Global Environment Facility
Grant Agreement

(Connecting Watershed Health with Sustainable Livestock and Agroforestry Production Project)

Among

FONDO MEXICANO PARA LA CONSERVACIÓN DE LA NATURALEZA, A.C.

and

INSTITUTO NACIONAL DE ECOLOGÍA Y CAMBIO CLIMÁTICO

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility
Global Environment Facility Grant Agreement

Agreement dated as of the Signature Date among: Fondo Mexicano para la Conservación de la Naturaleza, A.C. (the “Recipient”); Instituto Nacional de Ecología y Cambio Climático (“INECC”); and International Bank for Reconstruction and Development (“Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”) (“the Parties”); in respect of grant funds provided to a fund (the GEF Trust Fund) by certain members of the Bank, as participants of the GEF.

Whereas, the United Mexican States (Mexico), through the Secretariat of Finance and Public Credit (SHCP), participates in its capacity as the sole authorized body to handle all matters with the Bank, pursuant to the Decree that authorizes the Federal Government to sign, on behalf of the Government of the United Mexican States, the Articles of Agreements of the International Monetary Fund, approved in Bretton Woods, USA, published in the Federal Official Gazette on December 31, 1945 as further amended, including the amendment published in the Federal Official Gazette on January 13, 1986, and Article 37, Section X of “Reglamento Interior de la Secretaría de Hacienda y Crédito Público” (the SHCP Internal Regulation).

Whereas, the SHCP signs this Agreement as witness, acting in its capacity as GEF Political and Operational Focal Point, and with the understanding that none of the obligations acquired in this Agreement by the Parties are referred or binding in any way to SHCP. Therefore, SHCP shall not be responsible for the validity, effectiveness or sufficiency of the acts performed and the actions recognized by the Parties, related to the Project in connection with this Agreement; and on the use, management, application or destination of the GEF Grant resources.

Now therefore, the Recipient, INECC, and the Bank hereby agree as follows:

Article I

Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix of this Agreement.
Article II
The Project

2.01. The Recipient and INECC declare their commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project, in collaboration with INECC, all in accordance with the provisions of Article II of the Standard Conditions, and Schedule 2 to this Agreement.

Article III
The GEF Trust Fund Grant

3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed thirteen million seven hundred sixty-one thousand and four hundred sixty-eight United States Dollars ($13,761,468) ("GEF Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the GEF Grant in accordance with Section III of Schedule 2 to this Agreement.

3.03. The GEF Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) A Regional Fund has failed to comply with any of its obligations under its respective Regional Fund Agreement.

Article V
Recipient’s Representative; Addresses

5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Director General of Fondo Mexicano para la Conservación de la Naturaleza, A.C. (FMCN).
5.02. For purposes of Section 7.01 of the Standard Conditions: (a) the Recipient’s address is:

Fondo Mexicano para la Conservación de la Naturaleza A.C.
Damas 49, San José Insurgentes
Mexico City, Mexico
Telephone +52 (55) 5611 9779

5.03. For purposes of Section 7.01 of the Standard Conditions: (a) the Bank’s address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank’s Electronic Address is:

Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

FONDO MEXICANO PARA LA CONSERVACION DE LA NATURALEZA, A.C.

By

[Signature]

Authorized Representative

Name: René González

Title: General Director

Date: July 11, 2021
INSTITUTO NACIONAL DE ECOLOGÍA Y CAMBIO CLIMÁTICO

By
Authorized/Representative

Name: Ma. Amparo Martínez a.
Title: General Director
Date: July 12, 2021

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

By
Authorized Representative

Name: Pablo Saavedra
Title: Country Director
Date: July 9, 2021

In Witness: UNITED MEXICAN STATES
Acting as the Political and Operational Focal Point of the Global Environment Facility

By
Authorized Representative

Name: Jose de Luna Molina
Title: Deputy Undersecretary for Public Credit
Date: July 19, 2021
SCHEDULE 1

Project Description

The objective of the Project is to improve integrated landscape management and promote climate-smart productive practices in selected watersheds.

The Project consists of the following parts:

Part 1: Development and Promotion of Integrated Landscape Management

(a) Supporting the development or enhancement and subsequent implementation of specific land-use instruments (Integrated Watershed Action Plans or IWAPs) at the prioritized watersheds set forth in the Operational Manual through, inter-alia: (i) using, updating and completing relevant studies on topics including climate change scenarios and impacts of livestock production on water bodies; and (ii) carrying out wide stakeholder engagement in consultative activities to inform the IWAPs.

(b) Supporting coordination between public and private programs and actors to promote partnerships for the implementation of IWAPs and relevant programs and initiatives through, inter-alia: (i) the development of new or modified interinstitutional agreements, policy instruments or programs to support activities that promote connectivity in the watersheds; and (ii) testing and mainstreaming innovative approaches to enhance interinstitutional collaboration through, inter-alia, providing technical support and training to key actors at the national, state, and local levels (policymakers, civil society organizations and private sector) to adopt IWAPs and align policies and subsidy programs with IWAP recommendations.

Part 2. Strengthening of Business Skills for Sustainable Livestock and Agroforestry

(a) Supporting the provision of advisory services and technical assistance through the engagement of Local Providers of Technical Assistance (“PLATs”) to improve management and organizational capacities of Eligible Beneficiaries to develop business strategies for sustainable production (BSSPs).

(b) Supporting the provision of consultancies, goods and technical inputs for the selected Eligible Beneficiaries to support BSSP development and/or implementation, as necessary.

(a) Providing Grants to Eligible Beneficiaries through Legally Constituted Local Organizations ("LCLOs") to finance Subprojects covering a variety of activities to increase connectivity in the watersheds to implement the IWAPs recommendations developed under Part 1, and/or support the implementation of selected BSSPs developed under Part 2 of the Project.

Part 4. Project Coordination, Collaboration and Knowledge Management

(a) Carrying out Project implementation support and supervision activities, including, *inter-alia:* supervising fiduciary requirements, environmental and social risk management, strengthening the Recipient’s information system, communications, and overall monitoring and evaluation activities.

(b) Enhancing stakeholder participation and inclusion in watershed management through, *inter-alia:* (i) developing a new national learning community for regenerative ranching; (ii) strengthening existing local and national stakeholder platforms; (iii) organizing exchanges of knowledge and experiences between and beyond the targeted watersheds; (iv) systematically documenting and sharing good practices and lessons learned; and (v) carrying out activities to address gender and social inclusion issues.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. To facilitate the implementation of the Project:

(a) No later than three months after the Effectiveness of the Project, INECC shall establish and maintain throughout Project implementation the Technical Coordinating Unit ("TCU") with staffing and functions set forth in the Operational Manual.

(b) No later than three months after the Effectiveness of the Project the Recipient shall establish and maintain throughout Project implementation the Operational Coordinating Unit ("OCU") with staffing and functions set forth in the Operational Manual.

(c) INECC shall maintain throughout Project implementation the Coordinating Committee ("CC") with composition and functions set forth in the Operational Manual.

(d) The Recipient shall maintain throughout Project implementation the Technical Committee ("TC") with composition and functions set forth in the Operational Manual.

B. Operational Manual

1. The Recipient, shall carry out the Project and/or cause the Project to be carried out, in accordance with the provisions of a manual (the Operational Manual) satisfactory to the Bank, containing, inter-alia: (a) the activities and timetable of actions to be implemented under the Project; (b) the respective roles and responsibilities of the Recipient, the INECC, and other agencies involved in the implementation of the Project; (c) the detailed description of the institutional arrangements, bodies and rules and procedures to govern the Project, including the composition and responsibilities of the TCU, OCU, CC and TC; (d) the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures); (e) the application, criteria, and process for the selection of Eligible Beneficiaries and Local Providers of Technical Assistance (PLATs) under Part 2 of the Project; (f) application, criteria, and process for the selection of Eligible Beneficiaries, L.C.I.Os, and Subprojects under Part 3 of the Project; (g) the Project’s environmental and social
requirements; (h) the performance indicators for the Project; and (i) the application of the Anti-Corruption Guidelines.

2 The Recipient shall not amend or waive or fail to enforce any provision of the Operational Manual without the Bank’s prior written approval. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Regional Funds; Regional Agreements and Subproject Agreements

1. Prior to carrying out any activities in the geographic area, if assigned to a Regional Fund, the Recipient shall enter into an agreement (the “Regional Agreement”) with said Regional Fund under terms and conditions acceptable to the Bank, set forth in the Operational Manual and including, inter-alia: (a) the Recipient’s obligation to transfer part of the proceeds of the GEF Grant to the Regional Fund; and (b) the Regional Fund’s obligation to carry out its respective Project activities in accordance with the relevant provisions of this Agreement, including the Anti-Corruption Guidelines, the Procurement Regulations, and the Project’s environmental and social requirements.

2. To facilitate the carrying out of Part 3 of the Project, and prior to the carrying out of each Subproject, the Recipient shall, or shall cause the relevant Regional Fund, as the case may be, to enter into an agreement (“Subproject Agreement”) with the relevant Eligible Beneficiaries through the LCLO, under terms and conditions acceptable to the Bank, as set forth in the Operational Manual; including, inter-alia: (a) the Recipient’s or the Regional Funds’ obligation to provide the Grant to the LCLO in support of the relevant Eligible Beneficiaries; and (b) the LCLO and Eligible Beneficiaries’ obligation to carry out the relevant Subproject in accordance with the relevant provisions of the Subproject Agreement, which shall include the provisions set forth in this Agreement, the Anti-Corruption Guidelines, the Procurement Regulations, and the Project’s environmental and social requirements.

3. The Recipient shall exercise its rights under each Regional Agreement, and cause the relevant Regional Fund to exercise its rights under the Subproject Agreement; in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Grant. Except as the Bank shall otherwise agree, the Recipient shall, and shall cause each Regional Fund to not assign, amend, abrogate, waive or fail to enforce each Regional Agreement, each Subproject Agreement, or any of their provisions. In case of inconsistencies between each Regional Agreement and this Agreement or between each Subproject Agreement and this Agreement, the provisions of this Agreement shall prevail.
D. Environmental and Social Standards

1. The Recipient shall and shall cause the Regional Funds and the Eligible Beneficiaries to ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Regional Funds, PLATs, LCLOs, and the Eligible Beneficiaries to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Recipient shall, and shall cause the Regional Funds, PLATs, LCLOs, and the Eligible Beneficiaries to ensure that:

   (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
   
   (b) sufficient funds are available to cover the costs of implementing the ESCP;
   
   (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
   
   (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall, and shall cause the Regional Funds, PLATs, LCLOs, and the Eligible Beneficiaries to ensure that:

   (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter-alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
   
   (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant
adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall, and shall cause the Regional Funds, PLATs and LCLOs and the Eligible Beneficiaries to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall furnish each Project Report to the Bank not later than forty-five days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of GEF Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the GEF Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Capacity Building and Project Incremental Costs under Parts 1, 2, 3, and 4 of the Project</td>
<td>7,683,963</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subprojects under Part 3 of the Project</td>
<td>6,077,505</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>13,761,468</td>
<td></td>
</tr>
</tbody>
</table>
B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed US$ 2,752,294 (two million seven hundred fifty two thousand and two hundred and ninety four United States dollars) may be made for payments made prior to this date but on or after January 1, 2021, for Eligible Expenditures.

2. The Closing Date is July 31, 2026.
APPENDIX

Section I. Definitions


2. “BSSP” means business strategy for sustainable production, collectively referred to as “BSSPs”.

3. “Capacity Building” means the reasonable expenditures acceptable to the Bank as set forth in the Operational Manual (other than consultants’ services) incurred by the Recipient, and the Regional Funds in connection with the carrying out of capacity building activities (inter-alia: workshops, conferences, and seminars) under the Project.

4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. “CC” means the Coordinating Committee referred to in Section I.A.1(c) of Schedule 2 to this Agreement.

6. “Comunidad” means a group of people with legal personality that is the holder of recognized agrarian rights over their land.

7. “Ejido” means an association of peasant farmers usually assigned to small parcels of land to be farmed under a federally supported system of communal land tenure.

8. “Eligible Beneficiary” means: (i) for purposes of Part 2 of the Project, any PG (formal and informal) selected pursuant to the criteria and processes established in the Operational Manual; and (ii) for purposes of Part 3 of the Project, any PG, small landowners, and community enterprises, either formal (organized as an LCLO) or informal (grouped by an LCLO that allows non-organized producers to access Project funding), selected pursuant to the criteria and processes established in the Operational Manual.

9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 25, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and
measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

10. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; and (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Bank.

11. "Grant" means a grant made out of the proceeds of this GEF Grant to benefit an Eligible Beneficiary to finance goods, works, services, non-consulting services, consulting services, Capacity Building and Project Incremental Costs as part of a selected Subproject under Component 3 of the Project, all as set forth in the Operational Manual.


13. "IWAP" means Integrated Watershed Action Plan, collectively referred to as "IWAPs".

14. "Legally Constituted Local Organization" or "LCLO" means any legally organized group constituted in accordance with the law, with the capacities to receive, manage, and apply resources; and that can be established as, inter-alia: civil associations, social solidarity societies, intermunicipal boards, rural production companies with limited liability, academic institutions and civil societies.

15. "OCU" means the Operational Coordinating Unit, referred to in Section I.A.1(b) of Schedule 2 to this Agreement.

17. "PLAT" or "Local Providers of Technical Assistance" are legally constituted organizations that provide local support to improve management and organizational capacities, collectively referred as "PLATs".


19. "Producer Groups" or "PGs" mean for purposes of the Project, local groups of producers, family businesses and/or enterprises from Comunidades, Ejidos; whether formally established or not, dedicated to livestock and/or agroforestry along all the stages of the targeted value chains, and willing to adopt and/or improve the application of climate-smart technologies.

20. "Project Incremental Costs" means the reasonable incremental operating expenditures (which would not have been incurred without the Project) incurred by FMCN, Regional Funds, and LCLOs, based on an annual allocation previously approved by the Bank and the Recipient, required for an efficient Project implementation, administration, supervision, monitoring and evaluation, including, inter-alia: salaries and benefits of staff (including salary settlements) other than individual consulting positions; rental, travel, room, board, and per diem expenditures (including for CC members); maintenance of facilities; consumable materials and supplies; insurance, and utilities; as set forth in the Operational Manual.

21. "Regional Agreement" means any of the agreements referred to in Section I.C.2 of Schedule 2 to this Agreement, collectively referred to as "Regional Agreements".

22. "Regional Fund" means either Fondo Golfo de México, A.C.; Fonnor, A.C.; Fondo de Conservación el Triunfo, A.C, their successors acceptable to the Bank, and any other Regional Fund, not-for-profit organization or similar entity, to be selected in the future with prior consultation and agreement by the Bank to support the implementation of Subproject activities based on Regional Agreements to be signed between each Regional Fund and FMCN.

23. "SHCP" means Secretaría de Hacienda y Crédito Público, or its successor acceptable to the Bank.

24. "Signature Date" means the later of the dates on which the Recipient, Mexico, INECC and the Bank signed this Agreement and such definition applies to all references to "the date of the Grant Agreement" in the Standard Conditions.

26. "Subproject" means an activity or set of activities that complies with the criteria set forth in the Operational Manual for eligible activities under Component 3 to be financed by the Project through a Grant, including, *inter-alia*: (i) carrying out regenerative ranching with an integrated approach in the production unit and promoting the adoption of climate-smart technologies and practices; (ii) implementing agroforestry systems, including, the establishment and improvement of shade coffee, cacao, and pepper plantations and/or production, as well as other climate-smart agroecological practices to conserve soils and restore degraded pasture lands; and (iii) carrying out practices that improve the connectivity in livestock and agroforestry landscapes.

27. "TC" means the Technical Committee, referred to in Section I.A.1(d) of Schedule 2 to this Agreement.

28. "TCU" means the Technical Coordinating Unit referred to in Section I.A.1(a) of Schedule 2 to this Agreement.