

PROJECT SUMMARY
EXPANDING GREEN FINANCING AND AFFORDABLE HOUSING IN MEXICO
(ME-L1260)

Due to rapid urbanization, many Mexican cities today are experiencing a housing deficit along with increased levels of air pollution, perhaps the most pressing problems impacting the quality of life in low-income populations. Limited access to financing is a major obstacle preventing low-income groups from investing in home improvement or home construction. As a result, a significant portion is confined to overcrowded or inadequate housing lacking basic infrastructure. Likewise, limited financing prevents a large number of micro and small businesses from transitioning to more energy efficient or cleaner technologies.

With more than 11 years of experience, Te Creemos is a microfinance institution that has been at the forefront of housing and green financing for low-income populations in Mexico. Using innovation as a differentiating factor, they have been able to successfully expand these markets across different States. The Institution has introduced and deployed unique financial products for home-improvement, home-expansion and home construction, as well as tailored green-financing products to help micro and small businesses move to energy efficient technologies.

The pioneer work of Te Creemos has been widely recognized within Mexico and internationally. The Institution has been awarded by the *Comision Nacional de Vivienda* (CONAVI) for its outstanding work in housing financing, and received a grant by the EcoMicro Program for its innovative work in green financing.

Going forward, Te Creemos will put in motion an ambitious strategy to expand its operations across 28 Mexican States and reach nearly 180,000 clients, including more than 24,000 accessing housing and green financing products. Chiapas, Guerrero, Veracruz, Michoacán, Oaxaca and Campeche are among the States that will benefit from increased services. These States concentrate a significant share of low-income population and are soon establishing Special Economic Zones with the support of the IDB.

To help fund Te Creemos' expansion strategy, the MIF will provide a USD 2.5 million senior convertible loan under flexible terms and conditions. From a non-financial perspective, the MIF's support will help the Institution maintain its credibility at a pivotal time of rapid expansion. The MIF will also emphasize the importance of mission preservation and responsible financing, which are common concerns in microfinance institutions entering a growth stage. Specifically, the MIF will direct the use of funds to the expansion of credit to low-income populations, and will include an innovative incentive mechanism in the form of a discount in the interest rate on the basis of verifiable social performance.