

CLIMATE CHANGE**Mexico Leading the Agenda on Mitigation and Adaptation to Climate Change****Overview**

The International Bank for Reconstruction and Development (IBRD) has been working with Mexico on climate change and environmental sustainability for nearly two decades. Over this period, it has provided a mix of financial and technical support to Mexico's efforts, and the results can be seen in the creation of a national climate change strategy, improved forestry management, and the passage of renewable energy and energy efficiency laws.

Challenge

Climate Change is expected to hit developing countries hardest. Its effects—higher temperatures, changes in precipitation patterns, rising sea levels, and more frequent weather-related disasters—pose risks for agriculture, food, and water supplies. At stake are recent gains in the fight against poverty, hunger and disease, and the lives and livelihoods of billions of people in developing countries. Mexico is one of the most vulnerable countries to climate change in that 15 percent of its territory, 68 percent of its population and 71 percent of its gross domestic product (GDP) are exposed to adverse consequences from climate-related events.

Approach

Overall, the World Bank has supported Mexico's sustainable development efforts with loans totaling US\$3.7 billion through fiscal years 2008-2010. This strategy seeks to integrate environmental considerations into public policy, in order to increase competitiveness and economic and social development, while simultaneously protecting the environment. The program aims to reduce air and water pollution, promote the efficient use of water and energy, as well as land conservation and improved forest management. Also, improvements in environmental sustainability are expected to benefit the poor. The Bank's recent assessments of poverty in Mexico point out the adverse effect environmental degradation has on the poor, particularly in terms of health and availability of natural resources supporting basic economic activities. Given the significant impact of climate change in Mexico and the country's leading role in the field on the global level, the Bank's engagement has focused on strengthening Mexico's policies and programs aimed at achieving a low carbon growth path and developing resilience to the effects of climate change.

More Results**800,000**

provided green mortgage for
800,000 new houses, to reduce
1.2 Million tons of CO₂
emissions/year by 2012

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Results

Several Bank operations have contributed toward mainstreaming environmental sustainability principles within policies for tourism, energy, forestry, housing, agriculture and water, as prioritized by the government. These operations achieved important development outcomes: improved forestry management through financing of Payment for Environmental Services and Community Forestry programs; strengthened sustainability of the tourism sector by adopting “Agenda 21” action plans in 35 tourism destinations; and passage of the Federal Water Rights Law that established incentives for pollution reduction.

This engagement also provided analytical underpinnings for the fast preparation of various first-of-a-kind operations. The Climate Change Development Policy Loan was designed to support Mexico’s Climate Change Strategy that provided knowledge management on adaptation and mitigation activities. The Green Growth Development Policy Loan supported the implementation of key related policies and aligned Bank technical assistance to reduce green house gas (GHG) emissions on a voluntary basis. The achievements of the first development policy loan operation were consolidated by the Green Growth loan’s focus on low-carbon transport and energy. This instrument provided the framework for a deeper engagement through specific investment operations in urban transport and energy efficiency. The work done on the sectors affected by climate change also allowed the Bank to lead the preparation of the Clean Technology Fund Investment Plan, a US\$5-billion program that will boost the country’s efforts on cleaner urban transportation, energy efficiency, and renewable energy, especially wind power.

Actions under Mexico’s Special Climate Change Program seek to halve its GHG emissions (from a 2000 baseline) by 2050 and promote adaptation measures, such as: Increased electricity generation from renewable sources (from 23 percent in 2006, to 26 percent in 2012), energy savings (replace 1.9 million air conditioning units and refrigerators and 47 million light bulbs); integrated water resources management programs (three Watershed Management and Soil Conservation Plans); sustainable housing solutions (provide green mortgage for 800,000 new houses, to reduce 1.2 Million tons of CO2 emissions/year by 2012) , integrated mass transport corridors in at least the 10 largest cities in the country and incorporation of 2.9 million additional hectares of forest to sustainable management and 2.1 million hectares to payment for environmental services schemes. Most recently, a Bank development policy loan supporting the Mexican water sector’s adaptation to climate change helped pave the way for a range of new policies in one of the sectors that will be mostly affected by climate change.

Partners

EC and DFID together provided US\$55.0 million for the eight-year program. There is no funding from the World Bank Group itself. The program works with multiple partners. Within the government, the Board of Investment is the main counterpart and there are engagements with a number of key ministries, such as the Ministries of Commerce, Law, Land and Establishment and agencies, such as the Bangladesh Bank (central bank), National Board of Revenue (the tax administration) and the Bangladesh Export Processing Zone Authority. Several chambers of commerce, industry associations and think-tanks are partners in

Toward the Future

The strategy moving forward is built around the expansion of knowledge and policy coordination services at the same time as providing timely financial services. One of the pillars of the strategy are the Memoranda of Understanding (MoUs) that constitute an instrument for coordinating Bank analytic and advisory activities, loans, and grants in programs to address sustainable development and climate change challenges. These MoUs represent a departure from an approach that focused on operational or economic and sectors to sector dialogue and development solutions. These MoUs also recognize the need to maintain a long-term level of engagement based on agreed-upon objectives and development challenges that are not subject to unanticipated changes in financing and knowledge product needs in particular

sectors.

Various MoUs within different sectors are currently underway in Mexico, covering issues such as federal climate change policies, sub-national climate strategies, integrated water resources management, energy financing and regulation, urban transport, and pro-poor adaptation and sustainable territorial development. Important progress has been made in the implementation of the MoUs: In the urban transport sector with the development of the National Urban Transport Policy (Programa de Apoyo Federal al Transporte Masivo). In the energy sector, a series of studies and workshops called for in the MoU have already been completed. In the areas of environment and climate change, the Bank is providing support for a complex program. Box 1 shows the details of this last MoU and progress to date.

An interesting example is the comprehensive development services package developed with the National Water Commission that will support the water sector in positioning itself vis-à-vis climate change and placing this issue at the top of its corporate agenda. This support will be provided through a Development Policy Loan, whereby the implementation of the operation will be accompanied by an enhanced package of knowledge and policy coordination services set forth in a MoU. Resources are expected to be available from the Water Partnership Program and the Spanish Trust Fund for Latin America and the Caribbean (SFLAC) for technical assistance and advisory services to support program advancement.