



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 27-Nov-2017 | Report No: PIDISDSA23329



BASIC INFORMATION

A. Basic Project Data

Country Mexico	Project ID P164661	Project Name Strengthening Entrepreneurship in Productive Forest Landscapes	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 27-Nov-2017	Estimated Board Date 23-Jan-2018	Practice Area (Lead) Environment & Natural Resources
Financing Instrument Investment Project Financing	Borrower(s) United Mexican States	Implementing Agency CONAFOR	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to strengthen sustainable forest management and increase economic opportunities for forest-dependent people and enterprises in selected forest landscapes in Mexico.

Components

Strengthening Forest Management, Conservation, and Business Development
Institutional Development and Facilitation Support

Financing (in USD Million)

SUMMARY

Total Project Cost	66.00
Total Financing	66.00
Financing Gap	0.00

DETAILS

Total World Bank Group Financing	56.00
World Bank Lending	56.00



Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Mexico's economy continues to expand at a steady though moderate rate of growth. The increase in Mexico's GDP over the past three years, 2014-2016, at an annual average of 2.4% was slightly below the annual average growth posted during the previous two decades, 1994-2013, of 2.6%. The non-oil economy expanded between 2014 and 2016 at the same average annual rate of 2.8% as observed over the previous two decades. Growth is expected to moderate to about 2.2% in 2017 and strengthen in the medium term to about 2.5% by 2019 as uncertainty with respect to NAFTA and the presidential elections (of July 2018) dissipate and gross fixed investment growth resumes. Yet, these rates of growth are only about half of the average growth observed in emerging market economies (5.3% between 1994 and 2016).
2. Economic performance has been resilient in view of external shocks experienced in the past few years. Mexico's economy endured several external shocks in the last few years including a sharp drop in oil prices with average oil prices down by 50-60%, an additional reduction in the volume of oil and gas production by 6% annually, international financial market volatility related to a normalization of monetary policy in advanced economies, and, more recently, uncertainty over the future of the U.S.-Mexico trade relation. Sensible monetary and fiscal policy responses to these shocks within an overall sound macroeconomic policy framework including a flexible exchange rate, an inflation-targeting monetary policy framework and a fiscal rule that ensures moderate public sector deficits, maintained macroeconomic stability in recent years.
3. Mexico is also a megadiverse country and its biological diversity provides substantial opportunities for socio-economic development. Mexico has over 88 million hectares of forests, covering almost 45% of its national territory. Forests include low dry deciduous forests, as well as coniferous forests and some types of scrub vegetation. In addition, Mexico is one of the most megadiverse countries in the world and is home to around 10% of all known species. A significant share of this biological diversity is found in forest ecosystems, hence the strategic importance of their preservation and sustainable management for biodiversity conservation.

Sectoral and Institutional Context



4. It is estimated that forests in Mexico are home to more than 12 million people, most of whom live in poverty and directly depend on local natural resources. Forests are a vital source of goods and services for millions of poor people living in rural areas, and thus offer important opportunities for socioeconomic development. In 2008, 57% of the poorest quintile of rural households derived one fourth of their income from the extraction of natural resources, most of which was forest-related.

5. Mexico's unique land tenure structure provides a solid basis for the collective management of forest resources. There is a clear, well-established and legally recognized system of land tenure governing forest lands in Mexico. Approximately 30% of forest lands are the property of private small landowners, around 9% belong to the State in the form of forest reserves, while 61% of forests are the communal property of *comunidades* and *ejidos*.¹ Both *comunidades* and *ejidos* are forms of collective land ownership recognized by the Mexican Constitution and Agrarian Law, which establishes governance structures and governing councils for collective decision making.

6. Although forestry production in Mexico accounts for a modest 0.6% of national GDP, the country has the capacity to increase its current production by more than double, leading to an increase in tax revenue and employment. In recent years, the trade deficit of Mexico's forestry sector has increasingly widened and the level of national consumption of timber products is almost three times more than national production. In 2015, the trade balance grew to US\$6,466 million, with exports of forestry products increasing to US\$2,392 million while imports amounted to US\$8,858 million. Mexico has the potential to sustainably produce 60 million m³ of roundwood at the national level, which could generate employment and be a source of tax revenue. If average annual production increases by 1 to 3%, by 2025 tax revenue could also increase by 47 to 223%. With these growth levels, there could be a four-fold increase in the number of people employed in the forestry sector by 2025.

7. Despite the strategic social and environmental contribution of forests to Mexico's economy and local livelihoods, forests continue to be under pressure. Deforestation and forest degradation levels have fallen in recent years, however the country's deforestation and degradation rates are still among the highest in the world and the principal drivers behind the loss of natural capital in Mexico. The annual rate of change has fallen steadily since the 1990s, from 2.7% net over the period 1990-2000 to 0.7% net over the period 2010-2015. The drivers of deforestation and forest degradation vary widely across the country and include direct and underlying factors. The underlying causes of deforestation and degradation include economic, social and institutional factors, such as the profitability of alternative land uses, land use change, particularly related to agriculture and livestock production, and *comunidades* and *ejidos* low management capacity to conduct forest operations. As a result, environmental degradation and depletion of natural resources in Mexico have an economic cost equivalent to roughly 6.3% of Mexico's GDP, which is even higher in deforestation hotspots.

8. Community forest enterprises and landowners face challenges in accessing finance and improving forest management practices. Although 65% of community forests have commercial potential, less than a quarter have developed forest management plans and less than 9% have evolved into community forest enterprises. Some of the forest management challenges in communities include: (i) community forest enterprises are seen

¹ The *comunidad* is a population grouping with a legal personality and is the holder of agrarian rights recognized by executive or restorative order, or by resolution confirming their ownership of forest lands. The *ejido* is an association of peasant farmers that are owners of common property assigned to them by the State.



as a source of instant jobs and benefit-sharing rather than enterprises that must be managed on sound business and entrepreneurial principles for longer-term, economic benefits; (ii) *ejidatarios* and *comuneros* have a limited understanding of the technical, regulatory and management issues related to developing and overseeing forest enterprises; and (iii) the *ejido* and community assemblies are run by the most senior members, leading to the marginalization of young people and women. Further, few agrarian forest communities invest in their forests or engage in sustainable and profitable forest management over the long term. In order to build the technical, organizational, and entrepreneurial capacities of those responsible for forest management, public policies and programs supporting forest management must be maintained and strengthened, and efforts must be made to promote access to finance.

9. Mexico is committed to preventing deforestation and degradation at the landscape level through policy and institutional reforms. At the federal level, the Ministry of Environment and Natural Resources of Mexico (SEMARNAT) is the government agency responsible for natural resources including forests. In 2001 CONAFOR was established with the objective of promoting conservation activities and developing sustainable forest policies, plans and programs, and was also made the Reducing Emissions from Deforestation and Forest Degradation (REDD+) mechanism focal point. In addition, Mexico has a number of cross-sectoral coordination platforms, including civil society and indigenous organization networks such as the National Development Commission for Indigenous Peoples (CDI). Moreover, to address landscape-level causes of deforestation and forest degradation, CONAFOR signed an agreement in 2016 with the Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) to improve inter-institutional collaboration in forest landscapes. The agreement outlines commitments for joint actions to be undertaken by CONAFOR and SAGARPA in relation to REDD+, productive reconversion, integrated watershed and fire management, and improved monitoring systems and databases, among others. This agreement is also part of a higher-level Environment-Agriculture agreement signed between the Environment Ministry and Agriculture Ministry that provides the political base for this inter-sectorial coordination.

10. Mexico is also at the forefront internationally in preparing and implementing the REDD+ mechanism. Mexico's ambitious NDC recognize the essential role of forests in mitigation actions and establish the goal of 0% net deforestation by 2030. In addition, Mexico's climate change commitments emphasize forests' contribution to adaptation by reducing local communities' vulnerability to natural disasters and economic downturns. The country's REDD+ efforts are encompassed in an ambitious REDD+ agenda, a comprehensive set of instruments and interventions outlined in the National REDD+ Strategy (ENAREDD+).

11. The proposed project is aligned with the World Bank Group's Country Partnership Strategy for Mexico (CPS) FY 2014-2019. The CPS outlines four strategic themes, one of which relates to the promotion of green and inclusive growth, including 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 also the importance of forests as an essential source of employment, income, and livelihood and forests' role in mitigating and adapting to climate change. The project is also consistent with the CPS thematic area of increasing social prosperity, as the proposed activities will support sustainable forest management activities to be implemented by *ejidos* and communities. The proposed project is also aligned with the World Bank's corporate commitments on Forests and Climate Change, and in particular, the World Bank Group Forest Action Plan for FY16 – 20 (FAP), as project activities will support several interventions under the FAP Focus Areas (Sustainable Forestry and Forest Smart Interventions) and Cross-Cutting Themes (Climate Change and Resilience, Rights and Participation, Institutions and Governance). In addition, the project is aligned with the WBG Climate Change Action Plan's top-level



priorities on Supporting Transformational Policies and Institutions, by helping to implement Mexico's NDC in climate policies and investment plans. Through its focus on improving livelihoods and economic opportunities of indigenous peoples and local communities, the project is aligned with the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

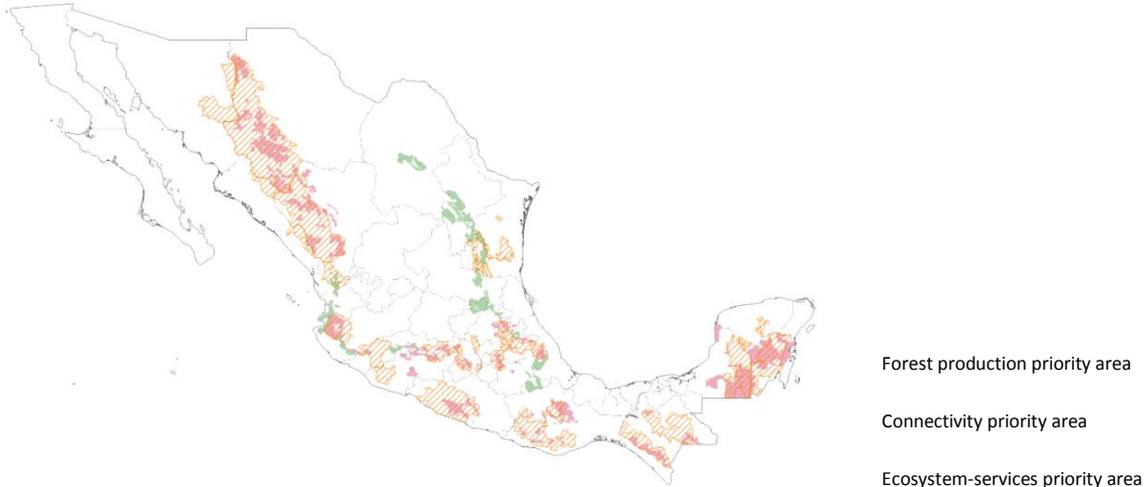
12. The Project Development Objective (PDO) is to strengthen sustainable forest management and increase economic opportunities for forest-dependent people and enterprises in selected forest landscapes in Mexico.

13. This objective will be attained through the maintenance of and an increase in forest landscape area under sustainable management. Strengthen includes maintaining, improving, and increasing forest management activities supported by the project. Sustainable forest management, according to the Mexican Forest Law, includes a set of actions and procedures aimed at managing, harvesting, protecting, conserving, restoring, and using environmental resources and services of a forest ecosystem, with consideration of ecological principles, respecting the interdependence of resources, and maintaining the productive capacity of ecosystems and resources. Under Component 1, the supported sustainable forest management activities include, inter alia, sustainable forest management, forest landscape restoration, national and international certification, and Payment for Ecosystem Services (PES). Forest-dependent people and enterprises includes all the potential beneficiaries detailed in Table 1. Increased economic opportunities include improved access to key markets and business opportunities, that will also help generate increased income and employment. Selected forest landscapes² in Mexico refers to a series of regions considered as priority for productive forest management (orange), as well as key priority areas for their potential to provide ecosystem-services (red) and areas that connect these areas or complement them (green). The forest management areas have been selected based on their potential for timber production. The biodiversity priority areas are defined annually and a key objective of the project is to set up specific Payment for Environmental Services (PES) modalities within productive forest landscapes. While the project supports national programs, its key objective is to focalize support within the key priority areas.

² In the Bank's Forest Action Plan, a landscape approach is defined as an approach that "provides the organizing principle for investing in and managing land, based on rational spatial planning and socioeconomic considerations."



Map 1. Project's selected landscapes



Key Results

14. The following key results are expected:

- a. Area of forest landscape managed according to defined criteria. Includes new or improved areas under the schemes supported under Component 1 that have been verified to comply with predetermined criteria detailed in the Operations Manual and in accordance with the Operating Rules and regulations in force and, including (i) PES, (ii) Restoration, (iii) Agroforestry, (iv) Productive re-conversion, (v) certification at all three levels, (vi) Timber and non-timber forest management, and (vii) Commercial forest plantations.
- b. Index of forest entrepreneurship. The indicator measures the percentage of beneficiaries who move from one range of the index to a higher one. The index will be divided into 5 ranges. The index is preliminarily composed of the following dimensions: (i) Creation and organization: operational and established forest enterprises (structure, governance, accounting system), (ii) Added value: number of value chains, (iii) Diversification: Number of products sold on the market, (iv) Production and productivity: production volume.
- c. Share of target beneficiaries with rating "Satisfied" or above on project interventions. Corporate indicator. Project beneficiaries considered "satisfied", according to the criteria detailed in the Operations Manual and measured by a survey taken at project mid-term and closure.

D. Project Description

15. **Component 1. Strengthening forest management, conservation, and business development.** (IBRD US\$56 million). This component will finance existing forest sector demand-driven incentive programs that



aim to support local communities and other landholders in sustainably managing forests, as well as increasing economic opportunities from forest resources. Under existing forest management incentive programs, forest communities and landholders receive government incentives directly in the form of grants, matching grants, and/or capacity building for activities ranging from enhancing forest community social capital and organization to conservation and restoration to increasing market access. The Project will help align these incentive programs to support beneficiaries in sustainably exploiting forest resources and improving their living conditions. In particular, this support will be focused in three sub-components: (1.1) **Forest entrepreneurship and social capital**, which will support forest owners, forest social organizations, regional forest promoters, community-to-community knowledge exchange networks, and local community forest promoters in implementing projects to improve their governance, landscape planning and generate knowledge to improve production processes; (1.2) **Sustainable management of forest landscapes**, which includes supporting activities to implement silviculture, conservation, and restoration practices. This includes support for forest production of timber and non-timber products, forest certification, and commercial forest plantations, as well as conservation schemes such as Payment for Ecosystem Services (PES), restoration, and agro-forestry activities. This sub-component will ensure connectivity between landscape activities, for example: (i) promoting PES in certified forest management areas, (ii) convergence of restoration and PES in degraded areas with a high potential of ecosystem services provision, (iii) convergence of restoration and commercial plantations in areas with commercial production potential, and (iv) connecting PES corridors between production areas with high potential of ecosystem services provision; and (1.3) **Transformation and access to markets**, which supports forest communities and landowners to more fully reap the benefits from forest landscapes, through support for all phases of the production chain, formation and strengthening of community forest enterprises, including diversifying activities and products, value addition, process and technological modernization, and market access. These projects aim to increase competitiveness and diversify the production potential of forest resources.

16. The forest management incentive programs, supported under Component 1, will provide assistance to forest landholders and communities in increasing their business opportunities and sustainably managing forests, by, *inter alia*: (i) assessing and implementing technological improvements in production processes, such as addressing outdated machinery and technological lags in the wood industry; (ii) market analysis, to identify the best ways to introduce products into the market; (iii) support forest-dependent peoples and enterprises in developing sustainable forest management tools (manuals, guides, approved methodologies or criteria for monitoring, management inventories, wood classification, among others) to make operating procedures more efficient. In addition, this component will seek to address gender and social inclusion issues, and ensure the participation of women.

17. **Component 2. Institutional Development and Facilitation Support.** (BioCF plus grant US\$10 million)

18. **Sub-component 2.1 Strengthening CONAFOR and Cross-sector Coordination.** This component will finance goods, technical assistance, and operating costs to (i) help strengthen CONAFOR's coordination with other agencies that play a role in landscape management, including the Ministry of Agriculture (SAGARPA), Ministry of Environment (SEMARNAT), National Institute of Ecology and Climate Change (INECC), National Institute of Geography and Statistics (INEGI), National Womens Institute (INMUJERES), Federal Environmental Protection Agency (PROFEPA), State Governments, Municipalities, Academia, Civil Society (e.g., by establishing joint investment plans with SAGARPA in areas that are eligible for agriculture and forest subsidies to better



align landscape investments, by maintaining joint databases with SEMARNAT, and by formalizing arrangements with INECC for AFOLU monitoring); (ii) support improvements in the enabling environment for sustainable forest landscape management (e.g., updating legislation to promote sustainable forest management, modernizing schemes for regulating forest-related productive processes, among others); (iii) support CONAFOR in developing financing mechanisms suited to the needs and conditions of private forest and agricultural enterprises (e.g., a green credit line); (iv) provide needed investments in monitoring, reporting, and verifying Green House Gas (GHG) emissions and support the longer-term sustainability of CONAFOR's Forest Monitoring Technical Unit, in particular, by developing a GHG inventory of all AFOLU categories to meet ISFL emissions reduction program requirements; and (v) provide specialized technical support to CONAFOR's departments, including Conservation and Restoration Department, Production and Productivity Department, Education and Technological Development Department, State Coordination Department, General Planning Department, General Administration Department, and Communications Department.

19. **Sub-component 2.2. Strengthen Beneficiary Advisory Services.** In addition, the grant funding will finance technical assistance and operating costs to help create and develop the capacities of investment beneficiaries. This facilitation support includes: (i) developing tools and materials to strengthen forest landscape management; (ii) seminars and workshops to strengthen beneficiary capacities; (iii) studies on technological improvements in production and commercialization processes; (iv) specialized consultancies, including on biomass use; and (v) developing a team of regional specialists, located in priority hotspots to provide specialized regional guidance and technical support to Technical Advisors, Community Advisors, and Forest Sector Social Organizations (OSSF), providing technical assistance to beneficiaries under CONAFOR's demand-driven, incentive programs.

E. Implementation

20. CONAFOR has a robust implementation capacity and long-standing experience with Bank-financed operations. The project will be implemented through existing CONAFOR structures, and will strengthen existing channels of cross-sectoral coordination. A Steering Committee and an Operational Committee will be created within CONAFOR. CONAFOR, with project support, will also contract specialists with expertise in areas where CONAFOR has limited experience or where innovation should take place, such as restoration and forest enterprise development. Higher-level government coordination will take place in the context of the existing Inter-Secretarial Commission on Climate Change. At the local level, day-to-day implementation and monitoring of Component 1 will be undertaken by CONAFOR field offices in collaboration with state governments in line with their regular mandate. Inter-institutional collaboration agreements with SAGARPA, SEMARNAT, and the National Biodiversity Commission (CONABIO) will complement that arrangement.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The Project will be implemented in selected forest landscapes in Mexico. These selected forest landscapes refer to a series of regions considered as priority for productive forest management, as well as key priority areas for their potential to provide ecosystem-services and areas that connect these areas or complement them. The forest management areas have been selected based on their potential for timber production. The biodiversity priority areas are defined annually and a key objective of the project is to set up specific Payment for Environmental Services (PES) modalities within productive forest landscapes. While the project



supports national programs, it aims to focus support within the key priority areas indicated in Map 1.

G. Environmental and Social Safeguards Specialists on the Team

Dora Patricia Andrade, Environmental Safeguards Specialist
Robert H. Montgomery, Environmental Safeguards Specialist
Arelia Jacive Lopez Castaneda, Social Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The project is classified as Category B given that the proposed investments (e.g., silviculture, forestry enterprise programs and other forest landscape management measures) are not likely to cause significant negative impacts on human populations and / or environmental areas. The project is rather likely to have positive impacts on forest conservation. Further, any TA work (e.g., related to technological improvements) will incorporate relevant safeguard principles and environmental health and safety (EHS) best practices (especially related to forestry and production activities). CONAFOR carried out a full-scale Environmental and Social Assessment for the forest sector, as well as a Strategic Environmental and Social Assessment (SESA) for the National REDD+ Strategy, for related projects that are still valid and are used as a baseline for this Project.</p> <p>Thanks to the successful safeguard management experience during the implementation of the Forest and Climate Change Project (P123760), the related Environmental Management Framework (EMF) has been updated to reflect the additional activities and beneficiaries of the new proposed Project. The EMF guides the preparation of site-specific safeguards instruments (such as, Environmental Management Plans, EMPs, and Environmental and Social Management Plans, ESMPs) during project</p>



implementation and includes an exclusionary list, a screening plan for activities to identify, avoid and mitigate any potential negative environmental, health, safety, and social impacts associated with project activities. The EMF also incorporates recommendations to include health and safety principles in CONAFOR's operating rules. In addition to considering potential negative impacts and mitigation measures, the EMF also identifies good practices which the Project will integrate, including activities such as community forestry, sustainable management of forest-landscapes, guidelines for sustainable exploitation of timber and non-timber products, productive reconversion, national and international certification, value chain development, access to markets, commercial forest plantations, and certification processes, as well as for the preservation of critical natural habitats sustained by these forests.

The main potential negative impacts identified by the EMF might arise from sub-projects that support plantation promotion. These sub-projects could lead to soil contamination through an excessive use of pesticides and fertilizers, erosion due to inappropriate or excessive use of machinery and equipment, damage to biodiversity by the integration of exotic species or promotion of monocultures, lack of technical knowledge of technical assistants and beneficiaries, increased worker accidents due to lack of personal protection equipment and inadequate working conditions in areas of felling and sawing, or combating forest fires. The EMF provides the necessary recommendations to mitigate these measures and refers to the operating rules of the borrower to ensure compliance at all levels of implementation. The updated EMF was consulted prior to appraisal within CONAFOR and at the meeting of the National CTC-REDD (composed of civil society, indigenous peoples and peasant organizations) on October 25, 2017, for stakeholder feedback and inputs. It was disclosed on November 22 at the Bank's website and at the client's website:

<https://www.gob.mx/conafor/documentos/proyecto-de-fortalecimiento-empresarial-en-paisajes-productivos-forestales?state=published>.



Natural Habitats OP/BP 4.04	Yes	<p>The project does not anticipate restricting access to natural resources and will not finance any activities that involve significant conversion of natural habitats.</p> <p>This policy is triggered, however, given that some project activities will be implemented in natural habitats, including Protected Areas. Activities might support forest management and conservation, as well as a number of environmental and ecosystem services that natural habitats provide. The EMF therefore addresses issues related to the exploitation of non-timber products, natural habitats and ecosystem services, and potential project impacts. Specifically, the EMF introduces appropriate screening criteria to ensure that impacts on natural habitats are properly evaluated and highlights that project activities or financing must not involve significant conversion of natural habitats.</p>
Forests OP/BP 4.36	Yes	<p>This policy is triggered as the project will be implemented in forest lands. However, as the project promotes sound forest management practices, overall impacts are expected to be positive. A screening mechanism was incorporated into the EMF to ensure that any potential small scale, negative impacts on forests and forest dwellers will be mitigated. Further, all activities supported, including TA activities, will follow the principles of the general OP / BP and EHS Guidelines, CONAFOR's operating rules, and national policies.</p>
Pest Management OP 4.09	Yes	<p>The Pest Management policy is triggered as the Project will finance timber forest products, tree nurseries and other forestry activities which might imply the use of pesticides and fertilizers.</p> <p>Reforestation activities could also trigger this policy depending on the methods selected to manage pests. However, the project will not directly finance the use of pesticides, but rather will promote integrated management of pests and eventually the use of certain non-restricted pesticides to minimize risks to human health and the environment. The Project EMF contains a specific Pest Management Plan and screening mechanisms to evaluate the use of pesticides, ensure their responsible management and avoid and mitigate associated environmental or health impacts. The Plan is in line with sound</p>



environmental and human health protection objectives and promotes the use of mechanical and biological alternatives to replace pesticides. A stand-alone pest management plan will not be necessary. However, as an annex to the EMF, the Plan was consulted and disclosed.

Physical Cultural Resources OP/BP 4.11 Yes

This policy is triggered in precautionary manner. Although it is not anticipated that the project will have a negative impact on any sites with the presence of physical cultural resources, including sites and areas of cultural and religious value to local communities, this policy is triggered in case project interventions or investments unexpectedly find physical or cultural resources. The EMF includes provisions regarding how to protect known physical cultural resources and how to address chance finds through the operating rules.

Indigenous Peoples OP/BP 4.10 Yes

This policy is triggered as the project will be implemented in selected forest landscapes as described in map 1, which also implies areas with indigenous peoples who will be one of the project's beneficiary groups. CONAFOR carried out a full-scale Social Assessment for the forestry sector, as well as a Strategic Environmental and Social Assessment (SESA) for the National REDD+ Strategy, which were disseminated via an extensive participatory approach and are still considered valid. These instruments will be used as a base for this Project. To meet the requirements of OP 4.10 and ensure negative consequences of interventions are avoided, an Indigenous Peoples Planning Framework (IPPF) was prepared considering lessons learned from the previous IBRD-financed projects: Mexico Forest and Climate Change Project (P123760), Environmental Services Project (P087038), Community Forestry II Project (PROCYMAF II) (P035751), Mexico Community Forestry I Project (P007700), and REDD+ Emission Reductions Program (P162749). The IPPF identifies the potential positive and negative impacts on IPs by the project and provides recommendations on how to screen for them and avoid them. It contains specific guidelines on culturally adequate consultations, as well as measures to ensure joint planning, capacity building



and culturally-inclusive implementation of activities. Furthermore, it highlights that training of project managers, the inclusion of IP in decision-making and as technical promoters as well as awareness raising regarding the specific needs of indigenous communities in the intervention areas will be fostered continuously by the Project. In addition, the IPPF: (i) includes the principles and objectives of OP 4.10 which are also included in technical assistance activities planned; (ii) contains social criteria to be included in the Monitoring and Evaluation Framework of the Project; and (iii) establishes guidelines and criteria for an Indigenous Peoples Plan (IPP) which will also include gender. This IPP will be developed in the six first months phase of the implementacion of the project and will be consulted with representatives of the Consultative Council of CDI (Commission for Development of Indigenous Peoples).

The IPPF was consulted prior to appraisal within CONAFOR and at the meeting of the National CTC-REDD (composed of civil society, indigenous peoples and peasant organizations) on October 25, 2017, for stakeholder feedback and inputs. It was disclosed on November 22 at the Bank's website and at the client's website:

<https://www.gob.mx/conafor/documentos/proyecto-de-fortalecimiento-empresarial-en-paisajes-productivos-forestales?state=published>.

From a safeguards point of view, no involuntary resettlement will result from any activities financed by the project. The project does not anticipate any land acquisition and all sub-projects financed under this operation will be carried out on private land, owned by the ultimate beneficiaries. However, the project will invest in natural resource management activities (agroforestry, soil restoration, tree planting, etc.) and some of these activities will be implemented in protected areas (PA)—in line with the PA management plans and close supervision—where there may be cases where use and access to resources may be restricted due to changes in forest management and resource management plans. Therefore, in line with OP 4.12, a Process Framework (PF) was developed considering lessons learned from the previous IBRD- financed projects: Forest and

Involuntary Resettlement OP/BP 4.12

Yes



Climate Change Project (P123760), Environmental Services Project (P087038), Community Forestry II Project (PROCYMAF II) (P035751), Community Forestry I Project (P007700), and REDD+ Emission Reductions Program (P162749), as a means of mitigating any potential adverse impacts that may emerge from the restrictions of access to natural resources. The PF also includes a screening to exclude any interventions potentially leading to land conflicts and clear guidance on the handling of conflicts, referring to the operating rules. It should also be noted that all project-supported activities will take place in a community context and any intervention will be demand-based and on a request basis by the community assembly.

CONAFOR presented the PF at the meeting of the National CTC-REDD (composed of civil society, indigenous peoples and peasant organizations) on October 25, 2017, for stakeholder feedback and inputs, and also consulted it with the internal technical and operational areas within CONAFOR. It was disclosed on November 22 at the Bank's website and at the client's website:

<https://www.gob.mx/conafor/documentos/proyecto-de-fortalecimiento-empresarial-en-paisajes-productivos-forestales?state=published>.

Safety of Dams OP/BP 4.37	No	This safeguard policy is not triggered as the project will neither support the construction or rehabilitation of dams, nor support investments which rely on existing dams.
Projects on International Waterways OP/BP 7.50	No	This safeguard policy is not triggered as the project will not support activities which involve the use or potential pollution of international waterways.
Projects in Disputed Areas OP/BP 7.60	No	This safeguard policy is not triggered as the project will not support activities in disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

This project is classified as environmental risk category B.

The main environmental impact of the project will be the incorporation of new areas into sustainable forest



management practices, the consolidation of supports to forest management and conservation, the fostering of the sustainable use of forest projects, as well as of small scale commercial plantations. Project activities do neither include agriculture or livestock expansion, nor infrastructure investments such as road building and maintenance.

The aim of the project is to strengthen forest management capacities and techniques and increase economic opportunities for forest-dependent people and enterprises in selected forest landscapes in Mexico.

Two decades of Bank operations in the forestry sector in Mexico and a close collaboration with the National Forestry Commission (CONAFOR) have contributed to sound environmental and social practices in the proposed areas of intervention. Project activities already financed by the Bank include, among others, community-based land use planning and forest management including the harvesting, processing and marketing of timber and non-timber products, as well as the protection of and payments for ecosystem services.

An extensive Social Assessment was carried out as part of the previous Forest and Climate Change Project (2012-2017) by CONAFOR to conduct a comprehensive review of and gather knowledge on the socio-cultural context of the proposed project areas. Specifically, key elements included: (i) legal review; (ii) socio-demographic baseline; (iii) identification of key stakeholder groups; (iv) culturally appropriate consultation processes; (v) potential positive and negative impacts of forestry interventions; (vi) guidelines for dissemination, participation and consultations.

Some of the key findings of the Social Assessment involve (i); the identification and inclusion of indigenous peoples and women in the project context; (ii) the need and fostering of broad participation; and (iii) the need for culturally and socially appropriate means of communication, treatment, capacitation and material is outlined, as well as (iv) the importance of taking into account traditional knowledge and traditions during the implementation of the activities in the Projects. These aspects were included accordingly in the project design of the hereby described project and integrated in the EMF, IPPF and PF of this Project.

The PF and IPPF integrate guidelines and best practices, as well as screening mechanisms to avoid any potential negative impacts on IPs or resettlement issues.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

It is expected that the Project, through capacity-building, intra- and inter-institutional strengthening, multi-sectoral alignment, the improvement of policy coherence and the support of sustainable forestry practices, rather impacts long-term in a positive way.

As a long term positive impact, community forestry will be the entry point for strengthening social capital , contributing to developing sustainable and inclusive landscape planning instruments and contribute to advance community strategies.

Another long term positive impact is that the activities will support several institutional and policy-related coordination efforts to align multi-sectoral priorities on the ground and improve the delivery of CONAFOR technical assistance programs. It will increase capacity to plan and carry out sustainable forestry and landscape management practices and a strong focus will be put on strengthening capacities regarding culturally-inclusive activities, gender and women inclusion and mitigation any social or environmental impacts.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

n/a

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

CONAFOR can build on decades of experience in the implementation of good environmental practices in IBRD and GEF



operations, among other programs like Community Forestry and Payment for Environmental Services which have been financed by the Bank since they were launched (in 1997 and 2003, respectively), REDD+ preparation and the IBRD Financed Projects “Mexico Forest and Climate Change” (P123760), Environmental Services Project (P087038), Community Forestry II (PROCYMAF II) (P035751), Mexico Community Forestry I (P007700), and REDD+ Emission Reductions Program (P162749). These projects have contributed to building capacity in the institution and produced a series of manuals to promote best practices of forest and soil management as well as biodiversity conservation practices, both at the government level and in the communities.

CONAFOR has drafted and published three social safeguards instruments (EMF, IPPF and PF) in order to analyse potential social and environmental impacts of this Project.

The EMF builds on two decades of CONAFOR experience in the implementation of good environmental practices in IBRD and GEF operations, among others programs like Community Forestry and Payment for Environmental Services which have been financed by the Bank since they were launched (in 1997 and 2003, respectively), REDD+ preparation and the Project “Forests and Climate Change” (2012-2017). These projects have contributed to building capacity in the institution and produced a series of manuals to promote best practices of forest and soil management as well as biodiversity conservation practices, both at the government level and in the communities.

CONAFOR updates the operational rules of the participating program (reglas de operación) every year based on inputs from its technical committees as well as from the different consultative bodies that have accompanied the operations, in some cases since the 1940s. Operational rules incorporate criteria like land use planning, integrated watershed management to promote effective incentives to good management practices and local/regional initiatives to better manage landscapes, protected areas and productive mosaics. Furthermore, a strong focus is put on gender inclusion and empowerment as well as indigenous peoples culturally-inclusive involvement: In terms of gender, 25% of the self-declared beneficiaries of the Forest and Climate Change project’s programs are women. There is still room for improvement in the inclusion of women in beneficiary programs and forestry management activities; a challenge which this project is aiming to tackle. The project will promote a gender inclusive approach in order to foster gender equality and an improvement of the socio-economic conditions of the communities. Furthermore, the EMF, IPP and PF include a strong gender perspective.

CONAFOR has extensive experience in the inclusion of the target groups of the Project. Significant efforts have been made to include stakeholder groups at various levels to understand the objectives and needs, different mechanisms of governance and impact, as well as the different processes of participation through: i) differentiated efforts to include vulnerable groups, ejidos, women and more IPs into demand-driven programs, and ii) implementing activities such as community-to-community workshops and other events to assist in this process of developing land use plans and community strategies that will serve as an umbrella for the technical and feasibility assessment of investments.

CONAFOR has drafted and published three safeguards instruments (IPPF and PF) in order to analyse potential social impacts of the Project.

CONAFOR put in place mechanisms to assess and verify the broad community support/ consent of Indigenous Peoples where applicable.

There have never occurred any negative environmental or social impacts going beyond current guidelines and regulations in CONAFOR/IBRD projects and no negative impacts are expected from the activities included in the design of the current operation.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The project is meant to benefit a large number of communities, indigenous peoples and other local stakeholders throughout the country through capacity-building, culturally-sensitive material, empowerment, and the support of sustainable forestry practices which guarantee an improvement in livelihoods in the long run. The new project shifts away the focus from REDD+ towards productive forest landscapes. This is well in line with current government policies



and efforts, and responds to IPLC demands for support for productive sustainable natural resource management. For the design of the Project, stakeholder consultations were held ensure an inclusive project design. CONAFOR has extensive experience in the inclusion of the target groups of the Project through: i) differentiated efforts to include more IP to national demand driven programs, and ii) to enhance activities such as community-to-community workshops and other events to assist in this process of developing land use plans and community strategies that will serve as an umbrella for the technical and feasibility assessment of investments. Significant efforts have been made to include stakeholder groups at various levels to understand the objectives and needs, different mechanisms of governance and impact, as well as the different processes of participation.

With regards to social safeguards, the Indigenous Peoples policy (OP4.10) and the Involuntary Resettlement Policy (OP4.12) have been triggered to address potential impacts on indigenous peoples and manage potential restriction of access to natural resources, respectively. However, given that the project is designed as demand-driven grants to indigenous peoples and other local communities (such as campesino and agrarian communities), it will rather benefit indigenous peoples while respecting their social and cultural traditions. No physical resettlement or land acquisition is expected under the project.

All three social safeguards instruments (EMF, IPPF and PF) drafted for this Project are based on the existing Climate Change and Forestry Plans, thus backed by a broad consultation process undertaken previously. Additionally, they were consulted within CONAFOR and the CTC-REDD in October 2017, and published on the CONAFOR and the World Bank website in November 2017, in line with consultation and transparency guidelines. They are available on CONAFOR’s website and at the World Bank’s external website. These instruments will be further disseminated to the relevant stakeholders at the national level. CONAFOR will maintain dialogue with key stakeholder groups such as Indigenous Peoples and women.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank 20-Nov-2017	Date of submission for disclosure 22-Nov-2017	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank 20-Nov-2017	Date of submission for disclosure 22-Nov-2017
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"In country" Disclosure



Mexico
22-Nov-2017

Comments

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank

Date of submission for disclosure

20-Nov-2017

22-Nov-2017

"In country" Disclosure

Mexico
22-Nov-2017

Comments

Pest Management Plan

Was the document disclosed prior to appraisal?

Date of receipt by the Bank

Date of submission for disclosure

Yes

20-Nov-2017

22-Nov-2017

"In country" Disclosure

Mexico
22-Nov-2017

Comments

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment



Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

NA

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

No

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

Yes

OP/BP 4.12 - Involuntary Resettlement



Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

OP/BP 4.36 - Forests

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

Yes

Does the project design include satisfactory measures to overcome these constraints?

Yes

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT



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APPROVAL

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Approved By

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Practice Manager/Manager:	Valerie Hickey	27-Nov-2017
Country Director:	Jutta Ursula Kern	27-Nov-2017

