

Template for Project/Program Preparation Grant Request

FOREST INVESTMENT PROGRAM			
Project/Program Preparation Grant Request ¹			
1. Country/Region:	Mexico	2. CIF Project ID#:	(Trustee will assign ID)
3. Project Name:	<i>Strengthening the financial inclusion of ejidos and communities through technical assistance and capacity building for low carbon activities in forest landscapes</i>		
4. Tentative FIP Funding Request (in USD million total) for Project² at the time of Investment Plan submission (concept stage)::	<i>Loan:\$1.5million</i>	<i>Grant:\$1.5million</i>	
5. Preparation Grant Request (in USD):	<i>\$115,000</i>	<i>MDB: Inter-American Development Bank</i>	
6. National Project Focal Point:	<i>Jose Carlos Fernandez Head of International Affairs and Financial Development Mexican National Forest Commission Email: jcfernandez@conafor.gob.mx</i>		
7. National Implementing Agency (project/program):	<i>Fondo Multilateral de Inversiones (FOMIN), Inter-American Development Bank</i>		
8. MDB FIP Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters-FIP Focal Point: Gloria Visconti gloriav@iadb.org</i>	<i>TTL: Guillermo Aguilar Rios gaguilar@iadb.org Gregory Watson gregoryw@iadb.org</i>	

¹ A separate template needs to be presented for each project and program preparation grant request listed in the Investment Plan.

² Including the preparation grant request.

9. Description of activities covered by the preparation grant:

The preparation grant will finance the completion of a study in the agriculture, forestry and other land use (AFOLU) sector in communities and *ejidos* in Mexico in order to structure effective financing strategies, including the development of appropriate financial instruments as well as training and technical assistance for producers, intermediaries and final beneficiaries, which can promote mitigation programs in this sector. The study will:

- Identify and characterize priority sub-sectors for *ejidos* and communities on the basis of their GHG reduction potential and other co-benefits;
- Design a methodology that incorporates the sectoral analysis and places it within a geographical context identifying the Early Action REDD+ areas;
- Identify the financing already available to the subsectors including government subsidies (local and national), resources from national development banks and financial intermediaries.
- Identify the absorption potential for investment in the identified sub-sectors;
- Identify the distribution channels for lines of financing and barriers to accessing credit;
- Identify the types of investments for the prioritized sector or subsector and their financial structure;
- Identify the principal risks of investing in the priority sub-sector, including analysis of market and regulatory risks;
- Identify areas for technical assistance and reimbursable finance for low-income *ejidos*, with reference to women, and micro, small, and medium-sized enterprises;
- Formulate recommendations for the development of potential of climate change mitigation and adaptation projects and carbon financing mechanisms that could be promoted;
- Provide specific results and recommendations.

A stakeholder consultation will be conducted in order to share the outcomes of the study in advance of the project preparation.

10. Outputs:

Deliverable	Timeline (tentative)
(a) Detailed work plan	Beginning of March 2012
(b) Mid-term findings	End of May/June 2012
(c) Final study	August 2012
(d) Validation of study results	September 2012

11. Budget (indicative):

Expenditures ³	Amount (USD) - estimates
Consultants	\$100,000
Workshops/dissemination	\$10,000
Contingencies (max. 10%)	\$5,000
Total Cost	\$115,000
Other contributions:	
• Government	

³ These expenditure categories may be adjusted during project preparation according to emerging needs.

• MDB	Data and knowledge sharing. Contacts and networks.
• Private Sector	Needs Assessment
• Others (please specify)	
12. Timeframe (tentative)	
Submission of pre-appraisal document for FIP Sub-Committee Approval: October 2012 Expected Board/MDB Management ⁴ approval date: November 2012	
13. Other Partners involved in project design and implementation ⁵ :	
<p>The results from this market study will provide critical information in order to assess the characteristics of existent and potential demand for financial support in AFOLU sectors from ejidos and communities. The study will also evaluate the GHG reduction potential in the AFOLU sectors identified.</p> <p>This information will provide key information for the design of tailored dedicated lines of finance, ad hoc projects and capacity building support activities.</p> <p>Project 3 of Mexico’s Forest Investment Program, which will work to create the lines for financing for <i>ejidos</i> and communities will also benefit from the outcomes of the study. Therefore, Financiera Rural will be closely involved in the design and implementation of this activity in order to establish the close link between the two projects.</p> <p>The market study will also draw information from other analysis conducted in the framework of projects supported by GEF and other bilateral donors in order to build from existing knowledge and synergize with relevant ongoing initiatives.</p>	
14. If applicable, explanation for why the grant is MDB executed:	
<p>The preparation grant is to be used to assess the scope of the project “<i>Strengthening the financial inclusion of ejidos and communities through technical assistance and capacity building for low carbon activities in forest landscapes</i>” through a background market study.</p> <p>FOMIN is best suited to involve different stakeholders at level of ejidos and communities, due to its focused mission to work in the field at the micro level, implementing creative solutions in project design, and capacity building activities.</p>	

⁴ In some cases activities will not require MDB Board approval

⁵ Other local, national and international partners expected to be involved in design and implementation of the project.

15. **Implementation Arrangements** (incl. procurement of goods and services):

This study and other activities associated with this project preparation grant will be implemented by the FOMIN in close collaboration with Financiera Rural and Mexico's National Forestry Commission and other federal agencies. Implementation is also expected to engage the IBRD (where applicable) in order to create synergies with projects 1 and 2 of the FIP Mexico IP, civil society organizations, cooperatives and producer associations, companies, foundations, regional funds, state governments and inter-municipal associations.

Consistent with the FIP Programming Guidance for MDB's, the procurement of goods and services under this project will follow the MIF's procurement guidelines.