

# 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  
Jakarta, Indonesia. November, 2014

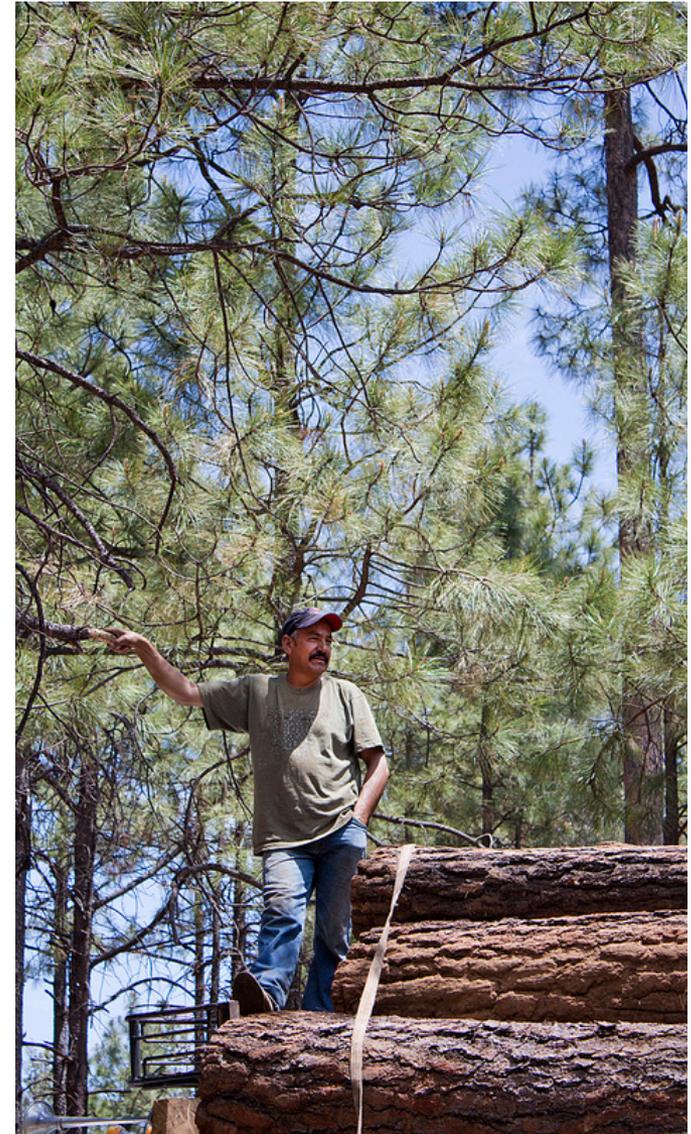
# Snapshot of Mexico's forest sector

- 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%**.



# 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 MtCO<sub>2</sub>e annually (**14%** of total). In 2010 were 46,892.4 MtCO<sub>2</sub>e (**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** which 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.

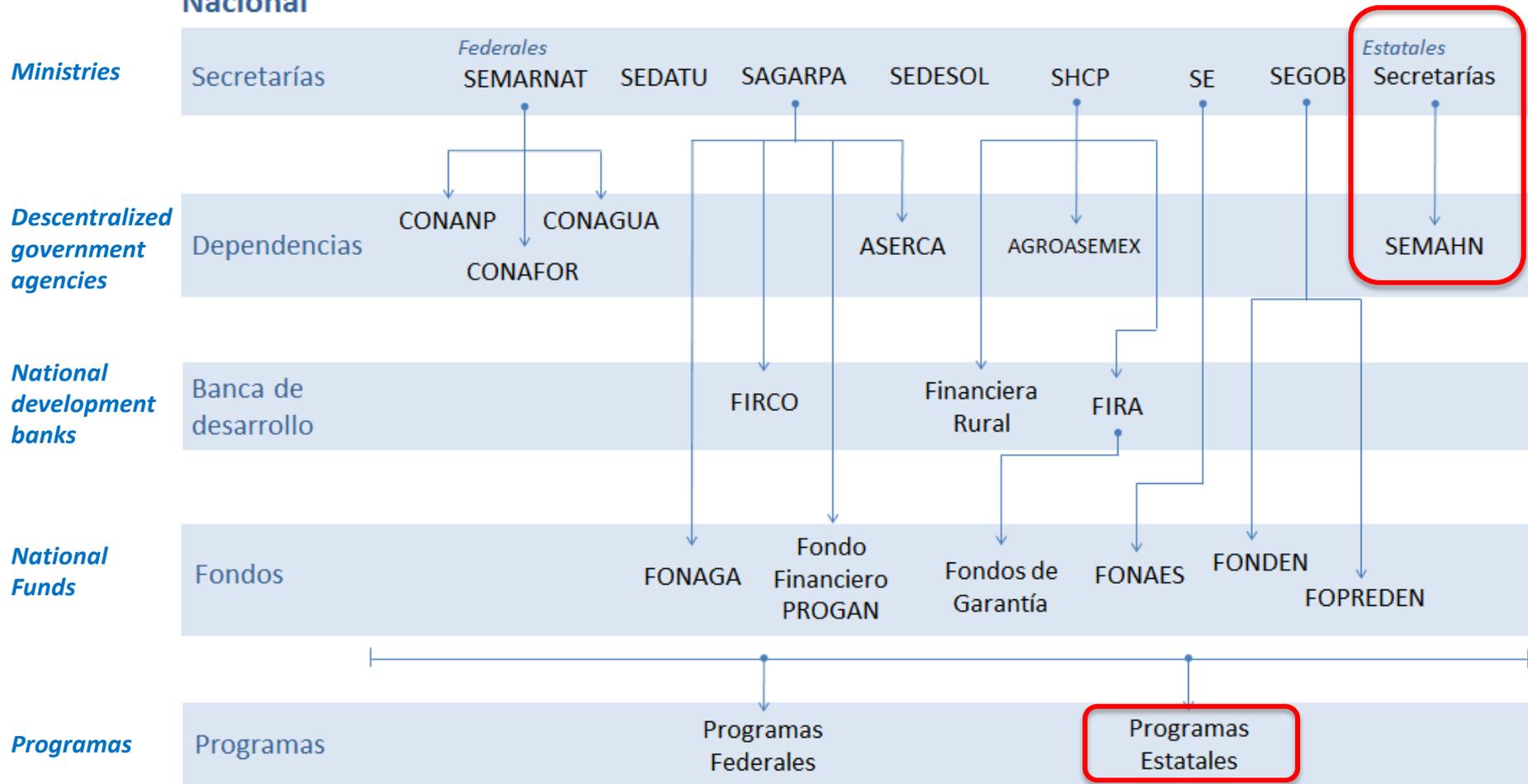
# To achieve that, the **financial architecture** is crucial

- **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

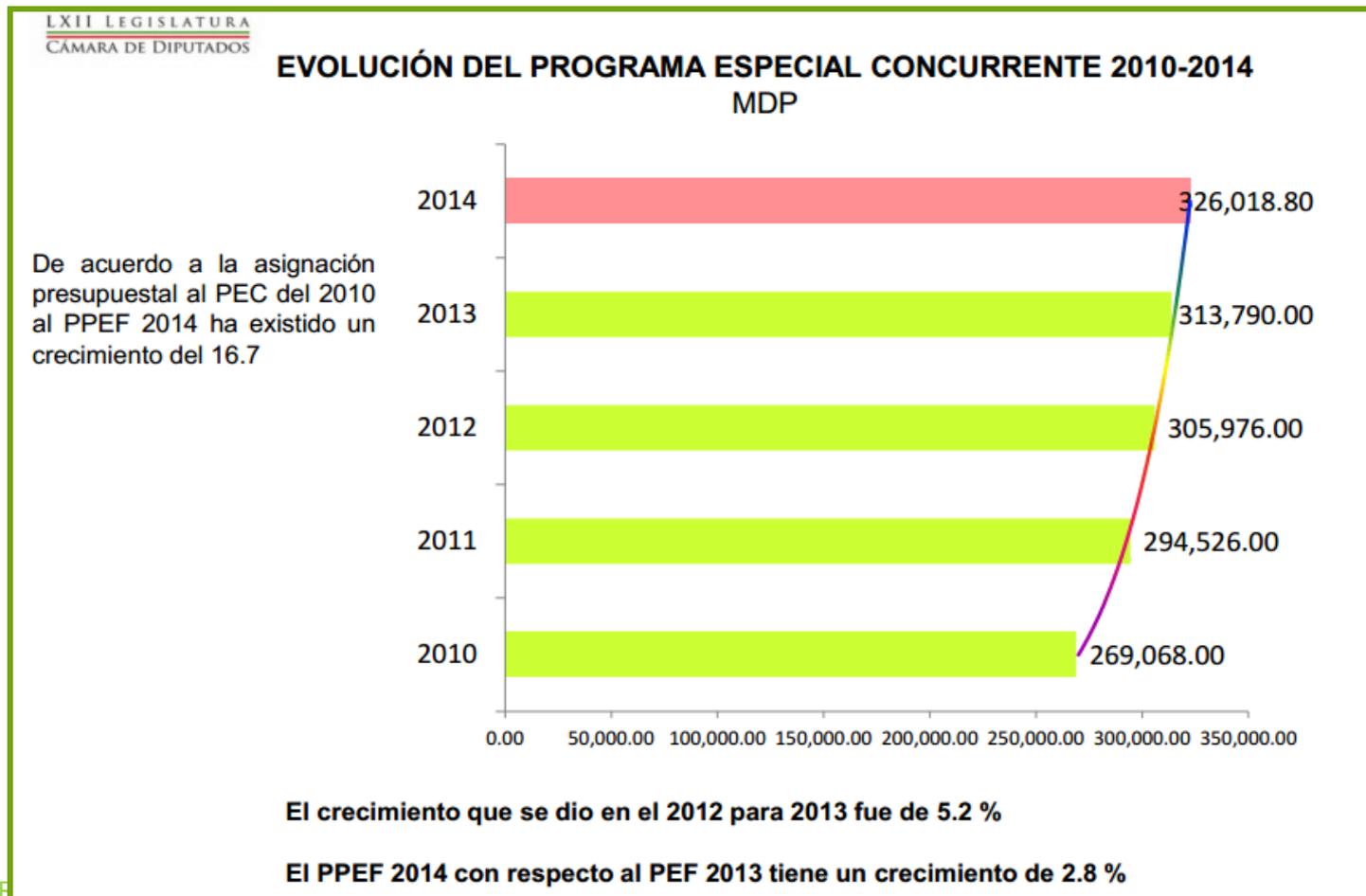
## National Expenditure Budget

### Presupuesto de Egresos Nacional

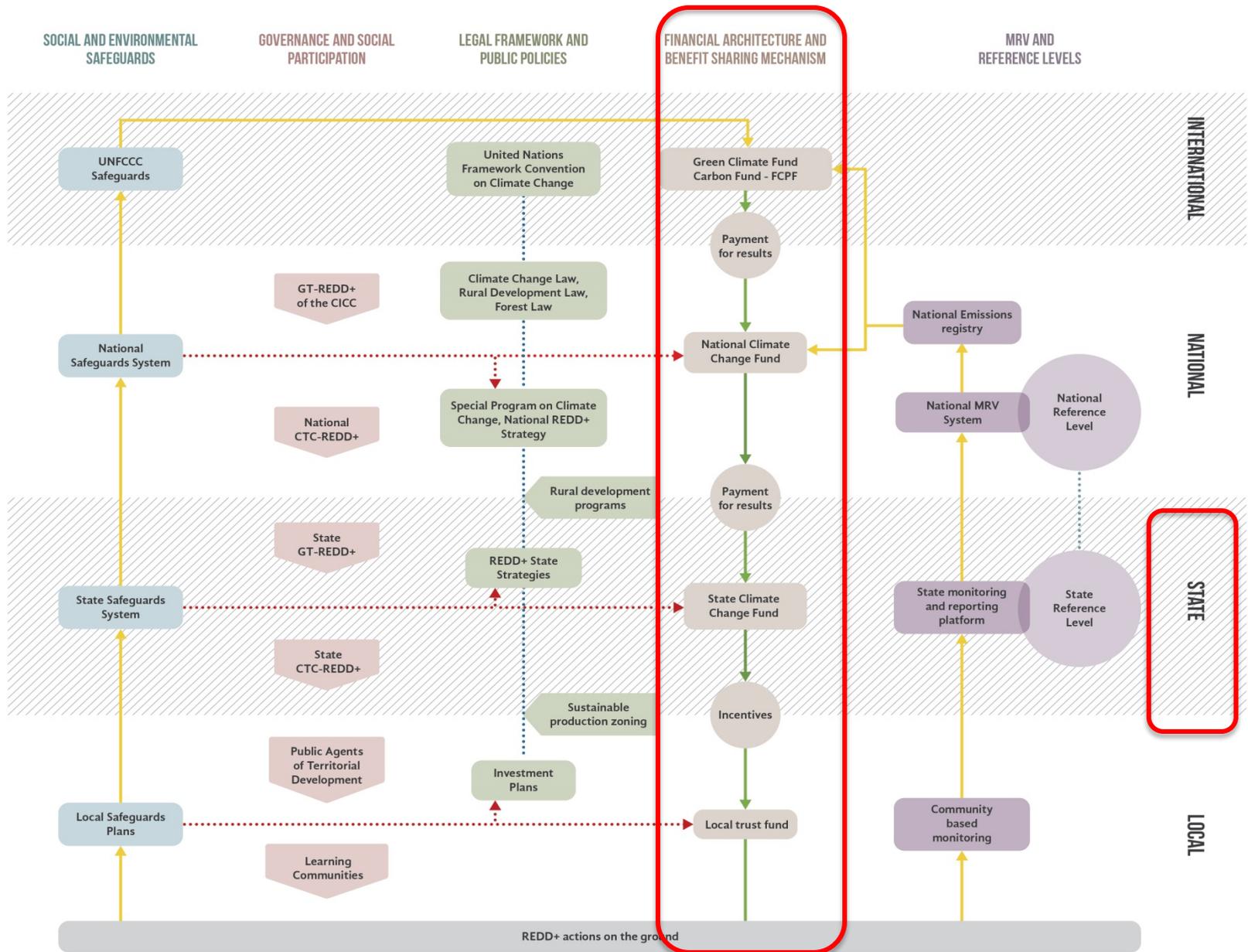


# The total of the rural development budget approved in 2014 was 24,149 million dollars.

- Only **4.5 %** of this total budget comes from the **environmental sector** and only **2.15%** comes from the **forestry sector**.



# National REDD+ System in Mexico



## ACRONYMS

FCPF Forest Carbon Partnership Facility  
ENAREDD+ National REDD+ Strategy  
CTC-REDD+ National Technical Consultative Committee

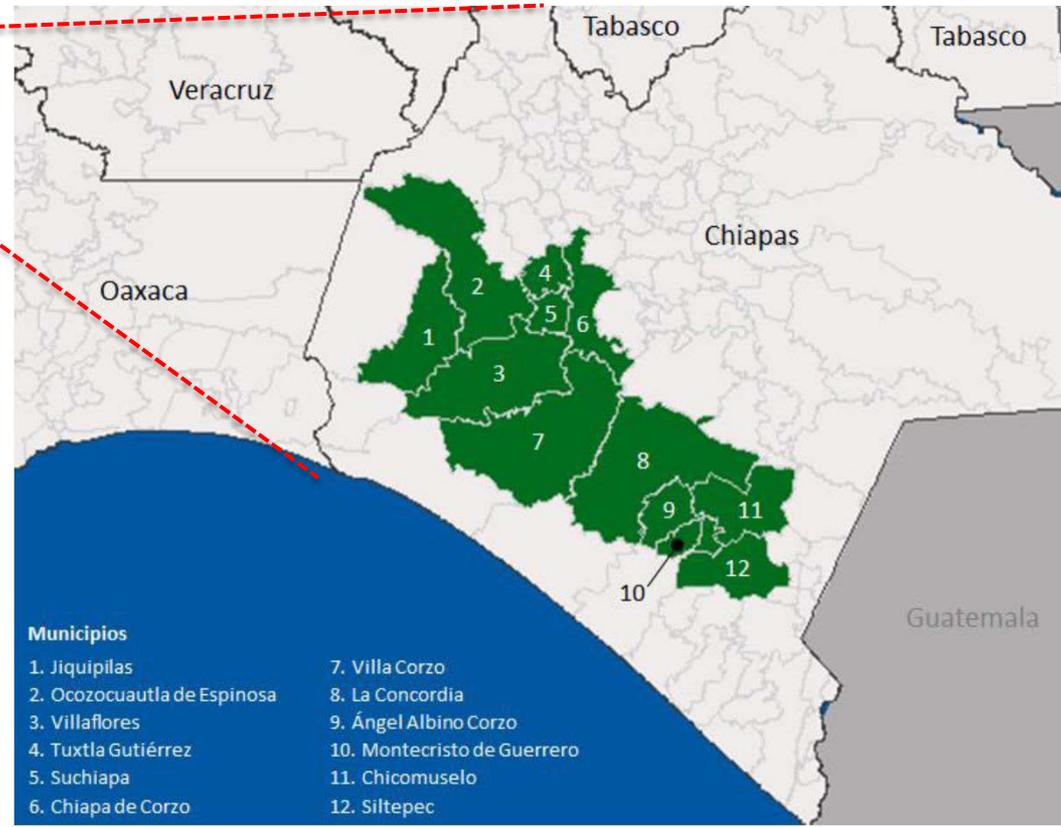
CICC Intergovernmental Climate Change Commission  
GT-REDD+ REDD+ Working Group  
MRV Monitoring, reporting, and verification

## LEGEND

→ Flow of information  
→ Flow of resources  
..... Nesting  
..... Compliance and oversight

# Financial architecture mapping at the jurisdictional level for rural sustainable development (RSD)

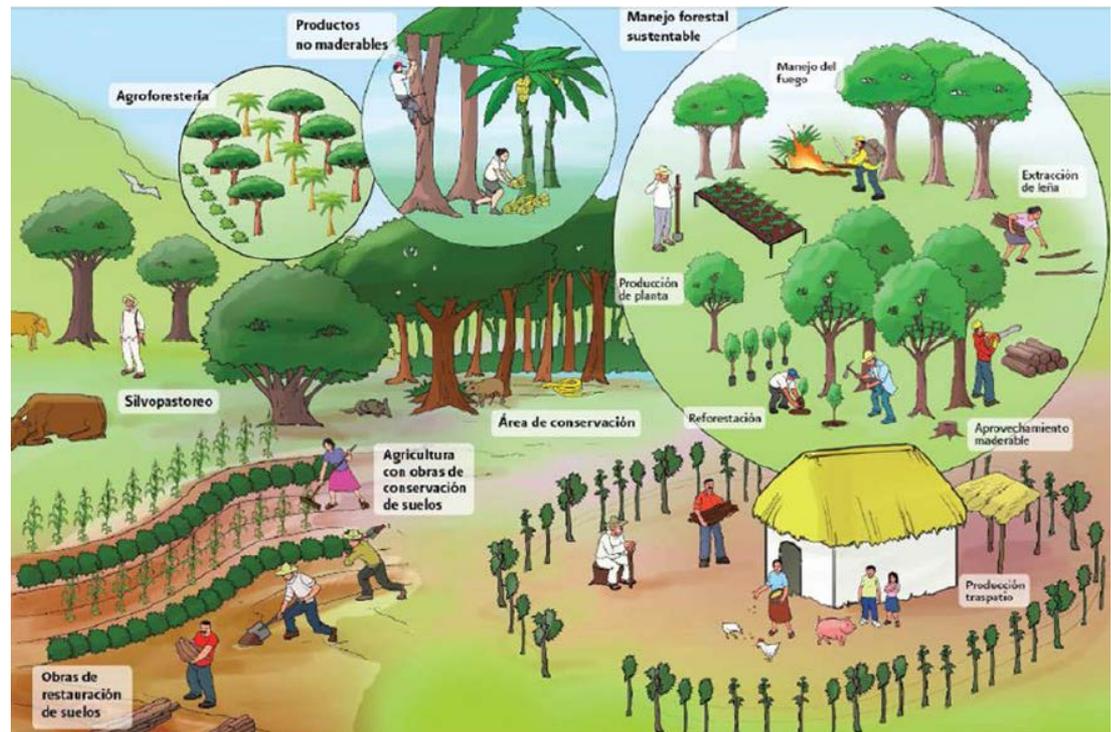
**Objective:** to map funding sources and financial mechanisms aimed at RSD, identifying synergies and differences between them as well as opportunities to improve access and use of the funding.



## 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- public

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

## Private

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

## Public

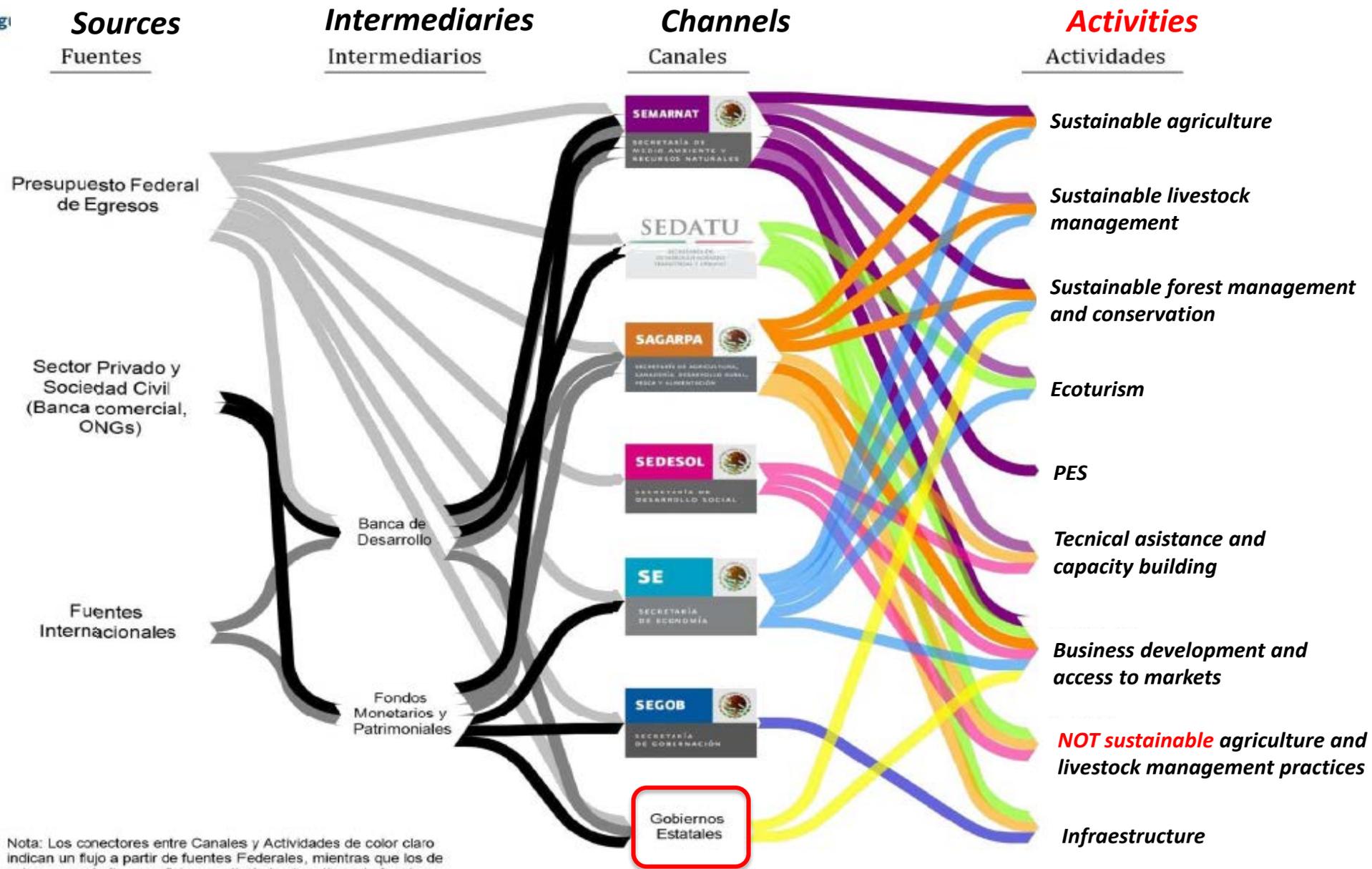
- More than 30 different subsidy federal programs.

# 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).

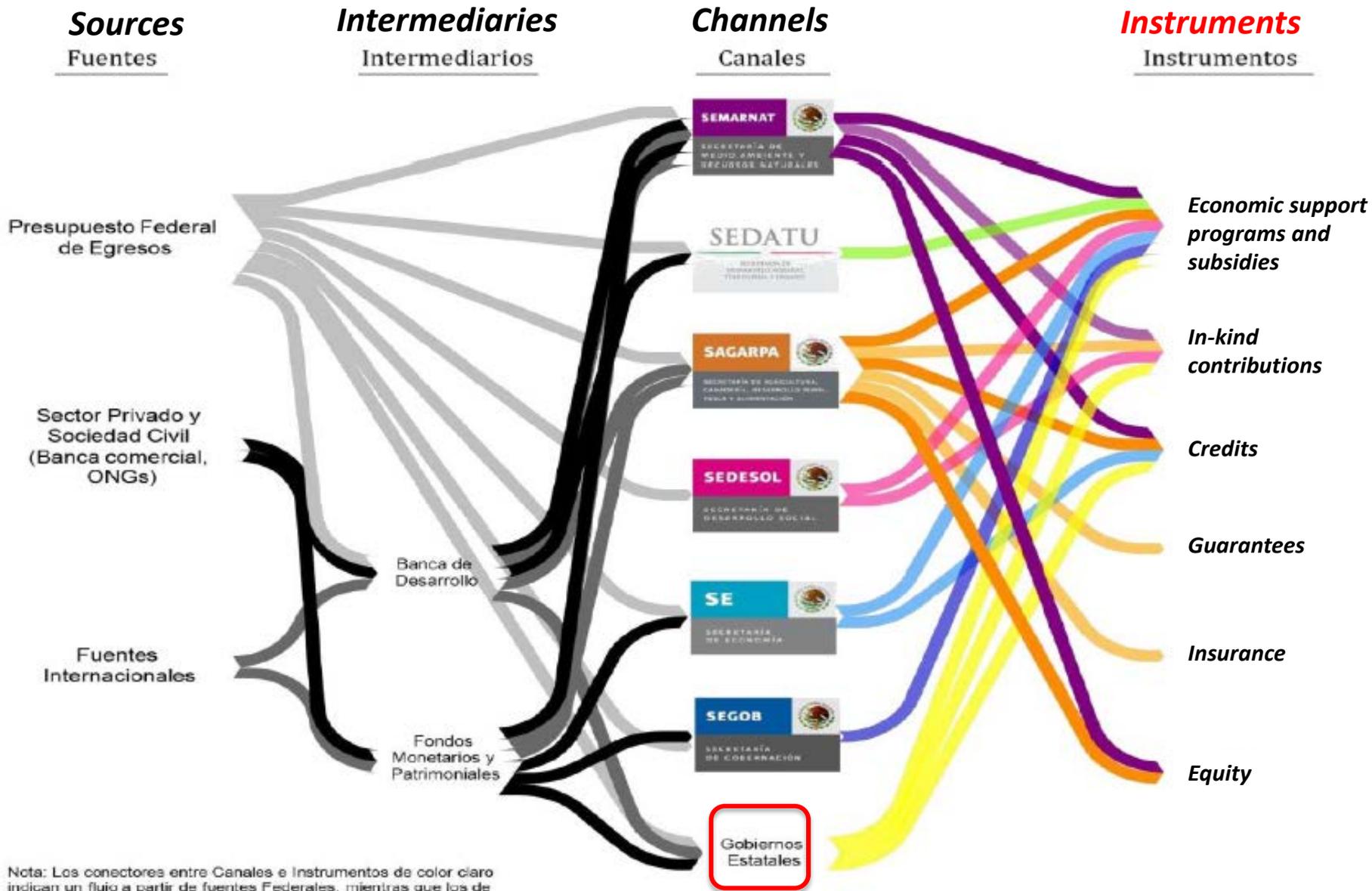


# Results: financial flows for specific activities



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



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# 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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