

Mexico's SDG Bond Allocation & Impact Report

2022



HACIENDA

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

Mexico's SDG Bond

Allocation & Impact Report 2022



List of Acronyms



Acronym	Definition
ASF	Superior Audit of the Federation (<i>Auditoría Superior de la Federación</i>)
BIENESTAR	Ministry of Well-Being (<i>Secretaría de Bienestar</i>)
Bn	Billion
Conacyt	National Council for Science and Technology (<i>Consejo Nacional de Ciencia y Tecnología</i>)
CONEVAL	National Council for the Evaluation of Social Development Policy (<i>Consejo Nacional de Evaluación de la Política de Desarrollo Social</i>)
CTEODS	Specialized Technical Committee of the Sustainable Development Goals (<i>Comité Técnico Especializado de los Objetivos de Desarrollo Sostenible</i>)
ESG	Environmental, Social and Governance
EUR	Euro
GBP	Green Bond Principles
HDI	Human Development Index (<i>Índice de Desarrollo Social</i>) elaborated by UNDP
ICMA	International Capital Market Association
INEGI	National Institute of Statistics and Geography (<i>Instituto Nacional de Estadística y Geografía</i>)
INPI	National Institute of Indigenous People (<i>Instituto Nacional de los Pueblos Indígenas</i>)
LFRCF	Law on Oversight and Accountability of the Federation (<i>Ley de Fiscalización y Rendición de Cuentas de la Federación</i>)
MM	Million
MXN	Mexican Peso
PEF	Federal Expenditure Budget (<i>Presupuesto de Egresos de la Federación</i>)
PND	National Development Plan (<i>Plan Nacional de Desarrollo</i>)
SADER	Ministry of Agriculture and Rural Development (<i>Secretaría de Agricultura y Desarrollo Rural</i>)
SBP	Social Bond Principles
SICT	Ministry of Infrastructure, Communications and Transportation (<i>Secretaría de Infraestructura, Comunicaciones y Transportes</i>)
SDG	Sustainable Development Goals
SED	Evaluation Performance System (<i>Sistema de Evaluación al Desempeño</i>)
SEP	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)
SGI	Social Gap Index (<i>Índice de Rezago Social</i>) published by CONEVAL
SHCP	Ministry of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)
SIODS	Information System of Sustainable Development Goals (<i>Sistema de Información de los Objetivos de Desarrollo Sostenible</i>)
SPO	Second Party Opinion
SSA	Ministry of Health (<i>Secretaría de Salud</i>)
UMS	United Mexican States
UNDP	United Nations Development Program
USD	United States Dollar
V.E.	Vigeo Eiris, part of Moody's ESG Solutions

Foreword: Message from the Ministry of Finance and Public Credit



As an international community, we are facing growing social, environmental, and governance challenges, which demand us to take ambitious and reachable actions. The COVID-19 pandemic has affected mainly the most disadvantaged groups and it has highlighted long-lasting structural weaknesses in health and social protection systems, exacerbating social gaps around the globe as well as in Mexico.

Likewise, current environmental threats observed around the world, through extreme temperatures, droughts, floods, and other weather-related disasters are clear examples of the need for swift and decisive collective action. Additionally, the economic and financial conjuncture print new dimensions to this scenario. High inflation and interest rate hikes observed during 2022 have elevated costs for financing governments' priorities demanding more efficient and high-impact projects.

Under this context, the Mexican government firmly believes in the importance of reinforcing its commitment to strengthen actions to reach a more inclusive and sustainable economy, and to ensure full compliance with the 2030 Agenda for Sustainable Development of the United Nations.

The Ministry of Finance and Public Credit (SHCP) has made significant efforts to develop a holistic strategy to mobilize public and private resources for addressing the SDG; one of the mechanisms is the SDG Sovereign Bonds issuance.

Mexico has been a pioneer in engineering the SDG Sovereign Bond Framework. After our two successful issuances, we expect to increase our participation in markets with thematic bonds. We will continue building our sustainable curves within different markets, as we have been doing during 2022, in order to accelerate sovereign sustainable financing, besides achieving a price discovery process for other issuers, both from public and private sectors.

The outcomes from our issuances in the euro market are clear examples of the increasing appetite for these SDG issuances and highlighted investors' commitment to support social and green projects. The portion of the transaction allocated to ESG investors (i.e., incorporating ESG criteria in their Fixed Income investments) increased from 44% in 2020 to around 77% in 2021.

This effort comes in hand with the commitment of closing social gaps and transit to a more sustainable society and economy. The turn to sustainable instruments represents an effort, within the Mexican strategy to attain the SDG, to strengthen public policies especially in addressing challenges such as poverty, inequalities, gender gaps and environmental degradation.

Our investors recognized that one of the main innovative features of our SDG bonds is the Framework, which allows meeting environmental, social and governance criteria, while promoting transparency in public spending and a better monitoring for the fulfillment of the commitment of the 2030 Agenda.



In this sense, we ensure that the issuance and reporting of the sustainable instruments are supported by a sound governance structure that ensures transparency, as well as monitoring mechanisms to attain the SDG. At the same time, it also relies on a robust framework aligned to the best international standards, and external validations carried out by third parties, such as the Second Party Opinion from Vigeo Eiris (V.E.), part of Moody's ESG Solutions, and a non-binding opinion from the United Nations Development Program (UNDP). The issuance of sovereign sustainable financial instruments reflects Mexico's pledge to reorient budget resources towards environmental, social and governance 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.

To conclude, we recognize the challenges ahead as a country, and as part of the international community, but most importantly, we are proud about the innovative financial solutions we are developing to address them, as well as the response and commitment of our investors. We firmly believe that we are walking in the right direction, transitioning towards more inclusive, sustainable and affluent societies.

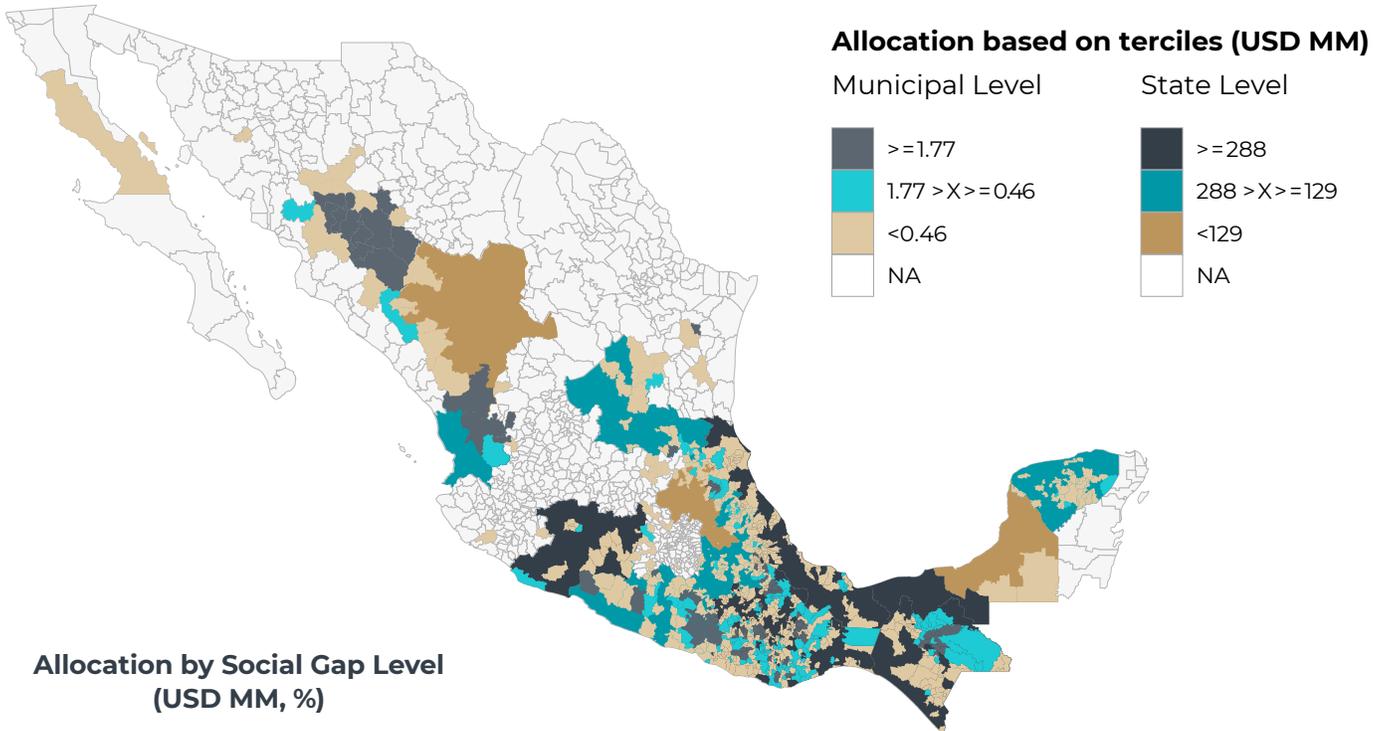


Executive Summary

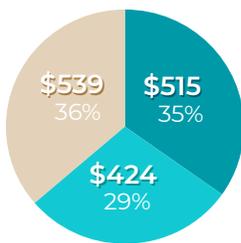


In July 2021, Mexico issued its second SDG Sovereign Bond for EUR 1.25 bn (USD 1.48 bn equivalent). This emission is in line with the strategy to enhance Mexico’s development capabilities and accelerate the process of closing gaps and achieving sustainable development.

USD 1.48 bn allocated in marginalized areas across 30 Eligible Expenditures in 2021



Allocation by Social Gap Level (USD MM, %)



Social Gap Level	Very High	High	Medium
State Level	USD 409 MM	USD 276 MM	USD 255 MM
Municipal Level	USD 106 MM	USD 148 MM	USD 285 MM
Total Allocated	USD 515 MM	USD 424 MM	USD 539 MM

Icon	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Amount allocated:	USD \$287 MM	USD \$437 MM	USD \$453 MM	USD \$33 MM	USD \$268 MM
% Allocated:	19.4%	29.6%	30.6%	2.2%	18.2%
Eligible Expenditures:	3	9	12	2	4

	Outputs & Direct Beneficiaries	Mexico's State of Affair	Trend ¹ 2020-2021
SDG 2	381,893 farmers	20.40% of the population lives with moderate or severe food insecurity in lagged areas ² (2018, Biannual)³	→
SDG 3	3.3 million tended people through health facilities and medical services 894 researchers and professionals in health education supported 24 states that received financial support to provide health services 161 verifications on healthcare facilities against sanitary risks	28.20% of the population does not have access to health services (2020, Biannual)	→
SDG 4	3.2 million students and teaching staff benefited with scholarship or grants 22.8 million books and educational material distributed 698,590 families benefited with economic grants for education 99 education institutions supported to provide education facilities 1 municipality supported for building infrastructure in education	37.80% of youth and adults participate in formal and non-formal education and training in the last 12 months (2021, Annual)	→
SDG 8	138 bank branches built in lagged areas 30,897 indigenous and Afro-Mexican people supported	13 commercial bank branches for every 100,000 adults (2020, Annual)	→
SDG 9	1,853 Km of paved roads constructed and/or modernized in lagged areas	4.92% of the population has low or very low access to paved roads in marginalized states (2020, Biannual)	→



- 1 The "Trend" refers to the percentage change (variance, pp) of the indicator with respect to data shown in the latest report published on 2021. If it is stable, it means the indicator did not show any update in the figures as of the date of publication of this report. To relate it as impact, observed data in a middle to long term period is needed to be significant.
- 2 "Lagged areas" refer to states or municipalities that have a Social Gap Index (SGI) of Medium, High, or Very High, according to CONEVAL.
- 3 "Annual" refers to the indicator being measured every year. "Biannual" refers to the indicator being measured every two years. The latest measurement is defined by the year.



2021 Framework's Use of Resources Allocation

SDG Contribution	Responsible Ministry	Framework's Use of Resources	Portfolio weight (%)	Notional allocation (USD MM) ⁴
2 ZERO HUNGER 	Agriculture and Rural Development	Consumption subsidies for basic food products	5.2%	\$ 76
		Production subsidies to subsistence farmers for basic food products	1.4%	\$ 21
	Well-Being	Production subsidies to subsistence farmers for basic food products (staple food programs)	12.8%	\$ 190
	Total SDG 2		19.4%	\$ 287
3 GOOD HEALTH AND WELL-BEING 	Health	Addiction prevention and care	0.03%	\$ 0.48
		Health related research and technological development funding	0.1%	\$ 2
		Prevention and care of sexual transmitted infections	0.03%	\$ 0.49
		Provision/distribution of healthcare equipment and services	28.9%	\$ 428
		Services, and equipment to improve sexual and maternal health	0.4%	\$ 6
		Support to health professionals through the purchase of materials, mobility and training	0.03%	\$ 0.48
Total SDG 3		29.6%	\$ 437	
4 QUALITY EDUCATION 	National Council for Science and Technology	Educational grants	0.04%	\$ 0.53
	Public Education	Construction and improvement of schools, campus, student housing	0.8%	\$ 11
		Purchase of hardware equipment for education purposes	1.6%	\$ 24
		Students/ educational scholarships (to cover fees or living cost) for basic education or high school	14.7%	\$ 217
		Training for educational professionals	13.6%	\$ 200
	Total SDG 4		30.6%	\$ 453
8 DECENT WORK AND ECONOMIC GROWTH 	Non-Sectorized Entities	Employment generation in sustainable tourism for indigenous and Afro-Mexican people	0.6%	\$ 9
	Finance and Public Credit	Access to financing and financial services	1.6%	\$ 24
	Total SDG 8		2.2%	\$ 33
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Infrastructure, Communications and Transportation	Development of rural and feeder ⁵ roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	18.2%	\$ 268
	Total SDG 9		18.2%	\$ 268
TOTAL			100%	\$ 1,478

⁴ Figures may not add up due to rounding.

⁵ A road that serves as a traffic feeder to a more important road (as a turnpike) (Merriam-Webster).



Overview



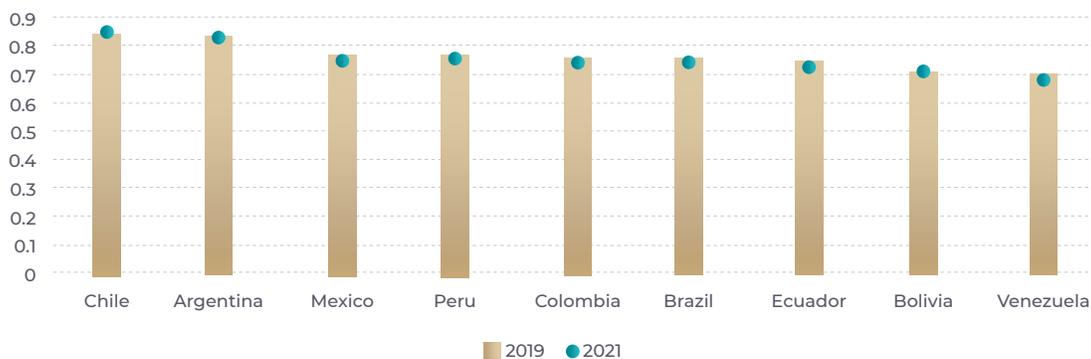


Mexico’s priorities have been centered on addressing social gaps, and on ensuring that gains from economic development are distributed in a more equitable and sustainable manner. The premise within the National Development Plan 2019-2024 of “leaving no one behind, leaving no one out” has guided several efforts in this sense, for instance, Mexico has deployed innovative financial initiatives, such as the emission of debt aligned to the SDG in order to mobilize financial resources to tackle environmental and social gaps.

Despite a complex global economic environment, Mexico has reached a 99% recovery compared to its pre-pandemic level.⁶ Due to the dynamism of the labor market, the recovery of national tourism, the moderate advance of local credit to the private sector and gross fixed investment, the Mexican economy keeps showing strong outputs during the first half of 2022.⁷

According to the Human Development Index (HDI), Mexico in 2021 stood at 0.758 compared to 0.779 in 2019; likewise, other countries from the region had a similar variance in HDI level (**Figure 1**). The upcoming HDI measurement will become a key point to assess the impact of the COVID pandemic on worldwide economies, and thus aim for recovery from post pandemic levels.

Figure 1: HDI in LATAM countries, 2019 & 2021.⁸



By now, countries are aiming not only to accelerate economic performance while controlling inflation, but also to do so through sustainable development. In this sense, the strong commitment to mobilize capital through central, commercial, and multilateral banks for sustainable financing has helped consolidate the fulfillment of the SDG at a subnational level (*Addis Adebba 2015 agenda*).⁹

The robust agenda on sustainable development has promoted dialogue in world conferences that set guidelines to follow and take action to address climate change and bridge social gaps. Mexico has been a forerunner of these conferences, by organizing the first edition, resulting in "The Monterrey Consensus", which establishes the mechanism for financing sustainable development. All of these, in accordance with the Paris Agreement and the 2030 Agenda, provide the toolkit to create an adequate environmental and social agenda focused on the fulfillment of the SDG.

6 Elaborated by SHCP with information from INEGI: <https://www.inegi.org.mx/temas/pib/>

7 *Criterios Generales de Política Económica 2023*: https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/paquete_economico/cgpe/cgpe_2023.PDF

8 Graph elaborated by SHCP with observed data as of 2021: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

9 Third International Conference on Financing for Development, (Addis Ababa Agenda, 2015).



Following the commitment to advance on sustainable development, Mexico is now at the forefront as an issuer of thematic bonds. By issuing the first SDG sovereign bond in the world, Mexico reaffirms its innovation and leadership as a sovereign issuer within the group of emerging economies, offering both investors and the general public greater transparency in budgetary spending and sound public finances.

In September 2020, Mexico issued the first SDG Sovereign Bond in the world, and began building a sustainable yield curve by issuing a second SDG Bond in July 2021. The SDG external financing represented 2% of the foreign net debt in 2021, and expected to growth over 4% in 2022,¹⁰ and to continue increasing in the future, within the debt limits approved by Congress yearly, aiming for a more sustainable portfolio. This will ensure further funds towards SDG impactful programs, enhance ministerial dialogue on gaps to achieving SDG, and on the identification of positive impact programs.

The SHCP elaborated this report in line with the International Capital Market Association's (ICMA) principles. It is the outcome of the participation of different ministries, public institutions, and key actors who have worked together to create synergies for sustainable financing. The data presented in this report is a joint effort from these actors, who are responsible for executing, monitoring, and providing granular data on the Eligible Expenditures, which contributes to the materiality and quality of the report. It is also a yearly effort to provide transparency over budgetary expenses through the issuance of Sovereign Bonds. The SHCP prioritizes the importance of measuring the impact; to do so, as a next goal for this report, relevant observed data (ex-post data) over the medium and long term is needed. The SHCP will work closely with the different ministries to achieve the impact's accountability for the upcoming reports.

It is also worth mentioning that the governance structure, as stated in the Sovereign SDG Bond Framework (hereafter the "Framework") is key for paving the way to provide certainty to the continuity of the 2030 Agenda in the following years. In this regard, the Mexican Government has been developing a robust institutional architecture and coordination mechanisms to enhance transparency, accountability, continuity, and responsiveness on its sustainable strategy (see [Annex I](#)).

To support the adoption of the 2030 Agenda as a national commitment, and its goals and targets at a country level, Mexico created two key institutions to ensure strategies for achieving optimal outcomes. Participants of these two bodies coordinate efforts across federal ministries and autonomous institutions, and through institutional actors at the subnational level. These institutions are:

- a. The National Council for the 2030 Agenda for Sustainable Development and its Technical Policy Committees.
- b. The Specialized Technical Committee of the Sustainable Development Goals ("CTEODS", for its acronym in Spanish).

Besides being based on a solid governance structure, the development of this Report is a response to the commitment to demonstrate transparency in a more efficient way. This Report has many unique features, which are noteworthy.

¹⁰ The calculation of this figure comes from the proportion of the cumulative SDG issuances to the public external net debt in 2021 and 2022. Exchange currency assumptions are EUR/USD=1.13725 for 2021, EUR/USD=1.0056 and JPY/USD= 0.00722, both as of August 31th 2022. Link to the exchange currency assumption: <https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadroAnalitico&idCuadro=CA113§or=6&locale=es>. Link to the foreign net debt information: <http://presto.hacienda.gob.mx/EstoporLayout/estadisticas.jsp>.



Unique features of our Report

1. It adds transparency and accountability;
2. It demonstrates the joint effort from different public entities to provide quality data and materiality;
3. It channels financial operations towards sustainability;
4. It illustrates with case studies, granular and detailed analysis on the Eligible Expenditures; and
5. It presents an annual external verification update on Eligible Expenditures and UNDP's collaboration as an observer during the process.

Figure 2: External verifications on the SDG Bonds and Framework

**Second Party Opinion on Mexico's
SDG Sovereign Bond Framework**
By Vigeo Eiris, Moody's ESG Solutions

MOODY'S | ESG Solutions

"V.E considers that **Mexico's SDG Bond Sovereign Framework** is aligned with the four core components of the **ICMA's Green Bond Principles** and **Social Bond Principles**"

"The Issuer has committed to request the update of this **SPO** in case of any change in the **Portfolio of Eligible Sustainable Expenditures** and/or the Framework to confirm its continued alignment with the **GBP** and **SBP 2021**" (edition-July 2021)

**Non-Binding Opinion on Mexico's SDG Sovereign
Bond Allocation & Impact Report 2022**

United Nations Development Programme



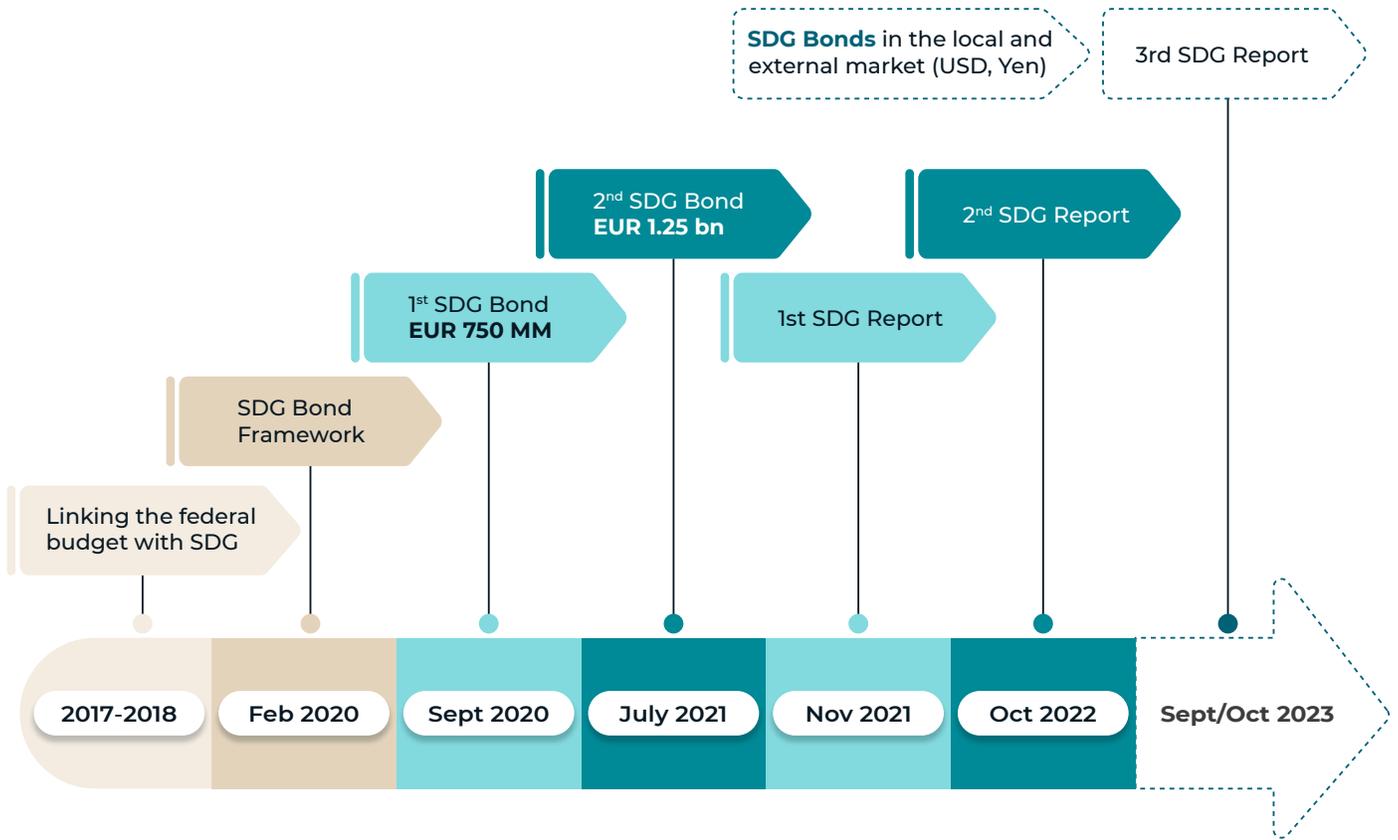
"**UNDP** is of the opinion that **Mexico's SDG Bond Allocation & Impact Report 2022** complies with the criteria established in the **UMS SDG Sovereign Bond Framework**. It has contributed to the strengthening of the country's capabilities and accountability mechanisms by detonating participatory and deliberative dynamics within the **2030 Agenda governance structure**. Furthermore, the dynamics between the Ministry of Finance, line ministries and other institutions has contributed to improve granularity of data for monitoring outputs and outcomes and to link Eligible Expenditures with marginalized territories."



Sustainable Yield Curve: SDG Bonds 2020 & 2021



Figure 3: Mexico SDG Bonds Issuances and Impact Reports Timeline



Cumulative SDG bond issuances:



In July 2021, Mexico issued a second bond aligned to the SDG Sovereign Bond Framework in the euro market. The tenor and size of this new SDG benchmark reflected Mexico achieving its goal of promoting a sustainable financial ecosystem by consolidating a sustainable yield curve. The final characteristics of this new SDG bond are depicted in **Table 1**.

Table 1: Mexico’s 2020 & 2021 SDG Bond transaction highlights

1st SDG Bond (September 2020)	2nd SDG Bond (July 2021)
EUR 750 MM	EUR 1.25 bn
7 years	15 years
1.603% yield	2.259% yield
1.350% coupon rate	2.250% coupon rate
78 (44% allocated) ESG accounts	60 (77% allocated) ESG accounts

The 2021 SDG Bond achieved:

- 1) The lowest coupon rate in history for a bond in the euro market at a tenor of 15 years;
- 2) An over subscription of 2.6 times.

A total of 154 institutional investors participated in the issuance, 60 were ESG dedicated accounts, broadening Mexico’s investor base.

In the 2022 edition of the Bonds Awards Environmental Finance, the July 2021 bond was awarded in the category of “Innovation, use of proceeds for a sustainability bond”, the same category for which Mexico’s first SDG bond was recognized in 2021. This is a special recognition of the framework’s special geospatial eligibility criterion, which targets regions with the highest social gaps in the country.



Allocation Report





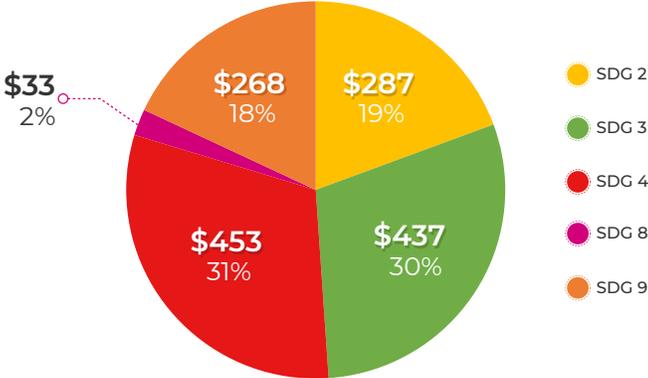
The proceeds of Mexico’s borrowings, including SDG Bonds, are used for the general purposes of the Government of Mexico to finance a portion of the Federal Budget of the corresponding fiscal year. The Federal Budget Program 2021 was planned during the previous year and is aligned with Mexico’s National Development Plan 2019-2024 and the 2030 Agenda.¹¹ For 2021, 78.7% of the federal budget programs were linked to at least one SDG and may have either a direct or indirect contribution.¹²

In practice, the resources from the SDG Bond 2021 are managed as a conventional sovereign bond, deposited in the Treasury Single Account for Government’s purposes. An amount equal to the net proceeds of the SDG Bond is allocated to the existing Eligible Expenditures which are included in the Federal Expenditure Budget (PEF, for its acronyms in Spanish) for the fiscal year 2021 that meet two important conditions:

- 1) Compliance of the six filters established on the SDG Bond Sovereign Framework¹³ for the selection process criteria (See **Annex II** for more detail);
- 2) And the seventh filter, which is the geospatial criterion only for Eligible Expenditures related to social SDG. (See **Annex III** for more detail)

The 2022 Allocation and Impact Report refers to the 2021 SDG Bond issuance (1.25 bn euro equivalent to USD 1.48 bn)¹⁴ allocated notionally across 30 Eligible Expenditures linked to SDG 2, 3, 4, 8 & 9, see **Figure 4**. Health and Education programs represent over 60% of the total allocation. More details regarding the allocation can be seen in **Annex IV**.

Figure 4: USD 1.48 bn allocation breakdown by SDG (USD MM, %)



The budget can be executed at municipal or state level (depending on the category and data availability of the budgetary program) and from this, the Eligible Expenditures related to Social SDG are subject to a geospatial criterion to target the most vulnerable population in areas with higher social gaps. It is important to mention that only the portion of the budgetary amount allocated to highly marginalized regions is considered for this report (see **Annex III**).

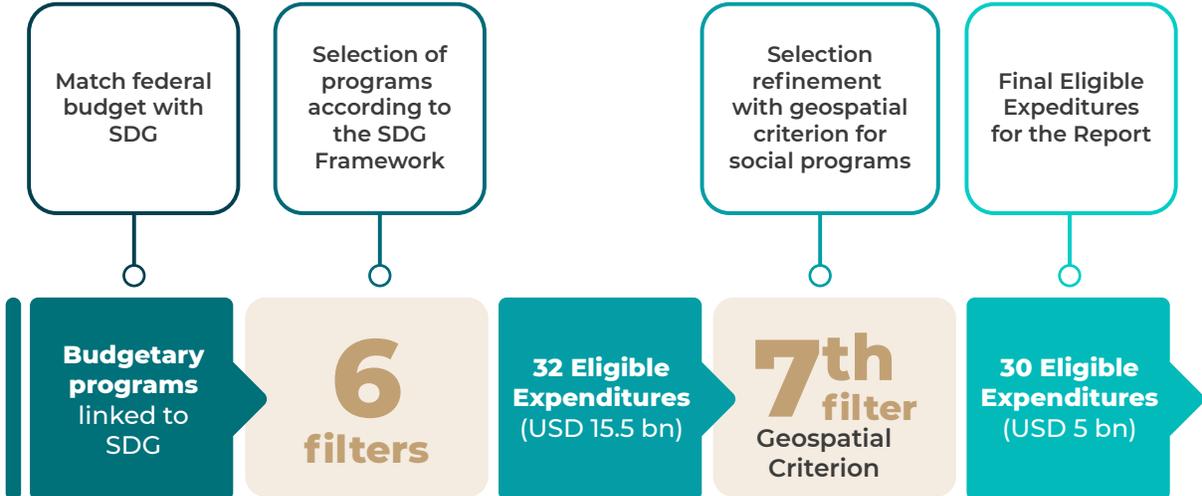
11 The Federal Budget Program is presented to the Lower House of Congress each September for their comments, changes, and approval. Therefore, the continuity of any project relies on the annual approval of the budgetary programs by the Lower Chamber.
 12 *Anexo Vinculación del Presupuesto con el Desarrollo Sostenible:* https://www.ppef.hacienda.gob.mx/work/models/PPEF2021/docs/exposicion/EM_Anexo.pdf
 13 The SDG Sovereign Bond Framework has remained unchanged (edition- February 2020) as of today. Hence, the allocation and impact report 2022 follows the same methodology from the previous allocation and impact report in 2021. Changes on this document will be disclosed to investors in the corresponding reporting.
 14 Average 2021 exchange rate EUR/USD= 1.182638077



Compared to the 2020 Eligible Expenditures pool, 75% of the programs continued in 2021 (32 Eligible Expenditures) and 11 budgetary programs were discontinued. The rationale behind is that Eligible Expenditures' selection process occurs once the budget is approved by the Congress, and thus the budgetary programs might be subject to budget restructuring.

The total budgetary amount in 2021 of the 32 Eligible Expenditures corresponds to USD 15.5bn (48% increased from 2020). Two Eligible Expenditures did not fulfill the geospatial criterion; hence, both the Allocation and Impact Report only refer to 30 Eligible Expenditures (see **Figure 5**).

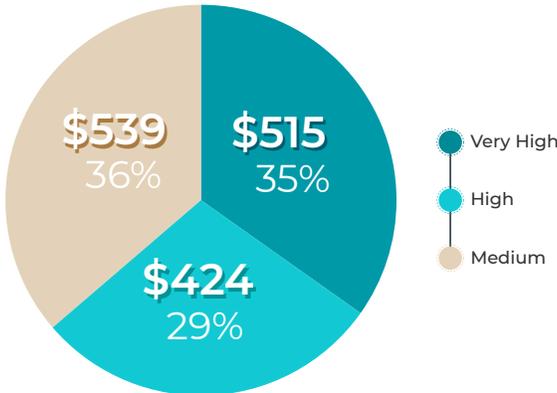
Figure 5: Overview of the selection process of Eligible Sustainable Expenditures for 2021



The geospatial criterion identified USD 5 bn of budgetary resources in marginalized areas, from which an equivalent amount to USD 1.48 bn (29.6%) are linked to the 2021 SDG Bond. Breaking down the allocation by social gap level, the USD 1.48 bn was distributed as follows: USD 515 million (35%) to Very High level, USD 424 million (29%) to High level, and USD 539 million (36%) to Medium level (see **Figure 6**).

In contrast to the 2020 SDG Bond Allocation and Impact Report, the allocation across these social gaps levels varied slightly for 2021: Very High level increased 1 percentage point (pp), High level decreased 2pp and Medium level increased 1pp.¹⁵

Figure 6: USD 1.48 bn allocation breakdown by Social Gap Level (USD MM, %)



¹⁵ The allocation report published in 2021 for the 2020 Eligible Expenditures in lagged areas was: Very High 34%, High 31% and Medium 35% social gap levels.



The allocation of the 30 Eligible Expenditures according to their budget execution level (state or municipal) was **i)** 12 eligible programs had an allocation to marginalized areas at municipal level (USD 538 million, 36%), whereas **ii)** 18 eligible programs at state level (USD 940 million, 64%), see **Figure 7** and **Figure 8**, respectively.

Figure 7: USD 538 MM¹⁶ allocated to marginalized municipalities through 12 Eligible Expenditures

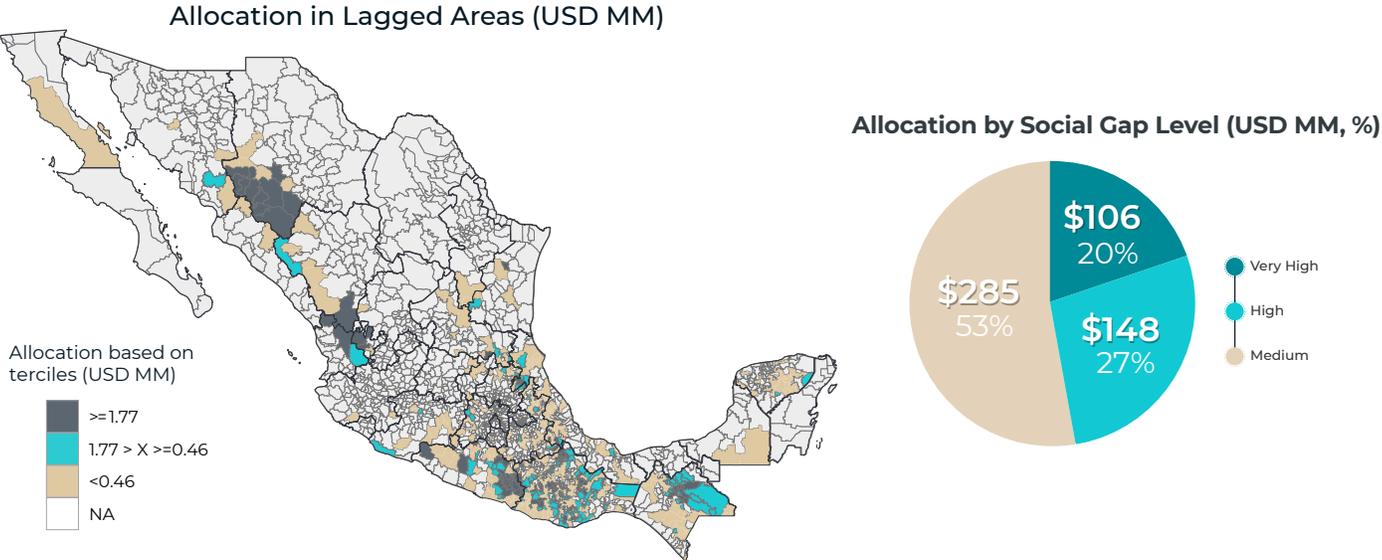
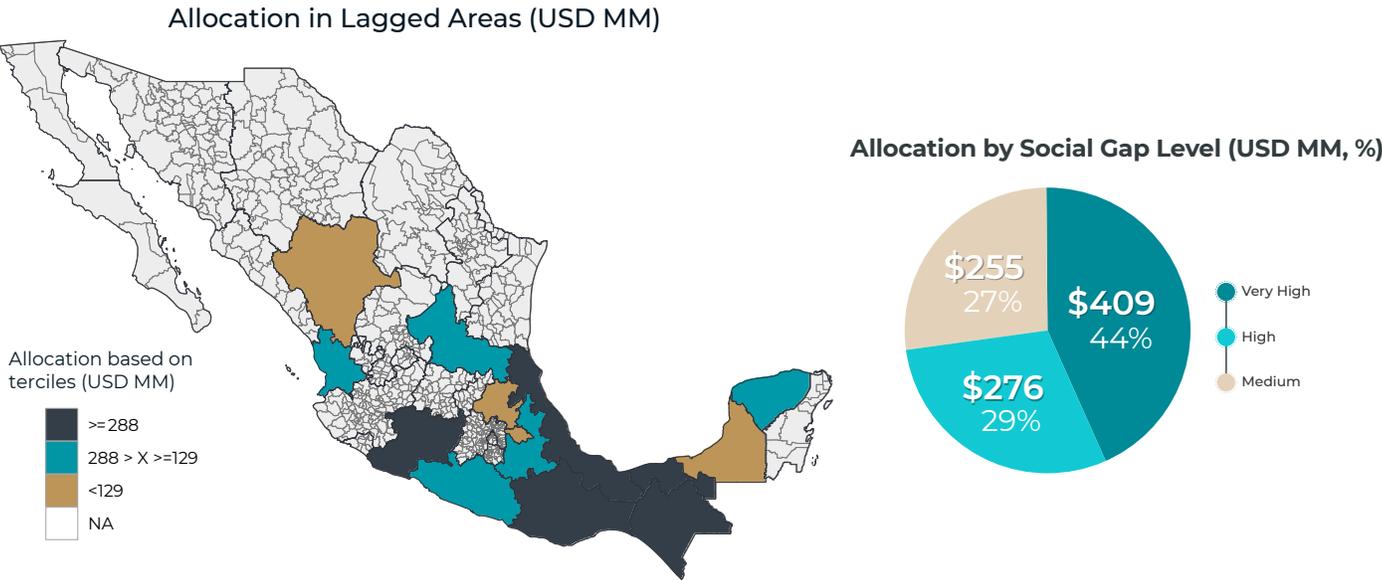


Figure 8: USD 940 MM¹⁷ allocated to marginalized states through 18 Eligible Expenditures.



The five largest Eligible Expenditures represent 67% of the total amount allocated (**Table 2**). These programs vary from health services, considered within SDG 3; scholarships, and training of educational professionals, contemplated in SDG 4; as well as production subsidies, responding to SDG 2; and an improvement of connectivity for marginalized areas, considered within SDG 9.

16 Figures may not add up due to rounding.
 17 Figures may not add up due to rounding.



Table 2: Top 5 Eligible Expenditures with highest notional allocation¹⁸

#	Responsible Ministry	Eligible Expenditure	Framework's Use of Resources	Geospatial Criterion	Budgetary resources in lagged areas (USD MM) ¹⁹	Portfolio weight (%)	Notional allocation ²⁰ (USD MM)	SDG
1	Health	Health Care and Free Medicines for the Population without Labor Social Security	Provision/distribution of healthcare equipment and services	State Level	\$ 1,101	22%	\$ 324	3
2	Public Education	Support to Education Centers and Organizations	Training for educational professionals	Municipal Level	\$ 679	14%	\$ 200	4
3	Well-Being	Sowing Life	Production subsidies to subsistence farmers for basic food products (staple food programs)	Municipal Level	\$ 645	13%	\$ 190	2
4	Public Education	Basic Education Scholarship Program for Well-Being Benito Juárez	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	Municipal Level	\$ 523	10%	\$ 154	4
5	Infrastructure, Communications and Transportation	Supervision, Regulation, Inspection, Verification and Administrative Services of Road Construction and Conservation	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	State Level	\$ 402	8%	\$ 118	9
Top 5 Eligible Expenditures with highest allocation					\$ 3,350	67%	\$ 985	
The remaining 25 Eligible Expenditures					\$ 1,675	33%	\$ 493	
					\$ 5,025	100%	\$ 1,478	

¹⁸ This table shows the notional allocation related to the SDG Bond issued in July 2021, the list is ordered by the highest notional allocation. For more detail on the allocation, please see **Annex IV**.

¹⁹ Average 2021 exchange currency USD/MXN = 20.28758846.

²⁰ Figures may not add up due to rounding.



Impact Report





This section is divided into three items: **i)** a breakdown by SDG at program level (output and beneficiaries from Eligible Expenditures, proportionally to the SDG Bond issued in July 2021) and the allocation map according to the Social Gap Index (the classification might show the aggregate municipal SGI); **ii)** Mexico’s state of affairs related to the SDG targets and their trend (variance respect to the previous report on 2020); and **iii)** case studies to provide a deeper analysis with granular data on the Eligible Expenditures.

The 2021 pool has 32 Eligible Expenditures, representing USD 15.5 bn. From these, two programs did not fulfill the geospatial criterion. Hence, the 2022 Impact Report informs on 30 Eligible Expenditures that fulfilled the seven criteria stipulated in Mexico’s SDG Sovereign Bond Framework (see **Figure 5**). The analysis carried out in this section is based on an outcome and output approach, which aims to show the trends on Mexico’s affairs indicators aiming to contribute to the SDG targets. This second impact report follows up on the evolution of indicators presented in the previous report.

The report confirms the continuity²¹ of the majority (75%) of budgetary programs classified as Eligible Expenditures under the Framework,²² considering the first SDG bond issuance in 2020. Eligible Expenditures are subject to budgetary restructuring on a yearly basis, as the selection process, based on the SDG Bond Framework, is carried out ex-post the federal budget approval by Congress annually.

Following the previous report, the data presented hereafter comes from several sources:

- i. the SDG Information System Platform (SIODS for its acronym in Spanish);
- ii. the Evaluation Performance System (SED for its acronym in Spanish);
- iii. the sectoral indicators aligned with the National Development Plan 2019-2024 (PND);
- iv. National Institute of Statistics and Geography (INEGI for its acronym in Spanish);
- v. National Council for the Evaluation of Social Development Policy (CONEVAL for its acronym in Spanish); and
- vi. the ministries themselves, for granular current data.

The data presented is a joint effort from the different ministries and public institutions, who are responsible to execute, monitor, and provide granular data on the Eligible Expenditures, which contributes to the materiality and quality of this report.

The Impact Report refers to:



Amount Allocated:
USD 1.48 bn



No. Eligible Expenditures:
30

21 Main changes from the list of 2020 vs. the 2021: 9 Eligible Expenditures were removed from the federal budget (mainly from Education and Health sector) but were compensated with the increase in budgetary amount in other programs within these sectors so the pool of Eligible Expenditures did not have a significant change; one program did not comply with the Pareto Principle and one program had potential negative spillover, so they were removed from the Eligible Expenditure pool for 2021.

22 SDG Sovereign Bond Framework (edition- February 2020): https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UMS-SDG_Sustainable_Bond_Framework.pdf.



2 ZERO HUNGER



Zero Hunger



Amount allocated:
USD 287 million



No. Eligible Expenditures:
3



Total Beneficiaries & Outputs:
381,893 farmers

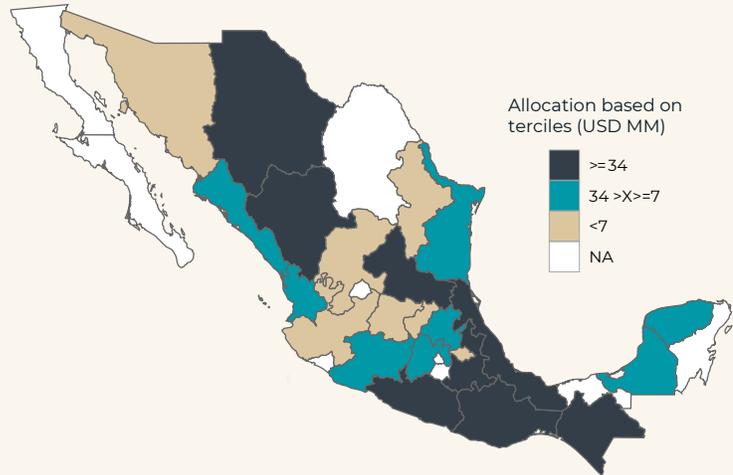


State of Affairs:
20.40% of the population lives with moderate or severe food insecurity in lagged areas (2018, Biannual)

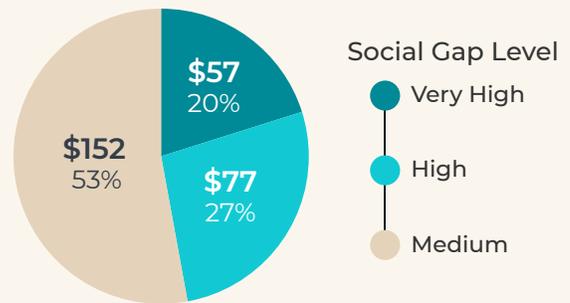


State of Affairs' Trend (2020-2021) →

Allocation in Lagged Areas (USD MM)



SDG 2 (USD MM, %)



Program-level results

Responsible Ministries (Source):



Agriculture and Rural Development



Well-Being





Zero Hunger

Program-level results

Responsible Ministries (Source):

- Agriculture and Rural Development (SADER for its acronym in Spanish)
- Well-Being (BIENESTAR for its acronym in Spanish)

SDG Contributions ²³	Eligible Expenditure (USD)	Framework's Use of Resources	Output Results & Beneficiaries
2.3 2.4 2.c 1.4	Guarantee Prices for Basic Food Products (21 MM)	Production subsidies to subsistence farmers for basic food products	6,971 small and medium farmers (maize, beans, rice, wheat and milk) were benefited
2.3 2.4 2.a	Well-Being Production (76 MM)	Consumption subsidies for basic food products	306,967 small and medium-scale producers with direct support granted
2.3 1.4 8.5	Sowing Life (190 MM)	Production subsidies to subsistence farmers for basic food products (staple food programs)	67,955 rural farmers with (at most) 2.5 ha. in lagging municipalities received economic support

Mexico's State of Affairs Indicators

SGG Target Description	Mexico's State of Affairs	SDG Bond Report 2021	SDG Bond Report 2022	Variance ²⁴ (pp)	Trend ²⁵ 2020-2021
2.3 Double the agricultural productivity and incomes of small-scale food producers, secure an equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	% of the population that lives with moderate or severe food insecurity in lagged areas (2018, Biannual)	20.40%	20.40%	0	→

Source: SIODS

²³ The SDG targets in black bold text refer to the SDG targets the programs have in common and are linked to the table below for Mexico's State of Affairs indicators. The black text and blue text are other direct and indirect contributions the program has on other SDG targets.

²⁴ Percentage change of the data shown from the 2020 report to the 2021 report.

²⁵ The "Trend" refer to the percentage change (variance, pp) of the indicator with respect to data shown in the latest report (2020). If it is stable, it means the indicator did not show any update in the figures as of the date of publication of this report. To relate it as impact, observed data in a middle to long-term period is needed to be significant.



3 GOOD HEALTH AND WELL-BEING



Good Health and Well-Being



Amount allocated:
USD 437 million



No. Eligible Expenditures:
9



Total Beneficiaries & Outputs:

- **3.3 million** tended people through health facilities and medical services
- **894** researchers and professionals in health education
- **24** states that received financial support to provide health services
- **161** verifications on healthcare facilities against sanitary risks



State of Affairs:
28.20% of the population do not have access to health services **(2020, Biannual)**

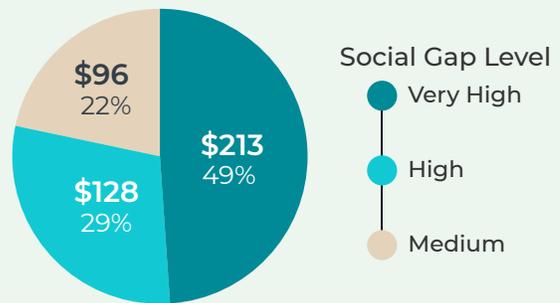


State of Affairs' Trend (2020-2021) **➔**

Allocation in Lagged Areas (USD MM)



SDG 3 (USD MM, %)



Program-level results

Responsible Ministries (Source):



Health





Good Health and Well-Being

Program-level results

Responsible Ministries (Source):

- Health (SSA for its acronym in Spanish)

SDG Contributions	Eligible Expenditure (USD)	Framework's Use of Resources	Output Results & Beneficiaries
3.c 4.4	Training and Training of Human Resources for Health (0.5 MM)	Support to health professionals through the purchase of materials, mobility, and training	872 health professionals enrolled in medical education continuity programs
3.b 9.5 9.b	Research and Technological Development in Health (2 MM)	Health related research and technological development funding	22 researchers funded for developing research projects
3.2 3.1 3.4	Health Care (102 MM)	Provision/distribution of healthcare equipment and services	243,799 medical examinations made (first time) to people without social security & 4 states that received financial support to provide health services ²⁶
3.a 3.5	Addiction Prevention and Care (0.5 MM)	Addiction prevention and care	619,907 people received prevention actions in ranges from 6 to 11 years of age and from 18 onwards, in municipalities or delegations where Centros de Integración Juvenil, A.C. are present & 4 states received financial support to provide health services
3.2 3.8	Vaccination Program (0.4 MM)	Provision/distribution of healthcare equipment and services	219,079 children 1> year of age were vaccinated with pentavalent vaccine and children with 4 years of age were vaccinated with DPT & 4 states received financial support to provide health services

²⁶ "States that received financial support to provide health services" in the output results refer to the department capitals of the Ministry of Health that distribute the federal budget at state level for health care facilities.



3.d	Protection Against Health Risks (1 MM)	Provision/distribution of healthcare equipment and services	161 healthcare facilities verification against sanitary risks attended & 4 states received financial support to provide health services
3.3	Prevention and Care of HIV/AIDS and other STDs (0.5 MM)	Prevention and care of Sexual Transmitted Infections	389 people with HIV took antiretroviral therapy & 4 states received financial support to provide health services
3.7 3.2 3.1 3.d 5.2 5.3 5.6 16.1	Maternal, Sexual and Reproductive Health (6 MM)	Services, and equipment to improve sexual and maternal health	72,809 women (≥15 years old) [including newborn children when applicable] received medical attention and supplies (mainly contraceptives) & 4 states received financial support to provide health services
3.8	Health Care and Free Medicines for the Population without Labor Social Security (324 MM)	Provision/distribution of healthcare equipment and services	2,170,124 people who do not count with social security.

Mexico's State of Affairs Indicators

SGG Target	Mexico's State of Affairs	SDG Bond Report 2021	SDG Bond Report 2022	Variance (pp)	Trend 2020-2021
3.2 End preventable deaths of newborns and children under 5 years of age.	deaths per 1,000 live births under 5 years (2019, Annual)	15.8	15.4	-2.53	↓
3.3 End the epidemics of AIDS, tuberculosis, malaria, and other communicable diseases.	% of people living with HIV who know their serological status. (2021, Annual)	70.59%	82.78%	12.19	↑



3.7 Ensure universal access to sexual and reproductive health-care services, including for family planning, information, and education	women that die per 100,000 live births (maternal mortality) (2020, Annual)	54	54	0	→
3.8 Achieve universal health coverage, including financial risk protection, quality and affordable essential medicines and vaccines for all.	% of the population that does not have access to health services. (2020, Biannual)	28.20%	28.20%	0	→
3.a Strengthen the implementation of the WHO Framework Convention on Tobacco Control in all countries	Young people between 12 and 17 years old who participate in activities aimed at the prevention of addictions. (2021, Annual)	2,835,684	3,125,199	10.21	↑
3.b Support the research and development of vaccines and medicines.	% of federal resources for scientific research and technological development for health from Health Ministry (2021, Annual)	0.4%	0.3%	-0.1	→
3.c Increase health financing and the recruitment, training and retention of the health workforce.	new employment positions of medical specialists in training (2021, Annual)	7,789	12,143	55.90	↑
3.d Strengthen the capacity of all countries in early warning, risk reduction and management of national and global health risks	% compliance with public policies focused on protection against health risks (2021, Annual)	85.67%	100.00%	14.33	↑

Source: CONEVAL, SIODS, SHCP





Quality Education



Amount allocated:
USD 453 million



No. Eligible Expenditures:
12



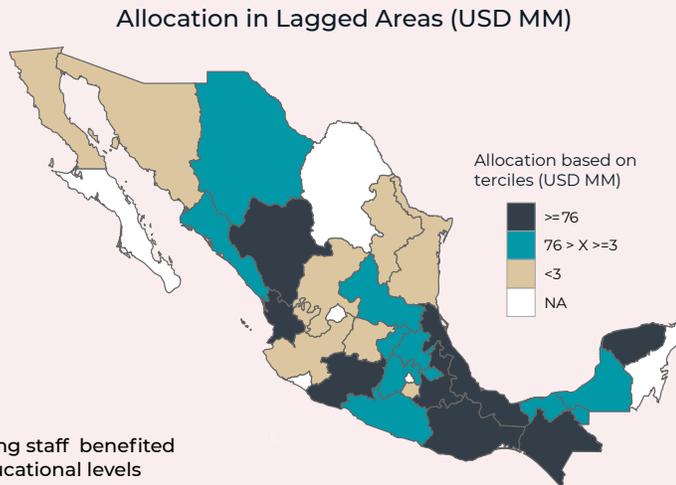
- Total Beneficiaries & Outputs:**
- **3.2 million** students and teaching staff benefited with scholarship grants in all educational levels
 - **1** municipality supported for building infrastructure in education²⁷
 - **22.8 million** books and educational materials distributed
 - **698,590** families benefited with economic grants for education
 - **99** education institutions supported to provide education services



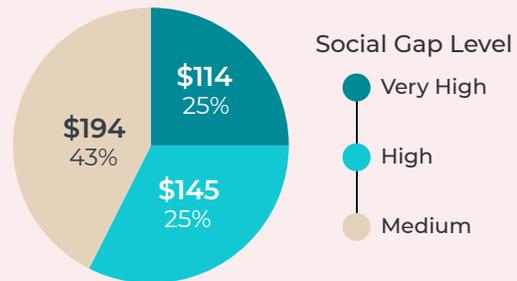
State of Affairs:
37.80% of youth and adults participate in formal and non-formal education and training in the last 12 months (**2021, Annual**)



State of Affairs' Trend (2020-2021)



SDG 4 (USD MM, %)



Program-level results

Responsible Ministries (Source):



Public Education



National Council for Science and Technology

²⁷ The National Reconstruction Program is managed by different ministries (Culture, Health, and Education). The program aims to provide financial support to municipalities jeopardized by the earthquakes. The municipality selected as target population must fulfill the selection criteria established on the operation rules' of the program: <https://www.gob.mx/conavi/documentos/reglas-de-operacion-del-programa-nacional-de-reconstruccion-2021> The Eligible Expenditure refers only to the actions undertaken by the Ministry of Education. The Ministry of Education provided support to 7 municipalities during 2021 for building infrastructure, only 1 municipality, located in Guerrero, was classified as "High" lagged level under the SGI, which is the one the report refers to.



Quality Education

Program-level results

Responsible Ministries (Source):

- Public Education (SEP for its acronym in Spanish)
- National Council for Science and Technology (CONACyT for its acronym in Spanish)

SDG Contributions	Eligible Expenditure (USD)	Framework's Use of Resources	Output Results & Beneficiaries
4.6	Production and Distribution of Books and Educational Materials (20 MM)	Purchase of hardware equipment for education purposes	22,799,973 books and educational materials distributed & 3,043,627 Students enrolled in the national education system (preschool, primary and telesecundaria)
4.1 4.2 4.5	Basic Education Scholarship Program for Well-Being Benito Juárez (154 MM)	Students/educational scholarships (to cover fees or living cost) for basic education or high school	698,590 families received scholarships for their children enrolled in Basic Education which live in vulnerable areas or have an income level below the Poverty Line
4.3 4.4 4.5 4.6	Elisa Acuña Scholarship Program (0.6 MM)	Students/educational scholarships (to cover fees or living cost) for basic education or high school	1,485 students benefited with scholarship grants for continuing their studies
4.6 4.7 4.c	Program for Teaching Professional Development ²⁸ (0.4 MM)	Training for educational professionals	234 teaching staff of public schools of upper secondary education enrolled in academic programs & 51 direct financial support for educational facilities
4.a 4.4 4.7 4.3	Strengthening Educational Excellence (0.1 MM)	Purchase of hardware equipment for education purposes	4 public institutions of higher education that received resources to increase educational capabilities and management

28 This program remained in 2021 as an eligible program since in 2020 it had a direct SDG contribution to target 4.6. For the upcoming report, if all the SDG targets remained as indirect contributions, the program will be removed from the pool in the next report.



4.2 4.5 10.2	Expansion of Initial Education (3 MM)	Purchase of hardware equipment for education purposes	4,647 children from 0 to 3 years old benefited & 26 childcare centers received resources to improve the conditions of civil protection, equipment, preventive and corrective maintenance
4.3 4.1 4.4 4.5	Support to Education Centers and Organizations (200 MM)	Training for educational professionals	18 Centers, Organizations, Civil Society and Federal Entities received resources for their operational activities
4.3 4.4 4.5 4.7 4.a 8.6	Universities for Well-Being Benito Juárez García (11 MM)	Construction and improvement of schools, campus, student housing	8,739 students at universities Benito Juárez who live in marginalized areas
4.3 4.5	Universal Scholarship for High School Students Benito Juárez (46 MM)	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	167,430 students from public schools received high-school scholarships (those enrolled at the beginning of the school year)
4.3 4.5	Young People Writing the Future (17 MM)	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	20,332 students (≤ 29 years of age) received scholarships for higher education, with income level below the Poverty Line
4.a	National Reconstruction Program (0.1 MM)	Construction and improvement of schools, campus, student housing	1 lagged municipality received resources for building infrastructure in education due to earthquakes jeopardy ²⁹
4.b 4.5 4.7 5.1 9.5 9.7 12.9 13.3	Postgraduate Scholarships and Quality Support (0.5 MM)	Educational grants	127 Postgraduate level scholarships

29 The National Reconstruction Program is managed by different ministries (Culture, Health and Education). The program aims to provide financial support to municipalities jeopardized by the earthquakes. The municipality selected as target population must fulfill the selection criteria established on the operation rules' of the program:

<https://www.gob.mx/conavi/documentos/reglas-de-operacion-del-programa-nacional-de-reconstruccion-2021>

The Eligible Expenditure refers only to the actions undertaken by the Ministry of Education. The ministry of Education provided support to 7 municipalities during 2021 for building infrastructure, only 1 municipality in Guerrero was classified as "High" lagged level under the SGI, which is the one the report refers to.



Mexico's State of Affairs Indicators

SGG Target	Mexico's State of Affairs	SDG Bond Report 2021	SDG Bond Report 2022	Variance (pp)	Trend 2020-2021
4.1 Ensure that all girls and boys complete free, equitable and quality primary and secondary education	% of school dropouts at the secondary level (2020, Annual)	2.70%	2.70%	0	→
4.2 Ensure that all girls and boys have access to quality early childhood development, care, and pre-primary education	% of children participating in organized learning (one year before the official primary entry age) (2021, Annual)	91.90%	93.30%	1.4	↑
4.3 Ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university	% of youth and adults participate in formal and non-formal education and training in the last 12 months (2021, Annual)	38.50%	37.80%	-0.7	→
4.a Build and upgrade education facilities that are child, disability, and gender sensitive to provide safe and effective learning environments	% of primary schools that have electricity (2021, Annual)	85,95%	89,58%	3.63	↑
	% of primary schools that have access to tap water (2021, Annual)	73,02%	75.04%	2.02	↑
4.b Increase globally the number of scholarships available to developing countries, least developed countries, small island developing states and African countries, to enable their students to enroll in higher education programs.	graduated students that had a scholarship and entered to the National System of Research in Mexico (SNI) (2021, Annual)	2692	2752	2.23	↑
4.6 The proportion of youth (aged 15-24 years) have achieved or exceeded a given level of proficiency in (a) literacy and (b) numeracy.	% of youth that have achieved or exceeded a given level of proficiency in a) literacy and b) numeracy (2020, Annual)	99.10%	99.10%	0	→

Source: CONEVAL, SIODS, SHCP



Decent Work and Economic Growth



Amount allocated:
USD 33 million



No. Eligible Expenditures:
2



Total Beneficiaries & Outputs:

- **138** bank branches in lagged areas
- **30,897** Indigenous and Afro-Mexican People, **7,158** were women supported



State of Affairs:
13 bank branches for every 100,000 adults (**2020, Annual**)

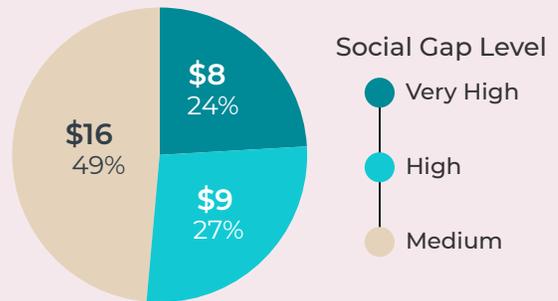


State of Affairs' Trend (2020-2021)

Allocation in Lagged Areas (USD MM)



SDG 8 (USD MM, %)



Program-level results

Responsible Ministries (Source):



Ministry of Finance and Public Credit



Non-sectorized Entities:
National Institute of Indigenous People





Decent Work and Economic Growth

Program-level results

Responsible Ministries (Source):

- Finance and Public Credit (SHCP for its acronym in Spanish)
- Non-Sectorized Entities: National Institute of Indigenous People (INPI for its acronym in Spanish)

SDG Contributions	Eligible Expenditure (USD)	Framework's Use of Resources	Output Results & Beneficiaries
8.10	Financial Inclusion Program (24 MM)	Access to financing and financial services	138 new bank branches of <i>Banco del Bienestar</i> network in lagged areas
8.9 1.1 1.2 1.4 10.1 10.2 11.4 2.3 2.4 6.1 6.2 6.4 6.8 7.1 8.5 9.1 9.3	Program for the Integral Well-Being of Indigenous People (9 MM)	Employment generation in sustainable tourism for indigenous and Afro-Mexican people	30,897 Indigenous and Afro-Mexican people, that lack infrastructure services; that promote cultural heritage, strategic economic projects and community tourism services were benefited & 7,158 Indigenous and Afro-Mexican women supported by the program

Mexico's State of Affairs Indicators

SGG Target	Mexico's State of Affairs	SDG Bond Report 2021	SDG Bond Report 2022	Variance (pp)	Trend 2020-2021
8.9 Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture.	% Annual growth rate of direct tourist GDP as a proportion of total GDP (2020, Annual)	6.70%	6.70%	0	→
8.10 Strengthen the capacity of domestic financial institutions to expand access to banking, insurance and financial services for all	Number of bank branches from Development Banks (2021, Annual)	618	1163	88.19	↑
	Number of commercial bank branches for every 100,000 adults (2020, Annual)	13	13	0	→

Source: Ministry of Well-Being, SIODS, SHCP



Industry Innovation and Infrastructure



Amount allocated:
USD 268 million



No. Eligible Expenditures:
4



Total Beneficiaries & Outputs:
1,853 km built and/or modernized



State of Affairs:
4.92% of the population with low or very low access to paved roads in states with Social Gap Index (SGI) equal or above "medium" level **(2020, Biannual)**

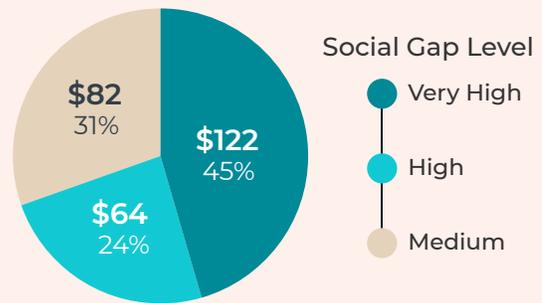


State of Affairs' Trend (2020-2021) **➔**

Allocation in Lagged Areas (USD MM)



SDG 9 (USD MM, %)



Program-level results

Responsible Ministries (Source):



Infrastructure, Communications and Transportation





Industry Innovation and Infrastructure

Program-level results

Responsible Ministries (Source):

- Infrastructure, Communications and Transportation (SICT for its acronym in Spanish)

SDG Contributions	Eligible Expenditure (USD)	Framework's Use of Resources	Output Results & Beneficiaries
9.1 3.6	Supervision, Regulation, Inspection, verification and Administrative Services of Road Construction and Conservation (118 MM)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	295 Km supervised in the construction and modernization of highways
9.1	Road Construction Projects (33 MM)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	17 Km in operation were tended by Road Construction Projects program
9.1	Construction Projects for Feeder Roads and Rural Roads (32 MM)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	58 Km of rural and feeder roads constructed in highly marginalized states
9.1 3.6	Conservation of Rural Roads and Feeder Roads Infrastructure (85 MM)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	1,483 Km treated under Conservation of Rural and Feeder Roads Infrastructure Program

Mexico's State of Affairs Indicators

SGG Target	Mexico's State of Affair	SDG Bond Report 2021	SDG Bond Report 2022	Variance (pp)	Trend 2020-2021
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.	% of the population has low or very low access to paved roads in marginalized states (2020, Biannual)	4.92%	4.92%	0	→
	% of the total rural dwellers lives within two kilometers of an all-season road (2020, Decade)	99.85%	99.85%	0	→

Source: CONEVAL, SIODS

Case Studies





Sowing Life

2.3 Double the agricultural productivity and incomes of small-scale food producers, secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

Responsible Ministry: Well-Being (BIENESTAR)



In 2018, 32.3% of the total population living in poverty in Mexico resided in rural areas. The program seeks to bridge social gaps while addressing the environmental degradation problem. Its objectives are to rescue the fields, reactivate the local economy and regenerate the social fabric in the communities. Financial and in-kind support is given to farmers who work in agroforestry activities that live in marginalized municipalities or rural localities.

Allocated resources



**USD
190 MM**



Beneficiaries

67,955 rural farmers with (at most) 2.5 ha. in lagging municipalities benefited, from this approx. **30%** were women

Breakdown by Social Gap Level

	Allocation	Outputs
Very High	\$39 MM	14,289
High	\$56 MM	20,187
Medium	\$95 MM	33,479

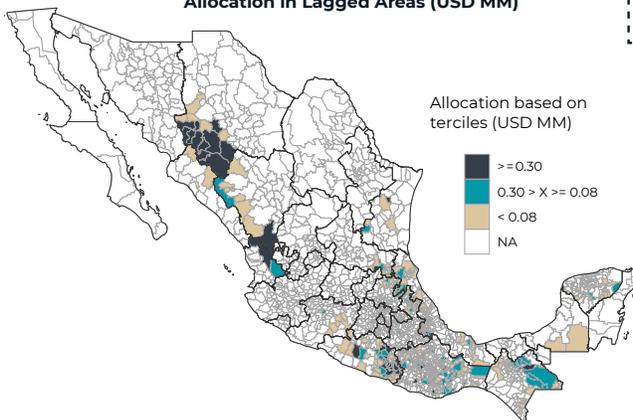


SDG Contribution

2.3
1.4
8.5



Allocation in Lagged Areas (USD MM)





Health Care and Free Medicines for the Population without Labor Social Security

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

Responsible Ministry: Health (SSA)



In 2020, 52% of the population in Mexico didn't have social security. The program contributes to reducing the gaps on inequality in health by financing the free provision of health services, medicines and supplies for people without social security, in conditions of high or very high marginalization. The program is a combination of health promotion, prevention, diagnosis, treatment, rehabilitation interventions, among other health facilities.

Allocated resources



USD 324 MM



Outputs 2,170,124* people benefited through health facilities

Breakdown by Social Gap Level

	Allocation	Outputs*
Very High	\$153 MM	1,025,288
High	\$119 MM	796,799
Medium	\$52 MM	348,037

*subset calculated proportionally to the geospatial allocation of the program

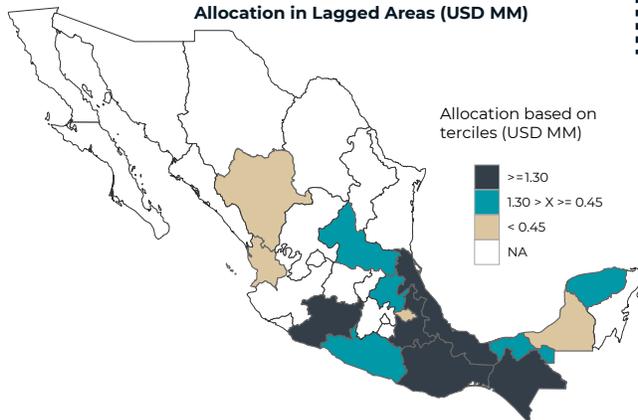


SDG Contribution

3.8



Allocation in Lagged Areas (USD MM)





Basic Education Scholarship Program for Well-Being Benito Juarez

4.1 Ensure that all girls and boys complete free, equitable and quality primary and secondary education.

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



High School dropout rate in 2020/2021 was 10.8%. To decrease this rate, the program aims to increase social welfare and equality by granting scholarships for the continuance and school completion of students in public high school institutions. It prioritizes educational institutions in indigenous or marginalized regions.

Allocated resources ●●●●●●●●



USD 154 MM



Outputs
698,590 families received scholarships for students.



1,086,719 basic levels scholarships provided, from which 67% were given to women.

Breakdown by Social Gap Level

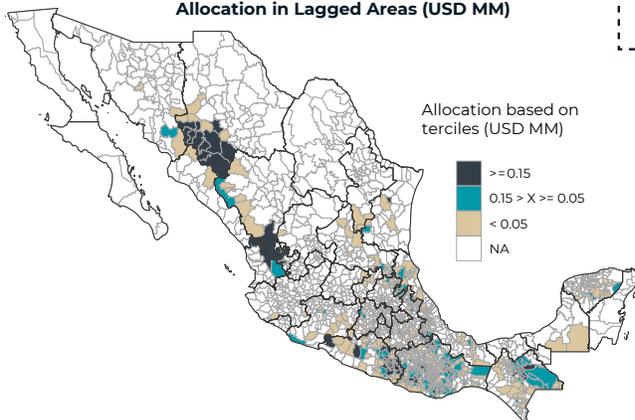
	Allocation	Outputs	Outputs
Very High	\$32 MM	154,216	237,999
High	\$46 MM	210,261	329,563
Medium	\$75 MM	334,113	519,156



SDG Contribution
4.3
4.5



Allocation in Lagged Areas (USD MM)





Financial Inclusion Program

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

Responsible Ministry: Finance and Public Credit (SHCP) ●●●●●●●●



The Financial Inclusion Program provides financial education and seeks to increase the use and access to financial products and services. It targets low-income population or vulnerable groups without access to formal financial services. The financial access is provided through bank branches of *Banco del Bienestar*.

Allocated resources ●●●●●●●●



USD 24 MM



Outputs
138 new bank branches of Banco del Bienestar

Breakdown by Social Gap Level

	Allocation	Outputs
Very High	\$5 MM	29
High	\$6 MM	33
Medium	\$13 MM	76

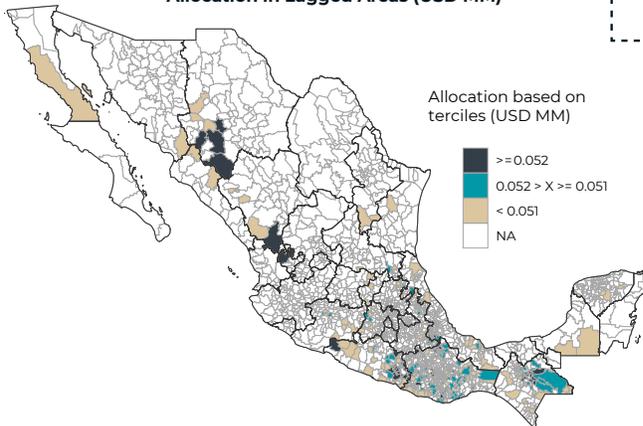


SDG Contribution

8.10



Allocation in Lagged Areas (USD MM)





Conservation of Rural Roads and Feeder Roads Infrastructure

9.1 Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure.

Responsible Ministry: Infrastructure, Communications and Transportation (SICT)



One of the reasons indigenous communities are marginalized is the difficulty to access larger urban areas, given their little connectivity with the rest of the country. This program aims to build highways that improve the accessibility and connectivity of the municipal capitals enrolled in the program. The construction of these roads will be done through the use of local labor, taking advantage of both the knowledge and the materials of the region, which also promote new sources of employment and local economic activity.

Allocated resources ●●●●●●●●



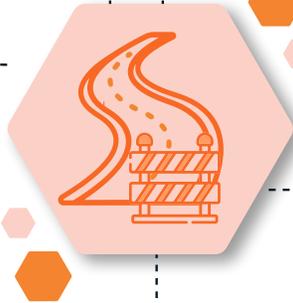
USD 85 MM



Outputs
1,483 km treated in marginalized regions

Breakdown by Social Gap Level

	Allocation	Outputs
Very High	\$51 MM	1,018
High	\$5 MM	23
Medium	\$29 MM	443

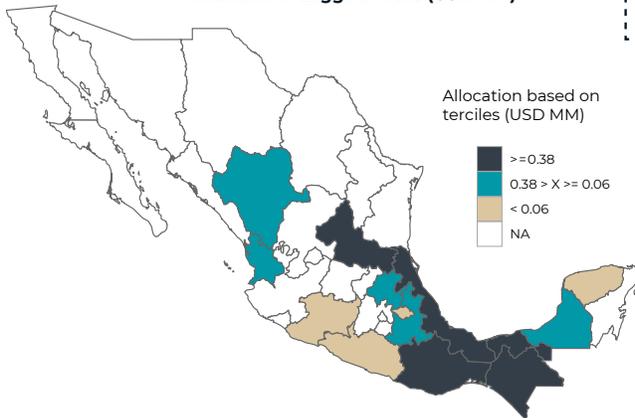


SDG Contribution

9.1



Allocation in Lagged Areas (USD MM)



Annexes

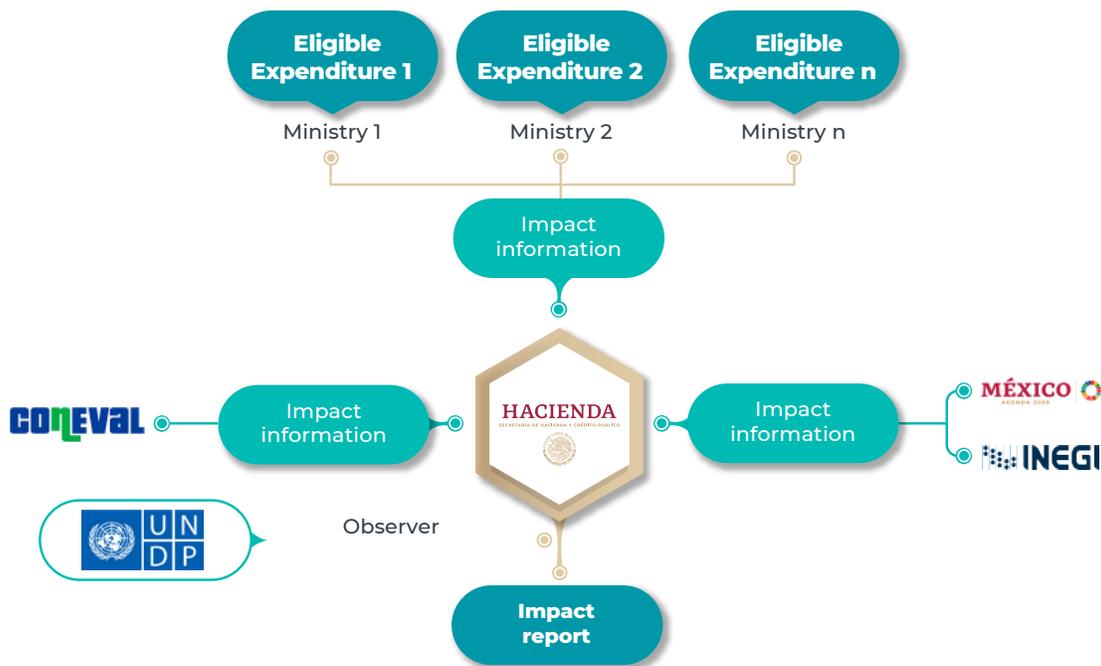




I) Governance on Eligible Expenditures and the SDG Bond Report

A multistakeholder governance structure is essential to address sustainability as a national policy. For Mexico, a sound governance structure is key for paving the way to provide certainty to the continuity of the 2030 Agenda in the following years. It also ensures a monitoring system in the implementation and evaluation of the different public policies, whose objectives are aligned to the SDG by providing order, assigning responsibilities, and strengthening the criteria used in the Framework.

Figure 9: Impact Report elaboration process



Governance process for the Eligible Expenditures and the SDG Bond Report 2022

Recently, the National Council for the 2030 Agenda for Sustainable Development was transferred from the Office of the President to the Ministry of Economy. Due to this transition, in October 2021, the 2021 Eligible Sustainable Expenditures were presented at one of the technical committees of the 2030 Agenda to revise the information provided by SHCP, as established in the Framework.

The Eligible Expenditures' Second Party Opinion, provided by Moody's ESG Solutions, has been updated yearly to guarantee the alignment of the SDG Bond Framework with the ICMA's principles (Green & Social Bond Principles and Sustainable Bond Guidelines- edition 2021). The latest SPO was published in February 2022.

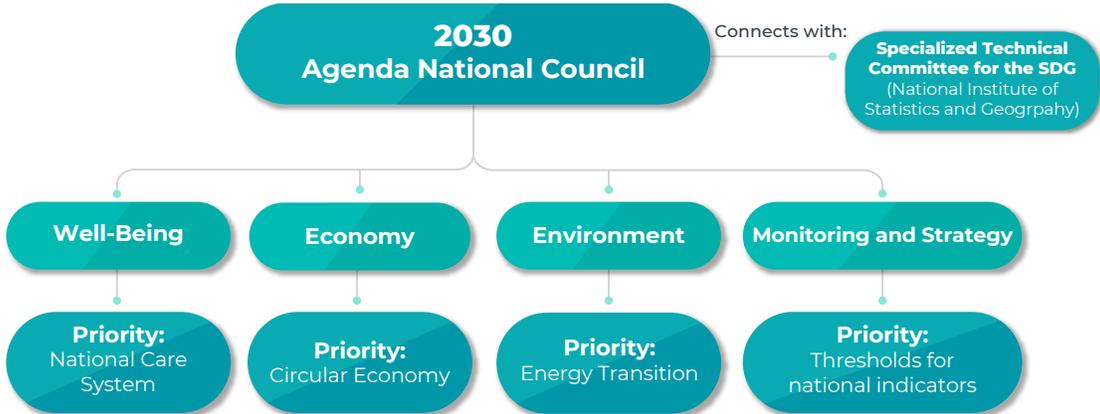
Additionally, the 2022 Eligible Expenditures pool was presented in April to all technical committees of the 2030 Agenda National Council to ensure that all the responsible ministries, which execute the budgetary programs, agree on the information provided. This effort followed the priority to create synergies for the upcoming report (see **Figure 10**).



Lastly, the SHCP presented at the CTEODS Mexico's State of Affairs indicators used in this report and explained how the impact report is elaborated and the importance of having updated and granular indicators related to the SDG targets.

For the upcoming years, the SHCP will keep updating the Second Party Opinion (SPO) for the Eligible Expenditures and present to the committees of the 2030 Agenda National Council to ensure the alignment with the SDG Bond Framework.

Figure 10: 2030 Agenda's governance structure



External verification updates:

1) Second Party Opinion on Eligible Expenditures 2021:³⁰

Second Party Opinion on Mexico's SDG Sovereign Bond Framework
By Vigeo Eiris, Moody's ESG Solutions

MOODY'S | ESG Solutions

"V.E considers that Mexico's SDG Bond Sovereign Framework is aligned with the four core components of the ICMA's Green Bond Principles and Social Bond Principles. The Issuer has formalized fourteen SDG Eligible Categories (the "Eligible Categories") in the SDG Sovereign Bond Framework. The net proceeds of the 2021 Bond will exclusively finance, in part or in full, expenditures ("the Eligible Sustainable Expenditures" or "the Eligible Expenditures") falling under twelve of the fourteen Eligible Categories. The Issuer has committed to request the update of this SPO in case of any change in the Portfolio of Eligible Sustainable Expenditures and/or the Framework to confirm its continued alignment with the GBP and SBP 2021." (edition-July 2021)

2) Opinion on the SDG Bond Allocation and Impact Report 2022:³¹

Non-Binding Opinion on Mexico's SDG Sovereign Bond Allocation & Impact Report 2022
United Nations Development Programme

"UNDP is of the opinion that Mexico's SDG Bond Allocation & Impact Report 2022 complies with the criteria established in the UMS SDG Sovereign Bond Framework. It has contributed to the strengthening of the country's capabilities and accountability mechanisms by detonating participatory and deliberative dynamics within the 2030 Agenda governance structure. Furthermore, the dynamics between the Ministry of Finance, line ministries and other institutions has contributed to improve granularity of data for monitoring outputs and outcomes and to link Eligible Expenditures with marginalized territories."

30 Second Party Opinion on the sustainability of on Mexico's SDG Sovereign Bond Framework: https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/2021_VigeoEiris_SPO_SHCP.pdf

31 UNDP's Opinion on Mexico's SDG Bond Report 2022: https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UNDPs_opinion_on_the_2022_SDG_Bond_Allocation_and_Impact_Report.pdf



II) Recap on the Selection Process of Eligible Expenditures

Eligible Sustainable Expenditures

As part of the four core components from the ICMA's bond principles (edition 2021), 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 Principle" 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.

Eligible Sustainable Expenditures according to the Framework may incorporate the categories of the budget lines shown in **Figure 11**. Only 11 of the 17 SDG are included within the Framework 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 according to the objectives of the Ministry who manages it. For instance, SDG 5 related to Gender Equality was not included in the Framework even though many Eligible Expenditures such as scholarships for youths, employment training or support for the implementation of agroforestry systems, contribute to reduce gender gaps. It is important to mention that gender is a transversal issue contemplated in various budgetary lines.



Figure 11: SDG Bond Framework's Use of Resources

Social SDG:

- 
 - Production subsidies to small and medium farmers (<20ha)
 - Training to small and medium farmers (<20ha)
 - Free school meals
 - Agricultural insurance
- 
 - Public hospitals and medical equipment
 - Public health professionals' support
 - Provision of targeted public health programs
- 
 - Public schools and educational equipment
 - Educational training centers
 - Educational scholarships
- 
 - Digital payment systems
 - Bank branches in isolated areas
 - Cultural and natural heritage centers
 - Construction of infrastructure run by indigenous and Afro-Mexicans
 - Scholarships for employment training
 - Development and maintenance of employment training centers & programs
- 
 - Development of rural roads
 - Access to internet

Green SDG:

- 
 - Public water treatment infrastructure improvement
 - Hydro-agriculture modernization
 - Public dam heads and structures improvement
 - Projects to reduce water related hazards
- 
 - Clean energy generation and infrastructure
 - Smart grids
 - Energy efficiency programs
- 
 - Electric rail transportation
 - Multimodal platforms
 - Bus-rapid-transit systems
- 
 - Renewable energy generation
 - Energy efficiency investments in public buildings
- 
 - Sustainable watersheds management and conservation
- 
 - Sustainable forestry development
 - National Parks management
 - Wildlife conservation

If the SHCP 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 SDG.

III) Geospatial Criterion: Targeting the Most Vulnerable Population

The Social Gap Index (SGI) is calculated by the National Council for the Evaluation of Social Development Policy (CONEVAL for its acronym in Spanish). 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.³² It is a continuous index but can be categorized into five 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 latter corresponding to the highest levels of deprivation.

The SGI is updated each 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 are 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 considered the budget allocated to states with SGI Level equal or above “Medium level”.

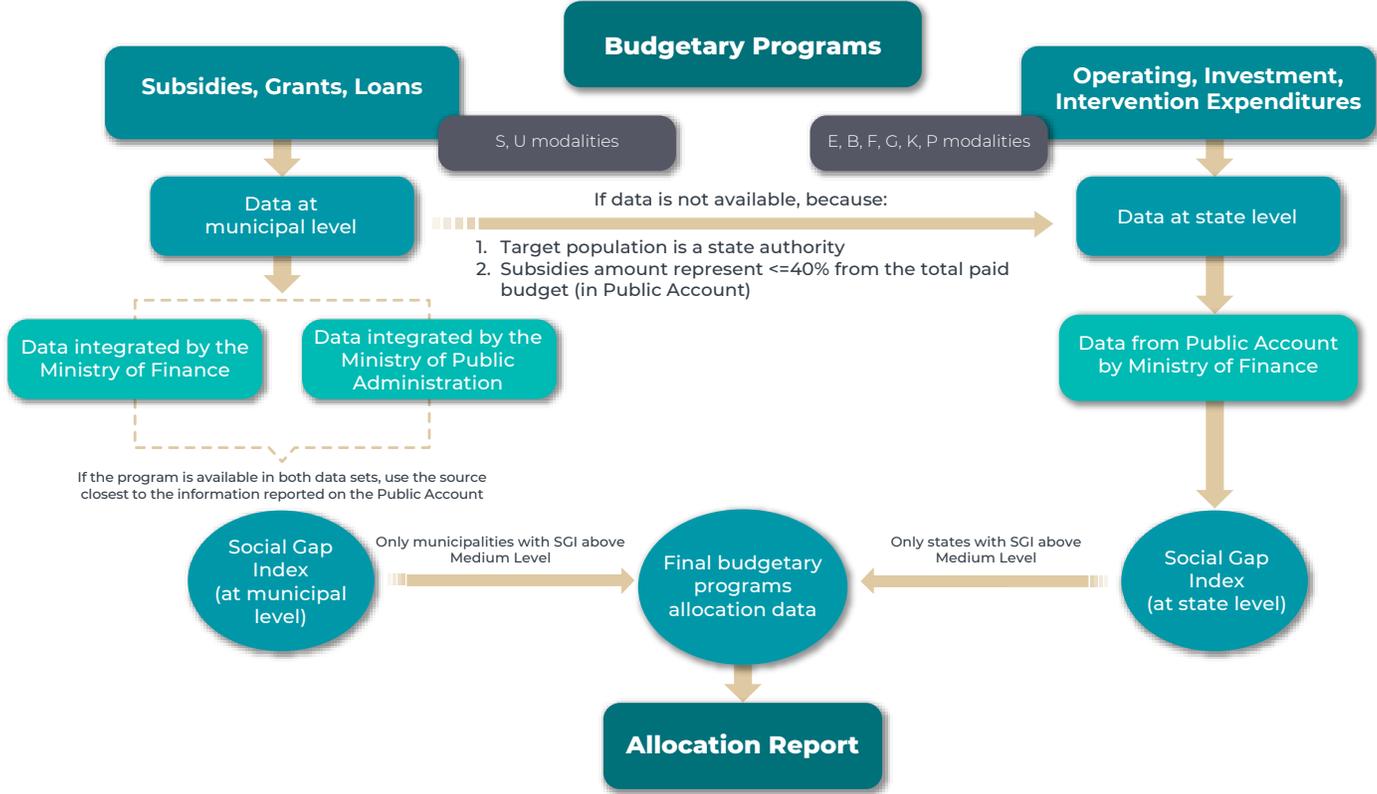
The granularity of the data used for the allocation at either municipal or state level is determined according to the type of budgetary program (subsidies,³³ transfers, operating expenditures, investment projects, among others) and whether subnational entities are responsible for executing that budget. The political and administrative structure under which the country operates is a federal republic, where states and municipalities have sovereignty and autonomy on their budget execution processes.

³² It is not a multidimensional poverty measurement, since it does not incorporate income, social security, and food indicators.
³³ 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.



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 **Figure 12**.

Figure 12: Methodology to obtain granular geospatial data on Eligible Expenditures³⁴



Source: Ministry of Finance.

IV) Allocation Report’s Methodology

The Allocation Report methodology consists in i) first, identifying the budgetary resources on marginalized regions as established on the Geospatial Criterion (**Annex III**) on Eligible Expenditures linked to Social SDG (**Column A**), ii) calculating the weights according to the Column A (**Column B**), and iii) distributing the SDG Bond issuance across the weights from Column B (**Column C**).

For the 2022 Allocation Report, the SDG Bond amount issued in 2021 was US 1,478 million (1,250 million euros) and is distributed across the 30 Eligible Expenditures that fulfilled the seven criteria established in the Framework. See **Table 3**.

34 Mexico’s SDG Bond Allocation and Impact 2021, page 16-18: https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/Mexico_SDG_Bond_Allocation-Impact_Report_2021.pdf.

Table 3: Eligible Expenditures' 2021 Allocation

2021 Eligible Expenditures									
#	SDG	SDG contributions ³⁵	Responsible Ministry	Eligible Expenditure	Framework's Use of Resources	Geospatial Criterion	Budgetary resources in lagged areas (USD MM ³⁶) [A]	Portfolio weight (%) [B]	Notional allocation (USD) [C]
1	2	2.3 2.4 2.c 1.4	Agriculture and Rural Development	Guarantee Prices for Basic Food Products	Production subsidies to subsistence farmers for basic food products	Municipal Level	\$ 69,749,174	1.39%	\$ 20,519,917
2	2	2.3 2.4 2.a	Agriculture and Rural Development	Well-Being Production	Consumption subsidies for basic food products	Municipal Level	\$ 259,208,089	5.16%	\$ 76,257,944
3	2	2.3 1.4 8.5	Well-Being	Sowing Life	Production subsidies to subsistence farmers for basic food products (staple food programs)	Municipal Level	\$ 644,739,518	12.83%	\$ 189,679,689
4	3	3.c 4.4	Health	Training and Training of Human Resources for Health	Support to health professionals through the purchase of materials, mobility and training	State Level	\$ 1,615,578	0.03%	\$ 475,296
5	3	3.b 9.5 9.b	Health	Research and Technological Development in Health	Health related research and technological development funding	State Level	\$ 6,199,655	0.12%	\$ 1,823,913
6	3	3.2 3.1 3.4	Health	Health Care	Provision / distribution of healthcare equipment and services	State Level	\$ 348,155,004	6.93%	\$ 102,425,757
7	3	3.a 3.5	Health	Addiction Prevention and Care	Addiction prevention and care	State Level	\$ 1,632,156	0.03%	\$ 480,174
8	3	3.2 3.8	Health	Vaccination Program	Provision / distribution of healthcare equipment and services	State Level	\$ 1,247,819	0.02%	\$ 367,103
9	3	3.d	Health	Protection Against Health Risks	Provision / distribution of healthcare equipment and services	State Level	\$ 4,564,045	0.09%	\$ 1,342,723

35 The SDG targets in black bold text refer to the SDG target the programs have in common and are linked to the table below for Mexico's State of Affairs indicators. The black text and blue text are other direct and indirect contributions the program has on other SDG targets.

36 Average 2021 exchange currency USD/MXN = 20.28758846.



10	3	3.3	Health	Prevention and Care of HIV / AIDS and other STDs	Prevention and care of Sexual Transmitted Infections	State Level	\$ 1,654,299	0.03%	\$ 486,688
11	3	3.7 3.2 3.1 3.d 5.2 5.3 5.6 16.1	Health	Maternal, Sexual and Reproductive Health	Services, and equipment to improve sexual and maternal health	State Level	\$ 20,889,408	0.42%	\$ 6,145,577
12	3	3.8	Health	Health Care and Free Medicines for the Population without Labor Social Security	Provision / distribution of healthcare equipment and services	State Level	\$ 1,100,703,886	21.91%	\$ 323,822,513
13	4	4.6	Public Education	Production and Distribution of Books and Educational Materials	Purchase of hardware equipment for education purposes	State Level	\$ 68,196,904	1.36%	\$ 20,063,246
14	4	4.1 4.2 4.5	Public Education	Basic Education Scholarship Program for Well-Being Benito Juárez	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	Municipal Level	\$ 522,503,422	10.40%	\$ 153,718,338
15	4	4.3 4.4 4.5 4.b	Public Education	Elisa Acuña Scholarship Program	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	Municipal Level	\$ 1,986,175	0.04%	\$ 584,325
16	4	4.6 4.7 4.c	Public Education	Program for Teaching Professional Development	Training for educational professionals	Municipal Level	\$ 1,483,662	0.03%	\$ 436,487
17	4	4.a 4.4 4.7 4.3	Public Education	Strengthening Educational Excellence	Purchase of hardware equipment for education purposes	Municipal Level	\$ 502,331	0.01%	\$ 147,784
18	4	4.2 4.5 10.2	Public Education	Expansion of Initial Education	Purchase of hardware equipment for education purposes	State Level	\$ 11,423,428	0.23%	\$ 3,360,725
19	4	4.3 4.1 4.4 4.5	Public Education	Support to Education Centers and Organizations	Training for educational professionals	State Level	\$ 679,461,374	13.52%	\$ 199,894,715
20	4	4.3 4.4 4.5 4.7 4.a 8.6	Public Education	Universities for Well-Being Benito Juárez García	Construction and improvement of schools, campus, student housing	State Level	\$ 38,453,728	0.77%	\$ 11,312,927



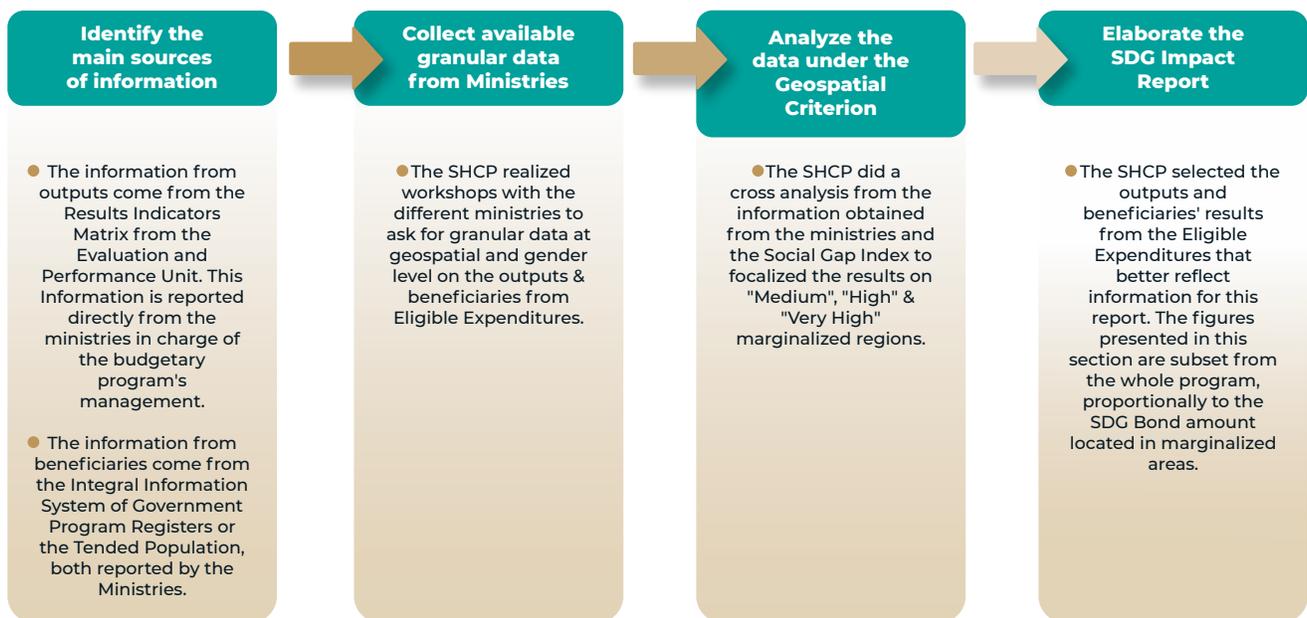
21	4	4.3 4.5	Public Education	Universal Scholarship for High School Students Benito Juárez	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	Municipal Level	\$ 155,858,209	3.10%	\$ 45,852,838
22	4	4.3 4.5	Public Education	Young People Writing the Future	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	Municipal Level	\$ 57,634,056	1.15%	\$ 16,955,700
23	4	4.a	Public Education	National Reconstruction Program	Construction and improvement of schools, campus, student housing	State Level	\$ 195,146	0.00%	\$ 57,411
24	4	4.b 4.5 4.7 5.1 9.5 9.7 12.9 13.3	National Council for Science and Technology	Postgraduate Scholarships and Quality Support	Educational grants	Municipal Level	\$ 1,803,437	0.04%	\$ 530,564
25	8	8.10	Finance and Public Credit	Financial Inclusion Program	Access to financing and financial services	Municipal Level	\$ 81,481,216	1.62%	\$ 23,971,435
26	8	8.9 1.1 1.2 1.4 10.1 10.2 11.4 2.3 2.4 6.1 6.2 6.4 6.8 7.1 8.5 9.1 9.3	Non-Sectorized Entities	Program for the Integral Well-Being of Indigenous People	Employment generation in sustainable tourism for indigenous and Afro-Mexican people	Municipal Level	\$ 31,333,461	0.62%	\$ 9,218,174
27	9	9.1 3.6	Infrastructure, Communications and Transportation	Supervision, Regulation, Inspection, Verification and Administrative Services of Road Construction and Conservation	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	State Level	\$ 402,175,502	8.00%	\$ 118,318,363
28	9	9.1	Infrastructure, Communications and Transportation	Road Construction Projects	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	State Level	\$ 112,111,053	2.23%	\$ 32,982,606



29	9	9.1	Infrastructure, Communications and Transportation	Construction Projects for Feeder Roads and Rural Roads	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	State Level	\$ 107,546,860	2.14%	\$ 31,639,840
30	9	9.1 3.6	Infrastructure, Communications and Transportation	Conservation of Rural Roads and Reeder Roads Infrastructure	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	State Level	\$ 290,367,200	5.78%	\$ 85,424,825
							\$ 5,024,875,794	100%	\$ 1,478,297,596

V) Impact Report's Methodology

Figure 13: Methodology for the output and beneficiaries' results from Eligible Expenditures



The program-level results aim to provide information regarding the Eligible Expenditures' outputs and beneficiaries results in marginalized areas proportionally to the notional allocation of the program from the SDG Bond issuance during the fiscal year.

To obtain the best data, the SHCP organized workshops with the different ministries that oversee the execution of the budgetary programs to obtain granularity on the data at state and/or municipal level, to focalize the results on marginalized areas. From this, the results were constrained by the proportion between the notional allocation of the Eligible Expenditure and the total of the program's budgetary resources allocated in marginalized areas. Hence, for the Impact Report's purpose, the results shown in this section are a subset from the total of the budgetary programs and proportional to the notional allocated amount of the Eligible Expenditure with respect to the budget resources identified in marginalized areas. See **Figure 13**.



When this methodology was not possible in an Eligible Expenditure due to a lack of granular data from the Ministry in charge of the program, a proxy methodology was implemented for the results of this program, in which the subset of the program was constructed based on the distribution of the program's budgetary resource in marginalized regions and proportionally to the SDG Bond amount.³⁷

Figure 14: Methodology for Mexico's State of Affairs indicators



Mexico's State of Affairs indicators aim to provide a general vision of indicators that are related to the SDG targets. These indicators were selected around the SDG targets definitions and taking public information from: i) the SDG Informing System (SIODS, for its acronym in Spanish) which is a platform of Mexico following the SDG; ii) CONEVAL, iii) and Sectoral Indicators (See **Figure 14**).

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

VI) External Auditor: Superior Audit of the Federation

The Superior Audit of the Federation (ASF, for the acronym in Spanish of *Auditoría Superior de la Federación*) is in charge of an independent audit of the Public Account at the end of each fiscal year once the annual audit program is approved and published on its website.³⁸ In accordance with article 6 of the *Ley de Fiscalización y Rendición de Cuentas de la Federación* (Law on Oversight and Accountability of the Federation or LFRCF for its acronym in Spanish), the audit is carried out independently and autonomously from any other form of control or oversight carried out by the internal control bodies from the Federal Government, which gives it its external character.

Annually, the ASF has full power to supervise any operation involving federal public resources, in accordance with article 2 of the last paragraph of its Internal Regulations. In addition, the powers of control of the public account includes: 1) the supervision of the financial management of the audited entities to verify compliance with the provisions of the Revenue Law and the Expenditure Budget (*Ley de Ingresos y el Presupuesto de Egresos de la Federación*), and other applicable legal provisions, regarding public revenues and expenditures, as well as public debt, including the review of the management, custody and application of federal public resources, as well as other financial,

³⁷ Only three, out of the 30 Eligible Expenditures in 2022, underwent this proxy methodology: Research and Technological Development in Health, Prevention and Care of HIV/AIDS and other STDs and Universities for Well-Being Benito Juárez García.
³⁸ https://www.asf.gob.mx/Section/357_Programa_Anual_de_Auditorias.

accounting, patrimonial, budgetary and programmatic information in accordance with the applicable provisions, and 2) the carrying out of performance audits to verify the degree of compliance with the objectives of federal programs.

In accordance with Article 17 of the LFRCF, the ASF has within its powers:

- Carry out audits on performance in meeting the objectives contained in federal programs, in accordance with the indicators established in the Expenditure Budget and taking into account the National Development Plan, among others, in order to verify their performance and the use of federal public resources;
- Verify that the audited entities that have collected, guarded, managed, administered, applied or exercised public resources, have done so in accordance with the approved programs and authorized amounts, as well as in the case of expenditures, charged to the corresponding items, and
- Request financial information, including accounting, budgetary, programmatic, and economic records, as well as institutional reports and government accounting systems that public entities are obliged to operate for the purpose of consulting the information contained therein.

Likewise, in accordance with its internal regulations, the ASF has within its attributions the elaboration of analysis.

During 2020, in October 20 the ASF requested the information related to bond issues in international markets as of September 30, in which the information related to the issuance of the SDG Bond was included. At the beginning of 2021, on February 19, the ASF ordered the opening of the 25-GB audit called “Public Debt of the Federal Government”, and on March 23 of that year, requested information on the issuance of bonds in the international market in November 2020. Once this information was reviewed, the ASF presented results on May 13, 2021, in which it did not issue observations regarding that or any other issue. On August 30, 2021, the ASF presented to the Chamber of Deputies the first report of the review of the Public Account 2020. Furthermore, on September 20, 2021, and January 19, 2022, the ASF requested the preliminary review for the Public Account 2021, in which the information related to the issuance of the SDG Bond 2021 was included. On February 17, 2022, the ASF ordered the opening of an audit related to the Public Debt of the Federal Government. This review concluded on May 23 of 2022 where no observations regarding the issuance of bonds in the international market or any other issue were included.

It is important to highlight that, in previous reviews the ASF has requested information on the use of the resources obtained in connection with the contracting of debt, to which it has been made known that it is in the capacity of the ASF itself to verify the efficiency and effectiveness of the expenditure, where the allocation, application and destination of this amount is detailed in the volumes of the budget and justified in the programmatic strategy of the expenditure.

Finally, the signing of the collaboration agreement between the SHCP and the ASF for the revision of the Allocation Report, in accordance with the regulations that govern this last institution, is in its final phase to be executed. With this, the SHCP expects the ASF will be conducting an analysis to the allocation report and selection process of Eligible Expenditure in the coming months, in accordance with its attributions.



VII) Disclaimer

The information disclosed in this **UMS SDG Bond Allocation and Impact Report** shall be used solely as a reference document and for informational purposes for bondholders, in accordance with the commitments established by the Government of Mexico in the SDG Sovereign Bond Framework, which can be consulted on the SHCP website.³⁹ Anyone interested in the content of this presentation should consult and read it in full at the website.⁴⁰

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

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

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

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

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The issuance of external indebtedness of the UMS Government through an SDG bond, as well as

39 Ministry of Finance (2020): "SDG Sovereign Bond Framework. United Mexican States Building Prosperity: Financing SDG for an inclusive economy", https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UMS-SDG_Sustainable_Bond_Framework.pdf.
40 Ministry of Finance (2020): "SDG Sovereign Bond Framework. United Mexican States Building Prosperity: Financing SDG for an inclusive economy", https://www.finanzaspublicas.hacienda.gob.mx/es/Finanzas_Publicas/es#collapseSostenibilidad.
41 GUIDELINES FOR THE USE OF THE SDG LOGO INCLUDING THE COLOUR WHEEL, AND 17 ICONS: https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/01/SDG_Guidelines_AUG_2019_Final.pdf.



the issues that are not aligned with the SDG, comply with the laws of the United Mexican States that govern the issuance of public debt, particularly articles 73, section VIII, and 89, section I, of the *Constitución Política de los Estados Unidos Mexicanos* (Political Constitution of the United Mexican States), having the Mexican Congress the faculty to establish the bases on which the Federal Executive can contract public debt; and the *Ley de Ingresos de la Federación para el Ejercicio Fiscal de 2021* (Federal Revenue Law for the Fiscal Year 2021), Article 2, which authorizes the Federal Executive to issue securities in foreign markets, to finance the Federal Expenditure Budget (PEF) for the current fiscal year, as well as for the purposes of swapping and refinancing Mexico's external indebtedness. Mexico will use the net proceeds from the sale of the notes for the general purposes of the Government of Mexico, as well as to finance budgetary programs that qualify as eligible expenses under the SDG Sovereign Bond Framework and that are included in the PEF for the fiscal year 2021. Article 31, sections V and VI of the *Ley Orgánica de la Administración Pública Federal* (Organic Law of the Federal Public Administration), empowers the SHCP to administer the public debt of the Federation and to execute or authorize all transactions in which public credit is used; the *Ley Federal de Deuda Pública* (Federal Law of Public Debt), article 1, section I; article 2, sections I and IV; article 3; article 4, sections I, II, IV, V and VII; article 5, sections I, II, III and V; articles 8 to 12; article 16; and article 17, first paragraph, establishes the subscription and maintenance of the public debt; the faculty of the SHCP to issue and manage public debt and formulate its debt program; and the *Ley del Mercado de Valores* (Securities Market Law), article 7, which refers to the notification to the *Comisión Nacional Bancaria y de Valores* (National Banking and Securities Commission) of offers abroad of securities made abroad but issued in Mexico or by Mexican legal entities.

