

## Data Sheet

<b>USAID Mission:</b>	Mexico
<b>Program Title:</b>	Economic Freedom
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	523-022
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$8,604,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$9,374,000 DA
<b>Year of Initial Obligation:</b>	2003
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID has two primary activities under the economic growth area of the new regional Central America and Mexico strategy: microfinance and environment. These activities focus on expanding access of Mexicans to quality financial services, spurring greater prosperity for Mexicans in rural areas, and promoting environmental conservation.

Despite important advances made under the previous microfinance program, access to financial services in Mexico remains limited. Fewer than 30 percent of Mexicans currently have a bank account. USAID's new program will expand Mexico's financial services and strengthen microfinance institutions (MFIs) and financial cooperatives through five key components: 1) creation of strong financial institutions; 2) development of a local industry to provide support services; 3) development of innovative products and services; 4) improvement of the legal and regulatory environment, as well as the supervisory system; 5) and support for cutting edge research and analysis, and public dissemination of best practices.

Environment and rural prosperity activities focus on improving the management and conservation of natural resources in targeted watersheds while expanding economic opportunities. Activities will: 1) strengthen national and local community capabilities in natural resource management; 2) reduce pollution via support for increased clean production technologies and improved preparation for climate changes; 4) increase the use of environmentally sound and economical practices, such as certified timber products and shade coffee; and 5) establish alliances between the national government, local communities, and nongovernmental organizations.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Strengthen Financial Sector's Contribution to Economic Growth (\$2,600,000 DA). USAID will fund technical assistance and training to improve the institutional capacity of five to seven MFIs which will be competitively selected on the basis of their potential and commitment to achieve sustainability and growth. Activities will focus on expanding MFIs' client bases and adopting sound management practices for sustainable long-term growth, thereby increasing the supply of quality financial services for populations that currently have little or no access to such services. Activities will also help develop a local, commercially oriented support service industry by working with suppliers of training and consulting services to improve service quality and by encouraging MFIs to use local providers. USAID will help link remittances to microfinance, thereby increasing the variety of financial services available for recipient families, develop a new source of revenue for MFIs, and create a new source of lending capital for financial institutions. USAID will also support innovations (e.g., credit, savings and insurance) to expand access to financial services in rural areas and will provide technical assistance to rural financial institutions. USAID will promote an improved legislative and supervisory environment by providing technical assistance and training to the National Banking Commission and the federations that will act as its supervisory delegates under the Mexican regulatory system for popular finance. This assistance will improve the capacity to supervise member institutions, ensure effective

compliance with the Mexican Savings and Credit law, and develop standardized reporting by institutions. To improve the enabling environment for rural and microfinance, USAID will support at least two studies, conferences, and seminars (including at least one major industry conference), and provide special training and technical assistance for GOM agencies and industry organizations to improve their knowledge of best practices in microfinance. Special focus will be placed on cutting-edge activities in the area of rural finance. The primary contractor is Development Alternatives, Inc.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$6,004,000 DA). USAID will promote conservation through improved natural resource management in high biodiversity areas. The negative environmental impacts of communities will be reduced through introduction of new market-driven, economic opportunities that support conservation. Sustainable tourism plans will promote conservation and expand rural incomes. Promotion of conservation crops that protect biodiversity, such as shade coffee, will bring conservation premiums to small-scale producers. USAID will also support the GOM's conservation efforts through capacity building activities, information sharing, and pilot projects. Technical assistance and training to local communities will support improved watershed management and economic opportunities, such as the promotion of environmental service fees to communities protecting vital watersheds, introduction of improved range management practices, and promotion of nontimber forest products. In collaboration with the U.S. Forest Service and the GOM, USAID will provide technical assistance in planning, prevention and combating forest fires at both the professional and community levels. Renewable energy and clean production activities will support all biodiversity conservation and watershed management efforts, as well as promote energy efficiency more broadly. The primary implementers of these activities are Chemonics, PA Consulting, The Mexican Nature Conservation Fund, Conservation International, The Nature Conservancy, and the World Wildlife Fund.

**FY 2006 Program:** Strengthen Financial Sector's Contribution to Economic Growth (\$3,045,000 DA). It is expected that technical assistance and training will continue for MFIs to help build their capacity. Activities will further expand client outreach and build more efficient and effective institutions. Training and technical assistance will also be provided to encourage the further development and use of local support services. USAID will continue to promote innovations in rural finance and remittances by expanding the number of institutions offering low-cost services and increasing the supply of innovative financial products tied to remittances. Efforts to improve appropriate supervision and regulation of microfinance will continue. USAID will promote a more favorable enabling environment for rural and microfinance with research findings and best practices broadly disseminated, while new studies and pilot activities as well as conferences and seminars. The implementers are the same as above.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$6,329,000 DA). Activities will conserve biodiversity through the introduction of improved resource management practices, especially those that also provide improved economic opportunities. Assistance will continue for watershed management activities, especially the control of forest fires and the promotion of environmental services that ensure watershed protection. Sustainable tourism programs will be expanded through assistance from other donors so that community groups receive increased benefits from ecotourism. Pollution will be reduced in targeted watersheds and activities will be implemented to conserve water and energy in urban centers. Renewable energies will supply a range of applications that support economic development. The implementers are the same as above.

**Performance and Results:** FY 2004 was the first year of this new strategy and new contracts and grants were competed and signed. Principal outcomes from microfinance activities will include: 1) an increase of 500,000 new clients through project partners; 2) the development of five to seven financially self-sufficient rural and microfinance institutions that operate in compliance with GOM law; 3) an improved microfinance regulatory environment; and 4) at least seven new services or products for remittances and rural finance. Outcomes from environmental

activities will include: 1) protection of one million hectares of high biodiversity forests and watersheds through the implementation of improved management plans; 2) new sources of renewable energy for remote communities; 3) greater opportunities for small producers to sell produce for Mexico's rapidly expanding domestic market; and 4) increased rural incomes from improved production and marketing of targeted commodities, such as shade grown coffee, cacao, and vanilla.

## US Financing in Thousands of Dollars

Mexico

523-022 Economic Freedom	DA
<b>Through September 30, 2003</b>	
Obligations	4,586
Expenditures	0
Unliquidated	4,586
<b>Fiscal Year 2004</b>	
Obligations	11,074
Expenditures	3,486
<b>Through September 30, 2004</b>	
Obligations	15,660
Expenditures	3,486
Unliquidated	12,174
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	8,604
<b>Total Planned Fiscal Year 2005</b>	
Obligations	8,604
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	9,374
Future Obligations	10,862
Est. Total Cost	44,500