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**IDOM**

**24 de septiembre 2021**

***Green Finance for the  
development of Smart  
Cities  
Phase I & II***

***Climate Finance Acelerator***



## DISCLAIMER

**The opinions expressed in this document are those of the authors and are not intended to reflect the views, positions or policies of the UK Government, the UK Embassy in Mexico or its members.**

The content of this publication has been developed by IDOM and its affiliated experts in the framework of the programme "Green Finance for Smart City Development in Mexico Phase II", an initiative funded by the UK Government's Department for Business, Energy and Industrial Strategy through UK PACT (*UK Partnering for Accelerated Climate Transitions*).



## Purpose and impact of the project

The project aims to create and promote access to private green finance products to state and municipal governments by providing support and creating capacities to select and prepare bankable projects, including environmental and social indicators, and developing dissemination material of successful cases.



## Participant cities

Cities committed to facing climate change through local action

### Phase I (2019-2020)



### Phase II (2021)



## Priority sectors Phase I:

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### Green Finance



Sustainable  
Mobility



Waste  
management



Water  
management



Renewable  
Energy

## Priority sectors Phase II:

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### Green Finance



Sustainable  
Mobility



Forests and  
land use



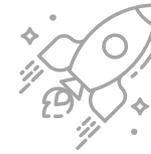
Renewable  
Energy



Water and  
waste  
management



## Minimum Viability Criteria



### Criterion 1 Intelligent Climate Solution

- Climate Change Mitigation Potential
- Digital or smart technology

### Criterion 2 Feasible

- Strategic focus, policy and regulatory coherence
- Clear value proposition or profitable business model
- Preliminary market analysis
- Positive environmental and socio-economic impact



### Criterion 3 Implementable

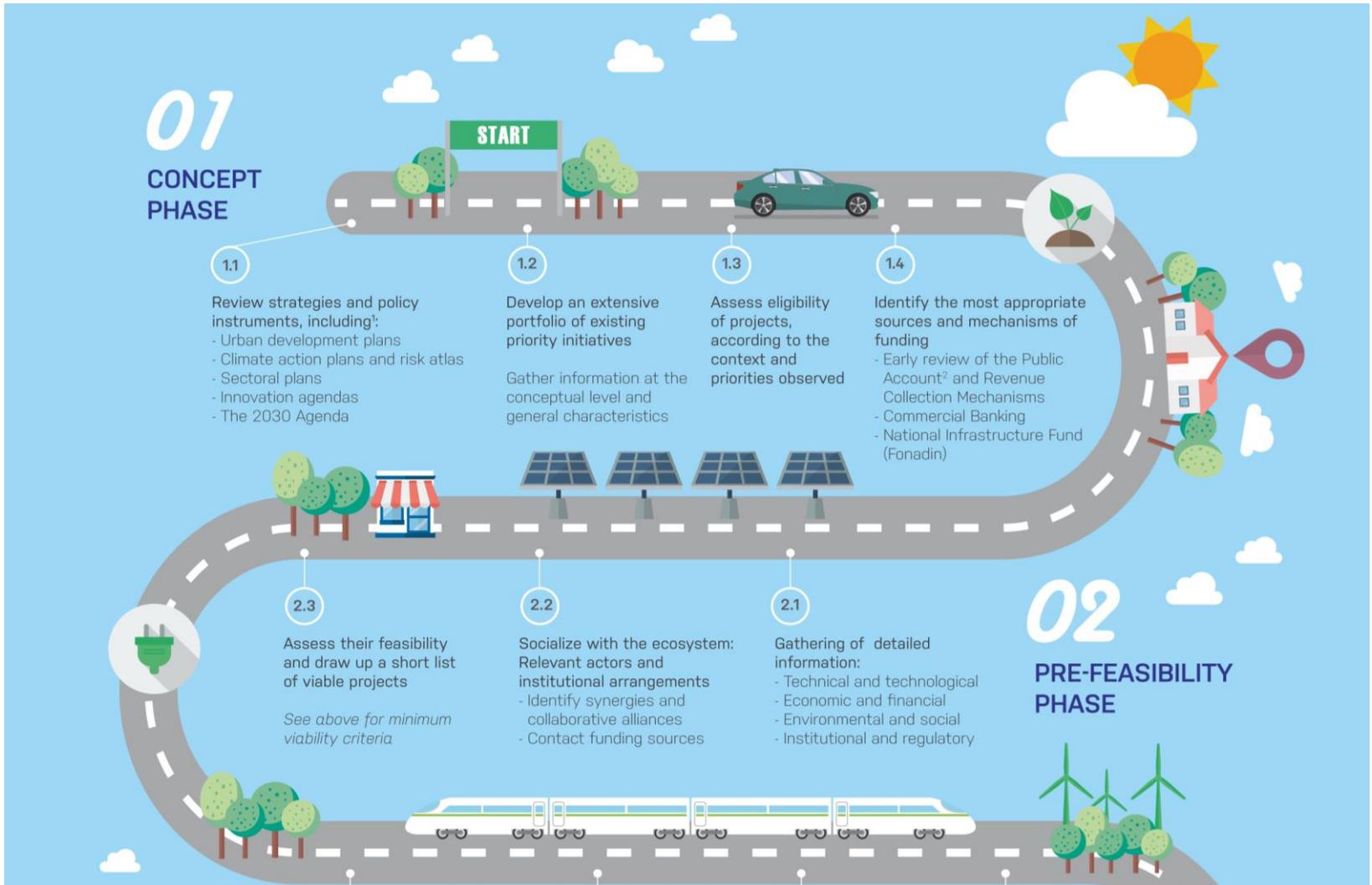
- Technical or technological feasibility, integrity and level of maturity
- Potential to achieve sustainable commercial viability or financial sustainability
- Source or mechanism of funding identified

### Criterion 4 Transformational

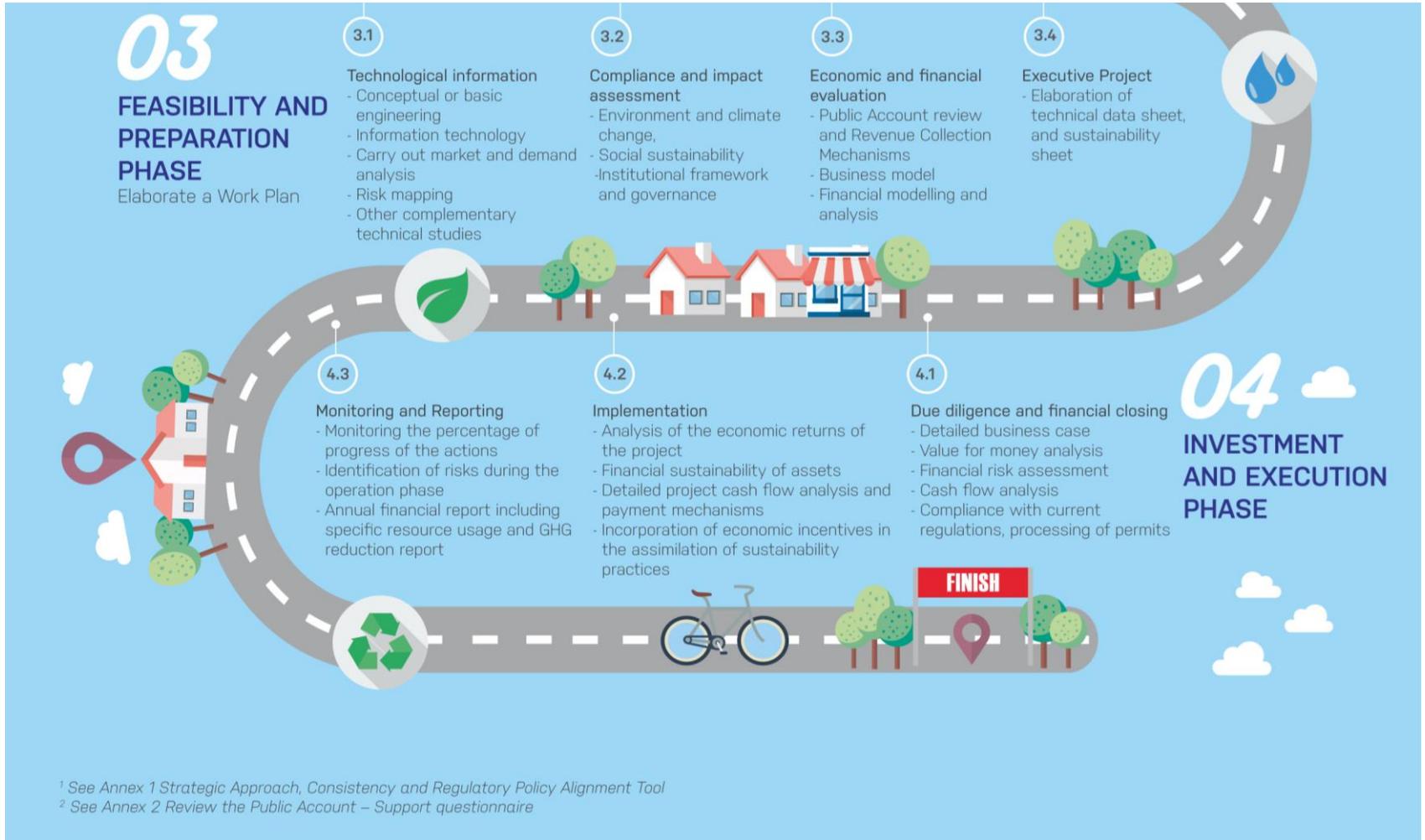
- Scalable or replicable solution
- Involves technical capacity building



## Project Preparation Path



## Project Preparation Path



## Major barriers for local government to access external financing



### ECONOMIC AND FINANCIAL

- Municipal debt ceiling
- Low credit rating and solvency
- Fiscal restrictions to access long-term financing
- Low dedicated financing to pre-feasibility and reinvestment
- Low tax collection and generation of new income
- High dependence on federal guarantees



### CAPACITIES

- Limited capabilities to prepare bankable projects
- Technical or technological capabilities
- Lack of knowledge about public (disabled) and external funding opportunities
- Continuity in climate planning in terms of evaluation, selection and maturity of initiatives and projects



### COORDINATION AND GOVERNANCE

- Short-term presidential term and long-term continuity of trans-government projects
- Disarticulation between administration or treasury and sectorial units in terms of investment priorities
- Lack of communication channels and synergies between the financial sector and local governments



## Key results - Phase I



### 10 projects

Projects with high transformational potential in four urban focus areas were selected to receive specialised sectorial advice in their preparation process towards funding

### 15 partners and experts

Our partners or experts, with whom we have collaboration and synergies in action, for the preparation and implementation of the projects



### 2,100,102 ton

2,100,102 total expected reduction in tons of CO<sub>2</sub> equivalent, expected over the lifetime of the 10 selected projects



### 10 mechanisms

10 different funding mechanisms or business model opportunities for cities explored or implemented

<sup>[1]</sup>Public Private Partnership (PPP), ESCO model (Energy Efficiency as a Service), privately financed concessions, virtual social coin, Public and Public-Private Trust, Solar "Leasing", Conventional and Green Loans, Micro-mobility Tariffs Regulation, Waste Valorisation (Circular Economy), Power Purchase Agreement (PPA)



# Green Finance for the development of Smart Cities

## Key results - Phase II (In progress)



17 projects

7 cities assisted

17 selected projects with high transformational potential selected to receive specialised sectorial advice in their preparation process towards funding among a larger list of over 60 projects analysed in four urban focus areas: Waste management, Low Carbon Mobility, Water management and Forests and Land Use.

7 cities are currently being assisted: Centro in the State of Tabasco, Chihuahua in the State of Chihuahua, Hermosillo in the State of Sonora, Ixtapaluca and Naucalpan in the State of Mexico, Mérida in the State of Yucatán and Zapopan in the State of Jalisco.



## The CFA Programme

The CFA is a four-year technical assistance programme funded by BEIS which will:

- work closely with eight middle-income countries
- support them to develop a sustainable pipeline of bankable, low-carbon projects
- identify suitable financing options, working with financiers in-country and from the City of London
- contribute to embedding a permanent CFA process in each country to identify financing for low-carbon projects to support countries' efforts in implementing their NDCs

There are 3 priority stakeholder groups for the CFA to engage:



Project proponents



Finance community



Policy makers

The CFA has 5 core aims:

1. strengthen the capacity of project proponents to design low carbon, investable projects
2. establish networks between climate finance participants
3. improve participants' understanding of climate finance
4. increase policymakers' awareness of barriers and enablers in the enabling environment for climate finance
5. plan for CFA process is fully developed and owned by relevant stakeholders

The CFA targets 3 climate finance challenges, with 2 prioritised

Climate Finance  
Challenge

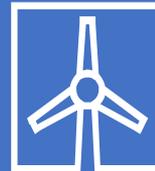


Enabling environment barriers are preventing a functioning climate finance ecosystem

CFA Offer

Recommend solutions to policymakers to address enabling environment barriers

Priority areas



There is an insufficient **pipeline of bankable projects**

Provide advice and support to project proponents to enable them to develop high quality, bankable proposals



Climate project proponents struggle to **access finance**, financiers struggle to identify bankable projects.

Provide a convening function to improve connections between proponents and financiers.

## Project selection criteria

The CFA considers 4 main criteria for the selection of projects \*:



\* Submitted projects are not expected to be fully prepared on each of these criteria. Technically viable projects are being sought, with the potential to reduce carbon emissions and that can demonstrate a positive social and GESI impact.

## Call for projects results

- Open: july 12th – august 13
- **32 projects received** from 17 different states
- Prioritized areas: north, center and southeast of the country
- Sectors from which projects were received: **energy, waste, AFOLU and transport.**
- **14 projects have been shortlisted**
- Around **10 projects will be selected**
- Next steps: Stage 2 of the programme **Capacity Building Sessions** on October-November

## Invitations

- To consult more information about the programme [here](#)
- For the **financial community** to participate in the **three-day event** (tentatively, ends of November) as potential funders and investors. If interested, please contact Mariana Silva ([mariana.silva@idom.com](mailto:mariana.silva@idom.com))
- For **project proponents**, to participate on the second round of the programme, which will probably open at the beginning of the year 2022.
- For more information about this round of the CFA programme, please mail to Mariana Silva - Project Leader ([mariana.silva@idom.com](mailto:mariana.silva@idom.com)) and Manuel Hernández – Sustainable Economy Consultant ([manuel.Hernandez@idom.com](mailto:manuel.Hernandez@idom.com))