the project impact will finish after its termination. The “integration” of project mechanisms into the local cooperation processes supported by the other projects—not only by IDA, but also by the Social Funds FISE (Nicaragua) and FHIS (Honduras) and other programs active in the Corazón Biosphere Reserve will be essential.

- On the other hand, the great distances between local communities and municipalities in the very extensive *municipio* territories, often make the presence of the local government in these communities nearly invisible. But, as there is no alternative to legitimate public institutionality on local level, the project should try to support the installation of visible municipal presence within its territory (for instance in form of *Oficinas de Enlace Comunitarias*).
- In this sense, it is recommended that on the local and possibly “intermunicipal” level, local actors constitute their own coordination committee under the municipal government as the (legally) territorial lead agency which procures that local implementation of the different local plans integrates the supported local investment and other projects, and that a local development planning process under the guidance of local government will be the basis or reference point for all projects which aim at the local development promotion.

Team Response: The above points have been noted. Creating new local coordination instancias has generally failed but the Project will have to make a more concerted effort during implementation to work within existing local structures.

- **No additional comment to this point**

2. Have conflict issues being dealt with?

- Interest conflicts which originate from historically grown domination structures between the ethnic groups must be always present in the project mechanisms.

Team Response: This is quite valid. The implementation of conflict resolution mechanisms has been incorporated into Component D.

- **No additional comments to this point**

Capacity building aspects

One of the activities GEF is funding is supporting capacity building efforts that promote the preservation and maintenance of indigenous and local communities, knowledge, innovation, and practices relevant to conservation of biodiversity with their prior informed consent and participation.

One of the outputs of GEF projects should be stronger institutions and well-trained staff to address these issues.

1) Has adequate attention been paid to capacity building aspects?

- Training activities are enclosed in Components C,D and E, but indicators for those activities are missing in the document

Team Response: Indicators for local capacity are included in the “umbrella” indicators used at the PDO level and in the protected area scorecard. Additional information specific to capacity will be “extractable” from the indicator reports.

- **No additional comments to this point**

2) Is there sufficient human capacity to tackle the issues addressed in the project?

- The Corazón Project will be executed through CCAD and this might guarantee that the project staff will have the required capacity and skills to implement the project activities at all levels, despite Government changes in Honduras and Nicaragua during the project period. A review of the qualification of the staff already in place for the project is not possible at this stage, since this information is not provided by the project appraisal.

Team Response: Project staff have a high level of capacity and strong experience in implementing similar projects. Some degree of turnover is inevitable; however it is expected that the project will continue to attract highly-qualified staff.

- **Comment from External Reviewer: There is no doubt on this statement about the qualification of the project staff already in place, but as external reviewer I had no access to this information, therefore, the only reference to this point is the Team Response.**

Innovativeness of the projects

In which respect are the approaches of the project innovative?

- The unification of project approach toward four different, until now independently treated Reserves, is an important innovation (although its specific benefits on the conceptual and operational level should still be stated more clearly).
- On the other hand, the appraisal should resume the basic relevant results of the other project experiences mentioned (especially previous GEF projects, as well as current GTZ, USAID, IDA projects), and indicate that the approach really takes into account the lessons learned by those projects. Chapter B, point 5 (pp. 7–8) seems to be rather general in this aspect.

Team Response: The section on Lessons Learned in the main text has been expanded to take into account this observation. Note that draft reviews of lessons learned have been completed for both the Bank's previous GEF projects and these are available in project files.

External Reviewer: NO additional comments to this point

MAP SECTION

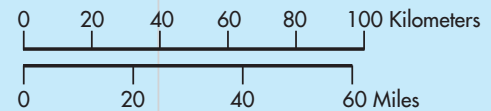


CENTRAL AMERICA CORAZÓN TRANSBOUNDARY BIOSPHERE RESERVE PROJECT PROJECT AREA

- PROJECT AREA
- PROTECTED AREAS EXCLUDING BUFFER ZONES
- BUFFER ZONES
- SELECTED CITIES AND TOWNS
- DEPARTMENT CAPITALS
- ★ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- DEPARTMENT BOUNDARIES
- INTERNATIONAL BOUNDARIES



Source: CCAD Spatial Database



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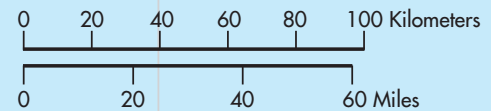
CENTRAL AMERICA CORAZÓN TRANSBOUNDARY BIOSPHERE RESERVE PROJECT ECOSYSTEMS

- Evergreen and semi-evergreen broad-leaved forests-1A 1/2(1)
- Evergreen and semi-evergreen mixed forests-1A 1/2(1/2)
- Evergreen coniferous forests-1A 1/2(2)
- Semi-deciduous broad-leaved forests-1a3(1)
- Mangrove forests-1A5
- Deciduous broad-leaved forests-1B1
- Broad-leaved shrublands-IIIa/B(1)
- Water bodies-SA
- Aquatic productive systems-SA2
- Agro-productive systems-SPA1
- Forest plantations-SPA2
- Urban areas-U1
- Freshwater wetlands-V/VIID
- Savannas-VA
- Areas with sparse vegetation-VI

- PROJECT AREA
- SELECTED CITIES AND TOWNS
- DEPARTMENT CAPITALS
- ★ NATIONAL CAPITAL
- RIVERS
- INTERNATIONAL BOUNDARIES



Source: CCAD Spatial Database



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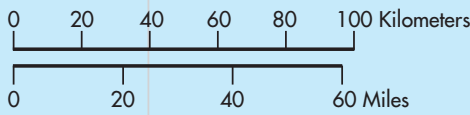
CENTRAL AMERICA CORAZÓN TRANSBOUNDARY BIOSPHERE RESERVE PROJECT INTERNAL ZONING

- PROJECT AREA
- CORE ZONE
- PRIMITIVE ZONE
- CULTURAL ZONE
- CULTURAL AND HISTORICAL ZONE
- CONSERVATION ZONE
- INTENSIVE USE ZONE
- MULTIPLE USE ZONE
- EXTENSIVE USE ZONE
- BUFFER ZONE

- SELECTED CITIES AND TOWNS
- DEPARTMENT CAPITALS
- ★ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- DEPARTMENT BOUNDARIES
- INTERNATIONAL BOUNDARIES



Source: CCAD Spatial Database



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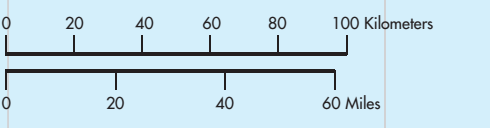


CENTRAL AMERICA CORAZÓN TRANSBOUNDARY BIOSPHERE RESERVE PROJECT INDIGENOUS PEOPLES



- INDIGENOUS PEOPLES
- PROJECT AREA
- SELECTED CITIES AND TOWNS
- DEPARTMENT/PROVINCE CAPITALS
- NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- INTERNATIONAL BOUNDARIES

Sources: CCAD Spatial Database;
National Geographic Society - Indigenous Peoples
and Natural Ecosystems Map (2002).



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