

PROJECT ABTRACT

Country:	Mexico
Sector:	Forestry
Project Name:	Ejido Verde Reforestation
Project Number:	ME-L1192
Borrower:	Pinosa S. de R.L. de C.V. (Pinosa)
Sponsors:	Resinas Sineticas, S.A. de C.V.
Proposed	A Loan: US\$1 million
Proposed GEF Loan:	US\$1 million

PROJECT OVERVIEW

Many rural areas in Mexico are plagued by poverty and a lack of employment opportunities. Although incomes have increased in recent years, the incidence of poverty is higher in rural areas (61.6%) than in urban areas (40.6%).¹ Climate change is becoming an increasingly important concern for Mexican agriculture. The sector suffered over \$10 billion in losses because of climate change between 1980-2005, approximately 80% of the damages experienced by the country. The proposed Project (the 'Project') would address these issues by supporting local *ejidos*² to invest in the planting of native pine tree species, which would supply income through the production of pine resin and sequester carbon dioxide.

PROJECT DESCRIPTION

The Project represents a Mexican coalition that has been working on a Brazil inspired reforestation model for five years. This Project combines native tree reforestation, climate change mitigation, and heritage trade promotion on unutilized lands owned by Indigenous communities and *ejidos* in Mexico. Those communities have already been collecting the resin produced by native pine trees for hundreds of years (through a process called "tapping", which is harmless to the tree). This pine resin is a commodity whose demand has been steady over the last decade but whose prices have risen due to a decrease in global production. The Project will consist of a \$1 million investment of IDB Ordinary Capital and \$1 million from the GEF-supported Climate Smart Agriculture Fund, which will assume a subordinated position. The Project will cover the planting and maintenance of 1,250 hectares on *ejido* land in Cherán, Mexico.

DEVELOPMENT IMPACT

The Project will contribute to environmental and social objectives by mitigating climate change and generating income for indigenous communities. The Project will sequester 18,750 tons of carbon dioxide over the life of the Project through the planting of trees on 1,250 hectares of deforested land, which will contribute to the mitigation of climate change. The Borrower will only plant tree species that are native to Mexico, helping to support local biodiversity and protect watershed function. Additionally, the Project will increase incomes for local indigenous

¹ IDB Mexico Country Strategy 2013-2018.

² Ejidos in Mexico are village lands communally held in the traditional Indian system of land tenure that combines communal ownership with individual use.

communities of *ejidos* and provide the Borrower with additional supply of pine resin for its processing facilities.

IDB's ADDITIONALITY

By blending IDB ordinary capital with funds from the Climate-Smart Agriculture Fund, the IDB is able to offer conditions and terms that are unavailable on the commercial market. Because the planted trees take many years to mature and become productive, the Project requires a tenor of 14 years. Additionally the Climate-Smart Agriculture Fund will charge a lower interest rate than IDB, permitting a blended interest rate that makes the project financially viable.

PROJECT CONTRIBUTION TO IDB OBJECTIVES

The Project is strictly aligned with the Ninth Global Capital Increase ("GCI-9") sector priority "Environmental protection, response to climate change and food security", promoting climate change mitigation, adaptation and sustainable practices in all sectors including agriculture and land use. In line with the GCI-9 mandate, a key tenet of SCF strategy is to tap all possible avenues to advance on climate change, seeking opportunities for emissions reductions, promoting clean technologies, and identifying climate resilient production alternatives. The Project will contribute to SCF's 2015 vision targets to support US\$12 billion in climate change investment, 20 million people with improved living standards, and 700,000 MSMEs. The Project aligns well with the IDB Mexico Country Strategy 2013-2018, as it promotes agricultural productivity and investments in climate-friendly activities, two pillars of the Strategy.