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Ref. TF010261 Reporting Period: 07/01/2015 to 3/31/2016

Printed On: 04/13/2016 Report Type: Interim Progress Report

Report Status: Approved

Assignment: TF010261

Mexico: FCPF Readiness Grant

FCPFR - FOREST CARBON PARTNERSHIP FACILITY

Task Team Leader: 00000242803 - Carole Megevand

Approving Manager: 00000483596 - Raul Ivan Alfaro Pelico

Summary Information	
TF Status	ACTV
Recipient Country	Mexico
Executed By	Recipient
Managing Unit	9061 - GENDR
Grant Start Date / End Date	03/19/2014 to 04/30/2017
Program Manager	Simon J. Whitehouse
Original Grant Amount	3,800,000.00
Grant Amount	3,800,000.00
Outstanding Commitments	0.00
Cumulative Disbursements	1,093,522.64
Disbursed from 07/01/2015 to 03/31/2016	428,763.03
Donor	TF602001 - MULTIPLE DONORS

This GRM report includes the following sections: Overview, Outcome, Components/Outputs, Execution, Program(FCPFR), Processing, Attached Documents, Disbursements, Internal Comments.

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OVERVIEW

Overall Assessments

Grant Objectives:

The immediate objective of the FCPF Readiness Grant is: to support a participatory and inclusive process for the finalization of Mexico's National REDD+ strategy (ENAREDD+).

Overall progress from 07/01/15-3/31/2016 with regard to Achieving Grant Objectives:

Comment:

Background: An Assessment note for a REDD+ Readiness project in Mexico had already been prepared in 2011. However, the operation never materialized: at that time, the nature and scope of REDD+ were not clearly defined and the CSO community was highly critical that REDD+, if not well designed, could adversely impacts vulnerable populations, including Indigenous peoples. Considering the risk associated to the FCPF operation too high, the Government of Mexico decided at some point not to sign the grant agreement. Over the last three years, the understanding of the REDD+ mechanism improved at the international level as well as in Mexico and the criticism from the CSO community drastically reduced. The dialogue on FCPF was re-initiated in May 2013, when CONAFOR renewed interest in the FCPF Readiness Grant.

Starting July 2013, the WB and CONAFOR teams have worked together to prepare a new Assessment note, acknowledging the advanced stage of its REDD+ Readiness process: the FCPF grant accordingly focuses on a subset of components as per the R-PP that were selected jointly with CONAFOR, taking into account the following criteria: (i) comparative advantage of the World Bank, (ii) financing of full set of activities (with no co-financing required that could jeopardize the achievement of the project objective), and (iii) complementarity with activities financed by other donors and government. As a result, the Grant Agreement for the FCPF operation on REDD+ Readiness was signed on March 19, 2014 by the World Bank and counter-signed on March 27, 2014 by the Government of Mexico. The Grant was then declared effective on July 7, 2014. On April 2015, the FCPF Participants Committee approved an additional funding of US\$5M for Mexico to continue working on REDD+ Readiness. The R-Package has been prepared by CONAFOR and will be presented to the FCPF Participant Committee (PC-21) in May 2016: the Readiness package has been reviewed by the World Bank team and was deemed very solid. It is now under review by the TAP team.

Since effectiveness, major progress has been made on Grant Implementation:

Overall progress from 07/01/2015 to 03/31/2016 with regard to Implementation of Grant Financed Activities: Comment:

Since the Grant Agreement was declared effective on July 7, 2014, significant progress has been made in the implementation of Readiness activities. Please refer to Sections "Components/Outputs" as well as "Outcomes" for a detailed presentation of the main progress achieved.

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Grant follow-up and structure

Description and context of Grant: This first grant consists in the preparation (Readiness) of a potential future large-scale payment for Emission Reductions. An additional funding grant of US\$5M was approved by the FCPF Participants Committee on May 2015, to allow Mexico to continue working on its Readiness Preparation activities.

Expected follow up (if any): Large-scale Emission Reduction Program (ER-Program)

Comment on follow up: Mexico is preparing an Emission Reduction Program (under the FCPF Carbon Fund): the ER Program that could generate carbon credits that the Carbon Fund would acquire. Such ER Program would also build on the on-going FIP investments in the Early Actions Areas for REDD+. This program will be submitted to the FCPF Carbon Fund (for TAP review in April) and it is expected that Mexico will make a formal presentation to the Carbon Fund Committee during the last quarter of 2016. In addition, interest has been indicated by CONAFOR for a follow up operation on Forest and Climate Change.

End Date of Last Site Visit: February 8, 2016

Restructuring of Grant: A reallocation of proceeds between 2 categories has been completed last year, to respond to the higher than anticipated demand under the PROFOS program. The World Bank just received another request for reallocation of proceeds amongst categories along with an extension of the closing date up to December 31, 2017 (which represents a 9-month extension).

OUTCOME

Comments on outcome achieved from 07/01/2015 to 3/31/2016

Grant Outcome Indicators

1. A final version of ENAREDD+ reflects the comments and feedback from the various sectors and stakeholders.

Baseline Value: No ENAREDD+ available

Date: 03/31/2014

Progress to Date: ENAREDD+ amply consulted with many stakeholders at the national level

(Consultation process considered as best practice). Final version under finalization

(to be publicly disclosed in April 2016)

Date: 03/31/2016

Target Value: ENAREDD+ Strategy approved by Mexico's National Forest Council (Consejo

Nacional Forestal, CONAF) and publically disclosed

Date: 04/30/2016

2. A technically strong ESMF has been finalized and validated by a broad range of stakeholders.

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Baseline Value: No ESMF **Date:** 03/31/2014

Progress to Date: The SESA report is under finalization the ESMF is under development.

Date: 03/31/2016
Target Value: ESMF finalized
Date: 11/30/2016

3. A state-level comprehensive feedback and grievance mechanism for REDD+ is piloted in one Early Action Area.

Baseline Value: FGM only at national level

Date: 03/31/2014

Progress to Date: Firm has been selected and the work is on-going

Date: 03/31/2016

Target Value: State-level FGM piloted in one of the Early Action Areas

Date: 12/30/2016

COMPONENTS

Output and Implementation by Component

Organization and Consultation (FCPF amount: US\$2,558,000).

Status: Under Implementation

Planned Output: The FCPF grant supported the rolling out of the National Consultation of the

ENAREDD+ (through the 3 phases: (i) Information & Dissemination,

(ii) Consultation and (iii) Consolidation)

Actual Output: Consultation process completed

Development of the REDD Strategy. (FCPF amount: US\$1,242,000)

Status: Under finalization

Planned Output: CONAFOR is working on incorporating all comments received during the

consultation process and aims to have the final version of the EANREDD+ publicly

disclosed in April 2016.

Actual Output: National REDD+ Strategy approved and publicly disclosed

Comment on component implementation progress

Component 1: Organization and Consultation

1a. National Readiness Management Arrangements

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CONAFOR has demonstrated a high capacity to coordinate all efforts in terms of REDD+ at the national level. While the Unit of International Affairs (UAIFF) leads the grant implementation, other units within CONAFOR as well as other public entities are highly involved in the process. In addition, CONAFOR has shown strong commitment for a participatory approach that will culminate with the national consultation on the REDD+ Strategy (during the first half 2016). One consultant has been hired to increase UAIFF's capacity to implement grant activities. CONAFOR is planning to recruit more experts: (i) one additional consultant to support UAIFF, (ii) five consultants to support the General Coordination for Planning and Information and (iii) five consultants in regional CONAFOR offices (Chiapas, Jalisco, Quintana Roo, Yucatan and Campeche).

1b. Stakeholders Consultation and Participation

The consultation process on the National REDD+ Strategy is conducted in three phases: (i) Information& Dissemination, (ii) Consultation and (iii) Consolidation. CONAFOR has finalized the first phase on Information & Dissemination, using many different media (virtual, physical, including in indigenous languages) to ensure wide dissemination of basic information on REDD+ and allow for informed discussions during the Consultation phase. Through its national Program PROFOS (*Programa de Fomento a la Organización Social, Planeación y Desarrollo Regional Forestal*), CONAFOR supported 76 local NGOs to facilitate the diffusion on REDD+, with 461 workshops carried out and 26,089 people informed (for a total of more than \$1 million). Selected NGOs received training through five introductory REDD+ courses for social organizations participating in the program, with 129 attendees who were trained in forests, climate change, REDD+, consultation on the Strategy, and in order to ensure consistent information, they all received an information package for dissemination. This program has been very well received by the organizations and its members.

The National Consultation has been completed. CONAFOR is now working on the compilation of all the feedback received during the consultation process and on the integration in the final version of the ENAREDD+. The World Bank team considers the implementation of the consultation process as a best practice, particularly its inclusive and culturally-adapted approach. Mexico's consultation approach adheres to the FCFP/ UN-REDD Guidelines on Stakeholder Engagement in REDD+ Readiness, implementing key guiding principles such as i) the inclusion of a broad range of stakeholders, including forest dependent communities, and vulnerable groups, ii) ensuring transparency and timely access to information provided, iii) retro-alimentation of recommendations from consultations into strategy document, iv) consultations tailored to Mexico's IP and their existing processes and platforms, v) gender sensitivity, as well as vi) design and piloting of an accessible and fair mechanism for grievance, conflict resolution and redress. The World Bank team encourages the FCPF Management team to disseminate this experience through the stakeholder platform.

Component 2: Development of the REDD+ Strategy:

2a. Assessment of Land Use, Forest Policy, and Governance

Mexico has made significant progress in assessing the main causes of deforestation and forest degradation and possible options to promote REDD + in the broader context of sustainable rural development. In this sense, dialogue with various departments pushed to carry out joint actions for integrated land management. One such example is the Forum on Sustainable Production Landscapes, organized by the CONAFOR, SAGARPA and the World Bank urged dialogue on reducing emissions from deforestation and degradation (REDD +) and integrated territorial management among decision makers units of different sectors. CONAFOR has requested more financing from PROFOR to continue working on this "integrated land-use approach": this will support the preparation of the ER Program in the five States.

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2b. REDD+ Strategy Options

Mexico has produced a fourth draft of the ENAREDD+, Mexico's National REDD Strategy, which received a favorable assessment by key stakeholders through CONAF in February 2015. This final version of the REDD+ Strategy has been submitted to public consultation during 2016. As indicated above, the consultation process is considered a best practice. CONAFOR is working on incorporating all comments received during the consultation process and aims to have the final version of the EANREDD+ publicly disclosed in April 2016.

2c. Feedback and Grievance Redress Mechanism

CONAFOR is piloting Feedback and Grievance mechanisms at the local level in the Yucatan Peninsula: particular attention is given to identifying and analyzing the existing gaps at the state level. The pilot focuses on indigenous peoples, women and other vulnerable groups and lessons learnt from the pilot would inform the methodology to be then replicated in other states. The firm has been selected to run the pilot and activities are under implementation.

2d. SESA and ESMF

The SESA report is under finalization and will be disseminated in early 2016: it will include a systematic review of the comments received so far from the various stakeholders, the final version of the Consultation Plan as well as the outcomes of the risk assessment of the strategic options conducted in December 2014. The ESMF will be developed through a consultancy aimed at identifying and assessing the potential risks and impacts associated with the implementation of activities within the framework of the National REDD+ Strategy, and identify principles, guidelines and procedures to mitigate them. The ESMF is under development and is expected to be finalized in the fourth quarter of 2016.

EXECUTION

Bank project related to the grant

Project ID / Name: P120417 - MX FCPF REDD Readiness

Project Status:LendingGlobal Focal Area:Climate changeProduct Line:CN - Carbon Offset

Implementing agency and contact details

Agency: CONAFOR Contact: Ana Karla Perea

Address: Periférico Poniente #5360 Col. San Juan de Ocotán, Zapopan, Jalisco,

C.P. 45019

Phone: +52-33-3777-7000 ext 1710Email:aperea@conafor.gob.mxWebsite:www.conafor.gob.mx

PROGRAM

Program Specific Questions

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1 .Describe progress in how the Grant activities are being coordinated with other REDD+-related initiatives, including those funded by others.

There is a very strong articulation of the FCPF activities with the other REDD+ related activities financed through other sources (FIP and IBRD) as well as other donors (UNDP, FAO, LAIF, USAID). CONAFOR has a very strong capacity to coordinate all the REDD+ related activities and seek synergies.

2 .Describe any important changes in the technical design or approach related to the Grant activities.

No change has been made: reallocation of proceeds between two disbursement categories has just been completed to respond to the higher than expected demand under the PROFOS program; this does not affect the implementation of all the activities planned under the grant agreement and enhance the participatory process for the consultation of the National Strategy.

3 .Describe progress in addressing key capacity issues (implementation, technical, financial management, procurement) related to this Grant.

No capacity gap was identified during preparation/implementation of the grant.

4 .Describe progress in addressing social and environmental issues (including safeguards) related to the Grant. Is the SESA conducted in accordance with the Common Approach?

The SESA report is under finalization and will be disseminated in early 2016

5 .ls the ESMF prepared in accordance with the Common Approach?

Yes. The ESMF is under development and is expected to be finalized in the fourth quarter of 2016.

6 .Describe progress in stakeholder consultation, participation and disclosure related to this Grant.

The World Bank team considers the implementation of the consultation process as a best practice, particularly its inclusive and culturally-adapted approach. It encourages the FCPF team to disseminate this experience through the stakeholder platform.