

Mexico's SDG Bond

Allocation & Impact Report



HACIENDA

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

Mexico's SDG Bond

Allocation & Impact Report 2023



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List of Acronyms

Acronym	Definition
ASF	Superior Audit of the Federation (<i>Auditoría Superior de la Federación</i>)
BIENESTAR	Ministry of Well-Being (<i>Secretaría de Bienestar</i>)
bn	Billion
CONACYT	National Council for Science and Technology (<i>Consejo Nacional de Ciencia y Tecnología</i>)
CONEVAL	National Council for the Evaluation of Social Development Policy (<i>Consejo Nacional de Evaluación de la Política de Desarrollo Social</i>)
CONAGUA	National Water Commission (<i>Comisión Nacional del Agua</i>)
CTEODS	Specialized Technical Committee of the Sustainable Development Goals (<i>Comité Técnico Especializado de los Objetivos de Desarrollo Sostenible</i>)
CNBV	National Banking and Securities Commission (<i>Comisión Nacional Bancaria y de Valores</i>)
ESG	Environmental, Social and Governance
EUR	Euro
FIRA	Institutional Trusts Established in Relation to Agriculture (<i>Fideicomisos Instituidos en Relación con la Agricultura</i>)
GBP	Green Bond Principles
GCF	Green Climate Fund
GEF	Global Environmental Facility
ICMA	International Capital Market Association
INEGI	National Institute of Statistics and Geography (<i>Instituto Nacional de Estadística y Geografía</i>)
INPI	National Institute of Indigenous People (<i>Instituto Nacional de los Pueblos Indígenas</i>)
JPY	Japanese Yen
LBE	Well-Being Threshold (<i>Línea del Bienestar Económico</i>)
LFRCF	Law on Oversight and Accountability of the Federation (<i>Ley de Fiscalización y Rendición de Cuentas de la Federación</i>)
NAFIN	Mexico's national development bank (<i>Nacional Financiera</i>)
NPA	Natural Protected Areas (<i>Áreas Naturales Protegidas</i>)
MM	Million
MIR	Results Indicators Matrix (<i>Matriz de Indicadores de Resultados</i>)
MXN	Mexican Peso
pp	percentage point
PEF	Federal Expenditure Budget (<i>Presupuesto de Egresos de la Federación</i>)
PND	National Development Plan (<i>Plan Nacional de Desarrollo</i>)
SADER	Ministry of Agriculture and Rural Development (<i>Secretaría de Agricultura y Desarrollo Rural</i>)



SBP	Social Bond Principles
SICT	Ministry of Infrastructure, Communications and Transportation (<i>Secretaría de Infraestructura, Comunicaciones y Transportes</i>)
SDG	Sustainable Development Goals
SED	Evaluation Performance System (<i>Sistema de Evaluación al Desempeño</i>)
SEMARNAT	Ministry of Environment and Natural Resources (<i>Secretaría de Medio Ambiente y Recursos Naturales</i>)
SEP	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)
SFP	Ministry of Public Function (<i>Secretaría de la Función Pública</i>)
SGI	Social Gap Index (<i>Índice de Rezago Social</i>) published by CONEVAL
SHCP	Ministry of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)
SIIPP-G	Integral Information System for Governmental Programs Registers (<i>Sistema Integral de Información de Padrones de Programas Gubernamentales</i>)
SIODS	Information System of Sustainable Development Goals (<i>Sistema de Información de los Objetivos de Desarrollo Sostenible</i>)
SPO	Second Party Opinion
SSA	Ministry of Health (<i>Secretaría de Salud</i>)
UMS	United Mexican States
UNDP	United Nations Development Program
USD	United States Dollar



Foreword: Message from the Ministry of Finance and Public Credit

Environmental and social risks pose potential threats that need to be addressed in a strategic and integral manner. Nations worldwide, in collaboration with the global community, private sector, civil society, and academia, must unite to collectively address the challenges coming ahead that might jeopardize global climate and social stability.

The 2023 SDG Bonds Allocation and Impact Report presents a more comprehensive analysis of the allocation of resources obtained through the Sustainable Development Goals (SDG) Bonds of the Mexican Government, along with the introduction of not yet used categories for allocation, and the launch of the first SDG bond in the local market (Bondes G). This report not only seeks to demonstrate the effectiveness of these allocations, but also aims to emphasize the significant impact these resources have on advancing toward a greener and more equitable society.

As a Sustainable Finance leader in Latin America, Mexico has assumed a preponderant role in mobilizing capital for sustainability projects. As a response to the international commitments of Mexico, as well as to domestic challenges, the Government of Mexico has followed the road of innovation to bridge the financing gaps for transitioning to a low-carbon and more inclusive economy.

Striving for a systematic transition and continuous innovation, the Government of Mexico has published the Sustainable Finance Mobilization Strategy,¹ which has the potential to mobilize up to 15 trillion MXN between 2023 and 2030. This encompasses the many efforts that have been taking place within the Mexican financial ecosystem. For instance, the linkage of the budgetary programs with the SDGs, the publication of the Mexican Sustainable Taxonomy, the promotion of more robust and stronger regulation on the banking sector, and the impulse for sustainable investing within pension funds and insurances fall together in a wholesome strategy that envisions Mexico's path for the long term. These actions are steering institutionalization processes within the domestic financial system and throughout the region. The road that Mexico has been leading regionally, and among similar nations will most certainly evolve in the upcoming years, therefore early and coordinated action is needed.

Within this strategy, the Government of Mexico contemplates several actions, one of which is the commitment to consolidate local and international thematic debt market instruments and publish the corresponding reports annually. This effort also addresses the requirement for transparency in public spending towards sustainable programs.

In acknowledgment of the transparency and accountability efforts that the SDG Sovereign Bond Framework² contemplates, including a solid governance, and clear procedures on the selection process of Eligible Expenditures and Use of Proceeds, investors have shown their confidence towards the Mexican SDG Bonds, as demonstrated by the strong demand for these instruments. Besides, alongside the Second Party Opinions, the Ministry of Finance and Public Credit (SHCP, for its acronym in Spanish) has had the participation of external observers, such as the United Nations Development Program (UNDP) and the Superior Audit of the Federation (ASF, for its acronym in Spanish).

1 Ministry of Finance and Public Credit (SHCP, for its acronym in Spanish), *Sustainable Finance Mobilization Strategy (Estrategia de Movilización de Financiamiento Sostenible)*, September 13th, 2023, https://www.gob.mx/cms/uploads/attachment/file/857379/Docu_EMFS_V4.pdf.

2 SHCP, *UMS SDG Sustainable Bond Framework*, 2020, www.finanzaspublicas.hacienda.gob.mx.



In this 3rd edition of the Allocation and Impact Report, the Ministry of Finance and Public Credit continues to use the best available data regarding budgetary programs, the allocation process, and the indicators to show the evolution of these Eligible Expenditures. There have been synergies created as part of an important inter-ministerial effort, following a process of institutionalization of data collection, analysis, and interpretation. Besides line Ministries, the SHCP has worked alongside the National Council of the 2030 Agenda, and the Specialized Technical Committee of the SDGs (CTEODS, for its acronym in Spanish), both serving as multi-stakeholder institutions, where specialized voices and interested parties can observe and interact with each other.

Furthermore, in this report, we present more categories of Use of Proceeds, as the issuances of 2022 contemplate Green Eligible Expenditures, and we also introduce the Bondes G, the first SDG Bonds in the local market with a floating rate. The importance of these instruments lies predominantly in the involvement of local stakeholders and the development of a new sustainable local yield curve.

We are pleased to introduce the 2023 Allocation and Impact Report as a pivotal pillar within the governance outlined in the SDG Sovereign Bond Framework. This report is a strong demonstration of our commitment to our investors and society. The SHCP will continue to implement policies to enhance transparency on public spending and towards better accountability.





Executive Summary

Mexico, as an emerging economy, faces a dual challenge in achieving the SDGs: on the one hand, there is a responsibility to address the effects of climate change, with measures such as mitigation and adaptation, and on the other, it has become imperative to close socioeconomic gaps. Following these objectives, the Government of Mexico has been at the forefront with various innovative measures for achieving sustainable development, which are part of our Sustainable Finance Mobilization Strategy.

“In 2022 Mexico allocated USD \$5 bn across 44 Eligible Expenditures, incorporating for the first time, Green Eligible Expenditures”



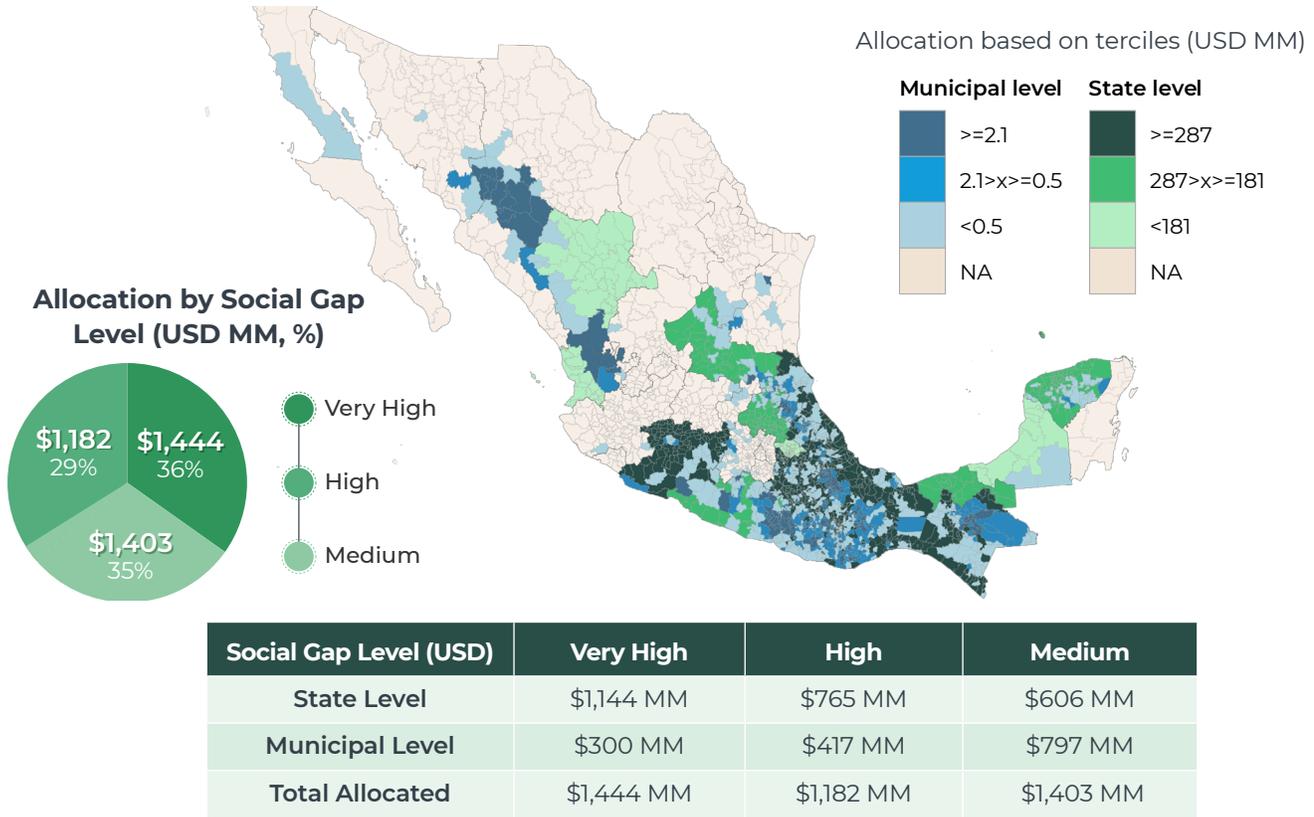
SDG Bonds issuances in 2022

Type	Currency	Rate	Amount (MM)	Amount (USD MM)	Allocation share (%)
UMS SDG Bonds	USD	Fixed	2,200	2,200	43.8
	JPY	Fixed	75,600	577	11.5
Bondes G	MXN	Floating	45,000	2,242	44.7
Total (USD MM)				5,019	100.0



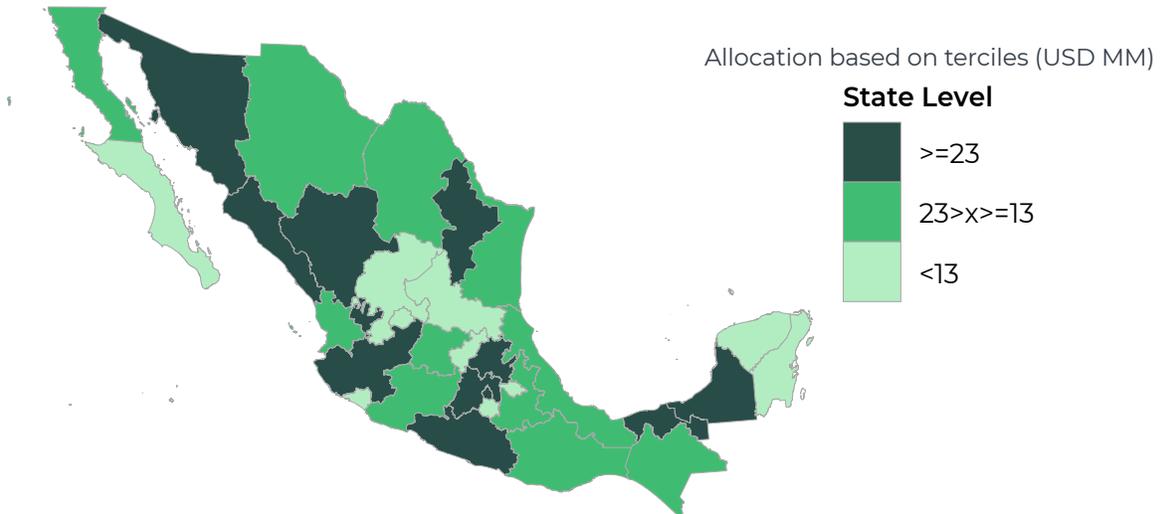
Social Allocation & Impact Highlights (USD \$4,029 MM, 80%)

Social Eligible Expenditures associated with: SDG 2 of Zero Hunger, SDG 3 of Health & Well-Being, SDG 4 of Quality Education, SDG 8 of Decent Work and Economic Growth, and SDG 9 of Industry, Innovation and Infrastructure are featured with a geospatial criterion applied, based on the Social Gap Index (SGI) level of the entities where the programs show results.



Green Allocation & Impact Highlights (USD \$989 MM, 20%)

This Report showcases the integration of Green Eligible Expenditures associated with: SDG 6 of Clean Water and Sanitation, SDG 7 of Affordable and Clean Energy, SDG 11 of Sustainable Cities and Communities, and SDG 15 of Life on land. For these green programs, the geospatial criterion was not applied, since the programs are geographically planned, and the projects have specific locations.



Allocation and Outputs breakdown by SDGs

	SDG 2: Zero Hunger	SDG 3: Health & Well-being	SDG 4: Quality Education	SDG 6: Clean Water and Sanitation	SDG 7: Affordable and Clean Energy	SDG 8: Decent Work and Economic Growth	SDG 9: Industry, Innovation and Infrastructure	SDG 11: Sustainable Cities and Communities	SDG 15: Life on Land
Amount allocated (USD MM)	\$741	\$1,196	\$1,365	\$821	\$12	\$43	\$684	\$48	\$109
% Allocated	14.8%	23.8%	27.2%	16.4%	0.2%	0.8%	13.6%	1.0%	2.2%
Eligible Expenditures	3	9	14	4	2	2	4	1	5
Outputs & Direct Beneficiaries	670,028 Small and medium-scale producers	3,475 Researchers and professionals in health education supported 1,131,221 Medical examinations performed to people with no social security 6.9 million Tended people through health facilities and medical services	42.6 million Books and educational materials distributed 12 Municipalities supported in building education infrastructure 3.5 million Students and teaching staff benefited with scholarships or grants 20,251 Public education centers that received financial support	21 million People with access to clean water 72 Water bodies analyzed to improve sustainable management of water 33 Wastewater treatment plants constructed or expanded	27,452 GWh of energy consumption reduced by the execution of energy efficiency measures 12,595 People who received sustainable energy training ³	124 Bank branches built in lagged areas 45,516 Indigenous people supported	2,142 Km Of paved roads constructed and/or modernized in lagged areas	87% Overall progress of the Mexico City - Toluca Intercity Train	99.6 million ha of protected forest area. 635 Localities ⁴ received financial support related to sustainability 87 Priority species considered within programs and actions aimed at recovering their populations

³ The training includes courses, seminars, workshops, and conferences, among other things, coordinated by the National Commission for the Efficient Use of Energy (CONUEE, for its acronym in Spanish), an agency within the Ministry of Energy. These technical advisory services are provided to officials of government entities and agencies with the overarching objective of fostering research, development, and the integration of enhanced technologies within various domains, encompassing materials, equipment, systems, and processes tailored to the unique needs of distinct productive sectors (construction, manufacturing, transportation, urban planning, public services, industry, and agriculture). Further details: <https://www.dof.gob.mx/>.

⁴ "Localities" is the most granular administrative division in Mexico, smaller than municipalities. As of 2022, there are 189,432 localities across the country, and 2475 municipalities. Source: Government of Mexico and INEGI.



Mexico's State of Affairs

	Mexico's State of Affairs ⁵ (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022 - 2023) ⁶	Trend ⁷
SDG 2	22.63% of the population lacks access to nutritious, high-quality food in marginalized areas ⁸ (2022, Biennial)	27.54%	27.54%	22.63%	-4.91 pp	↓
SDG 3	47.29% of the population does not have access to healthcare services in marginalized areas (2022, Biennial)	29.54%	29.54%	47.29%	17.76 pp	↑
SDG 4	36.85% of youth and adults participated in formal and non-formal education and training in the last 12 months (2022, Annual)	38.50%	37.80%	36.85%	-0.95 pp	↓
SDG 8	6 bank branches for every 100,000 adults in marginalized areas (2022, Annual)	4	4	6	2	↑
SDG 9	6.51% of the population has low or very low access to paved roads in marginalized municipalities (2020, Biennial)	6.51%	6.51%	6.51%	-	→
SDG 6	64.39% of the population uses safely managed drinking water services (2020, Biennial)	NA	NA	64.39%	-	→
SDG 7	19.45% of total energy consumption came from renewable energy sources (2021, Annual)	NA	NA	19.45%	-	→
SDG 11	31% of the population has convenient access to public transport (2020, Quinquennial)	NA	NA	31%	-	→
SDG 15	10.94% of total land area are terrestrial protected areas (2022, Annual)	NA	NA	10.94%	-	→

5 Some indicators might not be updated to 2022 by the time this Report was published. The most recent indicator is available for further information in the Information System of the Sustainable Development Goals (SIODS, for its acronym in Spanish), <https://agenda2030.mx>.

6 Variance is measured as the change of the data from 2022 (or the latest available data) in relation to data from 2021 (or the latest available data as of the date of publication of the 2023 SDG Bond Allocation and Impact Report).

7 The "Trend" refers to the change (variance) of the indicator with respect to data available in the last report. If it is stable, it means the indicator did not show any update in the figures as of the date of publication of this report.

8 "Marginalized areas" refers to states or municipalities that have a Social Gap Index (SGI) of Medium, High, or Very High, according to the National Council for the Evaluation of Social Development Policy (CONEVAL, for its acronym in Spanish, 2020).





Introduction

1.1 Overview

For over a decade, **Mexico** has been a distinguished and active member of the international community through its commitments with sustainability and environmental goals. Furthermore, Mexico continues to pledge its dedication to addressing multidimensional challenges encompassing social disparities, such as gender and poverty gaps, as well as environmental hurdles.⁹ Hence, there is a consistent innovation effort from the Ministry of Finance and Public Credit to create and implement new financial mechanisms following the Sustainable Financing Mobilization Strategy, of which a central element is the alignment of resources toward budgetary programs that contribute directly to sustainable development objectives. Since 2020, this effort has materialized through the issuance of sustainable debt related to social and environmental programs that foster the SDGs.

1.2 Third edition of the SDG Bond Allocation & Impact Report

In 2020, **Mexico issued the world's first SDG Sovereign Bond**, paving the way for developing a sustainable yield curve. In this third edition of the Allocation and Impact Report, Mexico presents several improvements accomplished in three key aspects: i) the incorporation of Green Eligible Expenditures linked to four SDGs: Clean Water and Sanitation (SDG 6), Affordable and Clean Energy (SDG 7), Sustainable Cities and Communities (SDG 11), and Life on Land (SDG 15), expanding the allocation of resources to budgetary programs that are congruent with these environmentally-focused goals; ii) the inaugural issuance of the SDG Sovereign Bond in local currency, with a new instrument, the *Bondevs G*, that accounted to 0.5% of the internal debt issued in 2022, strengthening the local sustainability bond market;¹⁰ and iii) an increase of 2.3% of the amount issued through SDG bonds in foreign currency from 2021 to 2022, which represents a rise in the portfolio's weight to 4.3% of sustainable financing within the total external debt amount¹¹ and expanding the foreign sustainable yield curve into other hard currencies such as yen and dollars.

The SHCP has elaborated this Report for the third consecutive year.¹² As established within our SDG Sovereign Bond Framework, this reporting exercise is done on a yearly basis, showing the SHCP's commitment to offer transparency over the public spending on Eligible Expenditures and the results obtained. This Report aims to assess the effect of public expenditure using relevant ex-post data, identifying trends and achievements over time on the programs categorized as Eligible Expenditures. All data presented is a joint effort from different ministries and the public institutions responsible for executing and monitoring the Eligible Expenditures. For example, the analysis of the SGI and SDG

9 Government of Mexico, *Plan Nacional de Desarrollo 2019-2023 (National Development Plan 2019-2024)*, 2019, dof.gob.mx.

10 For further information on the internal net debt information see "Estadísticas Oportunas de Finanzas Públicas", presto.hacienda.gob.mx

11 The calculation of this data comes from the proportion of the cumulative SDG issuances to the public external net debt in 2020, 2021, and 2022. Exchange currency assumptions are EUR/USD=1.2234 for 2020, EUR/USD=1.13725 for 2021, EUR/USD= 1.06665 and JPY/USD= 0.00757, as of December 30th, 2022.

For the exchange currency assumption, see banxico.org.mx.

Link to the foreign net debt information: presto.hacienda.gob.mx.

12 Previous SDG Bond Allocation and Impact Reports (2021 and 2022) are available at SHCP's Investor Relations Office website, finanzaspublicas.hacienda.gob.mx.



showcased in the Allocation Report reflects the result of the collaboration between the SHCP and the National Council for the Evaluation of Social Development Policy (CONEVAL, for its acronym in Spanish), seeking to identify poverty trends and their advancement towards the SDGs.

1.3 Features of Mexico’s SDG strategy

Mexico endeavors to expedite economic growth by embracing sustainable development principles in alignment with the Paris Agreement and the 2030 Agenda. Mexico has implemented various mechanisms to sustainably allocate resources to ensure a tangible commitment to social and environmental objectives. These include securing financial assistance from international organizations like the Green Climate Fund (GCF)¹³ and the Global Environmental Facility (GEF),¹⁴ and supporting the emission of thematic financial instruments by National Development Banks such as Nacional Financiera (NAFIN) and Institutional Trusts Established in Relation to Agriculture (FIRA, for its acronym in Spanish), and by local governments at the subnational level. Furthermore, the introduction of the Mexican Sustainable Taxonomy,¹⁵ released in March 2023, assumes a crucial role by providing a framework to identify and categorize economic activities based on their contributions to environmental and social objectives, while considering their impacts on other relevant dimensions. This approach enables the conscientious mobilization of public and private capital investments toward economically sustainable activities, allows market information efficiency, and helps prevent the risk of greenwashing.

To ensure alignment with the environmental and social commitments made at the international and national levels through the 2030 Agenda, Mexico established two essential institutions that promote a well-organized and effective governance framework, thereby ensuring the ongoing pursuit of its objectives: the National Council for the 2030 Agenda for Sustainable Development and its Committees, and the CTEODS. This report is founded on these commitments, as it demonstrates transparency and enhances the reliability of investing in SDG Bonds, thereby facilitating their ongoing issuance growth and expanding funding from Federal Government debt for programs aimed at environmental and social objectives. In this regard, Mexico recognizes the need for sustained and consistent efforts toward addressing social and environmental gaps. Mexico aims to make solid progress towards achieving sustainable goals through the publication of the Mexican sustainable taxonomy, ongoing support from international organizations, and the strengthening of thematic financial instruments.

¹³ Green Climate Fund, *Mexico National Program, 2022*, www.greenclimate.fund.
¹⁴ Global Environmental Facility, *Mexico: Country at Glance*, www.thegef.org.
¹⁵ SHCP, *Taxonomía Sostenible de México (Mexican Sustainable Taxonomy)*, 2023, www.gob.mx.





Sustainable Yield Curve: SDG Bonds Since 2020

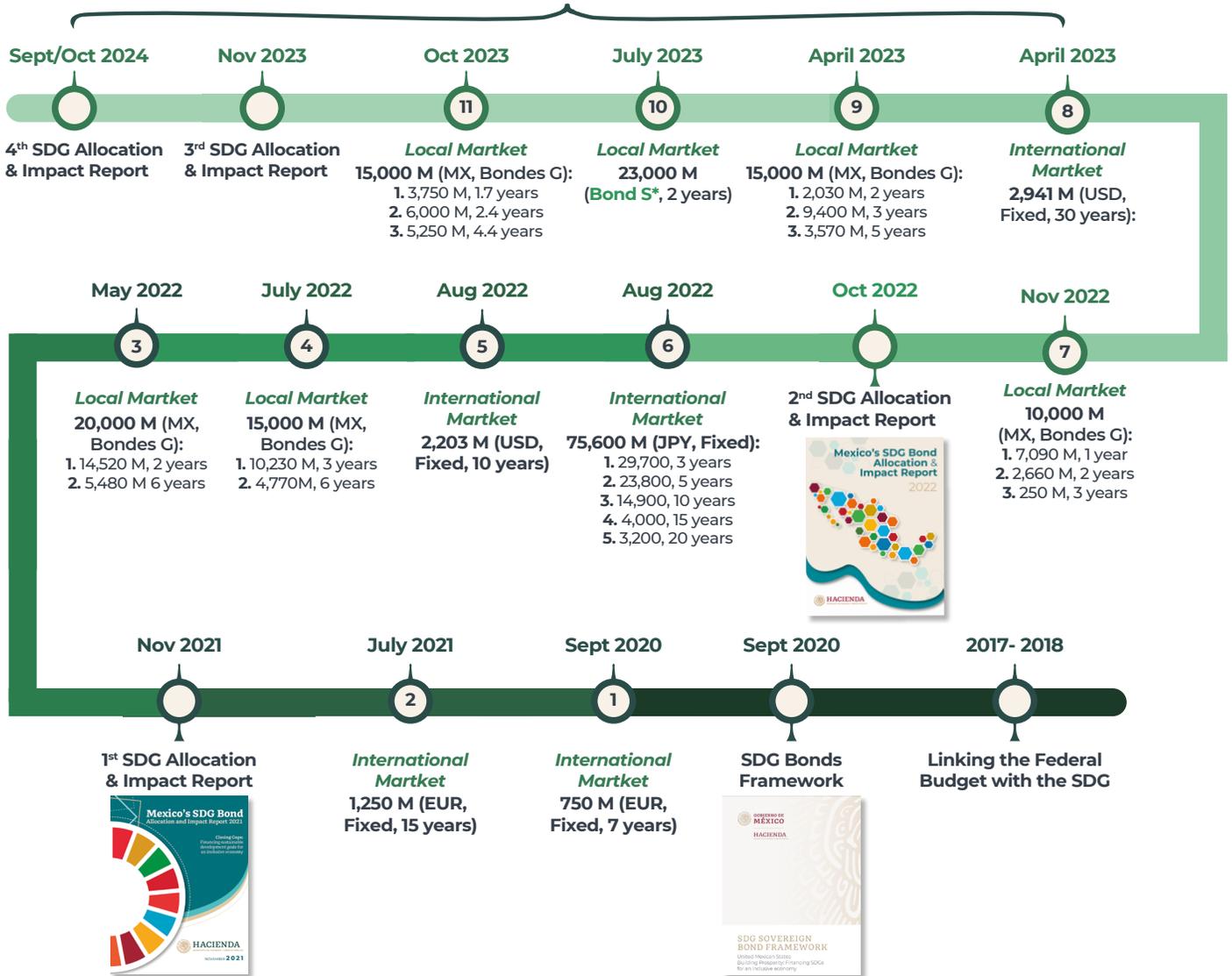
Sustainable Yield Curve: SDG Bonds Since 2020

As of December 2022, Mexico has an outstanding amount of USD \$7.3 bn¹⁶ in thematic bonds across different currencies. In 2022 Mexico introduced for the first time the SDG Bonds in the MXN pesos, the US dollar, and Japanese yen markets.

Timeline SDG Bond Issuance

* **Bond S** is the new fixed interest rate SDG bond in MXN issued by Mexico

TO BE DISPLAYED IN 2024 SDG BOND ALLOCATION & IMPACT REPORT



16 The \$7.3 billion was calculated by the annual average of the exchange rate between the original currency from the issuance and the USD.



Since September 2020, Mexico has consistently demonstrated its dedication and diligence in issuing sustainable financial instruments, which have been recognized by the world's most prominent financial media, awarding us in the following categories:

Environmental Finance

Innovation - use of proceeds (sustainability) 2021

Innovation - use of proceeds (sustainability) 2022

Sustainability bond of the year 2023 (BondesG)

The Banker

Bonds: Sovereigns, supras and agencies 2022

Climate Bonds INITIATIVE

Largest Sovereign Social and Sustainability Bond in 2022

2022 Transactions in the local market (45 billion MXN)

Transaction date:	May 2 nd , 2022	July 20 th , 2022	November 30 th , 2022
Amount (billions):	MXN 20	MXN 15	MXN 10
Tenors (years):	2 & 6	3 & 6	1, 2 & 3
Investors/ demand:	35 investors (3.2X)	36 investors (4.4X)	30 investors (4.4X)

2022 Transactions in the international markets (2.2 bn USD & 75 bn yen)

Transaction date:	August 8 th , 2022	August 26 th , 2022
Currency:	USD	JPY
Amount (billions):	2.2	75.6
Tenors (years):	10	3, 5, 10, 15 & 20
Coupon Rate (%):	4.875	1.0, 1.25, 1.83, 2.28 & 2.52
Investors/ demand:	233 investors (3.2X)	36 investors (1X)



Main achievements during 2022:

- **Transactions in the local market:**
 - Development of the local sustainable market and its benchmark curve;
 - Raising **MXN \$45 bn** for actions and projects that reduce social gaps and tackle climate change.
- **Transactions in the international market:**
 - The **USD \$2.2 bn** transaction gave investors the opportunity to exchange non-sustainable bonds for the new SDG benchmark bond and thus reduce foreign currency-denominated debt by around USD \$83 million;
 - The **JPY ¥75 bn** transaction set in motion the development of Mexico's fourth sustainable market. Furthermore, **Mexico became the first Latin American country with a sustainable bond issuance in the Japanese market**, and the 15-year bond was the first Mexican bond issued with this tenor in Japan.





Allocation Report

Allocation Report

The proceeds of the Government of Mexico's borrowings, including SDG Bonds, are deposited in the Federal Treasury's account (TESOFE, for its acronyms in Spanish) and used to finance the Federal Budget of the corresponding fiscal year. The Federal Expenditure Budget (PEF, for its acronym in Spanish) 2022 was planned by SHCP and approved by Congress during the previous year, and is aligned with Mexico's National Development Plan 2019-2024 and the 2030 Agenda. For 2022, 78.0% of the budgetary programs were linked to at least one SDG.¹⁷

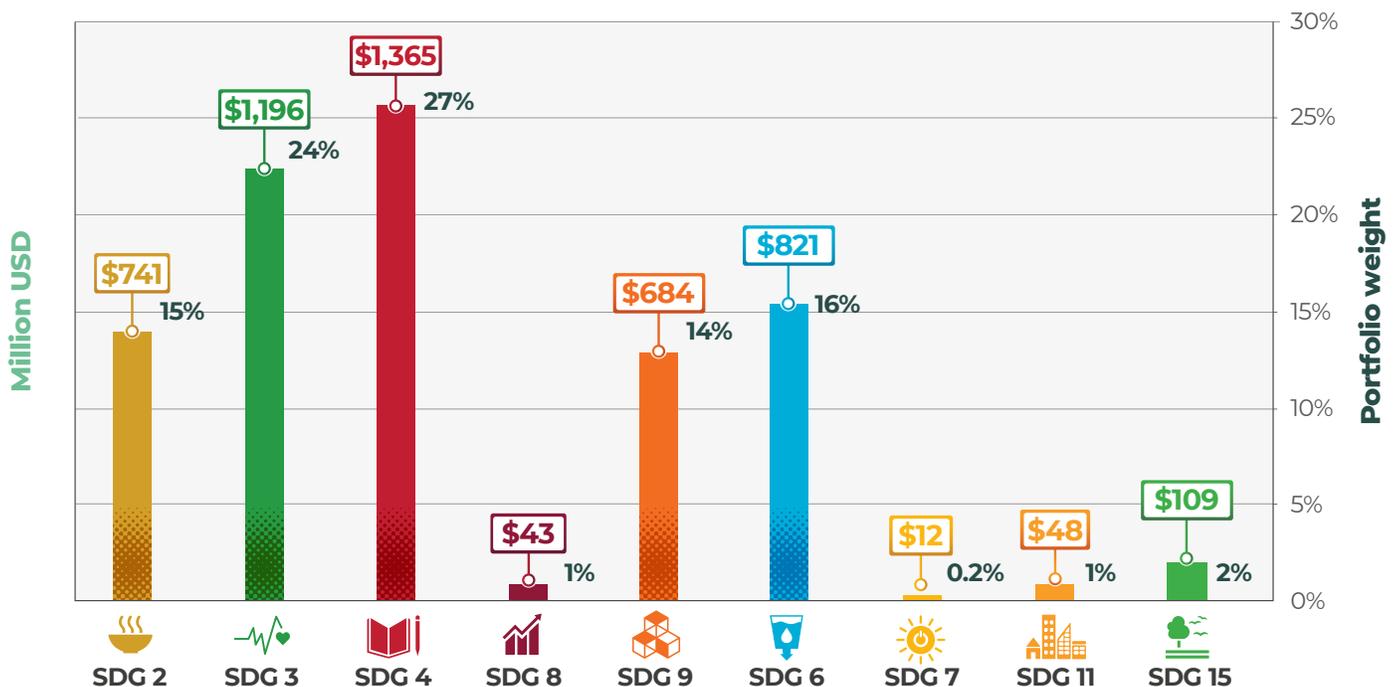
The Allocation Report aims to disclose an amount equal to the net proceeds of the SDG Bonds across the existing Eligible Expenditures, which are included in the PEF for the fiscal year 2022, that meet two important conditions:

1. Compliance of the six filters established on the SDG Bond Sovereign Framework for the selection process criteria;
2. The seventh filter, which is the geospatial criterion only for Eligible Expenditures related to social SDG.



The 2022 Allocation and Impact Report refers to the 2022 SDG Bonds issuances with an outstanding amount of **USD \$5bn** (MXN \$45 bn, USD \$2.2 bn, and JPY ¥75.6 bn), notionally allocated across 44 Eligible Expenditures linked to SDGs 2, 3, 4, 6, 7, 8, 9, 11 & 15. **Figure 1** shows the allocation distribution breakdown by SDG.

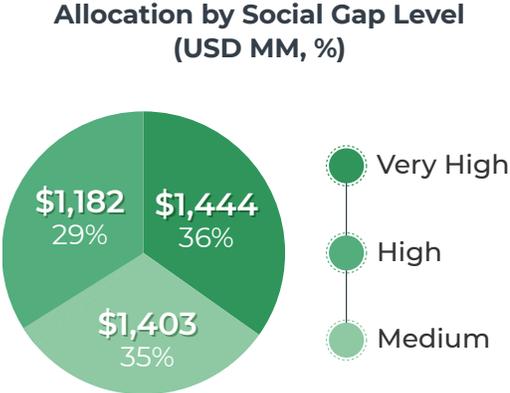
Figure 1: Notional allocation of USD \$5bn breakdown by SDG (Million USD\$, %)



¹⁷ SHCP, *Anexo Vinculación del Presupuesto con la Agenda 2030 para el Desarrollo Sostenible (Annex: Budget Linkage with 2030 Agenda for the Sustainable Development)*, 2022, <https://www.pfef.hacienda.gob.mx>.

Based on the category and data availability for each budgetary program, the budget was analyzed at the municipal or state level. For Eligible Expenditures related to Social SDGs (2, 3, 4, 8 & 9) a geospatial criterion was applied, in order to consider only the portion of the budgetary amount allocated to highly marginalized regions. The total pool of Eligible Expenditures (after applying the geospatial criterion) is USD \$6.9 bn (as per **Table 3**, column A in **Annex 1**). The details on the allocation of the 44 Eligible Expenditures are shown in **Annex 1, Table 3**.

Social Allocation (32 Eligible Expenditures, USD \$4,029 MM)



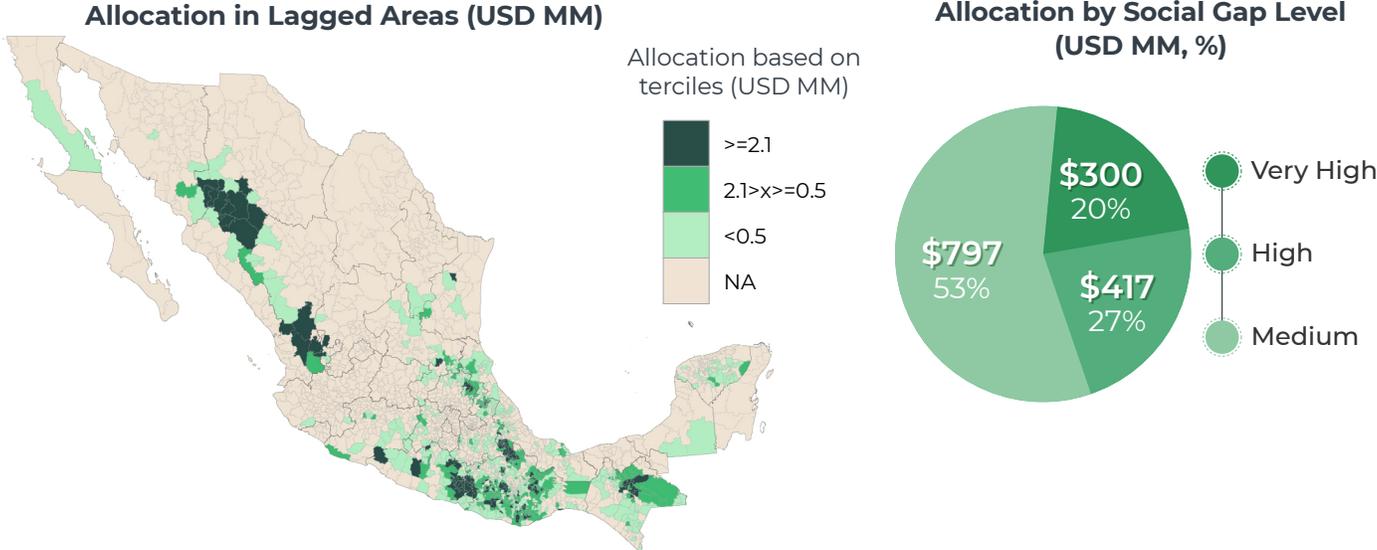
The geospatial criterion was applied to **32 programs** (linked to a Social SDG) out of the **44 Eligible Expenditures**. The total amount budgeted for social Eligible Expenditures in marginalized areas was USD \$5.5 bn. This amount was constrained according to the Geospatial Criterion (See **Annex 1**) by 29.12%. From this, USD \$4.03 bn was notionally allocated across the 32 programs, that is, proportionally to the 2022 SDG Bond issuances (72%).

Breakdown by social gap level, the allocation was distributed as follows: USD \$1.44 bn (36%) to Very High level, USD \$1.18 bn (29%) to High level, and USD \$1.40 bn (35%) to Medium level.

Compared to the 2021 SDG Bond Allocation and Impact Report,¹⁸ allocation for the Very High Level increased by 1 percentage point (pp), it remained unchanged for the High level and decreased by 2 pp for the Medium level.

The allocation of these programs, according to their budget execution level (state or municipal) was: i) 14 eligible programs had an allocation to marginalized regions at the municipal level (USD \$1.5 bn, 38%), and ii) 18 eligible programs at the state level (USD \$2.5 bn, 62%), see **Figure 2** and **Figure 3**, respectively.

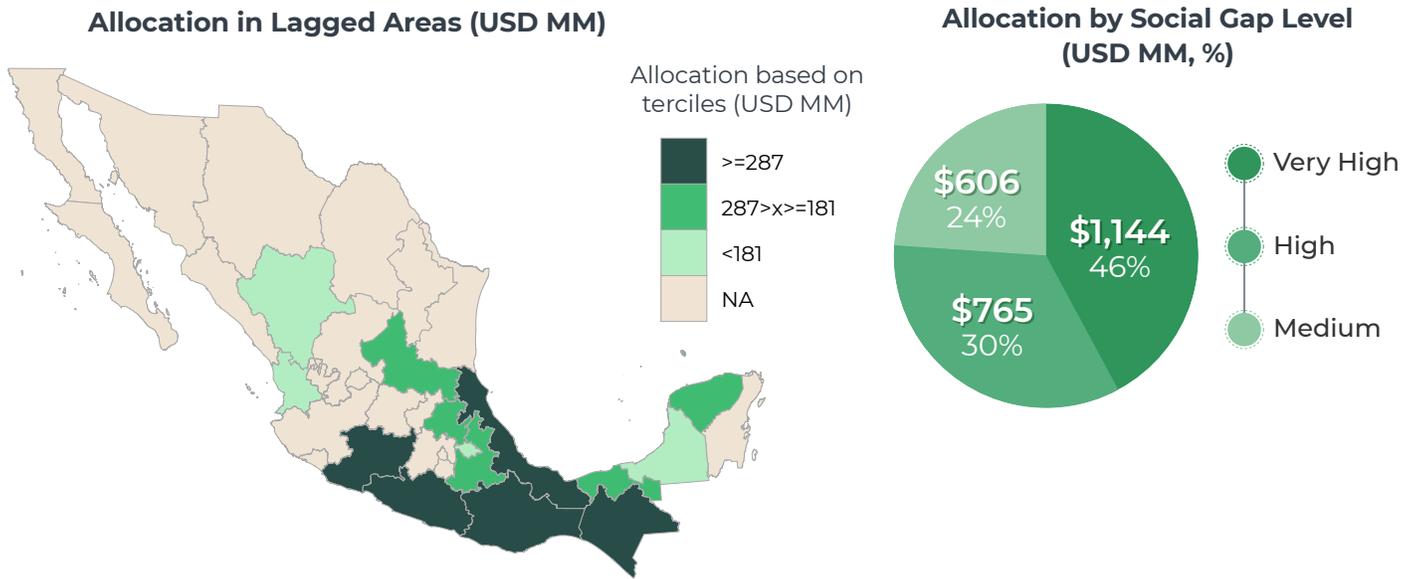
Figure 2: USD \$1,514 MM allocated to marginalized municipalities through 14 Eligible Expenditures



¹⁸ The allocation report published in 2022 for the 2021 Eligible Expenditures in marginalized municipalities was: Very High 35%, High 29%, and Medium 36% social gap levels.



Figure 3: USD \$2,515 MM allocated to marginalized states through 18 Eligible Expenditures



Green Allocation (12 Eligible Expenditures, USD \$989 MM)

The total green budget expenditures amount USD \$1.37 bn, from which USD \$989 MM (72% of the green budget) were notionally allocated across 12 Eligible Expenditures proportionally to the 2022 SDG Bonds issuances.

Figure 4 shows the 12 Eligible Expenditures allocation linked to a Green SDG (6, 7, 11 & 15); the darker the shades the higher the allocation. The total allocation of these eligible programs represents almost 20% of the total USD \$5 bn allocation.

Figure 4: USD \$989 MM allocated to Green Eligible Expenditures

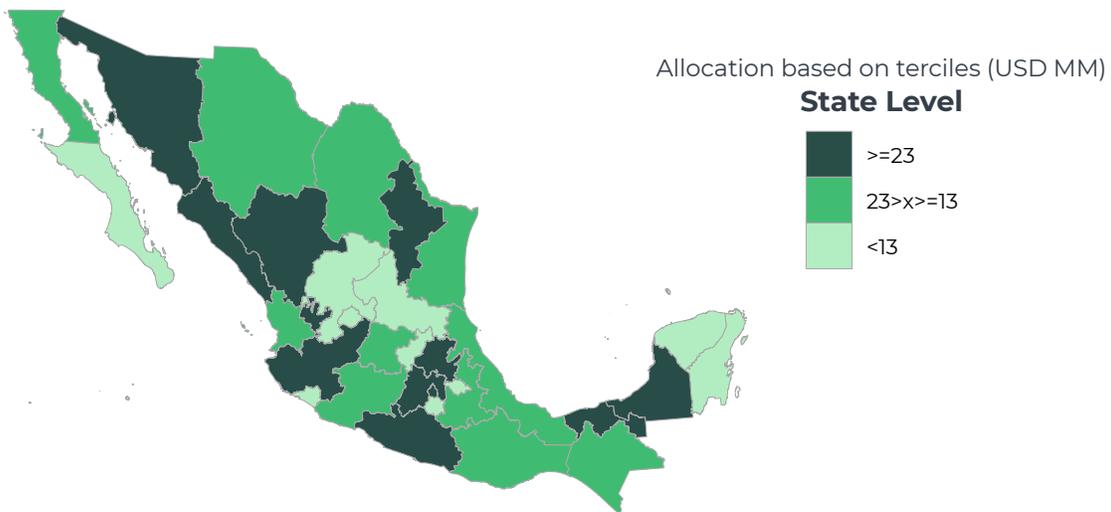


Table 1: Top 5 Eligible Expenditures with the highest notional allocation represent around 54% of the total amount allocated.

Top 5 Eligible Expenditures with highest notional allocation							
#	Responsible Ministry	Eligible Expenditure	Framework's Use of Resources	Budget Expenditure after geospatial criterion (USD)	Portfolio weight (%)	Notional allocation (USD)	SDG
1	Health	Health Care and Free Medicines for the Population Without Social Security	Provision/distribution of healthcare equipment and services	\$ 1,296,346,270	18.66%	\$ 936,395,953	3
2	Public Education	Support to Education Centers and Organizations	Training for educational professionals	\$ 726,429,698	10.46%	\$ 524,725,411	4
3	Well-Being	Sowing Life	Production subsidies to subsistence farmers for basic food products (staple food programs)	\$ 685,640,922	9.87%	\$ 495,262,261	2
4	Public Education	Basic Education Scholarship Program for Well-Being Benito Juárez	Students/educational scholarships (to cover fees or living cost) for basic education or high school	\$ 595,398,621	8.57%	\$ 430,077,111	4
5	Environment and Natural Resources	Integral and Sustainable Water Management	Construction and maintenance of water distribution network	\$ 450,426,564	6.48%	\$ 325,358,758	6
Others (39 Eligible Expenditures)				\$ 3,193,877,411	46%	\$ 2,307,048,627	
				\$ 6,948,119,485	100%	\$ 5,018,868,121	





Impact Report

This report follows the results and performance of the Eligible Expenditures in regards to the notional allocation of the SDG Bonds' net proceeds issued during 2022. It contemplates the aggregation of indicators within each SDG –considering output results, as well as direct beneficiaries of the programs– and a geospatial distribution within the national territory. This section also presents the state of affairs related to Mexico's achievements towards the SDGs. In order to give a deeper knowledge of the programs that are contemplated in this report, there are some case studies in which the data is more granular.

For 2022, there is a total of 44 Eligible Expenditures, of which 12 are linked to a green SDG (6, 7, 11 & 15), while the rest are aligned to a social SDG. Green programs have been included in the list of Eligible Expenditures for the first time in this Report, representing an additional effort of data compilation, analysis, and selection. To keep consistency with the transparency level acquired in previous reports, the sources, information, and methodology have remained unchanged:

1. The SDG Information System Platform (SIODS for its acronym in Spanish, created by the autonomous body of statistical data generation, National Institute of Statistics and Geography, INEGI for its acronym in Spanish);
2. The Performance Evaluation System (SED for its acronym in Spanish);
3. The sectoral indicators aligned with the National Development Plan 2019-2024 (PND);
4. INEGI;
5. The Ministry of Public Function (SFP for its acronym in Spanish), in charge of the Integral Information System for Governmental Programs Registers (SIIPP-G for its acronym in Spanish);
6. CONEVAL; and
7. The responsible Ministries and institutions, for granular current data.

More details regarding the outputs and direct beneficiaries for each Eligible Expenditure, and the State of Affairs indicators related to the SDG Targets linked to the Eligible Expenditures, are shown in **Annex II, Table 4** and **Table 5**, respectively. The methodology and important updates in this Section are presented in **Annex III**.



An overall analysis breakdown by SDGs: Allocation, output, direct beneficiaries, and state of affairs indicators



SDG 2 Social Expenditure

Amount allocated: **USD \$741 MM**

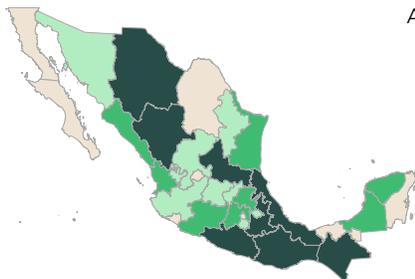
- **Responsible Ministries (Source):**
Agriculture and Rural Development & Well-Being
- **No. Eligible Expenditures:** 3
- **Total Beneficiaries & Outputs:**
670,028 Small and medium-scale producers.

Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
22.63% of the population lacks access to nutritious, high-quality food in marginalized areas ¹⁹ (2022, Biennial)	27.54%	27.54%	22.63%	-4.91 pp	↓

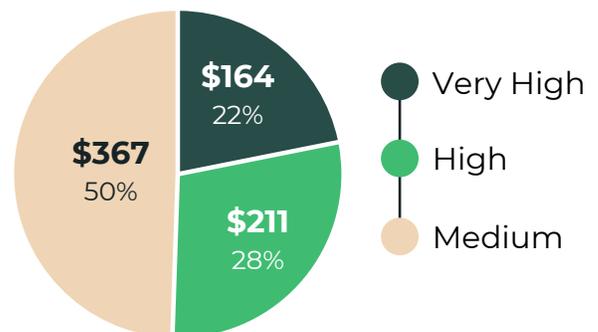
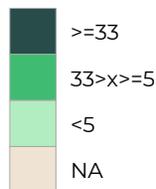
▶ MAP **SDG 2** Allocation in Lagged Areas (USD MM)

▶ **SDG 2** (USD MM, %)

Regional Allocation **SDG 2**



Allocation based on terciles (USD MM)



19 "Marginalized areas" refers to states or municipalities that have a Social Gap Index (SGI) of Medium, High, or Very High, according to CONEVAL, 2020.



SDG 3

Social Expenditure



Amount allocated: **USD \$1,196 MM**

- Responsible Ministries (Source):**

Health

- No. Eligible Expenditures:** 9

- Total Beneficiaries & Outputs:**

- ▶ **3,475** Researchers and professionals in health education supported.
- ▶ **1.1 million** Medical examinations performed to people with no social security.
- ▶ **6.9 million** Tended people through health facilities and medical services.

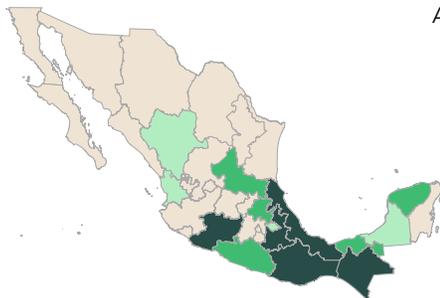


Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
47.29% of the population does not have access to healthcare services in marginalized areas (2022, Biennial)	29.54%	29.54%	47.29%	17.76 pp	↑

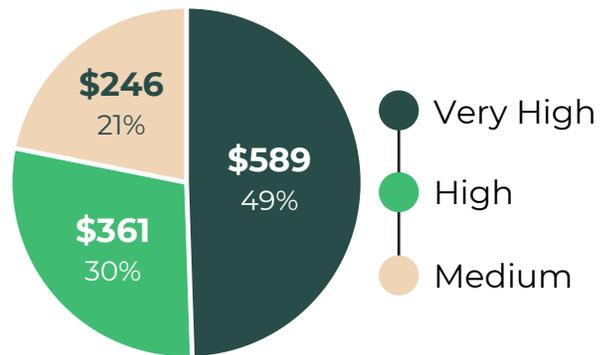
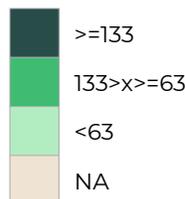
▶ **MAP SDG 3 Allocation in Lagged Areas (USD MM)**

▶ **SDG 3 (USD MM, %)**

Regional Allocation **SDG 3**



Allocation based on terciles (USD MM)





SDG 4

Social Expenditure

Amount allocated: **USD \$1,365 MM**

- **Responsible Ministries / Institutions (Source):**
Public Education & National Council for Science and Technology
- **No. Eligible Expenditures:** 14
- **Total Beneficiaries & Outputs:**
 - ▶ **42.7 million** Books and educational materials distributed.
 - ▶ **12** Municipalities supported in building education infrastructure.
 - ▶ **3.5 million** Students and teaching staff benefited from scholarships or grants.
 - ▶ **20,251** Public education centers that received financial support.

Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
36.85% of youth and adults participated in formal and non-formal education and training in the last 12 months (2022, Annual)	38.50%	37.80%	36.85%	-0.95 pp	↓

▶ **MAP SDG 4 Allocation in Lagged Areas (USD MM)**

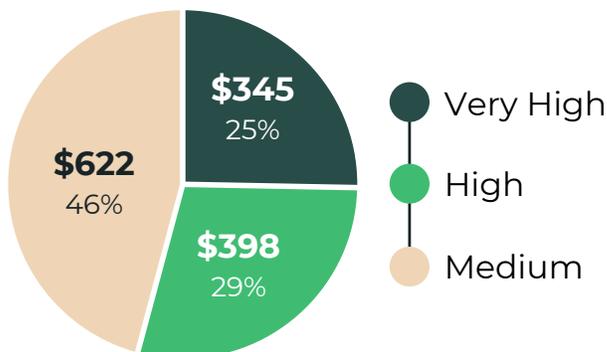
▶ **SDG 4 (USD MM, %)**

Regional Allocation SDG 4



Allocation based on terciles (USD MM)

- Dark Green: ≥ 79
- Medium Green: $79 > x \geq 5$
- Light Green: < 5
- Tan: NA





SDG 6

Green Expenditure



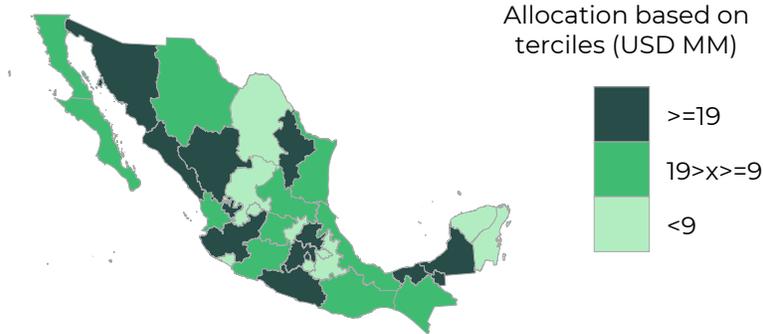
Amount allocated: **USD \$821 MM**

- **Responsible Ministries (Source):**
Environment and Natural Resources
- **No. Eligible Expenditures:** 4
- **Total Beneficiaries & Outputs:**
 - ▶ **21 million** People with access to clean water.
 - ▶ **72** Water bodies analyzed to improve sustainable management of water.
 - ▶ **33** Wastewater treatment plants constructed or expanded

Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
64.4% of the population uses safely managed drinking water services (2020, Biennial)	NA	NA	64.39%	-	➡

▶ MAP SDG 6 Allocation in Lagged Areas (USD MM)

Regional Allocation **SDG 6**





SDG 7

Green Expenditure



Amount allocated: **USD \$12 MM**

- **Responsible Ministries (Source):**
Energy
- **No. Eligible Expenditures:** 2
- **Total Beneficiaries & Outputs:**
 - ▶ **27,452** GWh of energy consumption reduced by the execution of energy efficiency measures.
 - ▶ **12,595** People who received sustainable energy training.

Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
19.45% of total energy consumption came from renewable energy sources (2021, Annual)	NA	NA	19.45%	-	➡

▶ **MAP SDG 7** Allocation in Lagged Areas (USD MM)





SDG 8

Social Expenditure

Amount allocated: **USD \$43 MM**

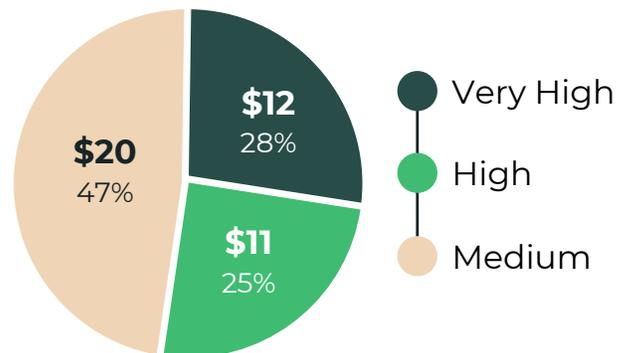
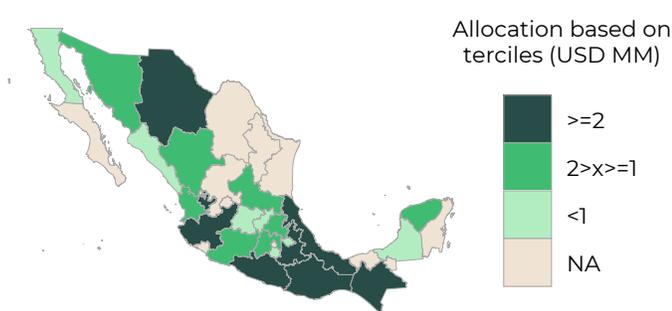
- **Responsible Ministries / Institutions (Source):**
Finance and Public Credit & Non-Sectorized Entities
- **No. Eligible Expenditures:** 2
- **Total Beneficiaries & Outputs:**
 - ▶ **124** Bank branches built in lagged areas.
 - ▶ **45,516** Indigenous and Afro-Mexican people supported.

Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
6 bank branches for every 100,000 adults in marginalized areas (2022, Annual)	4	4	6	2	↑

▶ **MAP SDG 8 Allocation in Lagged Areas (USD MM)**

▶ **SDG 8 (USD MM, %)**

Regional Allocation **SDG 8**





SDG 9

Social Expenditure

Amount allocated: **USD \$684 MM**

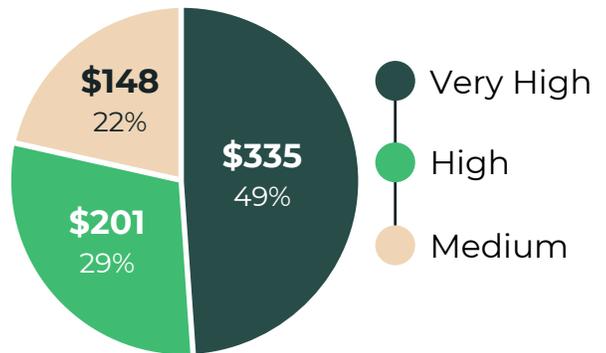
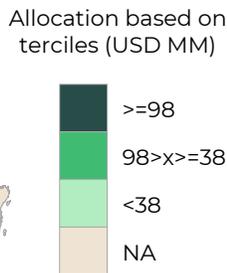
- **Responsible Ministries (Source):**
Infrastructure, Communications and Transportation
- **No. Eligible Expenditures:** 4
- **Total Beneficiaries & Outputs:**
 - ▶ **2,142** Km of paved roads constructed and/or modernized in lagged areas.

Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
6.51% of the population has low or very low access to paved roads in marginalized municipalities (2020, Biennial)	6.51%	6.51%	6.51%	-	→

▶ **MAP SDG 9 Allocation in Lagged Areas (USD MM)**

▶ **SDG 9 (USD MM, %)**

Regional Allocation **SDG 8**



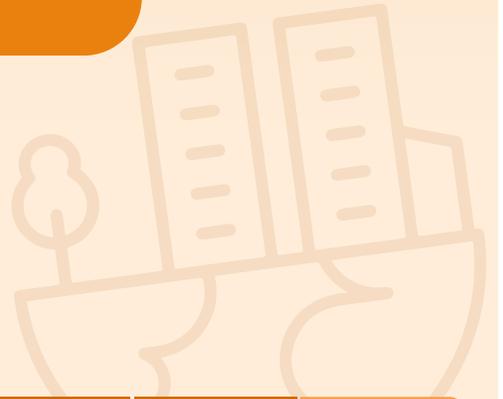


SDG 11

Green Expenditure

Amount allocated: USD \$48 MM

- **Responsible Ministries (Source):**
Infrastructure, Communications and Transportation
- **No. Eligible Expenditures:** 1
- **Total Beneficiaries & Outputs:**
 - ▶ **87%** Overall progress of the Mexico City - Toluca Intercity Train



Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
31% of the population has convenient access to public transport (2020, Quinquennial)	NA	NA	31%	-	➡

▶ **MAP SDG 11 Allocation in Lagged Areas (USD MM)**





SDG 15

Green Expenditure



Amount allocated: **USD \$109 MM**

- **Responsible Ministries (Source):**
Environment and Natural Resources
- **No. Eligible Expenditures:** 5
- **Total Beneficiaries & Outputs:**
 - ▶ **99.7** Million ha in forest area
 - ▶ **635** Localities that received financial support for projects, technical studies, and training courses related to sustainability
 - ▶ **87** Priority species considered within programs and actions aimed at recovering their populations



Mexico's State of Affairs (2022)	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022-2023)	Trend 2022-2023
10.94% of total land area are terrestrial protected areas (2022, Annual)	NA	NA	10.94%	-	➡

MAP SDG 15 Allocation in Lagged Areas (USD MM)

Regional Allocation **SDG 15**



Table 2. Shows the main output results breakdown by “Use of Resources” categories from the Framework related to the 44 Eligible Expenditures. Details at the project level are shown in **Annex 1, Table 4.**

Table 2: 2022 Output & Beneficiaries breakdown by Framework's use of resources categories

2022 Output & Beneficiaries breakdown by Framework's use of resources categories					
SDG Contribution	Responsible Ministry	Framework Use of Resources	(%)	Notional allocation (USD MM)	Output / Beneficiaries
2	Agriculture and Rural Development	Consumption subsidies for basic food products	4.43%	\$222	7,477 Small and medium farmers (corn, beans, rice, wheat and milk) in lagged areas with direct support granted
		Production subsidies to subsistence farmers for basic food products	0.47%	\$24	670,028 Small and medium-scale producers with direct support granted
	Well-Being	Production subsidies to subsistence farmers for basic food products (staple food programs)	9.87%	\$495	167,619 Rural farmers with (up to) 2.5 ha. in lagged municipalities received economic support
Total SDG 2			14.8%	\$741	
3	Health	Addiction prevention and care	0.03%	\$1	104,991 Screening tests applied to youths at school
		Health related research and technological development funding	0.09%	\$5	40 Researchers who carry out scientific research activities and technological received support
		Prevention and care of Sexual Transmitted Infections	0.04%	\$2	4,268 People with HIV began with antiretroviral therapy
		Provision/distribution of healthcare equipment and services	23.43%	\$1,176	1,131,221 Medical examinations performed (first time) to people without social security
					330 Healthcare facilities verification against sanitary risks attended
					354,429 Total children under one year old vaccinated with the third dose of acellular pentavalent vaccine in a certain period of time and 4 -year -old children with applied DPT vaccine
		Services and equipment to improve sexual and maternal health	0.23%	\$11	6,444,416 People who do not have social security
Support to health professionals through the purchase of materials, mobility and training	0.02%	\$1	179,793 Women (≥15 years old) [including newborn children when applicable] received medical attention and supplies (mainly contraceptives)		
3,475 Health professionals enrolled in medical education continuity programs					
Total SDG 3			23.8%	\$1,196	



4	Public Education	Construction and improvement of public schools, campus, student housing; Purchase of hardware equipment for public education purposes	2.53%	\$127	20,202 Number of public schools of basic education addressed by the program to improve their conditions of infrastructure, equipment and didactic material
		Construction and improvement of schools, campus, student housing	0.58%	\$29	23,100 Students from public schools received high-school scholarships (those enrolled at the beginning of the school year)
					12 Lagged municipalities received resources for damaged or collapse in earthquakes
					689 Number of services related to infrastructure maintenance and renovation provided to public education institutions in 2022
		Purchase of hardware equipment for education purposes	1.66%	\$83	42,650,749 Books and educational materials produced in 2022
					9 Public institutions of higher education that received resources to increase educational capabilities and management
	8,475 Girls and boys that are registered in Child Care Centers				
Students/educational scholarships to cover fees or living cost) for basic education or high school	11.92%	\$598	3,018,950 Scholarships at basic level		
			730 Students benefited with scholarship grants for continuing their studies		
			414,802 Students from public schools received high-school scholarships (those enrolled at the beginning of the school year)		
Training for educational professionals	10.47%	\$525	52,579 Students (≤29 years of age) received scholarships for higher education, with income level below the Poverty Line		
			40 Centers, Organizations, Civil Society and States that received resources for their operational activities		
National Council for Science and Technology	Educational grants	0.04%	\$2	21,152 Education staff from public education institutions enrolled in continuing education processes	
Total SDG 4			27.2%	\$1,365	5,015 Postgraduate scholarships provided
6	Environment and Natural Resources	Construction and improvement of public water treatment infrastructure; Construction and improvement of public water treatment infrastructure	3.03%	\$152	5,212,553 Inhabitants of the Metropolitan Area of Mexico City benefited by the delivery of water
		Construction and improvement of water treatment infrastructure; Construction of Water distribution network or maintenance; Sanitation projects	4.22%	\$212	72 Aquifers and basins analyzed to enhance sustainable management of water
		Construction and improvement of water treatment infrastructure; Rehabilitation of treatment plants	2.63%	\$132	15,808,622 People benefited by the progress in the construction, rehabilitation, maintenance and conservation of drinking water infrastructure ²⁰
		Construction and maintenance of Water distribution network	6.48%	\$325	248,601 Clean water flow in the public network (l/sec)
Total SDG 6			16.4%	\$821	

20 For further in-depth consultation about program progress and results in 2022: https://www.gob.mx/cms/uploads/attachment/file/828182/Avance_y_Resultados_2022.pdf



7	Energy	Dedicated smart grid investments or training programs to facilitate the efficient integration of renewable energy and energy efficiency programs	0.19%	\$9	27,452 Energy consumption (GWh) reduced by the execution of energy efficiency measures
		Programs dedicated to energy efficiency improvements in both the private and public sectors	0.05%	\$3	12,595 People who received sustainable energy training
Total SDG 7			0.2%	\$12	
8	Finance and Public Credit	Access to financing and financial services; new bank branches built in isolated and rural areas.	0.47%	\$23	124 New bank branches of the Banco del Bienestar network in lagged areas
	Non-Sectorized Entities	Employment generation in sustainable tourism for indigenous people and afro-Mexicans	0.38%	\$19	573 Indigenous communities who received support for access to medical care
Total SDG 8			0.8%	\$43	
9	Infrastructure, Communications and Transportation	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	13.63%	\$684	723 Km supervised in the construction and modernization of motorways in lagged areas
					71 Km in operation were attended by Road Construction Projects program
					126 Km of rural and feeder roads constructed in highly-marginalized states
					1,222 Number of kilometers served with the conservation and reconstruction of rural roads and feeders in the exercise
Total SDG 9			13.6%	\$684	
11	Sustainable Cities and Communities	Rail transport infrastructure for freight and/or passenger transport & acquisition of new electric rolling stock	1.0%	\$48	87 Overall progress of the Mexico City - Toluca Intercity Train (%)
Total SDG 11			1.0%	\$48	
15	Environment and Natural Resources	Management and maintenance of National Parks and Conservation Areas	0.2%	\$8	99,570,333 ha of forest area that is incorporated into some protection scheme
		Support for sustainable forestry development	0.8%	\$38	108 NPA with conservation activities
		Support for sustainable forestry development; Management and maintenance of National Parks and Conservation Areas	0.9%	\$47	160,616 ha in NPA with sustainable practices
		Sustainable management and maintenance of National Parks and Conservation Areas	0.1%	\$7	3,252,905 current forest surface (ha) certified in conservation and sustainable management
		Wildlife conservation programs	0.2%	\$8	87 Priority species considered within programs and actions aimed at recovering their populations
Total SDG 15			2.2%	\$109	





Case Studies

2 ZERO HUNGER



Sowing Life

2.3 Double the agricultural productivity and incomes of small-scale food producers, particularly women, indigenous peoples, family farmers, pastoralists, and fisherfolk, including through secure and equitable access to land, other production resources and inputs, knowledge, financial services, markets and opportunities for value addition and off-farm employment.

Responsible Ministry:

Well-Being (*Bienestar*)



Impact



In Mexico, there is a close relationship between rural poverty and food security, a complex issue with social and economic ramifications. In 2018, when the "Sowing Life" program was launched, rural communities had a food insecurity rate of 28.8%. "Sowing Life" promotes the development of small and medium-sized producers by providing financial and in-kind assistance. The ultimate aim is to establish comprehensive and sustainable agroforestry systems that contribute to mitigating food shortages among Mexico's rural population. As of 2022, there has been a reduction in food insecurity, with a rate of 23.9% in rural Mexico.

Resources allocated



► USD \$495 MM

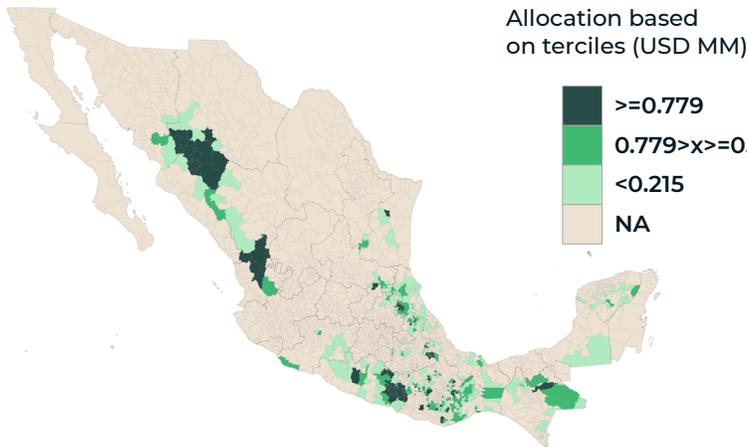
Beneficiaries



► **167,619** rural farmers with (up to) 2.5 ha. in lagged areas. Approximately **32%** were women.

Allocation by Social Gap Index

	Allocation	Results (No. of rural farmers)
Very High	\$103 MM	35,472
High	\$148 MM	49,498
Medium	\$244 MM	82,648



SDG Contribution

2.3

1.4

8.5



4 QUALITY EDUCATION

Basic Education Scholarship Program for Well-Being Benito Juarez

4.1 Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

Responsible Ministry: **Public Education (SEP)**



Impact

In Mexico, high school level exhibits the highest dropout rate among the basic levels of education. This fact highlights the importance of offering scholarships that support students' consistent school attendance and successful academic completion. In response to this challenge, the Mexican government has established the Benito Juárez Basic Education Scholarship Program, a significant initiative aimed at ensuring that young individuals pursuing upper secondary education in public institutions can successfully complete their academic pursuits. As of 2022 secondary education dropout rate of 9.2% fell below pre-pandemic levels of 10.2%.²¹



Resources allocated

► USD \$430 MM

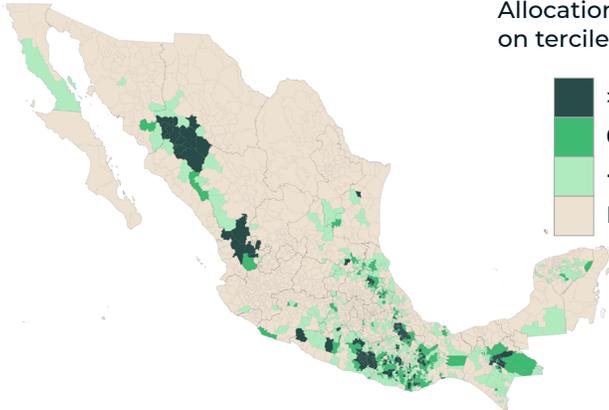


Beneficiaries

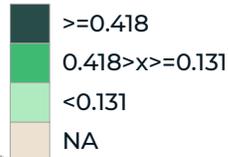
► **3 million** scholarships to elementary school students, 68.2% of them for girls. **50%** of the scholarship recipients are from municipalities with high and very high SGI. Total Scholarships Granted: **4,179,434**

Allocation by Social Gap Index

	Allocation	Results (No. of scholarships awarded)
Very High	\$90 MM	632,416
High	\$128 MM	867,635
Medium	\$210 MM	1,518,899



Allocation based on terciles (USD MM)



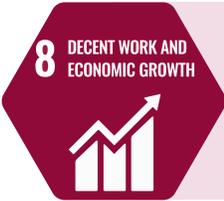
SDG Contribution

- 4.1
- 4.2
- 4.5



21 High-school dropout rate statistics from the Ministry of Public Education (SEP) for the school years of 2019 - 2020 and 2021 - 2022.





Program for the Integral Wellbeing of Indigenous Peoples

8.9 Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.

Responsible Institution: National Institute of Indigenous Peoples (INPI)

Impact



Mexico has a vast cultural and ethnic diversity. In this context, the Program for the Integral Wellbeing of Indigenous Peoples seeks to ensure the inclusion and collective welfare of 11.4% of the Mexican population who identify as part of the indigenous or Afro-Mexican community. The Program focuses on promoting fundamental rights, autonomy, and cultural identity, through a combination of actions, including: ensuring access to justice, promoting sustainable management of lands, territories, natural resources, biodiversity and the environment, supporting strategic economic activities, constructing and implementing infrastructure for transportation and basic services, and safeguarding cultural heritage.



Resources allocated

► **USD \$14 MM**



Beneficiaries

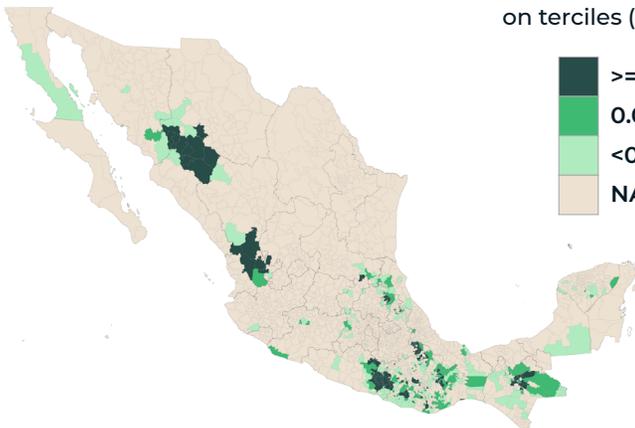
► **43,708** Indigenous people benefited through direct financial support, of which **39%** were women.

Allocation by Social Gap Index

	Allocation	Results (No. of direct beneficiaries)
Very High	\$9 MM	16,413
High	\$5 MM	9,834
Medium	\$5 MM	17,461



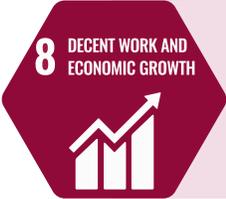
Allocation based on terciles (USD MM)



SDG Contribution

8.9	5.6	9.3
1.1	6.1	10.1
1.2	6.2	10.2
1.4	6.4	11.4
2.3	7.1	16.3
2.4	8.5	16.12
5.1	9.1	
5.5		





Financial Inclusion Program

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Responsible Institution: Finance and Public Credit (*SHCP*)



Impact

The Financial Inclusion Program aims to promote greater financial inclusion through increased access to useful and quality financial products and services, strengthening access to financial education and training, as well as promoting schemes that trigger the strengthening of the service banking sector and local financial ecosystems. It also seeks to ensure the effective exercise of the constitutional right to economic support, pensions, scholarships, and other social programs by expanding mechanisms for the disbursement of funds. As of 2022, the number of newly established bank branches has risen to 529 across Mexico, with 36% of them located in marginalized and rural areas.²²



Resources allocated

► **USD \$23 MM**



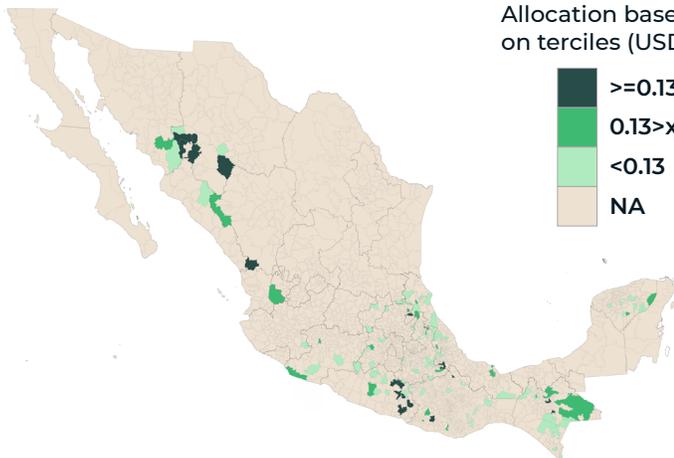
Outputs

► **529** bank branches built or under construction in the whole country
36% located in marginalized areas
 Last year, **14** branches were successfully built and started to operate. In 2022, the number increased to **148** branches since many of them were under construction in 2021, and started to operate this year.

Allocation by Social Gap Index

	Allocation	Results (BB: Built Banks; BC: Banks under Construction)
Very High	\$3 MM	21 BB; 3 BC
High	\$6 MM	41 BB; 6 BC
Medium	\$15 MM	110 BB; 9 BC

Allocation based on terciles (USD MM)



SDG Contribution
8.10



²² At the time of the publication of this report, the information in the SIODS 8.10.1.a, Number of branches of commercial banks per 100,000 adults, has not been updated. Source <https://agenda2030.mx/ODSInd.html?ind=ODS008001050010&cveind=217&cveCob=99&lang=es#/Indicador>

6 CLEAN WATER AND SANITATION



Infrastructure for drinking water, sewerage and sanitation

6.1 Achieve universal and equitable access to safe and affordable drinking water for all.

Responsible Institution:

- ▶ Environment and Natural Resources (SEMARNAT)
- ▶ National Water Commission (CONAGUA)

Impact



In Mexico, access to drinking water exhibits disparities between urban and rural areas, with the latter facing a more significant deficit in service availability. In 2018, 53.6% of the Mexican population had access to a daily water supply.²³ The primary objective of the Infrastructure for Drinking Water, Sewerage, and Sanitation Program is to enhance and provide high-quality services, with the overarching aim of ensuring equitable and adequate access to water supply across the entire national territory.

Resources allocated

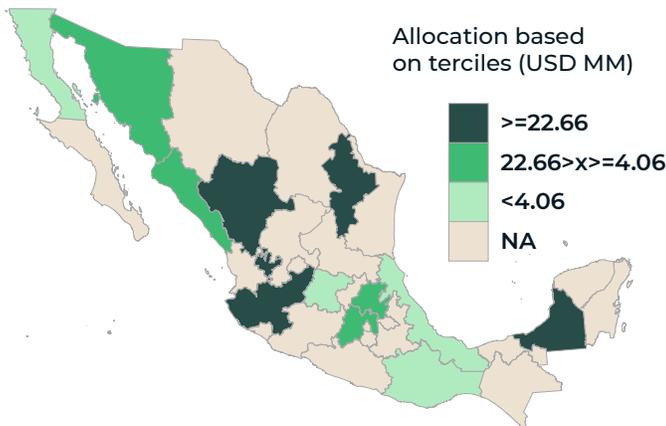


▶ **USD \$212 MM**

Beneficiaries



▶ **72** aquifers and watersheds analyzed to assess the use of the resource.
1,461 Field visits to watersheds to guarantee and strengthen integrated and sustainable water management.



SDG Contribution

- 6.1**
- 6.2
- 6.3
- 6.4



²³ CONEVAL, Nota Informativa del Día Mundial del Agua (Information Note on World Water Day), 2022, https://www.coneval.org.mx/SalaPrensa/Comunicadosprensa/Documents/2020/NOTA_DIA_MUNDIAL_AGUA.pdf



15 LIFE ON LAND



Protection and Restoration of Ecosystems and Priority Species

15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

Responsible Institution:

Environment and Natural Resources (SEMARNAT)

Impact



Mexico is a megadiverse country, hosting approximately 12% of the known species in the world, including numerous endemic ones. In this context, the Protection and Restoration of Ecosystems and Priority Species Program assumes a pivotal role in addressing the effects of climate change and ensuring conservation efforts for emblematic species such as the Monarch Butterfly (*Mariposa Monarca*) and the Golden Eagle (*Águila Real*). The importance of preserving ecosystems extends beyond environmental benefits, as it holds intrinsic social value and is essential for Mexico's sustainable development.

Resources allocated



► USD \$8 MM

Beneficiaries



► 14,187 ha of Protected Natural Areas benefited from ecological restoration activities

2.5 million ha with surveillance and monitoring during the year.

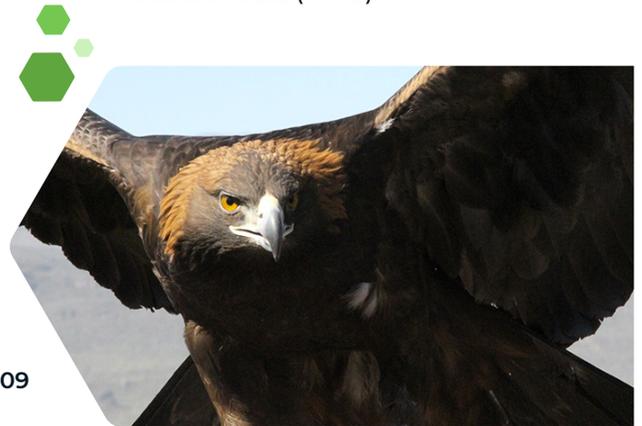
13 technical studies for the management and control of Natural Protected Areas (NPAs).

Outputs

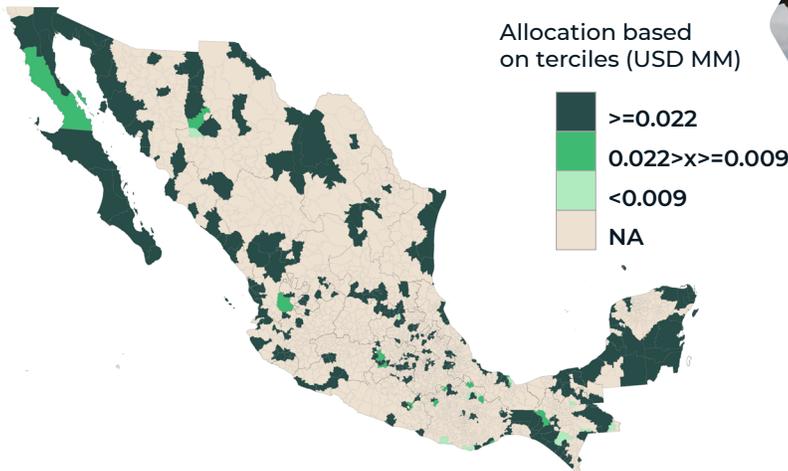


► 87 priority species considered within programs and actions aimed at recovering their populations.

40 priority species within protected natural and marine areas with stable populations or with a tendency to recover during the year.



Source: SEMARNAT, 2019, <https://www.gob.mx/semarnat/galerias/dia-del-aguila-real-147336>



SDG Contribution

15.2	15.1
11.4	15.4
13.2	15.5
13.3	15.7
14.2	15.8





Appendix: A dive into multidimensional poverty and the SDGs in Mexico

In an effort to contextualize and present the advancements of Mexico with regard to poverty,²⁴ we have carried out an analysis using the Multidimensional Poverty indicators from CONEVAL. This index has been employed for the measurement of poverty since 2008, to address the lack of information and mechanisms to understand and inform decision-making processes with a broader analysis of poverty. The methodology includes two main aspects: economic well-being, and social rights.

The Multidimensional Poverty definition created by CONEVAL thus refers to a person that is in a situation where “they are not guaranteed the exercise of at least one of their rights to social development, and their income is insufficient to acquire the goods and services that they require to satisfy their needs.”²⁵ The economic well-being is measured by comparing the current income per capita with the Well-Being Threshold (LBE, for its acronym in Spanish);²⁶ and the social aspects include a dichotomous variable²⁷ indicating whether or not a person lacks access to education, health, social security, nutritious nourishment, and quality housing.

The use of the Multidimensional Poverty Index²⁸ supports the SDG agenda, given that it is unique to the complex reality of Mexico as a country, and can be tied to the targets and SIODS indicators of some of the Social SDGs relevant to this report. Specifically, the lack of access to nutritious, high-quality food can be related to SDG 2 “Zero Hunger” and to its indicator from target 2.1 “prevalence of moderate or severe food insecurity in the population”; lack of access to healthcare services relates to SDG 3 “Good Health and Well-Being”, and the indicator from the national target 3n.1.1;²⁹ and the educational gap dimension is tied to the SDG 4 “Quality Education”. Furthermore, CONEVAL’s measurement of poverty³⁰ also comprises the degree of access to paved roads, which can be linked to the SDG 9 “Industry, Innovation and Infrastructure”.

Moreover, this index gives the possibility of comparisons over time, using biennial data from an autonomous institution, CONEVAL. This can shed light on the progress and trends towards accomplishing the SDGs’ targets. Besides, since it is disaggregated by state,³¹ it can also complement the geospatial criterion used for the budgetary program’s resources in this report. This complementarity allows for an assessment of the advancement in closing the gaps and the disparities between the most marginalized areas and the rest of the country.

24 The relevant indicators for this report are:

- Lack of access to nutritious, high-quality food (% population)
- Lack of access to healthcare services (% population)
- Population with educational gap (%)
- Very low or low access to paved roads (% population).

See CONEVAL’s methodology for more information on these indicators.

25 CONEVAL, *Metodología para la medición multidimensional de la pobreza (Methodology for the multidimensional measurement of poverty)*, 2019, p. 13, <https://www.coneval.org.mx/InformesPublicaciones/InformesPublicaciones/Documents/Metodologia-medicion-multidimensional-3er-edicion.pdf>

26 The LBE is calculated as “the income needed to afford basic food and non-food baskets of goods and services”. See: Multidimensional Measurement of Poverty in Mexico.

27 For each one of the social aspects, a dichotomous variable indicated whether a person lacks access to that specific aspect. The criteria to determine this is specific to each aspect. It takes into account the prevailing legislation, and it stems from a joint research and dialogues among CONEVAL, specialists, and government institutions. See CONEVAL’s methodology, pp. 46 - 60.

28 To incorporate all of the Social SDGs into the analysis, an extra indicator was used “bank branches per every 100,000 adults”, since the social aspects of the Multidimensional Poverty index don’t include a dimension directly tied to SDG 8.

29 See SIODS for further details about this indicator.

30 The rules and criteria used by CONEVAL to measure poverty are based on the General Law of Social Development.

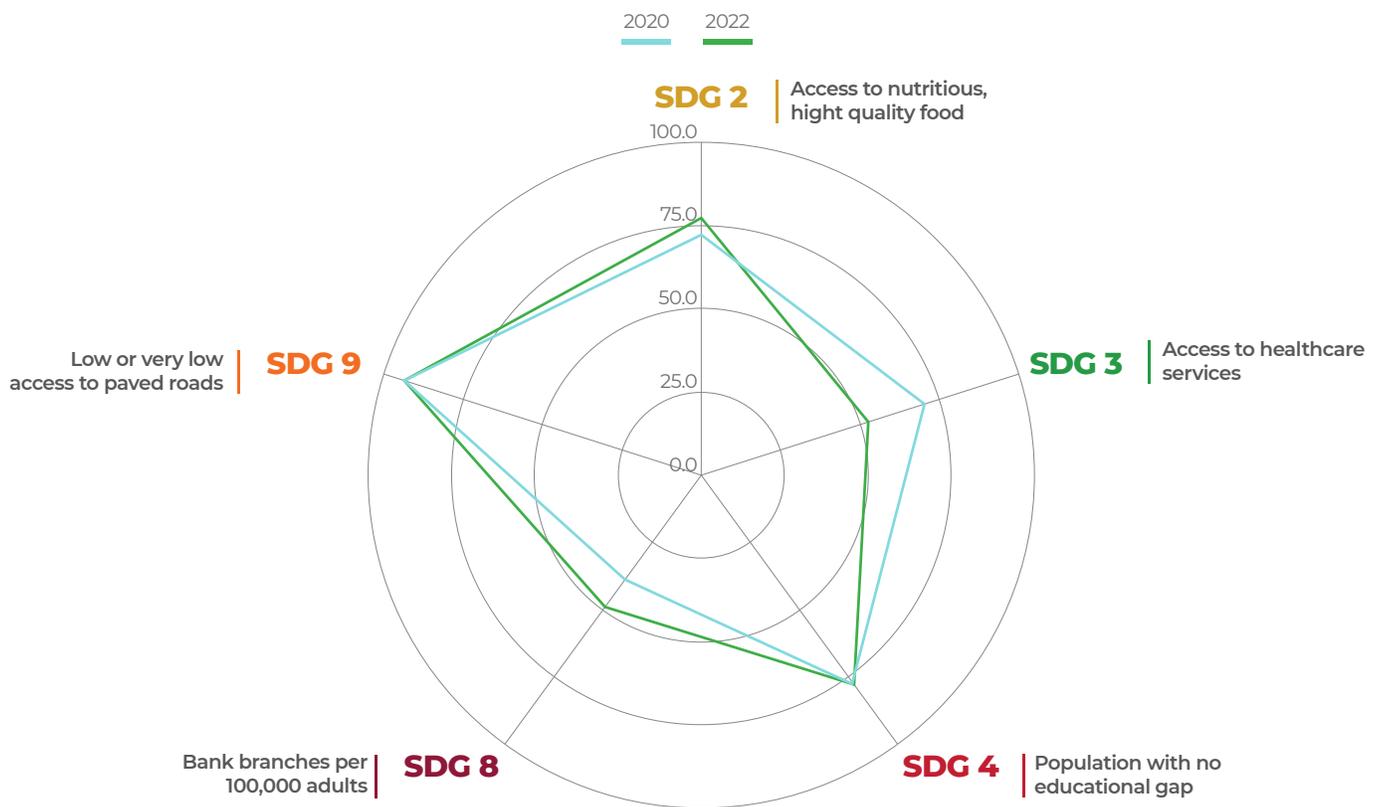
31 Data disaggregated by municipality it’s published every five years.



Given this context, some highlights are presented below:

- In 2022 access to nutritious, high-quality food in marginalized areas increased by 4.91 percentage points (pp), compared to 2020. This increment is steeper than the national one, therefore the trend shows a reduction in social gaps.
- Meanwhile, healthcare access in marginalized areas decreased by 17.9 pp. However, it is worth mentioning the disruptions caused by the COVID-19 pandemic to health services, and the institutional transition from the Social Security, known as *Seguro Popular* to the Institute of Health for Well-Being (INSABI, for its acronym in Spanish).³²
- Regarding financial inclusion, the number of bank branches³³ per 100 thousand residents increased by 60.5 pp, surpassing the average national increment.
- The population share with no educational gap in marginalized areas remains unchanged.³⁴ And lastly, data concerning access to paved roads in marginalized areas has not been updated.

Figure 5: Evolution of Social SDGs targets (2020-2022)



32 For further details about the results and comparisons with 2020, see. CONEVAL, *Documento de Análisis sobre la Medición Multidimensional de la Pobreza (Analysis Document on Multidimensional Poverty Measurement)*, 2022, https://www.coneval.org.mx/Medicion/MP/Documents/MMP_2022/Documento_de_analisis_sobre_la_medicion_multidimensional_de_la_pobreza_2022.pdf.

33 Although the indicator refers to both commercial and development banks, it is worth mentioning that the “Financial Inclusion Program” targets low-income and vulnerable populations through bank branches of *Banco del Bienestar*. During 2022, 124 new branches were built in marginalized municipalities.

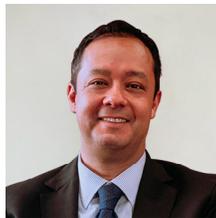
34 The change in the national indicator is not statistically significant. See: www.coneval.org.mx.





SHCP Teams contributing to the **SDG Bond Allocation and Impact Report 2023**

SHCP Teams contributing to the SDG Bond Allocation and Impact Report 2023



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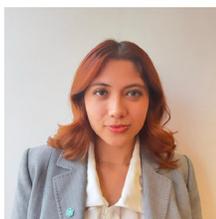
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Annexes

Annex I: Allocation Report

The Allocation Report methodology consists of: i) identifying the budgetary resources on marginalized regions as established on the geospatial criterion on Eligible Expenditures linked to Social SDG (Column A), the geospatial criterion³⁵ does not apply for Green Eligible Expenditures so the budgetary expenditures have not been reduced but still are shown in Column A; ii) calculating the weights according to the Column A (Column B); and iii) distributing the SDG Bond issuance across the weights from Column B (Column C).

For the 2023 Allocation Report, the SDG Bond amount issued in 2022 was US \$5 bn, distributed across the 44 Eligible Expenditures that fulfilled the six criteria established in the SDG Sovereign Bond Framework. See **Table 3**.

Table 3: 2022 Eligible Expenditures notional allocation

2022 Eligible Expenditures (EE)									
#	SDG	SDG Targets ³⁶	Social / Green EE	Responsible Ministry	Eligible Expenditure (EE)	Framework's Use of Resources	Budget expenditure after geospatial criterion (USD) [A]	% [B]	Notional allocation (USD) [C]
1	2	2.3 1.4	Social	Agriculture and Rural Development	Guarantee Prices for Basic Food Products	Production subsidies to subsistence farmers for basic food products	\$ 32,841,030	0.47%	\$ 23,722,217
2	2	2.3 2.4 2.a	Social	Agriculture and Rural Development	Wellbeing Production	Consumption subsidies for basic food products	\$ 307,657,104	4.43%	\$ 222,231,416
3	2	2.3 1.4 8.5	Social	Well-Being	Sowing Life	Production subsidies to subsistence farmers for basic food products (staple food programs)	\$ 685,640,922	9.87%	\$ 495,262,261
4	3	3.c 4.4	Social	Health	Training and Training of Human Resources for Health	Support to health professionals through the purchase of materials, mobility and training	\$ 1,217,171	0.02%	\$ 879,205
5	3	3.b	Social	Health	Research and Technological Development in Health	Health related research and technological development funding	\$ 6,262,659	0.09%	\$ 4,523,736

³⁵ For more information regarding the geospatial criterion for Social Eligible Expenditures, please consult the 2022 SDG Bond Allocation and Impact Report, Annex III p.49.

³⁶ SDG targets in black mean a direct contribution to the federal budget programs categorized as Eligible Expenditure whereas blue mean an indirect contribution. The SDG target in black and bold means the SDG target selected as the "headline" SDG Target associated with the Eligible Expenditure for practical data presentation.



6	3	3.1 3.2 3.4	Social	Health	Health Care	Provision / distribution of healthcare equipment and services	\$ 321,999,154	4.63%	\$ 232,591,177
7	3	3.a 3.5	Social	Health	Addiction Prevention and Care	Addiction prevention and care	\$ 1,994,233	0.03%	\$ 1,440,504
8	3	3.2 3.8	Social	Health	Vaccination Program	Provision / distribution of healthcare equipment and services	\$ 1,619,971	0.02%	\$ 1,170,161
9	3	3.d	Social	Health	Protection Against Health Risks	Provision / distribution of healthcare equipment and services	\$ 7,875,394	0.11%	\$ 5,688,670
10	3	3.3	Social	Health	Prevention and Care of HIV / AIDS and other STDs	Prevention and care of Sexual Transmitted Infections	\$ 2,775,948	0.04%	\$ 2,005,164
11	3	3.1 3.7 3.d 5.2 5.3 5.6	Social	Health	Maternal, Sexual and Reproductive Health	Services, and equipment to improve sexual and maternal health	\$ 15,856,138	0.23%	\$ 11,453,440
12	3	3.8	Social	Health	Health Care and Free Medicines for the Population without Labor Social Security	Provision / distribution of healthcare equipment and services	\$ 1,296,346,270	18.66%	\$ 936,395,953
13	4	4.6	Social	Public Education	Production and Distribution of Books and Educational Materials	Purchase of hardware equipment for education purposes	\$ 99,857,005	1.44%	\$ 72,130,184
14	4	4.2 4.1 4.a	Social	Public Education	Maintenance Program and Educational Physical Infrastructure	Construction and improvement of schools, campus, student housing	\$ 1,910,263	0.03%	\$ 1,379,850
15	4	4.1 4.2 4.5	Social	Public Education	Basic Education Scholarship Program for Well-Being Benito Juárez	Students / educational scholarships (to cover fees or living cost) for basic education or high school	\$ 595,398,621	8.57%	\$ 430,077,111
16	4	4.3 4.4 4.5 4.b	Social	Public Education	Elisa Acuña Scholarship Program	Students / educational scholarships (to cover fees or living cost) for basic education or high school	\$ 955,190	0.01%	\$ 689,967
17	4	4.c 4.6 4.7	Social	Public Education	Teaching Professionals Development Program	Training for educational professionals	\$ 822,032	0.01%	\$ 593,782
18	4	4.3 4.4 4.7 4.a	Social	Public Education	Strengthening Educational Excellence	Purchase of hardware equipment for education purposes	\$ 1,476,866	0.02%	\$ 1,066,792



19	4	4.2 4.5 10.2	Social	Public Education	Expansion of Initial Education	Purchase of hardware equipment for education purposes	\$ 14,180,604	0.20%	\$ 10,243,143
20	4	4.4 4.1 4.5 4.3	Social	Public Education	Support to Education Centers and Organizations	Training for educational professionals	\$ 726,429,698	10.46%	\$ 524,725,411
21	4	4.3 4.4 4.5 4.7 4.a 8.6	Social	Public Education	Universities for Well-being Benito Juárez García	Construction and improvement of schools, campus, student housing	\$ 36,341,591	0.52%	\$ 26,250,794
22	4	4.3 4.5	Social	Public Education	Universal Scholarship for High School Students Benito Juárez	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	\$ 168,061,691	2.42%	\$ 121,396,799
23	4	4.1 4.2 4.5 4.a	Social	Public Education	The School is Ours	Construction and improvement of public schools, campus, student housing; Purchase of hardware equipment for public education purposes	\$ 175,490,220	2.53%	\$ 126,762,683
24	4	4.3 4.5	Social	Public Education	Young People Writing the Future	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	\$ 64,119,793	0.92%	\$ 46,315,955
25	4	4.a	Social	Public Education	National Reconstruction Program	Construction and improvement of schools, campus, student housing	\$ 2,211,512	0.03%	\$ 1,597,452
26	4	4.b 4.7 4.5 5.1 9.5 12.a 13.3	Social	National Council for Science and Technology	Postgraduate Scholarships and Quality Support	Educational grants	\$ 2,760,414	0.04%	\$ 1,993,943
27	6	6.1 6.4	Green	Environment and Natural Resources	Operation and Maintenance of Water Infrastructure	Construction and improvement of public water treatment infrastructure; Construction and improvement of public water treatment infrastructure	\$ 210,342,395	3.03%	\$ 151,937,620
28	6	6.1 6.2 6.4 6.5 6.6 14.1	Green	Environment and Natural Resources	Integral and Sustainable Water Management	Construction and maintenance of Water distribution network	\$ 450,426,564	6.48%	\$ 325,358,758
29	6	6.1 6.2 6.3 6.4	Green	Environment and Natural Resources	Infrastructure for Drinking Water, Sewerage and Sanitation	Construction and improvement of water treatment infrastructure; Construction of Water distribution network or maintenance; Sanitation projects	\$ 293,068,774	4.22%	\$ 211,693,758



30	6	6.1 3.9 6.2 6.3 14.1	Green	Environment and Natural Resources	Drinkable Water, Drainage and Treatment	Construction and improvement of water treatment infrastructure; Rehabilitation of treatment plants	\$ 183,039,820	2.63%	\$ 132,216,022
31	7	7.3	Green	Energy	Management, Promotion, Supervision and Evaluation of the Sustainable Use of Energy	Programs dedicated to energy efficiency improvements in both the private and public sectors	\$ 3,784,191	0.05%	\$ 2,733,453
32	7	7.1 7.2 7.3 7.b	Green	Energy	Resources Allocated to Energy Transition and Research	Dedicated smart grid investments or training programs to facilitate the efficient integration of renewable energy and energy efficiency programs	\$ 12,875,655	0.19%	\$ 9,300,533
33	8	8.10	Social	Finance and Public Credit	Financial Inclusion Program	Access to financing and financial services; Build new bank branches in isolated and rural areas.	\$ 32,393,841	0.47%	\$ 23,399,197
34	8	8.9 1.1 1.2 1.4 2.3 2.4 5.1 5.5 5.6 6.1 6.2 6.4 6.b 7.1 8.5 9.1 9.3 10.1 10.2 11.4 16.3 16.12	Social	Non-Sectorized Entities	Program for the Integral Well-Being of Indigenous Peoples	Employment generation in sustainable tourism for indigenous people and afro-Mexicans	\$ 26,536,852	0.38%	\$ 19,168,490
35	9	9.1 3.6	Social	Infrastructure, Communications and Transportation	Supervision, Regulation, Inspection, Verification and Administrative Services of Road Construction and Conservation	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	\$ 405,584,349	5.84%	\$ 292,967,668
36	9	9.1	Social	Infrastructure, Communications and Transportation	Road Construction Projects	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	\$ 236,764,033	3.41%	\$ 171,022,887



37	9	9.1	Social	Infrastructure, Communications and Transportation	Construction Projects for Feeder Roads and Rural Roads	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	\$ 120,803,696	1.74%	\$ 87,260,707
38	9	9.1 3.6	Social	Infrastructure, Communications and Transportation	Conservation of Rural Roads and Feeder Roads Infrastructure	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	\$ 184,146,416	2.65%	\$ 133,015,355
39	11	11.2 9.1	Green	Infrastructure, Communications and Transportation	Railway Projects for Freight and Passenger Transportation	Rail transport infrastructure for freight and/or passenger transport & acquisition of new electric rolling stock	\$ 66,009,600	0.95%	\$ 47,681,028
40	15	15.1 13.1 13.2 13.3 15.2 15.4 15.5	Green	Environment and Natural Resources	Forest protection	Support for sustainable forestry development; Management and maintenance of National Parks and Conservation Areas	\$ 65,547,939	0.94%	\$ 47,347,554
41	15	15.1 11.4 13.2 13.3 14.2 14.5 15.3 15.4 15.5 15.7 15.9 15.c	Green	Environment and Natural Resources	Conservation and Management of Natural Protected Areas	Sustainable management and maintenance of National Parks and Conservation Areas	\$ 10,346,434	0.15%	\$ 7,473,589
42	15	15.1 11.4 13.2 13.3 14.1 14.2 14.5 15.4 15.7 15.c	Green	Environment and Natural Resources	Conservation Program for Sustainable	Management and maintenance of National Parks and Conservation Areas	\$ 11,356,884	0.16%	\$ 8,203,472
43	15	15.1 6.6 12.2 13.1 13.2 13.3 15.2 15.3 15.4 15.5 15.c	Green	Environment and Natural Resources	Support for Sustainable Forest Development	Support for sustainable forestry development	\$ 52,310,862	0.75%	\$ 37,785,953



44	15	15.2	Green	Environment and Natural Resources	Program for the Protection and Restoration of Ecosystems and Priority Species	Wildlife conservation programs	\$ 10,679,686	0.15%	\$ 7,714,308
		11.4							
		13.2							
		13.3							
		14.2							
		15.1							
		15.4							
		15.5							
15.7									
15.8									
Total						\$ 6,948,119,485	100%	\$ 5,018,868,121	

Annex II: Impact Report Output Results & Direct Beneficiaries (Project- Level)

Table 4: 2022 Eligible Expenditures' output results and direct beneficiaries

2022 Eligible Expenditures' Results							
#	SDG	SDG Target	Social / Green	Responsible Ministry	Eligible Expenditure	Framework's Use of Resources	Output Results & Beneficiaries Use of Resources
1	2	2.3 1.4	Social	Agriculture and Rural Development	Guarantee Prices for Basic Food Products	Production subsidies to subsistence farmers for basic food products	7,477 Small and medium farmers (corn, beans, rice, wheat and milk) in lagged areas with direct support granted
2	2	2.3 2.4 2.a	Social	Agriculture and Rural Development	Wellbeing Production	Consumption subsidies for basic food products	670,028 Small and medium-scale producers with granted direct support
3	2	2.3 1.4 8.5	Social	Well-Being	Sembrando Vida	Production subsidies to subsistence farmers for basic food products (staple food programs)	167,619 Rural farmers with (at most) 2.5 ha. in lagged municipalities who received economic support
4	3	3.c 4.4	Social	Health	Training and Training of Human Resources for Health	Support to health professionals through the purchase of materials, mobility and training	3,475 Health professionals enrolled in medical continuous education programs
5	3	3.b	Social	Health	Research and Technological Development in Health	Health related research and technological development funding	40 Researchers who carry out scientific research activities and technological and receive support from the program
6	3	3.1 3.2 3.4	Social	Health	Health Care	Provision / distribution of healthcare equipment and services	1,131,221 First time medical examinations performed to people without social security
7	3	3.a 3.5	Social	Health	Addiction Prevention and Care	Addiction prevention and care	104,991 Examination tests (related to prevention against drug addiction) applied to youths at school
8	3	3.2 3.8	Social	Health	Vaccination Program	Provision / distribution of healthcare equipment and services	354,429 One year old girls and boys vaccinated with the fourth dose of acellular hexavalent vaccine



9	3	3.d	Social	Health	Protection Against Health Risks	Provision / distribution of healthcare equipment and services	330 Healthcare facilities verification against sanitary risks attended
10	3	3.3	Social	Health	Prevention and Care of HIV / AIDS and other STDs	Prevention and care of Sexual Transmitted Infections	4,268 People with HIV who began antiretroviral therapy
11	3	3.1 3.7 3.d 5.2 5.3 5.6	Social	Health	Maternal, Sexual and Reproductive Health	Services, and equipment to improve sexual and maternal health	179,793 Women (≥15 years old) [including newborn children when applicable] who received medical attention and supplies (mainly contraceptives) as well as 6 medical centers that received resources for covering the program
12	3	3.8	Social	Health	Health Care and Free Medicines for the Population without Labor Social Security	Provision / distribution of healthcare equipment and services	6,444,416 People who do not have social security.
13	4	4.6	Social	Public Education	Production and Distribution of Books and Educational Materials	Purchase of hardware equipment for education purposes	42,650,749 Books and educational materials produced in 2022 that benefited 5,683,541 students enrolled in the national education system (preschool, primary and remote education)
14	4	4.2 4.1 4.a	Social	Public Education	Maintenance Program and Educational Physical Infrastructure	Construction and improvement of schools, campus, student housing	689 Services related to physical infrastructure provided
15	4	4.1 4.2 4.5	Social	Public Education	Basic Education Scholarship Program for Well-Being Benito Juárez	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	1,100,551 Families that received scholarships for their children enrolled in Basic Education and live in vulnerable areas or have an income level below the poverty line
16	4	4.3 4.4 4.5 4.b	Social	Public Education	Elisa Acuña Scholarship Program	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	730 Students benefited with scholarship grants for continuing their studies
17	4	4.c 4.6 4.7	Social	Public Education	Teaching Professionals Development Program	Training for educational professionals	4,092 Education staff from upper mediate public education institutions enrolled in continuing education processes and 6 education institutions that received direct financial support
18	4	4.3 4.4 4.7 4.a	Social	Public Education	Strengthening Educational Excellence	Purchase of hardware equipment for education purposes	9 Public institutions of higher education that received resources to increase educational capabilities and management
19	4	4.2 4.5 10.2	Social	Public Education	Expansion of Initial Education	Purchase of hardware equipment for education purposes	8,475 Girls and boys registered in Child Care Centers and 64 child care centers directly supported



20	4	4.4 4.1 4.5 4.3	Social	Public Education	Support to Education Centers and Organizations	Training for educational professionals	40 Centers, Organizations, Civil Society and States that received resources for their operational activities and 16 centers directly benefited
21	4	4.3 4.4 4.5 4.7 4.a 8.6	Social	Public Education	Universities for Well-being Benito Juárez García	Construction and improvement of schools, campus, student housing	23,100 Students at universities Benito Juárez who live in marginalized areas
22	4	4.3 4.5	Social	Public Education	Universal Scholarship for High School Students Benito Juárez	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	414,802 Students from public schools received high-school scholarships (those enrolled at the beginning of the school year)
23	4	4.1 4.2 4.5 4.a	Social	Public Education	The School is Ours	Construction and improvement of public schools, campus, student housing; Purchase of hardware equipment for public education purposes	20,202 Public schools of basic education attended by the program to improve their conditions of infrastructure, equipment and didactic material in year t
24	4	4.3 4.5	Social	Public Education	Young People Writing the Future	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	52,579 Students (≤29 years of age) who received scholarships for higher education, with income level below the Poverty Line
25	4	4.a	Social	Public Education	National Reconstruction Program	Construction and improvement of schools, campus, student housing	12 Lagged municipalities that received resources for damaged or collapse in earthquakes
26	4	4.b 4.7 4.5 5.1 9.5 12.a 13.3	Social	National Council for Science and Technology	Postgraduate Scholarships and Quality Support	Educational grants	5,015 Postgraduate scholarships provided in the fiscal year
27	6	6.1 6.4	Green	Environment and Natural Resources	Operation and Maintenance of Water Infrastructure	Construction and improvement of public water treatment infrastructure; Construction and improvement of public water treatment infrastructure	5,212,553 Inhabitants of the ZMVM benefited by the delivery of water
28	6	6.1 6.2 6.4 6.5 6.6 14.1	Green	Environment and Natural Resources	Integral and Sustainable Water Management	Construction and maintenance of Water distribution network	72 Water bodies analyzed to enhance sustainable management of water and 1,461 field visits to guarantee and strengthen the sustainable management of water



29	6	6.1 6.2 6.3 6.4	Green	Environment and Natural Resources	Infrastructure for Drinking Water, Sewerage and Sanitation	Construction and improvement of water treatment infrastructure; Construction of Water distribution network or maintenance; Sanitation projects	15,808,622 Population benefited by the progress in the construction, rehabilitation, maintenance and conservation of drinking water infrastructure and 14 construction or maintenance activities performed on the infrastructure related to potable water extraction and distribution
30	6	6.1 3.9 6.2 6.3 14.1	Green	Environment and Natural Resources	Drinkable Water, Drainage and Treatment	Construction and improvement of water treatment infrastructure; Rehabilitation of treatment plants	248,601 Clean water flow (lts/s) in the public network and 33 Wastewater Treatment Plants constructed or expanded during the year as part of the program.
31	7	7.3	Green	Energy	Management, Promotion, Supervision and Evaluation of the Sustainable Use of Energy	Programs dedicated to energy efficiency improvements in both the private and public sectors	27,452 Energy consumption (GWh) reduced by the execution of energy efficiency measures
32	7	7.1 7.2 7.3 7.b	Green	Energy	Resources Allocated to Energy Transition and Research	Dedicated smart grid investments or training programs to facilitate the efficient integration of renewable energy and energy efficiency programs	12,595 People who received sustainable energy training
33	8	8.10	Social	Finance and Public Credit	Financial Inclusion Program	Access to financing and financial services; Build new bank branches in isolated and rural areas.	124 New bank branches of the Banco del Bienestar network in lagged areas and 41 bank branches built (but still not operational) and under construction
34	8	8.9 1.1 1.2 1.4 2.3 2.4 5.1 5.5 5.6 6.1 6.2 6.4 6.b 7.1 8.5 9.1 9.3 10.1 10.2 11.4 16.3 16.12	Social	Non-Sectorized Entities	Program for the Integral Well-Being of Indigenous Peoples	Employment generation in sustainable tourism for indigenous people and afro-Mexicans	45,516 Indigenous and Afro Mexican peoples and communities (or associations of communities) attended and 573 Indigenous communities who received support for access to medical care



35	9	9.1 3.6	Social	Infrastructure, Communications and Transportation	Supervision, Regulation, Inspection, Verification and Administrative Services of Road Construction and Conservation	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	723 Km supervised in the construction and modernization of motorways
36	9	9.1	Social	Infrastructure, Communications and Transportation	Road Construction Projects	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	71 Km in operation that were attended by 'Road Construction Projects' program
37	9	9.1	Social	Infrastructure, Communications and Transportation	Construction Projects for Feeder Roads and Rural Roads	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	126 Km of rural and feeder roads constructed in highly-marginalized states
38	9	9.1 3.6	Social	Infrastructure, Communications and Transportation	Conservation of Rural Roads and Feeder Roads Infrastructure	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	1,222 Km with conservation and reconstruction activities
39	11	11.2 9.1	Green	Infrastructure, Communications and Transportation	Railway Projects for Freight and Passenger Transportation	Rail transport infrastructure for freight and/or passenger transport & acquisition of new electric rolling stock	87 Overall progress of the Mexico City - Toluca Intercity Train (%)
40	15	15.1 13.1 13.2 13.3 15.2 15.4 15.5	Green	Environment and Natural Resources	Forest Protection	Support for sustainable forestry development; Management and maintenance of National Parks and Conservation Areas	99,570,333 ha of forest area incorporated into some protection scheme and 320,860 ha in process for incorporation into protection schemes
41	15	15.1 11.4 13.2 13.3 14.2 14.5 15.3 15.4 15.5 15.7 15.9 15.c	Green	Environment and Natural Resources	Conservation and Management of Natural Protected Areas	Sustainable management and maintenance of National Parks and Conservation Areas	108 NPAs with conservation activities and 8,729 ha located in NPA in the process of restoration
42	15	15.1 11.4 13.2 13.3 14.1 14.2 14.5 15.4 15.7 15.c	Green	Environment and Natural Resources	Conservation Program for Sustainable	Management and maintenance of National Parks and Conservation Areas	160,616 Surface (ha) in NPA with sustainable practices and 635 localities that received financial support for projects, technical studies, and training courses related to sustainability



43	15	15.1 6.6 12.2 13.1 13.2 13.3 15.2 15.3 15.4 15.5 15.c	Green	Environment and Natural Resources	Support for Sustainable Forest Development	Support for sustainable forestry development	3,252,905 Current forest surface (ha) certified in conservation and sustainable management and 8,226 ha that will start the execution of forest restoration actions
44	15	15.2 11.4 13.2 13.3 14.2 15.1 15.4 15.5 15.7 15.8	Green	Environment and Natural Resources	Program for the Protection and Restoration of Ecosystems and Priority Species	Wildlife conservation programs	87 Priority species considered within programs and actions aimed at recovering their populations and 40 terrestrial or marine species inside NPA that showed recovery on their populations

State of Affairs Indicators

The State of Affairs Indicators related to the SDG Targets that are associated with the Eligible Expenditures, are presented in this report on **Table 5**. **Table 5** shows the evolution of the observed data from the SDG Bonds Reports from 2021 to 2023, the variance from 2022 to 2023 and the trend (which represents the increase or decrease of the variance). The information is taken from the SIODS which is the SDG's information system (supervised by INEGI) that serves as a monitoring mechanism that provides relevant information for monitoring Mexico's commitment and progress related to the 2030 Agenda and the sustainable development

Table 5: State of Affairs Indicators

SDG	SDG Target ³⁷	Mexico's State of Affairs	SDG Bond Report 2021	SDG Bond Report 2022	SDG Bond Report 2023	Variance (2022 - 2023)	Trend
2	2.3 Duplicate agricultural productivity and income of small-scale food producers, through access to production and supplies, knowledge, financial services, markets and opportunities for the generation of added value and non-agricultural jobs.	% of the population that lacks access to nutritious, high-quality food in lagged areas	27.54%	27.54%	22.63%	-4.91 pp	↓
	3.1 Reduce the global maternal mortality rate.	Maternal mortality ratio (per 100 thousand live births)	54	54	59	5	↑
	3.2 End the avoidable deaths of newborns and children under 5 years.	Mortality rate of children under 5 years of age (per 1000 live births)	15.80	15.40	14.78	-0.62	↓
	3.3* End AIDS epidemics, tuberculosis, malaria, and other communicable diseases.	New HIV infections per 1,000 uninfected population	NA	NA	0.16	-	→

37 All the indicators with an asterisk (*) are introduced for the first time in this year's report. See Annex III, State of Affairs section, for further information.



3	3.4* Reduce premature mortality due to non-communicable diseases and promote mental health and well-being.	Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory diseases (per 100 thousand population)	NA	NA	386.63	-	→
	3.5* Strengthen the prevention and treatment of addictive substances abuse, including improper use of narcotics and harmful consumption of alcohol.	Number of people from 6 to 11 years and from 18 onwards, who receive prevention actions at Centros de Integración Juvenil, A.C.	NA	NA	5,077,505	-	→
	3.7* Ensure universal access to sexual and reproductive health services, including family planning, information, and education.	Unsatisfied need for contraceptive methods of fertile sexually active women	NA	NA	11.00%	-	→
	3.8 Achieve universal health coverage, in particular protection against financial risks, access to essential health services, and access to safe, effective, affordable, and quality medications and vaccines.	Percentage of the population that lacks access to health services	28.20%	28.20%	39.09%	10.89 pp	↑
	3.a Strengthen the application of the WHO frame agreement for tobacco control in all countries.	Young people between 12 and 17 years old who participate in activities aimed at the prevention of addictions	2,835,684	3,125,199	5,900,009	2,774,810 ³⁸	↑
	3.b Support the research and development of vaccines and medicines for communicable and non-communicable diseases that primarily affect developing countries and facilitate access to affordable medications and vaccines.	% federal resources for scientific research and technological development for health from health ministry	0.40%	0.30%	0.25%	-0.05 pp	↓
	3.c Increase health financing and hiring, development, training, and retention of health personnel in developing countries.	new employment positions of medical specialists in training	7,789	12,143	14,100	1,957	↑
	3.d Strengthen the ability of all countries in early alert, risk reduction, and national and world health risks.	% compliance with public policies focused on protection against health risks	86%	93%	97.00%	4.00 pp	↑
4	4.1* Ensure that all girls and boys end primary and secondary education, which must be free, equitable, and quality.	Completion rate of secondary education	NA	NA	90.66%	-	→
	4.2 Ensure that all girls and boys have access to quality and development services and quality preschool education.	% of children participating in organized learning (one year before the official primary entry age).	91.90%	93.30%	91.75%	-1.55 pp	↓
	4.3 Ensure equal access of all men and women to technical, professional, and higher quality training, including university education.	% of youth and adults participate in formal and non-formal education and training in the last 12 months	38.50%	37.80%	36.85%	-0.95 pp	↓
	4.4* Increase the number of young people and adults who have the necessary skills to access employment, decent work, and entrepreneurship.	% of youth and adults with information and communications technology (ICT) skills	NA	NA	39.66%	-	→

38 In order to understand better this variance, it is important to clarify that the indicator for 2021 was heavily influenced by the effects of the COVID-19 pandemic, due to the fact that some states hadn't fully returned to onsite classes, and many parents were concerned about their children's health, therefore attendance rates were low. Given that activities aimed at the prevention of addictions are mostly conducted at schools, the number of young people who benefited was significantly lower than expected during the sanitary crisis. Attendance rates went back to pre-pandemic levels in 2022 so this indicator showed a significant increase.

4.6	Ensure that all young people and a considerable proportion of adults are literate and have elementary notions of arithmetic.	% of youth that have achieved or exceeded a given level of proficiency in a) literacy and b) numeracy	99.10%	99.10%	99.13%	0.03 pp	↑
	4.a Build and adapt educational facilities that take into account the needs of children and people with disabilities and gender differences, and that offer safe, non-violent, inclusive and effective learning environments for all.	% of primary schools that have electricity	85.95%	89.58%	91.02%	1.44 pp	↑
		% of primary schools that have access to tap water	73.02%	75.04%	77.00%	1.96 pp	↑
	4.b Increase the number of scholarships available for developing countries, higher education programs.	graduated students that had a scholarship and entered the National System of Research in Mexico (SNI)	2,692	2,752	4,423	1,671	↑
6	6.1* Achieve universal and equitable access to drinking water at an affordable price.	% of the population with safely managed drinking water supply services	NA	NA	64.39%	-	→
	6.2* Achieve access to adequate and equitable sanitation and hygiene services for all and end	% of the population using safely managed sanitation services	NA	NA	88.68%	-	→
	6.3* Improve water quality, reducing pollution, eliminating discharge, and minimizing the emission of chemicals and hazardous materials.	% of wastewater safely treated	NA	NA	39.98%	-	→
	6.4* Considerably increase the efficient use of water resources in all sectors and ensure the sustainability of the extraction and supply of fresh water.	Change in water use efficiency over time	NA	NA	4.35%	-	→
	6.5* Implement the integrated management of water resources at all levels.	Degree of integrated water resources management	NA	NA	42	-	→
7	7.2* Increase the proportion of renewable energy in the set of energy sources.	% of renewable energy in total final energy consumption	NA	NA	19.45%	-	→
	7.3* Duplicate the world rate for energy efficiency improvement.	Energy intensity measured as a function of primary energy and GDP	NA	NA	571.07 kJ per MXN peso of GDP	-	→
8	8.9 Prepare and apply policies to promote sustainable tourism that creates jobs and promotes local culture and products.	% annual growth rate of direct tourist GDP as a proportion of total GDP	6.70%	6.70%	7.50%	0.80 pp	↑
	8.10 Strengthen the capacity of national financial institutions to promote and expand access to banking, financial and insurance services.	Number of bank branches from Development Banks ³⁹	618	1,163	1,342	179	↑
Number of commercial bank branches for every 100,000 adults ⁴⁰		12.96	12.96	12.54	-0.42	↓	

39 Includes bank branches under construction.

40 Includes commercial banks.



9	9.1 Develop reliable, sustainable, resilient and quality infrastructures to support economic development and human well-being, as well as affordable and equitable access.	% of the population with low or very low access to paved roads in states with SGI equal or above "medium" level	4.92%	4.92%	4.92%	-	→
		% of the total rural dwellers lives within two kilometers of an all-season road (2020)	99.85%	99.85%	99.85%	-	→
11	11.2* Provide access to safe, affordable, accessible and sustainable transport systems for all and improve road safety.	% of the population that has convenient access to public transport	NA	NA	31.00%	-	→
	11.4* Redouble efforts to protect and safeguard the world's cultural and natural heritage.	Total per capita expenditure on natural heritage protection	NA	NA	\$846.04	-	→
15	15.1* Ensure conservation, restoration, and sustainable use of terrestrial ecosystems and internal freshwater ecosystems and the services they provide.	Forest area as a proportion of total area	NA	NA	10.94%	-	→
	15.4* Ensure the conservation of mountainous ecosystems, including their biological diversity.	Coverage by protected areas of important sites for mountain biodiversity	NA	NA	13.13%	-	→

Annex III: Summary of the Impact Report Methodology & Updates Geospatial Criterion

Recalling that the Geospatial Criterion's objective is to identify focalized resources and results in lagged areas only for social Eligible Expenditures, and that it is based on the SGI⁴¹ published by CONEVAL every five years, this criterion relies on the available granularity on public data published by the Government on the budget expenditure from each budgetary program.

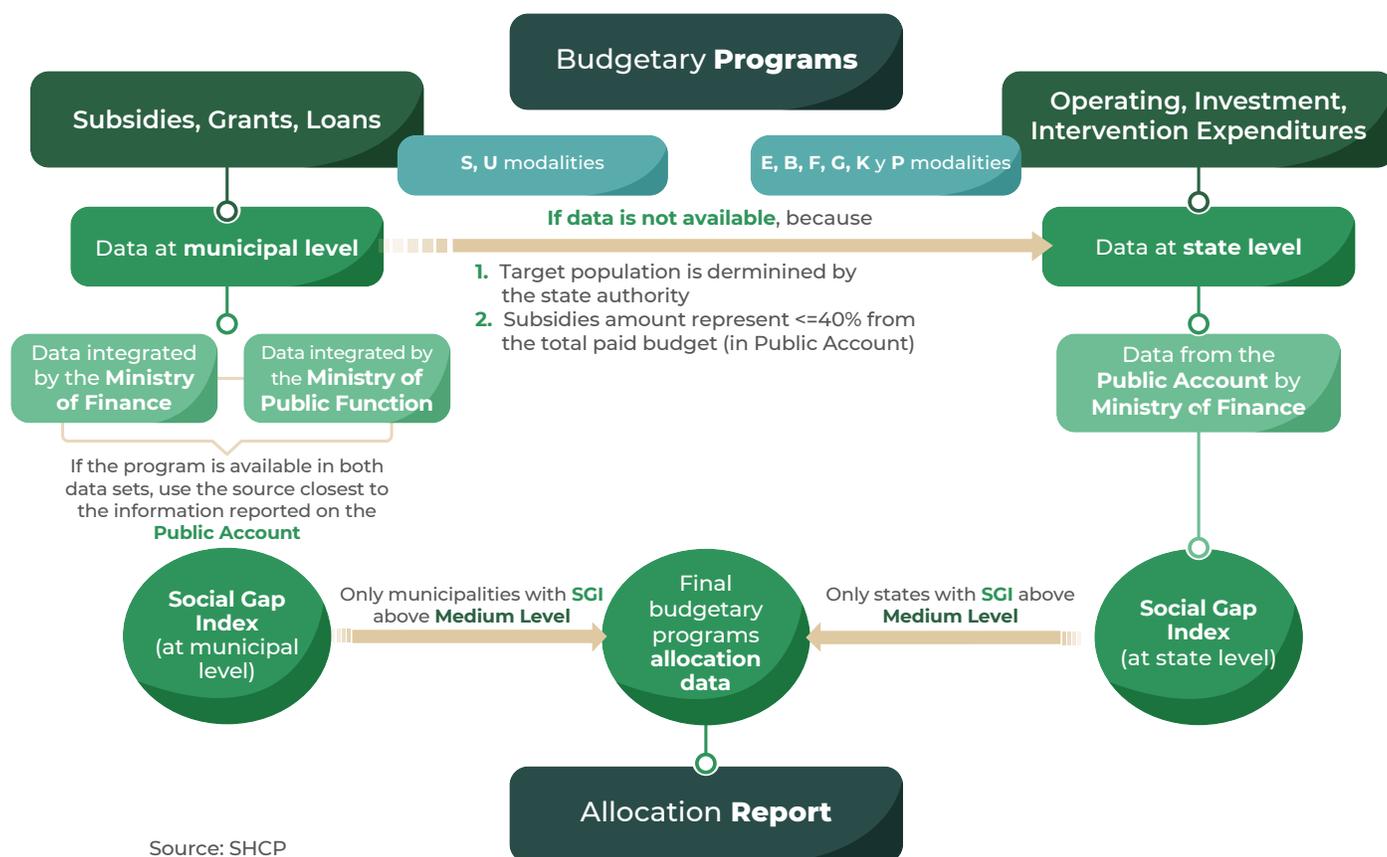
The granularity of the data used for the allocation at either the municipal or state level is determined according to the type of budgetary program and whether subnational entities are responsible for executing that budget. The political and administrative structure under which the country operates is a federal republic, where states and municipalities have sovereignty and autonomy in their budget execution processes.

The main challenge for the Federal Government in gathering budgetary information at the municipal and state level relies on effective mechanisms of intergovernmental coordination, and thus, the sharing of the budgetary information. The detailed methodology for obtaining and using the degree of disaggregation of the data is specified in **Figure 6**.

41 The SGI is published every five years. Thus, this report is still using the 2020 SGI. In addition, the SGI does not represent a multidimensional poverty measurement, since it does not incorporate income, social security, and food indicators.

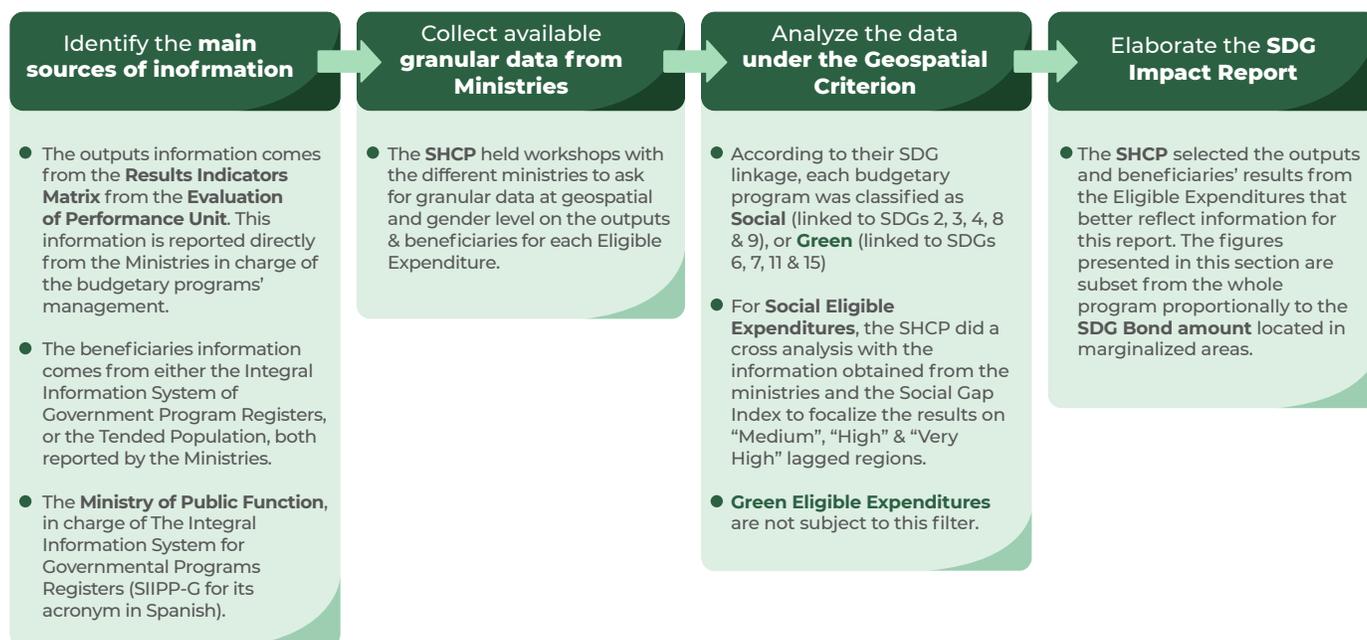


Figure 6: Methodology to obtain granular geospatial data on Eligible Expenditures⁴²



Impact Report

Figure 7: Methodology for the output and beneficiaries' results from Eligible Expenditures



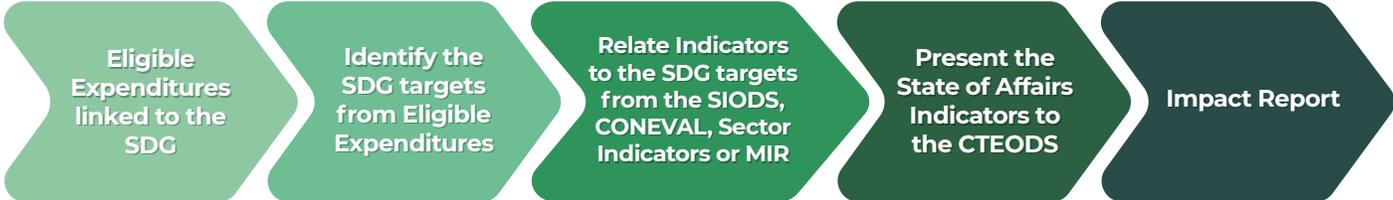
42 SHCP, Mexico's SDG Bond Allocation and Impact Report 2021, pp. 16-18, https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/Mexico_SDG_Bond_Allocation-Impact_Report_2021.pdf

For the first time, the SHCP incorporates an analysis on the outputs and direct beneficiaries related to green Eligible Expenditures. These programs do not undergo a geospatial criterion, so neither the budget expenditure nor the output results have this filter applied. The output results and direct beneficiaries shown in this report are subset results from the whole program, which are constrained by the geospatial criterion (i.e. the information of output results and beneficiaries is disaggregated by region, and narrowed down to marginalized areas, when possible), if applicable, and weighted by the amount issued in SDG Bonds within the same year. **Figure 7** shows the overall process of the impact report methodology. The output results and direct beneficiaries shown in this report were verified by the responsible ministries in charge of the Eligible Expenditures and the granularity of the results was provided when available. A proxy methodology was applied only in 8 programs (Teaching Professionals Development Program, Support to Education Centers and Organizations, Maintenance Program and Educational Physical Infrastructure, Elisa Acuña Scholarship Program, Expansion of Initial Education, Health Care, Addiction Prevention and Care, Health Care and Free Medicines for the Population without Labor Social Security), with the objective to incorporate most of the Eligible Expenditures in this report. The proxy methodology is based on the budget expenditure program’s distribution at the state level according to the Public Account; the output result is then weighted by this distribution.

State of Affairs

Mexico’s State of Affairs indicators aim to provide a general vision of indicators that are related to the SDG targets. These indicators were selected around the SDG targets’ definitions, and considering public information from: i) the SIODS which is a platform of Mexico following the SDG; ii) CONEVAL, iii) and Results Indicators Matrix⁴³ & Sector Indicators (See **Figure 8**).

Figure 8: Methodology for Mexico’s State of Affairs Indicators



Most⁴⁴ of the State of Affairs Indicators describing the SDG Targets are published by SIODS –the Information System of the SDGs– created and supervised by INEGI, an autonomous, decentralized, and independent body. This system serves as a platform that provides relevant information for monitoring Mexico’s commitment and progress related to the 2030 Agenda for Sustainable Development.

Main updates on this report regarding the State of Affairs Indicators:

This year, in order to homogenize the sources and provide the most complete information, some new changes/ updates were implemented as follows:

- For **target 3.3**, the indicator used in the SDG Bond Report 2022 was “% of people living with HIV who know their serological status”, and it was replaced with “New HIV infections per 1,000 uninfected population”. For **target 4.1**, the indicator from SIODS “Completion rate of secondary education”, replaced the one used in 2022, “% of school dropouts at the secondary level”.

⁴³ The Results Indicators Matrix (Matriz de Indicadores para Resultados, MIR, for its acronym in Spanish) are obtained from the SED. These indicators are reported by the ministries and are directly related to the performance of the budgetary programs.

⁴⁴ When there was no SDG target indicator by SIODS, other Sources were implemented, specifically :Indicators for **targets 2.3 and 3.8** come from the Index of Multidimensional Poverty by CONEVAL; the indicator for **target 8.10** comes directly from the National Banking and Securities Commission (CNBV, for its acronym in Spanish); and indicators for **targets 3.5, 3.a, 3.b, 3.c, 3.d, 4.b** comes from indicators matrices.



- To have updated indicators, the source from which SIODS retrieves the data was used. Specifically, for indicators from targets 2.3 and 3.8, the data comes from Multidimensional Poverty by CONEVAL. For indicators related to target 8.10, the data was directly collected from the National Banking and Securities Commission (CNBV, for its acronym in Spanish).
- In an effort to include more indicators from the SIODS, and to have a wider set of targets being monitored, the indicators from targets 3.4, 3.5, 3.7, and 4.1 were incorporated.
- Eligible Expenditures portfolio linked to Green SDGs are new to this report and so the SDGs targets linked to them, therefore, new State of Affairs indicators were added related to SDGs targets 6 (6.1 - 6.5), 7 (7.2, 7.3), 11 (11.2, 11.4) and 15 (15.1, 15.4). The Use of Proceeds categories of these Green Eligible Expenditures was already contemplated within the SDG Sovereign Bond Framework.
- Recalling that each budgetary program is linked to at least one of the targets presented in the State of Affairs figures, some targets are not reported, given that the programs linked to them are also linked to some other target(s) already incorporated in the State of Affairs.

The SHCP intends to provide follow-up on the variance of these indicators in the reports through the “Trends”. The Eligible Expenditures are not directly related to Mexico’s State of Affairs indicators but through the linkage of the SDG targets, for this reason, it cannot be assured a direct contribution to these indicators from Eligible Expenditures. For the impact to be materially relevant, a middle-long term period with observed data is needed, the SHCP will push efforts to be able to measure it in the upcoming reports. SHCP has identified the need for more robust observed data to assess the materiality relevance of impact for the middle-long term. This has led to fostering efforts within CTEODS to improve the granularity of information to be available to support the upcoming reports.

New tool: Multidimensional Poverty

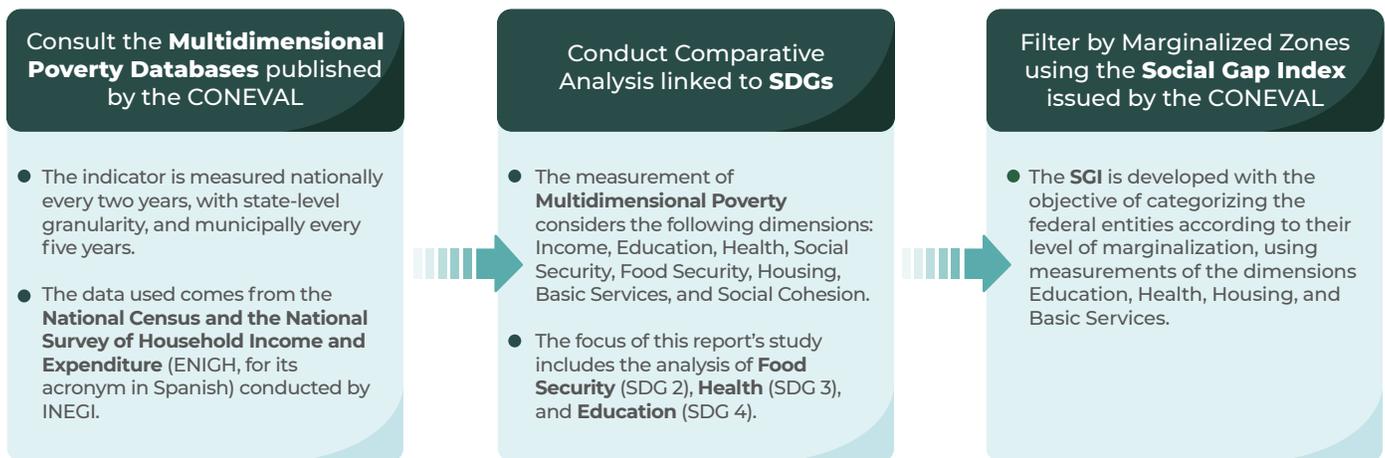
For CONEVAL, the measurement of poverty is not limited to the economic approach. The Multidimensional Poverty⁴⁵ was designed to recognize the population with insufficient economic resources and, at the same time, the population that lags behind in the exercise of their fundamental rights due to lack of proper access to food, health, education, social security, or adequate housing.

While adding this vision to the 2023 Allocation and Impact Report, the aim was to update the indicators of each social SDG with the component of the MPI that best describes the progress made in reducing the corresponding social gaps with each target. For each SDG, the information corresponding to the indicator selected is disaggregated at the municipal or state level (as available). In this way, a descriptive analysis is obtained on the behavior of the poverty dimension over the same geographical coverage, including recent historical data that better describe the trends in social gaps.

⁴⁵ Coneval. *Multidimensional measurement of poverty in Mexico: an approach of economic well-being and social rights* (“Medición multidimensional de la pobreza en México: un enfoque de bienestar económico y de derechos sociales”), 2020, <https://www.coneval.org.mx/InformesPublicaciones/FolletoInstitucionales/Documents/Medicion-multidimensional-de-la-pobreza-en-Mexico.pdf>



Figure 9: Multidimensional Poverty



Annex IV: Governance & Transparency

4.1 Second Party Opinion (SPO) on Eligible Expenditures 2023:

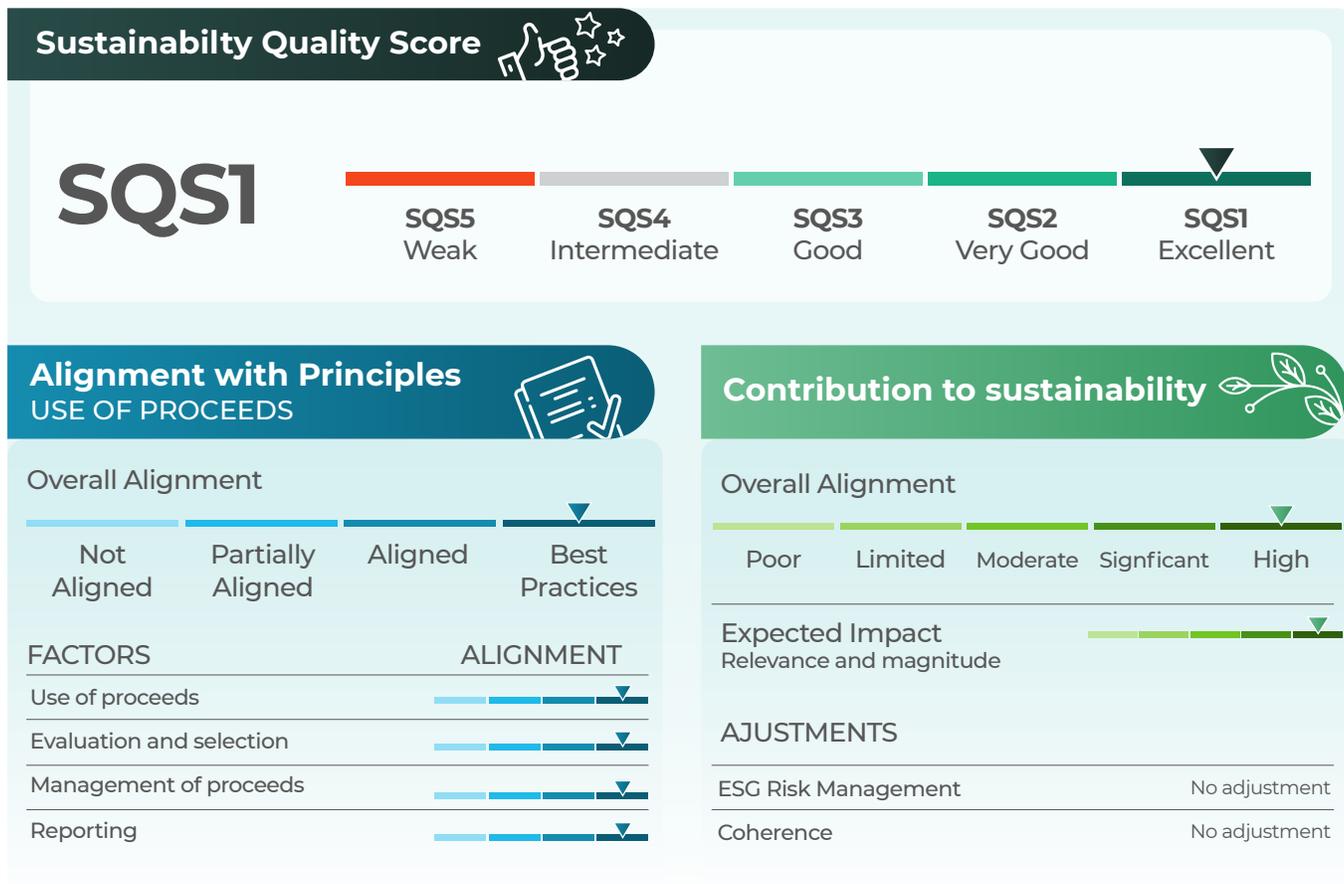
Mexico's SDG Sovereign Bond Framework has been recognized with the highest Sustainability Quality Score, achieving "Excellent" (**Figure 10**) in the Second Party Opinion provided by Moody's Investor Service. Moody's assessment is based on the published version of Mexico's SDG Sovereign Bond Framework, as well as the list of Eligible Expenditures for 2023.

This Second Party Opinion has acknowledged several strengths in both the Framework and the List of Eligible Expenditures. It highlights that Mexico is an experienced sustainable bond issuer, who adheres to the compromise of publishing reports annually. It also emphasizes the transparency and clarity of the process for selecting Eligible Expenditures to be financed annually under each yearly budget.

Regarding the alignment with principles, the areas evaluated such as Use of proceeds, Evaluation and Selection, Management of proceeds, and Reporting have been identified within the category of Best Practices. The overall Contribution to sustainability has been described as High, with an expected impact score, considering the relevance and magnitude of the eligible categories on environmental and social objectives, to be high.



Figure 10: 2023 Second Party Opinion provided by Moody’s Investor Service on Mexico’s SDG Sovereign Bond Framework⁴⁶



4.2 United Nations Development Program (UNDP)

As part of the governance,⁴⁷ the SDG Sovereign Bond Framework contemplates the participation of several stakeholders, including the participation of the United Nations Development Program (UNDP), which acts as an external observer in different processes. In this stance, the UNDP issued in 2020 an Opinion on our Framework and has been issuing Opinions on our Allocation and Impact reports. For the 2023 report, they mentioned:

“UNDP is of the opinion that Mexico’s SDG Bond Allocation and Impact Report 2023 complies with the criteria established in the UMS SDG Sovereign Bond Framework. 2022’s Bonds issuances have reached the local thematic debt market and new international capital markets. Issuances corresponding to 2022 break ground by incorporating Green Eligible Expenditures in addition to the Social, which contributes to addressing sustainable development challenges in a more integrated manner. Furthermore, it has contributed to enhancing information production, update, and delivery within line ministries related to environmental SDGs. The institutionalization of the SDG Bonds’ dynamics is on the way to consolidation within the Ministry of Finance through a formalization of an area entirely

⁴⁶ Moody’s Investors Service, “Second Party Opinion – SDG Sovereign Bond Framework Assigned SQS1 Sustainability Quality Score”, 2023, https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Ingles/SDG/2023_Moodys_Investors_Service_SPO_SHCP_EN.pdf

⁴⁷ For more information on the governance, processes, and stakeholder participation, see section “3.4 Reporting” of Mexico’s SDG Sovereign Bond Framework.



dedicated to the selection, tracking, and reporting of Eligible Expenditures. The Bonds' governance has proved resilient and flexible considering institutional changes. In this edition, UNDP highlights advances in more granular and updated information and positive spillovers to the Mexican Financial System by publishing the Mexican Sustainable Taxonomy and the Sustainable Finance Mobilization Strategy.”

4.3 2030 AGENDA

As contemplated within the SDG Sovereign Bond Framework, both the list of Eligible Expenditures and the list of State of Affairs indicators must be overseen by important stakeholders. In line with this, in February 2023, the SHCP presented the 2023 Eligible Expenditures to the Technical Committees of the National Council of the 2030 Agenda, for their verification. This was done through an ad hoc session in which the ministries involved were present and collaborated by overseeing the veracity of the Eligible Expenditures.

In July 2023, the SHCP presented to the CTEODS the State of Affairs indicators used in this report. Following strong governance, the entities responsible for producing and keeping the data up to date oversaw and proposed indicators that reflected Mexico's State of Affairs.

These are the two main fora where the SHCP participates with other ministries regarding the SDG Bonds. Through the involvement of the SHCP with other ministries and autonomous entities, it seeks to strengthen governance and transparency both at the pre and post-issuance phases.

4.4 Superior Audit of the Federation

Derived from the Collaboration Agreement signed by the SHCP and the ASF in November 2022, the latter delivered the results of the first annual external review of the Sovereign Bond Allocation and Impact Report linked to the SDGs, to the SHCP for the year 2021.⁴⁸

The ASF analysis determined that the 2021 Allocation Report issued by the SHCP followed all the procedures and criteria outlined in the SDG Sovereign Bond Framework. Specifically, it complied with the appropriate selection process of Eligible Expenditures and the correct allocation of resources in the 2020 fiscal year.

With this review, Mexico's sustainable financing strategy is strengthened, and the country's commitment to transparency in the administration of public resources is emphasized. It represents another step towards alignment with international standards in the governance and transparency of sustainable bonds.

Within this framework, it is important to highlight that the ASF, as the highest constitutional audit body, plays a fundamental role in the annual review of these reports, in accordance with the governance of the Reference Framework for Sovereign Bonds linked to the SDGs. This ensures that these reports meet high review standards, backed by an independent external auditor of the Chamber of Deputies.

⁴⁸ For more information regarding the ASF's opinion on the 2021 SDG Bond Report: https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/reporte_de_Asignacion_e_Impacto_del_Bono_ODS_2021.pdf



Annex V: Disclaimer

The information disclosed in this *UMS SDG Bond Allocation and Impact Report* shall be used solely as a reference document and for informational purposes for bondholders, in accordance with the commitments established by the Government of Mexico in the SDG Sovereign Bond Framework, which can be consulted on the SHCP website.

This document has been prepared and distributed by the SHCP with data provided by the federal ministries and autonomous institutions. The data, opinions, estimates, and forecasts contained may be subject to change after the date of publication without prior notice. To the extent that additional UMS SDG Bond Allocation and Impact Reports are submitted, the information contained in such documents shall prevail over the information contained in this document.

The investor who has access to this information acknowledges that the instruments described herein do not represent an opinion on whether to participate in the purchase, subscription, cancellation, exchange, or any commercial strategy that involves making an investment; that the past evolution of the values or instruments or the historical results of the investments, do not guarantee the future evolution or results and that it is your responsibility to have specific and independent advice in this regard.

No part of this document may be reproduced, taken away, or transmitted to those countries (or persons or entities thereof) in which its distribution could be prohibited by the applicable regulations. Failure to comply with these restrictions may constitute a violation of the laws of the relevant jurisdiction.

This document is NOT a formal description of the direct and final use of the net proceeds of Mexico's SDG Bonds. It is imperative for the reader to comprehend that those specific resources were not destined to any precise "Eligible Expenditure"; instead, an amount equal to the net proceeds of our SDG Bonds was allocated to existing Eligible Expenditures that met any of Mexico's SDG Sovereign Bond Framework standards during the assessed period.

This report does NOT attempt to evaluate the results of any of the programs herein mentioned.

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The issuance of external indebtedness of the UMS Government through an SDG bond, as well as the issues that are not aligned with the SDG, comply with the laws of the United Mexican States that govern the issuance of public debt, including without limitation the articles 73, section VIII, and 89, section I, of the *Constitución Política de los Estados Unidos Mexicanos* (Political Constitution of the United Mexican States), having the Mexican Congress the faculty to establish the bases on which the Federal Executive can contract public debt; and the *Ley de Ingresos de la Federación para el Ejercicio Fiscal de 2022* (Federal Revenue Law for the Fiscal Year 2022), Article 2, which authorizes the Federal

⁴⁹ United Nations Department of Global Communications, "Guidelines for the use of the SDG logo including the color wheel, and 17 icons", 2020, https://unsdg.un.org/sites/default/files/2023-01/SDG_Guidelines_AUG_2019_Final.pdf



Executive to issue securities in foreign markets, to finance the Federal Expenditure Budget (PEF) for the current fiscal year, as well as for the purposes of swapping and refinancing Mexico's external indebtedness; article 31, sections V and VI of the *Ley Orgánica de la Administración Pública Federal* (Organic Law of the Federal Public Administration), empowers the SHCP to administer the public debt of the Federation and to execute or authorize all transactions in which public credit is used; the *Ley Federal de Deuda Pública* (Federal Law of Public Debt), article 1, section I; article 2, sections I and IV; article 3; article 4, sections I, II, IV, V and VII; article 5, sections I, II, III and V; articles 8 to 12; article 16; and article 17, first paragraph, establishes the subscription and maintenance of the public debt; the faculty of the SHCP to issue and manage public debt and formulate its debt program; and the *Ley del Mercado de Valores* (Securities Market Law), article 7, which refers to the notification to the *Comisión Nacional Bancaria y de Valores* (National Banking and Securities Commission) of offers abroad of securities issued in Mexico or by Mexican legal entities.

Mexico uses the net proceeds from the sale of the notes for the general purposes of the Government of Mexico, as well as to finance budgetary programs that qualify as Eligible Expenditures under the SDG Sovereign Bond Framework and that are included in the PEF for the fiscal year 2022.

