



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
MEXICO DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES AND LOCAL COMMUNITIES PROJECT
APPROVED ON SEPTEMBER 15, 2017
TO
RAINFOREST ALLIANCE MÉXICO – ALIANZA PARA BOSQUES A.C.

ENVIRONMENT, NATURAL RESOURCES & THE BLUE ECONOMY

LATIN AMERICA AND CARIBBEAN

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ABBREVIATIONS AND ACRONYMS

DGM	Dedicated Grant Mechanism
FIP	Forest Investment Program
GRM	Grievance Redress Mechanism
IP	Indigenous Peoples
IPLC	Indigenous Peoples and Local Communities
M&E	Monitoring and Evaluation
MTR	Midterm review
NEA	National Executing Agency
NSC	National Steering Committee
PCL	Local community promoters
PDO	Project Development Objective
PM&E	Participatory Monitoring and Evaluation
REDD+	Reducing Emissions from Deforestation and Forest Degradation
VIF	Financial Inclusion Window
VIS	Social Inclusion Window



BASIC DATA

Product Information

Project ID P151604	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 15-Sep-2017	Current Closing Date 01-Aug-2022

Organizations

Borrower Rainforest Alliance	Responsible Agency Rainforest Alliance
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Project Development Objective (PDO)

Original PDO

The objective of the Project is to strengthen the capacity of forest-dependent people from Selected States to participate in local, national and international REDD+ related processes.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
TF-A5334	15-Sep-2017	06-Oct-2017	21-Dec-2017	01-Aug-2022	6.00	2.42	3.58

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Mexico Dedicated Grant Mechanism for Indigenous Peoples and Local Communities Project (P151604) was approved by the Board on September 15, 2017 with a Strategic Climate Fund - Forest Investment Program (SCF/FIP) grant in the amount US\$6 million (TFOA5334). The Project became effective on December 21, 2017 and was expected to close on August 1, 2022.
2. The Project Development Objective (PDO) is to strengthen the capacity of forest-dependent people in five states to participate in local, national, and international reducing emissions from deforestation and forest degradation (REDD+) related processes. The Project is implemented in the states of Oaxaca, Yucatán, Campeche, Quintana Roo, and Jalisco that account for a large share of Mexico's indigenous peoples, and the highest deforestation rates. Rainforest Alliance México was selected competitively to serve as the Project's implementation unit (also referred to as the National Executing Agency – NEA) and Project activities are designed and implemented on an indigenous peoples and local communities (IPLC) demand-driven base.
3. The Project has consistently rated as satisfactory for “Progress Towards Achievement of PDO” and “Overall Implementation Progress (IP)”. Following the March 2020 Mid-Term review, on August 20th, 2020 the Project underwent a level 2 restructuring that included changes to the results framework, changes in components and costs, and reallocation between disbursement categories as a result of the identified need to strengthen technical assistance to subprojects preparation and implementation. Disbursements remain satisfactory and reflect steady Project implementation. The Project has disbursed US\$2.3 million (38.3 percent) and the disbursement level is expected to be above 50 percent by the end of CY 2021.
4. The Project comprises three components and the status of the activities under each component is as follows:

Component 1- Financing Mechanisms for Community Forestry Management.

- (i) Subcomponent 1.1: Demand-Driven Community Projects supports IPLC demand driven investments under two complementary grant windows. Under the financial inclusion window (VIF), 41 subproject agreements are signed. For the social inclusion window (VIS), following a second call for proposals for non-land tenure holders, an additional 55 subprojects were selected. Most of these subprojects are lead and implemented by women. By May 2021, 51 VIS subprojects prepared a full project proposal and have signed a grant agreement; 2 subprojects have no access to internet and will require in person technical assistance to finalize their project proposals and sign a grant agreement, 2 subprojects opted out due to lack of community support to their proposals.
- (ii) Subcomponent 1.2: Training and Sustainability Assistance finances technical assistance and operational costs to assist preselected and selected sub-grants. To that regard, the component has been key to progress in the virtual technical assistance to both VIS and VIF beneficiaries, and specifically for VIS pre-selected proposal to advance on their full project proposals.

Component 2- Capacity Building, Communication, and Advocacy

- (i) Subcomponent 2.1: Capacity Building. The Project maintains a roster of 20 qualified young professionals as local community promoters (PCL). 70 percent of the PCL are women. Regarding the knowledge-sharing workshops and exchanges among communities, already selected knowledge exchange proposals prior to COVID-19 were given the opportunity to adjust their proposals to virtual exchanges or trainings. Only if COVID-19 restrictions are lifted, knowledge-sharing workshops could be carried out in person.



- (ii) Subcomponent 2.2: Communication and Advocacy. The Project has supported the participation of a total of 21 people during 2020, representing DGM beneficiaries, NSC, and regional subcommittee members in DGM and REDD+ processes and events at the local, national, and international levels. The Project has also successfully launched a culturally appropriate dissemination campaign and reached a wide number of potential beneficiaries across the states and has developed a communication strategy to share project's lessons learned.

Component 3- Management, Monitoring, and Evaluation

- (i) Subcomponent 3.1: Participatory Monitoring and Evaluation (PM&E). A PM&E system has been designed as an instrument aimed at empowering communities that depend on forests to improve the management of their own resources and promote collaborative learning. At MTR, the system has been piloted and is now fully operational.
- (ii) Subcomponent 3.2: Management. The NEA has complied with fiduciary, procurement, and safeguards procedures and has provided assistance to all key project stakeholders (PCL, members of the regional committees, members of the NSC, IPLC of the subprojects). The institutional arrangements are in place and performing well.

- 5. **Fiduciary and Safeguards**. The Project does not have any outstanding audit reports. Audit reports have been received timely and have been considered acceptable by the World Bank. The ratings for Financial Management, Procurement, Safeguards, Monitoring and Evaluation, and Project Management are Satisfactory. The Grievance Redress Mechanism (GRM) for the Project was also established and became accessible through internet, WhatsApp messages, and telephone in March 2018. The NEA and the NSC constantly advertise the GRM and any person may access the system to file a complaint or query as needed.

A. Rationale for Restructuring.

- 6. **COVID-19 challenged the implementation of the Mexico Dedicated Grant Mechanism (DGM)**. Mexico's DGM project activities are designed and implemented on an IPLC demand driven base. As COVID-19 started to impact everyday life, the DGM faced a tremendous challenge: a project uniquely dedicated to the poorest and marginalized in forest landscapes that required significant technical assistance and collaboration with remote forest communities was severely affected by social distancing and travel restrictions.
- 7. **A COVID-19 Contingency Plan was developed and implemented to face the challenges arising from the COVID-19 pandemic**. The NEA made adjustments to the activities planned for 2020 due to the impossibility of holding face-to-face meetings with the stakeholders that are part of the project, and in order to continue implementing the activities programmed, prioritizing the safety and wellbeing of beneficiaries. The DGM team developed alternative remote approaches to: i) support the development of the VIS subproject proposals in a participatory and inclusive manner ii) follow-up on the implementation of subprojects of the Financial Inclusion Window (VIF), and iii) supervise the 92 subprojects under implementation and pre-selected projects, and properly and rigorously monitor and evaluate (M&E) them. The use of remote communication and supervision tools has been key to maintain the DGM's vision of promoting participation, collaboration and inclusion.
- 8. **Although Mexico's DGM Contingency Plan included different innovative actions to reduce the impact on subproject progress, mobility restrictions negatively impacted the ability of the beneficiaries to timely execute the productive activities of the subprojects**. The implementation of activities planned in each VIF subproject suffered



significant delays due to the “stay at home” restrictions that affected communities during several months. Beneficiaries mostly rely on local suppliers for goods and services; however, mobility restrictions didn’t allow communities to procure these as even local suppliers are mostly from outside the community areas and hence were unable to travel to IPLC territories. This travel restrictions persist until this day. The purchase delay of supplies did not allow to carry out the productive activities in the field (with additional delays due to the rainy season), thus delaying the subprojects implementation by almost 1 year on average.

9. **Under the VIS subproject window, more than 50 subprojects were preselected in early 2020. During the COVID-19 pandemic these subprojects needed to elaborate full project proposals.** Completing remotely the participatory process of building the VIS technical proposals for more than 50 working groups of women and young people required much more time than initially planned. All communication, collaboration and consultation needed to be set up remotely. As a result, the full project proposal delivery and signature of the subproject agreements was delayed by almost 12 months. The NEA developed a Consultation, Feedback and Validation Protocol to ensure that the development of the technical proposals and Environmental Management Plan (EMP) for each VIS subproject followed a proper participatory process. The workshops and face-to-face meetings that had been initially planned were adapted to being carry out remotely. Local specialists hired to assure technical assistance to subprojects used relevant communication means to support the beneficiary groups in the participatory development of the technical proposals. In the case of remotely located communities without internet access, the DGM team sent physical documentation. Culturally appropriate materials were generated for the working groups themselves to carry out in their communities a participatory diagnosis of impacts and viable mitigation measures for their projects. These projects began their implementation in January 2021 and will directly benefit more than 800 women and 100 men. These subprojects account for a total budget of almost 1 million USD.
10. **Despite all the innovation and alternative approaches that the DGM team put in place to support IPLC, delays derived from the pandemic have significantly impacted the implementation capacity of IPLC.** This implementation delay under both financing windows has resulted in delayed disbursements of grant proceeds and will hinder the subprojects to successfully conclude their subprojects until the original closing date. As per April 2021, only one of the 41 VIF subprojects was implementing in a timely manner. On average, 30 subprojects under the VIF window were delayed by 8 months and 10 were delayed 12 months. As mentioned above the 51 subprojects form the VIS started implementation only in January of 2021, almost 12 months after the originally foreseen starting date.
11. **Most subprojects’ beneficiaries were negatively affected by COVID-19 but consider they will be able to recover in the coming months.** Through an online survey, the task team measured specific impacts of COVID-19. Results show that, by April 2021, 77 percent of the beneficiaries surveyed said they had been affected by COVID-19. Of those that were impacted, 19 percent stated that sales had been reduced, 22 percent that employment had decreased, 12% that the company's contributions to the community decreased, and in 15 percent workers got infected or died. Fortunately, 84% of those beneficiaries affected considered that they will be able to recover in the coming months. The information collected through this survey supports the need for an extension given beneficiaries’ own perception of their capacity to recovery from the impacts of COVID and the DGM’s importance for providing the means for this economic recovery through financing of productive activities.



II. DESCRIPTION OF PROPOSED CHANGES

17. The proposed changes to the Project are as follows: (i) extend the closing date by 12 months until August 1st, 2023; (ii) revision of the results framework without affecting the end target with exception of PDO 1 that was adjusted upwards, and (iii) adjustments to component costs without affecting disbursement categories.

18. **Changes to the Results Framework.** The proposed changes are aimed to align the results framework with the extended closing date, and adjust two end of project target upwards reflecting the increased number of subprojects:

Indicator Name	Baseline (2017)	Original Target Aug 2022	Revised Target for Aug 2022	Status as of June 2021	New Target Aug 2023	Comments
PDO Indicator 1: Targeted beneficiaries receiving sub-grants and matching-grants through the project	0	50	70	89	90	Target adjusted upward to reflect the increased number of VIS projects, and the success of the participatory project preparation process. No further call for proposals are expected.
IR Indicator 1.1: Sub-grants and matching-grants provided to targeted beneficiaries under the project	0	60	70	80	90	Target adjusted upward to reflect the increased number of VIS projects, and the success of the participatory project preparation process. No further call for proposals are expected.
IR Indicator 1.2: Percentage of sub-projects successfully completed and achieving their objectives	0	75	75	0	75	No changes. Target is still realistic given improvements on field accessibility and communication, as well as the reactivation of social and productive activities in the face of the recovery from the COVID19 pandemic.
PDO Indicator 2: Share of targeted Promotores Comunitarios Locales with improved capacity supported by the project	0	80	80	70	80	No changes. Target is likely to be achieved given the encouraging preliminary results in 2021.
IR Indicator 2.1: Promotores Comunitarios Locales supported with training under the project	0	20	20	19	20	No changes. Target is likely to be achieved given the encouraging preliminary results in 2021.



IR Indicator 2.2: Targeted beneficiaries that participated in REDD+ and ILM related knowledge exchanges under the project	0	50	30	15	30	No changes. Target is realistic given recent improvements on field accessibility and communication, and the reactivation of social and productive activities in the face of the recovery from the COVID19 pandemic.
PDO Indicator 3: People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests	0	2500	2500	1000	2500	No changes. Target is realistic. Note values in 2020 are lower than expected as they only include direct beneficiaries (people receiving monetary benefits).
IR Indicator 3.1: Percentage of grievances registered related to delivery of project benefits that are actually addressed.	0	100	100	100	100	No changes.
PDO Indicator 4: Percentage of participants in the capacity development activities with increased role in the FIP and other REDD+ processes at local, national or global levels.	0	75	75	90	75	No changes. Target is realistic given that the total number of participants in capacity development activities is cumulative, the indicator may vary, even decrease.

Notes: Original target, as defined at appraisal; Revised target as defined in 1st restructuring.

19. **Changes in Components Cost.** In order to cover the enhanced technical assistance efforts under subcomponents 1.2 and 2.1 and provide NEA with the capacity to accompany and supervise an increased number of subprojects, including doing it remotely, a review of Project component costs was carried out. Remaining proceeds from subcomponents 2.2 are reallocated to strengthen technical assistance and NEA supervision capacity under components 1.2, 2.1 and 3. A detailed table on the proposed reallocation between components is included in Section IV. A change in allocation between disbursement categories is not necessary.

20. **Disbursement Estimates.** The disbursement estimates for the project will be revised in line with the revised closing date.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	



Components and Cost	✓	
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: Financing Mechanisms for Community Forestry Management	3.53	Revised	Component 1: Financing Mechanisms for Community Forestry Management	3.54
Component 2: Capacity Building, Communication, and Advocacy	1.11	Revised	Component 2: Capacity Building, Communication, and Advocacy	1.01
Component 3: Management, monitoring, and evaluation	1.36	Revised	Component 3: Management, monitoring, and evaluation	1.45
TOTAL	6.00			6.00

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A5334	Effective	01-Aug-2022		01-Aug-2023	01-Dec-2023

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Year	Current	Proposed
2018	650,000.00	650,000.00
2019	1,000,000.00	1,000,000.00
2020	1,500,000.00	1,000,000.00
2021	1,000,000.00	1,000,000.00
2022	1,000,000.00	1,500,000.00
2023	850,000.00	850,000.00



Results framework

COUNTRY: Mexico

Mexico Dedicated Grant Mechanism for IP and LC

Project Development Objectives(s)

The objective of the Project is to strengthen the capacity of forest-dependent people from Selected States to participate in local, national and international REDD+ related processes.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
Strengthen capacity of forest-dependent people to participate in REDD+ related processes			
PDO Indicator 1: Targeted beneficiaries receiving sub-grants and matching-grants through the project (Number)		0.00	90.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Target adjusted upward to reflect the increased number of VIS projects, and the success of the participatory project preparation process. No further call for proposals are expected.</i>		
PDO Indicator 2: Share of targeted Promotores Comunitarios Locales with improved capacity supported by the project (Percentage)		0.00	80.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: No changes. Target is likely to be achieved given the encouraging preliminary results in 2021.</i>		
PDO Indicator 3: People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests (Number)		0.00	2,500.00
<i>Action: This indicator has been Revised</i>	<i>Rationale:</i>		



Indicator Name	PBC	Baseline	End Target
		<i>No changes. Target is realistic. Note values in 2020 are lower than expected as they only include direct beneficiaries (people receiving monetary benefits).</i>	
PDO Indicator 4: Percentage of participants in the capacity development activities with increased role in the FIP and other REDD+ processes at local, national or global levels. (Percentage)		0.00	75.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: No changes. Target is realistic given that the total number of participants in capacity development activities is cumulative, the indicator may vary, even decrease.</i>	

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: Financing Mechanisms for Community Forestry Management			
IR Indicator 1.1: Sub-grants and matching-grants provided to targeted beneficiaries under the project (Number)		0.00	90.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: Target adjusted upward to reflect the increased number of VIS projects, and the success of the participatory project preparation process. No further call for proposals are expected.</i>	
IR Indicator 1.2: Percentage of sub-projects successfully completed and achieving their objectives. (Percentage)		0.00	75.00
<i>Action: This indicator has been Revised</i>		<i>Rationale:</i>	



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Indicator Name	PBC	Baseline	End Target
		<i>No changes. Target is still realistic given improvements on field accessibility and communication, as well as the reactivation of social and productive activities in the face of the recovery from the COVID19 pandemic.</i>	
Component 2: Capacity Building, Communication, and Advocacy			
IR Indicator 2.1: Promotores Comunitarios Locales supported with training under the project (Number)		0.00	20.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: No changes. Target is likely to be achieved given the encouraging preliminary results in 2021.</i>	
IR Indicator 2.2: Targeted beneficiaries that participated in REDD+ and ILM related knowledge exchanges under the project (Number)		0.00	30.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: No changes. Target is realistic given recent improvements on field accessibility and communication, and the reactivation of social and productive activities in the face of the recovery from the COVID19 pandemic.</i>	
Component 3: Management, monitoring, and evaluation			
IR Indicator 3.1: Percentage of grievances registered related to delivery of project benefits that are actually addressed. (Percentage)		0.00	100.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: no changes</i>	



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