

Fact Sheet

Title of the proposed Joint Programme Innovative financing schemes for climate resilience, gender equality and the creation of green jobs, aimed at strengthening the agro-industry and the social economy in the South-Southeast region of Mexico

UNCT Mexico

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Relevant UNDAF Outcome/s and Output/s

-The proposal is aligned with the UNDCF 2020-2025, specifically with Outcomes : 1, 4, 6 and 7.

1. By 2025, the Mexican State has a comprehensive strategy for social development, combating multidimensional poverty and inequality, with an integrated approach to human rights, gender, interculturality, life cycle and territory, which incorporates redistributive mechanisms to leave no one behind.

4. By 2025, the Mexican State has a productive development strategy that promotes associativity, innovation, productivity and competitiveness, as well as the increase of national content in productive chains with better governance for equality, based on the human rights framework and with a gender perspective.

6. By 2025, the Mexican State implements policies, strategies, and programs to move towards a green economy that promotes climate change mitigation and the strengthening of the institutional framework, considering energy efficiency, the promotion of renewable energy, as well as sustainable production, consumption, transport, cities and agriculture; with a focus on health, human rights, gender, interculturality, life cycle and territory.

7. By 2025, the Mexican State reinforces its capacities for adaptation and resilience in the face of climate variability and climate change, through policies, programs, tools and multi-sector services, with emphasis on the most vulnerable population groups and territories, which consider integrated management of water and of disaster risk and based on sustainable management of ecosystems.

Relevant objective/s from national strategic document/s

The proposal is aligned with the National Strategy for Agenda 2030, which states that it will promote the consolidation of a financial system promoting wellness by strengthening the institutional and human capacities of financial institutions, especially those who work with the social and community sectors of the economy. Additionally, the JP will contribute to national priorities for the 2030, such as work in a national strategic plan to promote greater access to financial services designed based on demographic characteristics and territories of priority populations; and facilitate access to financial instruments for producers that incorporate sustainable practices in their models of production, as well as to protect the sector from exogenous risks.

The proposal is also aligned with the strategic lines of the institutions listed below

Trust Funds for Rural Development (Fideicomisos Instituidos en Relación con la Agricultura, FIRA):

3. Climate action and sustainability of agri-food production, including water, energy, underwater life, terrestrial ecosystems and rural communities.

4. Industry, innovation and infrastructure.

6. Decent and responsible work

7. Reduction of inequalities

8. Gender equality

National Institute for Cooperatives and the Social Economy (INAES):

1. Make the social sector of the economy visible as a key factor in the country's economic development.
2. Develop the capacities of the Organizations of the Social Sector of the Economy (in technical, organizational, administrative, financial, commercial aspects, etc.)
3. Promote investment projects that increase opportunities for productive and labor inclusion in the Social Sector of the Economy.
4. Contribute to strengthening the operating capacities of social banking and boost its savings and business financing activities.
5. Promote the adaptation of the legal and regulatory framework conducive to the development of the social sector of the economy.
6. Promote inter.-institutional coordination of governments in the field of social economy.

SDG targets on which the progress will be accelerated (includes targets from a range of SDGs and development pillars)

Goal 1: End Poverty 1.a

Goal 2: Zero Hunger 2.3
2.4

Goal 3: Good Health and Well-Being

Goal 4: Quality Education

Goal 5: Gender Equality 5.5
5.a
5.c

Goal 6: Clean Water and Sanitation

Goal 7: Affordable and Clean Energy

Goal 8: Decent Work and Economic Growth 8.3
8.10

Goal 9: Industry, Innovation and Infrastructure 9.3

Goal 10: Reduced Inequalities 10.2

Goal 11: Sustainable Cities and Communities

Goal 12: Responsible Production and Consumption

Goal 13: Climate Action	13.1
	13.2
	13.3

Goal 14: Life Below Water

Goal 15: Life On Land

Goal 16: Peace, Justice and Strong Institutions

Goal 17: Partnerships for the Goals

Self-Assessment

The proposal reflects the integrated nature of the SDGs	Yes
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The proposal is based on an inter-agency approach (two or more UN entities involved), with RC coordinating Joint Programme preparation and implementation	Yes
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The proposed results are part of the UNDAF and aligned with national SDG priorities	Yes
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The proposed Joint Programme will be led by government and include key national stakeholders	Yes
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The proposal is based on country level consultations, as explained in the Concept note, and endorsed by the government (the letter of endorsement)	Yes
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The proposal is based on the standard template for Concept Notes, it is complete, and it includes:

- **Theory of Change demonstrating contribution to SDG acceleration and transformation to implement the 2030 Agenda and awareness of relevant financial policy efforts at regional or national level,** Yes
 - **Results-oriented partnerships, including a strategy to engage and partner with IFIs/MDBs,**
 - **“Quick wins” and substantive outcome-level results, and**
 - **Initial risk assessment and mitigation measures.**
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The proposal is expected to leverage resources for the SDGs at scale Yes

Proposal for Joint Programme

1. Summary of the Joint Programme

Although there are funds and bonds encouraging the establishment of green companies, gender equality focused businesses, or other ventures aimed at sustainable development, Mexican financial institutions -public and private- are generally intended for consolidated companies, not for SMEs or companies/producers that require impulse. There are 60 established investment funds in Mexico, but only 15 invest in environmental or social impact companies and largely, they only consider companies that generate attractive returns. 90% of SMEs think that sustainability is important to make business. However, more than half of them don't invest in it, because they don't feel safe enough to pursue greener agendas.

The Joint Programme (JP) will enable the channeling and catalyzing of financial resources from two Mexican public institutions towards projects aimed at accelerating SDG's achievement: the Trust Funds for Rural Development (FIRA) and the National Institute of Social Economy (INAES).

Regarding FIRA, the JP will reform and strengthen the financial and technical assistance that FIRA provides to: reduce SME financing access barriers; increase technical skills of those financed to increase competitiveness/productivity; strengthen gender vision and promote value chain resilience against climate change; by reforming two existing financial mechanisms that annually mobilize around USD32 MD: the Special Fund for Technical Assistance and Guarantee for Agricultural Credits (FEGA), and the National Guarantee Fund for the Agricultural, Forestry, Fisheries and Rural Sectors (FONAGA).

These mechanisms converge in a mega development project: the "Tropical Dairy System", intended at reconverting the dairy-bovine value chain in Mexico's South-Southeast region.

The JP will reform the operation of both financial mechanisms by introducing PUNO sustainability concepts and services in their procedures, while strengthening FIRA's institutional capacities, and the SME's -and other organizations/producers- in such value chain. Concerning INAES, the JP focuses on designing and implementing a new strategy that promotes Social Economy's Green Businesses. For that, a guarantee fund will be created to reduce financial inclusion barriers faced by Social Economy Organizations' (SEO), generally ineligible for credit due to incapacity to provide financial guarantees. The fund will leverage them eligible to be financed by development and social banks, mainly. PUNO will contribute to strengthening capacities in INAES and its SEO final-users, to carry out inclusive and green businesses, aligned to SDGs.

Lastly, the JP will create synergies between FIRA and INAES to enable SEO's financial inclusion. Private sector's dairy-bovine value

chain major driving companies will be strategic partners to achieve the JP's expected results.

2. Thesis and theory of change of the Joint Programme

The major problem addressed by the JP is the reduction of access barriers to financing for SMEs, small and medium producers and specifically women, and SEOs. The main causes of exclusion are: the high level of risk perception that this target population represents to financial service providers, the low availability of guarantees; the high handling costs; and, their weakness of capacities and competences, that is translate into projects that need improvements in managerial, financial and technological skills.

Overall, PUNOs will support FIRA and INAES to tackle the structural barriers that SMEs and SEOs face in accessing the financing for sustainable projects. This change will result in an acceleration in the achievement of the SDGs, in particular 5.5, 5.c, 8.3, 8.10, 9.3, 10.2, 13.1, 13.2 and 13.3.

The project will have three main results:

With the first result of the JP, the financial mechanisms FEGA and FONAGA of FIRA, and the capacities of small, medium producers and women within the bovine-milk value chain, will be strengthened to increase their access and direct the financing of aligned projects with the SDGs.

With the second result, INAES will create a guarantee fund that allow SEOs to access financing from social banks and others, for giving them with sufficient capital to create green businesses.

The third result will be the development of a strategy based on the knowledge and tools of the PUNOs that could be replicated within other value chains and other economic sectors and will allow the acceleration of the financing of sustainable development projects.

The achievement of these results will contribute to the inclusion of the most vulnerable strata of the population within the territories with the greatest gap of financial inclusion. Their increased technical and financial capacities will allow them to develop projects to boost the achievement of the SDGs.

If (a) FIRA and INAES reform and adopt financial criteria, specific products and tools that result in the reduction of access gaps of financing for SMEs and SEO for the generation of productive projects, increasing their productivity and incorporate sustainable development principles; if (b) FIRA, with the support of JP, develops capacities to promote and select projects, particularly for women, that have received its technical assistance aligned with the SDGs; if (c) with the support of the JP, INAES generates the mechanism to grants guarantees towards social economy projects, promoting green businesses, aligned with the SDG goals, being eligible for financing; then (d) FIRA and INAES reform their financing mechanisms to address financial barriers with the incorporation of sustainable development criteria.

Without the JP, FIRA and INAES will have a greater challenge to ensure that resources are directed towards the SDGs, because they

do not have a complete frame of reference nor the required technical tools.

3. What are the expected results of the proposed Joint Programme?

RESULT 1. FIRA has instruments and procedures that consider sustainability and gender equity criteria, as well as strengthened institutional capacities, to promote financial inclusion and guide financing towards the achievement of the SDGs, particularly 5, 8, 9, 10 and 13.

- FIRA has the methodologies, criteria and standards to guide financing towards the fulfilment of the SDGs.
- FIRA has the methodology to promote and finance projects that promote gender equality, in the bovine-milk value chain.
- Capacities created in the institution to design, evaluate, implement and monitor inclusive and sustainable development projects, based on experience in the bovine-milk value chain.
- Technical assistance services participating in the "Tropical Dairy System" project incorporate and disseminate the principles of sustainable production and green technologies.
- Production units that are part of the "Tropical Dairy System" project, increase their productivity in a sustainable way.
- Alliances established with private sector and other public institutions, to strengthen the bovine-milk value chain.
- Coordination between FIRA and INAES, including the development of suppliers in the bovine-milk value chain and other services offered by the SEO.

RESULT 2. INAES constitutes and operates a guarantee fund in support of the financial inclusion of SEO, making them eligible for financing by development banks and social banks.

- INAES has the tools and methodologies to identify, support and evaluate green and inclusive business development projects.
- INAES strengthens its capacities to identify investment opportunities and access to banking in value chains, to create green jobs, and to include women in social economy projects.
- INAES adjust its operational instruments to facilitate the access and the expanded use of Liquid Guarantees in agro-industrial and social sector of the local economy.
- Social economy organizations with green businesses receive a greater volume of financing, increasing their productivity and competitiveness in a sustainable way.

RESULT 3. Strategy to finance sustainable development projects directed to SDG achievement can be replicated in other financial mechanisms and other value chains and other economic sectors.

- Results are systematized and lessons learned are drawn.
 - Strategy prepared for "Financing for Inclusive and Sustainable Development", which serves as an instrument and model generated by the JP, applicable in different financial mechanisms and value chains and/or economic.
 - The JP has the Technical Committee created, which is responsible for following up on its implementation, monitoring and evaluation.
 - The Project has monitoring and evaluation mechanisms in place.
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4. Describe the innovative nature of the Joint Programme

· The main innovation is the introduction of concepts of inclusive and sustainable development in the operating procedures and instruments of the participating institutions. This provides certainty about the channeling of their financial resources, towards inclusive

and sustainable projects that will measurably impact the achievement of the SDGs.

· The proposal is innovative due to the synergistic participation of multiple UN agencies (FAO, ILO, WMO, UNIDO), each one will contribute their expertise and tools in support of the participating institutions to establish criteria and mechanisms, as well as routes of action, to direct and accompany financing towards SDG-aligned projects, in particular those falling within their strategic lines. Innovation also includes the assessment of achievements in the SDGs.

· The establishment of an important strategic relationship with FIRA, which is a pillar in the funding of the agricultural sector, which will allow the JP to influence the " Tropical Dairy System" project, one of FIRA´s most innovative, which is promoted in the context of the Strategy for the implementation of the 2030 Agenda, led by the Office of the Presidency of the Republic.

· The JP will provide technical support to FIRA in a specific effort to include women in its credit and guarantee programs, through mechanisms and with ad-hoc criteria.

· Another innovative aspect is the mechanism to boost private sector investment in regions of poverty and high deterioration of natural resources, in alliance with organizations interested in strengthening the production chain, willing to give incentives for the adoption of inclusive and sustainable production practices.

· The initiative will promote the strengthening of credit flows that promote territorial and sectoral development, with financial inclusion and strengthening value chains.

· The guarantee fund included in the JP will be aimed at supporting financial inclusion through social banking credits for green social economy businesses. This scheme has hardly been used in social economy despite the fact that it is in great need of financing. The fund will allow a significant number of Social Economy Green Businesses to be eligible for credit, supporting their growth and catalyzing the use of bank, public and private resources. Funding will also be aligned towards specific SDGs that interest the INAES, using the criteria provided by the JP. This scheme may be replicated to support other sectors excluded from the financial system.

5. Expected added value of the UN and the Joint SDG Fund

PUNOs have developed extensive networks with key public and private stakeholders that will allow the implementation of the actions proposed at the JP. The combined experience, tools and capacities of PUNOs bring in an integrated approach that will strengthen institutional capacities of the national counterparts.

In particular, PUNOs will support increasing productivity and climate resilience of SMEs and SEOs. The ILO SCORE programme will help to improve the productivity of companies and accelerate decent work creation while UNIDO will offer their expertise with the Cleaner Production and Efficient Use of Resources Programme and the Environmentally Rational Technology Transfer tool. Additionally, FAO will develop innovative schemes for the certification of food warehouses, credit schemes for grain storage, and overall, for evaluating government programmes in the areas mentioned.

A climate rationale for the JP will be led by WMO. A climate science base that supports decision-making will be developed, supporting

capacity building for the development and use of a climate services tool kit. FAO will contribute through its different tools to address risk management of agroclimatic and agricultural prices.

SEOs will be supported using capacity building programmes, such as the ILO StartCoop, ThinkCoop and MyCOOP tools, for the creation, and enhancement of social economy business structures in green sectors.

Sustainable investments in agriculture will be supported by FAO AgrInvest tool while access to finance of entrepreneurs and micro enterprises to create green jobs will be supported by ILO Start and Improve Your Business programme.

Gender equality in access to financing will be supported by promoting the creation of companies led by women, using the ILO Get Ahead tool and by the FAO methodology Development of gender-sensitive value chains.

PUNOs and specifically IFAD, will contribute to leverage resources from different partners and support the implementation of financial inclusion tools on rural areas.

6. Leadership and implementation of the Joint Programme

Government: FIRA and INAES are two key counterparts of the JP for the design and operation of the financing and guarantee schemes and the use of the tools provided by the PUNOs. They will provide in-kind or cash resources for the operation as well as supplies and valuable information. FIRA supports rural productive activities of producers and enterprises, through financial intermediaries and specialized companies, using economic credits, financial guarantees, training, technical assistance and technology transfer. INAES aims to implement public policies to promote the social economy, in order to strengthen and consolidate the sector as one of the pillars of economic and social development in Mexico, through participation, training, research, dissemination and support for productive projects. The Office of the Presidency of the Republic, through the Council for the implementation of the Agenda 2030, will carry out high-level coordination with the other federal Secretaries.

Producer organizations are the end users of the tools provided by the PUNOs for the constitution of sustainable social companies, and the main recipients of financial resources and beneficiaries of the guarantees programmes.

Other participants in agro-industrial value chains, such as the dairy industry for the integration of primary production, providers of technical assistance, equipment and inputs, stockpiles and other actors in the value chain.

RCO will provide advice and support, guaranteeing coherence in strategies among PUNOs and interlocution with the Government.

PUNOs will provide technical capacity and specialized tools, as well as their recognized experience to catalyze the concurrence of other funding sources and institutional support. Additionally, IFAD will contribute its experience in financial inclusion of small and medium producers.

Private Sector: Commercial banks, that in principle operate with FIRA, and the "driving" companies of the bovine-milk value chain, present in the JP region, such as Nestle, Lala, Danone and Liconsa, among others.

7. Expected period of implementation

The implementation of the JP considers a timeline of 4 years, from 2021 to 2024.

Critical milestones:

- Formalization of the JP Technical Committee and preparation of its operational guide. Establishment of collaboration agreements between the PUNOs and counterparts by 2021
 - Adjustment of the instruments and procedures for the allocation of financial resources by FIRA and the granting of guarantees, according to the mechanisms agreed with INAES by 2021
 - Definition by INAES of a mechanism to establish and operate the guarantee fund (an INAES-FONATUR agreement is preliminarily considered, but it could be with another government agency) by 2021
 - Building institutional capacities of the counterparts, as well as transferring the tools provided by the PUNOs, from 2021 to 2024
 - Implementation and monitoring of the JP with pilot or representative cases (bovine-milk value chain in Chiapas, Tabasco and Veracruz) identified. Construction of a baseline to measure results and the level of achievement.
 - Monitoring and evaluation of the JP, assessment of results and impact, as well as obtain relevant learning. 2022-2025
 - Systematization of performance, impact and lessons learned by 2024
 - Preparation of the strategy "Financing for Inclusive and Sustainable Development" by 2024
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8. Cost, co-funding, and co-financing of Joint Programme

The total budget to implement the JP is USD \$10,000,000 for the four years of implementation. This budget is divided into USD \$5'000,000 for the services provided by the PUNOs, USD \$3'000,000 for the guarantee fund by the INAES and USD \$2,000,000 for work with FIRA.

The total budget will be used as follows: (i) to develop proposals to strengthen the two aforementioned FIRA financial mechanisms, to include the PUNOs tools; adapt their operation rules and other operating instruments as necessary; (ii) strengthen institutional capacities to include concepts of sustainability and inclusion in the allocation of resources and in operating procedures; (iii) capacity-building in companies and others participants in value chains, for the implementation of green projects, clean production water, efficient use of materials and energy, as well as the promotion of decent work, (iv) the establishment, organization and operation of the guarantee fund for SEO; (v) Monitoring and evaluation of the JP.

The FIRA will co-finance at least USD \$32,000,000, over the period of the JP implementation.

9. Risk assessment

Pros

- Mexico has a National Strategy for the Implementation of the 2030 Agenda, conducted by the Office of the Presidency of the Republic, which provides a good institutional interaction perspective and favorably positions the JP.
- The Mexican Government promotes an institutional and regulatory reform of the agricultural and rural sectors aiming at promoting savings and investment, channel financial and technical supports to promote the development of agricultural, forestry, fishing, agro-industrial activities development, with the purpose of increasing productivity and improving population's living standards
- The national legal and planning framework gives special priority to programmes to support the social economy and the poor or vulnerable population.

- FIRA and INAES, both solid institutions with high operating capacity and presence throughout the country have expressed their broad willingness to participate in the JP, as well as receive and apply the tools provided by the PUNOs.
- FIRA's Strategic Plan 2019-2024 envisages alignment with the SDGs and has the capacity to influence other financial institutions to adopt the instruments and procedures generated by the JP.

Elements against

- Increased austerity in Government Policy, thus reducing financing. This can be handled with the careful preparation and selection of funding proposals.
- A recession that translates into less business investment and less demand for financing. This would not affect the achievement of the general objective of the PC, but will imply an adjustment and deeper analysis in relation to the selection and implementation of the pilot cases.
- Delay in establishing the JP Technical Committee, and/or inadequate functioning. This will be managed with close oversight of the most senior leaders in the PUNOs and counterpart institutions.
- Risk of operation of the guarantee fund. That would materialize if a high proportion of the fund's clients fail to meet their commitments to financial institutions. This risk is plausible and should be managed through strict monitoring of the fund's operational policies, which should include each client's risk assessment and resource recovery measures.
- Insecurity in some regions, due to criminality. This risk will be mitigated through the application of security directives to United Nations personnel.
- Occurrence of natural as well as health related disasters (covid-19). This risk will also be managed with training in United Nations security directives, and those of the country's health and civil protection agencies.

10. Convening the private sector and engaging IFIs/DFIs

IFI/DFI and the private sector will play a key role in the JP implementation. FIDA will be a strategic partner, considering its extensive experience in the pipeline of resources for development. INAES already works with IFAD, in the Project Social Economy: Territory and Inclusion, for population of high and extremely high marginalization. IFAD's core work will be to assist participating institutions (FIRA and INAES) to redesign their financial mechanisms, so that they are operationally viable and include the principles of sustainable development in their procedures for granting financing, as proposed in the JP.

Preliminary contacts have been made for the incorporation of key companies both private and public into the milk value chain, including Nestlé (private), which has expressed willingness to take measures to include women's inclusion, but also review and adopt other measures aligned with the SDGs.

Concerning, social economy projects, financial institutions will be integrated, including private banks which, with the support of the guarantees of the fund created with the JP, will have incentives to found individual growers and SEOs promoted by INAES.

11. Leverage and catalytic function

The JP will mobilize FIRA resources to the SDGs for at least USD \$36'000,000, through the "Tropical Dairy System" project. Regarding the INAES guarantee fund, it is estimated that it will leverage USD\$12'000,000 in the JP region.

The ratio is 4.8: 1, that is, 4.8 dollars will be leveraged for each dollar provided by the JP. In subsequent years, the financial leverage to the SDGs will be significantly greater, as more projects are executed throughout the country, incorporating the instruments and

mechanisms generated by the JP.

12. Technical support and seed funding

Budget required: USD\$85,000.

Technical requirements: Consulting on issues related to: i) analysis of instruments and procedures to grant financing (FIRA), legal and operational constitution of the guarantee fund (INAES), ii) development of instruments to evaluate projects with sustainability criteria, iii) development of policies and programmes for the inclusion of women, iv) climate risk management, v) actions for clean production and clean water, efficient use of energy, decent work, vi) design of training programmes, vii) constitution and organization of the guarantee fund with INAES, and viii) strengthening of agro-industrial value chains.

Field work:

At sites agreed with FIRA and INAES to: i) define the institutional and productive environment of the regions where the actions of the JP will be carried out, ii) identify operational, social and productive problems that must be considered to adapt the instruments and procedures, both of FIRA and of the social enterprise guarantee fund; iii) generate a network of interlocutors in the field regarding value chains and social enterprises, to feedback the work and collaborate in the realization of the JP.

WORKSHOPS

1. Strategic planning workshop, participatory research with producers and bovine-dairy value chain partners in south-southeast region.
2. Inception and planning mission with cooperatives for the guarantee fund constitution
3. Validation workshop in south-southeast region with producers and bovine-dairy value chain partners in south-southeast region.
4. Validation workshop with cooperatives for the guarantee fund constitution

Signatures

Signed Signature Form

[Firma SDG Fund Componente 2.pdf](#) 374.43 KB

Government Endorsement

Letter of Endorsement

[Endorsment letters Mexico Componente 2.pdf](#) 1.22 MB