

**PROJECT INFORMATION DOCUMENT (PID)
MEXICO - FCPF READINESS PREPARATION
CONCEPT STAGE**

Report No.:64431

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Country	Mexico
Sector	Agriculture, fishing and forestry sector: Forestry (100%)
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Borrower(s)	Government of Mexico
Implementing Agency	Comisión Nacional Forestal (CONAFOR) Periférico Poniente No. 5360 Esq. Carretera a Nogales, Edificio B, Jalisco México 45019 Tel: (52-33) 3777-7000 Fax: N/A jcfernandez@conafor.gob.mx , jbrana@conafor.gob.mx
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Estimated Date of Participants Committee Assessment of Readiness Package	June 2013
Concept Review Decision	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.
Other Decision <i>{Optional}</i>	

Introduction and Context

Country Context and Consistency with the Bank's Engagement in Mexico

1. With a population of 111 million, Mexico is the second most populated country in Latin America. It has the 13th largest GDP worldwide. Key economic sectors and sources of income include manufacturing, industry, oil, tourism, agriculture, and remittances. After a brief but deep recession in 2008-2010, the economy is picking up again. Although, Mexico's overall economic and human indicators have improved steadily over the past decade, poverty is still widespread especially in rural areas. An estimated ten million people live in Mexico's forested areas, and over half of them suffer from extreme poverty.

2. **The proposed FCPF collaboration is central in the Bank's engagement with Mexico on climate change.** The climate change engagement between the Bank and the Government of Mexico has progressed in recent years, with subsequent stages built on previous actions. The Bank's engagement in climate change in Mexico currently comprises the full range of Bank instruments, including Knowledge Services, Financial Services and Convening and Coordination Services. The four stages of climate change engagement between the Bank and the Government of Mexico (Foundations; Early Support; Strengthening; and Consolidation) are described in Figure 1.

3. **The proposed FCPF engagement builds upon a long-standing, successful collaboration on forests and climate change.** Since 1997, two *Community Forestry Projects* assisted forest-dependent communities to raise their standards of living through improved forest management (closed in 2009). The ongoing *Environmental Services Project* aims to enhance the provision of environmental services of national and global significance (closing in 2011). The proposed FCPF engagement would also build upon the policies supported by four recent Climate Change DPLs (2008-2010) that included forest-related prior actions.

4. **The proposed FCPF engagement is fully consistent with the Bank's new business model in Mexico.** The proposed FCPF engagement is part of a broader, strategic engagement in support of the Government's agenda on forest and climate change (See Figure 1). Using a diverse range of instruments, the Bank provides policy advice, convening services, investments, as well as the piloting of innovative financial services. Specific instruments being mobilized in addition to the FCPF include: a new Forest and Climate Change SIL¹, a multi-sector Social Resilience and Climate Change DPL²; the new Forest Investment Program (FIP) for which Mexico is one of eight pilot countries worldwide; a proposed GEF grant for coastal watersheds; and two PROFOR grants for policy advice. The FCPF is a global partnership that brings together 50 countries, it embodies a mix of policy, financial, and convening services.

¹ The new Forest and Climate Change operation might be prepared as a P4R instrument should that instrument successfully complete the consultation process and be formally approved by the Board of Executive Directors of the World Bank.

² The forestry pillar of the proposed Social Resilience DPL will support: (i) enhanced cross-sector collaboration especially with SAGARPA; (ii) participation of civil society in REDD policy-making; and (iii) inclusion of REDD in inter-municipal collaboration programs.

Figure 1. Stages of World Bank Climate Change Engagement in Mexico

Stages of Climate Change Engagement in Mexico					
	Foundations (Before 1999)	Early Support [1999–2007]	Strengthening [2007–2009]	Consolidation [2010–]	
Knowledge Services		<ul style="list-style-type: none"> LAC Region Landfill Gas Initiative (P104757) Evaluation of Energy Efficiency Initiatives (P099734) Economic Assessment of Policy Interventions in the Water Sector (P096999) 	<ul style="list-style-type: none"> Carbon Finance Assistance Program for Mexico (P104731) Low-carbon Study (MEDEC) (P108304) Mass Urban Transport-Federal Program (P110474) 	<ul style="list-style-type: none"> Social Impacts of Climate Change (P112024) MoU Subnational CC (P105849) Othon P. Blanco Sustainable Development Strategy (P122021) SEP Adaptation of the Water Sector to CC CC Public Expenditure Review (FY12) Forest Carbon Partnership Facility (FY11-13) 	
	Financial Services	<ul style="list-style-type: none"> Solid Waste Management Pilot Project (P007628) Urban Transport Project (P007615) Community Forestry (P007700) 	<ul style="list-style-type: none"> Renewable Energy for Agriculture Project (P060718) Mexico Environmental Services Project (P089171) Introduction to Climate-friendly Measures in Transport (P059161) Programmatic Environment DPLs I and II (P079748) 	<ul style="list-style-type: none"> Mexico: Waste Management and Carbon Offset Project (P088546) Climate Change DPL (P110849) Environmental Sustainability DPL (P095510) Sustainable Rural Development (P108766) 	<ul style="list-style-type: none"> Adaptation to Climate Change Impacts in the Coastal Wetlands in the Gulf of Mexico (P100438) Urban Transport Transformation Program (P107159) Green Growth DPL (P115608) Adaptation to CC in the Water Sector DPL (P120134) Low-carbon DPL (P121800) Social Resilience to CC DPL (FY12) Forest and Climate change SIL and FIP (FY12) Hydrometeorological Service SIL (FY12) Ecosystems Adaptation DPL (FY13)
		Convening and Coordination Services		<ul style="list-style-type: none"> Consolidation & Strengthening of the Mexican Office for Greenhouse Gas Mitigation (P060412) 	<ul style="list-style-type: none"> Preparation of the CTF Investment Plan

Sectoral and Institutional Context

5. Mexico has 64 million hectares of forests, of which about 70 percent belong to an estimated 10,000 communities and *ejidos*³ under a legally-recognized collective ownership system. Communities are composed of indigenous peoples and/or non-indigenous *campesinos*. Other forests belong mostly to small, individual owners. Official rates of deforestation in Mexico are moderate; the R-PP estimates an average deforestation rate of 0.25% annually over the period 1993-2007. The major direct drivers of deforestation are variable by region, but primarily include forest conversion to pasture and to a lesser extent agriculture. Forest degradation is relatively high: estimated at 0.45% annually. Causes of degradation include unsustainable logging, forest grazing, fuel wood collection, fires, and pests and diseases. Often, deforestation occurs by a gradual process of continual degradation over time. Over the last decade, public investment in forestry and conservation, low profitability of agriculture, rural out-migration, and poor suitability for agriculture of remaining forestland contributed to a decline in forest loss—although one cannot assume those trends will continue.

6. In the nineties, the Government started helping communities to manage their forest resources through a series of incentives and advisory programs, especially PROCYMAF (1997) and PES (2003). At present, an estimated 2,380 communities implement forest management plans, and about sixty are independently certified. Although much remains to be done and improvements will be needed, the PROCYMAF and PES programs are increasingly recognized as emerging good practices worldwide. These programs have strengthened institutions and social capital, and are delivering promising results on the ground. They would likely serve as cornerstones of Mexico's REDD⁴ strategy.

7. **Since 2007 REDD has become a national priority for Mexico.** The high-level political support for the forest and climate change agenda was vocalized by President Felipe Calderón at the Sixteenth Conference of the Parties (COP 16) of the United Nations Framework Convention on Climate Change (UNFCCC) in Cancun, December 2010, where he emphasized the important role that forests will continue to play in finding solutions to climate change. In addition, Mexico's domestic budget allocation for sustainable forest management increased from US\$27 million in 2001 to US\$396 million in 2010. Internationally, Mexico successfully hosted COP 16 and brokered the Cancun Agreement – a cornerstone for the future global REDD architecture. In Cancun, Mexico unveiled its “REDD Vision” which lays out Mexico's long-term aspirations, strategic lines and first steps and commitments to consolidate a National REDD Strategy.⁵ The REDD Vision also emphasizes forests' contribution to adaptation by reducing local

³ “*Comunidades*” are longstanding rural population centers that have been given formal ownership of their traditional or customary lands. They are composed of indigenous peoples and/or non-indigenous *campesinos*. “*Ejido*” refers to a portion of land that has been titled to a rural population nucleus that was formed recently or relocated from one area to another – most of them are non-indigenous *campesinos*. Both types of community property are governed by a similar structure, with an “*Asamblea*” of all *ejidatarios* or *comuneros*, a “*Comisariado Ejidal*” or *Comisariado de Bienes Comunales*” and a “*Consejo de Vigilancia*”.

⁴ The full meaning of REDD+ is “Reducing emissions from deforestation and forest degradation, as well as sustainable management of forests, and conservation and enhancement of forest carbon stocks”. Will be referred to as REDD in this document.

⁵ The REDD+ Vision is an intermediate step towards a REDD strategy. It further develops many of the concepts Mexico outlined in the R-PP, which was presented to the FCPF Participants' Committee in March 2010.

communities' vulnerability to natural disasters and economic downturns. Forestry and land-use change are Mexico's third highest source of greenhouse gas emissions,⁶ and are second only to the transport sector in their potential to reduce emissions.⁷

8. The leading institution for REDD in Mexico is the *Comisión Nacional Forestal* (CONAFOR) a decentralized agency under the Ministry of Environment and Natural Resources (SEMARNAT). CONAFOR oversees a wide range of programs, including forest management, community forestry, payments for environmental services, inventories, pest management and others. Other key federal agencies involved in REDD include: the Ministry of Agriculture, Livestock and Rural Development (SAGARPA), the Ministry of Agrarian Reform (SRA), the *Comisión Nacional para el Desarrollo de los Pueblos Indígenas* (CDI), and the *Comisión Nacional de Areas Protegidas* (CONANP).

Relationship to Country Partnership Strategy

9. **The proposed FCPF engagement is consistent with the Mexico CPS for 2008-2013.** One pillar of the CPS is to help Mexico assure environmental sustainability by reducing *greenhouse gas emissions and deforestation*. The CPS medium-term outcomes include *the conservation of the forestry natural capital*. The proposed FCPF engagement is equally consistent with the Government's National Development Program which aims to turn environmental sustainability into a cross-cutting theme of public policies. REDD is also central to Mexico's *Programa Especial de Cambio Climático* (PECC) under which Mexico established an aspirational target of a reduction of 50 percent in its greenhouse emissions by 2050.

Proposed Development Objective(s)

Proposed PDO

10. The overall, long-term objective of the proposed World Bank/FCPF engagement in Mexico is: *to help Mexico reduce carbon emissions from deforestation and forest degradation, sustainably manage forests, and conserve and enhance forest carbon stocks (REDD+) in a socially and environmentally sound manner, while accessing international financial incentives for local forest users, thereby helping to mitigate climate change at a global level.*

11. In line with the structure of the Forest Carbon Partnership Facility, the World Bank/FCPF engagement with Mexico would potentially involve two phases, generally referred to as "REDD readiness preparation" and "REDD implementation".

- First, the REDD preparation phase would consist of analytical work and consultations, and it would be supported by the proposed US\$3.6 million grant from the FCPF Readiness Fund.⁸

⁶ The leading sources of greenhouse gas emissions are energy (24%), transport (18%), and forests and land-use change (14%).

⁷ It is estimated that forestry including REDD could contribute 28% of Mexico's total emission reductions.

- Second, the REDD implementation phase would consist in performance-based payments for verified carbon emissions reductions, and it *might* eventually be supported through an Emissions Reduction Payment Agreement (ERPA) under the FCPF Carbon Fund.⁹

12. The overall objective stated in paragraph 10 refers to the full, two-phase REDD process. However three key points—resulting from the very innovative nature of REDD—need to be taken into consideration: (i) many of the conditions underlying the future implementation of REDD are still being discussed in the UNFCCC and other international negotiations; (ii) Mexico is among the first countries to engage in the REDD preparation phase, and there is no precedent yet of any country having completed this process; and (iii) the operational modalities of the FCPF Carbon Fund as a pilot for performance-based transactions, are still in the process of being defined.

13. In this context, the Bank’s REDD engagement in Mexico will focus on preparing those elements that are currently viewed as indispensable to any future agreement on REDD¹⁰ in a way that optimizes the likely social and environmental outcomes of REDD and emphasizes the learning and knowledge-sharing dimensions. From that perspective, the more immediate objective of the Bank/FCPF engagement would be: *for Mexico to become ready for future REDD implementation by preparing the key elements, systems and/or policies needed, generally referred to in the FCPF as the “REDD Readiness Package”, in a socially and environmentally sound manner.*

Key Results

14. The key result from the proposed REDD readiness preparation grant would be the development of Mexico’s “REDD Readiness Package” (R-Package)¹¹ which would include the following:

⁸ The Government of Mexico had the option to avail a portion of this grant (\$200,000) as an advance to formulate the R-PP (“formulation grant”) but it chose not to access it, so the entire \$3.6 million would be given for the Readiness preparation work (“preparation grant”). The governing body of the FCPF, the Participants’ Committee, has authorized the Bank to sign the Readiness Preparation Grant with Mexico.

⁹ At the same time Mexico submitted its revised R-PP in April 2011, it also expressed interest in participating as a pilot country in the new FCPF Carbon Fund. Consistent with the two-phase structure of the FCPF, the REDD Readiness Preparation Phase (with the Readiness Fund) would proceed in parallel with the preparation of an Emissions Reduction Program (with the Carbon Fund). In line with the Carbon Fund rules of operations, the signature of an ERPA under the FCPF Carbon Fund is contingent upon an Emission Reductions Program from Mexico being selected by the Carbon Fund Participants, and upon a positive assessment of the Country’s Readiness Package by the FCPF Participants Committee.

¹⁰ Fundamental elements of a future REDD mechanism were defined at the 16th session of the Conference of the Parties to the UNFCCC in Cancun, December 2010. See Cancun Agreements, UNFCCC Decision 1/CP.16 Section C and Appendix I.

¹¹ A definition of the elements required under an R-Package is still being discussed by the FCPF’s Participant’s Committee. Some potential elements could be derived from UNFCCC decision 1/CP.16 Section C, paragraph 71) which refer to: (a) “A national strategy or action plan”; (b) “A national forest reference emission level and/or forest reference level”; (c) “A robust and transparent national forest monitoring system”; and (d) “A system for providing information on how the safeguards... are being addressed and respected throughout the implementation of the activities.”

- Design of REDD strategies,¹² including a benefit-sharing system;
- Development of a national baseline, also known as Reference Level (RL)
- Creation of a national measurement, reporting, and verification system (MRV)
- Strategic environmental and social assessment (SESA) and environmental and social management framework (ESMF);
- Improvement of cross-sectoral coordination for REDD, and execution of a continued consultation process involving all relevant stakeholders

15. It is expected that these key elements will be in place at the end of the readiness preparation phase, thereby providing the foundation for a future ERPA under the FCPF Carbon Fund and/or any similar REDD performance-based transaction which Mexico may consider. However, it is important to note that the REDD Readiness Preparation approach is continually evolving as part of the international process, and the team may have to modify the results of the preparation phase accordingly.

16. From a longer-term perspective, the key results expected from the future implementation of REDD in Mexico would likely include the following (though by nature, this list would need to be refined during the readiness preparation phase):

- Reductions in emissions resulting from the implementation of REDD strategies;
- Additional income accessed by participating indigenous peoples and other forest-dependent communities and private owners;
- Continued monitoring and mitigation of environmental and social impacts (ESMF);
- Enhanced cross-sectoral coordination in areas dealing with REDD;
- Continuous consultations with and enhanced participation of relevant stakeholders including indigenous peoples, *campesinos* and civil society in REDD policy-making.

Preliminary Description

17. The policies, programs and other interventions Mexico intends to implement to reduce emissions from deforestation and forest degradation will be defined through studies and consultations during the readiness preparation phase. The potential strategy options currently under consideration fall into four main categories: (i) improvement of forest management through community capacity-building; (ii) improvement of coordination between forest activities and other activities (livestock, agriculture, tourism, etc.), (iii) removal of barriers to investment in forest management, and (iv) contribute to the development of sustainable agriculture and other economic options for communities. It is likely that ongoing programs such as PROCYMAF and PES would serve as a cornerstone of the REDD strategy, with improvements to be defined through studies and feedback from relevant stakeholders during the preparation phase. Since most forests in Mexico are owned by *ejidos* and communities, most REDD actions in Mexico would likely be implemented at community level on a voluntary basis.

¹² REDD strategies can be defined as policies, programs or other interventions that reduce emissions from deforestation and forest degradation, sustainably manage forests, and conserve and enhance forest carbon.

18. The specific REDD preparation activities Mexico intends to carry out in preparing its Readiness Package are described in the R-PP, and include: stakeholder consultations, analytical work, capacity-building, and a strategic assessment of environmental and social impacts (SESA). These activities would be funded by the FCPF Readiness Preparation Grant of \$3.6 million and a US\$9.01 million grant from the Government of Norway in addition to the Mexican government's own contribution.¹³ Activities to be financed by the FCPF would not include any physical investment or the implementation of any REDD program on the ground.

Key Risks and Issues

19. **Public participation, land rights, and cross-sector coordination.** Mexico has a strong record of implementing initiatives with indigenous peoples and other forest-dependent communities, most notably the PROCYMAF and PES programs, which demonstrates capacity in areas relevant to REDD, including the recognition of Indigenous Peoples' rights. However, there are concerns – in Mexico and at international level – that, if not prepared with full participation of grass-root organizations and other key stakeholders, REDD may not fully benefit local communities, infringe land and resource rights, and/or weaken traditional socio-political structures. There is also a concern that programs outside the forestry sector, such as agriculture, livestock, and tourism, may not be consistent with, and jeopardize, a successful REDD program. These three issues—public participation, land and resources rights, and cross-sector coordination—were discussed with key stakeholders and Government during the due diligence process. Overall, the Government expressed its commitment to lead a high quality REDD process, giving priority to the meaningful participation of all stakeholders and to the necessary cross-sector coordination. Still, the Government recognizes the delicate nature of REDD, particularly with respect to community participation, land and resource rights, and cross-sector coordination, and steps have been taken to address these issues in the REDD context. See section VIII below.

20. **Scale of the work.** Mexico is a large and diverse country with a federal structure. The number of communities with forestlands, which presumably could benefit from a future REDD strategy is estimated about 10,000. As indicated in the UNFCCC Cancun decisions, REDD Readiness should lead to national plans and actions, and the full scale of the work needed to that end seem staggering. However, the Cancun agreement also indicates that sub-national approaches are permitted as interim measures. CONAFOR intends to use a stepwise approach, starting with priority regions and gradually expanding to the entire country. The “early action” priority areas are located in the States of Oaxaca, Jalisco, Chiapas, and in the Yucatan Peninsula (States of Yucatan, Campeche, and Quintana Roo). This will include regional consultations, region-specific diagnostic work on deforestation, the design of regional baselines, and the development of local forums for participation, such as state or regional CTCs. CONAFOR would ensure these early pilots are consistent with each other and provide building blocks towards a

¹³ The US\$9.01 million grant from the Government of Norway would finance all activities related to the Reference Level and the Measurement, Reporting and Verification system, while the proposed FCPF grant would focus on Consultation and Participation, Design of REDD Strategies, Readiness Management Arrangements, and the SESA. The grant from Norway would be implemented by UNDP and FAO.

future national system. As these pilots are developed, Readiness would eventually be scaled up to the entire country.

21. **REDD still in progress.** In spite of progress at COP16 in Cancun, international negotiations are yet to settle the technical, legal, and operational modalities of REDD. Therefore, it may be possible that the Readiness preparation does not address all the main criteria a REDD mechanism would eventually require. However, the benefits of engaging early and supporting Mexico in building on its experience and providing a learning case for other countries seem to outweigh the risks of missing some future REDD requirements that may not be known today. Still, to mitigate this risk, the Bank team will help follow developments in the international negotiations and advise Mexico on appropriate adjustments that may be needed during the preparation process.

22. **External factors.** There are certain factors which are mostly out of the control of government policy, yet could intensify deforestation and degradation pressures. These might include, among others: (i) rising global and national agricultural prices; (ii) declining migration to the United States; and (iii) violence in key regions that hinders government forestry activities. While no measure can completely eliminate these risks, by engaging at the grass-roots level and generating capacity within communities for good forest management, it is thought that Mexico will have a good chance of success.

Implementing Agency Assessment

23. CONAFOR has a successful track record of implementing PES and a PROCYMAF programs that have many of the same elements as the potential REDD strategy. This track record suggests that CONAFOR has the critical capacity and commitment to effectively engage in a REDD program. CONAFOR also demonstrated its capacity to implement World Bank fiduciary, social and environmental policies. With regard to safeguards, given the cross-sector and countrywide nature of REDD, FCPF activities will require a more strategic approach than regular past projects. In that regard, the Bank team has been assisting CONAFOR to help design the Strategic Environmental and Social Assessment (SESA) and plan for the Environmental and Social Management Framework (ESMF). CONAFOR plans to increase its capacity in this area and to ensure adequate human resources to identify and address the social dimensions of REDD and social safeguards.

Project Stakeholder Assessment

24. Key stakeholders for REDD in Mexico include:

- a) Indigenous peoples and other forest-dependent communities in *ejidos* and communities (see footnote 3). The role of indigenous peoples and other forest-dependent communities (non-indigenous *campesinos*) is crucial for a successful REDD program. As owners of most forests, they would participate

in the design and implementation of any REDD initiative at national and local level on a strictly voluntary basis.

- b) Individual forest owners. Individual forest owners are also important for a successful REDD program. In most cases, they are small rural land-holders.
- c) Federal Government Institutions. A successful REDD program will require coordination among federal institutions involved in rural development and natural resources management, mainly SEMARNAT, SAGARPA, CONANP, CDI, and *Secretaria de la Reforma Agraria*. This coordination would take place through the CICC and the REDD Working Group.
- d) Local Government Institutions. State and municipal entities are vital to integrate public policies locally. They would support the design, implementation and monitoring of REDD programs, especially in the priority REDD regions located in the States of Oaxaca, Jalisco, Chiapas, and the Yucatan Peninsula (Yucatan, Campeche, Quintana Roo)
- e) Civil society. Civil society organizations would participate in the design and implementation of REDD programs through the national CTC, and the local CTC to be created in each of the priority regions.
- f) Private Sector. Private operators interested in innovative forest services and carbon finance are vital for a successful REDD strategy, and will be involved in readiness preparation and implementation.

Technical Assistance Provided by Bank Staff to Date

25. The Bank Team commented on the first draft R-PP produced by Mexico in April 2010, and conducted a technical assistance mission to Mexico in August 2010. Based on comments from the Bank, the Technical Advisory Panel, and the FCPF Participants Committee, Mexico revised and resubmitted its R-PP in April 2011.

26. A due diligence mission took place in May 2011, with the participation of the Bank Information Center (BIC) as official Civil Society Observer to the FCPF. This mission involved a field visit to three *ejidos* engaged in various stages of forest management in the Coastal Watersheds of the State of Jalisco, one of the early action areas for REDD in Mexico. The mission also involved meetings with key government and non-government stakeholders and coincided with the first SESA workshop held in Mexico City, May 12-13, 2011. The field trip report and the aide-memoire including suggestions provided by the Bank team on the R-PP, were posted online. Following the mission, Mexico issued its final R-PP in May 2011.

27. The Bank team also worked closely with CONAFOR to help develop the SESA instrument. A first regional SESA workshop took place in Bacalar, State of Quintana Roo, on April 9, 2011, and the first national SESA workshop was held in Mexico City on May 12-13, 2011, as a first effort to inform stakeholders and receive feedback on the proposed SESA methodology. Through an issue scoping exercise, key stakeholders provided CONAFOR with a range of issues and concerns from their perspectives that are important to be considered as part of the design of the national REDD strategy. This is in addition to CONAFOR's continuous

dialogue with CTC at the national level. The SESA workshop included the participation of other key stakeholders that had not participated in the national CTC-REDD.

Summary of R-PP Assessment

28. The Task Team reviewed the R-PP, the REDD Vision, and related documentation. It appears that Mexico is well-positioned to advance through the Readiness preparation phase. Overall, it seems the country has identified the critical issues relevant to REDD and has developed processes to address these issues during preparation and implementation. The R-PP seems to contain the key elements required for a future REDD mechanism as defined by the COP16 in December 2010. It seems the Government has also made a good faith effort to listen to the views of key stakeholders at this stage, and has committed to incorporate them in the design of the REDD strategy. Since poor rural communities own most forest, REDD policies could have large social co-benefits. Given its experience and commitment, it appears that Mexico's pioneering a future REDD mechanism would provide a learning case of global relevance.

Technical

Cross-sector coordination. The Government is taking the approach of including the future REDD Strategy within the broader integrated rural development framework for the country. The R-PP emphasizes that (i) forest management is interrelated with other rural activities, and (ii) many of the drivers of deforestation and forest degradation come from outside the forest sector, such as the livestock and agriculture sector, or the tourism sector. During the development of Mexico's REDD Vision, there has been coordination between CONAFOR and other government agencies from various sectors. For example, CONAFOR and SAGARPA are working to harmonize programs and policies, databases, and monitoring systems. This coordination will greatly help landowners (communities, *ejidos*, or individual owners) in the development of integrated land-use plans. Another aspect mentioned in the R-PP is coordinating the provision of technical services at the local level. CONAFOR is considering possible institutional arrangements to coordinate CONAFOR and SAGARPA's technical agents.

29. REDD Management Platform. Mexico has formed a REDD Working Group (WG) and a REDD Technical Advisory Committee (CTC), both cross-sectoral groups, to guide the design of the REDD strategy. The WG is composed of government agencies related to land management and rural development, and is a permanent sub-committee of the *Comisión Intersecretarial de Cambio Climático* (CICC). The WG will be the main forum for discussion of policy matters, providing input to the decisions of the CICC. The CTC includes representatives from about sixty civil society organizations and the academic sector, which meet regularly to discuss and provide advice on technical issues related to REDD. The R-PP indicates that: (i) local CTCs will be established in "Early Action" priority regions; and (ii) collaboration is being established with CDI (*Comisión Nacional para el Desarrollo de los Pueblos Indígenas*) to conduct culturally adequate consultations with indigenous peoples.

30. Subnational approach. In Mexico, interventions should be designed to address the specific drivers of deforestation and degradation in each particular state or region. The R-PP

proposed starting with a subnational approach, in priority areas in the States of Oaxaca, Jalisco, Chiapas, and the Yucatan Peninsula (States of Yucatan, Campeche, and Quintana Roo). In these areas, regional diagnoses of the drivers of deforestation will be undertaken, and specific actions will be designed. Sub-national reference levels may be designed in these regions. This will need to be coordinated with relevant governmental and non-governmental organizations at the state and local level. This approach is consistent with the decisions on REDD taken at UNFCCC COP 16 in Cancun, 2010, which permit the use of sub-national approaches as an interim measure, if they contribute to the construction of future program with national coverage. It will also be important to establish monitoring systems so that the results of the various areas can be compared.

31. REDD Strategy Options. The PROCYMAF and PES programs are likely to serve as cornerstones of the REDD strategy. The R-PP and the REDD Vision also indicate that other strategic options will be explored and shaped by analytical studies and consultations during the preparation phase. The voluntary nature of PES and PROCYMAF would continue into the REDD strategy. The R-PP foresees systematic analyses of opportunity costs for strategy options. The REDD strategy would support active community management of forests, which seems to have the potential to generate social co-benefits and is particularly relevant for reducing degradation – which may prove more important in Mexico than reducing deforestation over the next few decades. In addition, CONAFOR, SEMARNAT, and related agencies will continue identifying ways to potentially improve on the regulatory structure for forests management and strengthen enforcement capacity. Progress has been made on these issues under past World Bank engagements (e.g. the forestry pillar of the proposed Social Resilience and Climate Change DPL) and will continue to be discussed during the REDD preparation phase.

32. Reference Level. The development of a Reference Level will be based on specific studies on historical analysis of land use and land-use change and the impact of recent land-use policies on deforestation and degradation. It will also be necessary to develop a deforestation and forest degradation risk map, identify priority criteria, design and implement a permanent monitoring system based on the integration of various satellite imagery and permanent and temporary monitoring plots, in order to generate a national database on emission factors. This area will not be financed by the FCPF grant (grant from Norway).

33. Forest monitoring system. Mexico has an operational, continuous National Forest Inventory that measures 26,220 permanent plots nationwide on a five-year cycle. Carbon stocks can be estimated from these measurements. These data, combined with satellite imagery and airborne sensing, provides a good basis for monitoring emissions from deforestation and degradation. There are plans to design a monitoring system for socioeconomic and environmental impacts. This area will not be financed by the FCPF grant (grant from Norway).

34. Benefit sharing. The R-PP suggests that carbon and other environmental service rights would be linked to land ownership and to the realization of improved management practices, building on the PES and PROCYMAF approach, with adjustments and complementary approaches where needed. It is also necessary to analyze past and present experiences, including legal, land tenure, carbon rights, gender, and distribution of benefits to stakeholders with different formal and informal rights (e.g., *ejidatarios*, *posesionarios*, *avecindados*). Once a

financing mechanism for REDD is designed, CONAFOR will establish a benefit sharing mechanism that is equitable to and mutually agreeable with key stakeholders. The Mexican Vision on REDD+, however, by referring to the need to promote broad sustainable rural development to effectively address drivers of deforestation and degradation and enhance carbon stocks already highlights the need to address benefit sharing arrangements from a broad perspective beyond land ownership arrangements.

35. Land tenure. It is estimated that about seventy percent of forested land belongs to *ejidos* and *comunidades* (see footnote 3). The Agrarian Law provides the legal framework for both *ejidos* and *comunidades* and spells out their structure and internal procedures. The law also addresses the rights of other persons who live in the territory of the *ejido*: (i) the *avecindados* who live in the territory without being *ejidatarios*, and (ii) *poseionarios*, persons with certain possessory rights within the territory of the *ejido*. The following forms of land tenure in *ejidos* are recognized under the law: (1) land of common use (*uso común*); (2) individual parceled land; and (3) land for human settlement. In the *comunidades*, *uso común* is the only form of recognized land use. The assembly of the *ejido* or *comunidad*, as the case may be, serves as the decision-making body on questions of land use for *uso común*. The internal rules of the *ejido* or *comunidad* regulate land use in further detail. The specific rights on the land held in *uso común* and on the parceled lands (*plano interno del ejido*) are certified by and registered in the National Agrarian Register. The *Programa de Certificación de Derechos Ejidales y Titulación de Solares Urbanos* (PROCEDE) is a governmental program with the objective to regulate land ownership with a particular focus on *ejidos*. As part of PROCEDE, certificates for parceled land and *uso común* were issued for most *ejidos* and *comunidades*.

36. Resolution of land disputes. The R-PP indicates the existence of land conflicts such as demarcation disputes between *ejidos* and internal conflicts among *ejidatarios*. Said disputes are either resolved amicably or before the agrarian tribunals which are tasked to resolve agrarian disputes including those within and between *ejidos*. Land allocation decisions by the assembly of the *ejido* may also be challenged before the agrarian tribunals, either directly or through the *Procuraduría Agraria* (Agrarian Attorney's Office). The agrarian tribunals are specialized regular administrative courts. The *Procuraduría Agraria* is part of the federal public administration and is mandated to defend the rights of the agrarian population by providing legal advisory services, arbitration and legal representation as well as by regularizing rural property and strengthening legal certainty in rural areas. In practice, many conflicts are also handled through *ad hoc* out of court settlements. The extent of land related conflicts varies significantly among states and it is difficult to find exact numbers of land related disputes at the national level. Most conflicts seem to affect only a portion of the land, and many seem to find a resolution through either an out of court process or before the agrarian tribunals.

Social and Environmental

37. A Strategic Environmental and Social Assessment (SESA) will be conducted in line with the World Bank environmental and social safeguards policies during the readiness phase. The SESA aims to integrate key environmental and social considerations into REDD Readiness by combining analytical and participatory approaches. It would allow: (i) social and environmental considerations to be integrated into the REDD strategy; (ii) stakeholder participation in

identifying and prioritizing key issues, and assessment of policy, institutional and capacity gaps; and (iii) an Environmental and Social Management Framework (ESMF) to be put in place to manage environmental and social risks and to mitigate potential adverse downstream impacts for the implementation of the national REDD strategy. The ESMF is part of the Readiness Package, which is the final product of the readiness preparation process under the FCPF.

38. Based on the stakeholders' inputs of the issue scoping exercise, CONAFOR is finalizing a SESA Workplan to outline a way forward into the SESA process throughout the readiness phase. The SESA Workplan will contain operational guidance on the next steps and activities, the linkages with the overall national REDD strategy design and components of the R-PP, the studies to be carried out, budget, institutional arrangements and timeline. This SESA Workplan will be a live document subject to revision as the design of the national REDD strategy evolves. The communications strategy will also support the SESA process in terms of dissemination of information on the potential strategic options, risks and benefits, to strengthen participatory platforms and process, and also to raise awareness about the overall national REDD strategy. A draft SESA Workplan will be disseminated with relevant key stakeholders prior to its finalization. The Workplan is tentatively scheduled to be finalized by the end of July 2011 based on feedback from stakeholders. The SESA is a continuous process of stakeholder participation on the basis of analytical and diagnostic work aimed at informing the design of the national REDD strategy.

39. During the readiness phase, CONAFOR will carry out the analytical and diagnostic studies in regards to the social, environmental, legal, and policy impacts, risks, and benefits in a participatory manner based on the SESA Workplan agreed with the key stakeholders. CONAFOR will prepare a self-standing SESA Report that will include the following key elements: (i) the consultation process with respect to the analytical and diagnostic studies; (ii) the risks and benefits of the proposed options for the national REDD strategy; and (iii) the contextual challenges that could weaken and/or enhance the long-term sustainability of the national REDD strategy.

Social (including Safeguards)

40. The government of Mexico has historically shown full commitment to working with local communities, and has recognized the rights of Indigenous Peoples and other forest dependent local communities to lands and natural resources. CONAFOR underlines these commitments to working with local communities by articulating the social dimensions of the REDD Strategy based on its past experience and lessons learned from programs such as PROCYMAF and PES.

41. One of the five pillars of the Mexico REDD Vision is "social participation and communication." CONAFOR intends to design a national REDD strategy with the ample participation of a wide-range of stakeholders at various levels (national, regional and local). During the formulation of the R-PP, early information dissemination and dialogue with key stakeholders were conducted. During the readiness phase, special focus will be directed towards a multi-level consultation strategy linked with a participatory SESA process for scoping and integrating social, environmental, legal, and policy considerations from the viewpoint of

stakeholders. In terms of benefit sharing, CONAFOR has committed to establish a mutually agreeable revenue-sharing arrangement based on consultation with key stakeholders.

42. CONAFOR has actively promoted the establishment of the CTC that has been usefully seeking greater participation of civil society organizations in the institutional structure for planning and implementing REDD. The CTC will also coordinate closely with key federal agencies (such as CDI) which have mandate to work with local communities. While national level organizations are key in coordinating and facilitating dialogue and discussions, Indigenous Peoples and other local communities should also be given the space to influence directly in decisions and advise the policy-making.

43. Social Safeguards. The R-PP has determined the relevant Bank's social safeguard policies that are expected to apply. In accordance with the safeguard policies, an Environmental and Social Management Framework (ESMF) will be prepared in compliance with the World Bank safeguard policies.

44. Process Framework (OP 4.12). The Government has indicated that the REDD strategy would not involve any physical displacement and that participation in REDD activities will continue to be on a strictly voluntary basis, as CONAFOR's current programs. A Process Framework will be prepared as a specific chapter of the ESMF.

45. Indigenous Peoples policy (OP 4.10). An Indigenous Peoples Planning Framework will be prepared in compliance with the Indigenous Peoples policy (OP 4.10), as a specific chapter of the ESMF. OP4.10 requires broad community support from concerned Indigenous Peoples based on free, prior and informed consultation during the preparation phase. Mexico also confirmed its determination to comply with applicable national and international law, especially the ILO Convention 169 which includes the principle of free, prior and informed consent by Indigenous Peoples.

Environment (including Safeguards)

46. Environmental Assessment (OP/BP 4.01). As part of the readiness process, through the Strategic Environmental and Social Assessment (SESA), the country will assess key social and environmental risks and potential impacts associated with REDD, and develop a management framework (ESMF) to mitigate these risks and potential impacts.

47. Natural Habitats (OP/BP 4.04). The National Biodiversity Commission "Priority Areas" and "Gap Analysis" results will be mainstreamed early in the participatory planning process to ensure key policy and regulatory recommendations from the readiness phase will take into account and report on downstream impacts during the national REDD strategy implementation.

48. Physical Cultural Resources (OP 4.11). Given the uncertainty regarding the exact locations of activities to be carried out under the REDD Strategy, this policy is triggered. Some forests or landscapes concerned by the REDD strategy might be considered to have historical or cultural significance such as spirit forests, sacred valleys or other features of the natural

landscape. The ESMF would include specific provisions to assess the possibility of such impacts prior to any activities being undertaken on the ground.

49. Pest Management (OP 4.09). At present it is not envisioned that the REDD strategy would finance or lead to an increased use of pesticides or other agricultural chemicals. However, it is conceivable that some forest management practices used at plantations could utilize silvicultural practices involving pesticides. The SESA will evaluate the potential for such use of chemicals in forest management and, if necessary, appropriate guidelines and analytical approaches would be defined in the ESMF. Based on the above, the policy is triggered.

50. Forests (OP/BP 4.36). The REDD Strategy will build largely on the experience of CONAFOR with the Community Forestry, Payment for Environmental Services and Sustainable Forest Management Certification programs. During the preparation phase, these and other forestry and rural development initiatives will be evaluated in order to ensure lessons are incorporated early in the design and key social and environmental risks and potential impacts associated with REDD are considered in the ESMF.

Consultation, Participation, and Disclosure

51. The R-PP proposes a consultation strategy that will make use of existing and institutionalized mechanisms for consultations such as the different sectoral Advisory Councils composed by representatives of key stakeholder groups as well as representatives from the sectoral government: (i) *Consejo Consultivo de Desarrollo Sustentable* is present at the national and regional levels to foster participation, consultation, design and evaluation of public policy in the environmental sector; (ii) the *Consejo Consultivo* of the CDI is composed of 140 indigenous representatives at the national level that advise the CDI on policy, program and activities focused on Indigenous Peoples; (iii) the *Consejo Nacional Forestal* (CONAF) provides guidance on the forest sector as well as monitoring and evaluation forest national programs and policy. In addition to these Advisory Councils, CONAFOR will conduct regional and local consultations through their existing number of *Consejos Forestales* at the state level in the "early action" areas regions in order to reach communities and *ejidos*.

52. The consultation strategy involves the participation of a wide-range of key stakeholder groups such as state and municipal governments, Indigenous Peoples and other forest dependent communities, civil society, women's groups, small producers, etc. It specifically highlights an active involvement with state and municipal governments as they are key in facilitating the policy and institutional context for the implementation of the REDD strategy. The consultation activities will be adjusted for different realities and for different stakeholders, including indigenous peoples, and will build upon existing platforms that already operate. Consultation with Indigenous Peoples will be carried out in collaboration with CDI, building upon their previous experience in carrying out a national-level consultation process that is culturally adequate. CONAFOR indicates a commitment to applying the principle of free, prior and informed consent included in the ILO Convention 169 on Indigenous and Tribal Peoples.

53. In specific terms, the consultation strategy is divided in three phases. Phase one will include the organization of meetings with key stakeholders to define criteria, indicators,

decision-making procedures and criteria for identification of stakeholders to prepare consultation methodologies. Phase two will include the piloting of the consultation methodologies in selected areas in order to make the necessary adjustments and revisions in terms of instruments, workshop formats, and applicability of the consultation strategy. Phase three will entail the roll out of the piloted and revised consultation methodology to the rest of the country.

54. The consultation strategy aims to ensure a two-way communication process, for documenting and disseminating the outcomes of the consultations and encouraging active involvement of key stakeholders in the process. It is planned that the participatory SESA process will be aligned in order to inform the design of the national REDD strategy. Additionally, CONAFOR will establish a direct focal point such as a “public information desk” where stakeholders can ask questions regarding the consultation and participation process. This point of contact will also be available at the regional level in the 31 states where CONAFOR has their offices.

55. Experience to Date. CONAFOR has conducted some early activities on information dissemination to, and early dialogue with, key local stakeholder groups regarding the process of the REDD strategy formulation. The R-PP reports on a number of prior meetings with stakeholders at the national level, and to a lesser extent the regional and local levels. A first multi-stakeholders workshop on REDD was organized in Guadalajara (July 7-8, 2008) to discuss the evolving global context for REDD and the opportunities for the forestry sector in Mexico.

56. At the national level, a series of meetings with a wide-range of representatives from key stakeholder groups (NGOs, producers’ organizations, private sector and academia, ejidos and communities) have been organized through the CTC-REDD (*Comité Técnico Consultivo sobre REDD*) since 2008, which was institutionally formalized on May 13, 2010. The CTC-REDD has been actively involved in providing technical advice to CONAFOR regarding the proposal for the national REDD strategy and has been actively involved in formulating the consultation strategy. The CTC-REDD has its own procedures and regulations, is chaired by an elected civil society representative, and is formally considered the civil society multi-sectoral forum operating as a liaison for the governmental CICC-REDD Working Group. Although the CTC-REDD is open to any interested civil society organization, in practice, due to limited budget availability, most meetings of the CTC-REDD took place in Mexico City. The creation of the SESA follow up group and of local CTCs in the early action regions are important steps towards a more direct involvement of local grass-root organizations.

57. At the regional level, between 2009 and 2010, CONAFOR conducted a series of meetings and workshops related to REDD with the participation of key stakeholder groups at the state and local levels. States such as Chiapas, Jalisco and the Yucatan peninsula have established working groups in order to further develop the REDD agenda at the state and regional levels, which in turn has established coordination with the CTC-REDD at the national level.

58. Most recently, CONAFOR carried out a regional SESA workshop in Bacalar, Quintana Roo (April 9, 2011) and a National SESA Workshop in Mexico City (May 12-13) with the objective to further inform key stakeholders about CONAFOR’s plan for designing a national REDD strategy and carry out an initial issue scoping exercise with key stakeholder groups.

These two workshops provided key stakeholders with an opportunity to provide CONAFOR with a comprehensive overview of the specific issues and concerns that affect them in order to be considered during the readiness phase. This was the first step towards a SESA process that will assess during the readiness phase the social, environmental, legal and policy issues identified by key stakeholders, for which a series of diagnostic studies will be carried out and consulted upon. The two SESA workshops also called for the participation of additional key stakeholder groups at the regional and state levels that were not sufficiently represented in the CTC-REDD. In particular, the workshops identified the need to include women's groups and *comunidades agrarias*, among other key stakeholder groups such as indigenous peoples, state level governments, civil society, etc. An interim SESA Working Group was formed to continue the consultation process and it will eventually form part of the CTC-REDD further strengthening this multi-stakeholder platform.

59. Proposal Going Forward. CONAFOR plans to conduct more intensive dissemination and initiate pilot consultation activities for Indigenous Peoples and other forest dependent local communities starting in the REDD priority areas. CONAFOR will conduct extensive dissemination and consultation activities for the various local communities to inform them on the proposal for a REDD+ strategy in Mexico and seek their meaningful participation throughout the readiness preparation phase.

60. CONAFOR is planning to strengthen the CTC-REDD to ensure greater participation of organizations representing grassroots local forest communities in the institutional structure for planning and implementing REDD in order that these communities and *ejidos* are able to provide inputs directly. Additionally, CONAFOR is planning to promote and support the creation of regional and state level CTC-REDDs to ensure ample participation. CONAFOR plans to strengthen these CTC-REDD platforms at the national and sub-national level by ensuring participation of stakeholders in order to be points for consultation on the SESA, the preparation of the ESMF and the overall design of the national REDD strategy. CONAFOR also intends to expand consultations through major forestry organizations like UNOFOC and MOCAF, and with the CDI to implement a national consultation process focused on indigenous forest communities.

61. Grievance mechanism. Complaints and grievances that may arise during the readiness phase will be handled by the existing structure of the Internal Control Organ (OIC: *Organo Interno de Control*). The OIC forms part of the *Secretaría de la Función Pública* and have the authority to receive, process, and resolve any complaints and grievances that any CONAFOR program and activity may generate. Once the complaint is submitted to the OIC, it is directed to CONAFOR to respond and/or address such complaint within a specific timeframe.

62. Given the complexity of the institutional arrangements at various levels, it is important for CONAFOR to also strengthen its own institutional capacity by recruiting additional human resources that will help coordinate these various platforms at the policy-level and at the multi-stakeholder level.

63. Communications and outreach. As stated in Mexico's REDD Vision (strategic option five), the development and implementation of a communications strategy for REDD is vital to provide appropriate information to stakeholders, to strengthen the participatory nature of the

REDD process and to ensure transparency. The communications strategy will also support the consultation and SESA processes. During the SESA workshop a communications session was held where a knowledge and attitudes survey was conducted and the results will be used as baseline to contribute in the design of the communications strategy. It was agreed that (i) CONAFOR will establish institutional agreements for the communications work and identify the necessary human and financial resources for the development and implementation of the communications strategy, and (ii) the CTC-REDD, particularly its communications committee, will participate with the communications strategy by giving feedback during the design and implementation process.

64. Disclosure. The first draft R-PP was posted online in February 2010. After several revisions, the final version was disclosed in May 2011. Specific information materials were also widely distributed. During the preparation phase, special attention will be paid to dissemination of materials according to the specific communication needs of indigenous peoples and efforts will be made to produce communication materials in local languages.

Safeguard Policies that might apply

65. The table below presents the safeguards policies which are being triggered at Concept Stage. The environmental safeguards category proposed at Concept Stage is: B.

Safeguards	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
Natural Habitats (OP/BP 4.04)	X		
Forests (OP/BP 4.36)	X		
Pest Management (OP 4.09)	X		
Physical Cultural Resources (OP/BP 4.11)	X		
Indigenous Peoples (OP/BP 4.10)	X		
Involuntary Resettlement (OP/BP 4.12)	X ¹⁴		
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	
Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP/BP 4.00)		X	

¹⁴ The Government has indicated that the REDD strategy would not involve any physical displacement and that participation in REDD activities will continue to be on a strictly voluntary basis, as CONAFOR's current programs. The policy would only be applicable in the case of possible restriction of access to resources, so a Process Framework will be developed..

Tentative financing

	(\$m.)
Source:	
Borrower/Recipient	
IBRD	
IDA	
Forest Carbon Partnership Facility	3.6
Total	3.6

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