Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 14-Jul-2020 | Report No: PIDC28315

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Mexico	P172079		Connecting Watershed Health with Sustainable Livestock and Agroforestry Production (P172079)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	Aug 17, 2020	Jan 28, 2021	Environment, Natural Resources & the Blue Economy
Financing Instrument	**Borrower(s)**	**Implementing Agency**	**GEF Focal Area**
Investment Project Financing	The United Mexican States	The National Institute of Ecology and Climate Change (INECC), The Mexican Fund for the Conservation of Nature (FMCN)	Multi-focal area

Proposed Development Objective(s)

Improve integrated landscape management in selected watersheds considering climate change.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	13.76
Total Financing	13.76
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	13.76
Global Environment Facility (GEF)	13.76

Environmental and Social Risk Classification	Concept Review Decision
Moderate	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

N/A

B. Introduction and Context

Country Context

1. **The country is experiencing supply and demand shocks to the economy, that will generate impacts on firms, employment, and households.** In this context, the implementation of economic and social policies to improve the business environment, protect jobs, and support the overall economic fabric are critical.

2. **Over the past decade, the conservation focus in Mexico has shifted towards promoting sustainable production and resource use in lands outside of protected areas, as more than half of all species are found in productive landscapes.** Focus on sustainable agroforestry management, and biodiversity enhancement linked to productive sectors are critical to improve the livelihoods of small producers in rural areas while conserving natural capital and contributing to food security, and human and animal health and well-being. The agriculture sector continues to play an important role in Mexico's economy and it is critical to align objectives of agricultural production and environmental conservation.

Sectoral and Institutional Context

3. **Forests represent an important natural asset, but Mexico faces significant challenges to conserve and sustainably manage them.** Even though the aggregated deforestation level has decreased to an average of 0.2 percent over the past years, localized impacts from land use pressures persist[1], and most deterioration of Mexico's ecosystems and biodiversity is due to land use and change in land cover. According to the National Institute of Statistics and Geography (INEGI), in 2018 the economic cost of environmental degradation and natural resource depletion amounted to 4.3 percent of the national GDP[2]. Both agriculture and livestock activities are identified as the main related drivers, and cattle ranching represents a significant share of the national GHG emissions from agriculture.[3] About 80 percent of agricultural land suffers from some level of degradation caused by overgrazing, excessive pesticide use, and improper water management.

4. **Mexico is the origin of 94 crop species that constitute 15 percent of the human diet, while it is also one of the Latin American countries with the highest deforestation rates.** A large part of its rivers is polluted, and soils eroded, and Mexico is one of the countries most affected by climate change. Agriculture is highly vulnerable to climate change, which thereby directly affects food security and the livelihoods of rural populations.[4] To ensure sufficient and high-quality food

[1] http://www.enaredd.gob.mx/wp-content/uploads/2017/09/Estrategia-Nacional-REDD+-2017-2030.pdf
[2] https://seea.un.org/news/inegi-releases-seea-accounts-2018
[3] Emissions from methane enteric fermentation represent 63.9 % of all agricultural emissions and manure management at 17.1 %.
[4] The World Bank Group's Mexico Country Partnership Strategy (CPS) 2020–2025, Report No. 137429-MX.

production for the Mexican population, it is urgent to conserve biodiversity, recover ecosystem services and adopt sustainable agricultural practices.

5. **Mexico is the seventh producer of beef worldwide and 54 percent of the territory is devoted to livestock.** The National Institute of Ecology and Climate Change (INECC) estimates that livestock generates 10.3 percent of the national GHG emissions. It has also other negative environmental impacts in the country that is estimated to safeguard 10 to 12 percent of the global biodiversity.

Alignment with GEF Strategy

The proposed project is aligned with the GEF-7 Focal Areas' objectives addressed through the Food, Land Use and Restoration (FOLUR) Impact Program, for which the World Bank serves as the GEF Implementing Agency globally, as well as objectives under the Focal Areas of: i) Biodiversity; ii) Climate Change; and iii) Land Degradation.

Relationship to CPF

The proposed project is aligned with the World Bank Group Country Partnership Framework (CPF) for the period FY2020–FY2025[5]. Objective 7 of the CPF recognizes Mexico's efforts towards its climate change goals and a resilient, low carbon growth path and acknowledges that it is critical to increase the economic instruments and incentives and the institutional coordination to support climate change objectives. In this context, the CPF foresees support to strengthen community and producer organizations in the management of productive landscapes, as well as overall institutional strengthening in landscape planning and management. Moreover, the proposed project is also instrumental for achieving Objective 1 that seeks to foster financial intermediation and inclusion.

C. Proposed Development Objective(s)

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

Key Results (from PCN)

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

i. Agencies with new or modified interinstitutional agreements, policy instruments or programs in place to support sustainable production that improve forest cover (Number);
ii. Farmers adopting improved agricultural technology (Number, disaggregated by gender and ethnicity); and
iii. Land area under sustainable landscape management practices (Hectares).

6. At GEF Concept Stage, the project was expected to contribute to global environmental benefits measured through the following GEF indicators:
   i. Area of land restored (Hectares)
   ii. Area of landscapes under improved practices (excluding protected areas) (hectares)
   iii. Greenhouse Gas Emissions Mitigated (metric tons of CO_2e)[6]
   iv. Number of direct and indirect beneficiaries disaggregated by gender as co-benefit of GEF investment[7]

[5] Report No. 137429-MX, discussed by the Board on February 27, 2020.
[6] Estimated by application of FAO Ex-Ante Carbon Balance Tool (EX-ACT) for agriculture and forestry activities.
[7] The total population in proposed project areas in selected watersheds.

D. Concept Description

7. The proposed Connecting Watershed Health with Sustainable Livestock and Agroforestry Production (CONECTA) project aims to integrate land use planning and the use of natural resources with sustainable livestock and agroforestry production.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

Overall, the project will promote the adoption of sustainable and resilient land use practices aimed at the (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 chemical herbicides and pesticides; and (viii) contribution to reducing GHG emissions and increasing resilience to climate risks, including drought. On the social side, the project is expected to generate positive impacts for excluded and vulnerable populations, including Indigenous Populations and Afro-Mexican population that depend of livestock activities. These populations will benefit from more sustainable and regenerative productive practices that will improve their livelihoods through increasing productivity while contributing to conservation of biodiversity, carbon sequestration, and improvement of water quality.

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APPROVAL

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