



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 11-Aug-2020 | Report No: PIDA28757

**BASIC INFORMATION****A. Basic Project Data**

Country Mexico	Project ID P172079	Project Name Connecting Watershed Health with Sustainable Livestock and Agroforestry Production	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 17-Aug-2020	Estimated Board Date 28-Jan-2021	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) The United Mexican States	Implementing Agency The National Institute of Ecology and Climate Change (INECC), The Mexican Fund for the Conservation of Nature (FMCN)	GEF Focal Area Multi-focal area

Proposed Development Objective(s)

Improve integrated landscape management in selected watersheds considering climate change

Components

Development and Promotion of Integrated Landscape Management
Strengthen Business Skills for Sustainable Rural Production
Conservation, Restoration, and Implementation of Sustainable Productive Practices in Cattle and Agroforestry Landscapes
Monitoring and Project and Knowledge Management

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	13.76
Total Financing	13.76
of which IBRD/IDA	0.00
Financing Gap	0.00



DETAILS

Non-World Bank Group Financing

Trust Funds	13.76
Global Environment Facility (GEF)	13.76

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

N/A

B. Introduction and Context

Country Context

- 1. The country is experiencing supply and demand shocks to the economy, that will generate impacts on firms, employment, and households.** In this context, the implementation of economic and social policies to improve the business environment, protect jobs, and support the overall economic fabric are critical.
- 2. Over the past decade, the conservation focus in Mexico has shifted towards promoting sustainable production and resource use in lands outside of protected areas, as more than half of all species are found in productive landscapes.** Focus on sustainable agroforestry management, and biodiversity enhancement linked to productive sectors are critical to improve the livelihoods of small producers in rural areas while conserving natural capital and contributing to food security and human and animal health and well-being. The agriculture sector continues to play an important role in Mexico's economy and it is critical to align objectives of agricultural production and environmental conservation.

Sectoral and Institutional Context

- 3. Forests represent an important natural asset, but Mexico faces significant challenges to conserve and sustainably manage them.** Even though the aggregated deforestation level has decreased to an average of 0.2 percent over the past years, localized impacts from land use pressures persist¹, and most deterioration of Mexico's ecosystems and biodiversity is due to land use and change in land cover. According to the National Institute of Statistics and Geography (INEGI), in 2018 the economic cost of environmental degradation and

¹ <http://www.enaredd.gob.mx/wp-content/uploads/2017/09/Estrategia-Nacional-REDD+-2017-2030.pdf>



natural resource depletion amounted to 4.3 percent of the national GDP². Both agriculture and livestock activities are identified as the main related drivers, and cattle ranching represents a significant share of the national GHG emissions from agriculture.³ About 80 percent of agricultural land suffers from some level of degradation caused by overgrazing, excessive pesticide use, and improper water management.

4. **Agriculture continues to be an important sector in the rural economy and for poverty reduction.** The agricultural sector accounts for around 8 percent of Mexico's GDP⁴, considering the forward and backward linkages created through primary production, post-harvest agro-industrial processes, and food production. The primary production accounts for 3.1 percent of the GDP.⁵ Almost a quarter of Mexico's population (more than 24 million people) lives in rural areas and depends on agriculture for their livelihoods (45 percent of the employed rural labor force works in the primary sector).
5. **Mexico is the seventh producer of beef worldwide and 54 percent of the territory is devoted to livestock.** The National Institute of Ecology and Climate Change (INECC) estimates that livestock generates 10.3 percent of the national GHG emissions. It has also other negative environmental impacts in the country that is estimated to safeguard 10 to 12 percent of the global biodiversity.

Alignment with GEF Strategy

6. **The proposed project is aligned with the GEF-7 Focal Areas' objectives addressed through the Food, Land Use and Restoration (FOLUR) Impact Program**, for which the World Bank serves as the GEF Implementing Agency globally, as well as objectives under the Focal Areas of: i) Biodiversity; ii) Climate Change; and iii) Land Degradation.

Relationship to CPF

7. **The proposed project is aligned with the World Bank Group Country Partnership Framework (CPF) for the period FY2020–FY2025⁶.** Objective 7 of the CPF recognizes Mexico's efforts towards its climate change goals and a resilient, low carbon growth path and acknowledges that it is critical to increase the economic instruments and incentives and the institutional coordination to support climate change objectives. In this context, the CPF foresees support to strengthen community and producer organizations in the management of productive landscapes, as well as overall institutional strengthening in landscape planning and management. Moreover, the proposed project is also instrumental for achieving Objective 1 that seeks to foster financial intermediation and inclusion.

² <https://seea.un.org/news/inegi-releases-seea-accounts-2018>

³ Emissions from methane enteric fermentation represent 63.9 % of all agricultural emissions and manure management at 17.1 %.

⁴ Due to prevailing data gaps, this number represents a significant under-accounting given the high share of informality in the Mexican food system.

⁵ <https://gcma.com.mx/reportes/indicadores-nacionales/analisis-pib/>

⁶ Report No. 137429-MX, discussed by the Board on February 27, 2020.



C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

Improve integrated landscape management in selected watersheds considering climate change

Key Results

- i. Area of landscape under improved practices (excluding protected areas) (Hectare), GEF core indicator;
- ii. Farmers adopting improved agricultural technology (Number, disaggregated by gender and ethnicity), WB corporate results indicator; and
- iii. Producer groups that increase productivity by at least 10% (Percentage)

D. Project Description

8. **The proposed Connecting Watershed Health with Sustainable Livestock and Agroforestry Production (CONECTA) project aims to integrate land use planning and the use of natural resources with sustainable livestock and agroforestry production.** It comprises four key areas of intervention or components: (1) Development and Promotion of Integrated Landscape Management in targeted priority watersheds; (2) Strengthening Business Skills for Sustainable Rural Production to build business and organizational capacity of livestock and/or agroforestry producer groups (PGs); (3) Conservation, Restoration, and Implementation of Sustainable Productive Practices in Cattle and Agroforestry Landscapes to increase connectivity in the watersheds; and (4) Monitoring and Project and Knowledge Management.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

9. **The overall environmental and social risks of the project are considered Moderate.** Beyond the number of expected positive impacts, up to moderate environmental and social risks have been identified and avoidance of risks and negative impacts will be carefully considered. Any negative impacts will be site-specific, short-term and reversible.

E. Implementation

Institutional and Implementation Arrangements

10. **The Mexican Fund for the Conservation of Nature (FMCN) will be the implementing agency and designated recipient of the GEF resources.** It will delegate part of the execution tasks to four Regional Funds it has created to facilitate coordination and project implementation with local actors. The Regional Funds have



participated closely in the project design and the FMCN will continue training them in different aspects as needed. The project implementation will also involve civil society organizations (CSOs), consulting firms and representatives of private sector and academia.

11. **INECC will be responsible for providing policy guidance and will support coordination of project work among the participating agencies.** INECC will promote inter-institutional and sectoral collaboration to advance and align public policies and investments for sustainable production in livestock and agroforestry systems in accordance with Integrated Watershed Action Plans (IWAPs) in the project's target areas and across governance levels.

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APPROVAL

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