Mexico’s SDG Bond
Allocation and Impact Report 2021

Closing Gaps: Financing sustainable development goals for an inclusive economy

HACIENDA
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Mexico’s SDG Bond Allocation and Impact Report 2021

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Now, more than ever, Mexico is working towards closing social gaps and building a more resilient society and economy. Addressing challenges such as poverty, inequalities and environmental degradation is essential to achieve sustainable growth and development. The governments’ capacities to mobilize capital and strengthen public policies that solve complex social and environmental problems are crucial to accomplish this ambitious agenda.

Our vision is that all resources from the economy should be mobilized within sustainable criteria. We have built a comprehensive strategy based on an inclusive sustainable financial ecosystem that encourages private and public resources to be successfully channeled into meaningful actions, to fulfil significant and long-lasting changes. This ecosystem incorporates diverse actions, including: linking the Federal Budget to the SDG, structuring an SDG Sovereign Bond Framework, promoting new regulations in the banking sector and for insurance and pension funds to enhance more sustainable investment, developing a sustainable taxonomy for the financial sector, new market instruments, and financial management policies aiming to enhance ESG projects.

To the extent that Mexico and other governments embrace the sustainable criteria into the budget and into public financial and investment management, the issuance of sustainability bonds will become the standard.

Last year the Mexican Government issued the first SDG Sovereign Bond in the world, demonstrating an explicit commitment towards the fulfillment of the 2030 Agenda. This innovative instrument provided a fundamental platform to build a sustainable ecosystem, and harmonized key elements to mobilize capital towards sustainable growth.

Simultaneously, the issuance of this sovereign financial instrument reflects Mexico's pledge to reorient budget resources towards sustainable
projects (especially those related to health, education, food security, and access to essential services), as well as to guarantee the continuity of these programs over the years.

Moreover, this instrument is supported by a sound governance structure that secures transparency, planning and monitoring mechanisms to attain the SDGs. At the same time, it also relies on a robust framework aligned to the best international standards and validated by third parties (Second Party Opinion Vigeo Eiries and the United Nations), where Eligible Sustainable Expenditures go through a thorough selection process, and where these can be mapped to tangible social outcomes and their impact on the SDG.

The SDG bond issuance is the first step in our country that will contribute to the efficiency in the price discovery processes for other issuers both from public and private sectors. It will also help to develop new market yield curves and products that allow access to different types of investors and support specific portfolio diversification mechanisms with strong governance structures. At the same time, it endorses our commitment with transparency and public policies aimed to enhance social development and better fulfillment of its SDG goals. In this way, this instrument allow us to align the objectives from all key players.

As the social and green challenges are vast, complementary involvement of major players, such as private firms, regulatory authorities, and subnational and local governments are vital to continue innovating on financial instruments. Therefore, aligning objectives through market mechanisms can be an efficient way to achieve our sustainable goals.

It is time to restore the momentum on sustainability and face global challenges. Only if we work together as a global community, will we be able to successfully mobilize resources for closing gaps in order to achieve resilience, sustainability and prosperity.
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1 Introduction
1.1 Mexico’s Motivation to Strengthen Sustainable Economic Growth

Constructing a path for closing gaps and achieving sustainable growth are among Mexico’s top priorities. In the face of multidimensional challenges, the country has stepped up efforts to focus on public policies aiming at closing social gaps, decreasing poverty, prioritizing the needs of vulnerable groups, and promoting the inclusion and recognition of native indigenous communities. These are efforts to operationalize the premise established in the National Development Plan 2019-2024 of “leaving no one behind, leaving no one out”. In addition, Mexico has started to develop financial mechanisms to allocate resources into sustainable investment aiming to accelerate and achieve a deeper transformation.

The COVID-19 sanitary and economic global crises have created additional setbacks on economic growth and development, reversing income converging trends, poverty reductions and improvements in health and education. In this sense, challenges remain and further evolve to new ones that hinder the improvement of the national welfare. In this context, Mexico decided to implement financial innovative measures to take action to finance its development capabilities, surmount its more pressing challenges and accelerate the process of closing gaps and achieve sustainable development.

Economic and social indicators related to Sustainable Development Goals (SDGs) highlight the magnitude of these challenges. For example, regarding SDG 2 – Zero Hunger, the prevalence of severe food insecurity in Mexico is high – approximately 11.5% of the population in 2018 compared to peer countries such as Brazil with 1.6% or Chile with 3.8%. The proportion of the population under this condition is even higher than the observed average in Latin America and the Caribbean (9.4%).

The quality of and accessibility to the Mexican health system are two important challenges to be faced SDG 3 – Good Health and Well-being. The health care system in Mexico is either private or public. People who work in the formal sector can access social security (public) and have universal health coverage. Nonetheless, those who do not rely on public services for the formal sector or on private schemes, have to obtain the resources by themselves. In 2020, approximately 28.2% of the population in Mexico did not have access to health services. Considering life expectancy as a suitable indicator of adequate access to healthcare, since it is associated with lower risks of mortality at older ages, on average, Mexico has 75 years of life expectancy - lagging behind Chile (80 years), Argentina and Peru (both 77 years).

Regarding SDG 4 (Equitable quality education and promotion of lifelong opportunities for all), in Mexico, a high percentage (8% in 2018) of lower secondary school adolescents (12-14 years) are not enrolled in school. This figure is higher than other Latin American countries such as Colombia (6%), Chile (5%) and Peru (2%). Interrupted education affects life opportunities and the capacity of individuals to reach their full potential.

In order to achieve sustainable economic growth, employment and decent work for all (SDG 8), growth on GDP per capita must increase, and most importantly, we must develop strategies for inclusive growth. Even before the pandemic, Mexico had underperformed in terms of economic growth compared to peer countries, despite its fiscal discipline and openness to foreign trade and investment. For instance, the Gross Domestic Product per capita shows that from 1980 to 2019 Mexico had an annual growth rate of 0.6% per year, while countries like Chile and Colombia grew on average at a rate of 2.8% and 1.8%, respectively.

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1 World Bank Indicators: “Prevalence of moderate or severe food insecurity in the population;” https://data.worldbank.org/indicator/SN.ITK.SVFI.ZS?locations=MX
3 World Bank Indicators: “Life expectancy at birth, total (years);” https://data.worldbank.org/indicator/SP.DYN.LE00.IN
In terms of resilient infrastructure – SDG 9, according to the Global Competitiveness Report in 2019⁶, Mexico had the position 49 out of 141 countries on quality of road infrastructure. The development and maintenance of rural road infrastructure especially in the southern and southeastern regions in Mexico is crucial for regional integration, including access to essential services and these can have important impacts on income growth and poverty alleviation.

Poverty levels –addressed in SDG 1- and income inequality –addressed in SDG 10- remain high, and the COVID-19 pandemic has revealed and widened the already broad disparities. In terms of poverty, in the same year, the share of the Mexican population living in extreme poverty was 14%, well above that of Colombia (8.2%), Argentina (6.7%) and Peru (2.8%). Mexico’s income gaps (0.46) stand above peer countries such as Peru (0.43) or Argentina (0.40) and remain on the average of Latin America (0.46), as measured by the Gini coefficient in 2018⁷. In addition, disparities among gender –addressed in SDG 5- are present in the country. The women employment rate in 2019 was (43%) in Mexico, below the rate reported by its peers Chile (46%) and Peru (67%)⁸.

Furthermore, climate change –related to SDGs 12 through to 15- is another important challenge. Mexico is considered among the 20 largest producers of greenhouse gas and black carbon emissions. For this reason, Mexico is strongly committed to encourage its role in the global responsibility on climate change mitigation by engaging in all sectors considered by the Intergovernmental Panel on Climate Change (IPCC)⁹.

Mexico is making significant efforts to address the most important problems that have constrained a sustainable growth. First, it aligned its federal budget with the SDGs. Budgetary programs are matched to the SDGs according to their objectives and contributions – when applicable. This allows aligning programs towards a common objective, focalizing and approaching the problem in a more efficient way. Second, the Federal Government established specific priority programs as part of the strategic economic policy to tackle our most significant social challenges. For example, one of the programs to approach SDG 2 is “Sembrando Vida”¹⁰ which aims to increase productivity in rural areas by establishing effective agricultural production systems that enhance employability and reduce the vulnerabilities of small producers living in marginalized areas. The “Health Care and Free Medicines for the Population without Labor Social Security” -linked to the SDG 3- aims to provide the free facilities of health services, medicines, and other supplies for people without social security. The provision of scholarships for students from elementary school to college allows young people to continue their studies and therefore reach their future goals –linked to SDG 4.

Third, regarding actions to combat climate change, Mexico, with the updated National Determined Contribution, has ratified in December 2020 its commitment to the Paris Agreement and its interest in working closely with the international community, in order to keep the increase in global temperature well below 2°C and to pursue additional efforts to limit it to 1.5°C. In this regard, the country is aiming at reducing by 22% its Greenhouse Gas emissions (“GHG”) and by 51% its Black Carbon (“BC”) emissions by 2030. Additionally, as a conditional contribution, the country could increase its reductions up to 36% for GHG and 70% for BC¹¹.

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¹⁰ ‘Sembrando Vida’ is a program which provides financial and in-kind support, as well as technical support for the implementation of agroforestry systems in rural areas.
¹¹ Nationally Determined Contributions (2020): “NDC México por el Clima - Nationally Determined Contributions: 2020 Update”: https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mexico%20First/NDC-Eng-Dec30.pdf
Finally, the Ministry of Finance has integrated all the necessary elements in a groundbreaking and exclusive tool, the SDG Sovereign Bond Framework. The SDG Bond issuances—underpinned by this Framework—are a critical tool for the Federal Government for raising and mobilizing capital towards eligible programs and expenditures that support Mexico’s fulfillment of the most pressing SDG gaps. Thus, it is important to mention that due to the debt management and regulation, the specific resources from the net proceeds of Mexico’s first SDG Bond were not destined to any precise budgetary program; instead, an amount equal to the net proceeds of our inaugural SDG Bond was allocated to existing Eligible Expenditures that met any of Mexico’s SDG Sovereign Bond Framework standards during the assessed period. The 2020 issuance is linked to five SDGs that aim to tackle hunger (SDG 2) especially in rural communities, health (SDG 3), education (SDG 4), economic growth (SDG 8) and resilient infrastructure (SDG 9). We are confident that this instrument will strengthen Mexico’s Government Budget Transparency and governance structure behind the 2030 Agenda. It will promote continuity on programs that had addressed the SDGs gaps better. Through regular and consistent issuances of SDG bonds the Federal Government intends to consolidate the construction of a sound sustainable yield curve which at the same time will act as a tail wind in the development and enhancement of financial markets with a particular focus on sustainability. The ultimate goal is to promote market participants’ commitment for adopting sustainable criteria in their financing decisions.

### 1.2 SDG Sovereign Bond Framework’s Key Features

Prior to the issuance of the initial SDG Sovereign Bond in September 2020, it was necessary to develop a framework aligned with the highest international standards. The Framework aimed to develop a transparent and efficient mechanism to define Eligible Sustainable Expenditures—also referred as Eligible Expenditures—which are budgetary programs that comprise policies which contribute to the accomplishment of the SDGs’ targets.

The Framework is aligned with the International Capital Market Association (“ICMA”), the Green Bond Principles (“GBP”), the Social Bond Principles (“SBP”) and the Sustainability Bond Guidelines (“SBG”) from the 2021 edition, which gives the federal government the flexibility to issue SDG Bonds related to Social, Green and/or Sustainable Eligible Sustainable Expenditures.

Moreover, the Framework received external reviews from Vigeo Eiris as the Second Party Opinion (“SPO”) provider who expressed “reasonable assurance (highest level of assurance) on the Issuer’s commitments and on the contribution of the contemplated 2020 Bonds to sustainability”. In addition, the United Nations Development Programme (“UNDP”) gave comments on the sustainability and the alignment of the Framework to the United Nation’s Sustainable Development Goals.

The Framework establishes specific criteria and unique elements—under international best practices—to select Eligible Sustainable Expenditures, from federal budget, which must be linked to the SDGs. This selection process is based on the Framework and is limited to a specific number of SDGs, 11 out of 17 SDGs (see Section 3).

All this information regarding the Framework and Eligible Sustainable Expenditures is publicly available at the Ministry of Finance’s website.

A multistakeholder governance structure

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13 On July 6th, 2021, the Federal Government issued its second SDG related bond for a total amount of 1.25 billion euros. The main characteristics of this bond were: i) tenor of 15 years (maturity in 2036); ii) coupon rate of 2.250%; and iii) yield-to-maturity of 2.259%. This new benchmark, along with the first SDG bond issued at a tenor of 7 years, allowed the Federal Government to establish a theoretical SDG curve in the euro market (constructed through linear interpolation). Finally, it is important to highlight that this new bond was aligned to the same SDGs than the first one.


provides the strategic view to address sustainability as a national policy and sets a path to achieve the SDGs (see Annex 1 for further explanation about the strong governance structure to fulfill the 2030 Agenda). The federal budget linked to the SDGs allows identifying which budget line items that can be linked to specific SDGs, a necessary precondition to choose Eligible Expenditure at the initial selection stage established on the SDG Sovereign Bond Framework (see Annex 2 for further explanation). Data transparency allows pinpointing Eligible Sustainable Expenditures in a clear way and present reliable indicators for budgetary programs linked to the SDG Sovereign Bond. On the other hand, geospatial criterion ensures the allocation of social programs to the most vulnerable population.

In its Framework, Mexico committed to publish, on an annual basis, an allocation report until the amount of budgetary resources expended on eligible expenditures equals the total amount of the net resources; and an impact report for as
long as any SDG Sovereign Bond is outstanding. This strengthens transparency and fosters the development of better follow-up strategies, such as improved measures to monitor the budget allocation at a local level.
Inaugural SDG Bond:
Transaction Highlights
September 2020
On September 14th, 2020, Mexico issued the world’s first SDG Sovereign Bond for EUR 750 million. After a successful European roadshow targeting mainly ESG investors, Mexico inaugurated its long-awaited sustainable financing program and started constructing a “sustainable yield curve” in foreign currency.

This initial issuance is not an isolated effort, it is part of an integrated approach taken by Mexico’s Federal Government to boost growth, reduce poverty and inequality and improve its population’s well-being. These types of transactions are being implemented in order to serve as building blocks for shaping a sustainable financial ecosystem, bearing in mind a key objective: to build a stronger pathway towards sustainability and closing gaps. The main financial characteristics of this issuance are depicted in Table 1.

Table 1: Mexico’s 2020 SDG Bond final results

<table>
<thead>
<tr>
<th>United Mexican States (UMS)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Rating</strong></td>
<td>Baa1 / BBB / BBB- (Moody’s / S&amp;P / Fitch)</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>EUR</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>7-year</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>September 18, 2027</td>
</tr>
<tr>
<td><strong>IPT</strong></td>
<td>+235 bps area</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>-0.347%</td>
</tr>
<tr>
<td><strong>Spread</strong></td>
<td>+195 bps</td>
</tr>
<tr>
<td><strong>Yield</strong></td>
<td>1.603%</td>
</tr>
<tr>
<td><strong>Coupon</strong></td>
<td>1.35%</td>
</tr>
</tbody>
</table>

The initial SDG Bond issuance achieved:

i) The second lowest coupon in the euro market in Mexico’s history (1.35%);

ii) A high-quality book building process which allowed the achievement of a negative new issue premium of ~7bps (with a total demand of 6.5 times the amount offered); and

iii) An expansion of Mexico’s investors base (around 44% of the offering was allocated to 78 new accounts focused solely on ESG-driven investments).

Moreover, the Environmental Finance Bond Award 2021\(^\text{16}\) was granted to Mexico’s SDG Sovereign Bond in the category of “innovation, use of proceeds for a sustainability bond”. In particular, the judges granted special recognition to Mexico for being the first country to issue a bond of this kind and praised it for being “promising to tackle SDGs not only for the Mexican citizens but also for global investors through SDG bonds”.

The global and local sustainable bond market is growing and consolidating. In fact, regarding Mexico’s local market, the total amount of corporate issuances has nearly doubled in less than 4 years (transitioning from US$ 510 million in 2017 to US$ 980 million in June 2021)\(^\text{17}\).

Mexico’s Federal Government expects to keep playing a central role by consolidating a sound sustainable yield curve which will stimulate the continued development of financial markets towards sustainability by:

i) Promoting capital mobilization towards the SDGs and a broader ESG investors base;

ii) Improving the efficiency in price discovery processes for both public and private sectors;

iii) Promoting transparency in public spending and high commitment to achieve the objectives established within the 2030 Agenda by a continued monitoring of the fulfillment of its SDG goals; and,

iv) Aligning supply and demand dynamics, given the ever-increasing appetite for ESG investment which in turn represents a great financial opportunity to endure episodes of high volatility.

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\(^{17}\) Bond Radar (2020). https://www.bondradar.com
Selection Process for the 2020 Issuance: Eligible Sustainable Expenditures and the Geospatial Criterion
The allocation of the Eligible Sustainable Expenditures (“Eligible Expenditures”) is the result of two main selection processes. First, the budgetary programs should fall into the category of Eligible Expenditures according to the Framework. Second, the budget expense for Social Eligible Expenditures is filtered and allocated to geographic regions where Mexico’s SDG gaps are the highest (i.e., the geospatial criterion).

### 3.1 Eligible Sustainable Expenditures

As part of the four core components from the ICMA’s bond principles, the Process for Expenditure Evaluation and Selection under the Framework is the result of an exhaustive selection process based on seven criteria:

i) Federal budgetary programs aligned with the National Development Plan and with Congress' approval in the fiscal year;

ii) The application of Mexico’s debt regulation, where debt must be used to carry out investment projects or productive activities that are in accordance with development policies;

iii) Eligible expenditures must have at least one SDG direct contribution;

iv) The verification of operational guidelines and policies that are in place;

v) Remove eligible expenditures with potential negative spillovers as defined in the “Exclusions and screening” section of the Framework;

vi) “Pareto Principal” to select programs of the greatest relevance and continuity and possible positive social and environmental outcomes;

vii) Social eligible expenditures further analyzed by the geographical criterion, if applicable (see Section 3.2).

Eligible Sustainable Expenditures according to the Framework can incorporate the categories of the budget lines shown in Figure 2. Only 11 of the 17 SDGs are included within the Framework. Those SDGs have been selected since they were the most tangible according to the SDG direct contribution and the budgetary expenditure’s objective. It is important to highlight that one budgetary program may be linked to more than one SDG. The Eligible Expenditures under the Framework are labeled under the SDG category that is most alike according to the program’s objective and also according to the ministry’s objective who manages it. For example, SDG 5 related to Gender Equality was not included in the Framework even though many Eligible Expenditures such as

![Figure 2: Framework Use-of-Resources](image-url)

Source: Ministry of Finance.
as scholarships for youths on employment training or support for the implementation of agroforestry systems (“Sembrando Vida”) contribute to reduce gender gaps (see Annex 3 for further detail).

Based on the eligibility criteria and considering Mexico’s current administration priorities on sustainable development policies and social programs, the Mexican government issued the first SDG Sovereign Bond underpinning Social Eligible Expenditures in 2020 under the following five social SDGs categories out of the 11 SDGs established in the Framework:

- **SDG 2:** Zero hunger
- **SDG 3:** Good health and well-being
- **SDG 4:** Quality education
- **SDG 8:** Decent work and economic growth
- **SDG 9:** Industry, innovation and infrastructure

If the Ministry of Finance in Mexico identifies that one or more Eligible Expenditures originally included in the pool no longer meet the criteria under the Framework and/or present possible negative spillovers, these expenditures will be removed and replaced. This process ensures the continuous revision of the impact of a budgetary program on SDGs.

### 3.2 Geospatial criterion: targeting the most vulnerable population

As established in the Framework, the Eligible Expenditures related to Social SDGs are subject to a geospatial criterion to target the most vulnerable population living in areas with the higher social gaps. The geospatial criterion is based on two parameters. First, the granularity of the executed budgetary program is identified according to the type of the program and the availability of data. The budget could be executed at municipal or state level. Second, only the portion of the budgetary amounts allocated to highly-marginalized regions is selected (selection according to the Social Gap Index). For further explanation on the Social Gap Index (SGI), see Annex 4.

The SGI is calculated by CONEVAL. It allows a regional ordering from the highest to the lowest degree of social lag. This index is a weighted measurement that summarizes deprivation indicators on areas such as: education, access to health services, basic household services, quality and spaces of the dwelling, and home assets (see Figure 3)\(^\text{18}\). It is a continuous index but can be categorized into 5 levels or strata –to which we will refer from now on as Social Gap Level or SGI Level-, from “very low” to “very high”, the later corresponding to the highest levels of deprivation.

Furthermore, the SGI is calculated every five years since 2005 and for three levels of geographic aggregation: state, municipal and locality. For the purposes of the allocation report, the first two levels were used. For programs where the granularity of the data was at municipal level, we only consider the budget allocated to municipalities with SGI Level equal or above “medium” level. Similarly, when the data was available at state level, we only consider the budget allocated to states with SGI Level equal or above “medium level”.

The granularity of the data used for the allocation at either municipal or state level is determined according to the type of budgetary program (subsidies, transfers, operating expenditures, among others) and whether subnational entities are responsible for executing that budget. The political and administrative structure under which

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\(^\text{18}\) It is not a multidimensional poverty measurement, since it does not incorporate income, social security, and food indicators.
the country operates is a federal republic, where states and municipalities have sovereignty and autonomy on their budget execution processes.

The main challenge for the Federal Government on 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 Annex 5. This information came from two main sources: The Ministry of Finance and The Ministry of Public Administration.

Information at municipal level is available for direct transfers. These are expenditures with rules of operation and/or guidelines clearly identifying direct beneficiaries (usually categorized as subsidies, grants, or loans). This holds true as long as subnational authorities are not responsible for the direct execution of the resources. Another measure that was considered was the quality of the data. If the expenditures, in the classification of subsidies, differed significantly from the Public Account (that the total differed to a greater extent than 40%), the data were taken at state level. The granular information comes from two administrative databases, one incorporated and managed by the Ministry of Finance and the second one by the Ministry of Public Administration.

Conversely, when Eligible Expenditures do not clearly identify the direct beneficiary (due to the characteristics of the program), the data is only available at state level. Operational, investments or intervention expenditures are usually classified in this category, mainly focused on operative and administrative activities so that the support or benefits reach the beneficiaries (see Framework or Annex 5 for definitions of these expenses). The process for determining the availability and use of data granularity and the application of geospatial criteria is summarized in Figure 4.

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19 Budgetary programs with modality S or U have rules of operation published on the federal gazette and only those that have a significant amount of subsidies expense in relation to the total of the program and a definition of target beneficiaries disclose information of the budget execution at municipal level. For further details, see Annex 5.
From the 43 initially selected eligible budgetary programs (see Table A1 in Annex 5 for the detailed classification):

a. 25 budgetary programs took the form of subsidies, grants, or loans\(^{20}\).

b. 18 budgetary programs as operational expenses, investment, or intervention expenditures\(^{21}\).

The objective was to collect information at municipal level for the first group of 25 budget expenditure lines. Information was achieved at municipal level for 18 of these 25 programs for the reasons mentioned above. From the group of operational expenses, investment or intervention expenditures, it was possible to obtain information at municipal level of one program since its expenditure was concentrated on the construction of bank branches and it was possible to identify where they were built (Financial Inclusion Program, see Annex 6 for further detail on approximating the expenditure allocated at municipal level). For more details on obtaining and classifying information on the granularity of spending, see Annex 5.

In summary, information at municipal level was collected for 19 programs, 22 at state level, and for two programs, the expenditure was not executed. Subsequently, the geospatial criterion was applied. Of the 19 programs with municipal information, only those that assigned spending in municipalities classified as highly-marginalized were considered. Under the same procedure, it was determined the number of the 22 programs at state level which executed spending in states with marginalization rates above or equal to the “medium” SGI level. The application of the geospatial criterion will be explained in detail in section 4.

Using a geospatial criterion is a very advanced budget transparency practice of the federal government. It paves the way to enhanced monitoring and evaluation process of the federal resources, in particular their impacts on closing social gaps. Following this first SDG Bond Report, the Ministry of Finance will work closely with the departments to obtain more granular data at municipal level across all the Eligible Expenditures for the upcoming reports.

\(^{20}\) According to the Ministry of Finance’s budget classification, these programs are classified as S (Subject to Operating Rules) or U (Other subsidies) modalities.

\(^{21}\) According to the Ministry of Finance’s budget classification, these programs are classified as E (Provision of Services Public), B (Provision of Public Goods), G (Regulation and supervision), F (Promotion and development), K (Investment Projects), P (Planning, monitoring and policy evaluation public).
Allocation Report
The proceeds of Mexico’s borrowings, including SDG Bonds, are **used for the general purposes of the Government of Mexico** to finance a portion of the Federal Budget of the corresponding fiscal year. The Federal Budget Program is planned during the previous fiscal year and is in line with Mexico’s National Development Plan 2019-2024 and the 2030 Agenda\(^\text{22}\).

In practice, the resources from the SDG Bond 2020 are managed as a conventional sovereign bond, deposited in the Treasury account for Government’s purposes. An amount equal to the net proceeds of the SGD Bond is allocated to the existing Eligible Expenditures which are included in the PEF for the fiscal year 2020 that meet two important conditions.

- The first one consists of focusing only on Eligible Sustainable Expenditures – specified in Section 3.1.
- The second condition consists of restricting the budget to a geospatial criterion only for social Eligible Expenditures-specified in Section 3.2- comprising areas with a Social Gap Index equal to or above a “medium” level\(^\text{23}\).

At the initial stages of the evaluation and selection process for the Eligible Expenditures, we chose only budgetary programs which comply with six different criteria established in our Framework (see Section 3.1). By doing this, we guarantee setting a pool of Eligible Sustainable Expenditures that have:

- at least one direct contribution to an SDG,
- no negative spillovers on other goals, and
- which we can ensure its permanence over time.

This process was managed in collaboration with the relevant Ministries, such as the Ministries of Health and Education, among others. From all budgetary programs, only 43 of them were initially identified. After receiving information of the budget execution in 2020 from the relevant Ministries and analyzing the geographic allocation, only 37 budgetary programs fulfilled the geospatial criteria.

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\(^{22}\) The Federal Budget Program is presented to the Lower House of Congress each September for their comments, changes, and approval. Therefore, the continuity of any project relies on the annual approval of the budgetary programs by the Lower Chamber.

\(^{23}\) For further details regarding the Geospatial criterion, see Annex 5.
The executed budget expense from the federal government for the 43 budgetary programs that were selected from the initial screening amounts to US$ 16.8 bn\textsuperscript{24}. After restricting the allocation to areas with a Social Gap Index equal or above a “medium” level, the total amount of the 37 budgetary programs stood at US$ 4.4 bn. The notional allocation of the SDG Bond resources, which amounts to US$ 855 mill (EUR 750 mill)\textsuperscript{25}, reflects a pro rata distribution across programs and regions of the executed budget expense restricted to the compliance with the geospatial criteria.

Figure 6 presents the executed budget expense by SDG before and after applying the geospatial criterion. The red bars shown in Figure 6 reflect the same distribution across SDGs as the notional allocation of the SDG bond proceeds shown in Figure 7. Both figures illustrate Mexico’s priority to reorient budgetary resources towards social programs mainly focusing on health, education, food security and rural development programs. More specifically, during 2020 the most significant amounts notionally allocated were in budgetary programs with a direct contribution to SDG 3 Health, following SDG 4 Education, and SDG 2 Zero Hunger representing 34.1%, 31.6%, and 16.3%, respectively.

The notional allocation for each category of use-of-resources established in the Framework is shown in Table 2. The three categories with higher allocation are:

- Provision or distribution of healthcare equipment and services with an allocation of US$ 286.3 mill (33.5% of total)
- Educational scholarships (to cover fees or living cost) for basic education or high school with US$ 131.6 mill (15.4% of total)
- Training for education professionals with US$ 123.0 mill (14.4% of total).

Table 3 shows the top 10 budgetary programs, classified as Eligible Expenditures for 2020, with the highest notional amount allocated. The last four columns are labeled with letters. Column A specifies if the program went through the geospatial criterion and if the budgetary information was available at municipal or state level. Column B presents the budget expenses made by the Federal Government after the geospatial criteria are applied. Column C shows the relative

\textsuperscript{24} The exchange rate between pesos and US dollars considered is the annual average FIX exchange rate published by Banco de México during 2020: 21.50 MXN/US$. See at: https://www.banxico.org.mx/tipcamb/tipCamIHAction.do

\textsuperscript{25} The exchange rate between dollars and Euros is considered as the annual average exchange rate published by Federal Reserve Economic Data: 1.14 US$/EURO. See at: https://fred.stlouisfed.org/series/DEXUSEU

![Figure 6: Eligible Expenditures breakdown by SDG before and after geospatial criterion (US$ millions in 2020)](image_url)

![Figure 7: Notional Allocation to 2020 SDG Bond (US$)](image_url)
### Table 2: Notional allocation on General Categories of Eligible Expenditures

<table>
<thead>
<tr>
<th>SDG Category</th>
<th>Allocated Sustainable Eligible Expenditures by category</th>
<th>2020 SDG Bond notional allocation (US$ Mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Zero Hunger</td>
<td>Consumption subsidies for basic food products</td>
<td>32.57</td>
</tr>
<tr>
<td></td>
<td>Production subsidies to subsistence farmers for basic</td>
<td>18.53</td>
</tr>
<tr>
<td></td>
<td>food products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Production subsidies to subsistence farmers for basic</td>
<td>87.87</td>
</tr>
<tr>
<td></td>
<td>food products (staple food programs)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promotion the environmental resilience of the agricultural sector through universal insurance coverage for small producers</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td><strong>Total SDG 2</strong></td>
<td><strong>139.05</strong></td>
</tr>
<tr>
<td>3 Good Health and Well-being</td>
<td>Addiction prevention and care</td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td>Health related research and technological development funding</td>
<td>1.09</td>
</tr>
<tr>
<td></td>
<td>Prevention and care of sexually transmitted diseases</td>
<td>0.26</td>
</tr>
<tr>
<td></td>
<td>Provision/distribution of healthcare equipment and services</td>
<td>286.34</td>
</tr>
<tr>
<td></td>
<td>Services and equipment to improve sexual and maternal health</td>
<td>3.28</td>
</tr>
<tr>
<td></td>
<td>Support to health professionals through the purchase of materials, mobility aid and training</td>
<td>0.22</td>
</tr>
<tr>
<td></td>
<td><strong>Total SDG 3</strong></td>
<td><strong>291.52</strong></td>
</tr>
<tr>
<td>4 Quality Education</td>
<td>Construction and improvement of schools, campus and student housing</td>
<td>3.62</td>
</tr>
<tr>
<td></td>
<td>Educational grants</td>
<td>0.23</td>
</tr>
<tr>
<td></td>
<td>Purchase of hardware equipment for education purposes</td>
<td>12.10</td>
</tr>
<tr>
<td></td>
<td>Students/educational scholarships (to cover fees or living cost) for basic education or high school</td>
<td>131.58</td>
</tr>
<tr>
<td></td>
<td>Training for education professionals</td>
<td>123.01</td>
</tr>
<tr>
<td></td>
<td><strong>Total SDG 4</strong></td>
<td><strong>270.54</strong></td>
</tr>
<tr>
<td>8 Decent Work and Economic Growth</td>
<td>Access to financing and financial services</td>
<td>1.67</td>
</tr>
<tr>
<td></td>
<td>Employment generation in sustainable tourism for indigenous people and Afro-Mexicans</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>Scholarships for employment training</td>
<td>46.86</td>
</tr>
<tr>
<td></td>
<td><strong>Total SDG 8</strong></td>
<td><strong>48.64</strong></td>
</tr>
<tr>
<td>9 Industry, Innovation and Infrastructure</td>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>105.25</td>
</tr>
<tr>
<td></td>
<td><strong>Total SDG 9</strong></td>
<td><strong>105.25</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance with data from the Ministry of Finance and the Ministry of Public Administration, and the Social Gap Index prepared by CONEVAL.
<table>
<thead>
<tr>
<th>SDG</th>
<th>Responsible Ministry</th>
<th>Category of Sustainable Expenditure</th>
<th>Eligible Sustainable Expenditure (Budget Line Item)</th>
<th>Applicability of geospatial criterion (Yes/No) and level</th>
<th>Total after geospatial filter (US$)</th>
<th>% of the total allocation</th>
<th>Notional allocation to the SDG Bond (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Ministry of Welfare (Secretaría del Bienestar)</td>
<td>Production subsidies to subsistence farmers for basic food products (staple food programs)</td>
<td>&quot;Sowing Life (Financial, in-kind support and technical support for the implementation of agroforestry systems in rural areas)&quot;</td>
<td>Yes, municipal level</td>
<td>450,647,674</td>
<td>10%</td>
<td>87,865,378</td>
</tr>
<tr>
<td>2</td>
<td>Ministry of Agriculture and Rural Development (Secretaría de Agricultura y Desarrollo Rural)</td>
<td>Consumption subsidies for basic food products</td>
<td>Wellbeing Production (Direct support for agrarian producers to achieve food self-sufficiency)</td>
<td>Yes, municipal level</td>
<td>167,055,439</td>
<td>4%</td>
<td>32,571,763</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of Health (Secretaría de Salud)</td>
<td>Provision / distribution of healthcare equipment and services</td>
<td>Health Care and Free Medicines for the Population without Labor Social Security</td>
<td>Yes, state level</td>
<td>1,314,819,800</td>
<td>30%</td>
<td>256,358,006</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of Health (Secretaría de Salud)</td>
<td>Provision / distribution of healthcare equipment and services</td>
<td>Health care (Specialized medical care for people (focusing on those without social security with a serious illness))</td>
<td>Yes, state level</td>
<td>138,516,736</td>
<td>3%</td>
<td>27,007,408</td>
</tr>
<tr>
<td>4</td>
<td>Ministry of Public Education (Secretaría de Educación Pública)</td>
<td>Training for education professionals</td>
<td>Support to education centers and organizations (Financial support to states to improve the provision of educational services through centers and NGOs)</td>
<td>Yes, state level</td>
<td>624,651,967</td>
<td>14%</td>
<td>121,792,000</td>
</tr>
<tr>
<td>4</td>
<td>Ministry of Public Education (Secretaría de Educación Pública)</td>
<td>Students/ educational scholarships (to cover fees or living cost) for basic education or high school</td>
<td>Basic Education Scholarship Program for Well-being Benito Juárez</td>
<td>Yes, municipal level</td>
<td>467,185,340</td>
<td>11%</td>
<td>91,089,822</td>
</tr>
<tr>
<td>4</td>
<td>Ministry of Public Education (Secretaría de Educación Pública)</td>
<td>Students/ educational scholarships (to cover fees or living cost) for basic education or high school</td>
<td>Universal Scholarship for High School Students Benito Juárez</td>
<td>Yes, municipal level</td>
<td>153,898,865</td>
<td>4%</td>
<td>30,006,550</td>
</tr>
<tr>
<td>8</td>
<td>Ministry of Labor and Social Welfare (Secretaría del Trabajo y Previsión Social)</td>
<td>Scholarships for employment training</td>
<td>Youth Building the Future (Scholarships for youths on employment training)</td>
<td>Yes, municipal level</td>
<td>240,336,867</td>
<td>5%</td>
<td>46,859,866</td>
</tr>
<tr>
<td>9</td>
<td>Ministry of Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes)</td>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Supervision, regulation, inspection, verification and administrative services of road construction and conservation</td>
<td>Yes, state level</td>
<td>303,834,563</td>
<td>7%</td>
<td>59,240,379</td>
</tr>
<tr>
<td>9</td>
<td>Ministry of Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes)</td>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Conservation of rural roads and feeder roads infrastructure</td>
<td>Yes, state level</td>
<td>107,190,310</td>
<td>2%</td>
<td>20,899,514</td>
</tr>
</tbody>
</table>

Subtotal of the other 27 programs 417,022,652 10% 81,309,314

Total 4,385,160,214 100% 855,000,000

Sources: Ministry of Finance with data from the Ministry of Finance, the Ministry of Public Administration, and the Social Gap Index prepared by CONEVAL.

Note: Column A shows if the budgetary program qualified for the geospatial criteria. Column B is the budget allocated by the Federal Government to these programs, for areas with a Social Gap Index equal or above a “medium” level (geospatial criterion). Column C shows the proportion paid for the budgetary program from the total budget of Eligible Expenditures (US$ 4.4 bn). The notional allocation to the use-of-resources SDG Bond programs is presented in Column D which is the result of multiplying the value of Column C by the value of US$ 855 mill (or 750 mill euros). Each figure in this column D is a proportional amount (approximately of 19.5%) of the budget allocated by the Federal Government to these programs considering the geospatial criteria. The full breakdown of the use-of-resources SDG Bond programs can be seen in Table A.2, Annex 7. A more precise description of the program can be found in Table A.1. Annex 5.
proportion of the budgetary program within the total pool of US$ 4.4 bn after the application of the geospatial criterion. Column D presents the total notional allocation of the SDG Bond resources by budgetary program. For example, “Health Care and Free Medicines for the Population without Labor Social Security” represents almost 30% of the notional allocation, 14.2% of the total notional budget was used for “Support to education centers and organizations” and 10.7% to “Basic Education Scholarship Program”. The information regarding the total 37 budgetary programs that were selected from the initial screening for Eligible Expenditures is disclosed in Table A2, Annex 7. To determine the geographic allocation, we analyzed the budgets separately where we had i) municipal and ii) state budgetary information 26, and followed four steps (see Figure 8).

1. The availability of data of expenditure execution by program was determined. Only 19 budgetary programs can be pinned down at municipal level whereas the rest,—24 budgetary programs—can be pinned down at state level (see section 3).

2. At municipal and state level we identified the programs which indeed allocate expenditures to regions with a Social Gap Index above “medium” level.

3. We determined the total quantity allocated to these regions –US$ 4.4 bn.

4. The notional allocation was determined at the program and geographic location by multiplying it by its relative contribution to the value of the bond.

For the group of 19 programs where budgetary information at municipal level was available (see section 3.2), only 18 of them allocated resources to municipalities categorized with a Social Gap Index above “medium” level. The total amount allocated to these municipalities was US$ 1.7 billion. Then by multiplying it by the notional value (approximately 19.5%), this amounts to US$ 322 mill.

The notional allocation for this group of programs is presented in a two-dimensional map using 9 colors in Figure 9. Colors represent the budget allocation by tertiles and are crossed with the Social Gap Index levels: “medium”, “high”, or “very

Figure 8: Four steps to determine Eligible Expenditures 2020

Source: Own elaboration based on data from Ministry of Finance and Ministry of Public Administration.

Source: Ministry of Finance with data from the Ministry of Finance, the Ministry of Public Administration, and the Social Gap Index prepared by CONEVAL.

26 Mexico is composed of federated entities which include 31 states and Mexico City (from now on, states). The local level is composed of municipalities.
high” level. Only 899 municipalities fall into this criterion, and the rest are colored in light brown. The purple shades represent a greater budget allocation to municipalities classified as “very high” level of SGI. The gray regions are those where there is a lower notional allocation and municipalities are classified with a “medium” level of SGI.

The group of municipalities classified in the lowest tertile, on average received a notional value of US$ 41.6 K. They also present on average a lower social gap index (0.99), and consist of smaller populations (approximately 3 thousand inhabitants) than the other groups. The municipalities on the second tertile received, on average, US$ 174.0 K. The average social gap index (1.06) is higher than the first group, and are slightly bigger in terms of population than the first group (8.7 thousand inhabitants per municipality on average). The last group of municipalities which on average received more (US$ 859 K) notionally, are larger in terms of population (on average 32.4 K). This last group presents the highest social gap index (1.11 on average). In particular, they present higher proportions of illiterate population, of people without health services, and of people that live in houses of dirt floor.

Figure 9: Allocation of 18 Eligible Expenditures for the most lagged Municipalities

Source: Ministry of Finance with data from the Ministry of Finance, the Ministry of Public Administration, and the Social Gap Index prepared by CONEVAL. Note: The information presented corresponds to 18 budgetary programs which comply with: i) the geospatial criteria and ii) budgetary expenses can be tracked at municipal level. The region colored in light brown represents municipalities that are labelled with a Social Gap Index “very low” or “low” and are excluded from the geospatial criteria according to the SDG Bond Framework. This means there is no notional allocation in this area.
Figure 10: Geographic budget allocation of SDG Bond 2020 by amount per state (US$)

- Baja California: 0.05 mill
- Sonora: 0.5 mill
- Chihuahua: 9.6 mill
- Zacatecas: 0.5 mill
- Nuevo León: 0.6 mill
- Tamaulipas: 1.6 mill
- Durango: 20.2 mill
- Nayarit: 22.0 mill
- Sinaloa: 2.8 mill
- Jalisco: 1.1 mill
- Edo. Méx: 10.4 mill
- Michoacán: 72.5 mill
- Morelos: 10.2 mill
- Tlaxcala: 14.8 mill
- Guerrero: 73.6 mill
- Oaxaca: 86.4 mill
- Veracruz: 112.4 mill
- Tabasco: 35.8 mill
- Yucatán: 36.0 mill
- Chiapas: 167.7 mill
- San Luis Potosí: 41.5 mill
- Guanajuato: 0.3 mill
- Hidalgo: 34.8 mill
- Puebla: 78.2 mill
- Tlaxcala: 14.8 mill
- Michoacán: 72.5 mill
- Oaxaca: 86.4 mill

Social Gap Level:
- Very High
- High
- Medium
- No Allocation

Budget allocation (US$ millions):
- 1 Tertile [0.05, 2.8)
- 2 Tertile [2.8, 35.8)
- 3 Tertile [35.8, 167.7)

Source: Ministry of Finance with data from the Ministry of Finance, the Ministry of Public Administration, and the Social Gap Index prepared by CONEVAL

Note: The presented information corresponds to 37 budgetary programs which comply with the geospatial criteria. This map shows the distribution of budgetary expenses with information at municipal and state level, and the distribution of the Social Gap Index across states by tertiles. The region colored in light grey represents states that received no allocation. The quantities shown is the total notional allocation per state.
For the remaining 24 programs where municipal budgetary information was not available, we analyzed the budget allocation at state level and determined whether the state is categorized with a Social Gap Index equal to or greater than a "medium" level. The total amount allocated to these marginalized states, was US$ 2.7 bn, and only 19 programs present an allocation to these areas. The notional allocation for these 19 programs is US$ 533 mill.

By clustering at state level both the notional allocation of the first group of 18 programs and the second group of 19 programs, the final notional allocation to each state can be quantified and is presented in Figure 10. The two-dimensional map presents information of the allocation of the 37 final Eligible Expenditures together with the level of Social Gap Index. States were divided into tertiles according to the notional resource allocation of the sample of 26 states that receive resources. The darkest shades correspond to areas that receive a higher allocation. And also, they are classified by the Social Gap Level ("medium", "high" and "very high") and can be identified by different colors. Dark purple regions represent states that proportionally received a higher allocation and have a SGI Level of "very high." These states are in the south, east, and southeast part of Mexico.

Green regions represent states with a “medium” social gap level. Most regions with this level of SGI, also receive approximately the average amount such as Campeche and Durango. The only dark green state is Yucatán and is classified among the states with greater allocation but with a medium social gap level. Blue regions represent areas with high SGI.

Among the states with the highest allocations are Chiapas (19.6%), Veracruz (13.1%), Oaxaca (10.1%), and Guerrero (8.6%) classified with a “very high” social gap and colored in purple (Figure 10); Puebla (9.1%) and Michoacán (8.5%) classified with a “high” social gap and colored in blue. It is important to clarify that states with a “very low” SGI level as Nuevo León, or “low” as Guanajuato, Zacatecas, Baja California, or Sonora received a proportion of the budget since it was allocated to municipalities within these states that are highly-marginalized. In Figure 10, these municipalities are colored individually and most of them were classified within the areas with the lowest allocation (1st tertile).

For 16 states, after considering the geospatial criteria, the program Scholarships for the children enrolled in basic education is among the top 3 programs defined as the programs with higher notional allocation. For 14 states, the program Health care and free medicines for the population without labor social security is among the top 3, and for 10 of them it is the top program. For seven states the top program is Scholarships for youths on employment training and for six states, it is the Financial support to states to improve the provision of educational services.

Since the geospatial criteria were determined at both the municipal and state level, the distribution of resources according to the Social Gap Index has to be analyzed within these dimensions. Differentiating among the 18 programs where the geospatial criteria were determined within the municipal level and the 19 programs at state level, approximately US$ 303.7 mill were distributed to regions classified with a “medium” level of SGI, while US$ 262.9 mill were allocated to regions with “High”, and US$ 288.4 mill with “Very High” level of SGI (see Figure 11).

Figure 11: Distribution of the Notional Allocation across regions according to the Social Gap Level (US$)

Source: Ministry of Finance with data from the Ministry of Finance, the Ministry of Public Administration, and the Social Gap Index prepared by CONEVAL

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27 The name of the program in Spanish is “Programa de becas de educación básica para el Bienestar Benito Juárez”. See Table A.1 in Annex 5 for further detail.

28 The name of the program in Spanish is “Atención a la Salud y Medicamentos Gratuitos para la población sin seguridad social laboral”. See Table A.1 in Annex 5 for further detail.

29 The name of the program in Spanish is “Jóvenes Consturyendo el Futuro”. See Table A.1 in Annex 5 for further detail.

30 The name of the program in Spanish is “Apoyos a centros y organizaciones de educación”. See Table A.1 in Annex 5 for further detail.
5 Initial impact report
The impact report presents the 37 Eligible Expenditures’ performance and the related SDG performances at macro-level (current situation on a number of holistic indicators). In addition to the geospatial criterion, this analysis is based on both an outcome and output approach to show bond investors the benefits of the programs aiming at the enhancement of sustainable development by contributing to the SDGs. The budgetary programs’ results and their linkage to SDGs presented by the ministries in 2020 were used for the development of the report. This first report will set the benchmark to follow up the evolution of the indicators (outcome and output results) presented in this section.

This report informs international ESG investors about the results of the assessment based on the budgetary programs linked to the SDGs as a whole. The selection process comes from a set of specific criteria established under the Framework guidelines. This allowed us to categorize the budgetary items as Eligible Expenditures and elaborate a report on them (see Section 3). On the stakeholder’s side, this will reinforce its commitment to present updated information, to strengthen its policies aiming at the enhancement of sustainability and the achievement of the associated targets.

In order to provide a thorough follow-up for each Eligible Expenditure, the Ministry of Finance undertook a strategic selection process based on the analysis of the outcomes and program-level output indicators (see Annex 8 for the impact methodology). The latter are a subset of results proportional to the SDG Bond resources identified within the most marginalized zones (geospatial criterion).

The information gathered and presented in the following sections comes from six main sources: i) the SDGs Information System Platform (“SIODS”), ii) the Evaluation Performance System (Indicators of Results Matrix or “MIRs,” for its acronym in Spanish), iii) the sectorial indicators both aligned with the National Development Plan, iv) INEGI and v) CONEVAL- the statistic and program evaluation agencies; and vi) the ministries themselves, for granular current data.

Lastly, the impact report from Mexico is meant to be improved overtime based on investors and stakeholders’ feedback. It is an ongoing process. The Ministry of Finance received input on the elaboration of this initial impact report, notably from the UNDP. Based on market participants’ feedback, the Ministry will develop or implement the necessary tools, collect granular data to feed future impact report to meet the highest-level standards of transparency for investors.

31 Indicators in this section might change due to the program or might be substituted for others for a better interpretation in this section. It should be noted that the output results represent a subset of results of the budgetary program. Results are dynamic from year to year and annual data may fluctuate significantly due to the size or number of projects and the data reported during a given fiscal year.

5.1 Performance results highlights

Summary

Impact Report

- **US$ 855 mill** allocated
- **3,842,100** people and **10,198* other direct beneficiaries in marginalized areas**
- **37 Eligible Expenditures**

Note: The beneficiaries and other outputs are defined in each Eligible Expenditure and vary depending on the target population of the budgetary program. For instance, they can be defined as the number of scholarships, hospitals, schools, population, supplies, among others. The beneficiaries and other outputs represent the estimated contribution of the resource allocation to the different indicators. This means they are a subset of the whole program target population and output results. The outcome indicators, when applicable, are shown for both, at a national level and for the states covered by the programs. For more detailed information see Annex 8. Table A.1 in Annex 5 contains the description of the programs categorized as Eligible Expenditures and their names in Spanish and English.

State of affairs and output results from Eligible Expenditures breakdown by SDG

SDG 2: Zero Hunger

State of affairs

National

20.7% of population experienced moderate or severe food insecurity (2020)

States covered by the programs

20.8% of population experienced moderate or severe food insecurity (2020)*

Outputs from Eligible Expenditures

Total amount allocated: **US$ 139 mill**

- 185 K farmers benefited in lagged municipalities
- 1.4 K agricultural insurances schemes provided for the development of rural economy

*: 25 benefited states from expenditures at municipal level by all the programs in SDG 2.

SDG 3: Good Health and Well-being

State of affairs

National

28.2% of the population do not have access to health services (2020)

States covered by the programs

31.1% of the population do not have access to health services (2020)*

Outputs from Eligible Expenditures

Total amount allocated: **US$ 291 mill**

- 294 K women, children and youths living in marginalized areas who benefited from health services
- 326 health establishments (fixed and mobile) served to improve infrastructure, provide medicines and supplies, medical equipment and human resources

*: 14 benefited states (all with social gap equal or above “medium” level).
**SDG 4: Quality Education**

46.5% youth between 15 and 22 years old not attending school (2020)

47.8% youth between 15 and 22 years old not attending school (2020)*

Total amount allocated: US$ 271 mill

- 344 K students received a scholarship
- 1,584 K students received educational material
- 789 schools with indigenous education benefited from the strengthening of linguistic courses and curricular development

* 23 benefited states; it comprises programs such as Young People Writing the Future, Elisa Acuña Scholarship Program and Scholarship for High School Students Benito Juárez.

**SDG 8: Decent Work & Economic Growth**

17.17 Bank branches per 100,000 adults (2020)

6.83 Bank branches per 100,000 adults (2020)*

Total amount allocated: US$ 49 mill

- 18,020 youths (between 18 and 29 years of age) who started an employment training program in 2020
- 705,823 low-income population attended by Banco del Bienestar financial services (clients)

* Restricted to the 899 lagged municipalities in Mexico

**SDG 9: Industry, Innovation, and Infrastructure**

4.92% of the population with low or very low access to paved roads in states with SGI equal or above “medium” level (2020)

9.73% of the population with low or very low access to paved roads in states with SGI equal or above “medium” level (2020)*

Total amount allocated: US$ 105 mill

- 670,554 users benefited from rural and feeder road maintenance in highly-marginalized states
- 753 km of rural roads construction and maintenance in 2020

* 14 benefited states (all with social gap equal or above “medium” level)
## 5.2 Performance results by SDG

### SDG 2

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

### Summary

**Number of Eligible Expenditures:** 4  
**Allocated:** $139 mill  
**Beneficiaries:** 185,032 farmers

### “Project-level output results”

<table>
<thead>
<tr>
<th>Use of resources</th>
<th>Eligible Expenditures (allocated, US$)</th>
<th>Target population and output results</th>
<th>SDG targets</th>
</tr>
</thead>
</table>
| Production subsidies to small and medium farmers (<20ha) for basic food products (staple food programs) | Sowing Life (US$ 87,865 K) | 28,757 rural farmers with (at most) 2.5 ha. in lagging municipalities attended | 2.3  
| | | 1.4  
| | | 8.5 |
| Fostering of the resilience of the agricultural sector through universal insurance coverage for small producers to cover losses resulting from climate related events such as droughts or floods, as well as plagues and earthquakes and other agricultural risks | Agricultural Insurance Program (US$ 80 K) | 15,885 farmers covered by Agricultural Insurance Program in lagging municipalities | 2.3  
| | | 1.4 |
| | Guarantee Prices for Basic Food Products (US$ 18,528 K) | 1,374 paid agricultural and livestock insurances monitored by operations | 2.3  
| | | 2.1  
| | | 2.4 |
| Consumption subsidies for basic food products | Well-Being Production (US$ 32,571 K) | 4,100 small and medium farmers (maize, beans, rice, wheat, and milk) covered | 2.3  
| | | 2.a  
| | | 2.1  
| | | 2.c |
| Production subsidies to small and medium farmers (<20ha) for basic food products (staple food programs) | | 136,290 small and medium farmers (< 20 ha. of rainfed land or < 5 ha. of irrigated land) benefited from the program | 2.3  
| | | 2.4  
| | | 2.a |

### State of affairs (national)

20.7% of population experienced moderate or severe food insecurity (2020)

### Main SDG's targets related to the Eligible Expenditures

SDG Target 2.3

### State of affairs (states covered by the programs)

20.8% of population experienced moderate or severe food insecurity (2020)

*Note: The beneficiaries (target population) and the indicators shown in this table are a subset of the whole program target population and output results, this subset is a proxy taking into account marginalized areas and the notional allocation to the SDG Bond for the impact report purposes. For more detailed information about the impact methodology see Annex 8. Figures in this table may not add up due to rounding.
### SDG 3
** Ensure healthy lives and promote well-being for all at all ages

#### Summary

- **Number of Eligible Expenditures:** 10
- **Allocated:** US$ 291 mill
- **Beneficiaries:** 331,868 people & 347 health establishments

#### “Project-level output results”

<table>
<thead>
<tr>
<th>Use of resources</th>
<th>Eligible Expenditures (allocated, US$)</th>
<th>Target population and output results*</th>
<th>SDG targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision/distribution of healthcare equipment and services</td>
<td>Vaccination program (US$ 208 K)</td>
<td>16,623 people with a vaccination scheme according to their age group were attended</td>
<td>3.2 3.8</td>
</tr>
<tr>
<td>Provision/distribution of healthcare equipment and services</td>
<td>Health care “Seguro Médico Siglo XXI” (US$ 2,507 K)</td>
<td>1,111 children (&lt;5 years of age) without social security that received health services</td>
<td>3.2</td>
</tr>
<tr>
<td>Provision/distribution of healthcare equipment and services</td>
<td>Health care (US$ 27,007 K)</td>
<td>20,581 people benefited from the Health Care Program (without social security)</td>
<td>3.2</td>
</tr>
<tr>
<td>Services, and equipment to improve sexual and maternal health</td>
<td>Maternal, sexual and reproductive health (US$ 3,278 K)</td>
<td>36,358 medical examinations</td>
<td>3.4</td>
</tr>
<tr>
<td>Prevention and care of sexually transmitted diseases</td>
<td>Prevention and care of HIV/AIDS and other STDs (US$ 261 K)</td>
<td>275,317 Women [≥15 years old] [including newborn children when applicable] received medical attention and supplies (mainly contraceptives)</td>
<td>3.1 5.2 5.3</td>
</tr>
<tr>
<td>Provision/distribution of healthcare equipment and services</td>
<td>Health Care and Free Medicines for the Population without Labor Social Security (US$ 256,358 K)</td>
<td>972 people with HIV attended by the program</td>
<td>3.3</td>
</tr>
<tr>
<td>Addiction prevention and care</td>
<td>Addiction prevention and care (US$ 341 K)</td>
<td>198 people with HIV took antiretroviral therapy</td>
<td>3.3</td>
</tr>
<tr>
<td>Health related research and technological development funding</td>
<td>Research and technological development in health (US$ 1,087 K)</td>
<td>326 health establishments (fixed and mobile) served to improve infrastructure, provide medicines and supplies, medical equipment and human resources</td>
<td>3.8</td>
</tr>
<tr>
<td>Support to health professionals through the purchase of materials, mobility aid and training</td>
<td>Education and training of human resources for health (US$ 217 K)</td>
<td>17,247 Youths between 12 and 17 years of age received attention regarding addiction, prevention, and care</td>
<td>3.3 3.5</td>
</tr>
<tr>
<td>Provision/distribution of healthcare equipment and services</td>
<td>Protection Against Health Risks (US$ 260 K)</td>
<td>1,431 toxicological tests were applied to youths at school</td>
<td>9.5 9.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 researchers were funded for developing research projects</td>
<td>3.3 3.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>95 health professionals enrolled in medical education continuity programs</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>21 healthcare facilities were upgraded against sanitary risks</td>
<td>3.3</td>
</tr>
</tbody>
</table>

*Note: The beneficiaries (target population) and the indicators shown in this table are a subset of the whole program target population and output results, this subset is a proxy taking into account marginalized areas and the notional allocation to the SDG Bond for the impact report purposes. For more detailed information about the impact methodology, see Annex 8. Figures in this table may not add up due to rounding.*
The health crises caused by the COVID-19 pandemic highlighted important challenges such as the necessity of providing the population with universal and quality healthcare, rolling-out efficient vaccination programs, and reducing the proportion of people with chronic diseases.
**SDG 4**
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**Summary**

| Number of Eligible Expenditures: 15 | Allocated: US$ 270 mill | Beneficiaries: 1,930,743 people and 9,626 schools and municipalities, states, or NGO centers |

**“Project-level output results”**

<table>
<thead>
<tr>
<th>Use of resources</th>
<th>Eligible Expenditures (allocated, US$)</th>
<th>Target population and output results*</th>
<th>SDG targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students/educational scholarships (to cover fees or living cost) for basic education or high school</td>
<td>Basic Education Scholarship Program for Well-being B.J. (US$ 91,090 K)</td>
<td>246,815 families received scholarships for the children enrolled in basic education living in vulnerable areas or which have an income level below the poverty line</td>
<td>4.1, 4.2, 4.5</td>
</tr>
<tr>
<td>Construction and improvement of schools, campus, students housing</td>
<td>Full Time Schools (US$ 974 K)</td>
<td>120 schools which received resources to attend beyond the regular school day schedule</td>
<td>4.1, 4.7, 4.5, 4.6, 10.2</td>
</tr>
<tr>
<td>Training for education professionals</td>
<td>National School Coexistence Program (US$ 672 K)</td>
<td>8,703 public schools received resources for training supervisors, directors, or advisors to improve school climate and bullying prevention programs</td>
<td>4.1, 4.7</td>
</tr>
<tr>
<td>Purchase of hardware equipment for education purposes</td>
<td>Expansion of Initial Education (US$ 239 K)</td>
<td>2 schools received resources to improve the conditions of civil protection, equipment, preventive, and corrective maintenance and 171 children were covered</td>
<td>4.2, 4.5, 10.2</td>
</tr>
<tr>
<td>Training for education professionals</td>
<td>Support to education centers and organizations (US$ 121,792 K)</td>
<td>3 State Governments and 2 Centers, Organizations or Civil Society received resources ($118.6 million and 3.2 million, respectively) to provide educational services (operational activities)</td>
<td>4.3, 4.1, 4.4, 4.5</td>
</tr>
<tr>
<td>Students/educational scholarships (to cover fees or living cost) for basic education or high school</td>
<td>Universal Scholarship for High School Students B.J. (US$ 30,007 K)</td>
<td>84,712 students from public schools received high-school scholarships (those enrolled at the beginning of the school year)</td>
<td>4.3, 4.5, 4.6, 8.6</td>
</tr>
<tr>
<td>Students/educational scholarships (to cover fees or living cost) for basic education or high school</td>
<td>Young People Writing the Future (US$ 8,745.9 K)</td>
<td>7,683 students (≤29 years of age) received scholarships for higher education, with income level below the Poverty Line</td>
<td>4.3, 4.5, 4.6</td>
</tr>
<tr>
<td>Students/educational scholarships (to cover fees or living cost) for basic education or high school</td>
<td>Elisa Acuña Scholarship Program (US$ 1,733 K)</td>
<td>4,965 persons benefited from continuing education</td>
<td>4.3, 4.4, 4.5, 4.6</td>
</tr>
<tr>
<td>Construction and improvement of schools, campus, student housing</td>
<td>Universities for Well-being Benito Juárez García (US$ 2,633 K)</td>
<td>1,612 people of university age from marginalized areas, or with low incomes</td>
<td>4.3, 4.7, 4.4, 4.5, 8.6</td>
</tr>
<tr>
<td>Purchase of hardware equipment for education purposes</td>
<td>Strengthening Educational Excellence (US$ 367 K)</td>
<td>4 public institutions of higher education</td>
<td>4.3, 4.4, 4.7, 4.8</td>
</tr>
</tbody>
</table>
+Note: The beneficiaries (target population) and the indicators shown in this table are a subset of the whole program target population and output results, this subset is a proxy taking into account marginalized areas and the notional allocation to the SDG Bond for the impact report purposes. For more detailed information about the impact methodology see Annex 8. Figures in this table may not add up due to rounding.

### State of affairs (national)

<table>
<thead>
<tr>
<th>Main SDG’s targets related to the Eligible Expenditures</th>
<th>State of affairs (states covered by the programs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG Target 4.1</td>
<td>SDG Target 4.1</td>
</tr>
<tr>
<td>SDG Target 4.2</td>
<td>SDG Target 4.2</td>
</tr>
<tr>
<td>SDG Target 4.3</td>
<td>SDG Target 4.3</td>
</tr>
<tr>
<td>SDG Target 4.4</td>
<td>SDG Target 4.4</td>
</tr>
<tr>
<td>SDG Target 4.5</td>
<td>SDG Target 4.5</td>
</tr>
<tr>
<td>SDG Target 4.6</td>
<td>SDG Target 4.6</td>
</tr>
<tr>
<td>SDG Target 4.a</td>
<td>SDG Target 4.a</td>
</tr>
<tr>
<td>SDG Target 4.b</td>
<td>SDG Target 4.b</td>
</tr>
<tr>
<td>SDG Target 4.c</td>
<td>SDG Target 4.c</td>
</tr>
<tr>
<td>SDG Target 4.d</td>
<td>SDG Target 4.d</td>
</tr>
<tr>
<td>SDG Target 4.e</td>
<td>SDG Target 4.e</td>
</tr>
<tr>
<td>SDG Target 4.f</td>
<td>SDG Target 4.f</td>
</tr>
<tr>
<td>SDG Target 4.g</td>
<td>SDG Target 4.g</td>
</tr>
</tbody>
</table>

- Indicators published at the SIODS website.
- *: 4 benefited states; **: 14 benefited states (all with social gap equal or above “medium” level); ***: 23 benefited states; ****: 11 benefited states; ***** 24 benefited states

Ensuring the continuity of young people’s learning and the quality of education are some of the most important challenges that Mexico faces in relation to the SDG 4. With human capital being a key driver of social and economic development, Mexico needs to provide greater access to school at all levels by making parents’ working hours compatible with school hours and improving school infrastructure, mainly in the southern and southeastern regions of the country where rural areas are principally settled.
Despite its level of development, Mexico still has challenges to face in order to improve financial inclusion, mainly in rural or semi-urban areas, or in those areas with high and very high social lag. It is also required to provide better working conditions for young people.

*Note: The beneficiaries (target population) and the indicators shown in this table are a subset of the whole program target population and output results, this subset is a proxy taking into account marginalized areas and the notional allocation to the SDG Bond for the impact report purposes. For more detailed information about the impact methodology see Annex 8. Figures in this table may not add up due to rounding.
### SDG 9
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

#### Summary

- **Number of Eligible Expenditures:** 5
- **Allocated:** US$ 105 mill
- **Beneficiaries:** 670,554 people and 225 km of targeted roads

#### "Project-level output results"

<table>
<thead>
<tr>
<th>Use of resources</th>
<th>Eligible Expenditures (allocated, US$)</th>
<th>Target population and output results*</th>
<th>SDG targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Conservation of rural roads and feeder roads infrastructure (US$ 20,900 K)</td>
<td>670,554 users benefited from rural and feeder road maintenance in highly marginalized states</td>
<td>9.1 3.6</td>
</tr>
<tr>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Construction projects for feeder roads and rural roads (US$ 3,550 K)</td>
<td>733 km treated under Conservation of Rural and Feeder Roads Infrastructure Program</td>
<td>9.1</td>
</tr>
<tr>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Road Construction Projects (US$ 19,869 K)</td>
<td>7 km of rural and feeder roads constructed in 2020 in highly-marginalized states</td>
<td>9.1</td>
</tr>
<tr>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Studies and projects for the construction of rural roads and feeder roads (US$ 1,693 K)</td>
<td>13 km for modernization of road infrastructure under the road infrastructure network (km)</td>
<td>9.1</td>
</tr>
<tr>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Supervision, regulation, inspection, verification, and administrative services of road construction and conservation (US$ 59,240 K)</td>
<td>198 km under study for potential rural and feeder roads in 2020</td>
<td>9.1</td>
</tr>
<tr>
<td>Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure</td>
<td>Supervision, regulation, inspection, verification, and administrative services of road construction and conservation (US$ 59,240 K)</td>
<td>7 km supervised in the construction and modernization of highways</td>
<td>9.1</td>
</tr>
</tbody>
</table>

#### State of affairs (national)

- 99.85% of the total rural dwellers lives within two kilometers of an all-season road (2020)
- 4.92% of the population with low or very low access to a paved road (2020)

#### Main SDG’s targets related to the Eligible Expenditures

- SDG Target 9.1

#### State of affairs (states covered by the programs)

- 99.81% of the total rural dwellers lives within two kilometers of an all-season road (2020)
- 9.73% of the population with low or very low access to a paved road (2020)*

*Note: The beneficiaries (target population) and the indicators shown in this table are a subset of the whole program target population and output results, this subset is a proxy taking into account marginalized areas and the notional allocation to the SDG Bond for the impact report purposes. For more detailed information about the impact methodology, see Annex 8. Figures in this table may not add up due to rounding.

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*Indicators published at the SIODS website.*

*14 benefited states (all with social gap equal or above “medium” level)
“Sembrando Vida”: Support for the implementation of agroforestry systems in rural areas

**Purpose:**
Helping low-income farmers with earnings below the income poverty line in rural localities to increase their earnings, their welfare and improve their land productivity.

**Allocated resources:**
**US$ 88 million**

**Program’s description:**
The program contributes to increase productivity in rural areas by establishing effective agricultural production systems that enhance employability and reduce the vulnerabilities of small producers living in marginalized areas. It provides financial and in-kind support, as well as technical support for the implementation of agroforestry systems.

**Impact:**
In Mexico, 16.6 million people live in rural poverty. Only 23% of the population live in rural communities, but 59% of them live on incomes below the poverty line. The rural population has inadequate infrastructure and investments related to production, little access to financial resources and services, weak technical assistance, and poor access to markets. Through technical and financial support, this program helps rural population to move out of poverty and increase their productivity.

The notional allocation focused mainly in two states: Chiapas (32.3%) and Veracruz (20.4%). The municipality of Ocosingo, Chiapas –which has a high social gap index- received approximately 10% of the budget among lagged areas. With this allocation, fruit trees were delivered to Ocosingo. Particularly, in 2020, the number of orange trees delivered to Ocosingo was above 200,000. Between 2019 and 2020, the volume of production for oranges increased by 34%, while the real value increased 30.7% for oranges in this town.¹

¹ Source: Service of Food, Agriculture and Fishing Information and the Ministry of Well-being
Purpose:
Helping low-income farmers with earnings below the income poverty line in rural localities to increase their earnings, their welfare and improve their land productivity.

US$ 87.8 million

Source: Ministry of Finance and CONEVAL.

The allocation contributed to...

- **Use of resources category**
  - **Direct SDG contribution**
  - **Production subsidies to small and medium farmers (<20ha) for basic food products (staple food programs)**
  
  **Output/Outcome results**
  
  - +28,757 farmers in lagging municipalities received subsidies from the program, where approximately 30% were women.
  - +288 productive and social technical personnel registered in the Program.

**SDG contributions**

- **State of affairs**
  - 21.5% of the population experienced moderate or severe food insecurity in the 16 states targeted by the program through highly marginalized municipalities.

*The figures represent the estimated contribution of the resource allocation to the different indicators (farmers benefited from the program living in lagging municipalities, women beneficiaries, and technical personnel).
Health Care and Free Medicines for the Population without Labor Social Security

**Purpose:**
Providing universal social health protection for vulnerable people that remain uncovered or are not able to afford a health insurance. Reducing household spending on healthcare.

**Allocated resources:**
US$ 256 million

**Program's description:**
This program helps federal entities financing the free provision of health services, medicines, and other associated supplies for people without social security. The program is a combination of health promotion, prevention, diagnosis, treatment, and rehabilitation interventions.

**Impact:**
In 2020, 28.2% of the population did not have access to the national health system, nor were they enrolled in the social security system. This program aims to improve access and quality of health services, for the population without social health protection.

More than 50% of the resource allocation to this program has been made to four states with high or very-high social gap level and where the proportion of the population who do not have access to health services was above average: Puebla, Veracruz, Chiapas, and Michoacán.
Direct SDG contribution

3 Good Health and Well-being

3.8 Achieve universal health coverage, including financial risk protection, quality and affordable essential medicines and vaccines for all.

SDG contributions

State of affairs

31.1% of the population with no access to health in states with SGI equal or above “medium” level in 2020

Output/Outcome results*

~326 health establishments (fixed and mobile) have received subsidies to improve infrastructure, provide medicines and supplies, medical equipment, and human resources.

2.7 million people benefited from the program in 2020

Source: Ministry of Finance and CONEVAL.

* The figures represent the estimated contribution of the proceeds allocation to the different indicators (number of health establishments covered by the program and the number of people attended by the program).
Scholarship for High School Students*

**Purpose:** Reducing drop-out rates in high-school, focusing in the low-income sector and indigenous regions.

**Allocated resources:**
US$ 30 million

**Program's description:**
Providing scholarships for high school students contributes to the school permanence by granting scholarships to students enrolled in any of the public institutions of the National Educational System. It prioritizes educational institutions in indigenous or marginalized regions. The scholarship consists of $1600 MXN (US$ 74.42) delivered bimonthly per scholarship holder.

**Impact:**
Mexico has increased the average years of education achieved; however, a high dropout rate is observed during the first year of high school. The high school coverage in the 2019-2020 school year was 77.2%. Lack of resources is among the main reasons young people decide to leave school (INEGI, 2017). The number of youths not attending school varies drastically across municipalities and it is not highly correlated with social gaps. Municipalities such as Ocosingo in the state of Chiapas which received the highest notional allocation (2.2%) has approximately 25 thousand of people aged 18 years or younger not studying. However, we can find highly marginalized areas with low rates and number of youths facing this problem. If we divide municipalities according to the notional allocation, the top 25% (4th quartile) have 671.2 thousand young people not going to school in total, while the lowest 25% have 40 thousand people under this situation. The Federal Government is targeting municipalities with the most severe problem of school attendance within youths in order to provide learning opportunities for all.

* The name of the program in Spanish is “Programa de becas de educación básica para el Bienestar Benito Juárez”.

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* The figures represent the estimated contribution of the resource allocation to the different indicators (number of students with high-school scholarships at the beginning and end of the school year and the number of schools benefited from the program).

---

**Direct SDG contribution**

<table>
<thead>
<tr>
<th>SDG contributions</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3</td>
<td>Ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university.</td>
</tr>
<tr>
<td>4.5</td>
<td>Eliminate gender disparities in education and ensure equal access to all levels for the vulnerable population.</td>
</tr>
</tbody>
</table>

---

**Social Gap Level**

- **Students/educational scholarships (to cover fees or living cost) for basic education or high school**
**The allocation contributed to...**

**Use of resources category**

- Students/educational scholarships (to cover fees or living cost) for basic education or high school

---

**Direct SDG contributions**

**4.3** Ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university.

**4.5** Eliminate gender disparities in education and ensure equal access to all levels for the vulnerable population.

---

**SDG contributions**

- **4.3**
- **4.5**
- **4.b**
- **8.6**

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**State of affairs**

- **34.02%** youth between 15 and 18 years old without school attendance in the 23 targeted states in 2020.

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*The figures represent the estimated contribution of the resource allocation to the different indicators (number of students with high-school scholarships at the beginning and end of the school year and the number of schools benefited from the program).
Financial Inclusion Program

Purpose:
Promoting financial inclusion of the low-income inhabitants not covered by the financial markets, as well as vulnerable populations such as indigenous, women and migrants.

Allocated resources:
US$ 2 million

Program’s description:
The Financial Inclusion Program contributes to the economic development by providing financial education and increasing the use and access to financial products and services. It targets low-income population or vulnerable groups without access to formal financial services. In 2020, the construction of new bank branches (Banco del Bienestar) was launched, and it is expected that by 2024, 2,700 new branches will be constructed. Also, financial access is provided through correspondent banks.

Impact:
Mexico presents significant lags in terms of financial inclusion compared to Latin American countries, where 54% of the population (2017) have a savings account in a bank versus 37% in Mexico. The main reasons for the low penetration of the financial system are a) insufficient access to the financial system; b) low levels of financial education; and c) little knowledge of consumer protection mechanisms.

More than 80 new bank branches (Banco del Bienestar) were constructed in 2020 in areas with an SGI above “medium” level. The allocation linked to the SDG Bond contributed to the construction of 16 of them.

It is expected that most of the construction will occur between 2022-2023, as the longest administrative procedures are carried out during the first years. With this program, highly marginalized municipalities like Chamula or Chilón in Chiapas that have less than 150 thousand inhabitants and where more than 50% of their adult population have incomplete basic schooling, will now have access to financial services.
The allocation contributed to...

**Use of resources category**

- Access to financing and financial services

**Social Gap Level**
- Very High: 0.3
- High: 0.4
- Medium: 1.0

**Allocation (US$)**
- US$ 1.6 million

**Direct SDG contribution**

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

**SDG contributions**

102 bank branches from development banks in municipalities with SGI equal or above “medium” level in 2020

**State of affairs**

New bank branches (Banco del Bienestar) in 2020 in highly marginalized areas

- 16 new bank branches of the Banco del Bienestar network in lagged areas
- ~705,000 clients attended by Banco del Bienestar (mainly low-income population)
- +1,700 people received financial education in 2020, of which 1,000 were women.

**Output/Outcome results**

- 16 new bank branches of the Banco del Bienestar network in lagged areas
- ~705,000 clients attended by Banco del Bienestar (mainly low-income population)
- +1,700 people received financial education in 2020, of which 1,000 were women.

**Source:** Banco del Bienestar

* The figures represent the estimated contribution of the resource allocation to the different indicators (new bank branches, attended clients and people receiving online courses).
Conservation of Rural and Feeder Roads Infrastructure

**Purpose:**
Allowing the marginalized population to move safely to regional development centers, consumption centers, production areas and access to basic health and education services.

**Allocated resources:**
US$ 21 million

**Program’s description:**
This program aims to guarantee permanent access to the population in rural communities to goods and services, helping to eliminate social and economic imbalances and to promote regional integration, through maintenance of the infrastructure of rural roads and feeder roads in optimal physical operating conditions. The eligibility criteria for budget lines do not contemplate highways, but only rural roads that will benefit people living in vulnerable conditions.

**Impact:**
In Mexico, 4.9% of the population lives in localities with difficult and very difficult access to health and education services or employment, due to lack of access to a paved road. This means that the exercise of their social rights is not fulfilled due to the scarce or null infrastructure that facilitates their transportation, which makes their living conditions difficult, placing them in a situation of marginalization. The coverage in 2020 for highly marginalized states was more than 3,700 km, for which notially the resource allocation accounts for 733 km. The states with the highest proportions of their population with low or very low access to paved roads are concentrated in the south and southeast regions of Mexico: Chiapas (21%), Oaxaca (21%), Guerrero (15%), and Veracruz (11%). The municipalities within these states that have lower access to paved roads are usually within mountainous regions with poor infrastructure. More than 56% of the resource allocation to this program has been made to these four states.

In particular, with a reconstruction of 54 km of the Tehuantepec road (which goes through Villa Victoria - Paso de Potrerillos), in the state of Michoacán, more than 5,200 inhabitants have now better access to health and education services. The investment of approximately US$ 4.2 million allows this population to have greater access to larger markets and provides safer travel conditions.

*The figures represent the estimated contribution of the resource allocation to the different indicators (number of people benefited from the program and the distance constructed).*
Allocated resources:
Conservation of Rural and Feeder Roads Infrastructure

Purpose:
Allowing the marginalized population to move safely to regional development centers, consumption centers, production areas and access to basic health and education services.

US$ 21 million

The allocation contributed to...

Social Gap Level
- Very High
- High
- Medium

Resource Allocation

Output/Outcome results*

+670,554 rural and feeder road users benefited from the program (rural population)

+733 km on rural roads and feeders preserved and rebuilt in lagged areas

458 km constructed in Guerrero, Oaxaca, Veracruz, and Chiapas, (southern) states with very high degree of SGI

Direct SDG contribution

9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

SDG contributions

State of affairs

9.1 of the population with low or very low access to paved roads in states with SGI equal or above “medium” level

* The figures represent the estimated contribution of the resource allocation to the different indicators (number of people benefited from the program and the distance constructed).
Allocated resources: **USD$ 8 Million***

**Description:**
The municipalities with the highest social gaps in the country were supported by the allocation related to the SDG Sovereign Bond in 2020. All these 10 municipalities cover a total population of approximately 235,000 inhabitants, with an average population of 24,800 people. And they are not concentrated in a specific region of Mexico. These areas have considerably less access to education. For example, the proportion of illiterate adults (31.5% on average) is almost 27 percentage points (pp) higher than the national average (4.7%). They also have considerably lower school attendance for children between 6 and 14 years. Access to household services and home assets in these areas is also lower. Approximately 25.9% of the population living in these municipalities do not have access to electricity, while at the national level only 0.8% of the population suffer from this condition; and 77.8% do not have a refrigerator (vs 12.4% at the national average).

<table>
<thead>
<tr>
<th>National average</th>
<th>Top 10 lagged municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Illiterate adults (&gt;= 15 years old)</td>
<td>4.7%</td>
</tr>
<tr>
<td>% children not attending school (12 and 14 years old)</td>
<td>6.1%</td>
</tr>
<tr>
<td>% of homes with no access to refrigerator</td>
<td>12.4%</td>
</tr>
<tr>
<td>% of homes with no access to electricity</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: Census of Population and Housing Units 2020.

*Note: This Figure (US$ 8 million) is restricted to the budget allocation that can be tracked at the municipal level. A total of US$ 322 mill from the total of US$ 855 mill could be pindown to this level.
Top 10 Municipalities with Highest Social Gap

Allocation:

- **8 out of 10 municipalities:** were classified among the municipalities which received most resources.
- **Most financial support at the municipal level came from:** financial, in-kind and technical support in rural areas (“Sembrando Vida”)
- **In 2 out of 10 municipalities:** Development Bank Branches were constructed

### Top 3 programs for municipalities with highest Social Gap Index

<table>
<thead>
<tr>
<th>Program</th>
<th>Notional Allocation (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial, in-kind and technical support to rural areas (Sembrando Vida)</td>
<td>4.19</td>
</tr>
<tr>
<td>Scholarships for basic education</td>
<td>2.14</td>
</tr>
<tr>
<td>Employment training programs</td>
<td>0.70</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance with data from Ministry of Finance, Ministry of Public Administration, and the Social Gap Index elaborated by CONEVAL

The proceeds allocation of the 2020 SDG Bond contributed to...

- **1,372** farmers in the top 10 most lagging municipalities received subsidies from the program
- **5,801** families received scholarships for the children enrolled in Basic Education

The municipality of Mezquital in the state of Durango, is the second municipality with the highest social gap index and it is the one (among these 10 municipalities) with the highest resource allocation at the municipal level (notional allocation was US$2.8 mill). More than 70% of homes do not have drainage, and more than 40% of homes do not have access to electricity. The allocation is mainly provided by the program “Sembrando Vida”.


