

Cover Page			
CTF Project/Program Approval Request^[a]			
Dedicated Private Sector Programs (DPSP-III)			
1. Country/Region	Mexico	2. CIF Project ID#	XCTFMX712A
3. Public or Private	Public		✓
	Private		
4. Project/Program Title	DPSP III: Program to Support Economic Recovery in Mexico		
5. Is this a private sector program composed of sub-projects?	Yes		
	No		✓
6. Financial Products, Terms and Amounts			
Financial Product		USD (million)	EUR (million) ^[b]
Grant		0.953	
Fee on grant		0.047	
MPIS (for private sector only)			
Public sector loan	Harder terms	9.000	
	Softer terms		
Senior loan			
Senior loans in local currency hedged			
Subordinated debt / mezzanine instruments with income participation			
Second loss guarantees			
Equity			
Subordinated debt/mezzanine instruments with convertible features			
Convertible grants and contingent recovery grants			
Contingent recovery loans			
First loss guarantees			
Other (please specify)			
Total		10.000	
7. Implementing MDB(s)	Inter-American Development Bank (IDB)		
8. National Implementing Agency	Banco Nacional de Comercio Exterior, S.N.C. (BANCOMEXT)		
9. MDB Focal Point	Claudio Alatorre (calatorre@iadb.org)		
10. Brief Description of Project/Program (including objectives and expected outcomes)^[c]			
Introduction and Summary of Changes			
The original project “DPSP III: Program for the Financing of Renewable Energy Projects” (XCTFMX712A) was approved by the CTF Trust Fund Committee (TFC) on October 28 th , 2019.			

Since then, the results indicators and the co-financing amount have changed. According to the CTF Terms and Conditions for Public Sector Operations, these changes make necessary a new approval by the TFC. To this aim, this document is an updated version of the original approval request.

The original approval was aimed at financing (i) large-scale renewable energy (RE) projects, and (ii) small-scale, distributed generation (DG) RE projects. Whereas the large-scale market in Mexico has prospered during the last years without the need for concessional support, a number of barriers in the DG market were identified, which required CTF support. Hence, whereas the large-scale RE component included only IDB ordinary capital (OC) resources (USD 200 million), the DG component included USD 9 million from the CTF and USD 10 million from IDB OC resources. In the original approval, the results indicators and the co-financing figures (IDB OC and private sector) reflected both components.

Since then, two changes have occurred in Mexico: First, the covid 19 pandemic led the Government of Mexico (GoM) to revise the IDB pipeline, leading to the prioritization of development banking operations focused on post-covid economic recovery efforts. Second, the GoM considered that the current regulatory framework for large-scale RE projects implies risks in terms of grid-stability, leading to a period of uncertainty in this market.

In view of these two changes, the large-scale RE component of the original approval is now cancelled, but the original DG component is maintained as originally approved.

The original large-scale RE component was replaced by a broader component of support to micro, small and medium-sized enterprises (MSMEs), but this component is no longer counted as “co-finance” and therefore it is not included in the figures on this cover page.

The following table summarizes the main changes described above:

Table 1. Summary of changes in co-financing and results indicators

		Original approval	New approval
Project Title		Program for the Financing of Renewable Energy Projects	Program to Support Economic Recovery in Mexico
Co-financing (USD M)			
Distributed Generation	IDB	10	10
	Private	10	10
	Total	20	20
Large-scale RE	IDB	200	-
	Private	200	-
	Total	400	-
Results Indicators			
Distributed Generation	GHG lifetime	443,500	443,500
	MW	30	30
	Jobs	60	60
Large-scale RE	GHG lifetime	1,415,450	-
	MW	180	-
	Jobs	335	-

Project description

In 2019, the country experienced an economic downturn reflected in a Gross Domestic Product (GDP) reduction of 0.1%. In the first quarter of 2020, the downturn continued with a 1.6% fall in GDP versus the previous quarter. Due to the negative economic impact of the covid-19 pandemic across various productive sectors, trade, tourism, and private consumption, GDP projections for 2020 indicate a contraction of 8.8%.¹

MSMEs are the bulk of Mexico's economy, and the most important source of employment across various sectors, thus being a key component for the post-covid recovery phase. According to Mexico's National Statistics and Geography Institute (INEGI), as of 2018 there were approximately 4.8 million MSMEs, which account for 99.8% of the number of economic units and 68.4% of total jobs in the country, highlighting their importance within the dynamics of the country's economy.

The Mexican financial system has low levels of penetration in general, which is reflected in the financing conditions. Domestic credit to the private sector is 36% of GDP, compared to 49% in Latin-American and the Caribbean (LAC) region and 90% in the Organization for Economic Cooperation and Development (OECD) countries.² Besides, MSMEs face greater credit constraints. Their share of credit within non-financial private sector financing is around 11.8% and they account for only 23.7% of all business credit.³ These figures are significantly low given the importance of MSMEs in the country's economy. Also, a survey reveals that only 23% of MSMEs has had commercial bank financing.⁴

Energy efficiency and distributed generation investments represent a good opportunity for a MSMEs' green recovery and a sustainable energy transition. The energy-saving potentials in MSMEs range from 15% to 40% only by replacing inefficient equipment. In terms of distributed generation, it is estimated that only about 29,000 MSMEs had installed photovoltaic systems in 2018, with a total capacity of 248 MW.⁵ The availability of financial resources is essential in supporting the progress of these investments at the pace needed. However, difficulties in the financing of infrastructure prevail, as a result of a shortage of credit or inadequate conditions of available resources in terms of price, tenors, or collateral requirements. According to the International Energy Agency (IEA), in Mexico, the availability of credit has been of particular importance in reducing the cost of capital and making recently developed projects viable. Going forward, an estimated investment of USD 10 billion per year will be necessary to cover the increase in the demand for electricity by 2040. More than 40% of these investments will go to new capacity from clean energy (wind and solar).

Because of this market failure, national development banks (NDBs) have acquired an important role in boosting investment in the sector, assuming the incremental risk and making available financial and risk mitigation instruments to incentivize the participation of commercial banks in the financing of these investments. Besides, NDBs could also play their part in facilitating access to national and international climate finance funds, and in combining all available sources of funding efficiently, within the framework of the energy transformation process.

Through this program the IDB seeks to remove the financial barrier and leverage its ordinary capital, as well as the CTF funds, to scale up investments in energy efficiency through distributed generation projects, bringing in commercial bank funding and suppliers ready and willing to invest in the sector. In parallel to the financing of the projects per se, complementary technical

cooperation (TC) activities will support activities that include the structuring and implementation of risk mitigation mechanisms, capacity building, and/or program operational support.

The general objective of the program is to support the sustainable recovery of Mexico’s economy in the face of the covid-19 pandemic crisis. The specific objective is to support the economic recovery of Small and Medium Enterprises (SMEs) in the manufacturing and tourism sectors through financing for productive investment, including investment for energy efficiency (EE) through distributed generation (DG).

The program will fund private sector renewable energy distributed generation projects or other available renewable technologies, mainly in industrial and services sectors considered of high potential,⁶ including potential storage facilities. CTF grant resources will, in particular, finance technical cooperation activities that include the structuring and implementation of risk mitigation mechanisms, capacity building, and/or program operational support.⁷

Program funding will increase the capacity of the Banco Nacional de Comercio Exterior, S.N.C (BANCOMEXT) to provide financing to eligible projects, which require longer maturities and terms consistent with their risk and maturity profile (long payback period). BANCOMEXT will on-lend these resources exclusively to eligible projects under any of the categories described using a set of instruments as second-tier loans, guaranteed loans, and/or contingent loans. Direct beneficiaries of the program will be SMEs in the manufacturing and tourism, mainly automotive, maquila and transport equipment firms, and hotels, at a national level. This includes all SMEs that are dependent on these sectors, either directly or indirectly. Funds will be used to finance productive investments needed for the recovery, including distributed generation energy efficiency projects in eligible sector facilities.

11. Consistency with CTF investment criteria

(1) Potential GHG emissions savings	29,566 tons CO ₂ e on average per year ⁸ and 443,500 tons CO ₂ e during the lifetime of the Program (15 years).
(2) Cost-effectiveness	Based on GHG emission reductions, the unit abatement cost of the Program is estimated at USD 22.5 per ton of CO ₂ e considering only CTF financing.

¹ Bank of Mexico.

² World Development Indicators, 2017.

³ Indicadores básicos de créditos a las Pequeñas y Medianas Empresas (PyME) (2017), Banco de México.

⁴ Encuesta Nacional de Financiamiento de las Empresas, Instituto Nacional de Estadística y Geografía (INEGI) (2015).

⁵ Energy Management, Generación distribuida para PyMES, in: <https://e-management.mx/generacion-distribuida-para-pymes/>

⁶ No specific sectors have been predefined. Indicatively, the hotel and exporter small and medium enterprise (SME) sectors are being studied for this category of financing.

⁷ Activities to be financed by the TC include: (i) market studies on the potential of distributed generation facilities in specific sectors; (ii) consultancy services for institutional strengthening and training for BANCOMEXT and financial intermediaries; (iii) development and implementation of ad hoc financial models and mechanisms for the different types of eligible projects/beneficiaries (guarantee schemes, syndicated loans, secured loans, local currency loans, blended finance, etc.); (iv) inter-institutional coordination (government agencies, CFE, technology providers, local banks, etc.) to support the implementation of the program.

⁸ $30 \text{ MW} \times 365 \text{ days} \times 24 \text{ h} \times 25\% \text{ (Capacity Factor "FP")} / 1,000 = 65,700 \text{ MWh} \times 0.450 \text{ TCO}_2/\text{MWh} = 29,565 \text{ TCO}_2/\text{Year}$. Indicator is based on the CO₂e emissions displaced by DG power generation once the projects start operation. Final target was estimated based on envisaged DG production, using the standard emission factor for Mexico, as per IFI guidelines (450kg CO₂/MWh, July 2019 version).

<p>(3) Demonstration potential at scale</p>	<p>Under the planning scenario developed in the <i>Programa de Desarrollo del Sistema Eléctrico Nacional</i> (PRODESEN) 2018-2032, 66,912 MW of additional capacity is required to meet the demand for electrical energy in the 2018-2032 period. Clean technologies (including wind, solar, nuclear, and efficient cogeneration) are expected to make up at least 55% of this additional capacity.</p> <p>According to PricewaterhouseCoopers (PwC), it can be estimated by way of illustration that the minimum investment needed to address the new capacity gap would reach some USD 32 billion (between USD 2 and USD 4 million per MW in the case of non-hydro renewables). The program will be considered successful if it contributes to financing some 30MW of additional renewable energy capacity by the end of its implementation, leveraging at least USD 10 million from the private sector, but covering only a minor fraction of the total financing needs. There is substantial potential for EE and DG in MSMEs. As of 2018, only about 29,000 MSMEs had installed photovoltaic systems, with a total capacity of 248 MW (543GWh annual generation), and a potential of 35 times above the existing capacity.</p> <p>Also, the availability of appropriate financing will improve the economics distributed photovoltaic generation projects and, in turn, this would raise interest from additional private investors and technology suppliers. It is expected that by removing the financial barrier and leveraging IDB's ordinary capital, as well as the CTF funds, the attractiveness of these kind of projects, as well as the engagement of private investors, will increase. This will in turn reduce the risk perception of financial institutions and promote good contractual practices and schemes.</p> <p>In addition, technical cooperation activities will help BANCOMEXT enhance its capacity to analyze these projects and achieve financial efficiency in the allocation of resources, turning the institution into a reference model for the financing of the sector.</p>
<p>(4) Development impact</p>	<p>The Program will have the following impact:</p> <ul style="list-style-type: none"> - 30 MW of installed renewable energy generation capacity - USD 10 million of financing from third parties mobilized by the program - 60 direct and indirect jobs created

<p>(5) Implementation potential</p>	<p>BANCOMEXT will implement the Program under its current organizational structure and will be responsible, among others, for supervising the adequate use of Program financial resources and of the timely provision of human and technical resources necessary for its implementation. BANCOMEXT will channel program resources to eligible projects using a set of instruments including second-tier loans, guaranteed loans, or contingent loans.⁹ Project eligibility will be determined based on the conditions established in the program’s operational regulations (OR),¹⁰ to be agreed between the IDB and BANCOMEXT further in the program preparation process. BANCOMEXT will select a portfolio of projects that meets these conditions and finance them upon demand.</p> <p>The program follows similar implementation schemes of previous operations implemented by the IDB in Mexico in partnership with the local NDBs. This includes prior work with BANCOMEXT specifically, which has served to build an enduring and robust relationship between the two institutions, which is expected to contribute to the efficient development of the program.</p>
<p>(6) Additional costs and risk premium</p>	<p>During the last years, photovoltaic (PV) technologies have gradually become more competitive in the Mexican market. However, the development of distributed generation systems (required to fulfill the policy objectives of the country) still faces financial barriers and requires the support of concessional resources. The proposed Program aims at addressing these barriers by funding private sector renewable energy distributed generation projects in high-potential industrial and services sectors.</p>

⁹ A contingent line operates as an insurance against price and market risks that may affect the economic viability of the projects. It is triggered by a set of pre-established indicators that serve to determine minimum conditions under which the economic-financial viability of a certain project -that is, the recovery of the investment and the debt service- is compromised. The details on how the instrument will operate will be part of the program’s OR.

¹⁰ This OR will include specific conditions and requirements for the use of program resources, including: (i) technical, regulatory and financial criteria for accessing the sub loans; (ii) disbursement mechanisms; (iii) environmental and social safeguards requirements; and (iv) IDB supervision mechanisms and monitoring and evaluation requirements. BANCOMEXT shall carry out its own supervision process of eligible expenditures that allows for an effective verification of the use of program resources.

Additional CTF investment criteria for private sector projects/ programs	
(7) Financial sustainability	As part of the approval and risk analysis process, BANCOMEXT will make sure that projects financed through the program are financially sustainable. Results from the projects financed are expected to continue over the life of the projects, which shall be at least 7 years.
(8) Effective utilization of concessional finance (including a detailed analysis on how the proposal meets the minimum concessionality principles, and on how it is aligned with the blended concessional finance principles)	In its operations with national development banks, the IDB ensures that the financing to the portfolio of eligible private sector projects complies with the Blended Concessional Finance Principles for Private Sector Projects.
(9) Mitigation of market distortions	The application of the Blended Concessional Finance Principles for Private Sector Projects by BANCOMEXT will ensure that any potential market distortions are mitigated.
(10) Risks	<p><u>Environmental and Social Safeguards Risks:</u> According to Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), this program does not require classification ex-ante. Regarding the focus of the program, aimed mainly to SMEs that will be on manufacturing and services sectors with small-scale EE and DG projects, no significant risks and impacts are anticipated. This operation is pre-classified as Financial Intermediation-moderate Risk (FI-2). However, to ensure proper environmental and social risk management, it has been agreed to include the environmental and social management system as part of the OR and to also include the tools, procedures, and requirements necessary to ensure adequate risk management in projects financed by BANCOMEXT, by both national legislation and the safeguards policy of the IDB.</p> <p><u>Fiduciary Risks:</u> An institutional analysis of BANCOMEXT was carried out in 2015, in the context of the preparation of a previous program financed by the IDB, applying IDB’s Institutional Capacity Assessment System (SECI in Spanish). The analysis showed a weighted average rating of 99%, indicating a satisfactory level of development and a low risk for project execution. The suitability of their fiduciary systems has been confirmed during the visit performed in 2017. The fiduciary team was able to verify that their internal control environment, as well as their systems, are</p>

	<p>adequate for the management of this new operation. Therefore, the fiduciary risk is considered low.</p> <p><u>Development risk:</u> A medium risk has been identified that program resources might not be sufficient to meet the increasing demand for funding for SMEs if the sanitary and economic crisis worsens and/or continues. To mitigate this risk, the IDB will seek continued coordination with BANCOMEXT to ensure that the response is timely linked to the financing needs of their client SME. In addition, BANCOMEXT has other complementary programs and sources of funding to meet upcoming needs in the period of economic recovery.</p>
<p>12. For DPSP projects/programs in non-CTF countries, explain consistency with FIP, PPCR, or SREP Investment Criteria and/or national energy policy and strategy</p>	
<p>N/A</p>	
<p>13. Stakeholder Engagement</p>	
<p>The effective implementation of the Program relies on the fact that the proposal and its implementation are being developed in close consultation and collaboration with a number of key actors in Mexico, including the Ministry of Finance (SHP), technology providers, operators, local investors and those financial institutions that are more active in green finance.</p> <p>BANCOMEXT has included RE and energy infrastructure among its strategic lines of operation. In fact as a second tier development bank, it is in a unique position to promote Programs such as the one being proposed, as it can easily establish contacts with all of the relevant public and private sector actors that need to be involved in the promotion and financing of climate change mitigation projects.</p>	
<p>14. Gender Considerations</p>	
<p>The Program will promote gender equality in hiring. The companies will be encouraged to adopt practices such as hiring under equal conditions, review of hiring requirements to detect criteria that potentially exclude women, and the possibility of setting targets related to women's participation. Besides, the project will promote the inclusion of local women in training activities for the construction, operation, and maintenance work that does not require specific qualifications.</p>	
<p>15. For projects/programs with activities in countries assessed as being at moderate or high risk of debt distress, macro-economic analysis to evaluate the potential for the CTF project or program to impact the country's debt sustainability</p>	
<p>N/A</p>	
<p>16. For public sector projects/programs, analysis of how the project/program facilitates private sector investment</p>	
<p>This project will be executed through a national development bank and targets private sector investments.</p>	

17. Indicators and Targets		
Project/Program Timeline		
Expected start date of implementation ^[d]		March 2021
Expected end date of implementation ^[d]		December 2025
Expected investment lifetime in years (for estimating lifetime targets)		15
Core Indicators		Targets^[e]
GHG emissions reduced or avoided over lifetime (tons of CO ₂ -eq)		443,500
Annual GHG emissions reduced or avoided (tons of CO ₂ -eq/year) (specify: upon completion of the project/program / on the maximum year / on a representative year)	Upon Completion	29,566
Installed capacity of renewable energy (MW)		30
Number of additional passengers using low-carbon transport per day		N/A
Energy savings cumulative over lifetime of investment (MWh)		N/A
Annual energy savings (MWh/year) (specify: upon completion of the project/program / on the maximum year / on a representative year)		N/A
Identify relevant development impact indicator(s)		Targets
Direct and indirect jobs created		60
18. Co-financing		
	Please specify as appropriate	Amount (in million USD)
MDB 1	IDB	10
MDB 2 (if any)		
Government		
Private Sector	Financial Institutions and equity of clients	10
Bilateral		
Others (please specify)		
Total		20
19. Expected Date of MDB Approval		
December 2020		

NOTES:

[a] This cover page is to be completed and submitted together with the MDB project/program proposal when requesting CTF funding approval by the Trust Fund Committee.

[b] For products denominated in EUR, please also provide USD equivalent in the column to the left

[c] Please provide the information in the cover page or indicate page/section numbers in the accompanying project/program proposal where such information can be found.

[d] Insert “not applicable” (N/A) if dates cannot be determined at the time of submission (e.g. private sector programs)

[e] Insert value N/A if indicator is not applicable to the project/program.

Version March 2, 2018

General Table of Contents

Cover Page

General Table of Contents and List of Acronyms

Part A: ME-L1300 Project Profile

Part B: ME-T1441 Technical Cooperation Abstract

List of Acronyms

AOP	Annual Operating Plan
BANCOLDEX	Colombian Bank of Foreign Trade
BANCOMEXT	Banco Nacional de Comercio Exterior, S.N.C.
BANXICO	<i>Banco de México</i> (Central Bank of Mexico)
BNDES	Brazilian National Bank for Economic and Social Development
CCLIP	Conditional Credit Line for Investment Projects
CIF	Climate Investment Funds
CNBV	Comisión Nacional Bancaria y de Valores
COP	Conference of the Parties
CTF	Clean Technology Fund
DD	Difference-in-Difference
DG	distributed generation
DPSP	Dedicated Private Sector Programs
EA	Executing Agency
ECLAC	Economic Commission for Latin America and the Caribbean
EE	energy efficiency
E&S	Environmental and Social
ESMF	Environmental and Social Management Framework
FE	Fixed Effects
FI	financial intermediaries
FINEP	Financiadora de Estudos e Projectos
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoM	Government of Mexico
IDB	Inter-American Development Bank
IEA	International Energy Agency
IMF	International Monetary Fund
INEGI	<i>Instituto Nacional de Estadística y Geografía</i> (National Statistics and Geography Institute)
IPEA	<i>Instituto de Pesquisa Econômica Aplicada</i>
LAC	Latin American and the Caribbean
MARVIm	<i>Modelo Automatizado em R para Verificação de Impacto</i>
MDB	Multilateral Development Banks
MSME	Micro, Small and Medium-Sized Enterprises
NAFIN	<i>Nacional Financiera S.N.C., Institución de Banca de Desarrollo</i>
NAFTA	North American Free Trade Agreement
NDB	national development banks
NDC	Nationally Determined Contributions
OC	Ordinary Capital
OECD	Organization for Economic Co-operation and Development
OR	Operating Regulations
OVE	IDB's Office of Evaluation and Oversight
PCR	Project Completion Report
PEMEX	<i>Petróleos Mexicanos</i>
PRODESEN	<i>Programa de Desarrollo del Sistema Eléctrico Nacional</i> (Program for the Development of the National Power System)
PSM	Propensity-Score Matching

PV	solar fotovoltaic
PwC	PricewaterhouseCoopers
RAIS	<i>Relação Anual de Informações Sociais</i>
RE	renewable energy
SECEX	<i>Secretaría de Comercio Exterior</i>
SECI	Institutional Capacity Assessment System
SERASA	<i>Centralização de Serviços Bancários</i>
SHCP	<i>Secretaría de Hacienda y Crédito Público</i> (Ministry of Finance)
SMEs	Small and Medium-Sized Enterprises
TC	Technical Cooperation
TFC	Trust-Fund Committee
WHO	World Health Organization

PART A: ME-L1300 PROJECT PROFILE

MEXICO

I. BASIC DATA

Project Name:	Global Credit Program to Support Economic Recovery in Mexico		
Project Number:	ME-L1300		
Project Team:	Enrique Nieto (IFD/CMF), Project Team Leader; Fernando de Olloqui (IFD/CMF), Alternate Leader; Leticia Riquelme (CMF/CME); Jose Antonio Urteaga (INE/ENE); Isabelle Braly, Claudia Marquez, Fanny Porras (IFD/CMF); Claudio Alatorre (CSD/CCS); Monica Lugo (LEG/SGO); Jacqueline Bueso-Merriam (SPD/SDV); Miriam Garza, Ariel Rodriguez (VPC/FMP); Claudia Grayeb, Miguel Taborga, Uriel Barrios (CID/CME).		
Borrower and Executing Agency:	Banco Nacional de Comercio Exterior (Bancomext)		
Guarantor:	United Mexican States		
Financial Plan:	Clean Technology Fund (CTF) Loan:	US\$	9,000,000
	Operational Support (Grant.)	US\$	953,000
	IDB (Ordinary Capital):	<u>US\$</u>	<u>310,000,000</u>
	Total:	US\$	319,953,000
Safeguards:	Policies triggered: B.1, B.2, B.3, B.7, B.10, B.11, B.13 Classification: Not required		

II. GENERAL JUSTIFICATION AND OBJECTIVES

A. Background and justification

- 1.1 Mexico's Gross Domestic Product (GDP) growth has been weakening since 2015, falling from 3.3% in that year to 2.1% in 2017-2018. Economic conditions were mainly affected by the uncertainties generated by the North American Free Trade Agreement (NAFTA) renegotiation process and heightened international tension, as well as issues at the local level. In 2019, the country had already experienced an important economic downturn, reflected in a GDP reduction of 0.1%.¹ The Mexican economy had continued to exhibit resilience in the face of a complex global environment, while inflation remained restrained around the central bank's target. However, weak investment persisted, and private consumption had slowed, reflecting policy uncertainty, weakening confidence, and rising borrowing costs, expected to climb further following a sovereign rating downgrade. By January 2020, projections estimated a 1% growth for 2020 and 1.6% for 2021.²
- 1.2 In this context, the COVID-19 pandemic arrived in Mexico in February 2020, generating unprecedented impacts that are driving the economy into deep

¹ International Monetary Fund (IMF) and [World Bank Indicators](#).

² IMF, "World Economic Outlook Update", January 2020.

recession.³ By April 2020, Mexico's growth projections for 2020 were downsized to -6.6% and currently range between -9% and -10.5%.⁴ The impact on Mexico's economy is compounded by the fall in oil prices (projected in -40.2% for 2020),⁵ international financial markets volatility, and disruptions to global value chains on which Mexico strongly depends. Monetary policy is expected to loosen further to accommodate for the lost demand and preserve the functioning of financial markets. However, Mexico's fiscal response has been relatively weak compared to other G20 countries, risking a slower recovery and further costs to the economy in the medium term

- 1.3 According to the United Nation's Economic Commission for Latin America and the Caribbean (ECLAC) there are five main channels by which the COVID-19 crisis affects the region's economy: (i) a decline in economic activity in several of the region's main trading partners,⁶ which will impact exports of goods; (ii) a lower demand for tourism services; (iii) the interruption of global value chains; (iv) the drop in commodities prices; and (v) greater risk aversion on the part of investors and the worsening of global financial conditions.⁷ The economic downturn, in fact, is expected to have a significant impact predominantly on businesses that rely heavily on exports and tourism, and within those, on Small and Medium Enterprises (SMEs) in particular.⁸
- 1.4 Micro, Small and Medium Enterprises (MSMEs) are the bulk of Mexico's economy, and the most important source of employment across various sectors. According to Mexico's Instituto Nacional de Estadística y Geografía (INEGI), as of 2018 there were approximately 4.8 million MSMEs, which account for 99.8% of the number of economic units and 68.4% of total jobs in the country. In general, smaller firms are more vulnerable to economic shocks. Due to their relatively fragile financial structure, they are more dependent on liquidity financing in the face of fluctuations in the economic cycle. In times of crisis, such as the current COVID-19 scenario, credit restrictions increase, which can have a significant effect on SMEs in that they are no longer able to sustain production or employment. In fact, thousands of SMEs around the world have been forced to temporarily close, reduce their workforce or exhaust their liquidity reserves. This is particularly relevant in countries like Mexico, where SMEs are predominant, more so in sectors that have been hit hard by the pandemic. Broadly speaking, all non-essential industries and services have been more severely affected by lockdown measures and the suspension of domestic and international activities. The dual effect of reducing economic activity and increasing restrictions in access to credit substantially increases risks for SMEs, including those that had no commercial viability

³ Since February 28, 2020, there have been 671,716 confirmed cases of COVID-19 and 71,049 deaths in Mexico. World Health Organization (WHO) [Coronavirus Disease \(COVID-19\) Dashboard](#), last accessed on September 16, 2020.

⁴ IMF and ECLAC, July 2020.

⁵ ECLAC projections as of July 2020.

⁶ GDP is projected to fall by 6.5% and 8.7% in the United States and the Eurozone, respectively (Federal Reserve and European Central Bank estimations). China is not projected to grow more than 1%, after two years experiencing over 6% growth.

⁷ ECLAC, "COVID-19 Will Have Grave Effects on the Global Economy and Will Impact the Countries of Latin America and the Caribbean", [Press Release](#), March 2020.

⁸ Existing literature supports the idea that SME are more sensitive to economic fluctuations because they face higher credit restrictions. Gertler, M. y Gilchrist, S., "Monetary Policy, Business Cycles, and the Behavior of Small Manufacturing Firms", *Quarterly Journal of Economics*, Vol. 109, N° 2, 1994.

problems before the crisis. With the decline in income, businesses have started to face liquidity issues, which in many cases could lead to closure if timely access to financing is not provided.⁹

- 1.5 In addition, in July 2020, the new Trade Agreement between Mexico, the United States and Canada (T-MEC), which replaces the Free Trade Agreement (NAFTA), entered into effect. The T-MEC will allow the integration of North American industries and is expected to enhance the competitiveness of the region as an export power for high-quality products, as well as an optimal destination for developing foreign direct investment. The entry into force of the T-MEC will contribute to give greater dynamism to the Mexican economy by strengthening the rules and procedures to achieve greater liberalization of the market, fairer trade and strong economic growth in the region. Its content gear around 4 axes of action: promoting free trade, establishing clear rules, greater certainty and preserving the integration of North America. BANCOMEXT, Mexico's foreign trade bank, is well positioned to boost value chains in export sectors through SMEs.
- 1.6 Mexico's energy sector has been of strategic importance to the economy and is a key driver of economic growth and productivity. However, despite a comprehensive legal reform in 2013 that improved the competitiveness of the energy value chain by eliminating barriers to private participation and strengthening public companies and regulators, since 2015 consumption has surpassed primary energy production levels.¹⁰ The energy deficit threatens Mexico's ability to meet its increasing energy needs, as demand will continue to grow in the economic recovery phase and in the long-term. It is also among the productive sectors that can be considered most vulnerable in Mexico to the COVID-19 crisis, together with certain manufacturing sectors (textile, automobile parts), tourism, and commerce.¹¹
- 1.7 Addressing the long-term energy security and emissions reduction challenges largely depend on commitments to increase the share of clean energy in the electric power system. Mexico is endowed with significant renewable energy resources. The potential for using these in power production is conservatively estimated at 397 GW, almost twenty times Mexico's current total power generation capacity. About 60% of this potential is solar power.¹²
- 1.8 Energy Efficiency and Distributed Generation (DG) systems based on clean sources can help achieve government goals for cleaner energy generation and GHG emission reduction. Energy regulation in Mexico allows for self-generation systems in small businesses up to 30KW without special permits requirements, and up to 0.5MW with a simple grid connection.¹³ Based on this, more than a quarter of Mexico's MSMEs could benefit from installed DG in the long-term. In addition, local regulation allows net-metering for rooftop solar Photo-voltaic (PV)

⁹ ECLAC, "Addressing the Growing Impact of COVID-19 with a View to Reactivation with Equality: New Projections", July 2020.

¹⁰ Deficits have reached 29.8%. *Secretaría de Energía (SENER) (2019), [Balance Nacional de Energía 2018](#).*

¹¹ [Vulnerabilidad de Sectores Productivos ante Expansión del COVID-19 en México](#).

¹² SENER, [Prospectiva de Energías Renovables 2017-2031](#), (2017).

¹³ A proposal to increase this limit to 1MW is under evaluation by the government.

- systems.¹⁴ As solar PV costs decline,¹⁵ opportunities for massive development of DG in Mexico are likely to emerge.¹⁶ Furthermore, energy efficiency projects in MSMEs improve productivity since the same product or service is provided with less energy use, allowing to save costs while reducing electricity demand and emissions of CO₂ and other pollutants.
- 1.9 Efficient energy and distributed generation are becoming increasingly important for small and medium-sized enterprises. The positive effects are obvious, as businesses save finite resources, become less vulnerable to energy price fluctuations and, not least, are rewarded for their efforts with lower energy costs. A visible change in awareness is underway in the SME sector, although many enterprises and financial intermediaries (IFIs) have not already recognized that energy efficiency investments are worthwhile.
- 1.10 One of the objectives of this operation is to support the implementation of Energy Efficiency (EE) and Distributed Generation (DG) by addressing informational, technical barriers and other real or perceived risks that have prevented the supply of and the demand for financing for EE and DG investment projects.
- 1.11 In particular, this financing will support the implementation of an strategy for the promotion of EE and DG Investment Projects” by: (i) providing technical and coordination support to BANCOMEXT, training relevant stakeholders, and actively promoting the strategy among IFIs and SMEs linked mainly to the industrial, and services sectors, energy services and EE including distributed generation equipment suppliers, and intermediary financial institutions (IFI); and (ii) stimulating the demand for EE investments through dedicated demand incentives like a performance guarantee facility.
- 1.12 Apart from its direct results in terms of energy savings and GHG emissions reductions, it is hoped that the market structuring efforts and risk mitigation tools to be developed could also result in increased market confidence on the services provided by energy service and EE and DG equipment suppliers as well as in a lower perception of risk by IFIs and SMEs on EE and DG projects.
- 1.13 The opportunities to finance EE and DG in the SMEs sector, present some barriers to gain access to credit that are either related to lack of knowledge by local financial intermediaries and final beneficiaries and/or by the perceived risks of those actors. In order to address these barriers, this financing line is accompanied with a set of activities that address the these knowledge and risk gaps, ensuring that any real or perceived risks are addressed, and that the projects supported result in actual energy savings and greenhouse gas (GHG) emission reductions.

II. Intervention proposed and program objectives

- 2.1 The general objective of program under the is to support the sustainable recovery of Mexico’s economy and jobs in the face of the COVID-19 pandemic crisis. The

¹⁴ Net-metering is a mechanism that offers credits to self-generators in exchange for the excess energy they produce and send back to the grid. In practice, it is used as “roll-over energy” that can be used later in time.

¹⁵ The price of solar PV equipment has declined by more than 90% in the past 30 years.

¹⁶ IEA, [“Energy Policies Beyond IEA Countries, Mexico”](#), (2017).

- specific objective is to support the economic recovery of SMEs in the manufacturing and tourism sectors through financing for productive investment, including investment for energy efficiency through distributed generation.
- 2.2 **Single component: Long-term repayment credit lines.** The program will be implemented through a single financing component under which BANCOMEXT will use program resources to provide long-term financing for eligible SMEs in the manufacturing and tourism sectors. Resources will be allocated mainly through second-tier subloans via commercial intermediary financial institutions (IFIs) and used exclusively for productive investment needs for recovery. Priority will also be given to energy efficiency / distributed generation projects to foster productivity. The single component's resources will be channeled through BANCOMEXT's second tier programs with eligible IFIs.
- 2.3 CTF resources will be used exclusively for the financing of solar PV DG projects, in the two following modalities:
- i. Concessional loans (US\$9 million), to blend-finance specific solar PV DG projects to address market failures in the financing of SMEs interested in developing these types of projects.
 - ii. Technical assistance (US\$ 953,000), to finance activities to support the implementation of the distributed generation projects, build methodologies to create suitable portfolios of PV distributed generation projects and , the development of bankable business and financing models, market studies, capacity and training, institutional coordination, and dissemination.
- 2.4 Direct beneficiaries of the program will be MSMEs and private sector developers of power generation projects from clean energy sources. Additional specific eligibility criteria will be established in the program's Operating Regulations.
- 2.5 Results indicators for the program are expected to include the amount of financing provided, the total investment leveraged, the amount of energy produced from clean energy sources and the GHG emissions reduced.

III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

- 3.1 The program consists of a Global Credit Operation to be executed by BANCOMEXT. Financing for the program will be US\$319 million, of which \$310 million is from the Bank's Ordinary Capital¹⁷ and US\$9 million from reimbursable CTF resources.
- 3.2 BANCOMEXT is a Mexican development bank with the mandate to facilitate access to credit for SMEs, entrepreneurs, and priority investment projects to support the value chain for exports and foreign trade and foreign exchange

¹⁷ Consistent with the overall leverage ratio requirement by which CTF resources must be matched with at least equal amounts of co-financing from other sources, at least US\$10 million of IDB resources should be used to finance solar PV DG projects.

currency generation in a number of productive sectors mainly industrial and services.

- 3.3 **Lessons learned.** Prior to the COVID-19 crisis, the IDB successfully implemented several operations of second-tier financing for SMEs in different sectors via NDB, including in Colombia (4439/OC-CO), Chile (3677/OC-CH), El Salvador (3271/OC-ES), Mexico (3531/OC-ME), Nicaragua (3042/OC-NI), Paraguay (3354/OC-PR), and Brazil (2236/OC-BR). Three programs were also carried out under the CCLIP ME-X1010 (US\$1,200 million), (2226/OC-ME, 2671/OC-ME and 2843/OC-ME),¹⁸ to promote the development of SMEs in the domestic oil industry value chain and to provide medium and long-term financing for renewable energy projects. Derived from the government's strong drive to Greenhouse Gas (GHG) reduction and complemented with resources allocated from the Clean Technology Fund (CTF), the programs focused on renewable energy projects showed exceptional results. The previous loan under the CCLIP (4666/OC-ME to increase the long term penetration into 4G mobile broadband or higher through the building of the Shared Network in Mexico) is in the process of closing, and expected to be satisfactorily executed within their different stages in the IDB project cycle. Also, loan 3563/OC-ME, (Financing Program for Investment and Risk Management in Gas and Clean Energy), previous to the CCLIP, was fully and successfully disbursed with a Project Completion Report (PCR) of the program currently in process and expected to be satisfactorily executed, demonstrating BANCOMEXT excellent level of performance in its execution. This program is consistent with previous efforts to support SMEs, adapted to the current COVID-19 context. Since the outbreak of the pandemic, the IDB has developed a series of emergency programs with aims to support financing of SMEs in the region, including Mexico.
- 3.4 The Bank also has ample experience in developing and financing energy infrastructure projects with NDB in Mexico, including several successful operations with NAFIN under the CCLIP ME-X1010 to promote clean energy (2226/OC-ME, 2671/OC-ME, 2843/OC-ME and 3178/OC-ME), as well as 3237/OC-ME for gas, cogeneration and RE markets. These efforts have been accompanied by technical cooperation for building institutional capacity in developing renewable energy projects (ATN-13989-ME and 2631/TC-ME). Among the main lessons learned are: (i) the relevance of contributing to knowledge building in the management of energy efficiency and ER projects that allow for better project design; and (ii) the importance of developing tools and techniques to standardize lending operations and structure new financing schemes, mobilizing resources from other third-party funding sources.
- 3.5 **Strategic Alignment.** The program is consistent with the Second Update of the Institutional Strategy (UIS) (AB-3190-2), particularly with the challenges of: (i) Social Inclusion and Equality, by supporting SMEs in more vulnerable sectors; (ii) Productivity and Innovation, as it promotes access to finance by SMEs; and (iii) Climate Change, specifically via the energy efficiency investments

¹⁸ [2226/OC-ME](#) Program to Promote the Development of SME Suppliers and Contractors National Oil Industry (US\$301 million); [2671/OC-ME](#) Second Individual Operation for Entrepreneurial Development in Mexico (US\$50 million), [2843/OC-ME](#) Third Individual Operation for Entrepreneurial Development in Mexico (US\$100 million).

financed. It is also consistent with IDBs priorities as set out in its integrated strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy. Following the joint Multilateral Development Banks (MDB) approach on climate finance tracking, 6.2% of IDB funding for this project will be invested in climate change mitigation activities and will contribute to the IDB Group's climate finance goal of 30% of operational approvals by year's end 2020. The program will contribute to the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12) through the following indicators: (i) increasing the number of SMEs financed; (ii) emissions avoided; and (iii) installed power generation capacity from renewable sources. The program is also consistent with the Support to SMEs and Financial Access/Supervision Sector Framework Document (GN-2768-7), which underlines the importance of promoting access to financing by the productive sector in the region. It is also aligned with the IDB Country Strategy for Mexico 2019-2024 (GN-2982), in its priority area of boosting investment, specifically contributing to the strategic objective of strengthening access to credit and the expected outcome of increased bank lending to the private sector by development banks. Finally, the operation is included in the Update of the Annex III of the 2020 Operational Program Report (GN-2991-3).

IV. ENVIRONMENTAL SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 According to Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), the proposed program is classified as a financial intermediary operation and as such is not categorized ex ante. Based on the E&S due diligence conclusions, as well as the intended use of proceeds as further described, this operation is classified as moderate risk financial intermediation. BANCOMEXT's capacity in the management of E&S risks is considered high. Potential E&S risks and impacts of eligible projects are low to moderate and will be managed through the application of an extended exclusion list, the compliance with BANCOMEXT policies and processes, the compliance with local legislation and additional specific requirements. Category "A" projects will be excluded. All those requirements will be integrated into the OR, the approval of which by the IDB is a contractual condition prior to first disbursement..
- 4.2 As a result of previous experiences as executing agency, fiduciary screening suggests that BANCOMEXT has a good control environment, systems, processes and records for the execution of operations and identification of expenses financed with Bank resources. The fiduciary team was able to verify that the internal control environment, as well as the systems, are adequate for the management of this new operation, and considers that there is a low fiduciary risk.
- 4.3 **Other risks.** There is a high risk that pipeline projects may be negatively affected by administrative provisions affecting the electricity market, particularly renewable energy. There are medium risks pertaining to: a deterioration in economic conditions could have a negative impact on investment in power generation projects and the financial viability of existing projects, affecting the expected results of the operation; and delays in implementation of the projects financed under Component 2, due to the nature of energy projects.

V. RESOURCES AND TIMETABLE

- 5.1 Distribution of the POD for Quality and Risk Review (QRR) is already been done, approval of the Loan Proposal (LP) by the Operations Policy Committee (OPC) is expected by October 23rd, 2020, and consideration of the LP by the Executive Board of Directors is expected by November 23rd, 2020.

Part B: ME-T1441 Technical Cooperation Abstract

PROGRAM FOR ENHANCING THE INSTITUTIONAL CAPACITY OF BANCOMEXT TO DESIGN AND IMPLEMENT THE PROGRAM TO SUPPORT ECONOMIC RECOVERY IN MEXICO

I. Basic project data

▪ Country/Region:	Mexico
▪ TC Name:	Program for Enhancing the Institutional Capacity of BANCOMEXT to implement the Program to support Economic Recovery in Mexico.
▪ TC Number:	ME-T1441
▪ Team Leader/Members:	Enrique Nieto (IFD/CMF), Team Leader; Maria Netto (IFD/CMF), Alternate Team Leader; Fernando de Olloqui, Leticia Riquelme, Claudia Marquez and Fanny Porras (IFD/CMF); Claudio Alatorre (CCS); Edna Miranda (CID/CEM); Jose Antonio Urteaga (INE/ENE).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	ME-L1300 Global Credit Program to Support Economic Recovery in Mexico
▪ Reference to Request:	
▪ Date of TC Abstract:	09/10/2020
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Mexico / BANCOMEXT, National Development Bank.
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	IDB – IFD/CMF
▪ IDB Funding Requested:	US\$953,000 from the Institutional Capacity Strengthening and operational support
▪ Local counterpart funding, if any:	Counterpart resources would be equivalent to 20% (US\$190,600) and will be provided in kind in the form of logistical and staff support.
▪ Disbursement period (which includes execution period):	60 months
▪ Required start date:	01/01/2021
▪ Types of consultants (firm or individual consultants):	Firm and individuals
▪ Prepared by Unit:	IFD/CMF
▪ Unit of Disbursement Responsibility:	IFD/CMF
▪ Included in Country Strategy (y/n);	Y
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	The proposed TC is closely related to one of the institutional priorities of the IDB under the GCI-9. Protecting the Environment and Responding to Climate Change.

II. Objective and Justification

- 2.1 The main objective of this technical cooperation (TC) is to support BANCOMEXT in to develop relevant institutional capacities and operational support to design and implement the Program to Support Economic Recovery in Mexico. IDB is financing with special attention to Energy Efficiency-Distributed Energy developments and the environmental and social benefits of the projects they will finance.

- 2.2 **The transition to a low-carbon system** requires building flexible power systems that can manage the variability of the renewable sources. Wind and solar alone cannot guarantee the scale and continuity needed to efficiently respond to the country's energy demand. This is especially critical in the case of industrial sectors that require high-temperature heat and uninterrupted supply. Combining renewable utility-scale generation with readily on base-load power plants and smaller-scale distributed generation sources and storage can help address this issue.
- 2.3 **Financing still represents a barrier to meeting the investment needs for energy Efficiency and Distributed Generation.** The availability of financial resources is essential in supporting the progress of these investments at the pace needed. However, difficulties in the financing of infrastructure prevail, as a result of shortage of credit or inadequate conditions of available resources in terms of price, tenors or collateral requirements. According to the International Energy Agency (IEA), in Mexico, the availability of credit has been of particular importance in reducing the cost of capital and making recently developed projects viable. Going forward, an estimated investment of US\$10 billion per year will be necessary to cover the increase in the demand for electricity by 2040. More than 40% of these investments will go to new capacity from clean energy (wind and solar).
- 2.4 **The banking sector has a relatively small share of long term loans in its portfolio.**¹ While institutional investors shy away from ventures considered relatively high risk.² The low levels of bank credit to the private sector and the incipient participation of capital markets in the sector combine structural and circumstantial factors, including: (i) the risk profile of energy efficiency – distributed generation projects, high initial investment required and the long payback periods; (ii) the limited technical capacity of the financial system to evaluate and manage projects with more complex financial structures and/or unknown risks; (iii) the allocation of capital by the banking system, which prioritizes lower-term lending and less use of capital due to financial regulations (e.g. Basel III); and (iv) the incipient development of capital market instruments at the regional level. All these factors have resulted in the lack of adequate financial instruments to fund energy projects, which translate in high transaction costs and high interest rates or excessive requests for collateral. Some resident foreign banks have been active in financing energy efficiency and distributed generation, seemingly on account of their matrix' business ties with the partners in the development (Bancomer, Santander, Citibank) but, as stated above, the rhythm and scale of energy efficiency and distributed generation investments should improve if financial resources at competitive rates were made available to developers.
- 2.5 **Because of this market failure, national development banks (NDB) have acquired an important role in boosting investment in the sector,** assuming the incremental risk and making available financial and risk mitigation instruments to incentivize the participation of commercial banks in the financing of these investments.³ In addition, NDBs

¹ The average maturity of loans to firms by the banking sector, as a whole, stands at 26 months. The banking sector is financing working capital, much less investment projects, certainly not infrastructure.

² The main institutional investors, pension funds, are smaller in Mexico than in the rest of LAC, total funds at 14% of GDP (vis a vis 22% in LAC) and their investment profile is conservative, partly on account of compulsory regulations, and based on hold-to-maturity strategies that limit choices (and impact market liquidity).

³ Smallridge, D., et al., "[The role of national development banks in catalyzing international climate finance](#)", IDB, March 2013.

also play their part in facilitating access to national and international climate finance funds, and in combining all available sources of funding efficiently, within the framework of the energy transformation process.⁴ This has proven effective in prior similar programs with Mexican NDBs. For instance, the Renewable Energy Financing Facility (REFF) executed by NAFIN and financed by the IDB and the CTF, offered an instrument to finance renewable energy infrastructure. The instrument effectively addressed perceived risks of these projects, offering interest rates and tenors that made it possible to achieve financial viability in the structuring of the projects, without impacting the required profitability to the private developer. In addition, TC activities helped NAFIN enhance its capacity to analyze these projects and achieve financial efficiency in the allocation of resources, turning the institution in a reference model for the financing of the sector. With a total cost of US\$210 million, the REFF mobilized some US\$1,400 million in financing from third parties. The development of these projects increased participation of commercial banks in the financing, and in some cases also mobilized financing from the capital markets.

III. Description of activities and outputs

- 3.1 The TC proposes to support the strengthening of the institutional capacity and operational support for BANCOMEXT through the following activities:
- (i) Market assessments of the Distributed Generation in different sectors of SMEs in Mexico. This component will result in a more deeply assessment of the actual demand for Distributed Energy in different sectors of the Mexican economy.
 - (ii) Capacity building and Institutional strengthening. This component will support Bancomext and possibly some of its intermediaries in the development of institutional capacities for the implementation of the Program, operational support and development of human resources capabilities in support of Bancomext own structures to develop performance monitoring, training and communication plans to implement and operate the program, including budgets, methodologies and systems for implementation. It would support Bancomext not only in tracking and analyzing the impact of their portfolio in terms of environmental and social benefits, but also in defining the added value these benefits could have in the development of the Program as well as in the identification of the relevant sectors and types of clients.
 - (iii) Development of monitoring and verification systems of results. Based on Activities 1 and 2 above, the Bancomext would be supported in developing a results-based framework for assessing the results of their portfolio. The application of the system will allow for the identification of needed adjustments of the systems as well as the metrics and indicators specified in the diagnostic and planning phases.
 - (iv) Support for market failures. The development of new programs always implies that demand is not necessarily ready to take the risks implied by new technologies. This is the case in distributed energy for SMEs and especially with new storage technologies. This component is been defined as a possibility to contribute mainly when intermediaries are in place, to support specific transactions where risks are perceived as high.

⁴ Carlino, H., et al., [El papel central del financiamiento en el Acuerdo de París y las oportunidades para los bancos nacionales de desarrollo](#), IDB, 2017.

IV. Budget

4.1 Below is a cost estimate and sources of funds:

Component	Description	CTF Funding*	Total Funding
Component 1	Diagnosis and identification of priority sectors of interventions in distributed and/or storage energy	100,000	100,000
Component 2	Capacity Building and Institutional Strengthening	400,000	400,000
Component 3	Support for Market failures **	453,000	453,000
Total		953,000	953,000

* The amounts correspond to the CTF Funds of this TC. Bancomext will contribute with “in kind resources”.

** In the event of no necessity to support market failures, the funds will be re-distributed in Components 1 and 2

V. Executing agency and execution structure

5.1 The administrative and technical supervision of the proposed technical assistance program will be under the responsibility of IFD/CMF.

5.2 It is also important to note that this TC would be complementary with a number of other efforts IFD/CMF has been undertaken with Bancomext to promote green financing lines, in particular efforts to support the development of internal environmental and social risks management systems (i.e. RG-T2166), to design financing green strategies (RG-T2160) and to exchange experiences on environmental lines (RG-T2159).

VI. Project Risks and issues

6.1 This technical cooperation requires a strong counterpart and ownership of the beneficiary. It is expected that Bancomext will make staff and resources available for its implementation. CMF will ensure that Bancomext agree to provide counter-part resources in kind as a condition to receive support from this initiative, being the most important one the allocation of dedicated staff to implement and follow up the Program results. Regarding the evaluation of this initiative, a budget of US\$20,000 will be put aside to develop a methodology for such an evaluation.

VII. Environmental and Social Classification

7.1 Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C.