



Financial innovation for climate action in the Yucatán Peninsula

Governments: Yucatán, Quintana Roo, Campeche (México)

Region: Latin America

Sector: Climate finance

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Summary

The Yucatán Peninsula, encompasses the Mexican states of Yucatán, Quintana Roo and Campeche, covering an area of approximately 142,000,341 square kilometers. Despite not contributing much to global warming, the peninsula is not exempt from the effects of climate change. Its natural diversity, cultural richness and geographical conditions make it more vulnerable to hydro-meteorological phenomena such as tropical waves and cyclones, which can intensify in number, frequency and intensity due to sea surface warming.

In 2010, during the COP16 held in Cancun, the three states of the peninsula signed an inter-state agreement to work together against the impacts of climate change. In order to implement mitigation and adaptation strategies in the peninsula, the states created the [Yucatan Peninsula Climate Action Fund \(YPCAF\)](#). In 2013, the process of diagnosis, design and planning of the Fund began and in October 2016 it was constituted as a public-private partnership with a regional, flexible and transparent scope to attract, manage and distribute funding for mitigation and adaptation to the impacts of climate change in the peninsula.

In its role as a facilitator in the mobilization of resources towards climate priorities, the Fund also acts as a financial intermediary, creates project portfolios and provides technical assistance to projects for their formulation, evaluation and monitoring processes. Operating through reimbursable funds, grants (private or state subsidies) and guarantees, the Fund establishes six lines of action: reducing emissions from deforestation and forest and jungle degradation (REDD+), water, adaptation, waste management, energy and reducing emissions of the transport sector.

Key stakeholders for operating the Fund include the Autonomous University of the State of Campeche, the University of Quintana Roo, the Autonomous University of Yucatán, the Government of the State of Campeche, the Government of the State of Quintana Roo, the Government of the State of Yucatán and The Nature Conservancy (TNC). Beneficiaries of the Fund include civil society, ejidos and communities, and private companies.



Results

- The political and administrative agreements reached for the creation of the Fund. Through participatory consensus, state authorities identified and appointed specialist staff in each state for the provision of financial services. An action plan was also created for building the capacity of staff at the state and regional levels.
- The Fund was awarded a grant of US\$ 25,000 during 2017 with an additional US\$ 12,000 for 2018. Currently the Fund represents five projects in the peninsula, managing resources for their implementation.
- The first regional project focused on reducing deforestation through the implementation of sustainable silvopastoral systems (the integration of trees with livestock) in cattle ranches to combat deforestation and promote climate adaptation. The flexible nature of the Fund serves as a platform for the channeling of REDD+ resources, the promotion of investment plans and provision of finance to low-emission rural development.
- A second project focused on coastal adaptation with the restoration of coastal ecosystems such as mangroves and dune vegetation to increase coastal resilience. The fund intervened through conservation programs and co-investment with insurers and in regional reef repopulation projects.

Enabling conditions

The robust consensus on climate action among Campeche, Quintana Roo and Yucatán promotes joint working and is a crucial element for the efficient management of the Fund. The goals and the context of action of the Fund are also aligned with the state powers, the three state programs on climate change (PEACC), REDD+ strategies, the investment programs of the Emission Reduction Initiative (IRE) of the State of Yucatán, and the goals established in [the Yucatán Peninsula Framework Agreement on Sustainability for 2030](#).

Challenges

The management of a regional public-private organization made up of different institutions requires a large amount of administrative resources due to its complexity. Therefore, it is necessary to evaluate the resource availability and seek additional resources for its correct functioning. The operation of the Fund also requires a system of Measurement, Reporting and Verification (MRV) of climate financing to ensure the sustainable and scalable provision of financial resources, with a registry that compiles the necessary information and data agreements with governments agencies for the sharing of data.

Key lessons learned

- Governments interested in replicating this initiative will need to implement a participatory planning approach. To make the proposal of the Fund financially viable, legally and administratively, workshops and interviews were held with key actors of state government, civil society and academia to incorporate different perspectives.
- The operation of the Fund requires direct interaction with beneficiaries and funders, and the creation of a network of strategic allies that contribute with information, experience, and technical and economic resources for the development of fundable and executable projects.
- To consolidate the start of operations of a similar fund, it is necessary to consider an incubation period of several years with support. In this case it was three years.

More information

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