

Cover Page for CTF Project/Program Approval Request			
1. Country/Region	Mexico	2. CIF Project ID#	(CIF AU will assign ID.)
3. Project/Program Title	Support to FIRA for the Design of an Energy Efficiency Financing Strategy for the Food Processing Industry– Project Preparation Grant		
4. Terms and Amount Requested in million USD equivalent	Public sector Loan/guarantee Harder terms: Softer terms: Grant: 0.430 Fee (on grant): 0.0215 Total: 0.4515		
	Private sector Loan/guarantee: Grant: Fee: Total:		
5. Implementing MDB(s)	Inter-American Development Bank		
6. National Implementing Agency	Fideicomisos Instituidos en relación al Agro (FIRA)		
7. MDB Focal Point	calatorre@iadb.org		
8. Brief Description of Project/Program (including objectives and expected outcomes)			
<p>The objective of this Preparation Grant is to support the efforts of the Government of Mexico in promoting energy efficiency and rational use of resources in the rural sector, while enhancing its competitiveness and reducing GHG emissions. In particular, the grant will support the design of:(i) specific operational instruments, mechanisms and systems that would not only make viable the implementation of the financing strategy for energy efficiency projects in Mexico’s food processing industry, but would also reassure relevant market players that the risks that they are assuming are acceptable; (ii) specific risk transfer instruments that could encourage the participation of key market players (e.g. Agro-industry associations and firms, energy efficiency service providers, technology providers, local financial intermediaries, insurance companies, etc.) in the program; (iii) methodological approaches and protocols to monitor results / benefits of the financing line (i.e. reduction of energy use and GHG emission reductions); and (iv) technical support on EE to FIRA for the detailed design of the financing strategy, the coordination of relevant stakeholders and the dissemination and promotion of the program.</p>			
9. Consistency with CTF Investment Criteria			
This information will be included on the project proposal			
10. Stakeholder Engagement			
This information will be included on the project proposal			
11. Gender Considerations			
This information will be included on the project proposal			
12. Co-financing Indicators and Targets (consistent with results framework)			
This information will be included on the project proposal			
13. Co-financing			
This information will be included on the project proposal			

14. Expected Date of MDB Approval

Prep grant: June 2014

Project: Q2-2015

ME-T1265

Support to FIRA for the Design of an Energy Efficiency Financing Strategy for the Food Processing Industry

List of documents

Technical Cooperation Document

Annex I: Conceptualization of an Energy Efficiency Financing Strategy and Most Relevant Instruments

Annex II: Procurement Plan

Note: TORs in Spanish of all of the consultancies envisioned under the project as well as the safeguard filter are available upon request.

TC DOCUMENT

Support to FIRA for the Design of an Energy Efficiency Financing Strategy for the Food Processing Industry

I. BASIC INFORMATION FOR TC

Country/Region:	Mexico
TC Name:	Support to FIRA for the Design of an Energy Efficiency Financing Strategy for the Food Processing Industry
TC Number:	ME-T1265
Associated Loan/Guarantee Name:	First Financing Program for the Promotion of Investment Projects, Productive Reconversion, and Sustainable Entrepreneurial and Export Development in Mexico's Rural Sector.
Associated Loan/Guarantee Number:	ME-L1145
Team Leader/Members:	Jose Juan Gomes (IFD/CMF), team leader; Maria Netto (IFD/CMF), alternate team leader; Claudio Alatorre (INE/CCS); Patrick Emmanuel Lenoir Lara (SCF/FMK); Cesar Bustamante (RND/CME); Leticia Riquelme (IFD/CMF); Maria Margarita Cabrera (IFD/CMF); Isabelle Braly-Cartillier (IFD/CMF); Juan Carlos Pérez-Segnini (LEG/SGO); y Stephanie Suber (IFD/CMF).
Date of TC Abstract authorization:	N.A. (CTF operation)
Donors providing funding:	Operational Support
Beneficiary:	Fideicomisos Instituidos en relación al Agro (FIRA)
Executing Agency and contact name:	IDB – IFD/CMF
IDB Funding Requested:	US\$430,000 from the Clean Technology Fund – Preparatory Investment Grants
Local counterpart funding, if any:	No counterpart funding
Disbursement period:	14 months (12 months of execution)
Required start date:	June 15, 2014
Types of consultants	Individual consultants or firms.
Prepared by Unit:	IFD/CMF
Unit of Disbursement Responsibility:	IFD/CMF
TC Included in Country Strategy:	Yes
TC included in CPD:	Yes
GCI-9 Sector Priority:	The proposed TC is closely related to two institutional priorities of the IDB under the GCI-9. They are: (i) institutions for growth / social welfare; and (ii) Protecting the Environment and Responding to Climate Change.

II. DESCRIPTION OF THE ASSOCIATED LOAN/GUARANTEE

- 2.1 This technical cooperation will support the preparation of the following operation under development: ME-L1145 - First Financing Program for the Promotion of Investment Projects, Productive Reconversion, and Sustainable Entrepreneurial and Export Development in Mexico's rural sector. The objective of ME-L1145 is to support Mexico's efforts to promote the rational use of natural resources in the rural sector, while enhancing its competitiveness and reducing GHG emissions. This would be achieved by pursuing two interconnected objectives: (i) increase investments in Energy Efficiency (EE) and rational use of water; and (ii) build up the capacities of FIRA and other relevant market actors on the structuring, financing, monitoring and evaluation of competitiveness-enhancing, environmentally-friendly projects. ME-L1145 will be funded with US\$50 million loan from the ordinary capital of the IDB, out of which up to US\$20 million would be allocated to finance energy efficiency investment projects by food processing firms. The program's overall resources will be complemented with around US\$10 million in counterpart contributions from eligible beneficiaries.

III. OBJECTIVES AND JUSTIFICATION OF THE TC

- 3.1 Based on initial market assessment studies regarding opportunities and barriers to finance energy efficiency in the fruit and vegetables processing industry,¹ it was identified that many of the barriers to gain access to credit from a potential financing strategy for EE projects are either related to lack of knowledge by local financial intermediaries and final beneficiaries on the risks and returns of relevant EE technologies. In order to address these barriers, a financing line needs to be accompanied with a set of activities that address the aforementioned knowledge gaps, ensure that any real or perceived risks are addressed, and that the financed projects supported result in actual energy savings and GHG emission reductions.
- 3.2 The main objective of this technical cooperation is to support the design of the operation ME-L1145 by addressing technical and informational barriers and other real or perceived risks that have prevented the supply of and the demand for financing for EE investment projects. In particular, it will support the design of: (i) specific operational instruments, mechanisms and systems that would not only make viable the implementation of the financing strategy for energy efficiency projects in Mexico's food processing industry, but would also reassure relevant market players that the risks that they are assuming are acceptable; (ii) specific risk transfer instruments that could encourage the participation of key market players (e.g. Agro-industry associations and firms, energy efficiency service providers, technology providers, local financial intermediaries, insurance companies, etc.) in the program; (iii) methodological approaches and protocols to monitor results / benefits of the financing line (i.e. reduction of energy use and

¹ Diseño de un Programa Integral para Financiar Proyectos de Eficiencia Energética en la Industria Procesadora de Alimentos, Basel Agency for Sustainable Energy, Octubre 2013.

GHG emission reductions); and (iv) technical support on EE to FIRA for the detailed design of the financing strategy, the coordination of relevant stakeholders and the dissemination and promotion of the program.

- 3.3 The technical cooperation is aligned with the “IDB Country Strategy for Mexico 2013-2018” (GN-2749). Indeed, it seeks to promote sustained productivity growth in both the rural and urban areas by increasing the level of financing to the real economy. In particular, the strategy aims at boosting bank financing to the non-financial private sector through development banks in priority areas such as small and medium enterprises, energy, energy efficiency and the agricultural sector.
- 3.4 This technical cooperation is also consistent with the GCI-9's lending target for climate change, renewable energy and environmental sustainability and with the IDB's priorities set in its integrated strategy for climate change adaptation and mitigation, and sustainable and renewable energy, approved in March 2011 (see ¶1.3, ¶2.9 and ¶3.14 of document GN-2609-1).
- 3.5 The TC will integrate results from another technical cooperation under execution with FIRA (RG-T1866) which has been supporting the conceptualization of a financing strategy to promote the financing of EE projects in the fruits and vegetables processing industries.

IV. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 4.1 The TC proposes to support the preparation of the operation ME-L1145 through 4 main components. Annex I lists these components as well as their activities and costs.
- 4.2 **Component 1:** Development of specific operational instruments, mechanisms and systems required to operationalize the financing strategy and reassure relevant market players that the risks they are assuming are acceptable. This component will include the definition of different elements needed to correctly address specific financial and non-financial requirements, reflect specific local financing conditions confronted by FIRA and its first-tier clients, and address technical barriers and lack of knowledge confronted by local financial intermediaries and beneficiary firms in order to gain access to credit for the promotion of EE investment projects. Among the issues that would be addressed through this component, the most important ones are the following:
 - a. Identification of the financial terms and conditions to be made available to potential beneficiaries (e.g. Interest rates, grace periods, payback periods, guarantees, insurance products, etc.), taking into account the costs of implementation of the strategy and the different sources of reimbursable and non-reimbursable funds available (IDB/BANSEFI/FIRA,SAGARPA, SENER,FIDE, CONUEE, Clean Technology Fund (CTF) funding);
 - b. Identification of the roles, conditions and agreements/ contractual requirements that would need to be fulfilled by potential market players

engaged in project development and monitoring, e.g. Technology and energy efficiency service providers, insurers for project performance, and project certifiers and verifiers;

- c. Specific technical capacities needed within FIRA to coordinate and promote the financing strategy, including the assessment of project eligibility and the creation of an information system for the monitoring, reporting and validation of projects' results;
 - d. Specific criteria for key players who can play the role of "third party" validators of projects' eligibility and verifiers of attained results (e.g. energy efficiency and GHG emission reductions);
 - e. Design of a performance contract where the risks are equally shared by technology providers and beneficiary firms;
 - f. Design of the instruments, mechanisms and methodologies upon which technology providers will support the structuring of technically-robust, bankable projects;
 - g. Design of the operational guidelines and mechanisms through which financial intermediaries, technology providers and beneficiary firms apply / benefit from the financing strategy, including its financing line and its potential risk transfer instruments;
 - h. Protocols and templates for: presenting projects; validating projects and providers; monitoring and reporting results after the investment credit is granted; and validating results of the program as a whole.
 - i. Methodology for assessing eligible projects, including how to present result indicators and monitoring whether they are being achieved;
- 4.3 One individual consultant who will be hired to undertake the necessary analysis and develop the aforementioned performance contract taking into account the needs of the program and the legal provisions of Mexico's contract laws and regulations. Regarding the development of the instruments, methodologies, mechanisms and operational guidelines contemplated under this component, a consultancy firm will be hired to that effect. The consultant and representatives of the consultancy firm would be required to travel as needed to gather any information that may be required for their work and to present results of the work undertaken to key players (technology and energy efficiency service providers, entrepreneurial associations of potential clients, methodology / technical verifiers, relevant government entities, etc.) to encourage them to change their behavior towards this type of investments.
- 4.4 **Component 2:** From the results of initial market studies, it is clear that a successful financing scheme for energy efficiency will need to include risk transfer mechanisms to encourage beneficiary firms to invest and financial institutions to finance this type of projects. Specific results of the activities supported under this component are:

- a. A performance insurance policy for project beneficiaries
 - b. A performance guarantee to encourage the participation of financial institution in the program;
 - c. Alternative incentive schemes to encourage firms to invest in EE projects.
- 4.5 **Component 3:** Development of methodological approaches and protocols to monitor results / benefits of the financing strategy (i.e. reduction of energy use and GHG emission reductions). The integration of benefits arising from energy savings in the financing line will be a key incentive for clients to invest in this type of projects, provided that those savings actually materialize. In order to ensure that these benefits are tracked and fully accounted for, there exists the need to consider specific recommendations and tools, including:
- a. A management system to support the tracking of projects' performance, including its integration with FIRA's existing IT and information systems as well as with the information systems of other participants through a web platform;
 - b. An impact evaluation strategy.
- 4.6 **Component 4:** Technical support on EE to FIRA for the detailed design of the financing strategy, the coordination of relevant stakeholders and the dissemination and promotion of the program. Specific results of the activities supported under this component are:
- a. An EE expert to support FIRA in the detailed design of the strategy and the coordination and dissemination efforts with relevant market players;
 - b. A Dissemination and promotion strategy to promote outputs and dissemination of knowledge of the above components and activities to key market participants;
 - c. Lists of the roles, conditions and agreements required for proper promotion of the financing line, including those specifically related to existing associations of potential clients (e.g. Agro-industrial associations) and energy efficiency services providers (Association of Experts in Energy Efficiency).
- 4.7 Individual consultancies will be hired to support the activities stipulated in components 2, 3 and 4. One individual consultant will be required to support FIRA with the specific technical capacity and coordination of the activities during the conceptualization of the program. Four more consultants will be contracted to support the design of the risk transfer mechanisms, the promotion strategy and the impact evaluation strategy of the program. The execution of these components will also entail the cost of organizing events needed to consult with relevant market players (such as EE services providers and potential clients) on the specific requirements and conditions of the financing strategy.

Indicative Results Matrix

	Unit	Baseline		Year 1		Year 2		Expected Completion Date	Data Source
		Value	Year	Planned	Actual	Planned	Actual		
Component 1 - Financing line designed.	#	0	2014	1		0		09/01/2014	IDB Systems
Component 2 - Risk transfer mechanisms and incentives designed.	#	0	2014	3		0		12/1/2014	IDB Systems
Component 3 - Protocol and verification methodology designed and operational.	#	0	2014	1		0		09/01/2014	IDB Systems
Component 4 - <ul style="list-style-type: none"> • Dissemination and promotion strategy • Clients and technical providers that engage in the program 	#	0	2014	1		0		09/01/2014	IDB Systems
	#	0	2014	8		15		12/01/2014	IDB Systems & Survey

4.8 The total amount of this operation is US\$430,000 which would be used to hire the services of experts to implement components 1, 2, 3 and 4 above, as well as to pay for logistics of consultative events and related consultants' travel needs. Any contracting will be undertaken following Bank's policies and procedures. The contracting of individual consultants will be done following the policies of the Human Resources Department of the Bank.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
	Performance contract	55,000	55,000
	Detailed operational procedures	135,000	135,000
Component 2	Performance insurance policy and other demand side incentives	60,000	60,000
	Performance guarantee	30,000	30,000
Component 3	System for program management	50,000	50,000
	Methodology to assess program's impact	10,000	10,000
Component 4	Dissemination and promotion strategy	30,000	30,000
	Technical and coordination support on EE to FIRA	60,000	60,000
Total:		430,000	430,000

4.9 The counterpart resources for this project would be the staff time of relevant FIRA personnel to review the technical aspects of the terms of reference and intermediate and final reports of all the consultancies envisioned under it. The administrative and technical supervision of the proposed technical assistance program will be under the responsibility of IFD/CMF.

4.10 To ensure a proper execution of the proposed program, the project team will organize launching, midterm and final review meetings/audio-conferences with FIRA and consultants for each of the phases contemplated in the design and implementation of planned activities.

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 FIRA has formally requested the IDB to execute this investment grant not only to ensure a close correspondence between its products and the IDB and CTF requirements for the preparation and execution of loan operation ME-L1145, but also to identify any additional technical capacity that FIRA may require in order to ensure an agile and effective execution of the aforementioned operation.

VI. MAJOR ISSUES

- 6.1 Given that the work proposed by this TC is highly technical, there is a risk of not obtaining good quality results if the work carried out by consultants is not properly monitored. For this reason, peer reviewers will be asked to review the products developed. In addition, part of the project resources would be allocated to: (i) enhance the capacity of FIRA to develop the financing line under ME-L1145 (component 4); and (ii) consultations with EE services providers and potential clients before the final design/consultancy products are finalized to ensure that they reflect the concerns of key stakeholders and are of high quality (components 1 and 2).

VII. EXCEPTIONS TO BANK POLICY

- 7.1 No exceptions to Bank policy are envisioned.

VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C. No potential negative environmental and/or social impacts of the TC were identified and therefore no mitigation strategy is required to address any impact.

Annex 1. Conceptualization of an Energy Efficiency Financing Strategy and Most Relevant Instruments

Focal support area	Activities	Amount (US\$)
1. Development of a performance contract	<ul style="list-style-type: none"> • Legal consultant. • Coordination and consultation events with relevant public and private sector stakeholders. 	50.000 5.000
2. Development of a validation mechanism for project proposals	<ul style="list-style-type: none"> • Consultant to support:(i) the development of the methodologies / procedures /protocols for the presentation and technical validation of project proposals; and (ii) the identification of validators; • Coordination and consultation events with relevant public and private sector stakeholders. 	20.000 5.000
3. Development of a validation mechanism for project providers	<ul style="list-style-type: none"> • Consultant to support the development of the methodologies / procedures /protocols for the participation and validation of technology providers. • Coordination and consultation events with relevant public and private sector stakeholders. 	5.000 5.000
4. Development of the program's investment verification system.	<ul style="list-style-type: none"> • Consultant to support the development of : (i) the methodologies / procedures /protocols for the verification of installations; and (ii) the methodologies / procedures /protocols for the disposition of substituted equipments. • Coordination and consultation events with relevant public and private sector stakeholders. 	20.000 5.000 5.000
5. Development of the program's monitoring and reporting system	<ul style="list-style-type: none"> • Consultant to support the development of : (i) the methodologies / procedures /protocols and systems for monitoring and reporting projects 'results; and (ii) the methodologies / procedures /protocols for the verification of results. • Verification of projects by validator (s). 	20.000 30.000 20.000
6. Development of a performance insurance policy and other incentives	<ul style="list-style-type: none"> • Technical expertise to: (i) support a local insurance company in the development of a performance insurance policy (i.e."fianza"); and (ii) develop other incentives to encourage EE investments. • Coordination and consultation events with relevant public and private sector stakeholders. 	50.000 10.000
7. Development of a performance guarantee	<ul style="list-style-type: none"> • Consultant for the pre-feasibility assessment of a performance guarantee for financial institutions. 	30.000
8. Web platform and information system for program management	<ul style="list-style-type: none"> • IT consultant to support the Program's: web design; workflows; databases; and their integration with FIRA's current IT and information systems as well as with other participants' systems. 	50.000
9. Design of the program's impact evaluation strategy	<ul style="list-style-type: none"> • Technical consultant. 	10.000
10. Design of a dissemination and promotion strategy	<ul style="list-style-type: none"> • Technical support for the design and implementation of a dissemination and promotion strategy. 	30.000
11. Technical support for conceptualization of the program and the coordination of players	<ul style="list-style-type: none"> • EE expert consultant. 	60.000
TOTAL		430.000

PROCUREMENT PLAN

Country: Mexico
Executing agency: IDB/CMF/ Country Office Mexico
Project: “Support to FIRA for the Detailed Design of an Energy Efficiency Financing Strategy for the Food Processing Industry”
No. Of Project and contract: ME-T1265

Brief description of the objectives and components of the Technical Cooperation:

The main objective of this technical cooperation is to support the design of the operation ME-L1145 by addressing informational and technical barriers and other real or perceived risks that have prevented the supply of and demand for financing for EE investment projects. In particular it will support the design of:

Component 1: Specific operational instruments, mechanisms and systems that would not only make viable the implementation of the financing strategy for energy efficiency projects in Mexico’s food processing industry, but would also reassure relevant market players that the risks that they are assuming are acceptable;

Component 2: Specific risk transfer instruments that could encourage the participation of key market players (e.g. Agro-industry associations and firms, energy efficiency service providers, technology providers, local financial intermediaries, insurance companies, etc.) in the program;

Component 3: Methodological approaches and protocols to monitor results / benefits of the financing line (i.e. Reduction of energy use and GHG emission reductions); and

Component 4: Technical support on EE to FIRA for the detailed design of the financing strategy, the coordination of relevant stakeholders and the dissemination and promotion of the program

One individual consultant and a firm will be hired to implement Component 1; two individual consultants will be hired to implement Component 2; two individual consultants will be hired to implement Component 3; and, finally, two individual consultants will be hired to implement Component 4.

Starting date for signing of contract: July 2014
Date of last disbursement: June 2015

Address of the division responsible for the execution of acquisition plan:

Inter-American development bank
Capital Markets and Financial Institutions Division (IFD/CMF)
1300 New York Ave, NW, Washington DC 20577, USA

Period covered by this Procurement Plan: July 2012 to January 2015

Description of the Contract and Estimated Cost of Acquisition	Estimated Cost (US\$)	Acquisition Methodology ¹	Source of Funding and Percentage		Prequalification (Yes/No)	Estimated Date		Status (Pending, in process, disbursed, canceled)	Comments
			BID	Local / other (in kind from Bancoldex)		Publication/ Announcement of Procurement	Termination of Contract		
Component I: Specific operational instruments, mechanisms and systems that would not only make viable the implementation of the financing strategy for energy efficiency projects in Mexico's food processing industry									
Consultancy firm or individual consultant (1)	120,000	IICC	120,000	0	No	Q3 2014	Q1 2015	Pending	
Individual consultant (Legal Expert) (1)	50,000	QBS or IICC	50,000	0	No	Q3 2014	Q4 2014	Pending	
Consultation and coordination meetings with key stakeholders	20,000	PC	20,000	0	No	Q3 2014	Q1 2015	Pending	
Component II: Specific risk transfer instruments that could encourage the participation of key market players (e.g. Agro-industry associations and firms, energy efficiency service providers, technology providers, local financial intermediaries, insurance companies, etc.) in the program									
Individual consultant (Performance insurance policy) (1)	50,000	NICQ	50,000	0	No	Q3 2014	Q4 2014	Pending	
Individual consultant (Performance guarantee) (1)	30,000	NICQ	30,000	0	No	Q3 2014	Q4 2014	Pending	
Consultation and coordination meetings with key stakeholders	10,000	PC	10,000	0	No	Q3 2014	Q4 2014	Pending	
Component III: Methodological approaches and protocols to monitor results / benefits of the financing line									
Individual consultant (Web platform and information system for program management) (1)	50,000	NICQ	50,000	0	No	Q3 2014	Q4 2014	Pending	
Individual consultant (Design of the program's impact evaluation strategy) (1)	10,000	NICQ	10,000	0	No	Q3 2014	Q4 2014	Pending	
Component IV: Technical support on EE to FIRA for the detailed design of the financing strategy, the coordination of relevant stakeholders and the dissemination and promotion of the program									
Individual consultant (institutional capacity) (1)	60,000	NICQ	60,000	0	No	Q3 2014	Q2 2015	Pending	
Individual consultant (Design of the program's impact evaluation strategy) (1)	30,000	NICQ	30,000	0	No	Q3 2014	Q4 2014	Pending	
TOTAL	430,000		430,000	0	---	---	---	---	

¹ **Goods and Works:** **ICB:** International competitive bidding; **LIB:** limited international bidding; **NCB:** national competitive bidding; **PC:** price comparison; **DC:** direct contracting; **FA:** force account; **PSA:** Procurement through Specialized Agencies; **PA:** Procurement Agents; **IA:** Inspection Agents; **PLFI:** Procurement in Loans to Financial Intermediaries; **BOO/BOT/BOOT:** Build, Own, Operate/Build, Operate, Transfer/Build, Own, Operate, Transfer; **PBP:** Performance-Based Procurement; **PLGB:** Procurement under Loans Guaranteed by the Bank; **PCP:** Community participation procurement. **Consulting Firms:** **QCBS:** Quality- and Cost-Based Selection **QBS:** Quality-Based Selection **FBS:** Selection under a Fixed Budget; **LCS:** Least-Cost Selection; **CQS:** Selection based on the Consultants' Qualifications; **SSS:** Single-Source Selection. **Individual Consultants:** **NICQ:** National Individual Consultant selection based on Qualifications; **IICC:** International Individual Consultant selection based on Qualifications; **CCIN:** National Individual Consultant selection based on Comparison of Qualifications.