

# Mobilizing finance for the Private Sector Innovation in LAC



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# RELATION WITH THE IDB GROUP



The main source of development finance for Governments in Latin America and the Caribbean (LAC)



A member of the IDB Group

The main source of technical assistance for micro-to-medium enterprises, MFIs and NGOs in LAC

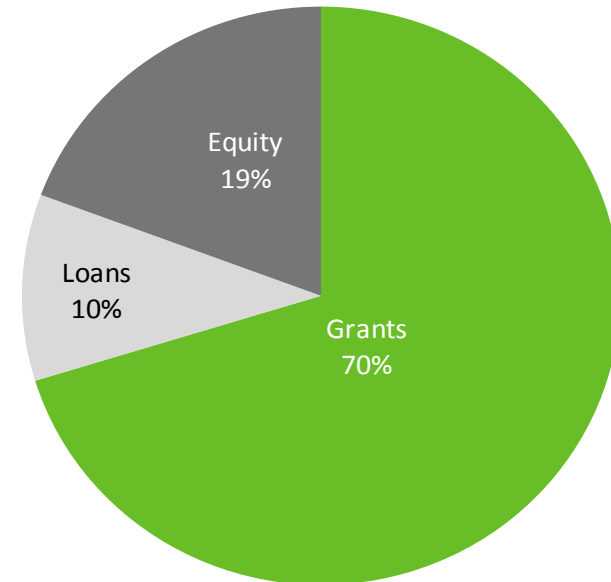


Private sector window of the IDB Group, provides financing for the development of medium-sized private enterprises in LAC

# THE MULTILATERAL INVESTMENT FUND



- The largest provider of technical assistance to the private sector in LAC
- An innovation laboratory, testing and scaling new business models
- Flexible with tools including technical assistance (grants), loans, and equity investments.
- Committed to rigorously measuring and evaluating results and impact, and to disseminating knowledge.
- Leverage. In 2012, every 1\$ of MIF investment was matched with 3\$ investment partners





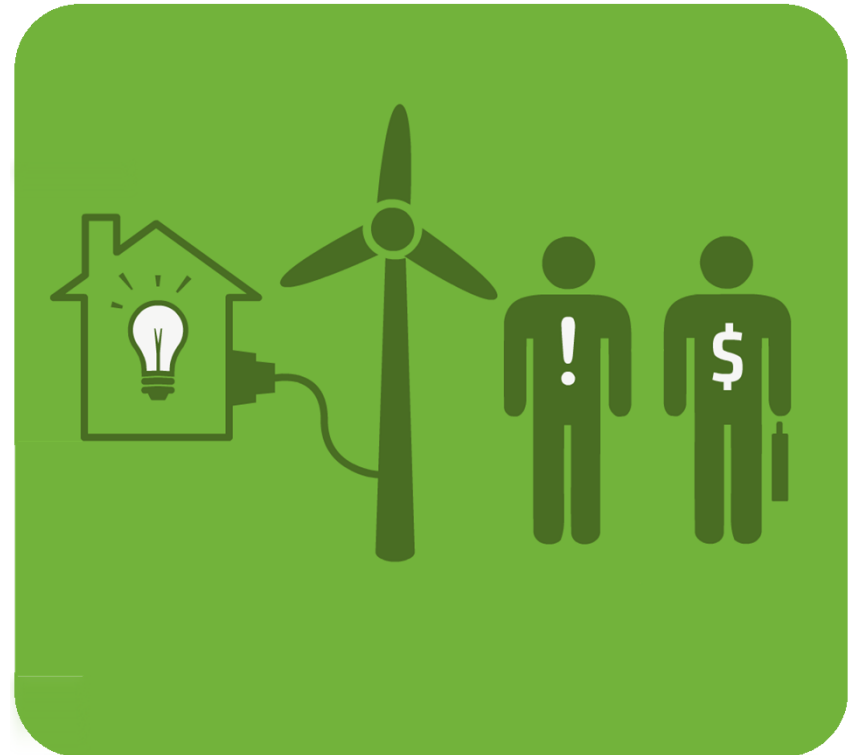
- 1. ENGAGING THE PRIVATE SECTOR**
- 2. UNLOCKING PRIVATE ACTIVITY**

# ENGAGING THE PRIVATE SECTOR



■ The **MIF** plays a key role in facilitating **access to green finance in LAC...**

- From **international climate investment funds: FIP, SREP, CTF**
- Providing TA and loans to **green anchor companies' supply chain**
- Developing green **(micro)finance for MSMEs and low-income households**
- Creating **green technology funds that** provide equity to green MSMEs



# ENGAGING THE PRIVATE SECTOR



## FIP Mexico: the first Private Sector FIP

### Background

- 70% of Mexico's forests are found in publicly owned **ejidos**
- Community Forests Enterprises (**CFEs**) seek to improve competitiveness
- Mexico is one of the 3 FIP pilot programs in LAC
- Possibility of combining TA and loans under FIP

### Project Objectives

- Impact is to improve profitability and social, financial sustainability of CFEs while contributing to CC mitigation
- The results will be that CFEs increase their productivity while preserving natural capital

### Beneficiaries

- 60 CFEs: income for 4,900 individuals.  
*Two tier strategy*
- Indirect beneficiaries: 10,860 inhabitants of the ejidos
- Project partners: Fondo Mexicano para la Conservación de la Naturaleza; Findeca, Conafor, Financiera Rural

### Project details

- Execution timetable: TA 60 months, loan: 9Y with 5Y grace period
- **Local currency loan**
- Project design time: 11 months

<b>MIF non reimbursable</b>	US\$ 3.5 M
<b>Counterpart</b>	US \$0.5 M
<b>FIP Grant</b>	US\$1.0 M
<b>FIP Reimbursable</b>	<u>US\$1.8 M</u>
<b>TOTAL</b>	<b>US\$ 6.9 M</b>

# ENGAGING THE PRIVATE SECTOR



## Greening supply chains in Mexico

### Background

- MSMEs contribute to **60% of all GHGs** emissions of big multinationals
- Large corporations are requiring sustainability of their **supply chains**
- In Mexico, 99% of all businesses are MSMEs, accounting for 80% employment
- MSMEs lack awareness, face financial constraints and inappropriate technology

### Project Objectives

- Impact is to **increase competitiveness** of MSMEs in the supply chains of major companies
- The results will be to **train MSMEs** on the benefits of energy efficiency, develop financial instruments and design auto-evaluation tools

### Beneficiaries

- Pilot with 3000 MSMEs in the supply chains of FEMSA and Walmart
- Executing Agency: Instituto Tecnológico y de Estudios superiores de Monterrey
- **Banorte** will participate as **financial provider**

### Project details

- Execution timetable: 42 months and 48 months for disbursements
- Project design time: 6 months
- Budget

<b>MIF non reimbursable</b>	<b>US\$ 2.3 M</b>
<b>Counterpart</b>	<b>US\$ 2.1 M</b>
<b>TOTAL</b>	<b>US\$ 4.4 M</b>

# ENGAGING THE PRIVATE SECTOR

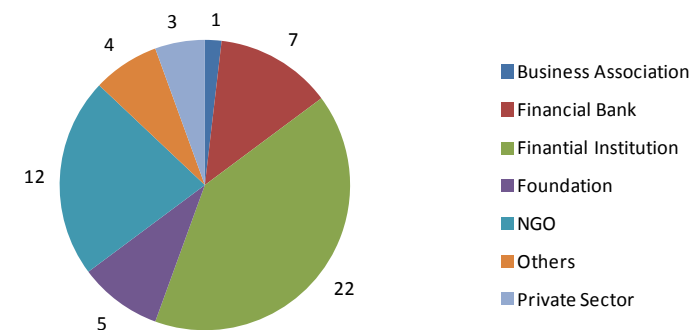


## EcoMicro green finance for all

### The Program

- US\$ 7 M TA for developing **green finance products** for clean energy, energy efficiency or adaptation
- **Three module approach:** green finance products, greening the institution and analyze MFI portfolio risks from climate change
- **12 projects** selected in a 3 round competitive process

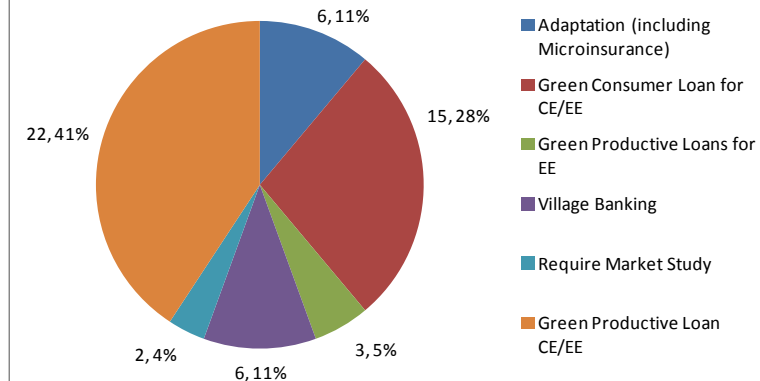
EcoMicro Participants per type of Institution



### First Round Results

- 54 applications from 15 different countries
- Selected entities :
  - Te Creemos (Mexico)
  - Caja Arequipa (Peru)
  - Diaconia(Bolivia)
  - FDL (Nicaragua)

Interest per Type of Green Finance Product



[www.ecomicro.org](http://www.ecomicro.org)



# ENGAGING THE PRIVATE SECTOR



## EcoMicro

EXAMPLES OF PROBLEMS    CHALLENGES FOR YOUR CLIENT    APPLICABLE GREEN FINANCE PRODUCT

	EXAMPLES OF PROBLEMS	CHALLENGES FOR YOUR CLIENT	APPLICABLE GREEN FINANCE PRODUCT
ADAPTATION	INTENSE RAINFALL	RURAL Loss of harvest.	ADAPTATION Microinsurance, credit for asset protection.
		URBAN Flooding of businesses. Loss of electricity.	CLEAN ENERGY Loans for solar panels.
	DROUGHTS/ HEAT WAVES	RURAL Loss of harvest and/or cattle.	ADAPTATION Loans to invest in resilient agricultural methods (water reservoir, solar waterpumps).
		URBAN Increase in heat waves, blackouts.	CLEAN ENERGY Loans for solar panels.
ENERGY EFFICIENCY/RENEWABLE ENERGIES	HIGHER ENERGY COSTS/ BLACKOUTS/ LACK OF COMPETITIVENESS	RURAL Higher electricity cost, more expensive fuels.	CLEAN ENERGY Loans for clean energy to replace unreliable electric supply or more expensive fuels.
		URBAN Increased variable costs due to increased electricity costs.	ENERGY EFFICIENCY Loans for energy efficiency that reduce operational/energy costs.
	LACK OF ACCESS TO ELECTRICITY/ UNRELIABLE ELECTRICITY SUPPLY	RURAL Lack of access to electricity.	CLEAN ENERGY Loans for clean energy that provide access to electricity.
		URBAN Blackouts.	CLEAN ENERGY Loans for clean energy to replace unreliable electric supply.

# ENGAGING THE PRIVATE SECTOR



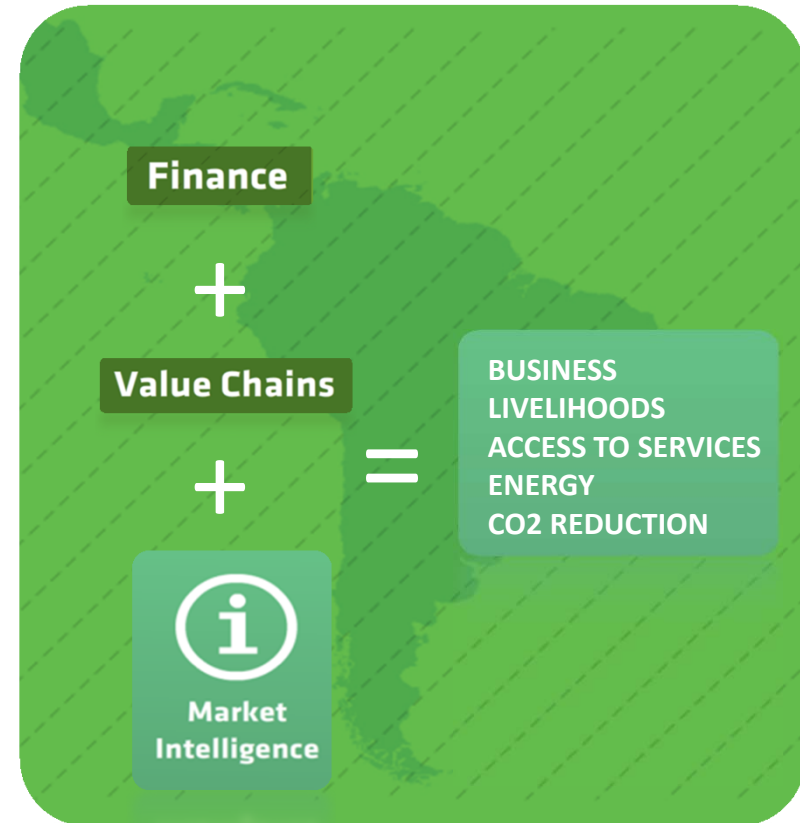
- **10 green funds** investing in 56 companies. Total U\$ 59M.
- **Funds supported** mitigation activities.
- **Pioneers of venture capital in the region:** equity fund was created in 1996 (EcoLAC).
- **Attracting co-finance and sharing risk with other public entities, bilateral and multilateral agencies, and the private sector:**
  - BCIE
  - CAF
  - FMO
  - EIB
  - Banobras, Petros, BNDES
  - Triodos Bank, Oiko Credit...

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- 1. ENGAGING THE PRIVATE SECTOR**
  - 2. UNLOCKING PRIVATE ACTIVITY**

# UNLOCKING PRIVATE ACTIVITY



- Filling gaps in the **clean energy value chain** :
  - Mapping opportunities and main challenges for clean energy and energy efficiency: the Climatescope
  - Lowering information costs for producers and consumers, through **market intelligence and knowledge products**
- ... and pioneering **projects in adaptation directly** targeting MFIs, MSMEs and low-income households

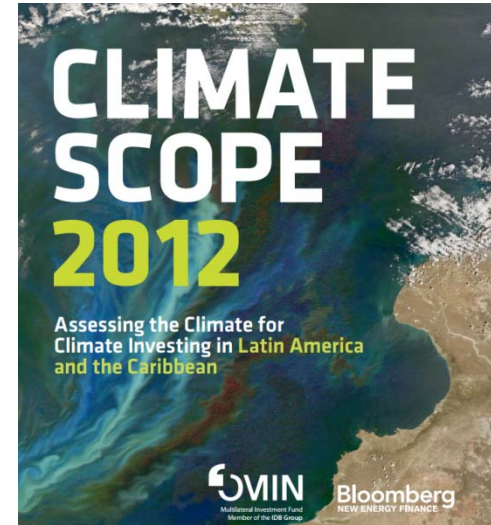
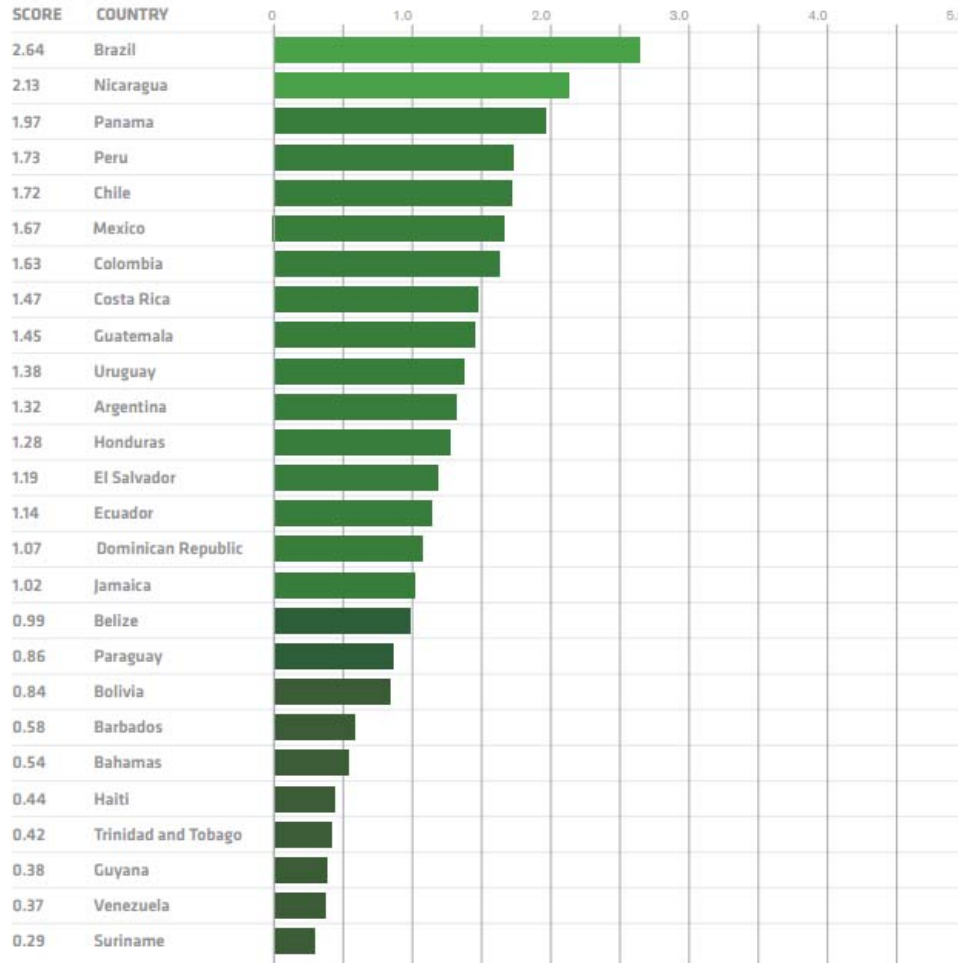


# UNLOCKING PRIVATE ACTIVITY

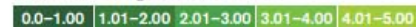


## OVERALL CLIMATESCOPE SCORES

Ranking and Scores by Country



Colors show range for overall score



<http://www5.iadb.org/mif/climatescope/2012/>

# CLIMATESCOPE

## VALUE CHAINS

Detailed mapping of clean energy value chains by sector/country



## SOURCES AND USES OF FINANCE

Identify volumes of finance and sources  
Identify financing gaps by sector



## POLICY AND REGULATORY

Help governments understand impact of policies  
Detailed laboratory of country incentives and activities



## CARBON MARKET DEVELOPMENT

Find companies active in GHG mitigation  
Volumes of carbon finance  
Ease of carbon finance



CLIMATE SCOPE



## CLIMATESCOPE: HOW IT WORKS

- ▶ A Peruvian entrepreneur wants to start a mini-wind sales/installation company. Uses CLIMATESCOPE to identify import and tax incentives, and banks and venture capital. Launches a new business.

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- ▶ A Panamanian finance ministry official uses CLIMATESCOPE to see if a new government incentive has led to an increase in solar investment and to understand how similar incentives have impacted other countries.

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- ▶ A credit officer in Mexico observes an increase in wind power generation, and the growth of several wind technology start-ups. Seizes lending opportunities in a growth market.

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- ▶ An investor in Sao Paulo sees mini-hydro growing in Chile, partially as a result of government incentives to the sector. Invests equity in a start-up engineering firm in Chile or Brazil.

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# THANK YOU



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