

3. *Implicaciones de los cambios climáticos y ambientales*

### IMPLICATIONS OF CLIMATE AND ENVIRONMENTAL CHANGES FOR RURAL FINANCIAL INSTITUTIONS<sup>1</sup>

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#### Abstract

*Rural financial institutions are facing greater threats and opportunities due to climate change and its impact on primary sector economic activities. Natural disasters have notoriously increased in the world throughout the last decades with direct economic effects. Natural catastrophes may be such that the financial soundness of banks, insurance and reinsurance companies could become vulnerable. However, due to the current competitive market pressures these institutions are reluctant to include such trends in the pricing of their services. In addition, the net effects of climate change on agricultural production levels are unknown. The Mexican government aims to mitigate climate change effects and to adapt infrastructure and services to extreme weather conditions. FIRA, a group of public trusts for rural development, contributes to fulfil these goals by providing financial assistance and technical support. Its main financial instruments are the Programme of Liabilities Restructuring and the Permanent Programme of Support for Regions Affected by Natural Disasters; the former prevents potential losses to particular cases whereas the later assists groups of accredited farmers of a certain region in coordination with the Federal Government. The financial mechanisms applied are: changeable preferential rates, fixed preferential rates, warranty services, loans for working capital and loans for fixed assets. FIRA's proactive roles to achieve the same ends are the permanent search for new business opportunities and the support of environment-friendly projects. In a world where financial institutions should have a more active role within public policy making in order to stimulate greater awareness and cooperation with governments, lending institutions should look at the opportunities derived from the Kyoto protocol and support Clean Development Mechanism projects aimed to reduce emissions of greenhouse gases. Rural financial institutions and insurance firms have an opportunity to develop new risk management tools and services tailored specifically towards energy and climate policy management.*

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<sup>2</sup> Trust Funds for Rural Development.

<sup>3</sup> Bank of Mexico.