



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 09-Feb-2021 | Report No: PIDC31070



BASIC INFORMATION

A. Basic Project Data

Country Mexico	Project ID P175940	Parent Project ID (if any)	Project Name STRENGTHENING AGRICULTURE AND FOOD SYSTEMS BY PROMOTING ACCESS TO FINANCE (P175940)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Aug 03, 2021	Estimated Board Date Nov 09, 2021	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Nacional Financiera de Mexico	Implementing Agency Fideicomisos Instituidos en Relación con la Agricultura (FIRA)	

Proposed Development Objective(s)

To expand access to finance and improve economic and climate resilience of agro-industrial production units in rural areas.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	355.00
Total Financing	355.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	300.00
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Non-World Bank Group Financing

Counterpart Funding	55.00
Borrowing Country's Fin. Intermediary/ies	55.00



Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track II-The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **The country has been experiencing supply and demand shocks to the economy, generating negative impacts on firms, employment, and households.** In this context, the implementation of policies to improve the business environment and enable new job creation are critical.
2. **Financial inclusion is an essential tool for reducing poverty and boosting prosperity and has been one of Mexico's foremost development challenges.** Only 25.8 percent of adults belonging to the poorest 40 percent of the population. The lack of access to banking services is also acute in rural areas, where only 29.3 percent of adults have a bank account. This shortcoming is even more pronounced in the poorer states of the country (in the south and central areas), and the rural finance gap remains large.

Sectoral and Institutional Context

3. **Integrating adequate financial products and services into agri-food systems can improve the socio-economic conditions of small/medium food producers.** Access to finance is one of the biggest challenges for Mexican producers. Addressing existing constraints for making access to finance more inclusive is critical to have a well-functioning agri-food system with efficient channels and platforms to guarantee the production, commercialization and consumption of food to the population. Asymmetry of information in the credit market, lack of financial infrastructure, lack of financial culture/education, and the characteristics of production units (limited collateral, low productivity, variable quality, etc.) are some of the main causes of financial exclusion in Mexico's agricultural and rural sector.¹

Relationship to CPF

4. **The proposed project is aligned with the proposed World Bank Group's Mexico Country Partnership Framework (CPF) for FY2020-2025.** The project is strongly consistent with two areas: (i) supporting inclusive growth and its objectives to foster financial inclusion and reduce structural impediments to productivity growth; and (ii) promoting inclusive and sustainable development and its objective to provide more inclusive and sustainable infrastructure services.

C. Proposed Development Objective(s)

To expand access to finance and improve economic and climate resilience of agro-industrial production units in rural areas.

¹ National Survey of Financial Inclusion. CNBV, 2017.



Key Results

5. The main PDO Indicators are:
- (a) subloans for productive purposes disbursed by borrowing PFIs to rural agroindustrial production units (RAPUs)
 - (b) farmers reached with agricultural credit (number); and
 - (c) Agri-Fintech Platform.

D. Concept Description

6. The proposed Project aims at strengthening sustainable agriculture and food systems by promoting access to finance for productive purposes in rural areas.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

7. The project is expected to generate important environmental, economic and social benefits, given it will improve access to investment opportunities and the adoption of technologies enhancing climate resiliency and climate smart practices, as well as post-harvest storage conditions decreasing post-harvest losses, resulting in improved competitiveness of small and medium-sized producers.

CONTACT POINT

World Bank

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Borrower/Client/Recipient

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Implementing Agencies



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APPROVAL

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Approved By

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