



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 15-Jul-2020 | Report No: PIDC28763



BASIC INFORMATION

A. Basic Project Data

Country Mexico	Project ID P173504	Parent Project ID (if any)	Project Name ACCESS TO POST-HARVEST INFRASTRUCTURE FINANCE FOR SMALL AND MEDIUM PRODUCERS (P173504)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jan 11, 2021	Estimated Board Date Mar 18, 2021	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) FINANCIERA NACIONAL DE DESARROLLO	Implementing Agency FINANCIERA NACIONAL DE DESARROLLO	

Proposed Development Objective(s)

To expand the availability of finance for post-harvest infrastructure in selected value-chains.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	360.00
Total Financing	360.00
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	60.00
Local Beneficiaries	60.00



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 is experiencing supply and demand shocks to the economy, that will generate impacts on firms, employment, and households.** In this context, the implementation of economic and social policies to improve the business environment, protect jobs, and support the overall economic fabric are critical.
2. **Access to finance is one of the biggest challenges for Mexican producers.** Small and medium-sized producers have limited access to financial resources given the heterogeneous agrarian structure also linked to land tenure patterns, relying on non-traditional and informal financial services. Addressing infrastructure gaps and 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. Infrastructure for post-harvest management is equally critical in this process, and it is essential that small and medium producers and rural enterprises have access to adequate financing mechanisms for it.

Sectoral and Institutional Context

3. **Rural agri-food development provides an opportunity for Mexico to address jobs and economic growth, contributing to socio-economic stability, environmental resilience, and food security.** Nearly 13 percent of total employment is in primary agriculture. Average growth in the period 2016-2018 in primary agriculture was 3.09 percent, in manufacturing 2.14 percent, and in services 3.3 percent. While primary agricultural commodities contribute 2.9 percent to value added in GDP, that share increases to 11.3 percent when upstream and downstream linkages with other sectors, like agri-food processing and food services, are included. Productive investments in the agri-food system represent an important opportunity for rural economic transformation.
4. **Storage infrastructure for agricultural products, such as grain and dairy are insufficient in Mexico, with tremendous variation between regions and states.** There is also significant variation in the type and quality of storage equipment and infrastructure, and the products storage norms and standards applied. There are pronounced disparities between the grain and cold-storage infrastructure in the central/southern states versus the states located in the north of the country, where most of the modern storage facilities (warehouses) are located and integrated with semi-mechanized and mechanized equipment, with a storage capacity between 5 to 50 thousand tons. In contrast, the states in the south lack the storage capacity and commercialization conditions or technical and commercial capabilities to meet current market demands, prohibiting the participation of small agricultural units.



Relationship to CPF

1. **The proposed project is strongly aligned with the Country Partnership Framework (CPF) for the period FY2020–FY2025.** The project is strongly consistent with focus area related to supporting inclusive growth and its objectives to (i) foster financial inclusion, and (ii) reduce structural impediments to productivity growth. The proposed project is also consistent with the focus area of the CPF related to promoting inclusive and sustainable development and its objective to provide more inclusive and sustainable infrastructure services.

C. Proposed Development Objective(s)

To expand the availability of finance for post-harvest infrastructure in selected value-chains.

Key Results (From PCN)

- (i) Number of loans disbursed by PFIs to Sub-borrowers under the project for grain storage facilities (cumulative), disaggregated by number of loans and value of loans (US\$), gender and IPs;
- (ii) Number of loans disbursed by PFIs to Sub-borrowers under the project for cold chain facilities (cumulative), disaggregated by number of loans and value of loans (US\$), gender and IPs;
- (iii) Average non-performing Loan (NPL) ratio for PFIs’ portfolio with project funds (percentage);

D. Concept Description

The project aims to improve access to finance for post-harvest infrastructure investments in grains and dairy thus contributing to a reduction in agricultural losses (and increased climate resilience) in Mexico, with priority given to the South and Center of the country. This will be achieved through its focus on improving the storage capacity, leveraging clean energy solutions, enhancing productivity, competitiveness and economic opportunities of small and medium agricultural producers in economically disadvantaged regions of the country.

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

Summary of Screening of Environmental and Social Risks and Impacts

The project is expected to generate important environmental, economic and social benefits, given it will improve post-harvest storage conditions and thereby decrease post-harvest losses, improve competitiveness of small producers, and overall conditions in productive areas. Further, it will increase use of renewable energy sources, and greenhouse gas (GHG) emissions will be reduced by the installation of renewable energy sources and the reduction of food losses. Improving storage conditions will contribute to food security and improve long-term food availability. Strengthened technical capacity of small and medium enterprises is also expected to benefit rural production units that could otherwise be excluded from development resources, such as small and medium-scale agri-businesses owned by women, Indigenous Peoples and youth, who have historically had limited access to credit and other financial products. The identified environmental risks and



potential negative impacts are not considered significant or irreversible and can be addressed with straight-forward mitigation measures and good practices.

CONTACT POINT

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APPROVAL

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Approved By

Environmental and Social Standards Advisor:	Maria Do Socorro Alves Da Cunha	30-Jun-2020
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Practice Manager/Manager:		
Country Director:	Jutta Ursula Kern	16-Jul-2020
