SDG SOVEREIGN BOND FRAMEWORK

United Mexican States
Building Prosperity: Financing SDGs for an inclusive economy
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1. Introduction & Overview

In 2015, the 193 member states of the United Nations ("UN") adopted The 2030 Agenda for Sustainable Development\(^1\) ("2030 Agenda"). The 2030 Agenda "provides a shared blueprint for peace and prosperity for people and the planet, now and into the future" and it comprises 17 Sustainable Development Goals ("SDGs") with 169 targets and 232 global indicators.

After committing to the 2030 Agenda, Mexico has implemented clear steps to integrate the 17 SDGs into its national planning and budgetary and fiscal policies\(^2\) and has set the following priority themes, linked to SDGs 1 (no poverty), 10 (reduced inequalities), 13 (climate action), 15 (life on land), and 16 (peace, justice, and strong institutions):

- Social and economic inclusion as the guiding principle of the new objectives;
- The adoption of a multidimensional\(^3\) approach to poverty by the international community;
- Gender equality and empowerment of woman as cross-cutting factors of development;
- The implementation of the rights of indigenous and Afro-Mexican people;
- The recognition of the rights of migrants and their positive contribution to development;
- The conservation of biodiversity, biocultural heritage and traditional knowledge and the adoption of national commitments to address climate change;
- The protection and strengthening of the Rule of Law as a requirement for development.

To achieve the SDGs in Mexico, the government must allocate hundreds of millions of dollars in investments each year until 2030. Mexico believes international capital markets can play a decisive role in converting this pledge into a reality, echoing Section 62\(^4\) of the Agenda on the means of implementation, which highlights the roles of both international private business and finance.

The Government of Mexico created the institutional architecture in order to advance the 2030 Agenda. In April 2017, the National Council of the Agenda 2030 ("Agenda 2030 Council") was created as a high-level multi-stakeholder council, led by the President and comprised of 19 government ministries, seven non-sectorial institutions and two autonomous agencies. The Council is in charge of analyzing and establishing high-level public policies aligned with the 2030 Agenda.

In addition, in November 2015 the Government of Mexico created a new committee, the Specialized Technical Committee of the Sustainable Development Goals (Comité Técnico Especializado de los Objetivos de Desarrollo Sostenible, or "CTEODS"), which is led by the President’s Office and includes 26 entities\(^5\). CTEODS is responsible for monitoring indicators

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1. UN General Assembly: "Transforming our world: the 2030 Agenda for Sustainable Development"
4. See §62, p.33: The 2030 Agenda for Sustainable Development
5. 14 Government Ministries, the National Institute of Statistics and Geography, the National Population Council, National Institute for Women, the Office of the Presidency, National Council for the Evaluation of Social Development Policy, the Federal Institute of Telecommunications, the Mexican Agency for International Development Cooperation, the Central Bank of Mexico, the National System
and evaluating public policies oriented towards Mexico’s compliance with the SDGs. The Agenda 2030 Council is also comprised of six other SDGs Specialized Technical Committees\(^6\), created to discuss and monitor initiatives relevant to specific SDGs or thematic areas. Finally, the National Commission of Governors created the Executive Commission for the Agenda 2030 to align efforts made by the states and municipalities on the SDG goals.

In this context, the Ministry of Finance (Secretaría de Hacienda y Crédito Público, or “SHCP”) started defining the suitable mechanisms to support tracking the 2030 Agenda goals through the national government’s budget; in 2018, it began incorporating a sustainable development approach to the budgetary process to link resources to reducing gaps in the SDGs. The issuance of Sovereign SDG Bonds underpinned by this SDG Sovereign Bond Framework (“Framework”) allows the government to pinpoint eligible projects, assets and expenditures that support Mexico’s fulfillment of the most pressing SDGs.

This Framework is unique for a number of reasons. Above all, it includes geographical eligibility criteria to prioritize vulnerable populations living in landlocked and disadvantaged areas. The 2030 Agenda is global, but its gaps are spatial and local. The Framework’s design is based on granular open data collected through the Census of Population and Housing, and analyzed by The National Council for Evaluation of Social Development Policy (Consejo Nacional de Evaluación de la Política de Desarrollo Social, or “CONEVAL”), to target the most needed territories and populations. Lastly, the governance of this Framework is multi-stakeholder. It includes the involvement of United Nations Development Programme (“UNDP”) who are inter alia: 1) providing an opinion on the Framework’s selection criteria; 2) acting as an observer to the budgetary selection process to establish the eligible expenditures; and 3) providing technical assistance, as required, on the development of the impact report.

1.1 Mexico’s Debt and Budgetary Principles

Mexican budgetary law is governed principally by the Mexican Constitution (Constitución Política de los Estados Unidos Mexicanos), Federal Law of Public Debt (Ley Federal de Deuda Pública) and Federal Law on Budget and Fiscal Responsibility (Ley Federal de Presupuesto y Responsabilidad Hacendaria). Under this legislation, the Chamber of Deputies annually approves and allocates budgetary resources for the execution of budgetary programs set out in the Federal Budget -Presupuesto de Egresos de la Federación (“PEF”).

The proceeds of Mexico’s borrowings, including SDG Bonds, are used to finance the Federal Budget of the corresponding fiscal year and consequently the budgetary programs set out in the PEF of that year, which are aligned to its National Development Plan 2019-2024\(^7\) (“NDP”) and the 2030 Agenda.

The approval of the Federal Budget by the Chamber of Deputies occurs on a yearly basis, so the execution of any and all budgetary programs concludes with the fiscal year, and the

\(^{6}\) National Strategy Committee, the Monitor and Evaluation Committee, and four SDGs Committees.

continuity of any project relies upon the yearly approval of subsequent PEFs by the Chamber of Deputies.

2. Mexico’s commitments and sustainability policies

As one of the world’s largest economies and most biodiverse countries, Mexico has a special role to play in environmental protection and in the global fight against climate change. In addition, Mexico is working to ensure that none of its citizens are left behind during its transition to a sustainable development model. This refers to the fundamental principle of respecting the human rights of all people, regardless of their socioeconomic status, gender, age, ethnicity or culture and religious, immigration or disability status. This principle also means guaranteeing the same opportunities for all people so they have a chance to reach their full potential.

In September 2016, Mexico ratified the Paris Agreement and its Intended Nationally Determined Contribution (INDC) turned into Mexico’s Nationally Determined Contribution (NDC). This commits Mexico to unconditionally reduce its Greenhouse Gas (GHG) emissions by 22% and Short-Lived Climate Pollutant (SLCP) emissions by 51% relative to its 2030 emissions projections. Under a number of conditions (including a global agreement addressing international carbon pricing, carbon border adjustments, technical cooperation, access to low cost financial resources and technology transfer), Mexico further commits to a conditional GHG emission and SLCP reduction of 40%. Mexico will submit a new or updated version of its current NDC commitment in 2020.

There are extensive linkages between climate action and the 2030 Agenda in Mexico. Almost 40% of the SDG targets are related to measures to mitigate or adapt to climate change, and most of the climate actions have additional social, economic and environmental benefits.

2.1 National Development Plan (NDP)

With the purpose of fulfilling its commitments by 2030, Mexico intends to implement a comprehensive model of sustainable development for the coming years, by designing a structured action plan around the principles of the 2030 Agenda. To achieve this objective, Mexico has begun consistently incorporating the intersecting principles and objectives of the 2030 Agenda into its development plans, public policies and federal budgets.

Through its NDP, Mexico has strongly emphasized that sustainable development is an indispensable factor of national well-being. The NDP promotes a deep reengineering of public spending to reorient resources towards integral programs that generate well-being, and is specifically aimed at the most disadvantaged populations. It is structured around three pillars:

1. To guarantee justice, the rule of law and human rights;
2. To ensure the enjoyment of social and economic rights established in the Constitution;

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National Determined Contributions. Link: https://www4.unfccc.int/sites/ndcstaging/Pages/Home.aspx

Spinning the web: The cobenefits approach to an integrated implementation of the 2030 Agenda and the Paris Agreement in Mexico. Link: https://www.gob.mx/cms/uploads/attachment/file/346964/Spinning_The_Web_Interactive-2_2_.pdf
3. To encourage sustainable and equitable economic development that expands the capabilities of all people.

The current NDP was developed through a participatory and inclusive consultation process between the Federal Government, the private sector, academic and scientific institutions and local authorities. Because of these consultations, the NDP includes a transversal perspective of sustainable development throughout the entire Federal Government, with defined actions to achieve the plan’s goals. The NDP also includes the relevant perspectives of non-governmental actors, as well as inputs and considerations made during prior fiscal years.

2.2 Transforming our world: The 2030 Agenda for Sustainable Development

Since 2015, the SDGs have been increasingly accepted and applied in the financial markets as an additional lens through which to view environmental, social and governance ("ESG") considerations. Mexico adopted the 2030 Agenda as a state commitment and a long-term orientation for the whole country, which will transcend different branches of government and unite all of its agencies towards a common goal.

The current Mexican national strategy represents a long-term, multi-sector and multi-actor vision that will lead the country towards full compliance with the SDGs, under the principles of the 2030 Agenda.

Schematic overview of the architecture for the implementation and monitoring of the 2030 Agenda

![Diagram of the 2030 Agenda architecture]
2.2.1. Legal framework

Mexico has a solid institutional architecture, sustaining its efforts to implement the 2030 Agenda over several six-year presidential cycles. In April 2017, Mexico established the National Council of the 2030 Agenda for Sustainable Development. On December 2, 2019, the National Strategy for the Implementation of the Agenda 2030\textsuperscript{10} was published, demonstrating the importance and relevance of the 2030 Agenda to Mexico.

In addition to the efforts undertaken by the Executive branch, Mexico has pushed ahead in its commitment to integrate the 2030 Agenda into its federal legislation through an amendment to the Planning Law (\textit{Ley de Planeación})\textsuperscript{11}. This reform allows the Federal Government to incorporate a series of fundamental provisions so that the national planning process adheres to the new paradigm of sustainable development, including:

- Incorporating the three dimensions of sustainable development (social, environmental and economic) in national planning;
- Proposing national transformation projects that transcend different administrations, allowing for a medium-term vision (at least 20 years) of ongoing progress;
- Strengthening the Performance Evaluation System ("PES"), which prioritizes budgetary resources to government actions of greater social and environmental impact; and
- Incorporating the 2030 Agenda into the design of the NDP as well as into sectorial plans and programs.

On top of this, the Senate has set up a working group to follow up the legislative headway of the SDGs. This working group is responsible for analyzing legislative gaps in and proposing reforms to existing legislation, in order to ensure that the legal framework aligns towards the sustainable development efforts.

2.2.2. Work plan of the National Council of the 2030 Agenda for Sustainable Development

Mexico designed a work plan for the 2019-2020 period with the purpose of establishing a series of strategic axes that lead and articulate the efforts of the public administration and all other relevant stakeholders.

This annual work plan is comprised by five axes that comprehensively address the priority areas to achieve the implementation of the 2030 Agenda at the Federal level and to promote its adoption at the state and municipal levels. The plan sets forth a roadmap that promotes inter-sectorial coordination, the creation of alliances and the establishment of synergies to make the 17 SDGs a reality in Mexico.

The five axes of the 2019-2020 work plan are the following:

1. Increase investment for sustainable development.
2. Design programs by sector with a 2030 Agenda vision.


\textsuperscript{11} Source: http://www.diputados.gob.mx/LeyesBiblio/pdf/59_160218.pdf
3. Cooperate with state governments regarding the implementation of the 2030 Agenda.
4. Establish working committees within the National Council of the 2030 Agenda.
5. Implement a territorial approach and municipal cooperation.

In order to ensure the materialization of this work plan, the four committees of the National Council of the 2030 Agenda for Sustainable Development will monitor these activities.

2.3 Budget alignment to the SDGs

Since the 2018 Federal Budget, the Mexican Federal Government has established a formal link between the current national planning process, the global 2030 Agenda and the SDGs\textsuperscript{12}.

This provides Mexico with the necessary inputs for implementing long-term strategic planning towards the 2030 Agenda, as well as for monitoring and reporting its results and impacts. Based on the yearly budgetary approval process, the government can make public policy decisions and subsequently propose to the Chamber of Deputies SDG-aligned budgetary resource allocations.

Mexico’s yearly budgetary approval process takes into consideration:

- National Development Planning System
- Programmatic Structure based in Budgetary programs
- Performance Evaluation System

2.3.1. National Development Planning System

In Mexico, the National Development Planning System has three main levels: (i) the Planning level, which expresses national aspirations; (ii) the Programs level, which sets forth policies and objectives through which the plans will be accomplished; and (iii) the budgetary level, which sets out specific activities overseen by the Federal Entities, which align with the NDP. Only the projects in the third level are included in the Executive Branch proposal to the Chamber of Deputies to receive budgetary resources. As a whole, the process is a democratic system which sets out the relationship between public sector entities and other local authorities, and proposes the mechanisms under which they act by mutual agreement. The mechanisms and programs are organized as follows\textsuperscript{13}:

\textsuperscript{12} Investing For Sustainable Development: How Does Mexico Invest In The Sustainable Development Goals: https://www.transparenciapresupuestaria.gob.mx/work/models/PTP/Presupuesto/Documentos_anteriores/mexico_sdg.pdf

\textsuperscript{13} Adapted from: Investing for sustainable development: How does Mexico invest in the SDGs https://www.transparenciapresupuestaria.gob.mx/work/models/PTP/Presupuesto/Documentos_anteriores/mexico_sdg.pdf
In order to systematize public resources, Mexico uses a programmatic structure based in budgetary programs, which allows it to group allocations representatively and homogenously.

A budgetary program is a spending category based on groups of goods or services with a common objective. It is a foundational aspect of the Performance Based Budgeting and the Performance Evaluation System.

### 2.3.3. Performance Evaluation System (PES)

PES is a methodological toolbox that aids Federal Government Agencies in assessing the level of fulfillment of budgetary programs and consequently SDG targets and goals, based on indicators structured in a Matrix of Indicators for Results ("MIR").

The PES provides performance information through two steps: (1) monitoring the budgetary programs’ performance through indicators; and (2) external evaluation by independent experts.

Those core elements allow the budgetary programs to be linked to the National Development Plan, with an emphasis on managing results, as shown by the following diagram:

<table>
<thead>
<tr>
<th>National Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs (Sectorial, Special, Regional and Institutional)</td>
</tr>
<tr>
<td>Budgetary programs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Matrix of Indicators for Results Level</th>
<th>SDG/Objective</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>End (Overall Objective)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose (Outcome)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component (Output)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities (Input)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Special Programs (Transversal)
- Sectorial Programs
- Institutional, Regional and Special Programs
The detailed methodology used to link the annual budgets with the SDGs is publicly available on the Mexican Federal Government website, in the yearly PEF and specifically in the Annex (p.382).

Building on this institutional framework, Mexico seeks to deepen and expand its engagement with financial markets through the issuance of SDG Bonds based upon Mexico’s adopted SDGs.

3. SDG Sovereign Bond Framework

This document aims to define Mexico’s SDG Sovereign Bond Framework and demonstrate how the existing mechanisms around the 2030 Agenda developed by Mexico (and described in Section 2) can be suitable and useful for such a financing framework. This Framework puts forward commitments that the Government of Mexico will, as a SDG Bond issuer, meet under its budgetary process. The SHCP is the entity in charge of the issuance and will ensure that SDG Bonds comply with Mexican Law and this framework.

The SDG Bonds issued under this Framework are being used to fund the Federal Budget. Payments of principal and interest are not conditional on the selection or performance of the eligible expenditures described below. Therefore, investors in bonds issued under this Framework do not bear any project-related risks.

This Framework is designed to align with the latest Sustainable Bond Guidelines ("SBG" - 2018 edition) published by the International Capital Market Association ("ICMA"). It is also designed to be in line with the spirit of the EU Green Bond Standard. In this regard, the framework details the four core components of the ICMA's Green Bond Principles ("GBP") and Social Bond Principles ("SBP"), 2018 edition, which are as follows:

(i) Use of Proceeds
(ii) Process for Expenditure Evaluation and Selection
(iii) Management of Proceeds
(iv) Reporting

The Framework also include external review features such as Verification and Second Party Opinions.

3.1 Use of Proceeds

The SDG Bonds issued by Mexico will be linked to eligible expenditures set out in the PEF that are a combination of both Green and Social Projects and that are part of the Federal Budget for the relevant fiscal year, as described further in Sections 3.2 - 3.3 below.

The eligible expenditures may be by State agencies, local authorities, companies and households. They may relate to real assets such as land, energy efficient buildings and infrastructures, and hospitals, etc, or may also be related to some intangible assets such as human capital and organizations, applied research and innovation.

The table below provides an overview of the types of budgetary expenses that may be linked with proceeds from an SDG Bond.

<table>
<thead>
<tr>
<th>MAIN BUDGETARY EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1. Investment expenditures: Capital investments, including facilities, structures, networks, systems, plants, property, equipment or physical assets that provide essential social or environmental services.</td>
</tr>
<tr>
<td>#3. Tax expenditures: Tax forfeitures and any exceptions to normal taxation policies (including rates, fiscal base) to pursue or encourage environmental or social objectives. This falls within nudge or behavioral change policies. These expenditures could target either individual households or businesses, and have by design and/or purpose conditions related to specific situations (for companies; turnover or number of employees; for households; level of income or family composition).</td>
</tr>
<tr>
<td>#5. Intervention expenditures: Financial transfers or contributions from the central government to public entities with their own legal status (i.e. not Ministries). For example: state-owned enterprises and Public Private Partnership (“PPP”) availability payments.</td>
</tr>
</tbody>
</table>

Based on this Framework, Mexico, through SHCP, will issue SDG Bonds, the proceeds of which will be linked to the relevant PEF identified in Section 3.1.1: “Eligible Sustainable Expenditures.”

### 3.1.1 Definition of Eligible Sustainable Expenditures

Eligible Sustainable Expenditures are expenditures within Mexico’s budgetary programs included in the PEF, which are also aligned with the relevant SDGs.

Certain Eligible Sustainable Expenditures, where indicated, will be subject to a geospatial eligibility criterion in order to ensure that those expenditures are directed towards regions where Mexico’s SDG gaps are the greatest.15

This criterion builds off the “priority area” zoning policies of the national authorities with a focus on the “Social Gap Index,” to further refine the target populations. The Social Gap Index consists of eleven sub-indicators. The data from the Social Gap Index comes from the Census of Population and Housing. It is collected every five years (the next collection will be in 2020) and the latest results are systematically used in this SDG Sovereign Bond Framework.

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15 See the website called “Information System of Sustainable Development Goals (SIODS)” which is a tool developed jointly by the National Digital Strategy Coordination of the Presidency of the Republic and the National Institute of Statistics and Geography (INEGI). This system is designed to provide the user geo-referencing of the indicators that have geographical breakdown, as well as its visualization in dynamic graphs. See example here on the indicator 1.2.1.a “Proportion of the population living below the national poverty line, by geographical breakdown” In addition CONEVAL builds off granular municipal level data to identify regions where poverty levels are highest.
The design of this geospatial eligibility criterion targets end-beneficiaries in vulnerable population groups, including those in extreme poverty, the indigenous population, the elderly and children. This criterion has been applied to those SDGs associated with social expenditures, as the Social Bond Principles require clear identification of a target population that the expenditure is intended to serve. Green and environmental expenditures are designed to benefit society at large, and therefore it is not necessary to apply geospatial eligibility criteria to these expenditures.

1,345 cities totaling roughly 22m of inhabitants out of national population of circa 120m

→ Use of Resources in these areas are eligible

**Social Gap Index**

**EDUCATION**
- Percentage of illiterate population aged 15 years or more
- Percentage of population aged 6 to 14 who do not attend school
- Percentage of population aged 15 years and over with an incomplete basic education

**HEALTH**
- Percentage of population without access to health services
- Percentage of homes that do not have a toilet or bathroom
- Percentage of homes that do not have piped water from the public network

**HABITAT BASIC SERVICES**
- Percentage of dwellings with a dirt floor (mud floor)
- Percentage of homes that do not have drainage
- Percentage of homes that do not have electricity
- Percentage of homes that do not have a washing machine
- Percentage of homes that do not have a fridge
The bulk of the 1,345 municipalities selected for the geospatial eligibility criteria are in States from the South of Mexico (see map below). The full list of all 1,345 municipalities is available in a separate document that can be found here: https://www.coneval.org.mx/Medicion/IRS/Paginas/Indice_Rezago_Social_2015.aspx

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Eligible Sustainable Expenditures

The tables below set out the Eligible Sustainable Expenditures that may be linked to an SDG Bond issuance. Not all SDGs have been targeted within the Framework. The selected SDGs are those where tangible SDG contributions have been identified against budgetary expenditures (as per Section 2).

The tables set out the primary SDG challenges that the expenditures seek to address, along with:

- The applicability of the geospatial eligibility criterion to each development challenge;
- The specific SDG targets that the expenditures seek to address;
- The linkage of those expenditures to the National Development Plan;
- The budgetary categories the eligible expenditures are directed towards; and
- The illustrative potential outcomes and/or impact indicators related to the Use of Proceeds categories. The final indicators used for a specific budgetary program and expenditure will be detailed in an annual Impact Report, as described in Section 3.4.2.

Summary of selected main eligible categories linked to the SDGs:

- Production subsidies to subsistence farmers
  - Training to small-farmers
  - Free school meals
  - Agricultural insurance

- Hospitals and medical equipment
  - Health professionals support
  - Provision of targeted health programs

- Sustainable forestry development
- National Parks management
- Wildlife conservation

- Watersheds management and conservation

- Renewable energy generation
- Energy efficiency investments in public buildings

- Electrified rail transportation
- Multimodal platforms
- Bus-rapid transit system

- Development of rural roads
- Access to internet

- School and educational equipment
  - Educational training centers
  - Educational scholarships

- Water treatment infrastructure improvement
  - Hydro-agriculture modernization
  - Dam heads and structures improvement
  - Projects to reduce water related hazards

- Clean energy generation and infrastructure
  - Smart grids
  - Energy efficiency programs

- Digital payment systems
- Bank branches in isolated areas
- Cultural and natural heritage centers
- Scholarships for employment training
- Development and maintenance of employment training centers & programs
<table>
<thead>
<tr>
<th>SDG eligible category &amp; associated challenges</th>
<th>Geospatial Eligibility Criteria Applied?</th>
<th>SDG Targets</th>
<th>National Development Plan Actions</th>
<th>Use-of-Proceeds Description</th>
<th>Target Population</th>
<th>Illustrative Output Indicators</th>
<th>Example, potential outcome &amp;/or impact indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure food security and access to essential services</td>
<td>Yes</td>
<td>2.1.2</td>
<td>Guaranteeing effective access to varied, quality food for all people</td>
<td>Production subsidies to small and medium farmers (≤20ha) for basic food products (^{17}) (staple food programs)</td>
<td>Children and teenagers</td>
<td>Target population recipients by program</td>
<td>Decrease in prevalence of undernourishment (% population)</td>
</tr>
<tr>
<td>2.1.2.a</td>
<td></td>
<td>2.1.2.b</td>
<td></td>
<td>Training to small to medium farmers to increase production yields (≤20ha)</td>
<td>Population in extreme poverty and urban peripheries</td>
<td></td>
<td>% of Food products being produced within the limit of 250 km per meal</td>
</tr>
<tr>
<td>2.1.2.c</td>
<td></td>
<td>2.1.2.d</td>
<td></td>
<td>Consumption subsidies for basic food products (^{15}) (staple food programs)</td>
<td>Farmers &amp; Rural population</td>
<td></td>
<td>% of seasonal produce per meal</td>
</tr>
<tr>
<td>2.1.2.e</td>
<td></td>
<td>2.1.2.f</td>
<td></td>
<td>Free public-school meals</td>
<td>Indigenous people</td>
<td></td>
<td>Increase in in the number of people provided with safe, nutritious and sufficient food</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>2.a.4</td>
<td>Guaranteeing the access of local products to value-added markets</td>
<td>Promoting the resilience of the agricultural sector through universal insurance coverage for small producers to cover losses resulting from climate related events such as droughts or floods, as well as plagues and earthquakes and other agricultural risks</td>
<td>Small and medium producers (≤20ha)</td>
<td>Target population recipients by program</td>
<td></td>
</tr>
<tr>
<td>2.a.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Number of claims processed p.a. and % of claims approved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td></td>
<td>2.A.3</td>
<td>Agricultural insurance program</td>
<td>Promoting the resilience of the agricultural sector through universal insurance coverage for small producers to cover losses resulting from climate related events such as droughts or floods, as well as plagues and earthquakes and other agricultural risks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.A.4</td>
<td></td>
<td>2.A.5</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

\(^{17}\) The composition of the basic food products is taken from the national food balance sheets published by the UN Food and Agriculture Organization (FAO). Basic food products include corn, wheat, maze, soybeans, rice, beans, fruits, vegetables, and milk, among others. Beef and cattle related programs are excluded under this framework. The extensive list can be found here: https://wageindicator.org/salary/living-wage/mexico-living-wage-series-september-2019
<table>
<thead>
<tr>
<th>SDG eligible category &amp; associated challenges</th>
<th>Geospatial Eligibility Criteria Applied?</th>
<th>SDG Targets</th>
<th>National Development Plan Actions</th>
<th>Use-of-Proceeds Description</th>
<th>Target Population</th>
<th>Illustrative Output Indicators</th>
<th>Example, potential outcome &amp;/or impact indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure effective access to quality healthcare services, eliminate discriminatory barriers, close service gaps between different social groups and regions and ensure the generation and effective use of healthcare resources</td>
<td>Yes</td>
<td>3.1.1</td>
<td>Health Insurance Program</td>
<td>Financing to construct, equip, operate hospitals, clinics and health care centers for the provision of public/free/subsidized health services</td>
<td>Infants and children</td>
<td>Increase in the number of: hospital and other healthcare facilities built/upgraded medical consultations per year (General Practitioners, Specialists)</td>
<td>Healthy life expectancy at birth (years)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.1.2</td>
<td>Prevention Programs in place: Health in Your School, Safe Consultation, and the National Strategy for the Prevention of Obesity and Diabetes</td>
<td></td>
<td></td>
<td>Women</td>
<td>Number of patients treated by program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.2.1</td>
<td></td>
<td></td>
<td>Elderly</td>
<td></td>
<td>Under 5 mortality (per 1,000 live births)</td>
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<td>3.3.3</td>
<td></td>
<td></td>
<td>Low-income working families</td>
<td></td>
<td>Incidence of tuberculosis (per 100,000)</td>
</tr>
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<td></td>
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<td>3.7.1</td>
<td>National Strategy for the Prevention of Teen Pregnancy</td>
<td></td>
<td>Inhabitants of territories subject to medical desertification risk</td>
<td></td>
<td>HIV prevalence (per 1,000)</td>
</tr>
<tr>
<td></td>
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<td>3.7.2.a</td>
<td>Early Childhood Development Strategy</td>
<td></td>
<td>Sick people</td>
<td></td>
<td>Births attended by skilled health personnel (%)</td>
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<td>3.7.2.b</td>
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<td>Prevalence of underweight (% of children under 5, weight for age)</td>
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<tr>
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<td>Example, potential outcome &amp;/or impact indicators</td>
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</table>
| Improve education infrastructure and provide school with basic furniture | Yes | 4.3 | Construction and improvement of public schools, campus, student housing  
Purchase of hardware equipment for public education purposes | Students from low-income families | Area of classroom space that was built, converted, or expanded for use within educational facilities (m²) | Proportion of schools with access to: (a) electricity; (b) the Internet; (c) computers; (d) adapted infrastructure and materials for students with disabilities; (e) basic drinking water; (f) single-sex basic sanitation facilities; and (g) basic handwashing facilities  
Proportion of schools with access to: electricity, the Internet, computers, adapted infrastructure and materials for students with disabilities, basic drinking water, single sex basic sanitary facilities, and basic handwashing facilities |
| Ensure inclusive and quality education for all and promote lifelong learning | Yes | 4.1.2 | Educational scholarships (to cover fees or living cost) for basic education, high school, undergraduate or postgraduate  
Educational grants  
Training for educational professionals of the public education system, including postgraduate education  
Technical training to young unemployed people  
Financing of universities for low-income students | Students from disadvantage backgrounds  
Students with disabilities  
Indigenous people  
Women | Number of beneficiaries Scholarship amount (M$) | School dropout reduction in target regions and among target populations  
Decrease in the percentage of early school leavers from education and training  
Increase in the participation rate of youth and adults in formal and non-formal education and training in the last 12 months  
School performances improvement of the beneficiaries (e.g. rate of repetition of school years)  
Social diversity improvement in class (share of income bottom distribution in class, or share of students whose parents have no high education diplomas)  
PISA score (0-600)  
Share of resilient students among disadvantaged students (%)  
Increase in the number of young people from low income backgrounds progressing to higher education |

18 Resilient students: % of socio-economically disadvantaged students who exhibit high levels of school success as assessed through the OECD Programme for International Student Assessment (PISA)). Source: International, national and core-skills resilient students in PISA 2015
<table>
<thead>
<tr>
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<th>Geospatial Eligibility Criteria Applied?</th>
<th>SDG Targets</th>
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<th>Use-of-Proceeds Description</th>
<th>Target Pop</th>
<th>Illustrative Output Indicators</th>
<th>Example, potential outcome &amp;/or impact indicators</th>
</tr>
</thead>
</table>
| **Access to clean water and sanitation**    | No                                    | 6.1.1 6.2.1 | CONAGUA Strategy 2020–2025 National Hydric Program | Construction and improvement of public water treatment infrastructure  
Construction of public water distribution network or maintenance  
Subsidized water tariffs  
Rehabilitation of public water treatment plants  
Public sanitation projects | N/A | - Km of water distribution network built  
- Number of water treatment plants  
- Volume of clean water provided  
- Improvements in the proportion of the population with a daily access to water and improved sanitation.  
- % of municipal wastewater collected that is treated  
- Volume of untreated sewage that is treated and either reused or disposed of | - Water loss in pipelines (%)  
- Improvement in the % of public buildings (including schools) with:  
  - Basic drinking water  
  - Basic sanitation facilities  
  - Basic handwashing facilities  
- % of the population that has daily access to piped water and basic sanitation  
- Decrease in diseases related to poor water quality (episodes of diarrhea, especially for children) |
| **Water supply and management for productive sectors** | No                                    | 6.4.1       | Water and Sanitation Agency Development Plan (PRODI) | Conserve, rehabilitate and modernize hydro-agricultural infrastructure (e.g., irrigation systems)  
Rainwater collector systems (storage facilities)  
Pumping station operation, surveillance of wells systems | Agricultural, industrial, energy, & tourism sectors | Efficiency in water use measured as % of gross value added among water used  
Improvement in water use efficiency in agricultural, industrial and tourism sectors | Yield improvement of basic crops in areas with irrigation infrastructure |
| **Water related hazards (resilience/climate change adaptation)** | **CONAGUA Strategy 2020 - 2025 - National Hydric Program - Flood prevention** | **Development of new methodologies and technological platforms to improve meteorological and hydrological forecasts (Early warning systems for monitoring and forecasting water-related hazards)**

- Development of water related hazard emergency plans and procedures (Expand the capacity of Emergency Care Centers)

- Develop and adapt projects for the construction, operation and maintenance of public sanitation infrastructure (increased resilience of sewer function and operations)

- Expenditures in public hydraulic infrastructure assets and rehabilitation and conservation of dams and head structures |
| **Population living in irregular settlements, coastal states, rural regions with greater exposure to the impact of extreme hydrometeorological events** |
| **Minimization of flood risks and improved property protection (especially productive areas) and emergency capacities improvement:**

- Number of additional storm tanks
- Drainage networks built in km
- Weather radars
- Number of evacuation shelters |
| **Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods and droughts** |
| **Reallocation of buildings/critical facilities outside high-risk flood areas, especially from vulnerable coastal zones (number of people or buildings)** |
| **Number of inhabitants or cities protected against floods:**

- Reduction of the number of residents that have experienced flood-related disasters

- Reduction of death tolls caused by floods

- Reduction of the damage on existing wastewater infrastructure (pipes, pumping stations, tanks, treatment plants), water services disruption (number of days)** |
<table>
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<tr>
<th>SDG eligible category &amp; associated challenges</th>
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<th>Target Pop</th>
<th>Illustrative Output Indicators</th>
<th>Example, potential outcome &amp;/or impact indicators</th>
</tr>
</thead>
</table>
| Access to affordable, reliable modern energy | No                                     | 7.1 13.2    | The Electrical Industry Law, the Geothermal Law, the Energy Transition Law and the Biofuel Promotion and Development Law promote and regulate the sustainable development of the electric industry | Transmission and distribution lines that meet the technical criteria for the EU Taxonomy for Sustainable Activities.  
Energy storage associated with the integration of eligible renewable energy investments, or smart grid investments such as:  
• Mechanical technology: pumped hydroelectric energy storage (PHES), compressed air energy storage (CAES)  
• Thermal and thermochemical technology: sensible heat or latent heat, energy by sorption  
• Chemical technology: storage in the form of oxygen or hydrogen gas  
Dedicated smart grid investments or training programs to facilitate the efficient integration of renewable energy and energy efficiency programs. | N/A | Annual production GWh (real/estimate for operating and construction assets) | Annual GHG emissions avoided (tCO2e) |
| Increasing the share of renewable energy and improving energy efficiency | No                                     | 7.2 13.2    | National Institute of Clean Energy Programs to support the use of sustainable energy  
The National Atlas of Areas with High Energy and Renewable Energy Potential promotes the use of renewable energy resources | Financing of programs for the sustainable use of energy  
Maintenance of clean energy infrastructure in line with the EU Taxonomy for Sustainable Activities  
Investments in projects from renewable energy sources as per the EU Taxonomy for Sustainable Activities. Including the production of electricity from wind power, solar PV, concentrated solar power, ocean energy, geothermal (below 100gCO2/kWh), bioenergy, Hydro power below 25MW; and Hydro Power above 25MW that meets the following criteria:  
• Emissions intensity below 100gCO2/kWh (or a power density greater than 5 MW/m2);  
• Meets strict Adaptation and Resilience criteria by an independent assessor using the using the ESG Gap Analysis Tool  
• The project is not located in (or close to: 10km terrestrial distance or 50km maritime distance) a key Biodiversity Area  
• Identified Hydropower plants do not appear on RepRisk | N/A | Production capacity (GW) | Annual GHG emissions avoided (tCO2e) |
|                                      | No                                     | 7.3 13.2    | The Energy Management System establishes methods and processes for improving energy efficiency | Energy efficiency investments in public buildings that result in energy savings of at least 20%  
Programs dedicated to energy efficiency improvements in both the private and public sectors  
Financing of the operation and programs of the National Commission for the Efficient Use of Energy | N/A | % and absolute (kWh) of annual energy savings | Annual GHG emissions avoided (tCO2e) |

20 International Hydropower Associate ESG Gap Analysis Tool: [https://www.hydropower.org/esg-tool](https://www.hydropower.org/esg-tool)
21 http://www.keybiodiversityareas.org/site/mapsearch
22 [https://www.reprisk.com/](https://www.reprisk.com/)
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<th>Example, illustrative outcome &amp;/or impact indicators</th>
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<tbody>
<tr>
<td>Ensure full, productive and decent employment for all</td>
<td>Yes</td>
<td>8.9</td>
<td>Support program to strengthen and promote financial inclusion (PATYC(^\text{23}))</td>
<td>Infrastructure and programs to increase access to financing and financial services including improved access to welfare payments to the vulnerable and disadvantage groups</td>
<td>Low-income families</td>
<td>Number of jobs created</td>
<td>Increase in the % of population with access to bank accounts or mobile-money</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Rural microfinance technical assistance program (PATMIR(^\text{24}))</td>
<td>Tools to strengthen financial knowledge and protection for consumers</td>
<td>Rural people</td>
<td>Number of branches opened</td>
<td>Increase in the % of eligible beneficiaries accessing social security</td>
</tr>
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<td></td>
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<td></td>
<td>Well-Being Bank (Banco del Bienestar, S.N.C.)</td>
<td>Infrastructure and programs to increase access to financial services to people and micro and small enterprises</td>
<td>People with disabilities</td>
<td>Increase to the number of loans, deposits or insurance products granted</td>
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<td></td>
<td>Programs to increase and strengthen access to financial literacy</td>
<td>Small, medium or microenterprise (SME)</td>
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<td></td>
<td></td>
<td></td>
<td>Build new bank branches in isolated and rural areas</td>
<td>Women</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td>Development and strengthening of digital payment systems</td>
<td></td>
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</tr>
<tr>
<td>Ensure full, productive and decent employment for all</td>
<td>Yes</td>
<td>8.10</td>
<td>Program for the economic inclusion of Indigenous People and Communities</td>
<td>Employment generation in sustainable tourism for Indigenous and Afro-Mexicans population</td>
<td>Indigenous people</td>
<td>Number of jobs created</td>
<td>Increase in % of female run enterprises</td>
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<td></td>
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<td></td>
<td>Community projects in food self-sufficiency in Indigenous and Afro-Mexican communities</td>
<td>Number of community projects that generate food self-sufficiency</td>
<td>Afro-Mexicans</td>
<td>Number of projects funded</td>
<td>Increase in % of enterprises run by Indigenous or Afro-Mexican people</td>
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<td></td>
<td></td>
<td>Construction of productive infrastructure (collection, selection and packaging centers, sawmills, infrastructure for livestock) in Indigenous and Afro-Mexican communities</td>
<td></td>
<td>Women</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Maintain and develop exchange networks to promote ancestral indigenous knowledge and practices</td>
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<td></td>
<td></td>
<td>Conservation of cultural, educational and natural heritage centers</td>
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<tr>
<td>8 DECENT WORK AND ECONOMIC GROWTH</td>
<td></td>
<td>8.6</td>
<td>Program for promoting youth employment and training</td>
<td>Scholarships for employment training</td>
<td>Young people (18 to 29 years old) not currently employed or in education</td>
<td>Number of training programs completed</td>
<td>Percentage of training program participants obtaining employment within 12 months</td>
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<td></td>
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<td></td>
<td>Development and maintenance of employment training centers</td>
<td>Number of scholarships granted</td>
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<td></td>
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<td></td>
<td>Development of employment training programs</td>
<td>Number of training centers developed</td>
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</table>

\(^{23}\) PATYC aims to promote the strengthening, healthy development of Sector Companies and the improvement in their profitability, allowing them to operate as regulated financial entities and expand financial services and contribute to regional and local development by contracting technical assistance services, specialized training and other supports that help them comply with applicable legislation.

\(^{24}\) PATMIR is a specialized technical assistance program focused on financial, sustainable and comprehensive inclusion, based on savings and aimed at predominantly rural, marginalized population with little access to financial services in Mexico. The Program operates through strategic alliances and a Technical Agent (provider of technical assistance services) who are highly specialized and advise on training, implementation of technologies, best practices and support in the process of expanding to areas of low financial services presence. They also monitor results.
<table>
<thead>
<tr>
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<th>Example, potential outcome &amp;/or impact indicators</th>
</tr>
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</table>
| **A lack of access to regional infrastructure and services** | Yes | 9.1 9.C | The Indigenous Infrastructure Program (PROII-CDI)  
The National Infrastructure Program  
The Law for Promoting Sustained Productivity Increases and Economic Competitiveness promotes economic growth, investment, productive infrastructure and technological content,  
The Mexico Connected Points Program offers free internet connections and provides training and digital education | Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure (e.g. schools healthcare)  
Increased access to and development of broadband internet (Optic fiber networks) | Rural population  
Indigenous people  
Population in extreme poverty and urban peripheries | Percentage of households having access to internet  
Percentage of households having access to internet above 3Mbps  
Length of road construction with equitable access (km) | Reduction of travel time  
Reduction of days without access to essential services (e.g. schools, healthcare, markets) |
| **Increasing the usage of mass transit and rail use for freight** | No | 11.2 | The Strategy for Promoting Public-Private Partnerships complements the government’s efforts to develop infrastructure and provide goods and services demanded by society.  
The incorporation of the Right to the City into zoning and urban development legislation (includes new mobility law) | Electrified rail transport infrastructure for freight and/or passenger transport & acquisition of new electric rolling stock  
Bus-rapid-transit infrastructure and fleets that meet Bronze, Silver or Gold score under the BRT Standard  
Intermodal exchange hubs enabling transfers:  
- Combined transport platforms: e.g. rail-road, rail-river  
- Multimodal platforms allowing access to clean modes (train station, river port)  
Discount fees for public transport services for students, unemployed people, disabled people, veterans  
Reimbursement of public transit passes for civil servants | Urban regions and key transport routes  
Vulnerable populations: students, unemployed people, disabled people, veterans | Length of low carbon tracks built  
Increase in passenger km | Traffic modal split data change (percentage of trips made by road, rail and inland waterways)  
Public Transport and Sustainable Mobility  
- modal shift (number of additional public transport users)  
- emissions of greenhouse gas avoided (t eq.CO₂) |
<table>
<thead>
<tr>
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</tr>
</thead>
</table>
| Water biodiversity and resources              | No                                    | 14.1 14.2   | National water quality monitoring network | Conservation, restoration and sustainable management of watersheds | N/A             | Number of basins and regulated aquifers, Number of operating erosion control systems | Chemical status improvement of water (surface and groundwaters)  
• Nutrient pollution reduction & eutrophication reduction  
• Nitrate in groundwater (mg NO₃ per liter)  
• Phosphate in rivers (mg PO₄ per litre)  
% of surface water quality monitoring sites with good ambient quality  
Maintenance of hydrological environmental services |
| Conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems | No                                    | 15.1 15.2 15.3 15.4 15.5 | Improve the use of soil and water and the conservation of biodiversity | Support for sustainable forestry development, Sustainable management and maintenance of National Parks and Conservation Areas, Wildlife conservation programs, Programs for the protection and restoration of ecosystems and priority species | N/A             | Areas converted to sustainable management practices (Ha), Areas under restoration/rehabilitation (km²), Areas conserved &/or recovered (km²) |
Exclusions and screening

Any projects or assets related to the following budgetary activities will not be eligible under this Framework as Eligible Sustainable Expenditures:

- Exploration, production or transportation of fossil fuel;
- Generation of nuclear power; and
- Alcohol, weapons, tobacco, palm oil, cattle/beef production, conflicted minerals or adult entertainment industries.

In addition, all expenditures will be screened to ensure that they do not involve any of the following activities:

- Deforestation or degradation of biodiversity;
- Child labor or forced labor; and
- Breach of Mexico’s anti-corruption laws, and all environmental, social and governance laws, policies and procedures.

3.2 Process for Expenditure Evaluation and Selection

The Evaluation and Selection Process ensures that the proceeds from any SDG Bond are linked to Eligible Sustainable Expenditures, in accordance with the definitions set forth in Sections 1.1 and 3.1.

SCHP will oversee the implementation of the Framework and is responsible for the governance process to determine and monitor:

- Eligibility of projects, assets and expenditures according to this Framework;
- Notional allocation of funds raised to the identified eligible expenditures (see 3.3 below); and
- Provision of investor reports outlined in 3.4 below.

The Committee of Inclusive and Sustainable Economy ("CISE"), as one of the SDG Specialized Technical Committees, will revise the information provided by SHCP.

The Federal Government of Mexico has established environmental, social and governance policies and procedures, which are monitored and enforced by relevant entities during the execution of public investment projects and productive activities. This includes items such as Environmental Impact Statements (Manifestación de Impacto Ambiental)\(^{25}\), compliance with the 69th agreement of the International Labor Organization (ILO) and citizen participation laws.\(^{26}\)

The United Nations Development Programme will be involved as an observer to CISE during the evaluation and selection process. In addition, other international organization think-tanks or research institutes dedicated to advancing the SDGs may be involved in the evaluation and selection process of projects. These groups would be invited to provide an independent and publicly available opinion regarding the framework’s eligibility criteria and relevance of the projects to the SDGs.

\(^{25}\) https://www.gob.mx/profepa/articulos/manifestacion-de-impacto-ambiental-mia
\(^{26}\) http://www.testigosocial.org.mx/
3.3 Management of Proceeds

This Framework will be applicable to one or more future issuances. Each specific issuance will be linked, as described above in Sections 1.1, 3 and 3.1, to a pool of eligible expenditures relevant to the PEF of that year.

The pool of eligible expenditures will be monitored on a dynamic basis, such that if one or more expenditures originally included in the pool no longer meet the criteria, the ineligible expenditure will be removed from the pool. Equally, in any instance where Mexico could face a major controversy for any reason on an eligible expenditure, SHCP will remove the expenditure from the pool, which will be further revised by CISE.

SHCP intends to always maintain a surplus of eligible expenditures in the pool in relation to each associated bond issuance. However, should there be an unforeseen material reduction in the pool such that the total sum of eligible expenditures is less than the outstanding bond, then alternative qualifying expenditures in an amount at least equal to the notational gap will be included in the pool.

Any shortfalls, or reallocations, would be disclosed in the following Allocation Report (see Section 3.4 below)

The net proceeds from each SDG Sovereign Bond issuance will be transferred to the Treasury Account of Mexico to finance the Federal Budget of the relevant year, as described above in Sections 1.1., 3 and 3.1. SHCP will manage the proceeds of any issued SDG Bond and monitor the advancement of the budgetary program on a quarterly basis, ensuring that the proceeds are being used to execute Eligible Sustainable Expenditures as defined in Section 3.1.
3.4 Reporting

Under this Framework, Mexico will provide investors with both an Allocation report and an Impact report. The Public Credit Unit will be responsible for issuing the annual reports, and CTEODS will conduct the review process and coordination with other relevant entities. The Allocation Report will be published annually by SHCP on its website and as necessary thereafter in the event of material developments. The Impact Report will also be published annually for as long as any SDG Sovereign Bond is outstanding.

3.4.1 Allocation Reporting

An Annual Allocation Report will be provided to bond investors until the amount of budgetary resources expended on eligible expenditures equals the total amount of the net proceeds of the SDG Sovereign Bond. The report will include the following details:

- Description of the eligible expenditures undertaken, including, if applicable, the relevant geospatial criteria as defined above in the Framework;
- Amount of budgetary resources allocated to each of the Eligible Sustainable Expenditures, including, if applicable, the percentage of resources allocated to meet the geospatial criteria;
- Type of budgetary expense (see 3.1);
- Any co-financing share of the eligible expenditures, if applicable
- Remaining balance of any unallocated proceeds and the nature of the proceeds, if applicable.

This report will undergo an independent external audit by the Superior Audit of the Federation– the independent external auditor of the Chamber of Deputies. The audit will also include the compliance of the Eligible Sustainable Expenditures with the eligibility criteria and process defined in this Framework.

3.4.2 Impact Reporting

In addition to the Allocation Report, and for as long as the SDG Sovereign Bond is outstanding, SHCP will publish an Impact Report on the expected environmental and social benefits of the Eligible Sustainable Expenditures. The report will be published on a designated page on SHCP’s website.

Based on reliable and publicly available information, the Impact Report may include:

- Lists of projects to which SDG Sovereign bond proceeds have been allocated;
- Expected environmental benefits and positive social impacts of the projects and assets;
- Qualitative performance indicators and, where feasible and available, quantitative specific results of the impacts of projects funded (see the dedicated column in Section 3.1.1, “Eligible Sustainable Expenditures”, for example of outcome or impact indicators);
- Segmentation of the budgetary expenditures’ end-beneficiaries (e.g. gender, age, level of income, employment situation and location);
• Estimated lifetime results and/or economic life (in years) of projects; and
• Methodology, metrics and assumptions used to prepare the report.

As programs develop, Mexico intends to continue refining the indicators over time, shifting from outcome-based to increasingly impact-focused. Utilizing national public statistics for the proposed indicators is deemed appropriate given the direct role of the Sovereign in funding the eligible expenditures, as well as the link between the SDGs and identified expenditures.

In addition to the Ministries’ use of detailed monitoring metrics in the Impact Report, the government of Mexico will utilize two additional resources to provide detailed information regarding the eligible expenditures: (1) the SDG National Platform and (2) CONEVAL.

First, the Federal Government of Mexico has developed a SDG National Platform as an open source tool fed with open data monitored by the National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía, or “INEGI”) to enable greater collaboration towards an accountable monitoring and effective delivery of the goals. The platform can be found at the following link: www.agenda2030.mx. The site provides disaggregated and georeferenced data at the national, state and municipal levels, as well as data visualization tools. Second, CONEVAL is a federal public agency with autonomy and technical capacity to generate objective information regarding social policies and measurements of poverty in Mexico.

The UNDP has agreed to act as an observer and, as required, provide technical assistance to SHCP in the development of the impact report, CTEODS will revise the final report. In addition, UNDP will provide a non-binding public opinion and recommendations, if necessary, on the impact report.

The tables of the Eligible Sustainable Expenditures in Section 3.1 provide example output, outcome and impact indicators. The Appendix also provides a summary of the example indicators and metrics by sector.
3.5 External Review

Mexico aims to adhere to the highest standards in terms of external reviews of this Framework. In addition, Vigeo Eiris has been commissioned to provide, prior to the first issuance of bonds, a Second Party Opinion ("SPO") to independently assess the alignment of the Framework with the International Capital Market Association's Green Bond Principles ("GBP"), Social Bond Principles ("SBP") and Sustainability Bond Guidelines ("SBC") 27, 2018 editions.

The SPO will be made publicly available on SHCP's website. It will provide bond investors with an independent assessment of the expected social and environmental benefits of the Eligible Sustainable Expenditures.

Vigeo Eiris has reviewed this SDG Sovereign Bond Framework and concluded that it is aligned with the four core components of the Green Bond Principles 2018 and the Social Bond Principles 2018.

Mexico commits, on an ongoing basis, to externally verify the alignment of future Eligible Expenditures with this SDG Sovereign Bond Framework and best market practices.

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In addition to the SPO from Vigeo Eiris, UNDP has also reviewed this SDG Sovereign Bond Framework and has concluded that it is aligned with the principles and objectives of the Sustainable Development Goals.

Disclaimer

The material provided herein is for informational purposes only. It does not constitute an offer to sell or a solicitation of an offer to buy any securities relating to any of the products referenced herein, notwithstanding that any such securities may be currently offered to others. Any such offering will be made only in accordance with the terms and conditions set forth in the offering documents pertaining to such securities.

This document includes forward-looking statements. Statements that are not historical facts, including statements about Mexico’s beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and Mexico undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. Mexico cautions you that a number of factors could cause actual results to differ materially from those contained in any forward-looking statement.

Mexico reserves the right to update this Framework at any time in its sole discretion.
4. Appendix

4.1 Examples of indicators and metrics

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<thead>
<tr>
<th>SDG eligible category &amp; associated challenges</th>
<th>Example Output Indicators</th>
<th>Example, potential outcome &amp;/or impact indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure food security and access to essential services</td>
<td>Target population recipients by program</td>
<td>Decrease in prevalence of undernourishment (% population)</td>
</tr>
<tr>
<td></td>
<td>Number of claims processed p.a. and % of claims approved</td>
<td>% of Food products being produced within the limit of 250 km per meal</td>
</tr>
<tr>
<td></td>
<td>Increase in the number of people provided with safe, nutritious and sufficient food</td>
<td>% of seasonal produce per meal</td>
</tr>
<tr>
<td>Ensure effective access to quality healthcare services, Eliminate discriminatory barriers, Close service gaps between different social groups and regions</td>
<td>Increase in the number of: hospital and other healthcare facilities built/upgraded medical consultations per year (General Practitioners, Specialists)</td>
<td>Healthy life expectancy at birth (years)</td>
</tr>
<tr>
<td></td>
<td>Number of patients treated by program</td>
<td>Maternal mortality (per 100,000 live births)</td>
</tr>
<tr>
<td></td>
<td>Increase in the number of: hospital and other healthcare facilities built/upgraded medical consultations per year (General Practitioners, Specialists)</td>
<td>Incidence of tuberculosis (per 100,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HIV prevalence (per 1,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Births attended by skilled health personnel (%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prevalence of underweight (% of children under 5, weight for age)</td>
</tr>
<tr>
<td>Improve education infrastructure and provide schools with basic furniture</td>
<td>Area of classroom space that was built, converted, or expanded for use within educational facilities (m²)</td>
<td>Proportion of schools with access to: (a) electricity; (b) the Internet; (c) computers; (d) adapted infrastructure and materials for students with disabilities; (e) basic drinking water; (f) single-sex basic sanitation facilities; and (g) basic handwashing facilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Proportion of schools with access to: electricity; the Internet; computers, adapted infrastructure and materials for students with disabilities, basic drinking water, single sex basic sanitary facilities, and basic handwashing facilities</td>
</tr>
<tr>
<td>Ensure inclusive and quality education for all and promote lifelong learning</td>
<td>Number of beneficiaries Scholarship amount (M$)</td>
<td>School dropout reduction in target regions and among target populations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>School performances improvement of the beneficiaries (e.g. rate of repetition of school years)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social diversity improvement in class</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PISA score (0-600)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Share of resilient students among disadvantaged students (%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase in the number of young people from low income backgrounds progressing to higher education</td>
</tr>
<tr>
<td><strong>Access to clean water and sanitation</strong></td>
<td>Km of water distribution network built</td>
<td>Water loss in pipelines (%)</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
</tr>
<tr>
<td>Number of water treatment plants</td>
<td>Improvement in the % of public buildings (inc. schools) with:</td>
<td>Improvement in the % of public buildings (inc. schools) with:</td>
</tr>
<tr>
<td>Volume of clean water provided</td>
<td>• Basic drinking water</td>
<td>• Basic drinking water</td>
</tr>
<tr>
<td>% of municipal wastewater collected that is treated</td>
<td>• Basic sanitation facilities</td>
<td>• Basic sanitation facilities</td>
</tr>
<tr>
<td>Volume of untreated sewage that is treated and either reused or disposed</td>
<td>• Basic handwashing facilities</td>
<td>• Basic handwashing facilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Water supply and management for productive sectors</strong></th>
<th>Efficiency in water use measured as % of gross value added among water used</th>
<th>Yield improvement of basic crops in areas with irrigation infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in water use efficiency in agricultural, industrial and tourism sectors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Water related hazards</strong></th>
<th>Minimization of flood risks and improved property protection (especially productive areas) and emergency capacities improvement:</th>
<th>Reallocation of buildings/critical facilities outside high-risk flood areas, especially from vulnerable coastal zones (number of people or buildings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Number of additional storm tanks</td>
<td>Number of inhabitants or cities protected against floods:</td>
<td>Number of inhabitants or cities protected against floods:</td>
</tr>
<tr>
<td>• Drainage networks built in km</td>
<td>• Reduction of the number of residents that have experienced flood disasters</td>
<td>• Reduction of death tolls caused by floods</td>
</tr>
<tr>
<td>• Weather radars</td>
<td>Reduction of the damage on existing wastewater infrastructure (pipes, pumping stations, tanks, treatment plants), water services disruption (number of days)</td>
<td></td>
</tr>
<tr>
<td>• Number of evacuation shelters</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Access to affordable, reliable modern energy</strong></th>
<th>Production capacity (GW)</th>
<th>Annual GHG emissions avoided (tCO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual production GWh (real/estimated for operating and construction assets)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of stored energy / storage capacity and technology used (GWh stored)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% and absolute (kWh) of annual energy savings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Ensure full, productive and decent employment for all</strong></th>
<th>Number of jobs created</th>
<th>Increase in the % of population with access to bank accounts or mobile-money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of branches opened</td>
<td>Increase in the % of eligible beneficiaries accessing social security</td>
<td>Increase in % of female run enterprises</td>
</tr>
<tr>
<td>Increase to the number of loans, deposits or insurance products granted</td>
<td>Increase in the % of enterprises run by indigenous or Afro-Mexican people</td>
<td></td>
</tr>
<tr>
<td>Number of community projects that generate food self sufficiency</td>
<td>Percentage of training program participants obtaining employment within 12 months</td>
<td></td>
</tr>
</tbody>
</table>
| **A lack of access to regional infrastructure and services** | Percentage of households having access to internet  
Percentage of households having access to internet above 3Mbps  
Length of road construction with equitable access (km) | Reduction of travel time  
Reduction of days without access to essential services (e.g. schools, healthcare, markets) |
|---|---|---|
| **Increasing the usage of mass transit and rail use for freight** | Length of low carbon tracks built  
Increase in passenger km | Traffic modal split data change (percentage of trips made by road, rail and inland waterways)  
Public Transport and Sustainable Mobility  
- modal shift (number of additional public transport users)  
- emissions of greenhouse gas avoided (t eq.C02) |
| **Water biodiversity and resources** | Number of basins and regulated aquifers  
Number of operating erosion control systems  
Hydrological restoration (number of sites) | Chemical status improvement of water (surface and groundwaters)  
% of surface water quality monitoring sites with good ambient quality  
Maintenance of hydrological environmental services |
| **Conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems** | Areas converted to sustainable management practices (Ha) | Areas under restoration/rehabilitation (km²)  
Areas conserved &/or recovered (km²) |
4.2 Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONAGO</td>
<td>National Conference of Governors</td>
</tr>
<tr>
<td>CONEVAL</td>
<td>National Council for Evaluation of Social Development Policy</td>
</tr>
<tr>
<td>CTEODS</td>
<td>The Specialized Technical Committee of the Sustainable Development Goals</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, Social and Governance Framework</td>
</tr>
<tr>
<td>Framework</td>
<td>Mexico’s SDG Sovereign Bond Framework (this document)</td>
</tr>
<tr>
<td>GBP</td>
<td>Green Bond Principles</td>
</tr>
<tr>
<td>ICMA</td>
<td>International Capital Market Association</td>
</tr>
<tr>
<td>SHCP</td>
<td>Secretaría de Hacienda y Crédito Público</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan 2019-2024</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PES</td>
<td>Performance Evaluation System</td>
</tr>
<tr>
<td>PEF</td>
<td>Federal Expenditure Budget</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>SBD</td>
<td>Sustainable Bond Guidelines – 2018 Edition</td>
</tr>
<tr>
<td>SBP</td>
<td>Social Bond Principles</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SPO</td>
<td>Second Party Opinion</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UoP</td>
<td>Use of Proceeds</td>
</tr>
</tbody>
</table>

4.3 Useful links

- CONEVAL: [coneval.org.mx](http://coneval.org.mx)
- SDG Linkages: [https://www.transparenciapresupuestaria.gob.mx/work/models/PTP/Presupuesto/Documentos_anteriores/mexico_sdg.pdf](https://www.transparenciapresupuestaria.gob.mx/work/models/PTP/Presupuesto/Documentos_anteriores/mexico_sdg.pdf)
- Agenda 2030: [agenda2030.mx](http://agenda2030.mx)