

**Meeting of FIP Pilot Countries
Yogyakarta, Indonesia
September 24-26, 2013**

Progress Updates from FIP Pilots

Country: México

What activities have been undertaken to review progress and coordinate implementation of the FIP investment plan at the country level since the last Pilot Country Meeting? With what regularity do such reviews take place?

Inter-agency	<p>During the process of developing the technical models to be financed by Project 3 of Mexico's Investment Plan (IP), there has been a series of meetings and workshops where National Forestry Commission (CONAFOR in Spanish) and the Inter-American Development Bank (IADB) collaborate with Financiera Rural (Mexican development institution), as the project executing agency, and the consultants in charge, to "tailor" the financing models, so can they respond to the specific needs of the beneficiaries.</p> <p>Regarding Project 4, there has been continuous communication with CONAFOR, IADB/Multilateral Investment Fund (MIF) and the two executing agencies, to develop the operational guidelines of the project (<i>more information is provided in the private sector section of this document</i>).</p>
Development partners	<p>A Joint Workshop took place in April 2013, whose objective was to share the status of all four projects of Mexico's IP and its related activities. This event was also useful to determine the upcoming steps for the development of Mexico's IP.</p> <p>The workshop included the participation of stakeholders involved in the design, planning, execution and monitoring and evaluation of the FIP projects and other FIP-relevant programs, including:</p> <ul style="list-style-type: none"> • CONAFOR • National Commission for the Knowledge and Use of Biodiversity (CONABIO) • Financiera Rural

	<ul style="list-style-type: none"> • Mexican Fund for the Conservation of Nature (FMCN in Spanish) • FINDECA (rural financing institution) • Mexico-Norway Cooperation (Mexico's MRV System) • Latin America Investment Facility (LAIF) • Global Environmental Facility (GEF) • IADB/MIF • International Bank for Reconstruction and Development (IBRD) • Local Technical Agents, Intermunicipal Associations <p>This workshop is intended to happen at least once a year.</p>
Multi-stakeholder	<p>In August 2013, Mexico submitted a proposal under the competitive Set Aside of the FIP. The project schemes out a collaboration of the IADB and the Government of Quintana Roo State to potentiate a guarantee fund for the financing of low carbon forest investments, involving private sector financial institutions.</p>

Please provide an update on activities carried out, challenges encountered, and progress made to set up the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in your country.

Activities: Meetings took place between CONAFOR, as country's FIP focal point and the interim members of the transitional committee, who also prepared consultations with key actors including themselves, local government and local technical agents, within the regions where the DGM will be implemented. (Early Action REDD+ Areas in Jalisco, Oaxaca, Campeche, Yucatán y Quintana Roo).

Progress: Interim members are currently organizing workshops in each of the EARA's, with the participation of indigenous and local leaders, for the purposes of selecting the MDB that will be in charge of the national component..

Challenges: The consultation process must be flexible enough to allow every country to respond to the own idiosyncrasy of its different indigenous groups and local communities. In addition, it is vital to follow a transparent and inclusive process, to correctly take into account the points of view of all relevant stakeholders.

What are the opportunities and challenges you have encountered, or expect to encounter, with the implementation of the FIP results framework in the context of your country?

Opportunities: The results framework, applied in concordance with the national's monitoring and evaluation system, will help **articulate** the four FIP projects, with the purpose of showing how each one **contributes** to the expected outcomes.

Additionally, the current work in terms of the proposed set of **core indicators**, will allow the country to report in an accurate and reliable way its IP results, based upon the existing measuring tools in the country.

Challenges: The accomplishment of the results at IP level depends largely on the effort put into an adequate multi-institutional **coordination** to align project activities.

Please provide an update on the status of your country's FIP projects involving the private sector (note: this includes public sector projects with a private sector focus).

Project description (brief):

Project 4 of Mexico's IP "Support for Forest Related Micro, Small and Medium Enterprises in Ejidos and Communities (MSME's)", part of Mexico's FIP Investment Plan, aims to improve profitability and social and financial sustainability of Community Forest Enterprises (CFE's) in ejidos and other forest communities while contributing to climate change mitigation.

To approach the barriers of credit access for the forest sector, the project considers a holistic strategy, including two specialized executing agencies. FINDECA, a financial institution aimed at the rural sector, will build on its experience with lending to rural producers to increase access to finance to CFE's, while the Mexican Fund of the Conservation of Nature (FMCN), through on-the-ground partners and coordinating with CONAFOR and Financiera Rural, will provide the environmental management and entrepreneurial technical assistance and capacity building components of the project.

Currently, different approaches are discussed and integrated for the instruments and elements of implementation, operation, monitoring and control, as well as the strategic planning for project operation. Additionally, early October is the date expected for both executing agencies to sign the legal agreements with the MIF, to begin with the project early implementation.

Findings of preparatory studies / outcomes of implementation activities:

The project is still in pre-implementation stage.

Challenges encountered and approaches to address them:

Currency exchange risk, which was mitigated by the approval of the loan disbursement in local currency. Moreover, the project considers the design of a hedge mechanism by the credit's executing agency (FINDECA).

Another major challenge is the alignment of Government policies in its different levels, and the availability of strengthened schemes of management, organization and governance for the owners and inhabitants of the project areas, in order for them to become their main promoters. For this, project resources will be committed towards a comprehensive capacity building that in turn, will allow a prompter project consolidation.

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Transfer/application of knowledge/lessons/experience beyond FIP activities:

Even when the project is yet in a design phase, lessons learned point that organization and capacity building are key elements for loan recipients, in order to achieve a correct implementation. Furthermore, this knowledge basis will help visualize some other operative schemes.

Please highlight any additional advances, challenges, lessons, or impacts you want to share from your FIP activities that have not otherwise been addressed in this update.

- Project implementation must respect FIP principles and objectives. However, execution flexibility is a key to success. During the REDD+ readiness process in Mexico, a dedicated effort is required to align all work plans, combine outcomes and avoid duplicities in these projects and initiatives.
- It is important to consider all the institutional challenges that the implementation of these innovative policies involve, as well as the necessary efforts to boost the committed participation of the various social actors and public institutions involved in the territory development.
- It is important to find practical solutions that can overcome all the transaction costs involved in small-scale financing of these projects. Most forest investments in developing countries are small and so, it's difficult to find agents capable of serving as intermediaries to handle and disburse these resources.
- It is vital to promote the organization and participation of the owners and habitants of the forest areas, as they are the final receivers of the resources, and will be the ones to apply these innovative financing and management models.
- The recent presence of local development agencies (a new approach of local assistance promoted by CONAFOR) is setting the ground for new opportunities to coordinate and combine both efforts and resources, in favor of territorial sustainable management.