

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC2500

<b>Project Name</b>	Mexico FCPF Readiness Preparation Grant (P120417)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Mexico
<b>Sector(s)</b>	Forestry (100%)
<b>Theme(s)</b>	Climate change (100%)
<b>Project ID</b>	P120417
<b>Borrower(s)</b>	Secretaria de Hacienda y Credito Publico
<b>Implementing Agency</b>	CONAFOR
<b>Environmental Category</b>	
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## I. Introduction and Context

### Country Context

Mexico has achieved remarkable economic and social progress over the past several decades. With a population of 120.8 million, Mexico is the second most populated country in Latin America. It has the 14th largest GDP worldwide, and is the second largest economy in Latin America. Key economic sectors and sources of income include manufacturing, industry, oil, tourism and remittances. Its sound policy frameworks and prudent macro-economic management have resulted in favorable financial conditions that helped the country remain resilient during the US slowdown and the financial turmoil in Europe. The country has maintained a strong growth of 3.9% during 2012. This has been supported by both external and internal demand, with a firmer expansion in services. Gross Domestic Product (GDP) is expected to grow 3.5% during 2013 with a recovery in 2014.

However, Mexico still faces challenges in its quest for inclusive growth. Although Mexico's overall economic and human indicators have improved steadily over the past decade, poverty is still widespread especially in rural areas. Mexico still faces strong inequalities, i.e. rich and poor states, dynamic urban centers and isolated rural areas, small informal enterprises serving the domestic market and large companies competing abroad.

### Sectoral and Institutional Context

While forests contribute a modest 1 percent of GDP, they represent an essential source of

employment, income and livelihood for some 12 million people. In 2008, 57 percent of the poorest quintile of rural households obtained almost one-quarter of their income from natural resource extraction, most of which was forest-related. Over the last century, Mexico has transformed its land tenure regime and community-based tenure has now become the dominant form of land tenure. It is estimated that between 65-80 percent of the 64 million hectares of forests in the country belong to approximately nine thousand agrarian communities, including indigenous peoples and ejidos, under this legally recognized collective land ownership system; a situation that is unique in the world and only behind Papua New Guinea in terms of total area. Other forest lands belong to individual owners and the State.

Mexico is recognized as a global leader in forest management. In the nineties, the Government started helping communities to manage their forest resources through a series of incentives and advisory programs, especially the Programa de Conservación y Manejo Forestal (PROCYMAF) and Payments for Environmental Services (PES). Budget allocation for sustainable forest management increased from US\$27 million in 2001 to US\$396 million in 2010. The PROCYMAF and PES programs have strengthened institutions and social capital, and are delivering promising results on the ground. To date, as many as four thousand communities have participated in the demand-driven programs operated by the National Forestry Commission (CONAFOR) since they were launched in 2001. An estimated 2,380 communities manage their forests according to an approved forest management plan, and about 50 forests are independently certified. Although much remains to be done and improvements may be necessary, Mexico's approach, which combines a strong history of community forestry and enhancement of environmental services such as water and biodiversity, is increasingly being recognized as a worldwide reference for its innovation, scale, and results.

#### Climate change and REDD+

Mexico has become a global leader in climate change issues. It has developed an active agenda that includes adaptation and mitigation activities. The Programa Especial de Cambio Climático (PECC) was created in 2008 by the Comisión Intersecretarial de Cambio Climático (CICC), setting an aspirational target of 50 percent reduction in greenhouse emissions by 2050, compared with 2000, for which the REDD+ strategy has become central due to the mitigation potential of forests in the country. The National Law of Climate Change was issued in 2012 and in June 2013, a new National Climate Change Strategy was released, confirming Mexico's commitment in addressing climate change issues, and the essential role of forests in mitigation actions.

Official rates of national deforestation in Mexico are moderate (around 0.25% annually). The major direct drivers of deforestation are variable by region, but primarily include forest conversion to pasture and to a lesser extent agriculture. Forest degradation is relatively high: estimated at 0.45% annually. Causes of degradation include unsustainable logging, forest grazing, fuel wood collection, fires, and pests and diseases. Often, deforestation occurs by a gradual process of continual degradation over time. Over the last decade, public investment in forestry and conservation, low profitability of agriculture, rural out-migration, and poor suitability for agriculture of remaining forestland have contributed to a decline in forest loss—although one cannot assume those trends will continue.

In Cancun in 2010, the "Mexico's Vision for REDD+: Towards a National Strategy" was unveiled. Mitigation targets projected for "agriculture, forestry and other land use" sector represents 30% of the total committed and is equivalent to 15.3 MtCO<sub>2</sub>e. According to "Mexico's Vision for REDD

+", the best way to develop REDD+ in Mexico is through Sustainable Rural Development (SRD) which promotes a territorial and multi-sectorial approach, in order to reduce the pressures that lead to deforestation and forest degradation. The "Mexico's Vision for REDD" sets the lines which will serve as a basis for the National REDD+ Strategy : it emphasizes forests' contribution to adaptation by reducing local communities' vulnerability to natural disasters and economic downturns. Forestry and land-use change are Mexico's third highest source of greenhouse gas emissions :

By the end of 2011, Mexico presented a document entitled "Elementos para el diseño de la estrategia nacional REDD", which was developed jointly with civil society. During 2012 and 2013, the Mexican government improved this document by incorporating comments and feedback received from the various participatory platforms (incl. the Comité Técnico Consultivo or CTC-REDD+ and the Comité Técnico Asesor del Grupo de Trabajo REDD+under the Comisión Intersecretarial de Cambio Climático or CTA del GT-REDD+ ) and the ENAREDD working group of the Consejo Nacional Forestal (CONAF)).

Since most forests in Mexico are owned by communities, REDD+ actions in Mexico would most likely be implemented at the community level on a voluntary basis: the ongoing PROCYMAF and PES programs are expected to serve as a cornerstone of the REDD+ strategy, with necessary improvements to be defined through studies and public consultations during the REDD+ readiness phase. As part of the REDD+ preparation phase, Mexico is developing REDD+ Early Actions (ATREDD) which are a set of articulated institutionally efforts at the subnational level, including local governments, to address the root causes of forest carbon and forest loss in a particular territory, through policy instruments and specific actions of different actors that create opportunities for economic and social development of communities. Some of these actions are currently being piloted under the Forests and Climate Change project also financed by the World Bank.

In 2010, Mexico submitted a Readiness Preparation Proposal (R-PP) to the FCPF Participant Committee. It contains a detailed assessment of the drivers of deforestation and forest degradation, a preliminary methodology to define its emissions reference level based on past emission rates and future emissions estimates, a monitoring, reporting and verification system for REDD+, and actions for integrating environmental and social considerations into the REDD+ Readiness process, including the national REDD+ strategy. The R-PP was approved by the FCPF Participant Committee on March 2010. The below table summarizes some of the progress of the Mexican preparation process for REDD+ considering the activities agreed under the UNFCCC as requisites for participation in REDD+:

#### National REDD+ Strategy

- ENAREDD: Reviewed draft that incorporates inputs and feedback from civil society
- Institutional Arrangements
- Implementation model with a landscape approach and intergovernmental cooperation mechanisms through territorial development public Agents.
- Strengthening of the national CTC and state CTCs
- Regional participation processes (foros de silvicultura comunitaria)
- Alignment with other participation processes (FIP)

#### MRV and Reference Level

- Mobilization of significant resources on MRV, including from the Mexico-Norway Project, USAID's M-REDD project, CIGA-UNAM

- Historical analysis (1990-2010) to estimate net deforestation (LANDSAT 1:100,000)
- Identification of hot-spots, analysis of drivers of deforestation.
- Emission factors - National Forest and Soils Inventory Data (INFyS)
- Activity Data: annual monitoring 2011-2013 (Rapideye: 1:20,000)

#### Safeguards Information System (SIS)

- Social and Environmental Standards in Early Action Areas (Jalisco and Yucatan Peninsula)
- Analysis of the legal framework and identification of gaps
- Analysis of possible components for the SIS

Over the past few years, Mexico has made considerable progress in the construction of its National REDD Strategy (ENAREDD+) through a participatory process. The ENAREDD+ is established under the framework of the Sustainable Rural Development (SRD) that requires coordination of forest and non-forest policies, the strengthening of governance mechanisms and participative processes at the local level, institutional arrangements, and appropriate funding mechanisms. As of September 2013 the third version of the draft ENAREDD+ was prepared incorporating the comments and feedback received from various platforms of civil organizations.

#### Legal and institutional framework for REDD+

Mexico has a solid legal framework, which includes the Climate Change General Law and the General Law for Sustainable Forest Development, which provide new tools and structures to meet the challenges of climate change and that are also relevant for REDD+. In addition, the National Climate Change Strategy was released in June, 2013. The National REDD+ Strategy (ENAREDD+) will be aligned with the targets, objectives and strategic actions for mitigation in the forest sector included in the Climate Change Strategy.

The leading institution for REDD+ in Mexico is the Comisión Nacional Forestal (CONAFOR) a decentralized agency under the Ministry of Environment and Natural Resources (SEMARNAT). CONAFOR oversees a wide range of programs, including forest management, community forestry, payments for environmental services, inventories, pest management and others. Other key federal agencies involved in REDD+ include: the Environmental Prosecuting Agency (PROFEPA) the Ministry of Agriculture, Livestock and Rural Development (SAGARPA), the Ministry of Urban and Territorial Development (SEDATU), the Comisión Nacional para el Desarrollo de los Pueblos Indígenas (CDI), the Comisión Nacional de Áreas Naturales Protegidas (CONANP), and the Comisión Nacional para el Conocimiento y Uso de la Biodiversidad (CONABIO).

#### **Relationship to CAS**

The proposed FCPF engagement is consistent with the Mexico CPS for FY 2014-2019. The objectives of the project are aligned with Mexico's Country Partnership Strategy (CPS), which covers fiscal years 2014-2019. The CPS outlines four strategic themes, notably promoting green and inclusive growth, including by reducing the footprint of growth and using natural resources in an optimal way. The CPS acknowledges not only the costs of land and forest degradation, but the importance of forests as an essential source of employment, income, and livelihood for about 12 million people, and its important role in mitigating and adapting to climate change. Additionally, the proposed activities have important linkages with the thematic area on "increasing social prosperity", as the proposed activities will (indirectly) support forest management activities for communities and ejidos, as well as directly support inclusion through consultancy processes and dissemination.

## II. Proposed Development Objective(s)

### Proposed Development Objective(s)

The Project Development Objective is to support a participatory and inclusive process for the finalization of Mexico's National REDD+ strategy (ENAREDD+).

### Key Results

- A final version of ENAREDD+ that reflects the comments and feedback from the various sectors and stakeholders
- A technically strong ESMF that has been finalized and validated by a broad range of stakeholders.
- A state level comprehensive feedback and grievance mechanism for REDD+ is piloted in one Early Action Area.

## III. Preliminary Description

### Concept Description

The overall financial envelope needed for achieving REDD+ Readiness in the Mexico has been estimated to USD 23 million (as per the final version of the R-PP). The proposed FCPF grant would focus on a subset of components as per the R-PP (under Components 1 and 2 of the R-PP). Activities to be financed by the FCPF would not include any physical investment or the implementation of any REDD+ program on the ground.

COMPONENT 1: Organization and Consultation (FCPF amount: \$2,558,000).

The FCPF grant would support the dialogue and participative process with stakeholder groups, within and outside government as part of the preparation of the National Strategy for REDD+ in Mexico (ENAREDD+).

COMPONENT 2: Development of the REDD Strategy. (FCPF amount: \$1,242,000)

The FCPF grant would help to further analyze and design policies and programs to tackle the drivers of deforestation by analyzing barriers to inter-sectorial coordination, conduct dialogues on the critical aspects identified related to REDD+, extensive consultation and participation of all stakeholders and the preparation of an ESMF that will provide guidance for the management of social and environmental risks during the implementation of the ENAREDD+ in Mexico, while putting in place the necessary institutional and legal framework, and the institutional arrangements to make them effective.

## IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36	x		
Pest Management OP 4.09			x
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12	x		

Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

## V. Financing (in USD Million)

Total Project Cost:	3.80	Total Bank Financing:	0.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			0.00
Readiness Fund of the Forest Carbon Partnership Facility			3.80
Total			3.80

## VI. Contact point

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