

# Reducing global environmental risks through the monitoring and development of alternative livelihood for the primary mercury mining sector in Mexico

Review CEO Endorsement and Make a recommendation

## Basic project information

**GEF ID**

10086

**Countries**

Mexico

**Project Name**

Reducing global environmental risks through the monitoring and development of alternative livelihood for the primary mercury mining sector in Mexico  
**Agencies**

UNEP

**Date received by PM**

**Review completed by PM**

9/17/2020

**Program Manager**

Evelyn Swain

**Focal Area**

Chemicals and Waste

**Project Type**

FSP

**PIF**

**CEO Endorsement**

**Part I – Project Information**

**Focal area elements**

**1. Does the project remain aligned with the relevant GEF focal area elements as presented in PIF (as indicated in table A)?**

Secretariat Comment at CEO Endorsement Request

Yes, the project is well aligned with the PIF.

Agency Response

**Project description summary**

**2. Is the project structure/ design appropriate to achieve the expected outcomes and outputs as in Table B and described in the project document?**

Secretariat Comment at CEO Endorsement Request The project structure is well designed. There are some questions on the outcomes below.

Agency Response

**3. If this is a non-grant instrument, has a reflow calendar been presented in Annex D?**

Secretariat Comment at CEO Endorsement Request NA

Agency Response

**Co-financing**

**4. Are the confirmed expected amounts, sources and types of co-financing adequately documented, with supporting evidence and a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized, and a description of any major changes from PIF, consistent with the requirements of the Co-Financing Policy and Guidelines?**

Secretariat Comment at CEO Endorsement Request Co-financing is adequate and has increased since the PIF.

Agency Response  
**GEF Resource Availability**

**5. Is the financing presented in Table D adequate and does the project demonstrate a cost-effective approach to meet the project objectives?**

Secretariat Comment at CEO Endorsement Request Yes, the financing is adequate and the project is cost effective.

Agency Response  
**Project Preparation Grant**

**6. Is the status and utilization of the PPG reported in Annex C in the document?**

Secretariat Comment at CEO Endorsement Request Yes, PPG utilization is included.

Agency Response  
**Core indicators**

**7. Are there changes/ adjustments made in the core indicator targets indicated in Table E? Do they remain realistic?**

Secretariat Comment at CEO Endorsement Request Yes, core indicators are appropriate.

Agency Response

**Part II – Project Justification**

**1. Is there a sufficient elaboration on how the global environmental/ adaptation problems, including the root causes and barriers, are going to be addressed?**

Secretariat Comment at CEO Endorsement Request

Yes, this project will support eliminating one of the major sources of primary mercury.

Agency Response

**2. Is there an elaboration on how the baseline scenario or any associated baseline projects were derived?**

Secretariat Comment at CEO Endorsement Request

Yes, the baseline has been elaborated well.

Agency Response

**3. Is the proposed alternative scenario as described in PIF/PFD sound and adequate? Is there sufficient clarity on the expected outcomes and components of the project and a description on the project is aiming to achieve them?**

Secretariat Comment at PIF/Work Program Inclusion

Please clarify if the project will inventory all active and not active mines in other municipalities. All mines should be inventoried to ensure that non working mines are not reopened.

During PPG stage there was discussion of doing isotopic tracing of the mercury. What happened with this idea?

An analysis of the risks and opportunities related to the COVID-19 pandemic needs to be added.

ES, 9/17/2020: The above issues have been adequately addressed. Comment cleared

Agency Response

04SEP2020

Regarding the inventory, the following language has been added to Output 1.2: “This inventory will be completed, identifying all active and inactive mines in the region, and form the basis of further site identification and assessment work.” And to Activity 1.2.3: “Finally, this activity will include an inventory of all active and inactive mines in the region.” Appropriate adjustments have also been made to the projects results framework. Activity 1.3.3 has been elaborated on the issue of previously closed mines. The existing text “In the event that the site is a mine, the alternatives matrix will evaluate different mine closure options against these criteria” is now followed by “This will apply both to mines that have been previously closed as well as those that have remained in operation.”

Regarding isotopic tracing, which could be employed to ‘fingerprint’ primary mercury sources, we agree this could be a useful tool in identifying Hg origin. However, we propose that it be undertaken as part of a larger regional or global project with isotope measurements taken from multiple primary Hg mines. Such an approach could form the basis of a database with which field based samples could be compared. In the absence of such a database any one measurement which this project would provide is limited in its utility. Given the high cost of measuring isotopes, we suggest tabling this effort until a larger, multi-county commitment is met.

Two risks associated with COVID-19 have been added to table 9; one deals with operational risks, the second with environmental safeguard risks. A third social risk has been expanded to include factors related to COVID-19.

**4. Is there further elaboration on how the project is aligned with focal area/impact program strategies?**

Secretariat Comment at CEO Endorsement Request

This project is well aligned with the CW focal area and Minamata Convention requirements.

Agency Response

**5. Is the incremental reasoning, contribution from the baseline, and co-financing clearly elaborated?**

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

**6. Is there further and better elaboration on the project’s expected contribution to global environmental benefits or adaptation benefits?**

Secretariat Comment at CEO Endorsement Request

Yes, the GEBs are well elaborated and this project will make an important contribution to mercury reduction.

Agency Response

**7. Is there further and better elaboration to show that the project is innovative and sustainable including the potential for scaling up?**

Secretariat Comment at CEO Endorsement Request

Yes, this information has been provided.

Agency Response

**Project Map and Coordinates**

**Is there an accurate and confirmed geo-referenced information where the project intervention will take place?**

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

**Child Project**

**If this is a child project, is there an adequate reflection of how it contributes to the overall program impact?**

Secretariat Comment at CEO Endorsement Request

NA

Agency Response

**Stakeholders**

**Does the project include detailed report on stakeholders engaged during the design phase? Is there an adequate stakeholder engagement plan or equivalent documentation for the implementation phase, with information on Stakeholders who will be engaged, the means of engagement, and dissemination of information?**

Secretariat Comment at CEO Endorsement Request

Yes, stakeholder engagement information has been provided.

Agency Response

**Gender Equality and Women's Empowerment**

**Has the gender analysis been completed? Did the gender analysis identify any gender differences, gaps or opportunities linked to project/program objectives and activities? If so, does the project/program include gender-responsive activities, gender-sensitive indicators and expected results?**

Secretariat Comment at CEO Endorsement Request

Yes gender analysis is provided.

Agency Response

**Private Sector Engagement**

**If there is a private sector engagement, is there an elaboration of its role as a financier and/or as a stakeholder?**

Secretariat Comment at CEO Endorsement Request

Yes, private sector is key to this project.

Agency Response

## **Risks to Achieving Project Objectives**

**Has the project elaborated on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved? Were there proposed measures that address these risks at the time of project implementation?**

Secretariat Comment at CEO Endorsement Request

COVID-19 relate risks need to be included.

9/17/20: COVID risks have been included. Comment cleared

Agency Response

Two risks associated with COVID-19 have been added to table 9; one deals with operational risks, the second with environmental safeguard risks.

**Coordination**

**Is the institutional arrangement for project implementation fully described? Is there an elaboration on possible coordination with relevant GEF-financed projects and other bilateral/multilateral initiatives in the project area?**

Secretariat Comment at CEO Endorsement Request

Yes, the institutional arrangements are adequately provided.

Agency Response

**Consistency with National Priorities**

**Has the project described the alignment of the project with identified national strategies and plans or reports and assessments under the relevant conventions?**

Secretariat Comment at CEO Endorsement Request

Yes, this project is consistent with the MIA.

Agency Response

**Knowledge Management**

**Is the proposed “Knowledge Management Approach” for the project adequately elaborated with a timeline and a set of deliverables?**

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

**Environmental and Social Safeguard (ESS)**

**Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?**

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

**Monitoring and Evaluation**

**Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?**

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

**Benefits**

**Are the socioeconomic benefits at the national and local levels sufficiently described resulting from the project? Is there an elaboration on how these benefits translate in supporting the achievement of GEBs or adaptation benefits?**

Secretariat Comment at CEO Endorsement Request

Yes this project will directly support alternative livelihoods resulting in GEBs.

Agency Response

**Annexes**

**Are all the required annexes attached and adequately responded to?**

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

**Project Results Framework**

Secretariat Comment at CEO Endorsement Request

Agency Response

**GEF Secretariat comments**

## Secretariat Comment at CEO Endorsement Request

### Agency Response

#### **Council comments**

## Secretariat Comment at CEO Endorsement Request

The response to the comment from Norway is not adequate and should be expanded.

9/17/20: Comment cleared

### Agency Response

04SEP2020

The following answer has been provided in table 12 “Assessment of new regulations was done as a result of the MIA project. Mexico was indeed prepared to undertake these revisions and additions but the project will ensure additional stakeholder consultations are undertaken. The budget for this output has been reduced to account for the in-kind co-financing from the Government.”

#### **STAP comments**

## Secretariat Comment at CEO Endorsement Request

There is one comment from STAP that is not responded to.

9/17/20: comment cleared

### Agency Response

04SEP2020

The comment was in fact listed twice in the table 12 in error (didn't belong to the STAP comments). The first instance has now been responded to. The second has been deleted from the table.

#### **Convention Secretariat comments**

Secretariat Comment at CEO Endorsement Request

Agency Response

**Other Agencies comments**

Secretariat Comment at CEO Endorsement Request

Agency Response

**CSOs comments**

Secretariat Comment at CEO Endorsement Request

Agency Response

**Status of PPG utilization**

Secretariat Comment at CEO Endorsement Request PPG has been adequately utilized.

Agency Response

**Calendar of expected reflows (if NGI is used)**

Secretariat Comment at CEO Endorsement Request

Agency Response

**Project maps and coordinates**

Secretariat Comment at CEO Endorsement Request

Agency Response

**Termsheet, reflow table and agency capacity in NGI Projects**

**Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.**

Secretariat Comment at CEO Endorsement Request

Agency Response

## **Response to additional comments: ES, 10/13/20: Please respond to the following questions from PPO : Under RECOMENDATION SECTION**

Project to be returned to the Agency due to:

- 1- *Duration of the Project is incorrect – it needs to be provided in months*

Agency response

This has now been changed to 60 months in the portal with the assistance of GEF Sec IT.

- 2- *PPG Section should be selected*

Agency response

We have now selected PPG required in the portal, but note that PPG funds have already been received and fully expended.

- 3- *On Core Indicators (comment provided by Minna): Please note that sub-indicator 4.4. is for high conservation value forests only, and requires documentation to justify the HCVF status, this documentation was missing. If it is not HCVF, it is suggested to use sub-indicator 4.1.*

Agency response

Noted with thanks. All relevant GEBs are now recorded against 4.1

*4- On Co-financing (comment provided by Minna): We couldn't find the translations for letters from SEMARNAT – DGGIMAR and University of Queretaro – please ask the Agency to provide the translation and upload them in Portal alongside the original Spanish version to facilitate the review. The co-financing letter from Ministry of wellness is for the period 2020-2024, but at the same time it says “total of 150,000 for the development of this project”. Please confirm that this full amount is still available.*

*Also, co-financing from UNEP is in-kind but identified as investment mobilized. Where co-financing truly meets the definition of "in-kind", it should typically be classified as "recurrent expenditures" rather than "investment mobilized". Please revise or provide justification for the investment mobilized.*

Agency response

With regard to the translation of the two endorsement letters, this is now provided as attachment in the portal.

With regard to the co-financing from the ministry of wellness, we confirm that the presented amount is intended for execution of the project. We suspect confusion results from the direct translation of the Spanish word ‘desarollo’ to the English word ‘development.’ In this case a more appropriate translation might have been ‘carrying out’ or ‘implementation.’

With regard to UNEP co-financing, we agree and have changed accordingly. This has also been corrected for INECC’s contribution which is more accurately characterized as recurrent expenditure.

*5- The Investment Mobilized from SEMARNAT was not identified - please ask the Agency to identify it.*

Agency response

This was incorrectly characterized as investment mobilized and has been changed to recurrent expenditure.

*6- Progress & Financial Report are ineligible expenses under M&E Plan – this should be part of the tasks that the Financial Assistant within the EA should carry out – please ask the Agency to remove it.*

Agency response

Noted. These costs have been removed from the M&E plan.

*7- Budget – The below activities (periodic monitoring – join field sampling -regular collection of information – monitoring of indicators among others) seem to be monitoring activities – however, when reading the M&E Plan, one finds different budget categories. Please ask the Agency to make the M&E plan in Portal consistent with the M&E budget, otherwise it will not be possible to understand what is charged to which par of the budget.*

Agency response

We do not believe that any inconsistencies exist between the M&E budget and workplan. The M&E budget refers to the following 7 activities: Inception workshop & report, Steering Committee meetings, Project Implementation Report, Mid-term Review, Mid-term Review, Terminal Report, Terminal Evaluation and Financial audit. Each of these are described in the M&E Plan.

We note that the confusion may have arisen from budget line items that refer to environmental (rather than project indicator) monitoring. Specifically, the line items ‘periodic monitoring,’ ‘joint field sampling,’ ‘the collection of information,’ and ‘monitoring of indicators’ refer to the monitoring of environmental matrices and substantive capacity building exercises. They do not refer to the monitoring of activities against project indicators as such. Output 1.2 of the project endeavours in part to improve regional capacity to undertake environmental assessment, while Output 2.2 promotes alternative livelihoods. Both contain environmental monitoring. The activities identified by the reviewer contribute to these Outputs.

*8- The below costs (communication costs and technical assistance) that look like recurrent costs associated with the project execution in Components 1 and 2 should be charged to PMC (both: the GEF portion and the co-financing portion). The co-financing budget doesn't provide enough detail to understand whether the costs associated with the project execution are actually charged here (see comment 7- above).*

#### Agency response

With regard to communication costs and technical assistance, the issues here originate from the translation from Spanish to English and should have been caught before submission. Costs in the budget coded as ‘communication costs’ refer to those costs associated with outreach (i.e. communicating with) to stakeholders including those in remote areas. These costs include vehicle expenses and other domestic travel costs. The budget line title has accordingly been changed to ‘outreach costs.’

With regard to technical assistance, this should have read ‘technical assistants,’ i.e. the contracting of entry-level technicians to assist with project execution, and has been changed accordingly.

With regard to the detail provided in the co-financing budget (Appendix 4b), the document includes a column ‘Description of co-finance contributions’ where the planned responsibilities are described by agency. These responsibilities include the provision of technical expertise, project management and coordination, analytical costs, and training and outreach, among other costs. We have added an additional paragraph in the Project Document under to the co financing table in Section C. The paragraph is as follows:

“Co-financing from the State of Querétaro has been characterized as ‘investment mobilized’ as it refers to funds that will be accessed by the project to support the promotion of alternative livelihoods in the form of small business. These resources are not currently utilized and will directly support Component 2 of the project. Additional co-financing from other agencies will include the provision of technical expertise, project management and coordination, analytical costs, and training and outreach, among other resources. These resources, while best characterized as recurrent expenditures, will be coordinated as part of the project toward a common objective. In this way they directly support project indicators and promote the sustainability of the intervention.”

*9- Component 2 would pay in consultants (who are scheduled to work for only 2 years each) nearly 1.75 million dollars. Please request the TORs of the “Exploitable Reserves Expert”, who in two years will receive \$500,000 dollars (one needs to understand what a person would do to be paid \$500.000 dollars in two years). For the “Technical Studies Evaluator Staff” (who will receive \$250,000 dollars in two years), any ‘staff’ (from either the Government or the Agency) cannot be paid using GEF resources – please ask the Agency to cover this person from the co-financing funds.*

### Agency response

We are grateful to the reviewer for identifying these issues within the budget. They have been corrected in Appendices 4a (output based budget) and 11 (consultants to be hired). Costs associated with Component 2 consultants have been allocated over the length of the project to better reflect the time when they will be incurred, rather than erroneously indicating expenditures of 1.75 million in two years for 2 consultants. The total amount allocated to the 'exploitable reserves expert' has been significantly reduced to \$250,000 over the length of the project (5 years) and the difference has been allocated to other consultants in Component 2. Descriptions of individual consultants' responsibilities are provided in Appendix 11 'consultants to be hired.'

### **GEFSEC DECISION**

### **RECOMMENDATION**

**Is CEO endorsement recommended? (applies only to projects and child projects)**

Secretariat Comment at CEO Endorsement Request

Not at this time, several questions remain.

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1- Duration of the Project is incorrect – it needs to be provided in months

2- PPG Section should be selected

3- On Core Indicators (comment provided by Minna): Please note that sub-indicator 4.4. is for high conservation value forests only, and requires documentation to justify the HCVF status, this documentation was missing. If it is not HCVF, it is suggested to use sub-indicator 4.1.

4- On Co-financing (comment provided by Minna): We couldn't find the translations for letters from SEMARNAT – DGGIMAR and University of Queretaro – please ask the Agency to provide the translation and upload them in Portal alongside the original Spanish version to facilitate the review. The co-financing letter from Ministry of wellness is for the period 2020-2024, but at the same time it says “total of 150,000 for the development of this project”. Please confirm that this full amount is still available.

Also, co-financing from UNEP is in-kind but identified as investment mobilized. Where co-financing truly meets the definition of "in-kind", it should typically be classified as "recurrent expenditures" rather than "investment mobilized". Please revise or provide justification for the

investment mobilized.

5- The Investment Mobilized from SEMARNAT was not identified - please ask the Agency to identify it.

6- Progress & Financial Report are ineligible expenses under M&E Plan – this should be part of the tasks that the Financial Assistant within the EA should carry out – please ask the Agency to remove it.

7- Budget – The below activities (periodic monitoring – join field sampling -regular collection of information – monitoring of indicators among others) seem to be monitoring activities – however, when reading the M&E Plan, one finds different budget categories. Please ask the Agency to make the M&E plan in Portal consistent with the M&E budget, otherwise it will not be possible to understand what is charged to which par of the budget.

8- The below costs (communication costs and technical assistance) that look like recurrent costs associated with the project execution in Components 1 and 2 should be charged to PMC (both: the GEF portion and the co-financing portion). The co-financing budget doesn't provide enough detail to understand whether the costs associated with the project execution are actually charged here (see comment 7- above).

9- Component 2 would pay in consultants (who are scheduled to work for only 2 years each) nearly 1.75 million dollars. Please request the TORs of the “Exploitable Reserves Expert”, who in two years will receive \$500,000 dollars (one needs to understand what a person would do to be paid \$500.000 dollars in two years). For the “Technical Studies Evaluator Staff” (who will receive \$250,000 dollars in two years), any ‘staff’ (from either the Government or the Agency) cannot be paid using GEF resources – please ask the Agency to cover this person from the co-financing funds.

ES, 11/24/2020: The PPO comments have been addressed. CEO Endorsement is recommended.

#### Review Dates

	Secretariat Comment at CEO Endorsement	Response to Secretariat comments
<b>First Review</b>	<b>8/4/2020</b>	
<b>Additional Review (as necessary)</b>	<b>9/17/2020</b>	
<b>Additional Review (as necessary)</b>	<b>11/24/2020</b>	

**Secretariat Comment at CEO Endorsement**

**Response to Secretariat comments**

**Additional Review (as necessary)**

**Additional Review (as necessary)**

**CEO Recommendation**

**Brief reasoning for CEO Recommendations**

This project will prevent the risks to environment and human health from mercury through the establishment of a comprehensive strategy to control primary mercury mining and to enable environmentally and socially sound alternative economic activities and livelihoods in the state of Queretaro. Mexico has a significant primary mercury mining sector which is located in rich biodiversity areas, such as the Sierra Gorda Biosphere Reserve. The majority of the mercury mined in Mexico is exported to South America for use in the artisanal and small-scale gold mining (ASGM) sector. The Minamata convention requires countries to address mercury supply and trade, including primary mercury mining. The project will support the Government in monitoring primary mercury mining to fulfill its obligations under the Convention and introduce alternative livelihoods so that miners in Queretaro adopt alternative income generation activities. This project will deliver Global Environmental Benefits, by reducing 560 tons of mercury and lead to 2,000 hectares of landscapes under improved practices over the project lifetime.