



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

Concept Stage | Date Prepared/Updated: 24-Aug-2016 | Report No: PIDISDSC19418

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BASIC INFORMATION

A. Basic Project Data

| | | | |
|--|--|--------------------------------------|---|
| Country Mexico | Project ID P159835 | Parent Project ID (if any) | Project Name Mexico: Sustainable Productive Landscapes (P159835) |
| Region LATIN AMERICA AND CARIBBEAN | Estimated Appraisal Date May 29, 2017 | Estimated Board Date Jul 31, 2017 | Practice Area (Lead) Agriculture |
| Lending Instrument Investment Project Financing | Borrower(s) | Implementing Agency | GEF Focal Area Multi-focal area |

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Financing (in USD Million)

| Financing Source | Amount |
|--|---------------|
| Borrower | 140.00 |
| Local Communities | 0.30 |
| UN Food and Agriculture Organization (FAO) | 1.00 |
| Global Environment Facility (GEF) | 24.13 |
| FRANCE: Govt. of [MOFA and AFD (C2D)] | 5.00 |
| GERMANY: German Technical Assistance Corporation (GTZ) | 8.00 |
| Local Farmer Organizations | 0.50 |
| Total Project Cost | 178.93 |

Environmental Assessment Category

B-Partial Assessment

Concept Review Decision

Track II-The review did authorize the preparation to continue

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

No

Other Decision (as needed)

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B. Introduction and Context

Country Context

The Mexican economy continues to expand at a moderate annual rate of growth of 2.5 percent, similar to other OECD countries. Private consumption was the main driving force of economic activity on the back of stronger job creation, real wage growth, and credit expansion. Economic growth is projected to remain at about 2.5 percent in 2016. A challenging external environment including lower oil prices, a gradual tightening of monetary policy in the United States, and a slowdown of growth perspectives in emerging market economies (including China), contributed to a significant depreciation of the Mexican peso. The peso lost nearly 30 percent against the US dollar. A further decline in oil prices and an in-crease in financial market volatility in early 2016 led to an additional currency depreciation.

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

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

Sectoral and Institutional Context

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

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



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

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

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

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

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



terrestrial sites that cover 30% of the national territory, of which only 13% are in protected areas, suggesting that Mexico needs to redouble its efforts to increase areas under conservation and sustainable use of biodiversity outside of protected areas.

The project also aligns with the country's ambitious Nationally Determined Contributions (NDCs) goals under the UNFCCC by contributing to both mitigation and adaptation objectives. Mexico's NDCs recognize the important role of forests and agriculture to support mitigation through low carbon rural development, as well as highlight the key role of forests and landscapes to enhanced resilience. Mexico's NDC's specifically seek to establish synergies between adaptation and mitigation. These actions not only help tackle global warming and reduce social and ecosystem vulnerability, but also promote inclusive green growth in the country. Thus, the project will directly support this ambitious objective of linking adaptation and mitigation by fostering low carbon rural development while enhancing ecosystem resilience.

Relationship to CPF

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

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

C. Proposed Development Objective(s)

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

Key Results (From PCN)

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

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



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

Results and GEF focal areas: The contribution of each GEF focal area towards the achievement of the PDO will be measured through intermediate indicators, with a suggested list included in the GEF Data Sheet, and presented below.

1. Outcome for Biodiversity Focal Area (BD4 Program 9): Increased area of production landscapes (forests and agriculture) that integrate conservation and sustainable use of biodiversity into management

Indicators to be considered in this project:

of regional biodiversity conservation strategies designed and in practice (Component 2)

of hectares under biodiversity conservation schemes with a regional approach (Component 2)

\$ value of products and services certified or supported by other objective data to incorporate biodiversity conservation (Component 3)

2. Outcome for Sustainable Forestry Management (SFM 2 Programs 5 and 6): Improved management model and forestry production systems (wood and non wood), with regional scope and management criteria, silvicultural improvement and technical and technological innovation that optimize productivity and improve resilience to climate change of forest land.

Indicators to be considered in this project:

of forest producers who adopt and implement best practices and sustainable management tools with a regional focus (Component 3)

\$ value of resources for sustainable forest management from diverse sources (PES, credit, voluntary carbon markets) (Component 3)

of incentive mechanisms (including financial mechanisms such as loans and guarantees) to reduce deforestation, increase forest cover and improve the flow of ecosystem services (Component 1)

3. Outcome for Land Degradation Focal Area (LD3 Program 4): Reduced pressures on productive landscapes to maintain the integrity and the products and services they offer, including sustaining livelihoods of its inhabitants.

Indicators to be considered in this project:

of management strategies that articulate forestry with other productive land uses (Component 1)

of people trained to apply adaptive management tools to support sustainable land management (Component 1 or 2)

4. Outcome for Climate Change Mitigation Focal Area (CCM2 Program 4): Accelerated adoption of innovative technologies and management practices for GHG emission reduction, carbon sequestration and climate resilience

Indicators to be considered in this project:

of tonnes of CO2 equivalent reduced and avoided in priority regions (Component 2)



of producer associations to implement innovative production and low impact practices including climate smart agriculture (Component 3)

of producers that use low impact practices that have access to financial services (Component 3)

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

1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society (target: 3,000,000 ha);
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes) (target: 500,000 ha);
3. Support to transformational shifts towards a low-emission and resilient development path (target: 6.6 million metric tons of CO₂);
4. Increased application of good management practices in productive forests within project sites (pine, pine-oak and tropical forests) by relevant government, local community (both women and men) and private sector actors (target: 3,000,000 ha of sustainably managed forests, stratified by forest management actors)

D. Concept Description

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

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

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

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

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

By linking knowledge in technical-scientific information with locally developed capacities to generate processes of innovation the project will aim at promoting learning communities between actors within and among priority regions,



so that the exchange of experiences and lessons learned catalyzes processes and strengthens social fabric for dialogue with government authorities and thus strengthen ensure both top-down and bottom-up processes.

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

Component 3. Implementation of sustainable and diversified rural production systems. (Budget: GEF resources: US\$9,780,000, other resources: US\$80,810,000) The objective of this component is to support the creation of productive partnerships at the landscape level and generate inter-sectoral economic alliances at different scales, including the design and implementation of financial and market instruments, with the involvement of public and private financial institutions that support the adoption of sustainable and biodiversity friendly practices by producers. This will be achieved by absorbing incremental costs and the opportunity of diversification of production, by incorporating smallholders in credit regimes and establishing market conditions conducive to regional value chains, through instruments operating on demand, either drivers (brand names, denomination of origin, labels, certification, etc.) or regulatory (tax, service payments, etc.). Medium and large companies will be involved for their potential to articulate and fulfill the pull function in production chains that assimilate the value inherent to sustainable management of land and resources.

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

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

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

Forest ecosystem services will be secured and enhanced through improved management models and forestry production systems at the landscape level. The strategy proposes to develop and implement improved production systems that use elements of technical and technological innovation, improving competitiveness and socio-economic conditions in the



productive landscape. Capacity building and development of technical tools, as well as enhanced cooperation between forest sector users will be used to improve forest management, biodiversity management, connectivity and restoration of degraded forest landscapes. Incentives (policy and financial) will be developed to stimulate the use of criteria for ecosystem services, high value forest attributes, and resilience of forest ecosystems by producers at all levels (community forest smallholders, ejidos with different levels of commercial consolidation, etc.).

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

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

The project design reflects the institutional and implementation models piloted under previous projects and draws broadly from lessons learned and best practices established. The project has important linkages to two operations in the agricultural sector, one focusing on biodiversity mainstreaming across seven production systems and the other on supporting technologies for climate change mitigation. The project also links with the Coastal Watershed project - an innovative approach to foster biodiversity conservation through the consolidation of national protected areas and the support to biodiversity friendly eco-agriculture and sustainable forestry management sub-projects. The project is implemented through a complex institutional set up, including the private sector and several governmental agencies, all of which form part of the present project. Hence, the current project would build on the inter-institutional linkages established and the experiences from on the ground coordination.

It is however challenging to align national agriculture, forestry and conservation programs, and without alignment perverse incentives can be created, mostly increasing the pressure on forests. Under the FIP an intervention model was designed that reflects the complex interagency relationships and coordination mechanism that would be necessary for an integrated landscape approach. For the FCPF's ER-P regional programs were developed that could eventually allow for policy alignment on the landscape level and thus foster sustainable resource management. The project will greatly benefit from these experiences and will hereby complement and expand the geographical scope of the existing projects. This will be achieved by explicitly focusing on agriculture and forestry productive value chains and thus complementing the ongoing conservation efforts, specifically under the coastal watersheds project. Hence, the project will be a key instrument for introducing integrated landscape management for productive land use activities.

Beneficiaries: The direct benefits of the project are approximately 50,000 producers organized in producer groups and associations across the landscapes in priority regions. In this project, the term “producers” refers to agricultural producers, foresters, conservationists and others who derive their livelihoods from the landscape, including forest ejidos and communities with timber and non-timber production and the organizations they form among them. The latter are moral entities regardless of the number of people integrating them, who can be counted as direct beneficiaries and be part of the 50,000 goal of the project.

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

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

Scope: The project will be implemented across 7 priority regions, identified on the basis of their representativeness in term of biodiversity, connectivity, land and forestry management activities, climate vulnerability and mitigation potential, ecosystem services, and agricultural production activities (Annex I provides further detail on the methodology for identification of priority regions and intervention sites within them). These regions include:

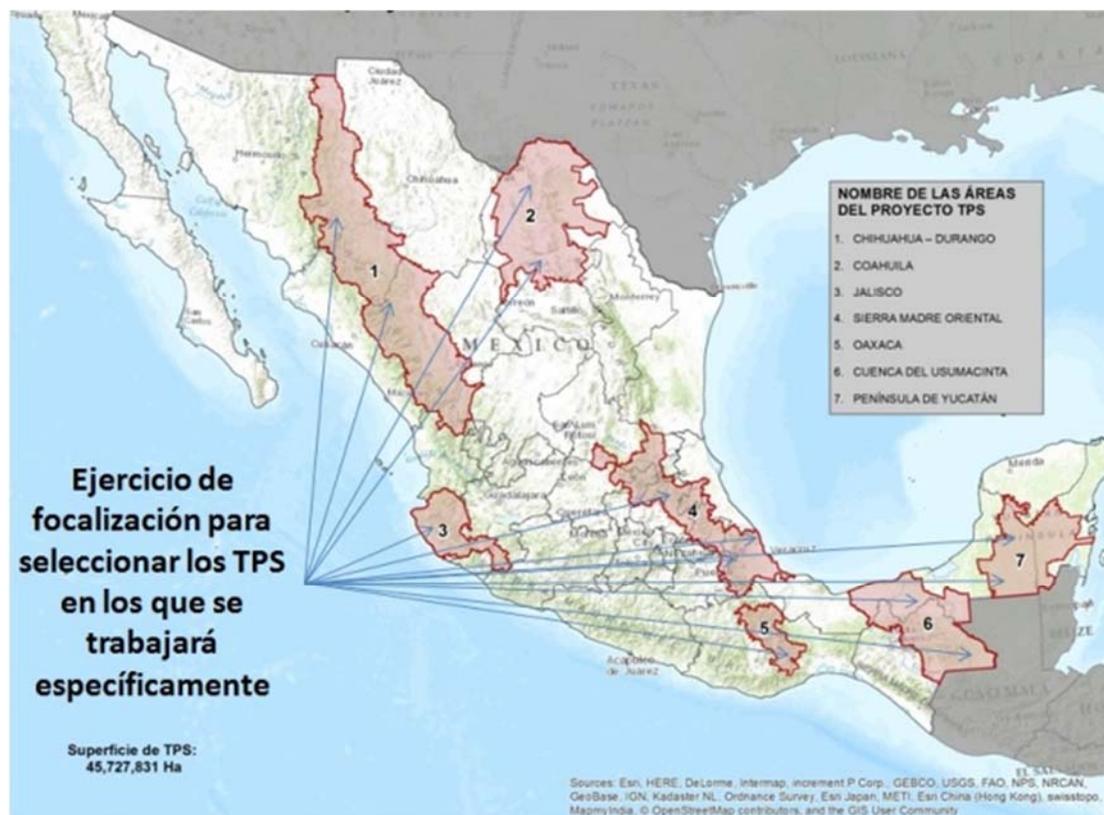
1. **Chihuahua-Durango.** Priority region for biological diversity and forest management. All municipalities in both states with forestry activities and that are also found in CONANP's Sierra Madre Occidental Corridor are contemplated.
2. **Coahuila.** Priority region for forest management and the grassland ecosystem. Considers the municipalities with forestry activities and priority conservation areas identified by CONANP in the Chihuahua Desert Corridor identified by CONANP.
3. **Jalisco.** Priority based on four inter-municipal governance bodies, forest management, the Ameca Biocultural Corridor and biodiversity hotspots.
4. **Sierra Madre Oriental.** Comprised of municipalities that belong to the Sierra Madre Oriental Ecological Corridor. These are also high-biodiversity areas with forest management.
5. **Sierra Norte of Oaxaca.** Priority region with high biodiversity, forest management and priority ecosystems, with municipalities that belong to the Oaxaca Biological Corridor.
6. **Usumacinta Basin.** Priority conservation areas such as the Lacandon Jungle and Pantanos de Centla, in Chiapas and Tabasco states.
7. **Yucatan Peninsula.** Includes ejidos with forest management and areas of high biodiversity in Campeche and Quintana Roo states.

Further detail on each region and each intervention site within it, including sub-systems, relevance to biodiversity conservation, drivers of deforestation, as well as linkages with other GEF focal areas is provided in Annex II.

Within each one of these broader priority regions, 12 possible intervention sites have been identified by each agency



focusing on the importance of biodiversity conservation and productive opportunities. In each site, the project will work with producer groups and organizations and communities to be selected based on criteria developed during project preparation and aligned with the objectives of this project.

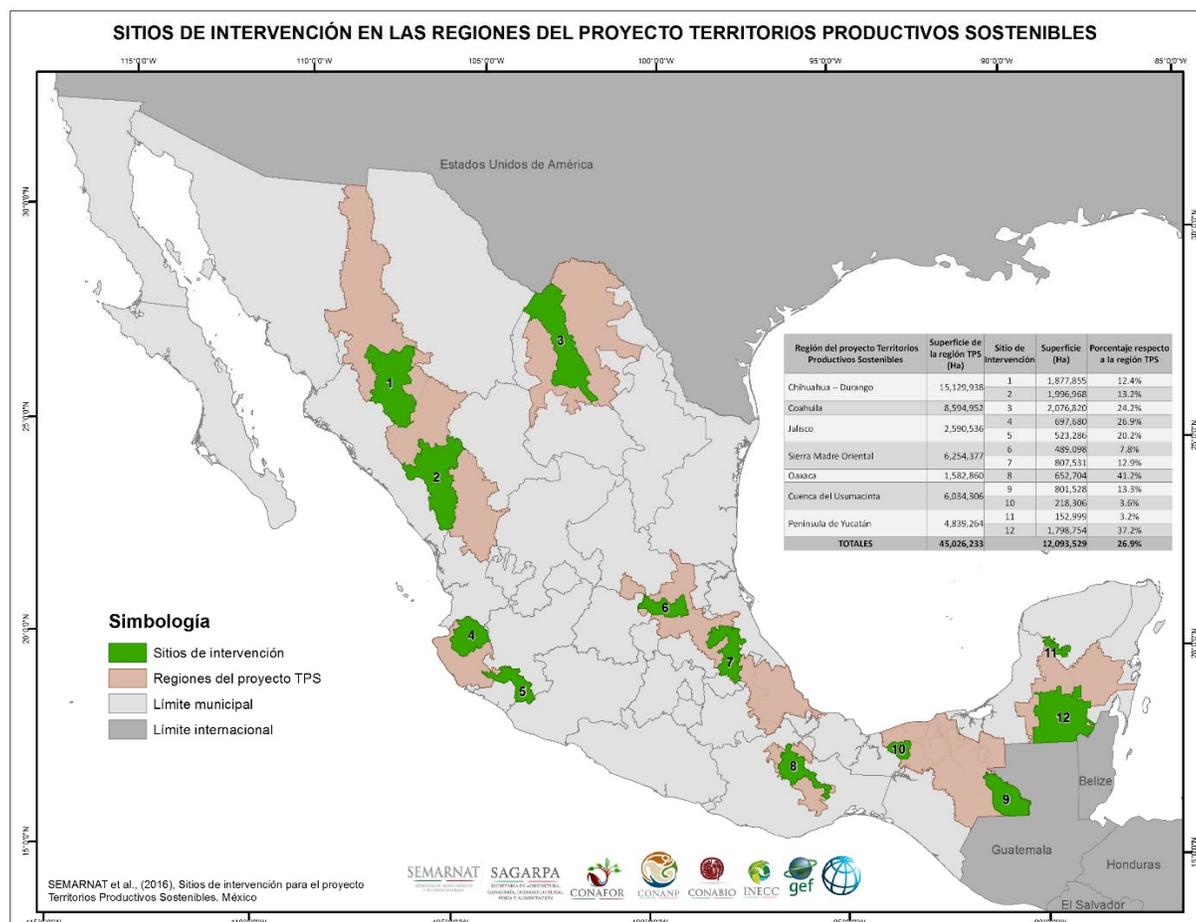


REGIONES PRIORITARIAS POR SU BIODIVERSIDAD, PRESTACIÓN DE SERVICIOS ECOSISTÉMICOS

| Priority Region | Land Area of Region (ha) | Intervention Site | Land Area of Intervention Site (ha) | % of Region Area |
|------------------------|--------------------------|-------------------|-------------------------------------|------------------|
| Chihuahua – Durango | 15,129,938 | 1 | 1,877,855 | 12.4% |
| | | 2 | 1,996,968 | 13.2% |
| Coahuila | 8,594,952 | 3 | 2,076,820 | 24.2% |
| Jalisco | 2,590,536 | 4 | 697,680 | 26.9% |
| | | 5 | 523,286 | 20.2% |
| Sierra Madre Oriental | 6,254,377 | 6 | 489,098 | 7.8% |
| | | 7 | 807,531 | 12.9% |
| Sierra Norte de Oaxaca | 1,582,860 | 8 | 652,704 | 41.2% |
| Usumacinta Basin | 6,034,306 | 9 | 801,528 | 13.3% |
| | | 10 | 218,306 | 3.6% |
| Yucatan Peninsula | 4,839,264 | 11 | 152,999 | 3.2% |
| | | 12 | 1,798,754 | 37.2% |
| Total | 45,026,233 | 12 | 12,093,529 | 26.9% |



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SAFEGUARDS

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

The project will be implemented in specific intervention sites within 7 priority regions of Mexico, identified on the basis of their representativeness in term of biodiversity, connectivity, land and forestry management activities, climate vulnerability and mitigation potential, ecosystem services, and agricultural production activities. These are: (1) Chihuahua-Durango, a priority region for biological diversity and forest management. All municipalities in both states with forestry activities and that are also found in CONANP’s Sierra Madre Occidental Corridor are contemplated. (2) Coahuila, a priority region for forest management and the grassland ecosystem. Considers the municipalities with forestry activities and priority conservation areas identified by CONANP in the Chihuahua Desert Corridor identified by CONANP. (3) Jalisco, priority based on four inter-municipal governance bodies, forest management, the Ameca Biocultural Corridor and biodiversity hotspots. (4) Sierra Madre Oriental, comprised of municipalities that belong to the Sierra Madre Oriental Ecological Corridor. These are also high-biodiversity areas with forest management. (5) Sierra Norte of Oaxaca, a priority region with high biodiversity, forest management and priority ecosystems, with



municipalities that belong to the Oaxaca Biological Corridor. (6) Usumacinta Basin, a priority conservation areas such as the Lacandon Jungle and Pantanos de Centla, in Chiapas and Tabasco states; and (7) Includes ejidos with forest management and areas of high biodiversity in Campeche and Quintana Roo states.

B. Borrower’s Institutional Capacity for Safeguard Policies

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

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

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

C. Environmental and Social Safeguards Specialists on the Team

Angel Alberto Yanosky, Arelia Jacive Lopez Castaneda

D. Policies that might apply

| Safeguard Policies | Triggered? | Explanation (Optional) |
|-------------------------------------|------------|--|
| Environmental Assessment OP/BP 4.01 | Yes | This project will work mainly in harmonization and alignment of programs with a landscape approach, with capacity building for local actors and technical bodies to improve productivity, detain processes associated to environmental degradation and |

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diversify productive options, for an inclusive economic processes. No land use change activities will be supported and no primary forests will be degraded. This focus would result in mainly positive environmental impacts given the reduced pressure on natural ecosystems with overall benefits to help maintain socio-ecosystemic functionality of sustainable production landscapes for their biodiversity and ecosystem services. An Environmental Assessment (EA) will be prepared to identify project activities and their impact on the environment, and also will identify the legal framework associated with these activities. The focus will be on wildlife habitat, agricultural biodiversity, carbon sequestration, stabilization of the water cycle, continuity of traditional cultures, the welfare of its inhabitants and connectivity between ecosystems, among others. The EA will produce recommendations for each productive activity in selected sites within the 7 priority regions. The selection criteria of sub-projects within selected sites will be decided during project preparation, with the actual selection of sub-projects to be made during project implementation. Hence, an Environmental and Social Management Plan (ESMP) will be prepared to provide guidance on potential risks and mitigation measures. If specific areas of intervention are identified before appraisal then an ESMP will be developed for each area. This project will use and build on the experience from the several Bank implemented GEF funded projects in Mexico, among them the Sustainable Production Systems and Biodiversity Project, Coastal Watersheds Conservation Project, Forests and Climate Change Project and FIP and FCPF activities.

Natural Habitats OP/BP 4.04

Yes

This project will exclude activities that would lead to the loss or degradation of natural habitats. Through improved production and harvesting techniques that seek to maintain biodiversity, the project will benefit from the connectivity and biodiversity corridors and the landscape approach for long-term integrity of ecosystems. CONABIO and CONANP will ensure that Natural Protected Areas (NPAs) in the SINAP will serve as a reference to confirm that proposed activities are consistent with conservation plans and NPAs Management Programs. CONABIO's standards for preparation, review, and approval of productive



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sub-projects are consistent with the principles of the Bank policy on Natural Habitats in terms of criteria regarding protection and sustainable management of critical and natural habitats and endangered or threatened species. These will be clearly identified in the ESMFs. Monitoring will be based on specific biodiversity indicators to include natural and induced perturbations, by analyzing the expected vs. observed distribution of selected species; habitat fragmentation through rural evaluation, zoning and land use community plans; loss of continuity/connectivity through success rate observed in distribution/colonization in remote places; and finally, biodiversity loss, through the actual distribution of selected species that may be observed and counted, directly or through different techniques to be identified for Appraisal. The monitoring will also consider the area under improved management using the GEF tracking-tools established for this as well as other parameters relevant to establishing project-level and aggregate impacts.

Forests OP/BP 4.36

Yes

This Project will not involve actions related to conversion or degradation of critical forest areas or other natural habitats associated with forests, neither will apply any technique which may contravene international environmental laws; nor involve any conversion or degradation of critical natural habitats, including adjacent or downstream critical natural habitats. This project will be focused on biodiversity conservation in forestry production areas through planning, management and monitoring schemes with a regional and ecosystemic approach. Policy requirements (as derived from the joint experience with the Bank) from CONABIO/CONAFOR's standards are consistent with Bank policy including time-bound plans for small and community forest management schemes. These will be clearly identified in the ESMF. Management will be ruled and whenever feasible geared towards achieving internationally accepted certification standards.

Pest Management OP 4.09

Yes

The EA and related reports should emphasize the use of agrochemicals and any expected use of agrochemicals in the promotion of actions or in the production units and would include the adoption of biodiversity friendly practices to reduce significantly



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the use –and hence environmental impacts- of the use of fertilizers and pesticides. The quest for niche markets demands the use of biofertilizers and biological pest control, minimizing the need for agrochemicals. Environmentally friendly practices to be supported may need pesticides especially in forestry and agricultural activities and producers may be engaged in other ongoing associated activities that may be using pesticides, these will be clearly identified and addressed for appraisal. The EA will provide information on the legal framework and the Bank’s requirement and thus identify the need for a Pest Management Plan which will address among other aspects training and equipment if pertinent. The EA will include a provision that no activities that incorporate or increment the use of pesticides will be supported by the Project.

Physical Cultural Resources OP/BP 4.11 Yes

No large infrastructure works will be financed by the project, but some remodeling or new facilities for the forest communities may require relatively small works and there is a possibility of chance finds at any construction site. The EA and EMF, based on the respective law (Ley de Monumentos y Sitios Arqueológicos) will guide the project team to follow the appropriate conduct in reporting and following up on any such case. CONABIO should contact the state delegation of the National Instituto of History and Anthropology (INAH) who has designated personnel to explore and determine possible monuments or archeological sites discovered during civil works in the field.

Indigenous Peoples OP/BP 4.10 Yes

This Policy is triggered given that indigenous people are present in the Project’s area of influence, and could benefit from Project activities. During Project preparation, several activities will be carried out to assess potential impacts and strengthen the Program’s performance under the modalities that are more likely to affect indigenous people. It is therefore necessary to develop to conduct a rapid social assessment to identify any possible and negative impacts and to inform the design of mitigating measures. This assessment should also specify the positive impact of the project, in terms of the improvement and the maximization of the social and economic benefits for indigenous peoples, woman and younger generations.



A social assessment s will be carried out during project preparation. The social assessment could to include (i) legal review; (ii) socio-demographic baseline; (iii) identification of key stakeholder groups; (iv) culturally appropriate consultation processes; (v) potential positive and negative impacts; (vi) process for conducting free, prior and informed consultations and acquiring the broad community support. Some of the key output of the Social Assessment involve (i) the role and participation of women in resource natural management; (ii) issues of indigenous peoples in the project context; (iii) participation of indigenous peoples and other local communities; iv) out migration and (v) Social conflicts.

An Indigenous Peoples Planning Framework (IPPF). Will be developed by the client in coordination with the Bank, to review the eligibility rules, and identify eventual barriers of access to the Program by indigenous people, and propose corrective measures. The selection of the region and sub-projects will be identified during project preparation and the IPPs will be developed in the region or sub-projects with influence of project with presence of indigenous peoples. The project will in no way affect or change the collective territorial rights of Indigenous peoples or alter their rights or access to the natural resources within those territories.

The Project requires free, prior, and informed consultation with the indigenous peoples' communities at each stage of the Program development The consultation process will developed with the recommendation of the CDI (Comision Nacional para el Desarrollo de los Pueblos Indigenas) and also platforms for consultation and dissemination of projects and programs of the participating institutions be used. The Grievance Redress Service (GRS) system jn accordance with existing systems, will be held in the SERMARNAT and the experience of CONAFOR, CONANP AND CONABO

CONABIO, CONANP and CONAFOR have extensive experience working with indigenous peoples and other local Communities, and also have experience to



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implementation of the Operational Policies 4.10 in the Proyecto Mexico Mesoamerican Biological Corridor project (based on the Mexico Community Forestry Project guidelines) and Sustainable Production Systems and Biodiversity (P121116), and Forests and Climate Change Project (P123760).

While no involuntary resettlement is expected under the Project, there will be possible restriction of access originated by project activities within and outside of protected areas. Protected areas (reservas naturales, reservas de la biosfera, etc.) and biodiversity corridors are particularly relevant because conservation and biodiversity objectives will need to be combined fully with the planning of the natural resources use and management.

Involuntary Resettlement OP/BP 4.12 Yes

A Process Framework (PF) will be develop by the Project to comply with the OP4.12, which will ensure that there are adequate and culturally appropriate consultations and participation of indigenous peoples and other local communities in the unlikely event of any. The PF will ensure that in cases where there are certain uses, such as spiritual uses, that will not be restricted and to guide possible restriction of access because of project activities (Within and outside of protected areas).. Potential beneficiaries of this project will demonstrate land tenure and a document where the land use is established, under uses and customs (Carta de Asamblea Comunal). For development subproject in the private lands will be necessary to have a private titleholder.

Safety of Dams OP/BP 4.37 No

Projects on International Waterways OP/BP 7.50 No

Projects in Disputed Areas OP/BP 7.60 No

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Apr 28, 2017

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



The time frame for preparation of safeguards-related studies is December 2016 to April 2017, after GEF Council Review in October 2016 and formal project endorsement expected to be received in November 2016.

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APPROVAL

| | |
|----------------------|-------------------|
| Task Team Leader(s): | Svetlana Edmeades |
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Approved By

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|---------------------------|--|--|
| Safeguards Advisor: | | |
| Practice Manager/Manager: | | |
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