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IKI Alliance Mexico Newsletter



News from IKI projects in Mexico

A service provided by the “Mexican–German Climate Change Alliance”

Dear reader,

We are very pleased to send you the fifth “IKI Alliance Mexico” newsletter that highlights activities and impacts of projects of the International Climate Initiative (IKI) in Mexico regarding **climate and biodiversity finance**.

We would like to thank you again for attending the **third exchange workshop for IKI projects in Mexico**, which brought together more than 100 representatives of IKI projects, their counterparts from the Mexican government and the Zukunft – Umwelt – Gesellschaft (ZUG) gGmbH, to encourage synergies, create management strategies and identify the contributions of IKI projects to Mexico’s Nationally Determined Contribution (NDC) and the National Biodiversity Strategy of Mexico (ENBioMex).

In this sense, our IKI newsletters highlight activities and impacts of IKI projects and are aimed at promoting exchange and synergies among those projects in Mexico. We kindly invite you to share this newsletter and to encourage your colleagues and counterparts to subscribe via our [IKI Alliance Mexico blog](#).

We hope you enjoy reading!

Álvaro Luna and Claudia Kirschning from the IKI Alliance Mexico

Overview of Climate and Biodiversity Financing

The promotion of a global economy that takes into account the protection and conservation of biodiversity as well as actions concerning mitigation and adaptation to climate change is one of the main challenges we are facing now and in the future. This challenge requires the inclusion of all actors (public, private, corporate, individuals) and a series of policy instruments, which highlight the regulatory framework and the incentives to mobilize necessary financial flows.

In conceptual terms, there is a debate about how to define finance according to its applicability in the environmental sector. In this regard, the following definitions stand out:

Climate finance: According to the United Nations Framework Convention on Climate Change (UNFCCC), it is defined as **financing that aims to reduce emissions and improve the sinks of greenhouse gases**, in addition to reduce human and ecological systems vulnerability, maintenance, and increased resistance to the negative impacts of climate change.

Conservation Finance: **Blue Solutions** defines it as a **mechanism through which a financial investment is made in an ecosystem**, directly or indirectly through an intermediary that aims to conserve the values of the ecosystem in the long term.

International Context

Since the signing of the Paris Agreement in 2015, the need to identify and channel resources aimed at keeping the increase in the global average temperature below 2 degrees Celsius, and as close as possible to 1.5 °C, has increased. Regarding financing, article two of the Agreement indicates the need to make financial flows compatible in order to move towards a development path that is resilient to climate and low in GHG emissions.

With regard to biodiversity, the main objectives of the Convention on Biological Diversity (CBD) are the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of benefits derived from the use of genetic resources. Regarding financing, a recognition of the value of biodiversity is essential and allows the mobilization of financing from multilateral, national and innovative sources. The Global Environment Facility (GEF) is one of the most important financial mechanisms at global level administered by the World Bank.

There have been several mechanisms to channel resources, including the Special Climate Change Fund (SCCF), the Adaptation Fund (AF) and the Least Developed Countries Fund (LDCF). At the end of 2011, the Green Climate Fund (GCF) was established, with the purpose of assisting the efforts of developing nations to respond to climate change. According to data from the GCF, as of January 2019, an equivalent of 10.3 billion dollars has been collected through commitments from 48 countries, regions and cities.

In this sense, since 2008, the German government has supported the implementation of projects for the fulfillment of the NDC and the National Strategy on Biodiversity of Mexico (ENBioMex) through the International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU) of Germany. Based on the foregoing, 18 bilateral projects have been implemented with an amount of 69.5 million euros, as well as nine regional and 45 global projects.

According to information of the Mexican Commission for the Knowledge and Use of Biodiversity (CONABIO), resources mobilized by the GEF allocated to Mexico during 2015-2018 amount to US \$ 88.1 million. On the other hand, during 2014-2018, around US \$3.18 million were received from multilateral and bilateral public sources, which were distributed in 75 projects (see Figure 1). There are also 12 other global projects in which Mexico participates together with several countries (such as Argentina, Brazil, Colombia, Honduras, Guatemala, Costa Rica, Peru, China, India, Indonesia, among others) and that amount to a total of around US \$ 370,000. Likewise, 23 projects are expected to be implemented until the year 2021. All numbers added up give a projected amount of around US \$ 1.7 million.

As shown in Figure 1, 53 % of financing in the 2014-2018 period comes mainly from the Inter-American Development Bank (IDB), followed by KfW as an implementing organization (31%), AFD / KfW (7%) and the World Bank (5%).

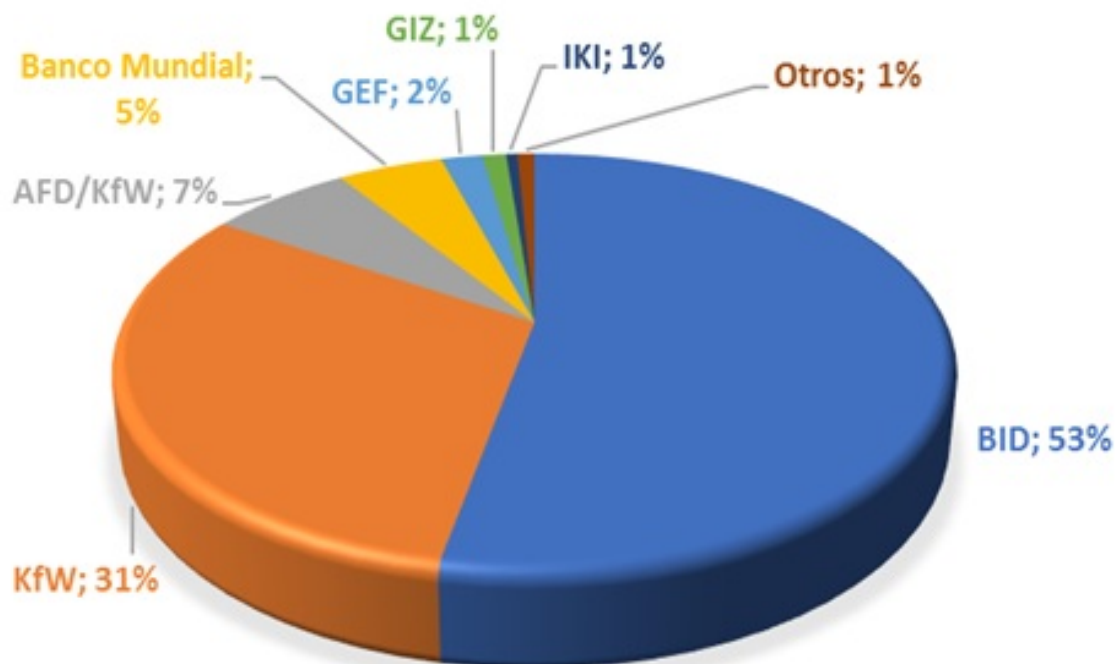


Figure 1: © GFLAC / GIZ, 2018. Main sources of international financing in Mexico for climate change

According to the study "[Diagnosis on multi-stakeholder coordination on Climate Finance](#)", Mexico is positioned as the second largest recipient of international resources for climate finance in Latin America, with a total of 686 million dollars approved between 2003 and 2017. This means that strengthening the capacity for management, allocation, use and transparency of resources obtained from international sources in Mexico would help to leverage greater resources from public and private sources to reach the objectives of the country's NDC.

National Context

In Mexico, states have joined efforts in the development of a national policy on climate change and the promotion of biodiversity, through the strengthening of their institutional capacities and the elaboration of a legal framework that allows the execution of public policies for mitigation or adaptation. The General Law on Climate Change (LGCC), published in 2012, establishes a regulatory and national policy framework to address the causes and face the adverse effects of climate change, through the development and implementation of adaptation and mitigation measures and actions. The [ENBioMex](#) establishes the bases to promote, coordinate and harmonize government and society's efforts for the conservation, sustainable use and fair sharing of the benefits derived from the use of the components of biological diversity and their integration in the sectoral priorities of the country.

The LGCC contains a variety of economic and financial mechanisms that stimulate the channeling of resources for the development of actions, projects and mitigation and adaptation programs in the public, social and private sectors. Funding in this area is mainly carried out in three ways: through the Climate Change Fund (CCF); through budget allocation reflected in Branch 16 of the Budget of Expenditures of the Federation (PEF) and the Transversal Annex 16.

Financing in the areas of Climate Change and Biodiversity in Mexico

According to information presented at the dialogue "[Perspectives on climate finance in Mexico 2018-2024](#)", since the CCF was created in Mexico, \$ 183 million pesos (around US \$ 9 million) have been mobilized for 22 projects. The transversal informative Annex 16 of the PEF has allocated \$ 188 billion pesos (around US \$ 9.7 billion) in the last four years (2015-2018). From green bonds, public entities have issued \$ 3,714 million dollars, while commercial banks have issued 657 million dollars. Taking into account the tracking of the previous points, a mobilization of financing of \$ 7.7 billion dollars from 2014 to 2018 is estimated, which would represent approximately 6% of the goal of \$ 126 billion dollars that the implementation of Mexico's NDCs would cost in terms of mitigation.

According to data obtained from [BIOFIN](#), [financial needs for biodiversity are estimated at around USD 461.9 million per year during the period 2017-2020](#), which represents a 46.7% increase in biodiversity spending, based on the exercise during 2015. The evaluation of financial needs includes: 1) Natural Protected Areas with an amount of 60 million per year estimated by the National Commission of Natural Protected Areas ([CONANP](#)); 2) Financing needs to cover the demand for Payments for Environmental Services (PES) estimated at USD \$ 202.1 million by the National Forestry Commission ([CONAFOR](#)); 3) The financial needs of the ENBioMex and Plan of Action 2016-2030 are estimated at USD \$ 191.4 million.



The Role of the Private Sector

Private sources of financing include a wide range of local and international banks and financial institutions, commercial banks, private funds, pension funds, insurers, mortgage banks, and micro-financial institutions, among others. These resources have been allocated mainly to projects in GHG mitigation, energy efficiency, renewable energy, waste management, green infrastructure and the agricultural sector.

At the national level, the Green Finance Advisory Board (CCFV - made up of high-level representatives of the Mexican financial sector, such as: pension funds, insurers, associations, commercial banking, development and multilateral banking, issuers, investment funds, etc.), has promoted the dialogue among different market players on how to encourage financing of green projects, influence market practices and mandates and/or investment regulations, in such a way that they contribute to the establishment of incentives to stimulate the development of the green finance market.

Challenges in Financing Matters

One of the main obstacles consists of limited information on the existence of financial mechanisms and how their resources are applied to certain projects. A mapping of the different sources of financing available in the country for the public sector could be very useful in this regard. In addition, an information system regarding projects that are implemented in the climate change and biodiversity sphere would help to coordinate the different existing sources to meet the goals set at the national level.

Likewise, a coordination mechanism with multi-sectoral and multi-level vision could allow the articulation of climate change actions in all sectors of the economy, including the public, private, financial, social and academic sectors. Another option would be to facilitate access to climate finance and training for small and medium enterprises.

Through taxonomy on what climate or green financing means, the channeling of resources to projects that have sustainable characteristics or benefit the environment could be facilitated. To do so, it will be vital to work within the framework of the planning law to integrate all concepts that are key to identify such actions.

The IKI in Mexico in terms of financing

In order to support climate action and biodiversity protection, [IKI](#) projects in Mexico are working in the field of financing. Among other activities, the [IKI](#) has encouraged cooperation with financial institutions to integrate environmental and social indicators regarding decisions on loans and investments and the development of financial products and risk management. In this sense, the [IKI](#) of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety ([BMU](#)) of Germany supports the implementation of the NDC and the [ENBioMex](#) in Mexico.

Mitigation

LAC Green Finance Facility to mobilize private investment in mitigation actions and low-carbon and sustainable business models through NDBs

National Development Banks (NDBs) are in a unique position to engage local financial institutions and private investors, align development financing with national priority mitigation actions, and canalize international climate funding to promote an increase in investments in energy efficiency (EE) and renewable energy (RE) projects. The program implemented by the Inter-American Development

Bank (IDB) aims to empower National Development Banks (NDBs) to structure and coordinate innovative financing mechanisms for EE and ER in Latin America and the Caribbean, through: assessment of niche markets opportunities; development and combination of tailored risk sharing and financial and non-financial mechanisms to scale up investments in EE and RE; engagement of local financial institutions (LFI) in deployment of new financing products; identification and engagement of technology providers and key market stakeholders to structure demand for financing by bankable projects; and development of standards and mechanisms for monitoring and reporting and monetizing benefits from EE and RE. [Continue Reading](#)



IDB'S Financial Innovation Lab First Workshop in Mexico



In Mexico, transportation is the largest source of climate pollutants (25% of greenhouse gases and 38% of black carbon emissions). Last April 9th, a workshop on sustainable transportation financing was held in Mexico City, where the main stakeholders of the sector met. It served as a framework for discussion to design a road map to invite to action. The workshop analyzed the role of development banking to

accelerate public and private investment in sustainable transport infrastructure in the country. [Continue Reading](#)

Impact Evaluation on Sustainable Urbanization for Housing at the Federal Mortgage Society (SHF)



SHF has identified the difficulty of housing developers to carry out urbanization tasks, especially when seeking the integration of sustainability criteria in housing developments. Consequently, during 2017, the SHF designed a financing product for sustainable urbanization through the Housing Operation and Bank Financing Fund (FOVI), in order to ensure the provision

of equipment and infrastructures with “walls in” of housing developments, as well as ensuring that materials, construction systems, and technologies guarantee to be sustainable in terms of energy and water consumption use efficiency, as well as with respect to other socio-economic externalities associated with the inhabitants. [Continue Reading](#)

Financing Energy for Low-carbon Investment - Cities Advisory Facility (FELICITY)

GIZ, BMU and the European Investment Bank (EIB) establish a Cities Advisory Facility to support the preparation of sustainable, climate-friendly infrastructure projects to realize their emission mitigation potential in the areas of energy, waste, and transport. FELICITY closes the gap between urban development planning and infrastructure project financing by providing tailored support to financial intermediaries and cities to make their low-carbon infrastructure projects bankable for climate lending. [Continue Reading](#)



Challenges and Opportunities for Climate Financing in Latin America



How will the Nationally Determined Contributions (NDCs) be financed in the Latin American region?

Within the framework of the V Regional Dialogue on Climate Finance in Latin America, experiences were exchanged about the main advances, challenges and opportunities on NDCs in Latin American countries in terms of financing, public and private investment.

Moreover, the current status of the sources and financial resources to face climate change was presented. Improvements as well as needs and investment opportunities in different sectors to obtain new financing in order to meet the ambitious goals defined in the NDCs and in other climate agreements were identified. [Continue Reading](#)

- [Local Governments from Mexico strengthen their Digital Skills in the Preparation of Low-Carbon Infrastructure Projects](#)
- [Initial findings of low-carbon infrastructure financing in Latin American cities](#)
- [International Forum gathers more than 350 key actors of Sustainable Management of Urban Solid Waste and its Energetic Valorization](#)

Mexican-German Climate Change Alliance

The [Mexican-German Climate Change Alliance](#) is implemented by [GIZ](#) and targeted at the implementation of concrete measures at the federal, state and municipal level in Mexico to achieve the country's NDC objectives, within the context of a strengthened Mexican-German climate partnership. Specific fields of work include: 1) supporting policy-coherent planning and strategy processes and building a transparency framework; 2) strengthening the capacities of subnational actors to contribute to the NDC implementation; 3) developing and strengthening financial instruments and planning in the public and the private sector; and 4) promoting the international dialogue between Mexico, Germany and third parties. By supporting Mexican partners in the NDC implementation, Mexico's mitigation and adaptation capacities will increase in the medium to long term.



Studies related to climate finance that have been carried out by the project include the following:

Climate financing guide for states in Mexico



This guide is a tool that establishes viable financing alternatives for subnational governments to develop a financial architecture that contributes to the implementation of their climate change policy. The guide for states provides guidance and offers a series of answers to questions that states often ask themselves when they seek to understand what

climate financing is. [Continue Reading](#)

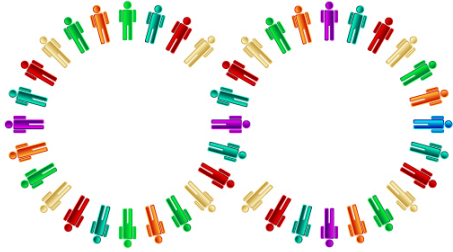
Mexico, Important Recipient of International Financing for Climate Change



This study was carried out to identify the financing flows directed to projects related to emission mitigation and climate change adaptation. It examined financing flows from international sources, specifically from multilateral and bilateral organizations, and how this contributes to the fulfillment of national mitigation and adaptation goals. The analysis helped identify existing barriers and offered several recommendations for improving

international climate change financing. [Continue Reading](#)

Mexico moves towards multi-actor coordination to promote climate financing



A study was developed to analyze the current governance of climate finance and, from there, propose a multi-stakeholder coordination mechanism that supports the creation of strategies to adequately direct available financial resources towards climate mitigation and adaptation actions. [Continue Reading](#)

- [Climate Financing in Mexico. An Uncertain Path Towards Fulfilling National and International Climate Change Goals](#)
- [Towards a climate financing mobilization route in Mexico](#)
- [Support for the financing of the NDC](#)
- [Mobilizing finance to accelerate climate action in Mexico](#)
- [Towards the development of a Framework for Measurement, Reporting and Verification of climate finance flows](#)

Programme for Energy Efficiency in Buildings - PEEB

The Programme for Energy Efficiency in Buildings (PEEB) is a demand-oriented advisory and financing facility. It combines the financial knowledge of the 'Agence Française de Développement' (AFD) with the technical knowledge of GIZ and the 'Agence de l'Environnement et de la Maitrise de l'Energie' (ADEME). The aim is to improve the prerequisites for financing large-scale energy efficiency projects in the building sector. PEEB combines financing for energy efficiency in large-scale projects with technical assistance through policy advice and expertise for building sector professionals. PEEB supports the further development of energy efficiency policies to increase energy efficiency in the building sector and the creation of incentive systems to mobilize private investment. [Continue Reading](#)



Adaptation

Climate Governance Integrity in Climate Finance (CFIP)

The project has been implemented by [Transparency International](#) and its national chapter in Mexico, in the period from 2015 to 2018. Its purpose is to reduce the risks of corruption in climate finance and thereby increase confidence and provide greater clarity about existing risks of corruption. On this basis, the project contributes to the development of transparent and responsible climate policies, practices and results from the global to the local level, as well as the consolidation of the leadership of civil society and strengthening the issue at the regional level. [Continue Reading](#)



Biodiversity

Biodiversity Finance Initiative - BIOFIN II

The Biodiversity Finance Initiative (BIOFIN) is managed by [UNDP](#), in cooperation with the European Union (EU) Commission, Switzerland and Germany ([BMU](#)). In accordance with COP 11 resolutions, BIOFIN aims to support [CBD](#) parties in preparing demand analyses and developing national resource mobilizing strategies in order to implement the strategic plan. [Continue Reading](#)



REDD+

Mobilizing capital for ecosystem-based adaptation - the value of resilient forests for water management in the tropics

This initiative, coordinated by [OroVerde](#) and implemented with “[Centro Naturaleza](#)” in the Dominican Republic, “[Defensores de la Naturaleza](#)” in Guatemala, the Budget Unit of Environmental Services in Cuba and “[Pronatura Mexico](#)” in Mexico, will work to reduce the vulnerability of habitants to extreme climate events due to climate change, developing ecosystem-based adaptation measures and innovative financial mechanisms. The project will carry out activities focusing on significant contributions to restoration and conservation of forests and their ecosystem services, thereby promoting their resilience and help the people who depend on them to adapt to climate change in the participating communities. Governance mechanisms will also be identified to strengthen and give continuity to local adaptation plans and ensure the mobilization of additional resources. [Continue Reading](#)



Common San Pablo Oztotepec, forest area damaged by a forest fire

Supporting Initiative 20 by 20: A country-led effort to bring 20 million hectares of degraded land in Latin America and the Caribbean into restoration by 2020

The project implemented by the World Resources Institute ([WRI](#)) supports the partner countries to further define commitments made for landscape restoration and develop strategical implementation plans. This will support the efforts of the Bonn Challenge. The initiative moves along three principal activity blocks: 1) Policy and technical support to agricultural and environmental authorities in the decision making process to place specific areas under restoration, including in the identification and removal of policy and regulatory barriers to land restoration in the region; 2) Cost effectiveness analysis in support of the selection of alternative restoration schemes; 3) Support the identification and access to resources for financing of land restoration efforts, especially improving enabling conditions for impact investors who have already committed to the initiative.



NAMA Facility

Energy Efficiency in SMEs as a Contribution to a Low Carbon Economy

Mexico has already developed a NAMA to promote energy efficiency (EE) in SMEs. The proposed NAMA Support Project (NSP) implemented by GIZ will offer technical and financial assistance to the above-mentioned SME-NAMA, to considerably extend its scope by starting a second implementation phase. For this purpose, a strategy has been developed for providing financing for more complex EE measures, such as the optimization of systems in medium-sized enterprises (compressed air, steam generation and distribution, industrial refrigeration, amongst others) which will require higher investment costs but have a higher energy savings potential resulting in more GHG reductions. Furthermore, by introducing commercial (second-tier) banks as financial intermediaries, private capital will be leveraged providing for considerable up-scaling opportunities. Financial cooperation will be provided to set up a guarantee fund (7 million euros) as well as a small-scale grant subsidy scheme (2.5 million euros) to finance EE measures in SMEs. A leveraging effect of at least 70 million euros of private capital is expected for clean technology financing.



Other News

Mitigation

■ **Preparation of an Emissions Trading System (ETS) in Mexico**

- Blockchain and its disruptive potential for climate policy: Could we envisage a Mexican Blockchain-based Emissions Trading Registry?
- Digging deeper into the design of a Carbon Market in Mexico
- The interaction between the Emissions Trading System, the carbon tax and the clean energy certificates: source of synergies or conflicts?
- How to develop a blockchain architecture for the Mexican Emissions Trading registry?

■ **Climate Protection in the Mexican Urban Policy: Cities and Climate Change (CiClim)**

- Materials to develop a Cycling Profile Diagnosis
- Mexican cities on bike - Cycling for a low carbon development?
- Manual for the Integration of Ecosystem Services in Urban Planning and Management

■ **Vertically Integrated Climate Protection (VICLIM)**

- Strategic Orientations for the implementation of Energy Efficiency learning networks or Energy Management Systems at the Municipal Level
- First meeting on Energy Efficiency and Energy Management Systems Learning Networks
- Puerto Vallarta joins the Global Pact of Mayors for Climate and Energy
- Puerto Vallarta advances on the route to combat Climate Change
- Urban Planning and Climate Change: German vision and application to the Latin American context
- Puerto Vallarta in the prioritization of mitigation and adaptation measures: A key step for the development of their MCCP

■ **Water and Wastewater Companies for Climate Mitigation (WaCCliM)**

- WaCCliM's Resources

Adaptation

■ **Ecosystem-Based Adaptation to Climate Change in Cooperation with the private sector in Mexico - ADAPTUR**

- A call to action for Coral Reefs

Biodiversity

■ Mainstreaming Biodiversity into the Mexican Agricultural Sector - IKI IBA

- GIZ Mexico and the Government of Jalisco promote the mainstreaming of biodiversity into the agricultural sector
- The TEEB Agrifood Initiative Mexico: to Highlight the Values of Nature for Sustainable Agriculture
- Sustainable Agriculture in Guanajuato, an initiative that Integrates Biodiversity
- Mexico will have a National Strategy for the Conservation and Sustainable use of Pollinators
- Videos: Deutsche Welle's biodiversity interviews

■ Biodiversity and Sustainable Agrosilvopastoralist Livestock Landscapes - BioPaSOS

- Conservation of Biodiversity in Livestock Landscapes Investigation

■ New Twitter name of the IKI interface: Follow us @IKI_Mexico

- The IKI interface in Mexico has a new name on Twitter [@IKI_Mexico](https://twitter.com/IKI_Mexico) (previously @climate_blue). Follow us to stay updated on news and events of IKI projects in Mexico. If you participate in an IKI event and tweet, do not hesitate to tag us!

■ Third exchange workshop for IKI Projects in Mexico

■ Video "IKI in Mexico":



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The IKI Alliance Mexico Newsletter is administered by the "Mexican-German Climate Change Alliance" and informs regularly about news of climate change and biodiversity projects in Mexico financed by the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag.

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