



Non-Binding Opinion

Mexico's 2025 SDG Bond Allocation & Impact Report

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Introduction

For the fifth consecutive year Mexico has issued its SDG Bond Allocation and Impact Report (2025). The United Nations Development Programme (UNDP) issues this non-binding technical opinion on the Report prepared by the Ministry of Finance and Public Credit (SHCP) pursuant to the Mexico's SDG Sovereign Bond Framework published in 2020. This opinion evaluates whether the 2025 Report meets the requirements of the Framework and international standards, including the Principles and Handbooks of the International Capital Market Association (ICMA), the UN SDG Impact Standards, and the criteria of Mexico's Sustainable Taxonomy (MST).

This Non-Binding Opinion is divided into six sections.

- I. Alignment with SDG Impact Standards
- II. Analysis of the Program Selection Processes
- III. Allocation Report
- IV. Impact Report
- V. Main results of the SDG Sovereign Bond as a Driver of Change
- VI. Concluding remarks and recommendations

UNDP's assessment is based on a documentary review of the 2025 Report, interviews with institutions responsible for the Eligible Expenditures, and the analysis of methodologies, indicators, and evidence presented.

UNDP's Opinion at a Glance

UNDP is of the opinion that Mexico's SDG Bond Allocation and Impact Report 2025 complies with the criteria established in the UMS SDG Sovereign Bond Framework. The issuance of thematic debt in yen and euros in 2024 marked a historic high for Mexico in these currencies since the original publication of the UMS SDG Sovereign Bond Framework in 2020; the robust demand reflects the investors' confidence in the country. The local thematic debt market continues to consolidate. Sustainable bonds are increasing their relative share within the total public debt portfolio and deepening the sustainable yield curve, demonstrating a commitment to ESG principles. In this fifth edition of the report, the retrospective analysis of Green and Social Eligible Expenditures in light of the Technical Evaluation Criteria of Mexico's Sustainable Taxonomy to verify their alignment with climate change adaptation and/or mitigation and gender equality current objectives stands out. This exercise strengthened the coherence among public policy instruments and sustainable development, establishing a baseline informed by these principles, and led to the issuance of programmatic and follow-up recommendations to the Ministries responsible for the Eligible Expenditures. Additionally, substantial improvements were identified in the degree of alignment between Mexico's State of Affairs indicators and ICMA Frameworks. Both milestones reflect a commitment to continuous improvement in results measurement and to strengthening the commitment of impact, consolidating the role of SDG Sovereign Bonds as a driver of institutional change.

ALIGNMENT WITH SDG IMPACT STANDARDS

The 2025 Allocation & Impact Report published by SHCP demonstrated that the Federal Government of Mexico maintained and consolidated a clear and robust impact. This strategy is rigorously aligned with the core elements of UNDP's SDG Impact Standards for Bond Issuers. The issuance of SDG Bonds along with the preparation of the 2025 SDG Bond Allocation and Impact Report is intrinsically linked to a broader strategy by the Mexican Federal Government to effectively advance sustainable development.

PROGRAM SELECTION

Program selection processes comply with the applicable legislation and Mexico's SDG Sovereign Bond Framework to filter Social and Green Eligible Expenditures and target marginalized territories in accordance with the geospatial criterion. The pool for 2025 consists of 42 budgetary programs: 29 contribute to five Social SDGs—2, 3, 4, 8 and 9—while 13 contribute to four Green or environmental SDGs—6, 7, 11 and 15.

ALLOCATION REPORT

SDG Bonds' net proceeds represented 76.05% of the total budgetary expenditure across the 42 budgetary programs that met the Framework's eligibility criteria. Net proceeds from the SDG Bonds (US\$7.09 billion) were notionally allocated to the same nine SDGs targeted in previous reports. The share of proceeds allocated to Social SDGs reaffirms its predominance within SDG Bond-related spending. Expenditure priorities have remained stable over time.

IMPACT REPORTING

Impact Reporting was done following the Framework's criteria, bridging notional allocations with results. Mexico's SDG Bonds impact reporting has demonstrated methodological consistency, enabling temporal comparisons and the identification of trends in State of Affairs indicators. The alignment of indicators with ICMA's Harmonized Framework Manual for Impact Reports on Green and Social Projects evidences compliance with international standards. Efforts to further the breakdown of indicators by relevant categories are highly encouraged.

SDG SOVEREIGN BOND AS A DRIVER OF CHANGE

The issuance of SDG Bonds and the preparation of Allocation and Impact Reports constitute a cornerstone of the institutional architecture for financing sustainable development, given their positive effects in coherently integrating development priorities, policy instruments, and government agencies into the sustainable financing landscape. The application of the Mexican Sustainable Taxonomy's Technical Evaluation Criteria as a benchmark for analyzing the SDG Bonds' Eligible Expenditures represents a milestone in this regard, while also generating a ripple effect within the financial ecosystem by fostering the adoption of this policy tool and mainstreaming climate action and gender equality principles across financial operations and frameworks.

Foreword

For the fifth consecutive year, Mexico has released the SDG Bond Allocation and Impact Report, encompassing US\$7.09 billion from five issuances across three currencies—Mexican pesos, euros, and Japanese yen—addressing both domestic and international markets. In 2024, the placement of thematic debt in Japanese yen and euros represented a historic peak for Mexico in these currencies since the introduction of the UMS SDG Sovereign Bond Framework in 2020. Between 2023 and 2024, the proportion of Mexico’s sustainable public debt portfolio within the total public debt portfolio increased by 25.84 % in the external market and by 20.00% in the domestic market, evidencing Mexico’s commitment with sustainable finance.

The issuance of SDG Bonds has facilitated the mobilization of resources to advance social and environmental priorities within the Federal Budget, under a framework of robust governance, transparency, and accountability. These priorities encompass poverty reduction, food security, social protection, health, education, economic inclusion, access to clean water and sanitation, renewable energy, sustainable urban development, and biodiversity and environmental conservation. Furthermore, SDG Bonds have become a central pillar of the Sustainable Finance Mobilization Strategy, reinforcing the National Development Plan’s (PND) objectives through a comprehensive sustainability approach.

The 2025 SDG Bond Allocation and Impact Report details the notional allocation of the Bonds’ net proceeds to 42 Eligible Expenditures. Consistent with previous editions, the selection of Eligible Expenditures is aligned with applicable legislation on public debt and fiscal responsibility, the priorities of the National Development Plan, and the provisions of the UMS

SDG Sovereign Bond Framework. The selection process involved the application of the seven eligibility criteria established in the Framework (six in the case of Green Eligible Expenditures), together with an assessment of the validity and consistency of Eligible Expenditures conducted by line ministries within the 2030 Agenda National Council. Notably, the allocation of the Bonds’ proceeds to Social Eligible Expenditures was directed toward the most marginalized municipalities and states.

The Impact Report, on the other hand, concatenates the notional allocation of proceeds to geolocated material outputs and direct beneficiaries, and establishes a linkage between the SDG Bonds’ Eligible Expenditures and the country’s State of Affairs in multiple dimensions associated with the SDGs prioritized within the Report. To ensure validity, data on the results and impacts of SDG Bonds is drawn from official sources including the National Institute for Geography and Statistics (INEGI, for its acronym in Spanish), the National Banking and Securities Commission (CNBV, for its acronym in Spanish), the National Council for the Evaluation of Social Development Policy (CONEVAL, for its acronym in Spanish)¹, the National Forestry Commission of Mexico (CONAFOR, for its acronym in Spanish), as well as the budgetary programs’ Results Indicators Matrixes (MIR, for its acronym in

Each year, the United Nations Development Programme (UNDP) issues its Non-Binding Public Opinion, based on document reviews and interviews with relevant stakeholders engaged in the Bond’s reporting processes. This Opinion is structured into six sections, which assess: (i) the Report’s alignment with UNDP’s SDG Impact Standards for Bond Issuers, including the integration of a sustainable development

¹ Whose functions are now absorbed by INEGI.

approach; respect for human rights, planetary boundaries, and responsible business practices; as well as the effective management of impacts across the Bonds' strategy, management framework, transparency, and governance practices; (ii) the program selection processes at its compliance with the Framework's provisions; (iii) the allocation report; (iv) the impact report; (v) the main findings of the broader institutional effects of the SDG Bonds; and (vi) some concluding remarks and recommendations.





This year, UNDP's Non-Binding Public Opinion acknowledges the compliance of the 2025 Allocation and Impact Report with SDG Impact Standards for Bond Issuers and with the UMS SDG Sovereign Bond Framework. Additionally, it underscores the efforts of SHCP to strengthen the coherence among policy instruments related with finance for development and to create a bandwagon effect within the financial ecosystem, through the retrospective analysis of Green and Social Eligible Expenditures in light of the criteria of Mexico's Sustainable Taxonomy to verify their alignment with climate change adaptation and/or mitigation and gender equality objectives. Finally, it recognizes the substantial improvements made in the degree of alignment between Mexico's State of Affairs indicators and ICMA Frameworks, evidencing the government's commitment to continuous improvement in results measurement, transparency and accountability.

UNDP highly recognizes SHCP's transparency and full disclosure of the allocation and impact databases with UNDP for the preparation of this Opinion, as well as the insights provided by other interviewed stakeholders.

I. Alignment with SDG Impact Standards

The SDG Impact Standards for Bond Issuers were provided by UNDP’s Sustainable Finance Hub in 2021 as a guide and self-assessment tool for Bond Issuers to embed impact management into decision-making, to optimize their contributions to sustainable development and to promote consistency in the Issuers’ disclosures. The Standards rely on three foundational elements: contributing positively to sustainable development and the SDGs; demonstrating respect for human rights, planetary boundaries

and other responsible business practices; and displaying effective impact management and decision-making. These foundational elements are expected to be embedded into (1) strategy, (2) management approach, (3) transparency and (4) governance practices. UNDP’s non-binding opinion is based on these Standards, which serve as a reference to identify relevant dynamics across the four core elements in Mexico’s SDG Bond issuances and in the preparation of the SDG Bond Allocation and Impact Report.

Principle	Actions
 Strategy	<p>The issuance of SDG Bonds as well as the preparation of the 2025 SDG Bond Allocation and Impact Report is linked to a broader strategy by the Mexican Federal Government to effectively advance sustainable development. Mexico’s SDG Bond Allocation and Impact Report 2025 once again portrays an integrated and comprehensive strategy that relies on Eligible Expenditures (EEs) that contribute to achieve Social and Green SDGs. It has a focalization strategy aimed at enhancing impact on marginalized states and municipalities. For the first time the Report aligns EEs to the Mexican Sustainable Taxonomy.</p>
 Management Approach	<p>Since the establishment of the Direction for ESG Control and Monitoring within the SHCP, responsibilities related to the coordination, validation, and publication of SDG Bond Reports have been centralized and consolidated, providing a clear point of accountability and enhancing technical capabilities. Progress in the alignment of Mexico’s State of Affairs indicators with the ICMA Frameworks reflects a strong commitment to continuous improvement in results measurement.</p>
 Transparency	<p>SHCP continues with its commitment to transparency throughout the process by establishing periodical revisions and adopting and exceeding international best practices and standards. The high degree of alignment with ICMA and the documented application of the MST, represent a significant step toward the institutionalization of sustainable, verifiable financial reporting based on international standards. Also, the Superior’s Audit Office of the Federation (ASF, for its acronym in Spanish) compliance review of the 2023 and 2024 Allocation & Impact Reports in regard to the SDG Sovereign Bond Framework adds another layer of transparency.</p>
 Governance	<p>SHCP’s cross-cutting responsibilities are critical across the various stages of the SDG Bond process. Coherence among policy instruments—including the National Development Plan, the Sustainable Finance Mobilization Strategy, the Mexican Sustainable Taxonomy and the SDG Bond Issuances—ensures consistency in defining priority issues, selecting Eligible Expenditures, and adopting common financing principles. The incorporation of a retrospective analysis based on MST’s technical standards into the Impact Report introduces an additional layer of oversight to promote compliance with human rights and respect for planetary boundaries in budgetary planning and execution.</p>



Strategic Intent

Since 2015 Mexico has committed to the Sustainable Development Goals (SDGs) and the 2030 Agenda, taking concrete steps to integrate these frameworks into the National Development Plan, budgetary and fiscal policy, and its Nationally Determined Contributions under the Paris Agreement.

To support this alignment, inter-ministerial committees and working groups have been established to design and implement strategies, incentives and public policies aimed at achieving the SDGs and the 2030 Agenda. In 2024, the Mexican Federal Government published a sound Sustainable Finance Mobilization Strategy which outlines policy guidelines for sustainable finance, private sector engagement, and the mobilization of capital towards projects with positive social and environmental impacts. This Strategy also identifies a financing gap for the achievement of SDG related goals in Mexico and establishes issuance targets under the SDG Sovereign Bond Issuance Programme, particularly within its second Pillar: Mobilization of Sustainable Financing. Additionally, the Mexican Sustainable Taxonomy (MST), published in 2023, serves as a financial policy instrument to classify and identify economic activities with positive environmental and social outcomes. Its purpose is to provide a robust framework for channeling public and private capital toward sustainable projects, enhance market transparency, and reduce the risk of green/social washing.

The issuance of SDG Bonds as well as the preparation of the 2025 SDG Bond Allocation and Impact Report is therefore part of this broader strategy by the Mexican Federal Government to effectively advance sustainable development. The selection of Eligible Expenditures (EE) is based on the line ministries' annual review and alignment of budgetary programs to SDGs.

The 2025 Report reaffirms an integrated and comprehensive approach, prioritizing EEs that contribute to both Social and Green SDGs. It employs a focalization strategy based on the geospatial criterion to notionally allocate bond proceeds to Social EEs in marginalized states and municipalities, thereby enhancing impact. The integration of geospatial targeting and thematic

alignment ensures that resources are directed toward areas and programs with the greatest potential for social and environmental returns. For the third consecutive year, the Report includes budgetary programs aligned to Green SDGs, and, for the first time, it incorporates alignment of EEs with the MST. The retrospective analysis of Green and Social EEs in light of the criteria of the MST to verify their alignment with climate change adaptation and/or mitigation and gender equality current objectives stands out. This exercise aims at strengthening the coherence among public policy instruments from a bottom-up approach, establishing a baseline around these principles, and leading to the issuance of programmatic and follow-up recommendations to the Ministries responsible for the EEs.



Management Approach

Processes and mechanisms supporting the impact strategy are subject to continuous improvement. The institutionalization of these mechanisms within the Ministry of Finance and Public Credit (SHCP) has been instrumental in maintaining policy continuity in the issuance and reporting of SDG Bonds, even amid changes in administration.

Since the establishment of the ESG Control and Monitoring within the Public Credit and International Affairs Unit of the SHCP, responsibilities related to the coordination, validation, and publication of SDG Bond Reports have been centralized and consolidated. This institutional structure provides a clear point of accountability, strengthens technical capacities across participating line ministries, and mitigates risks associated with staff turnover.

The SHCP has made notable efforts to enhance quality control mechanisms for data submitted by participating line ministries. These efforts include the adoption of a standardized reporting methodology, the implementation of internal validation protocols, and the use of cross-checking procedures. For the 2025 edition, improvements were requested in the methodological notes to ensure traceability between budget execution and beneficiaries, and to provide technical evidence of alignment with the Mexican Sustainable Taxonomy. This process generated evidence in support of the Technical Evaluation Criteria of "Substantial Contribution," "Do No

Significant Harm,” and “Minimum Safeguards.” Furthermore, significant progress was made in aligning Mexico’s State of Affairs indicators with the ICMA Frameworks. These milestones reflect a strong commitment to continuous improvement in results measurement and provide assurance to both national and international investors by aligning Mexico’s sovereign reporting practices with global standards in the sustainable bond market.

In accordance with the SDG Sovereign Bond Framework, Mexico’s Superior Audit Office of the Federation reviewed the 2023 and 2024 Allocation and Impact Reports. The ASF confirmed that the application of the seven criteria for selecting Social and Green EEs, along with the allocation amounts—prior to and following the application of the geospatial criterion—conform to the provisions of the SDG Sovereign Bond Framework.

The Management Approach fosters investor confidence through transparent disclosure and the maintenance of consistent, comparable reporting over time.



Transparency

Transparency remains a cornerstone of credibility for Mexico’s SDG Sovereign Bonds and a central element in building trust among investors and development partners. The 2025 Allocation and Impact Report reinforces this commitment by improving methodological clarity, data accessibility, and continuity in the integration of international sustainability frameworks into public finance reporting.

The 2025 Report demonstrates a high level of consistency with ICMA’s Green, Social, and Sustainable Bond Principles. The Report shows that 88.37% of the indicators for outcomes and beneficiaries of EEs align with ICMA’s Harmonized Impact Reporting Frameworks, while 89.74% of the State of Affairs Indicators also correspond with these frameworks. This methodological precision strengthens comparability with other sovereign issuers and demonstrates the SHCP’s commitment to continuous improvement in its disclosure practices.

For the first time, the 2025 Report incorporates a three-level structured evaluation to analyze alignment with the MST, distinguishing between Qualified, Partially Aligned, and Aligned Programs, with eligible programs corresponding to activities listed in the Taxonomy. Qualified Programs only align at an economic activity level. Partially Aligned Programs meet some, but not all, of the Technical Evaluation Criteria (CET). Aligned Programs demonstrate compliance with all three CETs: Substantial Contribution, Do No Significant Harm, and Minimum Safeguards. Of the 42 programs analyzed in this retrospective evaluation, 16 programs (38%) show at least some thematic correspondence with the Taxonomy’s technical criteria. Specifically, 7% are classified as Qualified, 21% as Partially Aligned, and 10% as Aligned. In budgetary terms, 1.8% of the allocation to EEs is considered Aligned, while the 16 EEs with thematic correspondence represent approximately 32.4% of the portfolio. It is important to mention that this exercise is meant to provide a baseline from which the Mexican Government can work to improve the alignment with the MST. The 2025 assessment, conceived as a retroactive and progressive process, allowed for the identification of technical gaps, information requirements, and institutional strengthening needs that will be essential to move toward full compliance with the MST standards in subsequent cycles.

One of the most noteworthy best practices of the 2025 Report is the availability of structured and verifiable databases, which support the allocation and impact analysis. Under confidentiality agreements, SHCP shared program-level databases with UNDP, including expenditure information, indicators, and methodological notes, enabling the replication and independent validation of the calculations.

Finally, it is worth mentioning that ASF’s compliance reviews for the 2021, 2022, 2023 and 2024 Allocation & Impact Reports in regard to the SDG Sovereign Bond Framework adds another layer of transparency with the review of indicators and evidence of compliance and adequate reporting.



Governance

SHCP's cross-cutting responsibilities are critical across the various stages of the SDG Bond process, including issuance, selection of Eligible Expenditures (EEs), information gathering, and impact reporting. In accordance with the SDG Sovereign Bond Framework, SHCP implements the seven criteria for the definition of Eligible Expenditures and presents the results for revision within the 2030 Agenda National Council, displaying stakeholder involvement to enhance the delivery of the impact strategy. Coherence among policy instruments - including the National Development Plan, the Sustainable Finance Mobilization Strategy, the Mexican Sustainable Taxonomy and the SDG Bond Issuances - ensures consistency in defining priority issues, selecting Eligible Expenditures, and adopting common financing principles.

Since the publication of the first report, SHCP's institutional strengthening - particularly following the establishment of the Direction for ESG Control and Monitoring and the transition from the Performance Evaluation Unit (UED, for its acronym in Spanish) to the Policy and Results Strategy Unit (UPER, for its acronym in Spanish) - and its collaboration with line ministries to develop internal capacities for data production, and in 2025, to implement the retrospective analysis of Eligible Expenditures in accordance with the MST's technical criteria, have been key factors in fostering a more coordinated division of responsibilities, a more robust revision process within the Technical Committee for the SDGs, and the establishment of methodological standards for data sharing. These milestones aim to reduce

information asymmetries, harmonize reporting standards among agencies, and ensure that Eligible Expenditures are evaluated under homogeneous and verifiable criteria. Moreover, EEs' analysis under the MST criteria aims at triggering upward changes in the adoption of principles, moving from budgetary programs toward higher-level planning instruments. Over time, the Allocation and Impact Reports have been progressively enhanced, reflecting SHCP's commitment to advancing the SDG Bonds' Theory of Change and to the development of more robust indicators.

It is important to note that the incorporation of a retrospective analysis of Eligible Expenditures, based on MST's Technical Evaluation Criteria, into the Impact Report introduces an additional layer of oversight to promote compliance with human rights and respect for planetary boundaries in budgetary execution, in alignment with the SDG Impact Standards.

The governance framework has been tested by institutional changes during this period. The dissolution of the National Council for the Evaluation of Social Development Policy (CONEVAL) presents a process to address to ensure to the long-term availability and methodological consistency of social development metrics, particularly the Social Gap Index, which serves as an eligibility criterion for social Eligible Expenditures. Nevertheless, ongoing collaboration with INEGI - having assumed several of CONEVAL's technical functions - helps mitigate this risk and ensures the continued statistical comparability of key indicators.



UNDP's Opinion of Alignment with SDG Impact Standards

The 2025 Allocation & Impact Report published by SHCP shows that the Federal Government of Mexico maintained and consolidated a clear impact strategy aligned with the core elements of UNDP's SDG Impact Standards for Bond Issuers. The issuance of SDG Bonds as well as the preparation of the 2025 SDG Bond Allocation and Impact Report is linked to a broader strategy by the Mexican Federal Government to effectively advance sustainable development. Coherence among policy instruments - including the National Development Plan, sectorial plans, the Sustainable Finance Mobilization Strategy, the Mexican Sustainable Taxonomy and the SDG Bond Issuances - ensures consistency in defining priority issues and to deliver its impact strategy. The incorporation of a retrospective analysis based on MST's technical standards into the Impact Report introduces an additional layer of oversight to promote compliance with human rights and respect for planetary boundaries in budgetary execution. Progress in the alignment of Mexico's State of Affairs indicators with the ICMA Frameworks reflects a strong commitment to continuous improvement in results measurement.

II. Program Selection

Mexico's *SDG Sovereign Bond Framework*, in compliance with applicable legislation on public debt and fiscal responsibility, establishes standardized criteria for program selection and the notional allocation of bond proceeds. From the set of budgetary programs included in the Federal Budget and aligned with the *National Development Plan* (NDP), EEs are identified among those that provide a tangible and direct contribution to the SDGs targeted within the Framework and prioritized within the NDP. The contribution is determined by line ministries and validated by the SHCP, based on a robust methodology initially developed in collaboration with UNDP. Budgetary activities falling under the Framework's exclusion criteria are removed from the EEs pool. Finally, a geospatial criterion—designed to target marginalized populations—is applied to Social EEs. Green and environmental EEs are exempt from this criterion, as their benefits are intended to extend to society at large. EEs are selected by SHCP and revised within the 2030 Agenda governance structures.

Program selection under Mexico's *SDG Sovereign Bond Framework* is distinguished by the transparency standards governing the process, the application of a multi stakeholder methodology to determine budgetary contributions to the SDGs, and the use of verifiable data from the Social Gap Index to guide the notional allocation of bond proceeds toward highly marginalized regions.

Eligible Expenditures

The Eligible Expenditures pool for 2025 consists of 42 budgetary programs, selected through the application of the seven filters established under Mexico's *SDG Sovereign Bond Framework* (six filters in the case of Green EEs, for which the geospatial criterion does not apply). Of these 42 programs, 29 contribute to five Social SDGs—

SDG 2 (*Zero Hunger*), SDG 3 (*Good Health and Well-Being*), SDG 4 (*Quality Education*), SDG 8 (*Decent Work and Economic Growth*), and SDG 9 (*Industry, Innovation and Infrastructure*)—while 13 contribute to four Green or environmental SDGs—SDG 6 (*Clean Water and Sanitation*), SDG 7 (*Affordable and Clean Energy*), SDG 11 (*Sustainable Cities and Communities*), and SDG 15 (*Life on Land*). In addition, the EEs contribute, both directly and indirectly, to 63 specific SDG targets across 14 different SDGs, reflecting the integrated and cross-cutting nature of sustainable development.

Although the 2025 Allocation and Impact Report has yet to be reviewed by the ASF, it is noteworthy that this year the 2023 and 2024 Allocation and Impact Reports were examined by the ASF in accordance with Mexico's *SDG Sovereign Bond Framework*. The ASF verified the application of the seven criteria for the selection of EEs and the amounts allocated—both prior to and following the application of the geospatial criterion—and concluded that they are consistent with the provisions of the Framework.

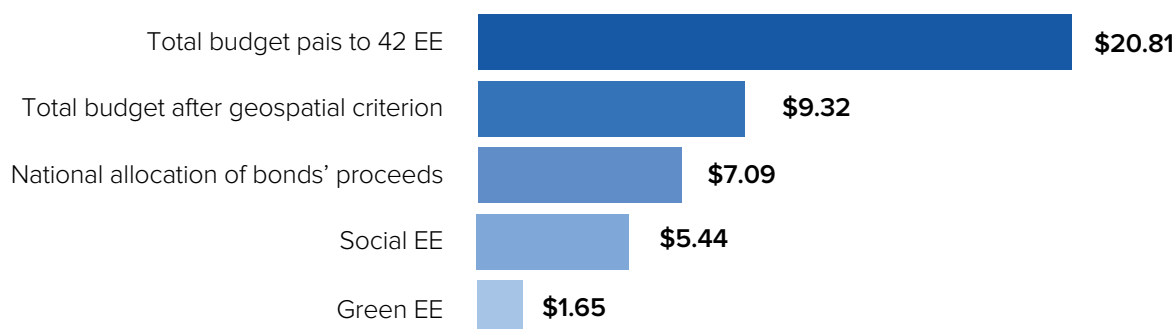
For the 2025 Allocation and Impact Report, EEs were analyzed under an innovative approach to assess EEs' alignment with climate change adaptation and/or mitigation and gender equality objectives as established in the MST. Although this retrospective analysis was not used as a filter to determine the eligibility of the EEs, it served as a diagnostic tool and a methodological advance by identifying budgetary programs that need to be enhanced in their programmatic design and/or in their monitoring instruments. This assessment aims at providing a baseline on which to improve for future alignment with the MST and generating a bandwagon effect that leads other financial entities to adopt this tool in their decision-making processes.

Use of Social Gap Index (SGI)

In accordance with the provisions of the Framework, the notional allocation of the Bond's net proceeds for Social EEs was based on CONEVAL's Social Gap Index, which serves to target marginalized territories at both the state and municipal levels. The federal budget allocated to the 42 EEs totaled US\$20.81 billion, of which US\$18.64 billion corresponded to Social EEs and US\$2.17 billion to Green EEs. Following

the application of the geospatial criterion to the 29 Social EEs, US\$7.15 billion was directed to municipalities and states classified with Very High, High, or Medium levels of marginalization, while the allocation to Green EEs remained unchanged. Ultimately, the notional allocation of the Bond's net proceeds amounted to US\$7.09 billion, with US\$5.44 billion (76.2%) assigned to Social EEs and US\$1.65 billion (23.8%) to Green EEs (see Graph 1).

Graph 1. Eligible Expenditures total budget, geospatial criterion and notional allocation (US\$ bn)

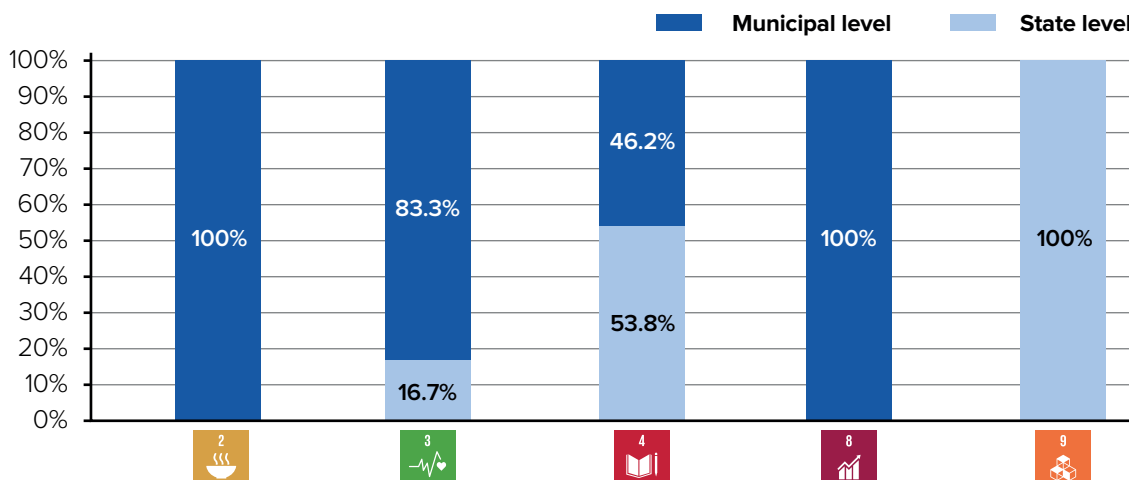


Source: UNDP with information from SHCP.

Based on the availability of data for each Social EE, the allocation of proceeds was carried out at either the municipal or state level. A total of US\$1.90 billion (34.93%), corresponding to 14 Social EEs, was allocated at the municipal level, while US\$3.54 billion (65.07%), corresponding to 15 Social EEs, was allocated at the state level. All Social EEs aligned with SDG 2 (Zero

Hunger) and SDG 8 (Decent Work and Economic Growth) were allocated at the municipal level, in accordance with the results of the SGI, whereas all EEs aligned with SDG 9 (Industry, Innovation and Infrastructure) were allocated at the state level to target marginalized territories (see Graph 2).

Graph 2. Percentage of Social EE allocated at the municipal or state level, by SDG



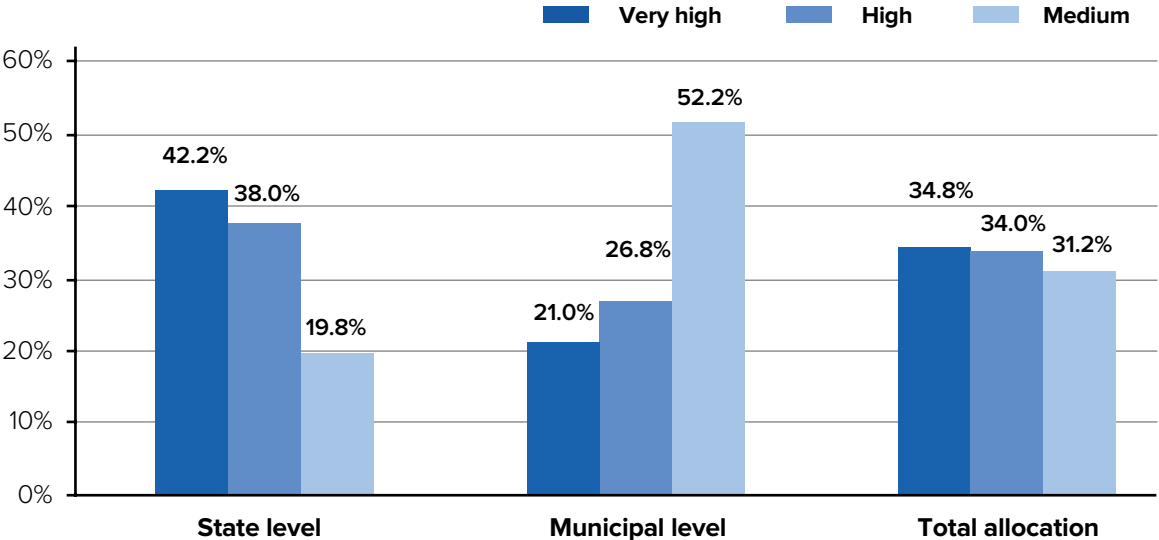
Source: UNDP with information from SHCP.

US\$1.9 billion (34.83%) was allocated to states or municipalities classified with a Very High SGI; US\$1.9 billion (34.08%) of the Social EEs proceeds were allocated to territories classified with a High SGI; and US\$1.7 billion (31.10%) was allocated to territories with a Medium level of marginalization according to SGI. As in previous reports, there is no significant variation in the proportion of resources allocated to the different marginalization levels. However, there are significant differences in the profiles of allocation at the state and municipal levels (see Graph 3). A higher proportion of resources are allocated to territories with a Very High Social

Gap Index at the state level than at the municipal level (42.26% and 20.97%, respectively).

It is noteworthy that in the current year, CONEVAL—the institution responsible for measuring poverty and producing the Social Gap Index (SGI)—was dissolved a reform was published in the Official Gazette in May 2025. In the coming years, this responsibility will be assumed by INEGI. Given the critical relevance of this data, close attention should be devoted to potential methodological adjustments to ensure their proper incorporation.

Graph 3. Percentage proceeds allocated to social EE based on the geospatial criterion, by state or municipal level



Source: UNDP with information from SHCP.

UNDP’s Opinion on Program Selection

The selection of Eligible Expenditures complies with the applicable legislation and Mexico’s *SDG Sovereign Bond Framework*. The Eligible Expenditures pool for 2025 consists of 42 budgetary programs: 29 contribute to five Social SDGs—2, 3, 4, 8 and 9—while 13 contribute to four Green or environmental SDGs—6, 7, 11 and 15. EEs contribute, both directly and indirectly, to 63 specific SDG targets across 14 different SDGs, reflecting the integrated and cross-cutting nature of sustainable development. The notional allocation of SDG Bond’s net proceeds for Social EEs was based on CONEVAL’s Social Gap Index, to target marginalized territories at both the state and municipal levels: US\$1.9 billion (34.83%) was allocated to states or municipalities classified with a Very High SGI; US\$1.9 billion (34.08%) of the Social EEs proceeds were allocated to territories classified with a High SGI; and US\$1.7 billion (31.10%) was allocated to territories with a Medium level of marginalization according to SGI.

III. Allocation Report

Initial Eligible Expenditures

In accordance with Mexican budgetary law, net proceeds from the SDG Sovereign Bonds were transferred to the Treasury of the Federation (Tesofe, for its acronym in Spanish) and notionally allocated for the 2024 Federal Expenditure Budget's (PEF, for its acronym in Spanish) EEs. The notional allocation was made based on Mexico's SDG Sovereign Bond Framework, which establishes that the EEs must be identified through eligibility criteria.

As mentioned before, in the 2025 Report 42 EEs were identified, of which 29 were Social EEs (with priority areas such as poverty reduction, food security, social protection, health, education and economic inclusion, corresponding to SDGs 2, 3, 4, 8 and 9); and 13 Green EEs (corresponding to programs for water and sanitation, clean energy, sustainable cities, biodiversity and environmental conservation, encompassed in SDGs 6, 7, 11 and 15). The following tables provide a more detailed distribution of EEs.

Table 1, 2. Initial pool of EEs and notional allocation of SDG Bonds' net proceeds*

Category	SDGs Included	Number of EEs	Allocation in US\$ millions	Percentage
Social	2, 3, 4, 8, 9	29	\$ 5,441.72	76.73%
Green	6, 7, 11, 15	13	\$ 1,653.33	23.27%
Total	-	42	\$ 7,095.05	100%

SDG	Description	# of budgetary programs	Budgetary expenditure after eligibility criteria (USD)	Percentage	Notional allocation (USD)
Social EEs					
2	Zero Hunger	4	\$ 1,327,731,915	14.23%	\$ 1,009,703,555
3	Good Health and Well-Being	6	\$ 1,543,752,781	16.55%	\$ 1,173,981,475
4	Quality Education	13	\$ 2,806,011,947	30.08%	\$ 2,133,894,807
8	Decent Work and Economic Growth	2	\$ 140,469,418	1.51%	\$ 106,823,124
9	Industry, Innovation and Infrastructure	4	\$ 1,337,737,703	14.34%	\$ 1,017,312,682
Green EEs					
6	Clean Water and Sanitation	5	\$ 1,640,668,227	17.59%	\$ 1,247,683,002
7	Affordable and Clean Energy	2	\$ 20,358,177	0.22%	\$ 15,481,833
11	Sustainable Cities and Communities	1	\$ 310,701,817	3.33%	\$ 236,280,175
15	Life on Land	5	\$ 202,360,309	2.17%	\$ 153,889,442
Total					
			\$ 9,329,792,294	100.00%	\$ 7,095,050,093

* Figures may not add up due to rounding.

Source: UNDP with information from SHCP

Notional Allocation of Resources

In 2024, SDG Bonds’ net proceeds represented 76.05% of the total budgetary expenditure across the 42 budgetary programs that met the Framework’s eligibility criteria. The notional allocation was derived by calculating the proportion of expenditure assigned to each budgetary program, following the application of the geospatial criterion, relative to the total resources mobilized through the issuance of SDG Bonds. In the 2025 edition of the Allocation and Impact Report, net proceeds from the SDG Bonds (US\$7.09 billion) were notionally allocated to the same nine SDGs targeted in previous reports. Of this amount, 76.73% was allocated to EEs aligned with social SDGs, while 23.27% was allocated to those aligned with environmental SDGs, thereby reaffirming the predominance of social projects within SDG Bond-related spending.

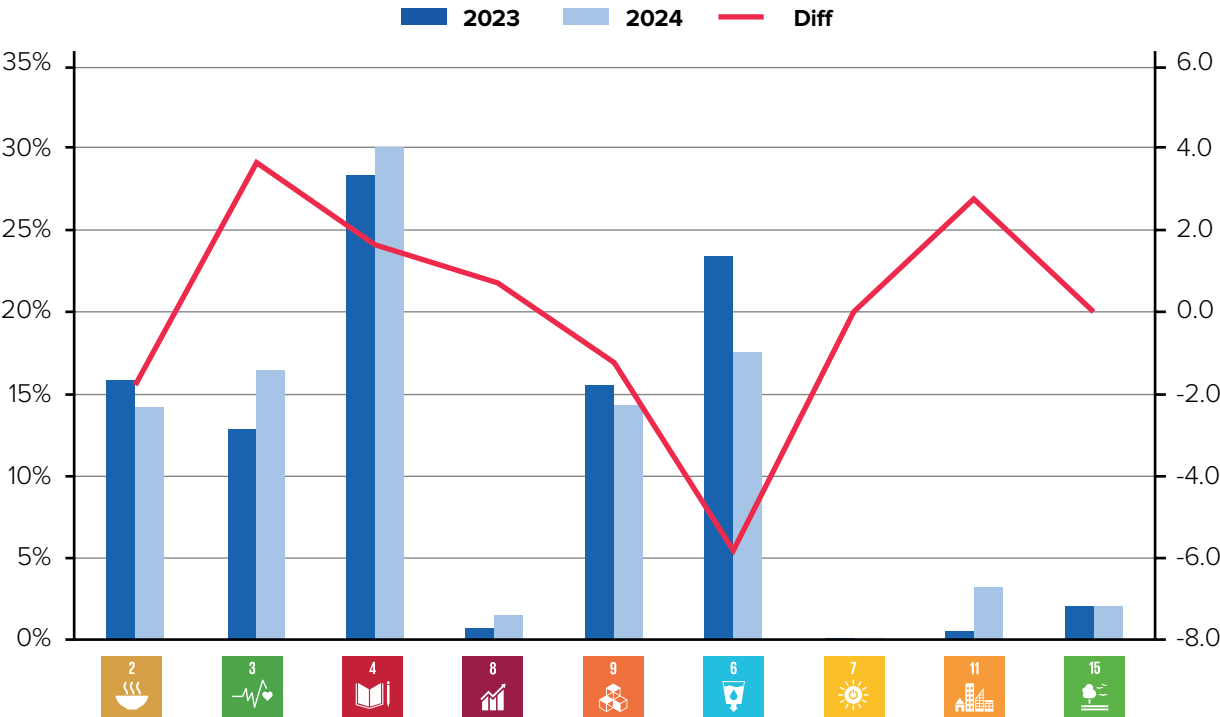
Categories of Eligible Expenditures (EEs)

According to the 2025 Allocation and Impact Report, 15 of the 42 EEs accounted for 90.52% of the total Portfolio Allocation—slightly below the 91.6% concentration reported in 2024,

when the same number of programs dominated the portfolio. In terms of territorial distribution, 73.22% of the SDG Bonds’ net proceeds were notionally allocated at the state level, while 26.79% were allocated at the municipal level, where only Social EEs were identified

In reference to the allocation by SDG, Education, clean water and sanitation, healthcare, transport infrastructure, and food security together accounted for 92.78% of the SDG Bonds’ net proceeds (see Table 2). This distribution reflects stable expenditure priorities over time, as the 2024 Report similarly evidenced a high concentration of resources allocated to these categories. Notably, between 2023 and 2024, Eligible Expenditures aligned with SDG 3 (*Good Health and Well-Being*) and SDG 11 (*Sustainable Cities and Communities*) registered the largest increase in relative portfolio weight (see Graph 4). Meanwhile, EEs aligned to SDG 6 (*Clean water and sanitation*) registered a relevant decrease equivalent to 5.8 percentage points in their share of the portfolio. However, as mentioned before, EEs linked to SDG 6 remained a relevant category within the proceeds portfolio.

Graph 4. EEs’ allocation 2023 vs 2024 by SDG (Portfolio weight %)

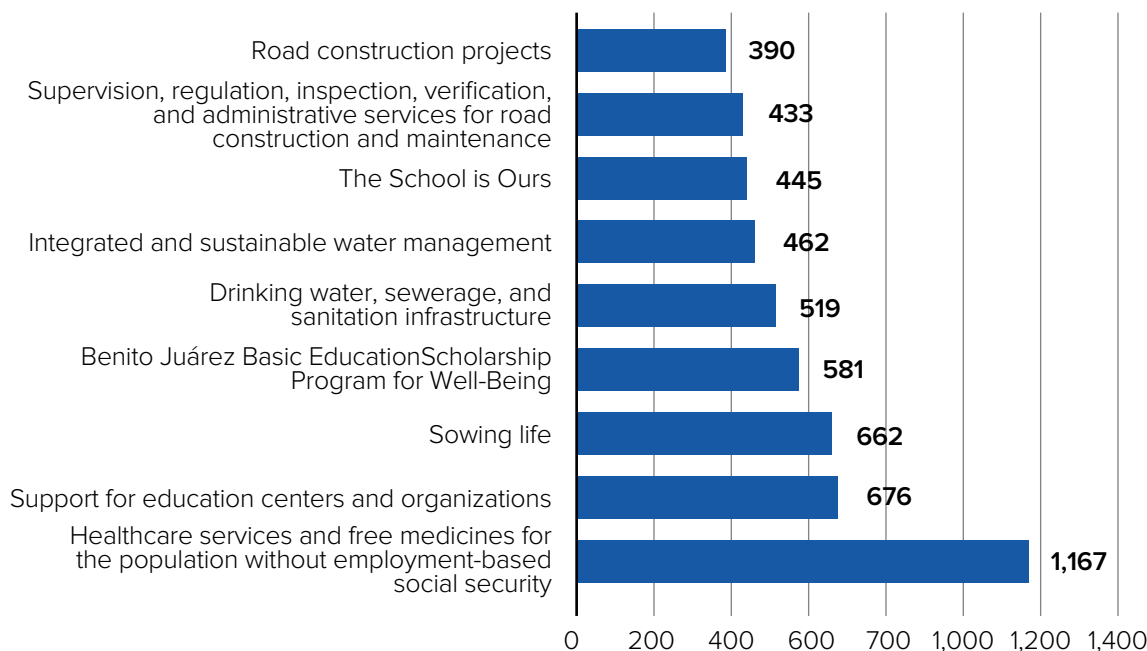


Source: UNDP with information from SHCP.

In this report, the program with the largest notional allocation was the Program for Healthcare and Free Medicines for the Population without Social Security (aligned to SDG 3), which supported the supply and distribution of public health equipment and services to individuals lacking social security coverage. This program accounted for 16.45% of the portfolio allocation, corresponding to a notional amount of US\$1.17 billion (See Graph 5). The portfolio share allocated to this program more than doubled from 2023 to 2024, denoting a significant increase in its relative financial weight. This relative increase is noteworthy, particularly in a context where the

percentage of the population lacking access to healthcare services rose by 10.94 percentage points between 2020 and 2022. The value of this indicator will soon be updated with data from INEGI's 2024 National Household Income and Expenditure Survey (ENIGH). The second-largest allocation was directed to the Program for Support to Education Centers and Organizations (aligned to SDG 4), focused on training education professionals within the public education system, including postgraduate training. This program represented 9.52% of the portfolio, equivalent to US\$0.68 billion.

Graph 5. Main categories of notional allocation (USD)



Source: UNDP with information from SHCP.



UNDP's Opinion of Allocation Report

In 2024, SDG Bonds' net proceeds represented 76.05% of the total budgetary expenditure across the 42 budgetary programs that met the Framework's eligibility criteria. The notional allocation was derived by calculating the proportion of expenditure assigned to each budgetary program, following the application of the geospatial criterion, relative to the total resources mobilized through the issuance of SDG Bonds. Net proceeds from the SDG Bonds (US\$7.09 billion) were notionally allocated to the same nine SDGs targeted in previous reports. The share of proceeds allocated to Social SDGs reaffirms its predominance within SDG Bond-related spending. Expenditure priorities have remained stable over time, however, Eligible Expenditures aligned with SDG 3 and SDG 11 registered a significant increase in their portfolio weight, while Eligible Expenditures aligned to SDG 6 registered a relevant decrease in their share of the portfolio.

IV. Impact Reporting

Mexico's SDG Bonds impact reporting has demonstrated methodological consistency, enabling temporal comparisons and the identification of trends in State of Affairs indicators. Each year, the SHCP, with support from line ministries, has introduced innovative approaches to enhance the reporting of outcomes and outputs associated with the notional allocation of proceeds to EEs.

The 2025 Allocation and Impact Report, consistent with the 2024 edition, provides information that links the main eligible categories of use of proceeds established in Mexico's SDG Sovereign Bond Framework with material results and indicators of direct beneficiaries. Moreover, as in previous editions, the 2025 Report synthesizes results by SDG, presenting data on the number of EEs per SDG, the aggregated notional allocation, key results, historical information on State of Affairs indicators dating back to 2020–2021, and the observed trends in time. The section dedicated to the presentation of case studies remained in this year's edition of the Report, providing insight on specific EEs and their year's performance.

A detailed analysis of the alignment between outputs, beneficiaries, and State of Affairs indicators with ICMA's Harmonized Framework Manual for Impact Reports on Green and Social Projects is presented in Appendix IV of the Report. In 2025, 88.37% of output and beneficiary indicators and 89.74% of State of Affairs indicators were aligned with ICMA's Framework for Impact Reporting, evidencing a high degree of methodological consistency. Notably, the alignment of State of Affairs indicators improved substantially compared to the 2024 Report, rising from 74.36% to 89.74%. This increase is explained by the update of the Social Framework, which incorporated new indicators and allowed for a greater degree of

correspondence. EEs assessed under ICMA's Harmonized Framework for Social Projects demonstrated slightly stronger alignment than those evaluated against the Framework for Green Projects.

The main feature of the 2025 Allocation and Impact Report is the retrospective assessment of Green and Social EEs against criteria of the MST, aimed at verifying their alignment with climate change adaptation and/or mitigation and gender equality objectives. This exercise not only reinforces coherence across public policy instruments from a bottom-up approach starting with budgetary programs towards higher-order planning instruments but also establishes a baseline for these principles, while enabling the issuance of programmatic and progressive follow-up recommendations to line ministries responsible for EEs, thereby strengthening their sustainability approach.

The MST classifies economic activities with positive social or environmental impact based on the Technical Evaluation Criteria of Substantial Contribution, Do No Significant Harm, and Minimum Safeguards. The baseline assessment found that 16 of the 42 eligible programs (38%) demonstrated thematic alignment and some level of activity consistent with the MST. Among these 16 programs, three lacked sufficient technical evidence to confirm full compliance with the Technical Evaluation Criteria (TECs, for its acronym in English); nine were categorized as 'partially aligned' with one of the three TECs; and four achieved full alignment with all TECs. The programs aligned with the MST included Mass Transit Programs (railway projects for freight and passenger transport), Forestry Development Programs (covering forest protection and sustainable forestry development for well-being), and investments in smart grids or training initiatives designed to support the efficient

integration of renewable energy and energy efficiency programs.

The section dedicated to case studies was retained in this year's edition of the Report, offering detailed insights into specific Green and Social EEs and their annual performance. Since 2023, the same six EEs have been consistently included as case studies, enabling a historical perspective on the outputs delivered by these programs across varying degrees of marginalization (as defined by the SGI), through the yearly notional allocation of SDG Bond proceeds. In this year's Report, case studies incorporated an additional dimension by assessing the alignment of each EE with the MST, based on the TECs. None of the six EEs achieved alignment; four complied with the MST's Minimum Safeguards; three demonstrated partial alignment with Do No Significant Harm metrics; and two showed no alignment with any of the MST's TEC.

Theory of Change (TC)

The Mexico 2025 SDG Sovereign Bond Allocation and Impact Report presents a Theory of Change that links the notional allocation of EEs with their outputs, material outcomes, and direct beneficiaries. Impacts are expressed through State of Affairs indicators, accompanied by a disclaimer acknowledging that, given the way proceeds are managed in accordance with the national legal framework and the SDG Sovereign Bond Framework, impacts cannot be fully or directly attributed to the Bond's proceeds. Nevertheless, figures related to State of Affairs indicators provide valuable context for accountability and inform decision-making processes at the national level.

A series of infographics are included to illustrate the connection between the notional allocation to EEs, and territorial distribution, with the results reported by each line ministry or agency. Maps and infographics play a key role in depicting the territorial dimension of outputs and beneficiaries. As in previous years, case studies are employed as a tool to clearly demonstrate the results chain underlying the notional allocation of proceeds—from EEs' outputs and beneficiaries to their impacts. Each case study comprises: (1) a

synthesis of the EE, including its name, diagnosis, objectives, contribution to SDG targets, and notional allocation; (2) main results, expressed in terms of outputs or direct beneficiaries, territorial allocation of proceeds, and, for Social EEs, results disaggregated by levels of marginalization; and (3) a summary of the retrospective analysis of the EE's compliance with the MST's TECs.

For some Social EEs there is a disaggregation of beneficiaries by gender, ethnic identification or marginalization degree. However, there is no consistency in the presentation of breakdowns from year to year, and there are no explicit guidelines on which data can be disaggregated. More granular information could be provided to strengthen the understanding of the differential impacts among populations (age groups and socioeconomic characteristics, amongst others). In line with previous years' recommendations, it is desirable that results' indicators, when possible, be further disaggregated by gender, age, or employment situation, among others, as established in the Framework.

Expected Impact Indicators and Potential for Positive Contribution to SDGs

The 2025 Report presents impact indicators that highlight the positive contribution of EEs to the achievement of the SDGs. While the Report underscores that expected impacts cannot be directly attributed to the Bond's resources due to the fungibility of federal spending, these indicators function as critical benchmarks for assessing Mexico's broader progress toward the SDGs and for demonstrating the strategic relevance of the EEs selected under the Framework.

The multidimensional poverty data utilized is drawn from the most recent official measurements, with georeferenced information maintained for the SGI. Territorial inequality continues to represent one of the principal challenges in achieving the SDGs. It should be noted that six out of nine State of Affairs indicators show an unchanged trend between the 2024 and 2025 Reports, as the underlying information sources have not yet been updated. The 2026 Allocation and Impact Report is expected to incorporate revised data and trends

for key indicators related to multidimensional poverty and the SDG Bond's EEs.

The incorporation of the retrospective analysis of EEs based on the MST's TECs represents progress to positively contribute to SDGs, particularly SDG 5 and SDG 13. Budget executors are expected to adopt and implement recommendations to enhance the EEs' alignment to the MST. Moreover, the implementation of this retrospective analysis is expected to foster the adoption of the MSTs Technical Evaluation Criteria by other financial institutions, to amplify contribution to sustainable development.

The incorporation of the retrospective analysis of EEs based on the MST's TECs represents a significant step forward in strengthening their contribution to the SDGs, particularly SDG 5 and SDG 13. Budget executors are expected to adopt and implement the recommendations derived from this analysis to improve the alignment of EEs with MST. Furthermore, the application of this retrospective assessment is anticipated to encourage the adoption of the MST's technical criteria by other financial institutions, thereby amplifying the overall contribution to sustainable development, beyond the SDG Bonds' proceeds.

Expected Social Impacts and Estimates of End Beneficiaries

As in previous editions, the Report's Executive Summary presents social and environmental impacts using State of Affairs indicators, which provide an overview of the level and evolution of progress towards SDGs associated with each EE at the country level:

- **Six of the nine State of Affairs indicators remained** compared to 2024's Report. These were SDGs 2, 3, 6, 7, 9, and 11. Sources of information of these six indicators have not been updated since 2020-2022.
- **One of the nine indicators showed a downward trend;** SDG 4 (Quality Education) saw a decrease in the secondary school dropout rate.
- **Two of the nine indicators showed an upward trend:** in the case of SDG 8 (Decent Work and Economic Growth), the number of bank branches per 100,000 adults increased, and

in the case of SDG 15 (Life on Land), protected areas increased as a proportion of total land area.

- **No new indicators were added** to the set of expected impact metrics in this edition, maintaining methodological continuity with respect to the 2024 Report.

Regarding the expanded set of State of Affairs indicators, which can be found in the Report's Annexes, the following results are reported:

- **12 out of 39 indicators (30.77%) remain unchanged**, mainly because the information used is not updated annually. Data on the Parity Index (between women and men) of the participation rate of youth and adults in academic and non-academic education and training (SDG 4), and the Percentage of water treated safely (SDG 6) was updated, however values remained unchanged.
- **20 out of 39 (51.28%) indicators' trends changed** in the expected direction. Notably, the Maternal mortality rate has declined consistently in 2023 and 2024, after spiking from 2020 to 2022. State of Affairs' indicators from SDG 15 (Life in Land) displayed an adequate performance, with three out of four indicators moving in the expected direction.
- **7 out of 39 (17.95%) indicators' trends changed opposite to the desired direction.** Among other retreats, Infant mortality rate displayed a 2.3 percentage points increase.

For the estimation of end beneficiaries, the 2025 Report maintains the dual-method approach applied in previous editions, where information comes from the Integral Information System of Government Program Registries (SIIP-G for its acronym in Spanish), administered by the Ministry of Public Administration (SFP, by its acronym in Spanish) and from data integrated by the SHCP. If both data sets are available, the source that is chosen is the one closest to the information reported on the Public Account, reported at the end of each fiscal year to the Chamber of Deputies. In this case, disaggregation by gender, age, and other socioeconomic variables is possible. The second method is used in budgetary programs that do not have a registry and benefit a whole territory, such as

those aligned to Green SDGs or infrastructure projects. In this case, the data comes from the Public Account prepared by the SHCP.

For programs that do not operate using individual beneficiary registries—particularly environmental or infrastructure programs aligned with the Green EEs—the beneficiary estimate continues to be based on state or municipal territorial population figures and allocation data at the program level. This method remains appropriate for expenditures whose impacts benefit entire regions rather than identifiable individual beneficiaries. In this case the Report strengthens its analysis by incorporating environmental alignment with the SDGs, which helps to contextualize the expected green impacts beyond simply counting direct beneficiaries.

Data Segmentation and Output Monitoring

The data for output indicators comes from the Results Indicators Matrix that each budgetary program reports to the Policy and Results Strategy Unit of the SHCP. In most cases, data from budgetary programs aligned with social SDGs can be disaggregated by the marginalization level of the territories where its beneficiaries live (gender, ethnic identity, and other socioeconomic variables). Although some disaggregation by gender and ethnic identity is done in the case studies, it is still desirable to present further granularity in output and beneficiaries' indicators in the Impact Report, benefitting from the robust data collection that is in place in Mexico.

As in previous editions, and as mentioned before, the data for output indicators come from the Results Indicators Matrix reported by each budgetary program to the Policy and Results Strategy Unit of the SHCP. For the 2025 Report, data segmentation levels remain more robust among Social EEs, where information can generally be disaggregated by level of marginalization (according to the SGI), by gender, age, ethnic identity, and other socioeconomic variables. The transition of responsibilities from CONEVAL to INEGI did not alter the structure or availability of these disaggregated variables for output monitoring during this reporting cycle, although, as mentioned previously, it is recommended to ensure the continuity of measurements regardless of the institution that develops them.

For Green EEs, the 2025 Report reflects improvements in classification, traceability, and reporting structure due to alignment with the MST. The Report highlights the need for stronger evidence for future reports, in regard to the MST alignment analysis.

The data shared with UNDP for this year's opinion included internally consistent product and beneficiary information, enabling a clearer mapping between outcome indicators, notional allocations, and SDG targets. Nevertheless, as in previous years, greater disaggregation and granularity of information would further enhance the analytical rigor of the Impact Report.



UNDP's Opinion on Impact Reporting

UNDP is of the opinion that Impact Reporting was done following the Framework's criteria. Mexico's SDG Bonds impact reporting has demonstrated methodological consistency, enabling temporal comparisons and the identification of trends in State of Affairs indicators. Considering the proceeds' management, the Report concatenates the notional allocation of resources with the number of outputs and beneficiaries of the Eligible Expenditures and the impacts (although not fully attributable to the SDG Bonds) expressed in the indicators of the State of Affairs. As in last year's report, output, beneficiaries and State of Affairs indicators were analyzed under ICMA's Harmonized Framework Manual for Impact Reports on Green and Social Projects evidencing a high degree of methodological consistency; the alignment of State of Affairs indicators improved substantially compared to the 2024 Report, rising from 74.36% to 89.74%. UNDP celebrates the retrospective assessment of Eligible Expenditures against MST's criteria, as a means to reinforce coherence across financing policy instruments and to establish a baseline for these principles. Efforts to further the breakdown of indicators by relevant categories are highly encouraged.

V. SDG Bonds as a Driver of Change

Towards an Integrated Institutional Architecture for Sustainable Finance

The 2025 Report marks a milestone towards an integrated institutional architecture for sustainable finance, not only within SHCP but also from a broader perspective, by fostering coherence across policy instruments. The 2025 Allocation and Impact Report consistently integrates development finance policy instruments and reflects the priorities of the 2025–2030 National Development Plan. The retrospective analysis of budgetary programs classified as Eligible Expenditures, based on the technical evaluation criteria of the Mexican Sustainable Taxonomy, constitutes a breakthrough in demonstrating how diverse policy tools can be aligned to strengthen a sustainable development approach within various financing strategies. In addition, it establishes a baseline for climate action and gender equality. The issuance of programmatic and follow-up recommendations to the ministries responsible for the Eligible Expenditures is essential to mainstreaming the MST's principles into decision-making processes and throughout the policy cycle. Working on the recommendations at the budgetary program level allows for a more concrete grounding, which can trigger substantive transformations in the adoption of criteria aligned with climate action and gender equality in higher-level planning instruments.

Creating a bandwagon effect within the financial ecosystem

The analysis of Eligible Expenditures against the MST's criteria and objectives is expected not only to integrate government tools and strategies into a more meaningful sustainable financing approach, but also to generate a bandwagon effect within the financial ecosystem.

By following this practice, other financial actors—including private sector institutions and multilateral entities—are anticipated to adopt the MST more consistently and decisively in their daily operations and policy frameworks

Strengthening environmental integration (mitigation and adaptation) through alignment with the MST

The new alignment with the Mexican Sustainable Taxonomy reflects an evolution in the classification and treatment of Eligible Expenditures. The programs underwent an ex-post evaluation process based on the MST's Technical Evaluation Criteria, requiring agencies to generate evidence for future reports, refine methodologies, and strengthen the quality of information.

The EEs' portfolio weight reflected the 2025–2030 National Development Plan priorities by increasing the focus on environmental issues—climate change adaptation and mitigation, preserving natural resources, and modernizing energy infrastructure—whilst maintaining a strong focus on social inclusion. The environmental safeguards of the TSM could drive improvements in data generation, program design, and monitoring by government agencies to close information gaps. This could incentivize a transition from the predominantly social profile of the EEs to a more balanced portfolio that gradually increases the weight and diversity of climate and environmental objectives.

Integrating workflows among Units within the Ministry of Finance and Public Credit

The reporting commitments undertaken by the Government of Mexico, and by SHCP in particular, have fostered joint work and the

constant exchange of information among SHCP units. This has enabled a more comprehensive approach to the information generated and reported on Eligible Expenditures, as well as a single, more consolidated communication channel with the liaison officers of line ministries. Moreover, there is evidence of improved quality in the information produced regarding the resources allocated and the results generated by the SDG Bonds' Eligible Expenditures compared to other budgetary programs, thereby raising the standards for the rest of the programs.

Mexico as a leader in knowledge exchange, market development, and economic recovery

Through peer-to-peer exchanges, technical cooperation initiatives, and the dissemination of best practices in sustainable sovereign finance, SHCP shares methodologies for the selection of Eligible Expenditures, geospatial

prioritization, alignment with the MST, and the publication of Allocation and Impact Reports, supported by second-party opinions and audits conducted by the ASF, positioning Mexico as a regional leader on finance for development. At the national level, the development of the local sustainable debt market remains a priority. Although no local S Bonds were issued in 2024, improvements in information disclosure and SHCP's consolidation efforts have revitalized market activity. The re-entry into international markets through instruments such as the Samurai SDG Bond complements investor diversification strategies and reinforces Mexico's commitment to sustainable financial instruments.



UNDP's Opinion on SDG Bonding as a Driver of Change

The issuance of SDG Bonds and the preparation of Allocation and Impact Reports constitute a cornerstone of the institutional architecture for financing sustainable development, given their positive effects in coherently integrating development priorities, policy instruments, and government agencies into the sustainable financing landscape. The application of the Mexican Sustainable Taxonomy's technical evaluation criteria as a benchmark for analyzing the SDG Bonds' Eligible Expenditures represents a milestone in this regard, while also generating a bandwagon effect within the financial ecosystem by fostering the adoption of this policy tool and mainstreaming climate action and gender equality objectives across financial operations and frameworks.

Concluding Remarks and Recommendations

Mexico's 2025 SDG Bonds Allocation & Impact Report is a display of the learning journey SHCP has had in the production of these reports since 2021, as well as its innovative approach. Line ministries have institutionalized the gathering of information for reporting purposes in the context of SDG Bonds. Line ministries are in constant training to produce better quality information and to adopt a sustainable development approach in their daily operations, especially after the analysis of Eligible Expenditures under the Mexican Sustainable Taxonomy objectives and criteria.

Transparency and accountability towards investors remain present in this Report given the maintenance of consistent and comparable reporting over time, and the continuity of the alignment and analysis of output, beneficiaries and State of Affairs with ICMA's Framework for Impact Reporting which evidences compliance with international standards. The sharing of allocation and impact databases with UNDP to replicate procedures and figures is a sign of transparency that is highly recognized. Moreover, Mexico's Superior Audit Office of the Federation's review of the 2023 and 2024 Allocation and Impact Reports confirms the adequate application of the criteria for selecting Eligible Expenditures and compliance with the SDG Sovereign Bond Framework, fostering investors confidence.

The 2025 Report adequately establishes a bridge between notional allocations and the associated outputs, beneficiaries and contribution to impacts. Various State of Affairs indicators remain to be updated, especially those related with multidimensional poverty, to get a better picture of the country's progress on SDGs and adjust priorities accordingly.

To provide investors with a clearer view of risks, returns, and market liquidity, for future Reports it may be useful to provide a deeper analysis of the UMS Sovereign Bond yield curve. This analysis should encompass all outstanding bonds, including their yield to maturity and yield differentials relative to reference instruments—such as Japanese Government Bonds in the case of yen-denominated issuance, and traditional Sovereign Bonds in the case of peso-denominated issuance. Additionally, liquidity indicators, such as bid–offer spreads, may also be warranted.



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