CIF CLIMATE INVESTMENT FUNDS

EVALUATION & LEARNING INITIATIVE

TRANSFORMATIONAL CHANGE IN THE FORESTS OF MEXICO: FIP'S CONTRIBUTION

This case study shares Mexico's story of transformational change towards a low-carbon, climate-resilient rural economy, focusing on the contributions of the Climate Investment Funds' (CIF) Forest Investment Program (FIP) between 2011 and 2020. It also includes evidence from CIF's Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (IPLCs). The case study describes the country context, CIF's strategy for supporting Mexico's forests and climate agenda, and the progress Mexico has made toward transformational change in the forestry and rural development sector.

COUNTRY CONTEXT

Mexico's forests are an important contributor to the national economy, in terms of their provision of raw materials for productive sectors and rural livelihoods as well as the delivery of critical ecosystem services. It is estimated that Mexico's natural resources sector, including forests, agriculture, fisheries, and coastal resources, represents approximately 11 percent of the country's Gross Domestic Product (GDP). In addition, it directly supports the livelihoods of more than 30 million people.

However, between 2012 and 2016, the forestry sector, on average, contributed to only 0.2 percent of the national GDP. Furthermore, the country has long experienced high rates of deforestation and forest degradation, resulting in significant greenhouse gas (GHG) emissions. Between 1990 and 2015, forest land in Mexico decreased from 35.6 to 33.7 percent.

The Government of Mexico (GoM), working with its development partners, including the World Bank and Inter-American Development Bank (IDB), has focused on strengthening and consolidating community forestry efforts. This emphasis on the community forestry approach is a key element of the country's conservation, social development, and poverty reduction strategies in forest areas.

CIF'S STRATEGY TO SUPPORT MEXICO'S FORESTS AND CLIMATE AGENDA

Since 2011, CIF, through FIP, has supported the GoM in addressing the key drivers of deforestation and forest degradation. A strategic investment plan was prepared through a highly participatory, multi-stakeholder process that identified two major change pathways. First, coordinated, multi-level efforts that strengthen policy, institutional, social, and market capacities were needed to address market and policy

QUICK FACTS

PUCLICATIONS SERIES
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RELEVANT CIF PROGRAM
Forest Investment Program (FIP)

RELEVANT COUNTRIES
Mexico

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shortcomings related to the valuation of natural capital and wider environmental externalities. Second, working in alliance with technical intermediaries and supporting value chain development were effective for delivering transformations within the context of smaller-scale investments in climate goods and services. Recognizing the role that forests play for rural communities, much attention was focused on supporting community forest enterprises (CFEs).

With USD66.0 million in funding and secured co-financing of over USD687.02 million, FIP aimed to contribute to these change pathways through three strategic projects implemented over the course of the 2010s with support of the World Bank and IDB. FIP activities at the national level were related to institutional strengthening, while specific support for sustainable land management and scaling up finance primarily focused on five states: Campeche, Jalisco, Oaxaca, Quintana Roo, and Yucatán.

PROGRESS TOWARD TRANSFORMATIONAL CHANGE

CIF's overarching goal is to advance transformational change towards low-carbon, climate-resilient development in countries like Mexico. Overall, Mexico's efforts, with support from CIF/FIP and others, have made considerable progress in addressing the drivers of deforestation and forest degradation as well as advancing Mexico toward a low-carbon, climate-resilient future (see Figure 1). The FIP approach, encompassing a **country-led design, a highly participatory investment planning process, and adaptability in response to changing circumstances**, has been particularly relevant in contributing to transformational change. Efforts to mainstream sustainable landscape interventions that involved small-scale forest owners also helped to maintain the strategic relevance of FIP investments.

Progress on the dimension of **systemic change has significantly advanced.** This is evidenced by a shift in thinking towards the feasibility of extending credit to CFEs as a central element of a strategy that advanced integrated landscape management. FIP investments contributed significantly to this shift by mitigating risks and attracting increased investments in sustainable forestry. Additional signals of systemic change included strengthened institutional coordination between different government agencies as well as a shift in gender mainstreaming policies within the forestry sector.

Signals of transformational change are at an **earlier emerging stage with respect to speed and scale.** Through successful demonstrations of the financial intermediation model, FIP projects accelerated a shift in thinking around gender mainstreaming and the commercial viability of CFEs, thus creating a window of opportunity for future scaling. However, **scale is the least advanced dimension thus far.** Documented evidence of scaling beyond specific project investments remains limited to date, although the size of FIP-supported interventions within the government's selected priority areas has been significant and the financial intermediation model has created the conditions for potential future scaling.

Early progress can be found in the adaptive sustainability dimension, with FIP interventions in Mexico contributing to wider socio-economic and environmental development goals. Institutional collaboration that was promoted across sectoral boundaries supported integrated landscape management for sustainable production and resource conservation. Furthermore, the strengthened engagement, participation, and capacity of IPLCs in forest landscape management have also enhanced the prospects of adaptive sustainability.

REFLECTIONS AND LOOKING AHEAD

The complexity and diversity of Mexico's rural economy creates a considerable challenge for achieving transformational change in sustainable development practices. While immediate action to address the drivers of deforestation and forest degradation is necessary, investments need long-term planning for transformational change to be achieved. In this regard, evidence suggests that **FIP projects addressed some of these short-term challenges as well as supported institutional capacity, policy, and regulatory changes to generate long-term impacts.**

However, market and governance failures that drive deforestation and forest degradation highlight the need for continued cross-sectoral coordination, integrated landscape approaches, a steady flow of private and public resources, along with the concerted collective action of forest owners, the government, the private sector, and international partners. Going forward, the innovative approaches piloted by the FIP-supported projects offer pathways for transformational change in the management of Mexico's forests.

FIGURE 1: PROGRESS ACROSS THE DIMENSIONS OF TRANSFORMATIONAL CHANGE

The TCLP's transformational change framework identifies five dimensions of transformational change - relevance, systemic change, speed, scale, and adaptive sustainability - which together signal that transformational change is occurring and durable. This figure shows Mexico's progress toward transformational change in the forestry sector along all dimensions.