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Subject: Independent Review of the Mexico CTF-IDB “ECOCASA” Program Proposal

The current review of the Mexico CTF-IDB “ECOCASA” Program Proposal evaluates the potential of the referenced program to achieve CTF objectives.

Based on this review, I support the Proposal for this program. As designed, it manages to effectively deploy the necessary tools and mechanisms to successfully pursue simultaneously the objectives of the CTF the National Program for the Sustainable Use of Energy¹, the Special Program for Sustainable Housing Development to combat Climate Change², and a number of other such initiatives of the Mexican Government.

The Proposal aims to scale up the development of affordable low-carbon housing market in Mexico by providing financing and incentives. In doing so, it also addresses a wide range of barriers to sustainable energy development and in particular barriers for scaling up the implementation of environmentally friendly and sustainable houses in the country. It follows up and enhances current initiatives of the Government of Mexico that have kick-started the market of sustainable housing in the country.

Unlike other programs, the “ECOCASA” Program Proposal not only accounts for similar past and ongoing activities in the country, but it is designed to complement such activities and develop synergies that will allow for maximum impact of the program on the Mexico's market.

Below, I review in more detail the objectives of CTF and the relevant design elements of the Program Proposal that correspond to these objectives.

¹ (PRONASE, 2009)

² PEDHSCC



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Objectives of CTF

One of the main objectives of CTF is to “provide positive incentives for the demonstration of low carbon development and mitigation of greenhouse gas emissions through public and private sector investments”.

This objective is also one of the key focuses of the “ECOCASA” Program. Through concessional loans, the program will catalyze construction finance in support of the development of residential projects (ECOCASAs), in accordance with the program’s and CTF’s CO₂ reduction goals. At the same time, it will provide financing to increase the supply of mortgages for low carbon housing working through LFI.

These two major goals of the program are well-designed and fully in line with the CTF’s investment strategy and supported by an adequate technical assistance package to increase the capacity of the market players in the housing sector. Moreover, robust monitoring and evaluation tool will be developed under the program to feedback actual data about energy and water consumption, and other selected variables of the new houses. This will enable the program management team to receive timely feedback, steer and adjust the implementation of the program where necessary.

Another key objective of CTF is to “promote scaled-up deployment, diffusion and transfer of clean technologies by funding low carbon programs and projects that are embedded in national plans and strategies to accelerate their implementation”.

In this respect, the ECOCASA has been designed fully in line with the Mexico’s National Program for the Sustainable Use of Energy¹, where buildings are one of the 7 key areas of opportunity that have been identified.

ECOCASA is also expected to significantly impact and enhance Mexico’s Special Climate Change Program (PECC), which recognizes the housing sector as a fundamental element in the energy consumption of Mexico and envisages a number of actions to improve the energy efficiency of the residential sector. The objectives of ECOCASA, as designed, are fully in alignment with those of PECC.

On a practical level, the ECOCASA Program is also aligned with and complements other currently operating national programs and initiatives in the same field, such as:

- The National Housing Commission (CONAVI) and the National Housing Fund for Private Sector Workers (INFONAVIT) in their efforts to foster the development of sustainable housing.



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- Nationally Appropriate Mitigation Action (NAMA) plan, where the program contributes to the practical implementation of NAMA's principles and the drives construction standards to converge with the housing standards defined by NAMA.

The design of ECOCASA not only supports other programs in Mexico to achieve their targets, but more importantly, it avoids competition with other “public funds” to achieve the same general country objective.

Some IFI programs claim to focus on market development, but at the same time are designed after others, already successfully operating programs in the same market. This helps the successful implementation of such programs, but does not support the market development. There are also programs that take little notice of lessons learned of completed or ongoing similar programs in a given market, and repeat the same mistakes. To the contrary, ECOCASA is designed to maximize the market impact of the use of CTF funds in Mexico; it does that by taking into account all other programs with similar objectives and providing support only in areas or aspects not covered by the other programs. Not competing with other IFI programs on the same market maximizes the market development and transformation drive of ECOCASA. It also makes it easier to monitor the progress of the program as no other programs will be interfering with the same market/client segment.

Another CTF objective is well embedded in the Program – “providing experience and lessons in responding to the challenge of climate change through learning-by-doing”.

The Program has a well-designed capacity building component that is expected to support the implementation of the program on several levels simultaneously. It targets SHF's³ staff, as well as market stakeholders. It includes not only activities targeting capacity building and information awareness, but also ones optimizing internal processes to ensure a better monitoring.

Fit with the CTF's Investment Criteria – a detailed assessment has been made so as to ensure that the program fits the CTF investment criteria in terms of GHG Emissions savings, cost-effectiveness, potential for scaling up, and the like and complements to other similar programs in Mexico.

General Remarks

The risks of the program have been well defined and the design of the program is adapted towards monitoring and mitigation of these risks.

The financial frame of the program has also been well scoped. The design allows for rolling up, up to 3 times, based on average loan maturity of construction loans in Mexico, and has the potential to multiply the impact on the market.

³ Sociedad Hipotecaria Federal (Federal Mortgage Society)



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The overall benefits of the program have been well identified and quantified where possible, to enable the measurement of the program impact after the implementation.

Conclusion

To conclude, I believe that the CTF-IDB ECOCASA Program has all the design elements that will enable a successful implementation on the market and detailed monitoring of progress and results. It is fully in line with CTF's investment objectives and with the goals of the Government of Mexico in the field of sustainable development.

Regards,

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