

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC829

Date ISDS
Prepared/Updated: 13-Jul-2012

I. BASIC INFORMATION

A. Basic Project Data

Country:	Mexico	Project ID:	P131709
Project Name:	Coastal Watersheds Conservation Project (P131709)		
Task Team Leader:	Adriana Moreira		
Estimated Appraisal Date:	04-Mar-2013	Estimated Board Date:	30-May-2013
Managing Unit:	LCSEN	Lending Instrument:	Specific Investment Loan
Focal Area:	Multi-focal area		
Sector:	Forestry (40%), General agriculture, fishing and forestry sector (40%), Public administration- Agriculture, fishing and forestry (20 %)		
Theme:	Biodiversity (30%), Climate change (30%), Other environment and natural resources management (20%), Participation and civic engagement (10%), Other rural development (10%)		
Financing (in USD Million)			
Financing Source			Amount
BORROWER/RECIPIENT			239.88
Global Environment Facility (GEF)			39.52
Total			279.40
Environmental Category	B - Partial Assessment		
Is this a Repeater project?	No		

B. Global Environmental Objective(s)

The project's global environmental objective (GEO) is the same as the project's development objective (PDO): To promote integrated environmental management of selected coastal watersheds as a means to achieve biodiversity conservation benefits, increase climate change resilience, and enhance sustainable land use.

C. Project Description

Overview:

Through coordination between four key institutions, and the application of a landscape approach to watershed management, the proposed project will leverage co-financing of US\$239,886 million to ensure the effectiveness of protected areas (1,180,985 ha, including 258,199 ha of marine areas) and

increase their connectivity through conservation and sustainable management of watersheds totaling 1,609,337 ha inhabited by some 5 million people. The project will develop a collaborative mechanism to replicate best practices in at least 200,000 ha in other watersheds throughout the country. Preliminary estimates indicate that the activities included in the project could reduce carbon emissions on the order of 16.406 MtCO_{2e} after twenty years.

The project will be financed by a GEF grant of US\$39.518 million and US\$239.886 million in cofinancing from Government and other donors, including an ongoing World Bank US\$350 million SIL for CONAFOR to ensure sustainable use, restoration and expansion of Mexico's forest resources which aims to strengthen social resilience to climate change in Mexico and to lead the international effort for REDD+. Other agencies involved will provide budgetary funds and support from bi-lateral sources in the adaptation to climate change. The FMCN will raise funds from private donors.

Project Components:

Component 1. Consolidation of protected areas (GEF: US\$11.399 million; Co-financing: US\$55.292 million).

The project will extend the support of the Fund for Protected Areas (FANP) to ten protected areas (two new and 8 existing) in selected watersheds aiming to improve their management effectiveness. Management in these selected areas will be strengthened through provision of equipment, staff training emphasizing mitigation and adaptation to climate change, and strategies to build social support for integrated watershed management. Sustainable financing plans will be prepared and implemented. Co-financing from bi-lateral agencies will ensure that adaptation measures are incorporated into protected area planning and that capacities are developed to reduce vulnerability of ecosystems and livelihoods. GEF endowment funds included in this component (US\$10.568 million), and 1:1 matching funds raised by FMCN, will be added to the existing FANP capital and the interest generated will be channeled to implement protected areas annual operating plans. CONANP fiscal funds will complement this investment through financing of personnel, operating expenses and Management Programs. Non-endowment funds included in this component (US\$0.831 million matched by FMCN) will support fundraising, replicating the strategy that allowed FANP to exceed the 1:1 match required by the prior project.

Component 2. Promoting sustainability within watersheds (GEF: US\$20.590 million; Co-financing: US\$145.590 million).

The project also takes a landscape approach outside of protected areas. Within each watershed, the conservation of forest fragments will be supported through direct PES to land owners. Around these fragments, areas essential to reduce deforestation pressure on forest fragments will be eligible for support to improve management of agro-ecosystems. Communities will receive support to reduce GHG emissions through forest conservation, reforestation and sustainable forest management. Activities in this component are multi-focal (CCM, LD and SFM). They will focus on conserving forests through PES, reducing pressure for land use change, improved land management and soil conservation in degraded areas, and avoided deforestation. The GEF endowment contribution will also ensure engagement in perpetuity in these areas. In previous GEF projects in Mexico, this stable financial basis has been essential to leverage substantial investments from public and private sources. Since only the interest from the endowment is used, the area directly financed by GEF is limited. Its value rests in presenting tangible results within a scalable strategy that invites additional investment and assures continuity. The project therefore will incorporate considerable matching funds, which would not otherwise be leveraged.

CONAFOR will support PES in eligible sites in the selected coastal watersheds. With GEF SFM support the Biodiversity Fund endowment would be increased (GEF US\$9.091 million and a 1:1 match from CONAFOR), the interest from which will enable direct cash payments to land owners in these sites that would otherwise not be eligible for PES. Without GEF support only eligible sites within the 6 watersheds would receive PES support, and co-financing of multiple-service strategies would not be possible. GEF funds will allow CONAFOR to: (a) co-finance PES for multiple services, (b) cover adequately the 6 watersheds with PES over multiple federal administrations. They will also enable land owners/users to have additional support to reduce pressure on forests from the surrounding landscape. CONAFOR will provide technical support to forest owners receiving PES as part of the World Bank supported Forest and Climate Change Project.

In addition to forest PES, local communities will receive support to improve agro-ecosystems and adopt SFM practices in the surrounding degraded lands, thus reducing pressure on the forests while improving livelihoods. FMCN will channel non-endowment resources (US\$8.756 million from GEF in CCM) to qualifying local organizations that provide on-site technical support, capacity building and investment in sustainable forest management in communities that wish to apply for sub-grants. The sub-grant selection will be the responsibility of the Project Committee supported by the reviews of external experts, following the procedures of the FMCN.

Component 3. Strengthening capacities for monitoring land use, biodiversity, watershed management and climate change (GEF: US\$3.561 million; Co-financing: US\$13.479 million).

Through GEF funding the project will ensure that community monitoring on deforestation and biodiversity degradation is established in the six watersheds and implemented over the long term according to the protocols that are being developed as part of the baseline in two of the watersheds. CONAFOR will verify community data to ensure compliance of forest cover for PES, while CONANP will assist communities in protected areas in monitoring deforestation and biodiversity degradation. Carbon stocks will be estimated in community plots with the technical support of CONAFOR and project funds, building on the Norwegian-funded Monitoring, Reporting and Verification (MRV) project under CONAFOR. CONAFOR and INE will also assess carbon stocks in soils and relate these stocks to land degradation in the watersheds. Baseline data will be stored in CONABIO and CONAFOR databases to allow for periodic evaluation of project impact. In addition to biodiversity and carbon, communities will measure water quality and quantity (financed through co-financing) using the Global Water Watch (GWW) methodology, expanding the experience from two to six watersheds. Data will be available in the GWW site (www.globalwaterwatch.org). INE will support the integration of data to promote a watershed perspective. It will work on a detailed map of land uses and socioeconomic variables in each watershed, including local capacities and livelihood indicators, to help generate effective intervention strategies (including capacity building) and strengthen adaptive management over time.

Project support will allow integrating measures of four ecosystem services (biodiversity, carbon stocks, water quality and quantity) in six watersheds and relating these measures to land uses, livelihoods and local capacities within each watershed. Combining community-based and national monitoring strategies will help insure that the current piecemeal approach to monitoring is transformed into a comprehensive system that provides constant feedback for integrated watershed management nationally.

Component 4. Piloting innovative mechanisms for inter-institutional collaboration and promoting social participation (GEF: US\$3.969 million; Co-financing: US\$14.727 million).

This component aims to: (i) strengthen inter-institutional collaboration and stakeholder participation mechanisms and (ii) ensure effective project implementation. With respect to strengthening collaboration and participation at the local level, participatory fora will be established to develop and oversee integrated land management plans. These participatory mechanisms could build on existing CONAGUA Watershed Councils, CONANP Advisory Councils, or Planning Committees for State Development. Sub-committees could operate as needed in specific regions. Inter-municipal arrangements, such as the successful Inter-municipal Initiative for the Integrated Management of the Ayuquila River, will be explored as a means for coordination. This component is linked to the first component of the Mexico Forest and Climate Change Project SIL promoting cross-sector coordination, since participatory fora in each watershed will serve to align investments from different sectors. Additionally, project and counterpart funds will support a learning community bringing together organizations working to conserve watersheds. FMCN will draw on its experience supporting such communities. Participatory fora in each watershed will define topics for learning and exchange. Advances in the project and the learning community will be published and disseminated to benefit other watersheds. At least five watersheds (200,000 ha) in addition to those targeted by the project are expected to adopt lessons.

In terms of project management, the framework for multi-institutional oversight and collaboration is an innovative design combining the strength of four institutions. To ensure smooth implementation, the project will support the establishment and functioning of the various project inter-institutional structures including: (i) a Project Committee, modeled after the successful Technical Committee of the FANP, with members representing CONANP, CONAFOR, INE and FMCN, to supervise and coordinate project components; and (ii) a Project Coordinating Unit (PCU).

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

The project has identified 15 watersheds along the Gulf of California and 9 watersheds along the Gulf of Mexico selected on the basis of highest priority according to ecosystem and conservation characteristics, local capacities, matching funds and inter-institutional collaboration. This resulted on a Project's area of 1,180,985 ha (including 258,199 ha of marine areas) inhabited by some 5 million people.

The pre-selected watersheds along the Gulf of Mexico and the Gulf of California show high variability between watersheds, degradation being more prevalent along the Gulf of Mexico. Within the transformed landscape, 59.9% is devoted to cattle ranching, 39.2% to agriculture and 1% is urban. Increasingly, natural ecosystems will yield to competing land uses: the expansion of low intensity cattle ranching, slash-and-burn agriculture, sugar cane, hydro-electric dams, as well as coastal unplanned development. Negative externalities derived from these land use changes include high carbon emissions, significant loss of biodiversity, high erosion and other land degradation effects, and unsustainable livelihoods for the communities that live within the watersheds.

To reverse these trends, a multi-institutional effort is necessary along with participation strategies to build the social support required for integrated watershed management. This process will require the engagement of local communities to substitute negative practices for sustainable activities, particularly within the natural protected areas comprised in such watersheds. The presence of several ethnic groups in many of the selected watersheds will require preparation of an Indigenous Peoples Plan.

E. Borrowers Institutional Capacity for Safeguard Policies

The project builds on the coordinating efforts of four institutions: CONANP, CONAFOR, INE, and FMCN, all of them with long track records in their areas of expertise including Bank's and GEF

financed projects.

CONANP manages 174 protected areas representing 12.92% of the Mexican territory. Its budget has increased from US\$0.1 million in 1994 to US\$90 million in 2011. CONANP, in partnership with the FMCN has managed in the last 15 years two of the GEF grants to Mexico to support priority protected areas and has developed in the process a strategy to address safeguards. FMCN manages the Fund for Protected Areas (FANP), established in 1997 with an endowment of US\$16.48 million, and channels its income either to protected area operations, or to local partners for conservation programs supporting the protected areas. While the FMCN provides project oversight and raises additional funds, CONANP ensures that funds are used for strategic conservation activities incorporating a safeguard perspective. As of 2011, the number of protected areas supported by the FANP has increased to 23; with a second GEF grant of US\$31.1 million in 2002 and contributions from 13 other donors FANP increased its capital to US\$75.89 million. During a decade of implementation of these GEF financed projects, CONANP and FMCN have developed a successful participation strategy to comply with Bank’s safeguards, comprising sustainable development plans to manage possible restrictions in the use of natural resources and to promote the engagement of indigenous peoples located in the natural protected areas in conservation activities. After 15 years of operation, this strategy is fully embedded in CONANP’s and FMCN’s practices.

CONAFOR has ample experience in promoting sustainability. Regarding payment for ecosystem services (PES), the Mexican Forest Fund within CONAFOR is the largest PES fund in Latin America. Local governments, NGOs, and private entities provide counterpart resources to the Fund. Over the past eight years, CONAFOR has supported 1,008,858 ha with PES in the watersheds along the Gulf of Mexico and the Gulf of California. CONAFOR estimates that these areas harbor 28.5 million tons of accumulated carbon. In 2006, the World Bank provided CONAFOR a US\$45 million loan and a GEF US\$15 million grant. With these funds, CONAFOR improved the targeting of its PES program, piloted a market-based system (with direct cash payments combined with technical assistance to land owners), and established an endowment (the Biodiversity Fund) for long-term financing of PES for biodiversity-friendly land management systems in sites with globally significant biodiversity and low-income populations. Under these projects CONAFOR has been building its expertise in managing Bank’s safeguards.

INE will be responsible for the establishment of monitoring and evaluation and jointly with CONANP, FMCN and CONAFOR will develop and implement the GEF Management Effectiveness Tracking Tool and monitor performance against project goals. The project team will provide support and further assistance as necessary during supervision to assure good implementation of Bank safeguards policies.

F. Environmental and Social Safeguards Specialists on the Team

Ricardo Hernandez Murillo (LCSEN)

Kristyna Bishop (LCSSO)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered ?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	Given the essentially environmental conservation characteristic of the project, a category B is proposed. The proposed project will support an innovative multi-institutional

		<p>collaborative framework to achieve results across four GEF focal areas: (Biodiversity (BD), Climate Change (CCM), Sustainable Forest Management (SFM), and Land Degradation (LD)). Strengthened management of new (2) and existing (8) protected areas along six key watersheds will enhance biodiversity protection. Therefore, its outcomes are expected to be highly positive. The project may support small-scale activities in the protected areas to be created or existing PAs such as demarcation, trails, preparation of management plans, etc. An environmental screening mechanism will be established to assess possible negative impacts of such small-scale activities and to propose means to avoid them or mitigate them. Proper consultation will be applied as part of project financed studies for the creation of new protected areas according with principles of OP 4.01. The project will not cause physical resettlement; however, some restrictions may be necessary to protect core areas within the NPA; accordingly, a Process Framework would be prepared.</p>
Natural Habitats OP/BP 4.04	Yes	The project is likely to trigger the policy as it is expected to have positive impacts on the quality of critical natural habitats. The EA will ensure the policy is addressed appropriately.
Forests OP/BP 4.36	Yes	All impacts on forest systems are expected to be positive. Project's component 2 will focus on avoiding deforestation through: PES, improved land management for reducing land use change, soil conservation in degraded areas, and better forest management. As a result, this safeguard is likely to be triggered. The EA will ensure the policy is addressed appropriately.
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	Yes	There is a potential of historical sites and/or archeological findings within the defined project's area. The Environmental Management Framework will include relevant provisions to mitigate any potentially adverse impacts and procedures for the protection of "chance findings." Such provisions will follow guidelines defined by the National Institute for Anthropology and History (INAH)

		regarding historical sites and/or archeological findings.
Indigenous Peoples OP/BP 4.10	Yes	Initial screening has identified several ethnic groups within some of the project's pre-selected watersheds. Therefore, an Indigenous Peoples Plan (IPP) will be prepared to ensure that they are not negatively affected and that they participate in project's benefits. A social assessment and consultation process will be conducted following safeguards guidelines. The national legal framework related to indigenous peoples' rights will be taken into account. A participation strategy will be prepared to be conducted during project implementation as part of the IPP, following the experience of the two previous GEF projects.
Involuntary Resettlement OP/BP 4.12	Yes	The project's activities will not involve physical resettlement. However, there is a potential of nonphysical displacement as a result of regulatory activities, consolidation of protected areas and other activities mainly related to conservation management within NPA. To avoid or mitigate negative impacts a Process Framework will be prepared comprising screening and impact assessment mechanism. Following the successful experience of previous GEF projects, sustainable development action plans will be prepared to address potential impacts.
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	

III. SAFEGUARD PREPARATION PLAN

Tentative target date for preparing the PAD Stage ISDS:

A. 30-Aug-2012

Time frame for launching and completing the safeguard-related studies that may be needed.

B. The specific studies and their timing should be specified in the PAD-stage ISDS.

Safeguard-related studies are already being prepared and are expected to be finalized by appraisal, planned for mid-October, 2012.

IV. APPROVALS

Task Team Leader:	Name: Adriana Moreira
-------------------	-----------------------

<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name:	Date:
Sector Manager:	Name:	Date:

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.