

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA908

Project Name	Coastal Watersheds Conservation in the Context of Climate Change Project (P131709)
Region	LATIN AMERICA AND CARIBBEAN
Country	Mexico
Sector(s)	Forestry (40%), General agriculture, fishing and forestry sector (40%), Public administration- Agriculture, fishing and forestry (20 %)
Theme(s)	Biodiversity (30%), Climate change (30%), Other environment and natural resources management (20%), Participation and civic engagement (10%), Other rural development (10%)
Lending Instrument	Specific Investment Loan
Project ID	P131709
GEF Focal Area	Multi-focal area
Borrower(s)	Secretaria de Hacienda y Credito Publico
Implementing Agency	CONANP, FMCN, CONAFOR 8120-MX, INECC
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	19-Jun-2013
Date PID Approved/Disclosed	19-Jun-2013
Estimated Date of Appraisal Completion	28-Jun-2013
Estimated Date of Board Approval	14-Nov-2013
Decision	

I. Project Context

Country Context

Mexico, the second largest economy in Latin America, expanded at a strong pace for most of the past year but has started to show signs of slowly decelerating. The economy is exposed to fluctuations in the US economy, global financial markets, and commodity prices. However, Mexico is well positioned to respond to a global slowdown, particularly on the external and monetary fronts. According to the National Council on Evaluation of Social Development Policy, around 46.2% of Mexico's total population lives in poverty, mainly in urban areas. Extreme poverty (defined as living with a monthly income of less than US\$ 76 in urban areas and US\$ 53 in rural areas) has declined slightly in recent years, to 10.4%, attributed to targeted social protection programs.

In 2012, Mexicans elected Enrique Peña Nieto as President for 2012-2018. The election also renewed both houses of Congress. Current national priorities are (i) economic stabilization and

structural reforms; (ii) strengthening the financial system and fostering financial inclusion; (iii) improving the international financial architecture; (iii) enhancing food security and addressing commodity price volatility; and (iv) promoting sustainable development, green growth, and mitigation and adaptation to climate change. The President has defined a national security strategy focused on reducing violence, and emphasizes economic opportunity as a key approach to preventing crime and violence related to the drug trade.

Sectoral and institutional Context

Mexico ranks fourth among the world's 15 mega-biodiverse countries, representing 10-12% of global biodiversity. Mexico's biological wealth supports the health and livelihood of 112 million people. But these ecosystem goods and services are at risk. Mexico's deforestation rate is among the highest in Latin America. Soil erosion affects almost half its territory. The National Water Commission considers 38% of Mexico's rivers highly polluted.

Compounding these challenges, Mexico will be disproportionately affected by climate change. Various models predict that hurricanes will intensify, and drought and forest fires will increase. Coastal communities will be more vulnerable to flooding, and communities in the mountains will suffer increasingly from landslides, drought, and fires. The impacts of climate change will be most evident in the coastal areas of the Gulf of Mexico and the Gulf of California, where deforestation and depletion of carbon stocks are driven by demographic growth, urban expansion, and lack of enforcement of environmental regulations. Forests are cleared or burned for ranching, sugar cane, and illegal extraction of natural resources. If no action is taken, studies show a 35% additional loss of rain forests and 18% additional loss of temperate forests by 2050 in these two regions, further increasing greenhouse gas emissions.

Mexico's strategy to address these challenges builds on existing initiatives to comply with international conventions and promote sustainable development. The institutions that will implement this project (CONANP, CONAFOR, INECC, and FMCN) have worked with the support of the Mexican federal and state governments, and with the Bank and other donors, to conserve biodiversity, promote sustainability, reduce deforestation, and monitor ecosystems. The Government of Mexico and the World Bank have a long, deep engagement on biodiversity and forests, building each stage on previous actions, encompassing the full range of Bank instruments, including knowledge, financial, convening, and coordination services. Results include a 90-fold increase in investments in protected areas since 1995, establishment of the Mexican Forest Fund (the largest payment for ecosystem services (PES) fund in Latin America, which has supported more than 1 million hectares along the Gulf of California and Gulf of Mexico); and monitoring initiatives such as the National Forest and Soil Inventory, and a watershed monitoring system that integrates community monitoring data. These advances form a solid basis for inter-institutional coordination. This project will contribute to the Mexico "REDD Vision" which lays out Mexico's long-term aspirations and commitments to consolidate a National REDD Strategy. This vision emphasizes forests' contribution to adaptation by reducing local communities' vulnerability to natural disasters and economic downturns. Deforestation and land-use change are Mexico's third highest source of greenhouse gas emissions, and are second to the transport sector in potential to reduce emissions.

II. Proposed Development Objectives

The project global environmental objective (GEO) is the same as the project development objective (PDO): To promote integrated environmental management of selected coastal watersheds as a means to conserve biodiversity, contribute to climate change mitigation, and enhance sustainable land use.

III. Project Description

Component Name

Component 1: Creation and consolidation of protected areas

Comments (optional)

Creation of new Protected Areas and strengthening management effectiveness of new and existing PAs. Fundraising activities to obtain additional non-GEF funding.

Component Name

Component 2: Promoting sustainability within watersheds

Comments (optional)

Implementation of Payment for Ecosystem Services, agro-ecological and sustainable forest management sub-projects.

Component Name

Component 3: Enabling adaptive management by strengthening monitoring capacities

Comments (optional)

Strengthening of community monitoring systems in selected watersheds.

Component Name

Component 4: Innovative mechanisms for inter-institutional collaboration and promoting social participation

Comments (optional)

Carrying out inter-institutional coordination activities (including networks, forums and learning communities) at the regional and local levels.

Component Name

Component 5: Project management

Comments (optional)

Support for implementation of the project, including costs for coordination, technical assistance, support of the Technical Project Committee and regional PCUs, supervision, etc.

IV. Financing (in USD Million)

Total Project Cost:	267.80	Total Bank Financing:	0.00
Total Cofinancing:		Financing Gap:	0.00
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			228.28
Global Environment Facility (GEF)			39.52
Total			267.80

V. Implementation

The Recipients will be the United States of Mexico and FMCN. CONAFOR will execute part of component 2 supported by its Biodiversity Fund (FB). FMCN will administer the rest of the GEF funds with the assistance of two regional funds: the Fund for the Gulf of Mexico (FGM) and the Fund for the Gulf of California (FGC). FMCN will sign agreements with CONANP, CONAFOR and INECC, as well as with the regional funds, for the execution of components 1, 2, and 3. An operational manual (to be finalized by Negotiations) will describe the rules and procedures governing the project.

The Project will have a Project Coordination Unit (PCU) with the FMCN and Regional Coordination Units (RCU) for each of the two regions, overseen by a Technical Project Committee (TPC), and working in consultation with two Regional Committees. The TPC, composed of representatives of CONANP, CONAFOR, INECC and FMCN, will approve operational procedures, provide policy guidance, and supervise and support the implementing agencies. In addition, Regional Committees including representatives of stakeholders and key local and regional entities will help coordinate with state and federal agencies at the regional level. Local networks or forums that are currently in place, or that develop through coordination of project activities, will provide another important channel for sharing information. The PCU and RCU will work with the implementing agencies to assure that appropriate local and regional bodies are engaged, or launched where needed, and have necessary technical and logistical support, as part of its responsibility to ensure project governance, regional coordination, compliance with safeguards, and local participation.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

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