



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 20-Apr-2017 | Report No: PIDISDSC19418



BASIC INFORMATION

A. Basic Project Data

Country Mexico	Project ID P159835	Parent Project ID (if any)	Project Name Mexico: Sustainable Productive Landscapes (P159835)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Sep 18, 2017	Estimated Board Date Nov 30, 2017	Practice Area (Lead) Agriculture
Lending Instrument Investment Project Financing	Borrower(s) SEMARNAT	Implementing Agency CONABIO	GEF Focal Area Multi-focal area

Financing (in USD Million)

Financing Source	Amount
Borrower	124.50
Local Communities	0.30
UN Food and Agriculture Organization (FAO)	1.00
Global Environment Facility (GEF)	24.13
FRANCE: Govt. of [MOFA and AFD (C2D)]	5.00
GERMANY: German Technical Assistance Corporation (GTZ)	8.00
Local Farmer Organizations	0.50
Total Project Cost	163.43

Environmental Assessment Category
B-Partial Assessment

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

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B. Introduction and Context

Country Context

The Mexican economy expanded 2.6 percent in 2016, similar to other OECD countries. Private consumption was the main driving force of economic activity on the back of stronger job creation, real wage growth, and credit expansion. A challenging external environment including lower oil prices, a gradual tightening of fiscal and monetary policy in



the United States, and a slowdown of growth perspectives in emerging market economies, contributed to a significant depreciation of the Mexican peso.

In close coordination, fiscal and monetary policy authorities announced in early 2016 supplementary public expenditure reductions by 0.7 percent of GDP, an increase in the monetary policy rate by 50 basis points to 3.75 percent and a change from pre-announced, rules-based to discrete currency market interventions. The policy priorities are clearly focused on maintaining prudent monetary, financial, and fiscal policies to create the conditions for stronger growth in the medium term, which should also be supported by the structural reforms under implementation, aimed at raising productivity, competitiveness and potential output growth.

Despite Mexico's significant economic and social improvements, stagnant productivity and insufficient inclusiveness are critical causes of persistent poverty, inequality, and regional disparities within Mexico. Poverty remained at 46 percent (about 55.3 million people) in 2014 and 2015, with a higher incidence of poverty in rural and semi-urban areas. Annual income of the bottom 40 percent of the population between 2010 and 2014 grew at a trivial 0.1 percent, while the annualized mean income growth was just 0.5 percent. Poverty reduction has been unequal across the territory with 5 of the 32 states (Chiapas, State of Mexico, Oaxaca, Puebla and Veracruz) accounting for 56 percent of the extreme poor in 2014. Sound policy interventions can strengthen productivity and earnings; improve inclusiveness to ensure that the poor have access to services; and sustainability so that development does not negatively impact Mexico's resource base.

Sectoral and Institutional Context

Agriculture continues to be an important sector in the economy, accounting for around 13% of Mexico's GDP. With more than 50% of the land under agricultural production (crops and livestock) and considerable rural poverty increasing pressure on natural resources, the Government of Mexico recognizes the importance of adopting landscape approaches at the national level to improve agricultural productivity while sustaining the natural resource base upon which it depends. The management of natural resources and the formulation of landscape approaches inevitably integrate food production and income generation, on the one hand, with conservation of environmental assets, on the other. Hence, the Government's decision to strategically use a substantial portion of its GEF resources to address these issues.

This is a particularly important decision both globally and, in particular, for Mexico - one of the top five "megadiverse" countries representing approximately 12% of the world's biodiversity, with high levels of endemism. Mexico also boasts 64 million hectares of forests, representing 33% of its territory. About 70 percent of these forests belong to rural communities under a legally-established collective ownership system (*ejido*) —a tenure situation unique in the world. However, ecosystem goods and services are at risk. Mexico's deforestation rate is among the highest in Latin America and ranks 10th on the international scale, soil erosion affects almost half its territory and 38 percent of its rivers are considered highly polluted.

Community driven natural resource management is central to livelihoods of millions of people in Mexico. Small farms represent approximately 75 per cent of total production units, with land fragmentation further increasing the pressure on natural resources. Community driven rural development provides a means of survival for traditional communities and the environment and it represent an essential source of employment, income and livelihood for rural population. In 2008, 57 % of the poorest quintile of rural households obtained almost one-quarter of their income from natural resource extraction. In addition, evidence shows that communally managed forests in Mexico have experienced less deforestation than protected nature reserves and forests under logging bans.



Over the past decade, the conservation focus in Mexico has shifted towards promoting sustainable production and resource use in lands outside of protected areas, as more than half of all species are found in productive landscapes. This suggests that conservation efforts must include farmers, foresters and other producers in the productive landscape, if they are to be effective. Conservation initiatives working with producers have proven to help to ameliorate the fragmentation of habitats, increase socio-ecosystemic connectivity and ensure the long-term sustainability of the productive landscape. For this, alignment among policies, institutions and programs across sectors and across levels is needed to improve the incentive framework for sustainable resource use, build capacity at local levels and promote financial sustainability of actors.

With climate change and environmental sustainability being considered as national priorities in Mexico over the past decade, and with the current focus on democratization of production, the country has introduced a number of policies and programs, and set up institutional frameworks to sustainably manage its productive resources, under the oversight of two important ministries - the Ministry of Environment and Natural Resources (SEMARNAT) and the Ministry of Agriculture (SAGARPA). Coordination among these Ministries and their separate policies and programs is critical for promoting sustainable production in Mexico. The harmonization of public programs to is one of the key motivating factors of this project.

Motivated by the opportunities for promoting sustainable agricultural production, as means to mainstreaming biodiversity and reducing deforestation and land degradation, this project relies heavily on the role of coordination within and across public programs with private as well as communal actions. The project is congruent with the 2013-2018 National Development Plan (goal IV Prosperous Mexico) and the 2013-2018 Sector Program on Environment and Natural Resources, in addition to other sector programs including the agriculture sector strategy for the period 2013-2018. The project will benefit from a recently launched Strategy for Financial Inclusion that seeks to provide financing options for smallholders to expand production thereby making them more sustainable by increasing income. At the same time, it seeks to support rural families with access to food, according to landscape capabilities, in support of the Crusade against Hunger, which has been a focus of the current administration and one of the fundamental issues for the country's social development.

The project also aligns with several international frameworks. It reflects the Convention of Biological Diversity's (CBD) Aichi Biodiversity Targets, in particular, under Strategic Areas B (Reduce the direct pressures on biodiversity and promote sustainable use) and E (Enhance implementation through participatory planning, knowledge management and capacity building). It contributes to the fulfillment of the United Nations Sustainable Development Goals, particularly goal 15 (Promoting sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity), 12 (sustainable consumption and production) and 13 (urgent action on climate change). The project is also aligned with the National Biodiversity Strategy and Action Plan (NBSAP) submitted to the CBD and National Action Program (NAP) of the United Nations Convention to Combat Desertification (UNCCD), with mainstreaming and connectivity being two central issues that will be addressed, including drylands and ecosystems not previously considered in similar projects. These documents identify 600,000 hectares of priority terrestrial sites that cover 30% of the national territory, of which only 13% are in protected areas, suggesting that Mexico needs to redouble its efforts to increase areas under conservation and sustainable use of biodiversity outside of protected areas.

The project also aligns with the country's ambitious Nationally Determined Contributions (NDCs) goals under the UNFCCC by contributing to both mitigation and adaptation objectives. Mexico's NDCs recognize the important role of forests and agriculture to support mitigation through low carbon rural development, as well as highlight the key role of forests and landscapes to enhanced resilience. Mexico's NDC's specifically seek to establish synergies between



adaptation and mitigation. These actions not only help tackle global warming and reduce social and ecosystem vulnerability, but also promote inclusive green growth in the country. Thus, the project will directly support this ambitious objective of linking adaptation and mitigation by fostering low carbon rural development while enhancing ecosystem resilience.

The project has important linkages to two operations in the agricultural sector, one focusing on biodiversity mainstreaming across seven production systems and the other on supporting technologies for climate change mitigation (Sustainable Rural Development (P10876)). The project also links with the Coastal Watershed Project (P131709) - an innovative approach to foster biodiversity conservation through the consolidation of national protected areas and the support to biodiversity friendly eco-agriculture and sustainable forestry management sub-projects.

Under the Forest Investment Program (FIP) an intervention model was designed that reflects the complex interagency relationships and coordination mechanism that would be necessary for an integrated landscape approach. For the Bank supported Forest Carbon Partnership Facility (FCPF) ER-P regional programs were developed that could eventually allow for policy alignment on the landscape level and thus foster sustainable resource management. The project will greatly benefit from these experiences and will complement and expand the geographical scope of the existing projects. This will be achieved by explicitly focusing on agriculture¹ and forestry productive value chains and thus complementing the ongoing conservation efforts, specifically under the Coastal Watersheds Project. Hence, the project will be a key instrument for introducing integrated landscape management for productive land use activities.

Relationship to CPF

The proposed project is consistent with the World Bank Group's Mexico Country Partnership Strategy (CPS) 2014-2019. One of the four strategic themes of this CPS relates to the promotion of green and inclusive growth, which includes the reduction of the footprint of growth and the use of natural resources in an optimal way. The CPS acknowledges not only the costs of land and forest degradation, but the importance of natural resource management as an essential source of employment, income, livelihood and its important role in mitigating and adapting to climate change. Likewise, the project has an important relationship with the thematic area of "increasing social prosperity", as the proposed activities will improve the coordination among different land uses and therefore identify new and innovative collaboration and management activities among stakeholders defined on a local scale and implemented by local and indigenous people groups and producer units.

Moreover, the project complements the Bank's ongoing efforts in the environmental and agriculture sectors to foster integrated landscape management for sustainable rural development and poverty reduction. This comprises the full range of Bank instruments building upon a long-standing, successful collaboration, that includes knowledge services, through the Forest Carbon Partnership Facility (FCPF) operation, analytical work under PROFOR and ASERCA and financial services through investments (such as the Sustainable Production Systems and Biodiversity Project, Sustainable Rural Development Project, the Forests and Climate Change Project, and the Coastal Watershed Conservation Project).

¹ INE has estimated that 82% of deforestation occurred in Mexico as a result of land-use change to agriculture or grazing purposes; 8% due to illegal logging, 6% caused by forest fires and pests, 2% by authorized land-use changes and the last 2% by other causes such as hurricanes or other natural disasters (CCMSS, 2008).



C. Proposed Development Objective(s)

To promote sustainable productive landscapes that foster connectivity of forest landscapes for biodiversity conservation and ecosystem services in priority areas of Mexico.

Key Results (From PCN)

The following key results are proposed for measuring achievement of PDO:

- i) Area (in ha) of productive landscapes (forests and agriculture) that integrate conservation and sustainable use of biodiversity into management
- ii) Coordination models with regional scope and management criteria adopted (number of models)
- iii) Financial and market instruments used (number of agents using) for promoting integrated landscape management.

Brief theory of change: Expansion of agricultural production, lack of coordination across government programs and incentives, as well as lack of access to adequate financial and market instruments is believed to exacerbate the efforts made for conserving biodiversity in Mexico, and improving the sustainable management of forests and land. To address these issues, the project will focus on promoting sustainable production landscapes, where production and conservation decisions are made jointly at the level of producers. This would be enabled through program coordination at the local and regional levels (on the public sector side) and through access to financial and market instruments (on the private sector side). Hence, the measurement of all these aspects of the project is necessary to ensure the achievement of the objective of promoting sustainable productive landscapes in priority areas of Mexico.

Results and GEF focal areas: The contribution of each GEF focal area towards the achievement of the PDO will be measured through intermediate indicators. The focal areas that will be considered are Biodiversity (BD4 Program 9); Sustainable Forestry Management (SFM 2 Programs 5 and 6); Land Degradation (LD3 Program 4) and Climate Change Mitigation (CCM2 Program 4).

The project's target contributions to global environmental benefits are as follows:

1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society (target: 3,000,000 ha);
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes) (target: 500,000 ha);
3. Support to transformational shifts towards a low-emission and resilient development path (target: 6.6 million metric tons of CO₂²);
4. Increased application of good management practices in productive forests within project sites (pine, pine-oak and tropical forests) by relevant government, local community (both women and men) and private sector actors (target: 3,000,000 ha of sustainably managed forests, stratified by forest management actors)

D. Concept Description

² This includes avoided deforestation and land use changes calculated as follows: 25 years x 3,000,000 ha x 88 tCO₂ e = 6,600,000 t CO₂ e. This conservative value will be reviewed during project preparation. The co-efficient takes into account forest population and stratification variables in Mexico according to FAO-FRA (2010) for the different 12 sites. Source: Fernández, J. *et.al.* Estimación de los reservorios de carbono en la biomasa aérea de árboles en México para 2004-2007 mediante los datos del INFyS. 2012. Puebla. México.



The project will access GEF resources from four focal areas: biodiversity (BD 4), sustainable forest management (SFM 2), land degradation (LD 3) and climate change mitigation (CCM 2) to support implementation.

The project will have 4 components, which are defined in terms of the level of intervention, rather than thematic alignment with GEF focal areas, which will be addressed and measured by intermediate indicators under the different components:

Component 1: Harmonization and alignment of programs for integrated landscape management (budget: GEF resources: US\$4,525,000, other resources: US\$ 20,555,000). Resources will be directed to public institutions to design, facilitate and accompany the process of harmonization and alignment of public programs and their rules of operation, economic incentive schemes, and management instruments into the planning and investment in productive landscapes for improved productivity and competitiveness as well as for biodiversity conservation, improved connectivity, resource management and reduction of climate footprint. This will be achieved through existing programs from the different institutions involved in the project. It is expected that by the end of the project SAGARPA, CONAFOR and CONANP will harmonize at least 50 programs³ with the specific criteria defined by the project in the 7 priority regions.

GEF resources will be used to harmonize programs among the three levels of government and across different programs at each level. In order to achieve this, frequent workshops with key decision-makers and stakeholders are needed. It is also important to provide adequate resources for territorial planning, as well support the formulation of incentives and participatory instruments for sustainable production (agriculture and forestry), ecosystem services and climate resilience.

Component 2. Development of local platforms for landscape governance⁴. (Budget: GEF resources: US\$7,425,000, other resources: US\$33,935,000) Resources will be directed to strengthening local actors and technical bodies to develop the necessary capacities for landscape governance at various scales, strengthening local leadership and empowerment for integrated landscape management and strategic use of land and natural resources, distribution of benefits and associated commitments. This will be achieved including through the interactions with producers and producer associations.

³ Programs which have high spatial impact have been selected from the main ministries involved (SEMARNAT & SAGARPA). From SEMARNAT the main programs are those from CONANP and CONAFOR, including the program of UMAs for wildlife conservation and management. For example, the National Forest Program (PRONAFOR) from CONAFOR includes around 8 -10 different programs which effect this project. They need to be coordinated and harmonized in order to be delivered coherently to have a positive collective impact. Regarding the rural sector (SAGARPA), the PROCAMPO program is the main instrument, which supports agricultural production including livestock, coffee, for maize, cacao, banana, etc through farm subsidies. A list of key executing agencies their activities and programs has been prepared as part of concept note preparation.

⁴ Mexico has lost a significant portion of its natural landscape assets and some extension service capacity needs to be rebuilt amongst the executing agencies to the project. Therefore, training will also be provided through capable NGOs. GEF funds will help to strengthen agency capacity and to transfer skills to producers and their associations to reduce environmental stresses. This will include transforming the productive system, promoting climate smart agriculture and strengthening entrepreneurial and financial capability so that agriculture need not be expanded into sensitive zones. Since capacity strengthening will target national organizations, it is expected that there will be wider national benefits across Mexico. As in many countries land governance issues need to be resolved in order to address some of these issues. Project concept level has identified some of the key governance issues related to law enforcement, power relations in groups managing forest resources, land tenure and poverty – environment linkages.



By linking knowledge in technical-scientific information with locally developed capacities to generate processes of innovation the project will aim at promoting learning communities between actors within and among priority regions, so that the exchange of experiences and lessons learned catalyzes processes and strengthens social fabric for dialogue with government authorities and thus strengthen ensure both top-down and bottom-up processes.

GEF Resources for this component will promote technological innovations, capacity building, and knowledge exchanges among producers within and across priority regions to strengthen productive chains. Also, funds will be used to strengthen the governance of the productive associations on themes such as financial education, administration and conflict management. The project institutions including the executing agencies involved in the project will commit to use at least 10 current programs to strengthen the capacities for landscape governance in the intervention areas to be defined in the 7 priority regions. The resources provided by AFD and GIZ will be used to finance activities of this component.

Component 3. Implementation of sustainable and diversified rural production systems. (Budget: GEF resources: US\$9,780,000, other resources: US\$80,810,000) The objective of this component is to support the creation of productive partnerships at the landscape level and generate inter-sectoral economic alliances at different scales, including the design and implementation of financial and market instruments, with the involvement of public and private financial institutions that support the adoption of sustainable and biodiversity friendly practices by producers. This will be achieved by absorbing incremental costs and the opportunity of diversification of production, by incorporating smallholders in credit regimes and establishing market conditions conducive to regional value chains, through instruments operating on demand, either drivers (brand names, denomination of origin, labels, certification, etc.) or regulatory (tax, service payments, etc.). Medium and large companies will be involved for their potential to articulate and fulfill the pull function in production chains that assimilate the value inherent to sustainable management of land and resources. Targeted sub-sectors include sustainable cattle raising, shade grown coffee, organic cacao, timber and non-wood forest products, climate smart agriculture for the main national products (Maize, sugarcane), and aromatic herbs. Once identified, the next step will be to build a consensus with the key stakeholders on which value chains to work with and the plan for effectively greening them.

The component will also focus on the evaluation of production systems and value chains that enable integrated management of landscapes, improve productivity in a sustainable way, detain processes associated with environmental degradation or greenhouse gas emissions and diversify productive options, as a condition to generate inclusive economic processes. GEF resources will be used as a complement to other financial resources, including producers' own resources, support from the public sector or credit from financial institutions. Sustainable forest management resources will be used to both restore forests, support forest management and avoided deforestation by small producers on the edge of forests, in forest corridors and on degraded lands, as well as promote agro-forestry practices where possible⁵.

⁵ Mexico has lost a significant portion of its landscape assets. Parts of its extension service capacity also needs to be rebuilt amongst the project executing agencies in order to strengthen landscape management. Therefore, training will also be provided through capable NGOs. GEF funds will help to strengthen agency capacity and to transfer skills to producers and their associations to reduce environmental stresses. This will include transforming the productive system, promoting climate smart agriculture and strengthening entrepreneurial and financial capability so that agriculture need not be expanded into sensitive zones. Since capacity strengthening will target national organizations, it is expected that there will be wider national benefits across Mexico.



Component 4. Project management (including M&E) (Budget: GEF resources: US\$2,400,000; other resources: US\$4,000,000) Resources for under this component will be used for the management of the project, including implementation, monitoring, evaluation and systematization of lessons learned. GEF funds will be used for the operation of the Project Coordination Unit and the local agencies, as well as the M&E process, which for this project will be complex, including socio-economic, institutional and biological dimensions.

The project is expected to contribute significantly to the conservation of biodiversity by establishing landscape connectivity between ecosystems, maintaining and improving the flow of agriculture and ecosystem services, mitigation of GHG emissions, promoting carbon capture and generally increasing socio-ecological resilience to climate change, while improving the welfare of the population through improved production processes in economic and environmental terms. By supporting enhanced corridor integrity and connectivity, it will also contribute to preserve the resilience of regional ecosystems to climatic and other external pressures, including the preservation of species of conservation concern.

Forest ecosystem services will be secured and enhanced through improved management models and forestry production systems at the landscape level. The strategy proposes to develop and implement improved production systems that use elements of technical and technological innovation, improving competitiveness and socio-economic conditions in the productive landscape. Capacity building and development of technical tools, as well as enhanced cooperation between forest sector users will be used to improve forest management, biodiversity management, connectivity and restoration of degraded forest landscapes. Incentives (policy and financial) will be developed to stimulate the use of criteria for ecosystem services, high value forest attributes, and resilience of forest ecosystems by producers at all levels (community forest smallholders, ejidos with different levels of commercial consolidation, etc.).

The project will achieve these objectives by promoting sustainable production practices using different financial and market instruments that increase the value of the products or services produced by smallholder farmers/foresters/communities. In this manner, they are expected to improve their welfare while conserving the environment. This is framed in a landscape setting to capture the scale economies and spillover effects that it encompasses. In particular, the project will promote different models of landscape management focused on the diversification and intensification (improved productivity) of productive activities through partnerships between private producers, government agencies and financial institutions. The effective promotion of these models, however, depends on the harmonization and consistency between government programs aligned to strategically guide public spending in favor of the conservation of biodiversity and socio-economic development in these landscapes.

GEF resources will be a catalyst of synergy between the institutions in charge of various public policies and programs that can help create enabling conditions for sustainable land use, from the particular characteristics of each region; by incorporating strategic conservation and management instruments, with financial and market instruments.

The project design reflects the institutional and implementation models piloted under previous projects and draws broadly from lessons learned and best practices established. The project is implemented through a complex institutional set up, including the private sector and several governmental agencies, all of which form part of the present GEF supported Coastal Watershed project. Hence, the current project would build on the inter-institutional linkages established and the experiences from on the ground coordination.

Beneficiaries: The direct benefits of the project are approximately 50,000 producers organized in producer groups and associations across the landscapes in priority regions. In this project, the term “producers” refers to agricultural producers, foresters, conservationists and others who derive their livelihoods from the landscape, including forest



ejidos and communities with timber and non-timber production and the organizations they form among them. The latter are moral entities regardless of the number of people integrating them, who can be counted as direct beneficiaries and be part of the 50,000 goal of the project.

The project will support producer groups and associations, communities and local governments that live in the project area participate in integrated landscape management. The project will improve the organizational capacity of producer groups and associations and enhance their technical, entrepreneurial and marketing skills for sustainable production, while promoting strategic alliances. It will also support communities and local governments in the integration of programs for landscape management, focusing on biodiversity, climate resilience, ecosystemic services, land and forestry management. The project will assist producer groups to increase the competitiveness of productive activities compatible with biodiversity conservation in priority areas.

Gender and Youth Considerations: This project acknowledges the importance of the relationship between women and the environment as well as the significant role they play in the community development and the strengthening of governance. Although women often lack property entitlements over the land, especially in the context of the ejido and community decision-making processes and migration demographics, this should not be a limiting factor for their participation in the decision making process, or take active part in the productive groups that have access to technology development and financial resources. To that end, the project will encourage participation of women and youth and will provide targeted capacity building for women and youth at both production and governance levels. It will also support and monitor youth and women's participation in all its activities. A full diagnosis of gender and youth considerations will be carried out during the preparation phase, reflecting the wide diversity of gender and youth conditions found in the different regions considered by the project.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be implemented in 12 intervention sites (spanning close to 12 million hectares) within 7 priority regions of Mexico, identified on the basis of their representativeness in term of biodiversity, connectivity, land and forestry management activities, climate vulnerability and mitigation potential, ecosystem services, and agricultural production activities. These regions occupy close to 45 million hectares and include: (1) Chihuahua-Durango, a priority region for biological diversity and forest management. All municipalities in both states with forestry activities and that are also found in CONANP's Sierra Madre Occidental Corridor are contemplated. (2) Coahuila, a priority region for forest management and the grassland ecosystem. Considers the municipalities with forestry activities and priority conservation areas identified by CONANP in the Chihuahua Desert Corridor identified by CONANP. (3) Jalisco, priority based on four inter-municipal governance bodies, forest management, the Ameca Biocultural Corridor and biodiversity hotspots. (4) Sierra Madre Oriental, comprised of municipalities that belong to the Sierra Madre Oriental Ecological Corridor. These are also high-biodiversity areas with forest management. (5) Sierra Norte of Oaxaca, a priority region with high biodiversity, forest management and priority ecosystems, with municipalities that belong to the Oaxaca Biological Corridor. (6) Usumacinta Basin, a priority conservation areas such as the Lacandon Jungle and Pantanos de Centla, in Chiapas and Tabasco states; and (7) Includes ejidos with forest management and areas of high biodiversity in Campeche and Quintana Roo states. A map of the 7 priority regions and 12 intervention sites is included in the Project Concept Note.



B. Borrower’s Institutional Capacity for Safeguard Policies

The Government of Mexico and, in particular, the institutions involved in this project have many years of experience with projects funded by multilateral agencies and bilateral donors and with implementation of World Bank and GEF safeguards. The borrower, SEMARNAT, the Environment and Natural Resources Ministry, has developed numerous tools for measuring and monitoring environmental performance. SEMARNAT will be responsible for coordinating the preparation of the report on the project’s application of safeguards and their monitoring, while the World Bank safeguards team will provide technical support to Government counterparts.

The partnering institutions (CONABIO, CONAFOR, CONANP, INECC) are leading organizations in Mexico for the management of natural resources and forestry actions, ecosystem and biodiversity conservation, and climate change, with sound experience in biological monitoring. Much of this experience has involved working with indigenous peoples and rural producers who live in or make use of the seven priority regions considered by this project. SAGARPA is the Ministry of Agriculture and as such is responsible for the implementation of rural development programs, including direct support to producers. Safeguards implementation, monitoring and oversight will be shared among these agencies, depending on their area of expertise, previous experience and technical capacity. For example, the forestry agency, CONAFOR, could take leadership with Forests; the biodiversity agency, CONABIO, and the protected areas agency, CONANP - with Natural Habitats and Physical Cultural Resources, SAGARPA with Pest Management and SEMARNAT for Environmental Assessment.

The Government of Mexico has been implementing forestry related programs for many years related to the management of natural resources through these partnering institutions with clear indication of the national capacity and readiness for advancing in this project, which not only include the technical and scientific approach but also consultation and participation processes, land use evaluations, public policy and governance, social and environmental impact assessments, reference level development and monitoring reporting and verification (MRV) methodologies with SEMARNAT; through CONAFOR, CONANP. INECC is linked to social development with technical and legal responsibilities in ecology, thus giving additional reinforcement to the application of environmental and social safeguards.

C. Environmental and Social Safeguards Specialists on the Team

Angel Alberto Yanosky, Arelia Jacive Lopez Castaneda

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This project will focus on the harmonization and alignment of programs with a landscape approach, with capacity building for local actors and technical bodies to improve productivity, detain processes associated with environmental degradation and diversify productive options, fostering inclusive economic processes. No land use change activities will be supported and no primary forests will be degraded. This focus would result in mainly positive



environmental impacts given the reduced pressure on natural ecosystems with overall benefits to help maintain socio-ecosystemic functionality of sustainable production landscapes for their biodiversity and ecosystem services. An Environmental Assessment (EA) will be prepared to evaluate the potential impact of project activities on the environment, and it will also identify the legal framework associated with these activities. The EA will include a section on both positive and negative cumulative impacts occurring as a result of the project. Specific project activities will be defined during project preparation, and before the EA is carried out, but in general terms they comprise better management practices for the different production systems that the project considers, such as coffee, cocoa, wood and non-wood forest products and services, etc.

The focus of the EA will be on wildlife habitat, agricultural biodiversity, carbon sequestration, stabilization of the water cycle, continuity of traditional cultures, the welfare of its inhabitants and connectivity between ecosystems, among others. The EA will produce recommendations for each productive activity in the 16 selected sites within the 7 priority regions. The selection criteria of sub-projects within the 16 selected sites will be decided during project preparation, with the actual selection of sub-projects to be made during project implementation. With specific geographic areas of project intervention identified before appraisal and sub-projects having similar structure, an Environmental and Social Management Plan (ESMP) will be prepared and will be updated site-specific details at the sub-project level once these sub-projects are identified (during implementation). This project will use and build on the experience from the several Bank implemented GEF funded projects in Mexico, among them the Sustainable Production Systems and Biodiversity Project, Coastal Watersheds Conservation Project, Forests and Climate Change Project and FIP and FCPF activities.

Natural Habitats OP/BP 4.04

Yes

This project will not support activities that can lead to the loss or degradation of natural habitats. Through improved production and harvesting techniques, that seek to maintain or improve biodiversity, the project



will benefit from the connectivity and biodiversity corridors and the landscape approach for long-term integrity of ecosystems. Improving productivity per hectare, and not production expansion, will be supported by the project and any risk of increased production without sustainability measures will be addressed during preparation. CONABIO and CONANP will ensure that Natural Protected Areas (NPAs) in the SINAP will serve as a reference to confirm that proposed activities are consistent with conservation plans and NPAs Management Programs. CONABIO's standards for preparation, review, and approval of productive sub-projects are consistent with the principles of the Bank policy on Natural Habitats in terms of criteria regarding protection and sustainable management of critical and natural habitats and endangered or threatened species. These will be clearly identified in the ESMP. Monitoring will be based on specific biodiversity indicators to include natural and induced perturbations, by analyzing the expected vs. observed distribution of selected species; habitat fragmentation through rural evaluation, zoning and land use community plans; loss of continuity/connectivity through success rate observed in distribution/colonization in remote places; and finally, biodiversity loss, through the actual distribution of selected species that may be observed and counted, directly or through different techniques to be identified for Appraisal. The monitoring will also consider the area under improved management using the GEF tracking-tools established for this as well as other parameters relevant to establishing project-level and aggregate impacts.

Forests OP/BP 4.36

Yes

This Project will not support activities related to the conversion or degradation of critical forest areas or other natural habitats associated with forests; neither will apply any technique which may contravene international environmental laws; nor involve any conversion or degradation of critical natural habitats, including adjacent or downstream critical natural habitats. This project will be focused on biodiversity conservation in forestry production areas through planning, management and monitoring schemes with a regional and ecosystemic approach. The project will also provide financing and technical assistance to



help communities engage in trade in timber and/or related timber and non-timber forest products and services. Policy requirements (as derived from the joint experience with the Bank) from CONABIO/CONAFOR's standards are consistent with Bank policy including time-bound plans for small and community forest management schemes. These will be clearly identified in the ESMP. Management will be ruled and whenever feasible geared towards achieving internationally accepted certification standards.

Pest Management OP 4.09

Yes

The EA will consider the current and/or expected use of agrochemicals in the production units and measures to promote the adoption of biodiversity friendly practices to reduce the use –and hence environmental impacts- of agrochemicals. The use of biofertilizers and biological pest control, minimizing the need for agrochemicals, will be assessed. Environmentally friendly practices to be supported may need pesticides especially in forestry and agricultural activities and producers may be engaged in other ongoing associated activities that may be using pesticides, these will be clearly identified and addressed for appraisal. The EA will provide information on the legal framework and the Bank's requirement and thus identify the need for a Pest Management Plan which will address, among other aspects, training and equipment, if pertinent. The project will not finance the purchase of pesticides, but when these are already used by beneficiaries, the project will guide use according to local and international frameworks and Bank specific recommendations for better management practices.

Physical Cultural Resources OP/BP 4.11

Yes

No large infrastructure works will be financed by the project; however, some remodeling or small works may be required opening a possibility of chance finds. The EA and ESMP, based on the respective law (Ley de Monumentos y Sitios Arqueológicos) will guide the project team to follow the appropriate conduct in reporting and following up on any chance find or identification of cultural resources within the geographic scope of the project interventions. CONABIO should contact the state delegation of the National Instituto of History and Anthropology (INAH) who has designated personnel to explore and determine possible monuments or archeological sites



discovered during civil works in the field.

Indigenous people are present in the project's area of influence, and could benefit from project activities. A Social Assessment (SA) will be carried out to assess possible negative impacts and inform the design of the project with mitigating measures. The SA will include a section on both positive and negative cumulative impacts occurring as a result of the project, e.g. positive impacts of the project, in terms of the improvement and the maximization of the social and economic benefits for indigenous peoples, woman and younger generations.

The SA will include (i) legal review; (ii) socio-demographic baseline; (iii) identification of key stakeholder groups; (iv) culturally appropriate consultation processes; (v) potential positive and negative impacts; (vi) process for conducting free, prior and informed consultations and acquiring the broad community support. Some of the key outputs of the SA involve (i) the role and participation of women in resource natural management; (ii) issues of indigenous peoples in the project context; (iii) participation of indigenous peoples and other local communities; (iv) out migration and (v) social conflicts. The SA will identify culturally appropriate means to ensure that Indigenous Peoples are equal beneficiaries of the project.

Indigenous Peoples OP/BP 4.10

Yes

An Indigenous Peoples Plan (IPP) will be developed by the client in coordination with the Bank, and in consultation with Indigenous Peoples, to review the eligibility rules, and identify eventual barriers of access to the project by indigenous people, and propose corrective measures. The project will in no way affect or change the collective territorial rights of Indigenous peoples or alter their rights or access to the natural resources within those territories. Guidelines will be developed to improve outreach and consultation with the potential beneficiaries.

The Project requires free, prior, and informed consultation with the indigenous peoples' communities at each stage of project development. The consultation process will be developed with the recommendation of the CDI (Comision Nacional para



el Desarrollo de los Pueblos Indigenas). The CDI and the INAH (Instituto Nacional de Arqueologia e Historia) will be formally included in the consultation process, to ensure an effective program to engage with Indigenous Peoples. The Grievance Redress Mechanism (GRM), in accordance with existing systems, will be held in SERMARNAT.

CONABIO, CONANP and CONAFOR have extensive experience working with Indigenous peoples and other local communities, and also have ample experience with the implementation of the Operational Policies 4.10 in the Proyecto Mexico Mesoamerican Biological Corridor project (based on the Mexico Community Forestry Project guidelines) and Sustainable Production Systems and Biodiversity (P121116), and Forests and Climate Change Project (P123760).

Citizen engagement: consultations at the local, state and federal level will be carried out with the broader community to present the project ideas and seek feedback. This will be done through in-person consultations, as well as a through online format through the webpages of the several participating entities. These have ample experience in outreach.

Involuntary Resettlement OP/BP 4.12 Yes

This policy is triggered to address potential impacts that may result from access restrictions to natural resources in the protected areas that will be supported by the project. A Process Framework will be developed to manage those risks. Furthermore, the project will avoid all activities that lead to the involuntary taking of land and result in relocation or loss of shelter; loss of assets or access to assets; and/or loss of income sources or means of livelihood. A screening mechanism that outlines sub-project selection criteria that explicitly excludes activities requiring any form of land acquisition or physical or economic displacement will be included in the Environmental and Social Management Plan.

Safety of Dams OP/BP 4.37 No

No dams will be constructed or rehabilitated in this project. Project interventions will not rely on the performance of existing dams as smallholder agriculture is generally rain fed. This safeguard is therefore not triggered.



Projects on International Waterways OP/BP 7.50	No	There are no actions in international waterways. This safeguard is therefore not triggered.
Projects in Disputed Areas OP/BP 7.60	No	There are no areas in dispute in the territory proposed for project interventions. This safeguard is therefore not triggered.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jul 31, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The time frame for preparation of safeguards-related studies is December 2016 to July 2017, after GEF Council Review in October 2016, formal project endorsement, received in November 2016 and Project Preparation Grant processed in early April 2017.

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APPROVAL

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