



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Mexico	LATIN AMERICA AND CARIBBEAN	P172079	
Project Name	Connecting Watershed Health with Sustainable Livestock and Agroforestry Production		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Environment, Natural Resources & the Blue Economy	Investment Project Financing	7/13/2020	1/28/2021
Borrower(s)	Implementing Agency(ies)		
The United Mexican States	The National Institute of Ecology and Climate Change (INECC), The Mexican Fund for the Conservation of Nature (FMCN)		

Proposed Development Objective(s)

Promote and increase the connectivity of cattle and agroforestry landscapes in selected watersheds.

Financing (in USD Million)	Amount
Total Project Cost	13.76

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed Connecting Watershed Health with Sustainable Livestock and Agroforestry Production project (CONNECTA) aims to integrate land use planning and the use of natural resources sustainable livestock (beef and dairy products) and agroforestry production, using a landscape perspective. CONNECTA’s theory of change is that sustainable/regenerative ranching is a profitable and economically viable activity particularly when combined with



integrated landscape management (ILM) with a focus on land use changes and ecosystem services. Regenerative ranching, which includes holistic management, rotational grazing and silvopastoral systems, provides win-win solutions at the producer and ecosystem levels. CONECTA will build on an existing movement of regenerative ranchers that implement practices that increase production, promote diversification of crops, and as a result, lead to potential improvements in the income of ranchers, while conserving biodiversity, sequestering carbon, and improving water quality. Activities focused on capacity building and demonstration and dissemination of good productive practices will target fifteen watersheds in the States of Jalisco, Veracruz, Chiapas and Chihuahua. Advances in these watersheds will feed national policies and support scale-up and replication, creating an enabling environment for transforming livestock production practices into more sustainable ones with a landscape perspective. The promoted practices will also aim at diversifying producer incomes through livestock inter-cropped with shade coffee, fruits and/or tree species; introducing agroforestry and silvopastoral systems.

With a strong hold in the territory, CONECTA will work in critical landscapes on changing production practices of livestock commodities and improving partnership coordination across the targeted value chains (beef and dairy products). It will be funded by resources from the Global Environmental Facility (GEF) and will count with parallel co-financing by the Wyss Foundation, Green Climate Fund (GCF), Government of Germany, and potentially French Development Agency (AFD), and is expected to gain national visibility. The experience of the lead executing agencies, the National Institute of Ecology and Climate Change (INECC) and Mexican Fund for the Conservation of Nature (FMCN) and collaborating partner institutions and allies will be key to enact policy changes at the national level. A Global Platform managed by the World Bank on the Food Systems, Land Use, and Restoration Impact Program (FOLUR) of GEF-7 promotes knowledge exchange and will contribute to accelerating the project impact at the national level, while expanding it internationally.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project will focus on four Mexican states, Veracruz, Jalisco, Chihuahua and Chiapas, and 15 watersheds that cover a total area of 9,742,128 ha. These watersheds were selected due to their high rates of biodiversity and vulnerability to climate change. The States of Veracruz and Jalisco are the first and second producers of beef with 15.1 and 10.8 percent of the national production, respectively. The ecosystems represented in the selected watersheds include tropical rainforest, grasslands, dry deciduous forest, cloud forest and pine-oak forest. Their unique biodiversity is highly endangered due to extensive livestock farming, free grazing and indiscriminated use of water sources, among others.

Ranching has been the driving force of deforestation in the targeted landscapes. During the last century, public subsidies promoted transformation of forests into pastures to release pressure from populated areas. Territories were turned into 60,300 small units of extensive and inefficient cattle ranching. High use of agrochemicals resulted in land degradation and loss of ecosystems services. Ranching keeps further expanding into upper watersheds, exacerbating the environmental degradation. Climate change is contributing to this upward migration, since regions to grow high quality coffee are now found at higher elevations where cloud forest is found.

Livestock production units (LPU) range from small family production units that mainly serve local markets and meet own consumption needs in Chiapas, Jalisco and Veracruz to more organized and large producer units and associations



with access to international markets in Chihuahua. In the first three states, communal land holders named ejidatarios participate and benefit from ranching businesses. In Veracruz, Indigenous and Afro-Mexican communities also benefit and participate in livestock businesses. CONECTA's efforts will benefit livestock producers to (i) implement and promote more sustainable and regenerative practices; (ii) mobilize and strengthen producer associations to leverage them as platforms to access better and more profitable markets; and (iii) increase negotiating power to achieve better prices and increase producer profits. In terms of labor practices, family members participate in cattle raising in the States of Chiapas, Jalisco and Veracruz under the figure of generational ranching. Teenagers help their parents in cattle raising as a way to learn about the practices and management of livestock businesses and be ready to take them over when needed. Generational ranching has become significantly relevant to pass on traditions, attachment to land to younger generations of ranchers, and to ensure continuity of ranching, even more, where young ranchers have lost interest in livestock businesses and prefer migrating to urban areas to work in more profitable areas such as the tourist industry, as in the case of Jalisco. When needed, additional workers are hired to support specific activities across the value chains. Respective wages are either paid daily (jornales) as in Chiapas, while in other states like Chihuahua there are more formal payment structures. Women mostly participate in the dairy value chains. During project preparation, more concrete numbers regarding participating Indigenous and Afro-Mexican communities, social risks and impacts, as well as biodiversity risks and impacts will be gathered.

D. 2. Borrower's Institutional Capacity

The National Institute for Ecology and Climate Change (INECC) and the Mexican Fund for Nature Conservancy (FMCN) will lead the project implementation, FMCN carrying all fiduciary responsibilities. Since 1991, INECC has accumulated experience and expertise in the analysis of social and institutional conditions needed for watershed management and adaptation to climate change. FMCN is the largest environmental fund in Latin America with 25 years of experience in funding conservation through NGOs, communities and public-private partnerships. It has financed more than 900 projects and managed donations from more than 70 donors through 200 local organizations. The largest program within the FMCN is the Fund for Natural Protected Areas (FANP, Fondo para Áreas Naturales Protegidas) that follows guidelines designed under the World Bank supervision and accepted by other donors in Mexico. INECC and FMCN have extensive experience in implementing World Bank Group-supported projects and thus, have extensive knowledge of World Bank safeguards policies and IFC Performance Standards, including the implementation of the "Coastal Watersheds Conservation in the Context of Climate Change" project ("C6"; P131709), which was financed by GEF-5 with the World Bank as the Implementing Agency and closed in June 2019. CONECTA can be considered a follow-up project to C6 in terms of components, implementation areas and staff involved.

FMCN will lead CONECTA's field activities and the environmental and social risk management in line with the World Bank Environmental and Social Framework (ESF). Furthermore, support will be received by the Mexican Commission for Forestry (CONAFOR) and the Commission for Protected Areas (CONANP) under the Secretariat of Environment and Natural Resources (SEMARNAT), the Secretariat of Agriculture and Rural Development (SADER), the National Water Commission (CONAGUA), and the Mexican Institute of Water Technology (IMTA). At the state level, Regional Funds for nature conservancy, civil associations called Fondo Noroeste (FONNOR) in Jalisco; Fondo Golfo de Mexico (FGM) in Veracruz; Fondo de Conservacion El Triunfo (FONCET) in Chiapas; and Terra Habitus in Chihuahua will be in charge of organizing calls for proposals and identifying relevant Civil Society Organizations (CSO) and consulting firms to partner with to implement the project. For these institutions, CONECTA will be the first ESF project. In October 2019, the first CONECTA mission focused on the ESF implementation and the World Bank team therefore built capacity on the principles, scope and obligations of both the Bank and Borrowers under the ESF and since, INECC and FMCN staff have been engaged in studying available on-line resources for further learning. In January 2020, the preparation mission



focused on clarifying the project scope and activities as well as potential environmental and social impacts. During preparation, the Bank team continues providing technical ESF support as needed.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The project’s environmental risk is rated Moderate at the Concept Stage due to the nature and scale of environmental risks and potential negative impacts of the project activities that are expected to vary from Moderate to Low, given the project design is geared to reducing environmental risks and negative direct, indirect and cumulative impacts of rural smallholder livestock and agroforestry production in 15 watersheds in Jalisco, Veracruz, Chiapas and Chihuahua. The project will include different types of activities such as technical assistance, capacity building, investment in land use planning and improved use of natural resources, including ILM and integrated watershed management, restoration of degraded landscapes and riparian corridors, regenerative ranching and sustainable agricultural practices to sequester carbon, conserve biodiversity and improve water quality in the selected watersheds. Overall, the project will promote adoption of sustainable and resilient land use practices aimed at: (i) conservation of ecosystems and biodiversity of both local and national importance; (ii) prevention of expansion of the cattle raising frontier and forest and soil degradation; (iii) control of erosive processes; (iv) increase of provision of environmental services; (v) improvement of land use planning; (vi) organization of productive activities under a landscape vision; (vii) reduction of use of chemical herbicides and pesticides; and (viii) contribution to reducing GHG emissions and increasing resilience to climate risks, including drought.

Any possible environmental risks and negative impacts are expected to be site-specific, short-term and reversible, related to land restoration and ranching and agricultural practices: (i) water overuse for irrigation purposes; (ii) improper waste management in livestock and agricultural practices; (iii) potential use of fertilizers and pesticides in seedling production and land restoration activities; and (iv) work-related accidents or incidents.

Social Risk Rating

Moderate

The project’s social risk is rated Moderate. Based on the analysis of the underlying CONECTA activities as well as two visits to project sites in Veracruz and Jalisco, it was determined that the project per se is not likely to cause significant risks or negative impacts on human populations. On the contrary, it is expected to have positive social impacts in project areas including on vulnerable populations. These populations will benefit from more sustainable and regenerative productive practices that will improve their livelihoods. CONECTA will also support better watershed and forest governance. Further, CONECTA will support the alignment of policies and incentives, development of capacities, potential access to credit, networking, strengthening of associations of livestock and agroforestry producers, and implementation of a solid community-based monitoring system.

The project is planned to be implemented in selected areas of Veracruz, Jalisco and Chiapas where the presence of Indigenous Peoples (IP) and Afro-Mexican populations is important. However, only in Veracruz indigenous and Afro-

Public Disclosure



Mexican populations will be direct beneficiaries of activities planned under CONECTA. Potential social risks of the project include: (i) promotion of ranching and agroforestry practices that might end up reinforcing existing gender stereotypes and other inequalities innate to coffee and ranching livelihood dynamics; (ii) conflicts with producer associations and small and medium producers who might not agree with the project-promoted practices because they find them onerous; (iii) difficulties in getting cattle raisers and agroforestry producers to associate and work in groups; (iv) labor practices that don't align with the objectives and criteria of Environmental and Social Standard (ESS) 2 on Labor and Working Conditions at the community or producer level. These risks will be partially mitigated through the application of a participatory approach during project implementation, and detailed and clear communication messages and call for proposals to "technical service providers (TSP)" that can be consulting firms and Civil Society Organizations (CSOs) that emphasize the benefits at the producer level of adopting regenerative ranching practices and forming and mobilizing producers associations, including new members. Detailed mitigation strategies will be detailed in various instruments that are under preparation by FMCN as commented in the next paragraph. A state and watershed level Environmental and Social Assessment (ESA) forms part of the Environmental and Social Management Framework (ESMF) preparation and will cover labor and working conditions - particularly those related to generational ranching and special needs by gender in terms of the main foreseen activities. The participation of women in the dairy value chains will also be looked at.

The Stakeholder Engagement Plan (SEP) being developed under the project is expected to provide inputs for generating strategies to avoid, minimize or mitigate the above-mentioned risks and will pay attention to engagement with IPs, Afro-Mexicans and local communities, as well as other relevant stakeholders (i.e. academia, local governments, among others). A special focus will be put on a continued feedback loop and a robust, regionally-accessible, culturally-adequate Grievance Reddress Mechanism (GRM). The identified social risks will be mitigated through a Process Framework (PF) and an Indigenous Peoples' Planning Framework (IPPF). The ESMF will include Labor Management Procedures (LMP) that will consider, among other key aspects, the strengths and potential risks implied with generational ranching. The instruments will also include an exclusion list to avoid e.g. adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation. All the instruments will be developed by mid-April 2020, except the PF that may be delivered later if necessary.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

ESS1 is relevant for the project. As described above on the implied environmental risks, the foreseen activities are not expected to have significant environmental risks or negative impacts. Rather, the project is expected to generate benefits for local communities through the adoption of sustainable and productive land uses, including agroforestry systems, as well as positive impacts on watershed conservation by and tackling the main direct drivers of water degradation from ranching activities. From an environmental perspective, the main positive impacts include increase in vegetation cover, overall biomass and carbon sequestration, aquifer recharge, and improved water availability for productive uses. Further, restoration activities in the upper basins are expected to reduce excessive sediment loading on water bodies, improve water quality in rivers, and recover biodiversity and productivity in lower parts of the targeted watersheds. By applying regenerative practices and integrated pest management in livestock and agroforestry, runoff of pesticides will be reduced. Additional positive impacts include sustainable land use planning



according to the suitability of land to specific uses and availability of resources, and establishment of silvopastoral and agroforestry systems, among others.

Project activities under Component 2 will focus on capacity building and other enabling activities aimed at preparing beneficiaries to get organized, improve business management skills and productive practices related with livestock and agroforestry value chains, and access credit. Project activities under Component 3 will focus on promoting land restoration and conservation, preservation of biodiversity on productive land and/or environmentally sensitive areas as riversides, and train and provide initial support to producers adopting sustainable livestock and agroforestry practices. The activities under each component will be funded based on a call for proposals to “technical service providers (TSP)” that can be consulting firms and Civil Society Organizations (CSOs) focused on promoting organizational and business management and sustainable landscape management practices active in the targeted watersheds. Proposals will be evaluated and selected for funding based on expected positive environmental impacts, technical considerations, and inclusion of indigenous populations and women as beneficiaries.

Project activities will be implemented following an Environmental and Social Management Framework (ESMF) geared to maximize environmental and social value added. As a basis for it, FMCN is preparing an Environmental and Social Assessment (ESA) at the state and watershed level based on an on-going environmental and social diagnostics on the livestock sector focused on the targeted watersheds. The ESA will serve as a basis to the ESMF and other E&S instruments (LMP, IPPF and Process Framework, PF). It will describe the overall E&S baseline situation and potential risks and impacts from the project activities. The E&S risks and impacts will be identified and assessed at framework level to identify measures to manage them in line with the mitigation hierarchy. Further, the ESMF will establish the entry points of E&S considerations throughout implementation of specific project activities, where E&S aspects will be analyzed in an integrated way as required particularly when successful project implementation requires behavioral changes by vulnerable and low capacity smallholder producers. The ESMF will include a generic Environmental and Social Management Plan (ESMP) that considers the planned project activities and technical guidance for preparation of site-specific ESMPs covering efficient water use, integrated pest and vector management, animal health, biodiversity management, solid and hazardous waste management, and contingency or emergency response at community level particularly regarding fire prevention and fighting. Specific ESMPs will be required at farm level to concretize the applicable good practices and any potential mitigation measure that might be needed case by case. All ESMPs will be consistent with the applicable IWAPs, and their preparation will be included in the Environmental and Social Commitment Plan (ESCP) as a key task during project implementation.

From the social point of view, selected project areas in Veracruz include presence of Indigenous Peoples (IP) and Afro-Mexican populations, and some of these communities will be direct beneficiaries of activities planned under CONECTA in terms of more sustainable land use and focus on soil quality, which will result in more productive and profitable livelihoods. Further, participation in producer associations will allow local producers to reach better and more profitable markets and form spaces for community-based action through, for example, group savings. Women participate significantly in dairy business and will benefit from participating in producer and livelihood associations, which will allow them to access better prices, more profitable markets, and avoid depending on intermediaries. Potential social risks of the project are detailed under the respective section above.

Social aspects to be considered in the ESA include assessing potential risks concerning the security situation, land tenure, IPs, and gender. During preparation, the WB team will also look at issues related with Gender-Based Violence



(GBV) in particular related to underlying social norms and to identify available service providers that can be used as part of a referral pathway for any GBV case possibly identified within the context of the project activities. Especially, the ESA will provide description of: i) the social characteristics of livestock producers, including barriers of targeted vulnerable groups to participate in project activities and access its benefits, including persons living with disabilities and women; (ii) cultural and economic barriers that prevent small producers to form associations and level of elite capture of existing producer associations and CSOs; iii) risks of child and forced labor; iv) risks of perpetuating production practices that are detrimental to gender equality and reproduce discriminatory practices against indigenous populations and Afro-Mexicans; and v) barriers to develop an inclusive and culturally adequate stakeholder engagement strategy. Based on the ESA, FMCN will map and analyze relevant stakeholders as a key input to the SEP. The SEP will cover disclosure and consultations on the ESMF, IPPF, and PF, and will itself be subject to stakeholder feedback in various stages before project Appraisal. FMCN and the Regional Funds will conduct adequate consultations with a broad range of actors present in the selected watersheds. These actors include CBOs, producer organizations, academia, local and state governments, potential beneficiaries, etc.

Areas where “Use of Borrower Framework” is being considered:

None

ESS10 Stakeholder Engagement and Information Disclosure

ESS10 is relevant for the project. The project and its SEP will build upon the long-term stakeholder engagement by FMCN and INECC, including indigenous peoples and civil society.

FMCN will prepare the SEP covering the project preparation and implementation phases. It will outline: a) who the key stakeholders are (comprehensive stakeholders mapping); b) how the project will engage with them, especially regarding indigenous peoples’ representatives, members of the Afro-Mexican communities, women of all ethnicities, and other vulnerable groups; c) how often the engagement will occur throughout the project cycle; d) how feedback will be solicited, recorded and monitored; e) who will be responsible for the engagement; and f) the respective timeline and budget and human resources, among other details. To avoid or minimize the risk of leaving certain vulnerable groups behind, the SEP will describe the measures to be used to remove obstacles to participation in the project, and will indicate how the views of differently affected groups will be captured.

Equally, the project will develop a Grievance Redress Mechanism (GRM) accessible to different stakeholders. Its main characteristics will include clear procedures for managing claims and other feedback provided on the project, and its design will be guided by principles such as: (a) availability for beneficiaries and stakeholders respecting their sociocultural characteristics, accessibility, and needs, and (b) known procedures and timeline for analyzing and resolving claims and responding all feedback. The GRM will be supported by information and communication technology (ICT) as appropriate. Regarding ESS2, there will be a specific GRM for all types of workers that contribute to the project implementation. Such GRM can leverage on existing mechanisms for citizen feedback already embedded in GoM entities, and/or they can/need to be specific for a particular group of workers. A more detailed assessment of the specific GRMs for types of workers will be done during project preparation. Related to IPs, Afro-Mexicans and ejidos, both the SEP and the GRM will be tailored and include measures sensitive and respectful to their culture, such as the use of indigenous languages and adoption of their own conflict resolution mechanisms, among others. Dedicated approaches and an increased level of resources may be needed for communication with



such differently affected groups, including remote and dispersed ranchers, so that they can obtain information on project-related aspects that may affect them positively or negatively.

Consultations will be held with potential project affected and interested parties in key locations identified by FCMN and INECC as the project preparation proceeds. The stakeholders will include, among others, indigenous and Afro-Mexican organizations, representatives of existing cattle farmers' associations, independent local producers, cooperatives, universities, NGOs and media. Feedback from the consultations will be integrated in the project design and the E&S instruments as relevant, including the SEP and the design of the GRM, which will be disclosed prior to Appraisal.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

ESS2 is relevant for the project. Project activities can include small-scale community or producerbased projects where activities are carried out by the community or contractors. In light of this, project activities may encompass hiring of different types of workers (direct workers, community-based labor, as well as consultants). All community labor is expected to be voluntary and the Labor Management Procedures (LMP) will include a corresponding protocol and procedures to monitor, manage and document the voluntary nature and other aspects of community labor.

FMCN is developing LMP applicable to the project based on the requirements of ESS2. The LMP will consider three different worker types: i) direct workers; ii) contracted workers; and iii) community workers. Special provisions will be included for community IP and Afro-Mexican workers.

Regarding productive practices of beef and dairy value chains, there are concerns related to potential child labor, particularly in family ranches. However, visits to project sites in Veracruz and Jalisco indicated that children and youth are often not interested in continuing ranching activities, but those who are, mostly participate in terms of generational ranching, which implies that youth carry out ranching activities after school hours in their own family farms. Consistent with paragraphs 17 to 20 of the ESF, and to ensure that not harmful practices are supported by the project, the ESA will pay attention to risks of child and forced labor to include preparation of the necessary mechanisms in the ESCP to prevent, monitor and remedy them under project activities, while building the capacity of FMCN and other partner institutions at the local level to prevent, identify and address use of child and/or forced labor. A high reluctance by family-run organizations to upgrade or increase human resources to prevent any form of participation by younger ranchers in ranching activities could be expected. The LMP as well project communication strategies will address child labor issues including control, management and monitoring measures to secure that only non-harmful child labor to the extent allowed by Mexican Law and consistent with ESS2 can be applied within the project context.

The LMP will include measures to avoid discrimination and grant equal opportunities and measures related to occupational health and safety. Furthermore, in line with the LMP, and as applicable, implementers of underlying activities would prepare activity-specific Labor Management Plans based on the LMP, applying national law and ESS2



requirements as relevant given the nature of the activity. This includes: terms and conditions of employment, non-discrimination and equal opportunity, the establishment of workers' organizations, and corresponding codes of conduct to avoid sexual harassment and abuse. The Environmental and Health and Safety Guidelines of the World Bank Group will be applied in Occupational Health and Safety (OHS) aspects of the LMP and activity-specific LMPs as relevant.

A GRM will be provided for all direct workers, contracted workers and community workers to raise their concerns. Most likely, the GRM will be designed for project-specific purposes, particularly at the community and ranch level, where there might not be systems and mechanisms in place and that can serve as a GRM for direct, contracted, and community workers. For this, the project will leverage the presence of community organizations at the local level.

It is expected that government civil servants of the participating Ministries/entities (Finance, Environment, Agriculture, Forest, and Protected Areas) will work in connection with the project, whether full-time or part-time. These will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement, unless there is an effective legal transfer of their employment or engagement. ESS2 will apply to such government civil servants in regard to provisions of paragraphs 17 to 20 (Protecting the Work Force) and paragraphs 24 to 30 (OHS).

The number of workers is not known at this time. Foreign labor influx related impacts are not expected.

Applicability of ESS2 will be further assessed – including budgetary, capacity building and awareness raising needs e.g. in terms of codes of conduct for sound work-related gender relations and supervision – during preparation when a more detailed description of the underlying activities is available. During project implementation, the LMP will be revisited and updated as required and as additional labor related risks or issues unfold.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant for the project, as close attention will be required to sustainable and efficient use of resources and preservation of ecosystem services required for sustainable livestock and agroforestry production. Sustainable access to water will need careful assessment in those targeted watersheds where water is an extremely limited resource as in the State of Chihuahua. No activities with high water demand are expected, yet attention will be put on water balance situations. Preparation of detailed water balances are costly, yet Component 1 might include provisions to finance water balance studies in the most water scarce project areas, e.g. in Chihuahua. In every case, use of water, energy, and raw materials will be assessed in light of the mitigation hierarchy, which means that opportunities for improved water efficiency will be identified and implemented, including assessment of water efficiency measured by volume of water used per a unit of production.

No rehabilitation or construction of new big infrastructure will be financed, yet some project activities may pose a risk of environmental pollution and degradation of natural resources (soil, water), which can become impacts if not well identified and mitigated. The project design is geared to reduce agricultural discharge to surface water through runoff of pesticides, fertilizers and manure or leaching of nitrogen into groundwater. The project is not expected to imply major potential for air pollution, disturbance by noise or other forms of pollution. Organic waste will be managed as a productive asset and other waste management implemented based on the 4Rs principle on reduction,



reuse, recycling and recovery. The fact that these activities are likely to involve smallholders (less equipped to handle/manage potentially dangerous chemicals) makes it particularly important to include appropriate guidance and provisions in the ESMF. The ESMF will include specific measures to prevent and mitigate pollution of natural resources, mainly soil and water, as part of livestock/agricultural activities. Regarding hazardous materials and minimization of adverse impacts on human health and environment, focus will be on integrated pest and vector management as the project can allow procurement and use of low toxic pesticides. The ESMF will define institutional responsibilities and guide preparation of site-specific Integrated Pest Management Plans (IPMP) as needed, including equipment for personal protection and overall sufficient budget. The critical provisions of ESS3 on pest management will be incorporated in the ESMF, including: (i) list of prohibited pesticides and agrochemicals at the national level and those prohibited in the international lists that are applicable; (ii) health and safety regulations when handling pesticides and agrochemicals; (iii) substantial measures on training; and (iv) others as highlighted in paragraph 21 and footnote 18 of ESS3. IPMPs will be prepared as needed during implementation based on the guidance provided by the ESMF, applying national law and ESS3 requirements that are relevant given the nature of the activity.

As part of a climate-smart agriculture approach, the project will aim at minimizing greenhouse gas (GHG) emissions, accounting of which is requested as part of the applicable GEF indicators. An estimation of the projected emission reductions will be defined by Appraisal.

Applicability of ESS3 will be further assessed during project preparation.

ESS4 Community Health and Safety

ESS4 is relevant for the project as there is need to consider community health and safety in the ESMF in relation to the project activities during implementation and operational phases. Overall, project actions are expected to decrease community exposure to E&S risks and impacts, as they will include measures to strengthen adaptive capacity to increasing climate variability and change.

The ESA will include identification of necessary measures to improve community health and safety in project-financed activities and define mechanisms to monitor their implementation. Due consideration will be given to promotion of and training on integrated pest and vector management to secure prevention of negative health impacts amongst producers, their families and the adjacent communities, as well as man-made hazards (e.g., emergencies from exposure to pesticides and agrochemicals, and accidents due to unsafe use of equipment during activities). Agro-industry support may also imply issues of safe food and agricultural product handling, production, packaging, and storage. No security personnel will be required for the implementation of the project.

The World Bank will guide FMCN in the required assessments under ESS4, including management of existing and planning of new instruments, as well as capacity-building measures as part of the ESMF preparation. Existing emergency plans at the watershed level will be considered for example regarding fires, floods, landslides and their effects on communities.

The ESMF will provide guidance for development of contingency or emergency response plans at the community level as needed.



The scope of ESS4 related aspects to be addressed will be further assessed during project preparation.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 is relevant for the project. The project will not finance large or small physical infrastructure, cause physical displacement to formal or informal occupants, lead to voluntary land donations, involve land acquisition or lead to economic or physical displacement to formal or informal occupants or involuntary land taking. However, considering the ESS5 scope, this standard is relevant as the project may finance sustainable livestock and/or agroforestry practices within legally designated parks and protected areas and could lead to restriction of communities' access to respective natural resources. These decisions will be sought through the participation of communities, Indigenous Peoples, and Afro-Mexicans, and it will be communicated on time and in an inclusive manner. However, there could be the case that for some community members, these arrangements might be involuntary. Thus, a Process Framework (PF) will be prepared by the FMCN focusing on issues related to access to natural protected areas. The PF will be based on the ESA findings as the ESA will assess potential risks and issues concerning land tenure activities, as indicated under paragraph 28 (b) (v) of ESS1 and paragraph 7 of ESS5. Since actual relevance of a PF will only be known during implementation when the demand-driven proposals are received for project funding, the PF preparation can take place by effectiveness.

The PF will outline the procedures FMCN and INECC will follow during project implementation in order to define impacts covered under ESS5, i.e., provide guidance on when and how to draft plans when necessary. The PF will describe the process for resolving disputes relating to resource use restrictions that may arise between or among affected communities and appropriate due diligence processes will ensure that potential land disputes and customary tenure conflicts are identified, avoided and/or addressed. The PF will take into consideration cultural knowledge and will be consulted through participatory consultation processes in project areas. Such consultations will help to gather insights on the restrictions project beneficiaries could face as well as potential impacts on rights and/or livelihoods. Feedback from the consultations will be integrated into the PF. The instrument will also describe the process for resolving disputes that may arise between or among affected communities.

The need for an RPF because of potential economic temporary losses will be further assessed during project preparation and it will follow the same standards and considerations as described for the PF above.

All E&S instruments will include an exclusion list to avoid adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation by IPs. To avoid potential conflicts related to land tenure, the project will ensure that small producers demonstrate corresponding rights of use of their lands as per Mexican land laws in order to access project benefits. To avoid exclusion of small producers who don't have land titles, the project will allow producers to demonstrate the right to use communal lands (tierras ejidales) through support expressed by their governing bodies (Asambleas Ejidales) and thus, providing proof of communal or individual ownership of land. This is a standard practice in other projects in the Mexican portfolio.

Application of ESS5 will be further assessed during preparation.



ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS6 is relevant for the project as the core project objectives are aligned with the ESS6 objectives. The project is expected to have positive impacts on conservation of biodiversity and promotion of sustainable management of living natural resources. To develop these activities in accordance with the ESS6 requirements, the ESMF will be prepared prior to Appraisal, including guidance for site-specific biodiversity management plans where applicable. The project has a multi-sectoral and integrated spatial approach for the upper and lower parts of the 15 targeted watersheds, selected due to high biodiversity values and vulnerability to climate change. The ecosystems represented in the selected watersheds include tropical rainforest, grasslands, dry deciduous forest, cloud forest and pine-oak forest, the unique biodiversity of which is highly endangered. Some of these forests are critical to provide water to local communities, economy and ecosystems they host. The watersheds face severe forest degradation and soil erosion in their upper parts that in turn affect the prevailing and downstream ecosystems services. Some of the watersheds face overexploitation and excessive use of agrochemicals in the middle and lower parts that compromise productivity. CONECTA is expected to reverse these negative impacts through restoration programs in the upper watersheds and in riverbanks resulting in forest growth and carbon sequestration, recovery of aquifer recharge and water availability and quality. Productive diversification including agroforestry and silvopastoral systems in the middle and lower sections of the watersheds will include integrated pest and vector management to contribute to reduction of erosion and accumulation of sediments and chemical pollution in the adjacent water bodies and improve biodiversity conservation. All actions towards improved land use in accordance with the IWAPs will contribute to biodiversity conservation. Applicable mitigation activities related with negative impacts on biodiversity will be included in the ESMF to guide preparation of site-specific ESMPs as needed. The project does not consider timber harvesting activities. FMCN has extensive experience in design and development of IWAPs and in implementing relevant mitigation activities based on its experience with the C6 project.

Under Component 1, the project will ensure that the IWAPs are aligned with conservation objectives as applicable in terms of existing land use and/or protected area management plans. The project may also explore additional opportunities for improved management of other High Value Biodiversity Areas (HVBAs) and/or opportunities to develop management/compensation mechanisms related with ecosystem services.

Targeted consultation with CONABIO, CONAFOR and CONANP will be integral for the overall success of the project's ILM approach and will be reflected in the SEP and ESCP. The will evaluate the need to develop Memorandums of Understanding between the implementing (FMCN and INECC) and supporting agencies (CONAP, CONAFOR, SADER, CONAGUA etc.) to ensure clear commitments and lines of responsibility.

For the planning and implementation of e.g. reforestation activities under Component 3, the ESMF will include a clear exclusion list including activities that could involve conversion or degradation of critical habitats.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities



ESS7 is relevant for the project as there are Indigenous Peoples (IP) as defined by ESS7 in the targeted project states, particularly Veracruz and will be beneficiaries under Components 2 and 3. For instance, according to the Mexican Institute of Statistics and Geography (INEGI), in Veracruz 9 out of 100 people speak an indigenous language. Afro-Mexicans are also present in Veracruz.

The ESA prepared under ESS1 will assess IPs and Afro-Mexicans present Veracruz, their location, uses and customs, gender imbalances, languages used, participation and roles of IPs and Afro-Mexicans in the beef and dairy value chains, as well as other information needed to design the project in an inclusive manner. While the project is expected to have positive impacts on both IPs and Afro-Mexican populations due to the regenerative livelihood practices it will enhance, resulting in turn in more productive and profitable livelihoods, potential risks are associated with the adoption of practices that exacerbate discriminatory practices against IPs and Afro-Mexicans. The main challenges stem from the need to ensure that the activities take into consideration IPs in line with ESS7. Furthermore, it is important to: (i) improve targeting of IPs; (ii) support communication and outreach challenges due to geography, culture, and at times, language; (iii) access to services provided in a culturally adapted manner will be critical and will require institutional strengthening of the FMCN and its Regional Funds. Lastly, (iv) strengthened and culturally appropriate GRM will need to be developed using a tailored approach that is aligned with IPs' customs.

An Indigenous Peoples' Planning Framework (IPPF) will be prepared by FMCN to ensure that IPs' concerns and vulnerabilities are considered during project implementation. This will take into account lessons learned from the C6 project's Indigenous Strategy to involve these communities in project activities in a meaningful manner. The IPPF will contain the relevant ESA findings and specific mechanisms through which IP and Afro-Mexicans in the project area become fully included in a culturally adequate manner in project's activities and can access its benefits through specific Indigenous Peoples Plans (IPPs). The IPPF will identify the potential positive and negative impacts on IPs by the project and provide recommendations on how to screen for and avoid them, but also how to promote IPs participation in the project. It will contain specific guidelines on culturally adequate consultations/dialogues, as well as measures to ensure joint planning, capacity building and culturally-inclusive implementation of activities, promoting equally distributed benefits for the population, including women and youth. In addition, the IPPF will establish guidelines and criteria for the preparation of IPPs, to be drafted when required and during implementation once concrete activities require it. The IPPs will be developed in line with ESS7 and will describe the specific actions, budgets, and indicators and will encourage inclusion of affected IPs and communities during their implementation.

At a minimum, a draft IPPF will be ready and consulted by Appraisal and finalized latest by project effectiveness. The IPPF will be consulted in a culturally-sensitive manner with the affected IP communities and/or their representatives, as appropriate, to ensure communities' broad support to the project. Feedback will be integrated into the IPPF. The IPPF will be disclosed online and in locations accessible to potentially affected communities and in a culturally appropriate manner. The IPPF, as well as all other E&S instruments will include an exclusion list to avoid adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation.

ESS8 Cultural Heritage

ESS8 is relevant for the project as there may be tangible and intangible cultural resources within the jurisdiction of the project that need to be considered. So far, no direct, indirect or cumulative impact on cultural heritage under the



project has been identified, since the projected activities are not expected to imply material impacts or cause commercial use of tangible or intangible cultural heritage. However, the project could promote activities in areas containing tangible or intangible forms of cultural heritage. Considerations of landscape values such as the cultural importance of mountains, rivers, and waterfalls etc., will be subject to examination during preparation. The existence of any such sites in project areas will trigger provisions included in the ESMF on how to address preservation of cultural heritage. Therefore, the ESMF will include provisions for managing any potential chance finds, or impacts on sacred groves and forests, if applicable, that could take place during project activities in the field.

Application of ESS8 will be further assessed during project preparation when a more detailed description of the underlying activities is available.

ESS9 Financial Intermediaries

ESS9 is not relevant for the project.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

The project will not carry out any investment linked to international waterways as defined in OP 7.50.

OP 7.60 Projects in Disputed Areas

No

The project will not be implemented in areas known to involve disputed areas.

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

Yes

Financing Partners

The French Development Agency (AFD) is currently financing all the studies required for the project preparation, and said studies are being prepared in line with the ESF requirements. Overall, the project will be covered by a single set of E&S management instruments that FMCN is preparing consistent with the ESF requirements and with technical support and supervision by the World Bank task team.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

The following ESF instruments will be prepared and consulted prior to Appraisal:

- Stakeholder Engagement Plan (SEP) including a Grievance Redress Mechanism (GRM).
- Environmental and Social Assessment and Environmental and Social Management Framework (ESA and ESMF). The ESMF will include: Labor Management Procedures (LMP) and related GRM and guidance for preparation of site-specific ESMPs, covering efficient water use, integrated pest and vector management, animal health,

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biodiversity management, solid and hazardous waste management, and contingency or emergency response at community level particularly regarding fire prevention and fighting.

- Draft Indigenous Peoples’ Planning Framework (IPPF).
- Draft Process Framework (PF).

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

Based on the ESA, the Environmental and Social Commitment Plan (ESCP) will include measures to address all the site-specific E&S risks and impacts that cannot be covered during project preparation.

Finalizing, preparation and/or consultation of at least the following ESF instruments will be included in the ESCP: The IPPF will be finalized and the PF finalized and consulted latest by project effectiveness, and site-specific ESMPs proportionate to the level of E&S risks and impacts and Indigenous Peoples’ Plans (IPP) will be prepared during project implementation as needed.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

20-Apr-2020

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: The United Mexican States

Implementing Agency(ies)

Implementing Agency: The National Institute of Ecology and Climate Change (INECC)

Implementing Agency: The Mexican Fund for the Conservation of Nature (FMCN)

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V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Adriana Goncalves Moreira, Tuuli Bernardini, Ashwini Sebastian
Practice Manager (ENR/Social)	Maria Gonzalez de Asis Recommended on 13-Mar-2020 at 10:31:24 EDT
Safeguards Advisor ESSA	Maria Do Socorro Alves Da Cunha (SAESSA) Cleared on 15-May-2020 at 11:06:10 EDT