Leveraging and Aligning Financing & Fiscal Frameworks for Jurisdictional Approaches to Green Development

Experiences from REDD+ in Mexico

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Jurisdictional Approaches to Green Development
Snapshot of Mexico’s forest sector

- Forests represent **30% of Mexico’s territory** (65 million hectares).

- **80%** of forests are owned by *ejidos* (social property regime) and *communities* which represent **8500** agrarian properties.

- **11 million people** (10% of Mexico’s total population) live in forest areas.

- 12% of the population belongs to one of the **62 indigenous groups**.

- Forest areas have very high levels of **poverty** (poor infrastructure, education and health services).

- The contribution of the forest sector to GDP has decreased to 1/5 in the last 20 years. In 1995 it was 0.74%, today is only **0.59%**.

THE NATURE CONSERVANCY
Snapshot of Mexico’s forest sector

• The national **forest production** is not enough to satisfy the **domestic demand**. In 2012 it was only **26.5%**.

• **Illegal logging** is responsible of **8%** of Mexico’s deforestation, and it represents **30%** of the annual volume of national timber production.

• Mexico loses **155,000 hectares** of forests every year (official data).

• **GHG** emissions from **LULUCF** between 1990 and 2002 were estimated in 89.86 million MtCO2e annually (**14%** of total). In 2010 were 46,892.4 MtCO2e (**6.3%**).

• The national target is to achieve **net zero deforestation in 2020**.
Mexico identifies 3 categories of drivers of deforestation

- **Economic factors** associated with higher opportunity costs of agricultural activities and the high transaction costs for sustainable forestry.

- **Institutional causes** and **sectorial policies** with include the unwanted effects of subsidy programs in agriculture and mining, and the development of infrastructure, urban and tourism plans.

- **Social factors** linked to the lack of organizational and leadership skills among communities and **ejidos** for sustainable use of forest resources.
Therefore, Mexico’s REDD+ vision focuses on:

- Achieving REDD+ objectives through rural sustainable development.
- Nested approach with clear roles from the national, subnational and local levels.
- Promotion of community based landscapes approaches for implementation.
- Aligning policies and incentives at subnational and landscape levels.
To achieve that, the **financial architecture** is crucial

- **Sufficient, timely** and **long term** financing for REDD+ in Mexico requires to mobilize **public** and **private** resources (ex-ante and ex-post)

- Mexico recognizes that **international funding** for REDD+ (especially payment for results) can be instrumental to achieve the **transformational changes** the country needs to stop deforestation and complement public funding to guarantee the **permanence of the emission reductions**.

- To be able to secure funding, the National REDD+ Strategy needs to be **environmentally effective, socially inclusive** and capable to attract **private investment**.
National financial architecture for sustainable rural development and climate change in Mexico

National Expenditure Budget

Presupuesto de Egresos Nacional

Ministries
- Secretarías
  - Federales
    - SEMARNAT
    - SEDATU
    - SAGARPA
    - SEDESOL
    - SHCP
    - SE
    - SEGOB

Descentralized government agencies
- Dependencias
  - CONANP
  - CONAGUA
  - CONAFOR

National development banks
- Banca de desarrollo
  - FIRCO
  - Financiera Rural
    - FIRAO

National Funds
- Fondos
  - FONAGA
  - Fondo Financiero PROGAN
  - Fondos de Garantía
    - FONAES
  - FONDEN
  - FOPREDEN

Programas
- Programas
  - Programas Federales
  - Programas Estatales
The total of the rural development budget approved in 2014 was 24,149 million dollars.

• Only 4.5% of this total budget comes from the environmental sector and only 2.15% comes from the forestry sector.
Financial architecture mapping at the jurisdictional level for rural sustainable development (RSD)

**Objective:** to map funding sources and financial mechanisms aimed at RSD, identifying synergies and differences between them as well as opportunities to improve access and use of the funding.

Chiapas Sierra Madre
Targeted activities

1. **Forest management** (community forestry, management of non-timber forest resources, soil and forest cover conservation and restoration)

2. **Sustainable agriculture**

3. **Coffee production**

4. **Sustainable livestock management** (voisin grazing and silvopastoral systems)

5. **Ecotourism**

6. **Payment for environmental services**
Identified sources of financing in Sierra Madre

**International**
- **Bilateral**: USAID, AECID, BMU
- **Multilateral**: World Bank, IDB
- **UNFCCC**: GEF and Adaptation Fund

**Private**
- Comercial banking, microfinancing institutions and saving funds.
- **Private foundations**: Carlos Slim, Fomento Ecológico Banamex, Fundación Gonzalo Río Arronte.

**Private-public**
- Local mechanisms for PES through matching funds.
- Conservation Fund *El Triunfo* (FONCET).
- *Semilla de Agua* Fund

**Public**
- More than 30 different subsidy federal programs.
Intermediaries that channel the funds

- **National and international development banks**: NAFIN, FND y FIRA.
- **Funds**: Fondo Forestal Mexicano, Fondo Financiero PROGAN, Fideicomiso Fondo de Fomento Agropecuario en los Estados (FOFAES).
Results: financial flows for specific activities

**Sources**

- Presupuesto Federal de Egresos
- Sector Privado y Sociedad Civil (Banca comercial, ONGs)
- Fuentes Internacionales

**Intermediaries**

- Gobiernos Estatales
- SE (Secretaría de Economía)
- SEDESOL (Secretaría de Desarrollo Social)
- SEDATU (Secretaría de Desarrollo Agropecuario)
- SEMARNAT (Secretaría de Medio Ambiente y Recursos Naturales)
- SEDUCE (Secretaría de Desarrollo Urbano, Coordinación de Seguridad)
- SEDES (Secretaría de Desarrollo Económico)

**Channels**

- Gobiernos Estatales

**Activities**

- Sustainable agriculture
- Sustainable livestock management
- Sustainable forest management and conservation
- Ecotourism
- PES
- Technical assistance and capacity building
- Business development and access to markets
- NOT sustainable agriculture and livestock management practices
- Infrastructure

Nota: Los conectores entre Canales y Actividades de color claro indican un flujo a partir de fuentes Federales, mientras que los de color oscuro indican un flujo a partir de los tres tipos de fuentes (Federales, Institucionales e Internacionales).
Results: financial flows targeted to instruments

**Sources**
- Fuentes
  - Presupuesto Federal de Egresos
  - Sector Privado y Sociedad Civil (Banca comercial, ONGs)
  - Fuentes Internacionales

**Intermediaries**
- Intermediarios
  - Banca de Desarrollo
  - Fondos Monetarios y Patrimoniales

**Channels**
- Canales
  - SEMARNAT
  - SEDATU
  - SAGARPA
  - SEDESOL
  - SE
  - SEGOB

**Instruments**
- Instrumentos
  - Economic support programs and subsidies
  - In-kind contributions
  - Credits
  - Guarantees
  - Insurance
  - Equity

Nota: Los conectores entre Canales e Instrumentos de color claro indican un flujo a partir de fuentes Federales, mientras que los de color oscuro indican un flujo a partir de los tres tipos de fuentes (Federales, Institucionales e Internacionales).
Beneficiaries

- Farmers
- Ranchers
- Beekeepers
- Aquaculture producers
- Fruit producers
- Ejidos
- Forest communities
- Small scale enterprises
- Indigenous peoples
- Women
- People without land rights
Highlights of this mapping

• This mapping shows a **snapshot** of the funding landscape for RSD at the time of the study, but fails to provide a perspective on the **future flows** since they depend mostly on **annual budgets**.

• More than **30 federal programs** that impact directly and/or indirectly on RSD were identified.
  – However, there is a **wide disparity** of resources distributed among the **municipalities** of the Sierra Madre de Chiapas.
    • Budgetary restrictions?
    • Lack of capacity to implement programs?
    • Political priorities?

• The main funding sources and financing mechanisms at federal and state level maintain a **sectorial approach** and rarely include a **landscape perspective**.

• There is limited presence of **commercial banking**. It is mostly through **microfinance institutions**.
  – **Low credit worthiness** particularly for small scales producers, creating greater dependence on **subsidies** with depend on federal budget availability.
Challenges for jurisdictions

• Work collaboratively between ministries in an integrated approach and **long-term financing**, according to the needs of producers.
  – Integrated rural development and climate change **planning** at state level

• Integrate small scale projects into a **landscape level approach** – through landscape **investment plans**

• Strengthen local capacity through greater coverage and administrative capacity of **technical advisors** - *this could almost triple the number of projects supported.*
Challenges for jurisdictions

- Assure the **equitable allocation** of funds and **benefit distribution**
  - between different **scales** and **types** of projects
  - inclusion of **women, indigenous peoples and young people**
  - develop clear and efficient **resource allocation criteria**
  - strengthen **transparency** and **accountability** mechanisms

- Reduce **uncertainty** and its effects on the potential for additional funding (particularly the private sector)
  - support landowners and communities to **resolve disputes** and **regularize land tenure**
  - develop **risk management capacities** at the state and local level
  - implement **safeguards** mechanisms as risk management mechanisms
  - develop innovative approaches to **guarantees** for credits to increase **credit worthiness**
Terima kasih!, Thank you!, ¡Gracias!

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