



INITIATION PLAN FOR A GEF PROJECT PREPARATION GRANT (PPG)

Country: Mexico

UNDAF Outcome(s)/Indicator(s):

“Institutional and individual capacities strengthened to stop and/or reverse environmental degradation, support natural resources conservation, encourage participatory management, natural resources governance and promote human development through policies and programmes for sustainable development”

(Link to UNDAF outcome.)

Expected Outcome(s)/Indicator (s):

“Outcome 6, Consolidation of public policies management and citizen participation for sustainable development”

(CP outcomes linked to the SRF/MYFF goal and service line)

Expected Output(s)/Indicator(s):

“6.1.6 Forest certification model as a financial mechanism for biodiversity conservation and poverty reduction developed.

(CP outcomes linked to the SRF/MYFF goal and service line)

Programme Period: 2008-2012
 Programme Component: Environment and Sustainable Development
 PPG Title: Transforming management of biodiversity rich community production forests through building national capacities for market based instruments
 ATLAS Project ID: 00061755 ____
 PIMS Project ID: 4015
 Duration: 10 months
 Management Arrangement: DEX

Budget	
GEF	<u>\$100,000</u>
Allocated resources:	
In kind contributions	
CONAFOR/ RA	<u>\$100,000</u>
Total budget:	<u>\$200,000</u>

AGREED BY UNDP RESIDENT REPRESENTATIVE / UNDP DIRECTOR:

(Enter Name, Position)

Signature

Date: (Month, day, year)

Magdy Martínez - Solimán

Brief Description of Initiation Plan

The Initiation Plan will develop the most relevant inputs required for the formulation of the Project Document. The PPG will begin in May 2008 and end in February 2009. The activities will be focused on collecting and analyzing baseline data to refine criteria for site selection for project intervention areas; defining the capital needs of ejido and community forest management and processing operations, barriers to accessing investment, and opportunities to stimulate investment in practices that conserve BD; identifying how the project can most effectively foster a more enabling environment for sustainable forest management through market based instruments; and evaluating the robustness and effectiveness of current monitoring and evaluation systems (both government and non-government) as the basis for proactive adaptive management strategies to track project impacts and measure BD conservation trends over the long-term.

The work under the PPG will be conducted by a team of national and international consultants funded by GEF under the supervision of UNDP-Mexico, CONAFOR and Rainforest Alliance (RA). In addition, CONAFOR and RA will provide in-kind co-financing to the PPG in the form of ensuring access to necessary expertise, information, facilities and equipment.

During the first month of the PPG, CONAFOR, Rainforest Alliance and UNDP-Mexico will prepare the terms of reference for the recruitment of the consultants needed (nationals and internationals), based on the PPG request document and as described in Annex A. These consultants will be selected by CONAFOR, Rainforest Alliance and UNDP.

The national and the international consultants will work jointly to design the full size project proposal, while UNDP-Mexico will facilitate and monitor this process in accordance with the agreed time schedule. An international consultant will be hired to elaborate the project document.

During the final two months of the PPG, UNDP-Mexico together with CONAFOR and Rainforest Alliance will review the full-sized project proposal and share it with the national authorities for final approval and submission to the GEF in June 2009.

GEF PPG approved grant document and TBWP



REQUEST FOR PROJECT PREPARATION GRANT (PPG)

PROJECT TYPE: Full-sized Project
THE GEF TRUST FUND

Submission date: 11 April 2008

Re-submission date:

GEFSEC PROJECT ID: 3637

GEF AGENCY PROJECT ID: 4015

COUNTRY: Mexico

PROJECT TITLE: Transforming management of biodiversity rich community production forests through building national capacities for market based instruments

GEF AGENCY(IES): UNDP

OTHER EXECUTING PARTNER(S): Comisión Nacional Forestal (CONAFOR), Rainforest Alliance (RA)

GEF FOCAL AREA(S): Biodiversity

GEF-4 STRATEGIC PROGRAM(S): SFM-SO2; BD-SP 5

A. PROJECT PREPARATION TIMEFRAME

Start date (expected)	May 2008
Completion date (expected)	February 2009

B. PROJECT PREPARATION ACTIVITIES (\$)

PPG activities:

1) **Baseline data collection, information gap analysis and overview of socioeconomic and resource trends for selection of forest areas**

PPG funds will be used to collect and analyze baseline data related to biodiversity and socioeconomic circumstances of Mexico's *ejido* and community production forests in order to refine criteria for site selection for project intervention areas. Specifically, the following information will be collected: i) Detailed assessment of existing threats to forest biodiversity and productivity and their underlying root causes; ii) Characterization of forest production systems under the jurisdiction of communities and ejidos, including land and resource tenure and community organization; iii) Characterization of business skills and organizational capacity at the local level; iv) Analysis of market mechanisms and linkages of ejido and community operations; v) Impact of land-use changes on carbon emissions; vi) Analysis of accessibility of existing programs to strengthen capacities of community operations; vii) Identification and analysis of local, national and global environmental benefits; and viii) Identification of pilot sites based on criteria, including globally significant BD, threat levels, and existing potential for improved efficiency.

2) **Feasibility for formulation of marketing and financial strategies and identification of partnerships**

The PPG will define the capital needs of ejido and community forest management and processing operations, barriers to accessing investment, and opportunities to stimulate investment in

practices that conserve BD and improve the competitive position of ejidos and community forest enterprises (ECFEs). Particular importance will be given to the development of durable private sector partnerships to ensure a steady flow of investment beyond the life of the project. This will include: i) Characterization of principal types of investment required; ii) Review of existing economic models and financial mechanisms in Mexico to promote sustainable forest management, including Mexico's national strategy for reduced emissions from avoided deforestation and degradation (REDD) in order to establish the linkages between REDD mechanisms and FSC certification in ejidos; iii) Feasibility studies of economic models for market transformation including cost benefit analysis and investment studies; iv) Assessment of existing policy, legal and institutional framework (including gap analysis) of federal and state government natural resource programs and procurement policies for forest products; v) Mapping of potential partners, identification of partnership-building strategies with national and international buyers and private and public investment entities, and negotiation of initial agreements to be developed during the implementation phase; vi) Outline of a credit guarantee program tailored to ECFEs; vii) Costing of expected project outcomes and outputs; co-financing sources and co-financing commitments in compliance with GEF incrementality principle; and viii) Analysis of cost effectiveness in order to identify the most effective project alternative.

3) Assessment of capacity needs and institutional strengthening for a conducive policy environment for SFM and BD conservation through FSC certification and market transformation

PPG resources will be used to define how the project can most effectively support the capacities of CONAFOR and other key government institutions to foster a more enabling environment for sustainable forest management through market based instruments. The following PPG activities will be undertaken: i) Analysis of operational and technical capacities at central, intermediate and local levels, and identification of gaps and capacity building needs; ii) Local stakeholder capacity analysis at the municipality and *mancomunidad* level; iii) Corresponding definition of priority areas and alternative strategies for institutional strengthening of CONAFOR and decentralized partner institutions; iv) Analysis of the existing policy and regulatory framework at the federal, state and local level to support BD conservation through sustainable forest management by ECFEs; v) Corresponding definition of policy and regulatory changes to stimulate investment and market demand for certified forest products and environmental services; and vi) Definition of effective coordination mechanisms between the project and the ProArbol program and between the executing partners.

4) Monitoring and evaluation for sustainable forestry and biodiversity conservation indicators for addressing barriers and monitoring project impact

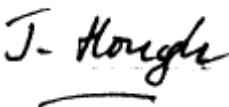
The PPG will evaluate the robustness and effectiveness of current monitoring and evaluation systems (both government and non-government) as the basis for proactive adaptive management strategies to track project impacts and measure BD conservation trends over the long-term. Activities will include: i) Evaluation of current CONAFOR, CONAP, NGO and others' M&E systems to measure impacts on BD in certified and non-certified production forest ecosystems; ii) Development of key site-specific project indicators and monitoring strategy of BD benefits; iii) Outline of a carbon measurement methodology, including a detailed assessment of measurement strategy for carbon benefits and pilot projects; iv) Evaluation of how partner institutions account for biodiversity impacts and benefits in decision-making and project implementation; v) Validation of the set of outcomes, outputs and activities based on a logical framework analysis, and the analysis of the thematic studies including indicators and quantified targets; and vii) Formulation of project M&E plan, including baseline analysis.

Project preparation activities	GEF Grant	Co-financing	Total
Baseline data collection, information gap analysis and overview of socioeconomic and resource trends for selection of forest areas	26,000	38,000	64,000
Feasibility for formulation of marketing and financial strategies and identification of partnerships	36,000	30,000	66,000
Assessment of capacity needs and institutional strengthening for a conducive policy environment for SFM and BD conservation through FSC certification and market transformation	18,000	12,000	30,000
Monitoring and evaluation for sustainable forestry and biodiversity conservation indicators for addressing barriers and monitoring project impact	20,000	20,000	40,000
Total project preparation financing	100,000	100,000	200,000

C. PPG BUDGET REQUESTING FINANCE BY GEF

Cost Items	Total Estimated Person Weeks (PW) for GEF component	GEF (\$)	Co-financing (\$)	Total (\$)
Local consultants	36	50,400	12,400	62,800
International consultants	12	30,000	18,000	48,000
Travel		12,000	12,000	24,000
Activity coordination	38		50,000	50,000
Consultation fora		5,000	5,000	10,000
Information and logistics		2,600	2,600	5,200
Total PPG Budget		100,000	100,000	200,000

D. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
 John Hough UNDP-GEF Deputy Executive Coordinator	<i>Project Contact Person</i> Lyes Ferroukhi Regional Technical Advisor, LD/BD, UNDP/GEF
Date: 11 April 2008	Tel. and Email: 507 302-4576 lyes.ferroukhi@undp.org

Annex A

Position Titles	\$/ Person Week	Estimated PWs	Tasks to be performed
Local			
Institutional analyst	1,400	8	<ul style="list-style-type: none"> • Analysis of operational and technical capacities at central, intermediate and local levels and identification of gaps and capacity building needs; • Analysis of local stakeholder capacity at the municipality and <i>mancomunidad</i> level; • Definition of priority areas and alternative strategies for institutional strengthening of CONAFOR and decentralized partner institutions; • Analysis of the existing policy and regulatory framework at the federal, state and local level to support BD conservation through certified EFCE forest operations; • Definition of policy and regulatory changes to stimulate investment and market demand for certified forest products and environmental services; • Definition of effective coordination mechanisms between the project and the ProArbol program; • Formulation of qualitative indicators of institutional capacities and definition of their baselines and target values; • Advise on engagement of various national and local stakeholders in project scoping and design;
Finance and Investment Specialist	1,400	10	<ul style="list-style-type: none"> • Characterization of investment needs of ECFEs and barriers to accessing financial services (credit, letter of credit, insurance, cash transfers); • Analysis of existing economic models and financial mechanisms in Mexico to promote sustainable forest management, including government programs (CDI, FIRCO, etc.) and lending private facilities (banks, credit unions, micro-finance); • Preparation of the scope and alternative approaches of a credit guarantee program tailored to ECFEs. • Analyze barriers to private financial institutions for increasing lending at competitive rates to ECFEs (collateral requirements; business plan requirements; understanding of markets and risk; etc.); • Develop alternative strategies to increase

			<p>investment to ECFEs, especially for front-loaded investments in improved forest management leading to certification over longer pay-back periods.</p> <ul style="list-style-type: none"> • Recommend key financial institution partners and suggest mechanisms for project collaboration. • Assess the potential of non-tradition sources of investment capital such as pension funds and companies that use significant quantities of forest products; • Advise on costing of expected project outcomes and outputs; co-financing sources and co-financing commitments in compliance with GEF incrementality principle (incremental cost analysis).
Market Development Specialist	1,400	8	<ul style="list-style-type: none"> • Analyze key financial, technical, and market-based barriers that impede or present opportunities to scaling-up of certified wood products in national markets; • Develop strategies with project stakeholders for mainstreaming certified timber in national markets; • Map potential partners, identification of partnership-building strategies with national and international buyers and private and public investment entities, and negotiation of initial agreements to be developed during the implementation phase; • Assessment of existing policy, legal and institutional framework (including gap analysis) of federal and state government procurement policies for forest products; • Assess value chains, business practices and marketing savvy of ECFEs to identify key barriers to and opportunities for deeper penetration in international markets; • Examine key points along supply chains to increase retention of certified wood products • Identify factors and opportunities for cluster development to improve the financial of ECFEs and grow value added; • Assess markets for alternative species derived from sub-tropical and tropical production forest ecosystems; • Advise on costing of expected project outcomes and outputs; co-financing sources and co-financing commitments in compliance with GEF incrementality principle (incremental cost analysis);

Social analyst	1,400	6	<ul style="list-style-type: none"> • Characterize governance structures and conditions in production forest areas with special attention to those located adjacent protected areas; • Based on existing case studies, identify social conditions and requirements needed for successful development of competitive ECFEs; • Describe relations between ECFEs, private sector and government institutions (Venn Diagram); • Identify alternative structures for organization of ECFEs and cluster formation among ECFEs; • Formulate quantitative indicators on social capital and participation for development of ECFEs and target values for these indicators.
BD and forestry specialist	1,400	4	<ul style="list-style-type: none"> • Describe overall trends in biodiversity (BD) in relation to forest productivity and degradation; • Evaluate current CONAFOR, CONAP, NGO and others' M&E systems and database gaps to measure impacts to BD in certified and non certified production forest ecosystems in the context of Mexico's National Biodiversity Strategy and Action Plan; • Evaluate existing data from certification audits, economic studies, government and NGO biodiversity monitoring sources; • Outline of a carbon measurement methodology, including a detailed assessment of measurement strategy for carbon benefits and pilot projects; • Explore linkages between REDD mechanisms and FSC certification in ejidos; • Assess feasibility for piloting REDD initiatives in ejidos under FSC certification schemes;
Environmental M&E Specialist	2500	12	<ul style="list-style-type: none"> • Review and structure existing data and methodologies for development of key outputs; site-specific indicators for baseline studies as well as project indicator monitoring strategy for BD and social benefits; • Define how databases and technical analyses can be appropriately adapted to the scope, scale and needs of project stakeholders and implementer; • Deliver overall orientation to PPG team in relation to GEF logic and information requirements; • Detailed formulation of incremental cost matrices; • Final review and definition of strategic workplan and cost-efficiency analysis.

Total Budget and Work Plan

Award ID:	00050117
Award Title:	México - Transforming management of biodiversity rich community production forests through building national capacities for market based instruments
Business Unit:	MEX 10
Project Title:	México - Transforming management of biodiversity rich community production forests through building national capacities for market based instruments
Project ID: PIMS no.	4015
Implementing Partner (Executing Agency)	UNDP México

GEF Outcome/Atlas Activity	Responsible Party/Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount Year 1 (USD)	Amount Year 2 (USD)	Amount Year 3 (USD)	Amount Year 4 (USD)	Total (USD)	See Budget Note:
OUTCOME 1: Baseline data collection, information gap analysis and overview of socioeconomic and resource trends for selection of forest areas	UNDP	62000	GEF	71200	International Consultants	\$ 3,000	\$ 2,500			\$ 5,500	
				71300	Local Consultants	\$ 8,500	\$ 8,000			\$ 16,500	
				71600	Travel	\$ 1,500	\$ 1,000			\$ 2,500	
				72300	Materials & goods (cons. Fora)	\$ 1,500	\$ 0			\$ 1,500	
					sub-total GEF	\$ 14,500	\$ 11,500			\$ 26,000	
					Total Outcome 1	\$ 14,500	\$ 11,500			\$ 26,000	
OUTCOME 2: Feasibility for formulation of marketing and financial strategies and identification of partnerships	UNDP	62000	GEF	71200	International Consultants	\$ 9,500	\$ 9,500			\$ 19,000	
				71300	Local Consultants	\$ 5,000	\$ 5,000			\$ 10,000	
				71600	Travel	\$ 2,000	\$ 2,000			\$ 4,000	
				72300	Materials & goods (cons. Fora)	\$ 800	\$ 700			\$ 1,500	
				71400	Contractual services	\$ 800	\$ 700			\$ 1,500	
	sub-total GEF	\$ 18,100	\$ 17,900			\$ 36,000					
					Total Outcome 2	\$ 18,100	\$ 17,900			\$ 36,000	
OUTCOME 3: Capacity building, institutional strengthening and a more enabling policy environment for	UNDP	62000	GEF	71200	International Consultants	\$ 1,500	\$ 1,000			\$ 2,500	
				71300	Local Consultants	\$ 5,000	\$ 5,400			\$ 10,400	
				71400	Contractual services	\$ 500	\$ 600			\$ 1,100	
				71600	Travel	\$ 1,000	\$ 1,500			\$ 2,500	
				72300	Materials & goods (cons. Fora)	\$ 700	\$ 800			\$ 1,500	

sustainable forest management and BD conservation					sub-total GEF	\$ 8,700	\$ 9,300			\$ 18,000
					Total Outcome 3	\$ 8,700	\$ 9,300			\$ 18,000
OUTCOME 4: Monitoring and evaluation for sustainable forestry and biodiversity conservation indicators for addressing barriers and monitoring project impact	UNDP	62000	GEF	71200	International Consultants	\$ 1,500	\$ 1,500			\$ 3,000
				71300	Local Consultants	\$ 7,000	\$ 6,500			\$ 13,500
				71600	Travel	\$ 1,500	\$ 1,500			\$ 3,000
				72300	Materials & goods (cons. Fora)	\$ 0	\$ 500			\$ 500
					sub-total GEF	\$ 10,000	\$ 10,000			\$ 20,000
					Total Outcome 4	\$ 10,000	\$ 10,000			\$ 20,000
PROJECT TOTAL						\$ 51,300	\$ 48,700			\$ 100,000

Summary of Funds:¹

	Amount Year 1 (USD)	Amount Year 2 (USD)	Total (USD)
GEF	\$ 51,300	\$ 48,700	\$ 100,000
CONAFOR in-kind	\$ 50,000	\$ 50,000	\$ 100,000
TOTAL	\$ 101,300	\$ 98,700	\$ 200,000

¹ Summary table should include all financing of all kinds: GEF financing, cofinancing, cash, in-kind, etc. etc