

Mexico's SDG Bond

Allocation and Impact Report 2021

ANNEXES



HACIENDA

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

NOVEMBER **2021**

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Annex 1:

A strong governance to
fulfill the 2030 Agenda

For Mexico, a sound governance structure is key for paving the way to provide certainty to the continuity of the 2030 Agenda in the following years. In this regard, the Mexican Government has been developing a robust institutional architecture and coordination structures to enhance transparency, accountability, continuity and responsiveness on its sustainable strategy.

Specifically, after endorsing the 2030 Agenda as a State commitment, Mexico has created two key institutions to ensure strategies for achieving optimal outcomes. Participants of these two bodies coordinate efforts horizontally –across federal ministries and autonomous institutions-, and vertically, across institutional actors at subnational level:

- a) **The National Council for the 2030 Agenda for Sustainable Development and its technical policy committees.**
- b) **The Specialized Technical Committee of the Sustainable Development Goals (“CTEODS”, for its acronym in Spanish).**

The first one (created in 2017) was established to define and coordinate, among the different involved actors, mechanisms to achieve the Sustainable Development Goals. It is a high-level multi-stakeholder council led by the President and the Executive Secretariat is the Ministry of Economy¹. This Council is responsible for monitoring and evaluating the strategy among key actors and is also in charge of analyzing current public policies linked to the SDGs and proposing new ones. It has also been entitled to enhance the inclusion of the 2030 Agenda on policies at state and local levels by strengthening the state councils in a technical and operative way. Eligible Expenditures linked to the SDG Sustainable Bond will be validated through the aforementioned technical committees in 2022.

In 2020, the issuance of the SDG bond was close to the publication of the Framework. Therefore, **the 2020 pool of Eligible Expenditures was validated by the involved Ministries through a**

workshop – the Ministry of Health, the Ministry of Education, the Ministry of Communications and Transportation and the Ministry of Agriculture². During these meetings we explained the purpose of both the Framework and the SDG Bond, and discussed whether the initial selection of budgetary programs was appropriate to close the gap on the targeted SDGs. **For the upcoming years, the Ministry of Finance intends to run this validation through the technical committees of the 2030 Agenda**, as established in the Framework. In 2021, the 2030 Agenda's administration moved from the President's Office to the Ministry of Economy. Due to this transition, in October 2021, the 2021 Eligible Sustainable Expenditures were presented at one of the technical committees of the 2030 Agenda to revise the information provided by SHCP, as established in the Framework.

The Specialized Technical Committee (created in 2015)³ coordinates both the methodological and technical work for the design and updating of indicators required to monitor the SDGs in Mexico. The Committee's Technical Secretary, which is headed by the National Institute of Statistics and Geography (“INEGI”, for its acronym in Spanish, an autonomous public organism that collects and disseminates the country's official statistics), is in charge of presenting the SDGs indicators at the SDGs Information System Platform (“SIODS” its acronym in Spanish)⁴. This national platform (created in 2018) consolidates information provided by all the participating committees (29 federal institutions)⁵.

Furthermore, it is important to highlight the participation of other technical bodies –like INEGI– that are central to the elaboration of reliable indicators. For example, the National Council for the Evaluation of Social Development Policy of Mexico (“CONEVAL”, for its acronym in Spanish), participates as a member of the CTEODS. It is an institution that evaluates the social policies, programs and actions implemented by other ministries and it is also responsible for measuring

1 This body is comprised of 19 government ministries, seven non-sectorial institutions and two autonomous agencies. The Executive Secretariat just recently moved from the President's Office to the Ministry of Economy.

2 The workshop was developed with the Ministries responsible for the eligible budget expenditures with significant amounts.

3 CTEODS was created in November 2015, replacing the Technical Specialized Committee for the System of Information on the Sustainable Development Goals of the Millennium.

4 The System of Information on the Sustainable Development Goals (SIODS), available in <http://agenda2030.mx>

5 Mexico - Presidency of the Republic (2019). “Estrategia Nacional para la Implementación de la Agenda 2030 en México” (National Strategy for the Implementation of the 2030 Agenda in Mexico). <https://www.gob.mx/agenda2030/documentos/estrategia-nacional-de-la-implementacion-de-la-agenda-2030-para-el-desarrollo-sostenible-en-mexico>

poverty at the national, state, and municipal level^{6,7}. Additionally, the stakeholders who are responsible for building and tracking the economic, social, and environmental indicators are active participants of the National Technical Committee. This structure and the participation of technical bodies at CTEODS ensures the validity and reliability of indicators.

The work done so far in CTEODS reflects tangible progress. In July 2021, the Ministry of Finance presented the indicators to be used in the Impact Report of the SDG Sovereign Bond. The shown indicators were extracted from the SIODS. For SDG targets where indicators from the SIODS were not available, the Ministry of Finance presented other indicators as proxies. The Technical Committee besides agreeing on the use of these indicators also approved to increase the level of geospatial disaggregation for the SDGs indicators – for both national and regional indicators. This was framed as a crucial component for improving the future SDG Bond impact reports. Indeed, the work done so far by CTEODS was essential for the elaboration of the Impact Report. Derived from the CTEODS’ agreements, the Ministry of Finance will work closely with the committee for the viability of the geospatial disaggregation on the SDG indicators. As progress is made in this and other areas, it is foreseen that the information included in the annual report and follow-up mechanisms will improve. This is also an illustration of how the issuance of the SDG Bond has strengthened the transparency mechanisms and the governance structure behind it.

Besides the interactions with CTEODS, after the data collection, we held meetings with the Ministries responsible for the Eligible Expenditures to inform about the elaboration of the Impact and Allocation Report. The objective was to ask for higher granularity of data, when applicable, for the execution of their budget. The second objective was to understand the cases where budgetary programs initially selected as Eligible Expenditures did not allocate resources to highly marginalized regions.

Civil society, academia, and the private sector participate as observers at the National Council and CTEODS. Likewise, it is important to highlight that the National Council works with local agencies to enhance actions to achieve the goals of the 2030 Agenda. In particular, there are Monitoring and Implementation Bodies (“OSI” for its acronym in Spanish)⁸ that are in charge of developing the 2030 Strategy Agenda for Mexico at state level. INEGI also works through local offices in charge of local statistics to support OSI. In summary, the governance structure around the 2030 Agenda ensures the incorporation of needs and perspectives of all the relevant actors.

The governance structure ensures a monitoring system in the implementation and evaluation of the different public policies that affect the SDGs, providing order, assigning responsibilities, and strengthening the criteria used in the Framework.

Figure A.1: Main Bodies of Mexico's 2030 Governance Structure Agenda



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Annex 2:

Integrating the SDGs
into the Federal Budget

The Ministry of Finance defined suitable mechanisms to monitor policy action in the 2030 Agenda implementation through the national government’s budget. In 2018, Mexico integrated the sustainable development strategy into the budgetary process by matching the budgetary federal programs to the SDGs.

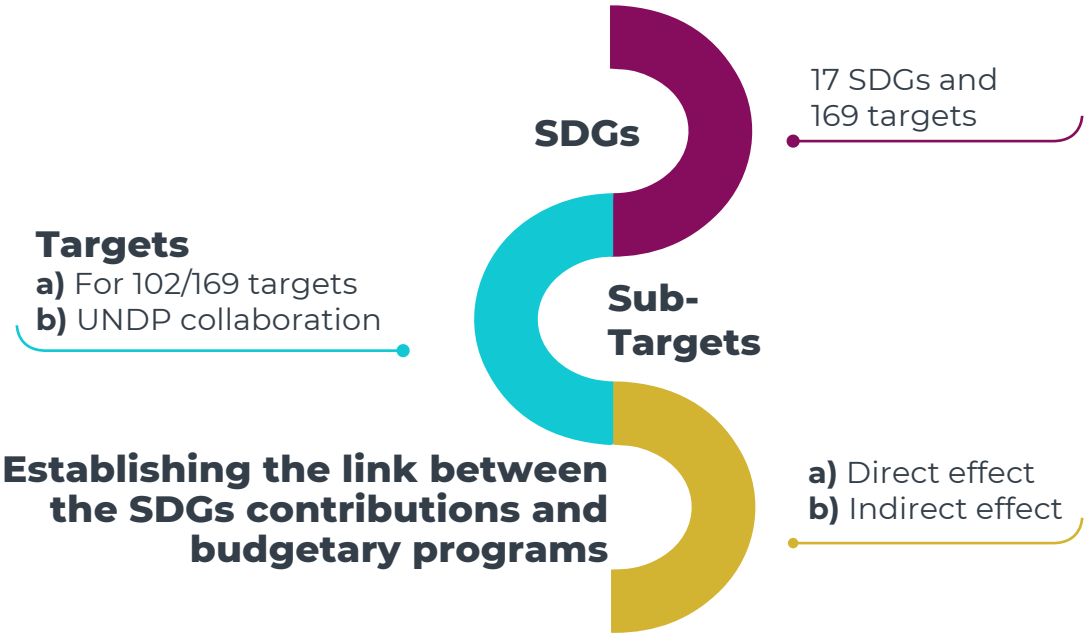
In 2018, the Government of Mexico developed a new methodology where 102 out of 169 original targets included in the 17 SDGs were disaggregated into specific sub-targets. Since then, year after year the federal budget has been linked to the SDGs. This has enabled the identification, first, of the federal budgetary programs linked to an SDG; and second, of the type of contribution -either direct or indirect- of any of these budgetary programs to the SDGs.

In particular, the two-stage methodology enabled the evaluation process that differentiates if the budgetary program contributes to an SDG goal and to a target or sub-target and

assesses whether the contribution was a direct or indirect– i.e., whether the budgetary item is creating the conditions to achieve the SDG goal. It is important to mention that one budgetary program may be linked to one or more SDGs with either direct or indirect contributions. For strategic purposes, the Eligible Expenditures under the Framework are labeled under the SDG category that is most alike according to the program objective and the major objectives of the line ministry managing it.

This formal linkage of the SDGs to the budgetary process is a key element that facilitates the design of the Framework. It allows filtering in the initial process budgetary federal programs, enabling to focus only on those with at least one direct SDG contribution. This key distinctive selection criterion improves the likelihood that any budgetary program that is considered in an SDG bond makes a real contribution to the 2030 Agenda.

Figure A.2: Matching Budgetary Programs to SDGs



Source: Ministry of Finance.

3

Annex 3:

Gender Equality
(SDG 5) as an
overarching objective

GENDER EQUALITY (SDG 5) AS AN OVERARCHING OBJECTIVE

Investing in women's economic empowerment brings more significant economic benefits, positively impacts gender equality, and increases women's opportunities to access capital and finance.

Seeking to incorporate a gender perspective in all key policies of the Mexican Government, gender equality is a transversal axis in the federal budget (for example, see the **National Program for Equality between Women and Men 2020-2024 - PROIGUALDAD**). Since 2006, the gender perspective has been established as mandatory in the planning, programming, budgeting, evaluation processes. In this regard, even though the SDG 5: Gender equality was not explicitly addressed as a category within the Framework, the issuance of the SDG Sovereign Bond does contribute to the reduction of gender inequality since social programs must be inclusive with specific attention to avoid discrimination against women. In other words, PROIGUALDAD establishes that the priority programs of this government (some of them included in this bond), such as the Youth Building the Future Program, Scholarships for the welfare of basic, high school, undergraduate and postgraduate education, Sowing Life, among others, should promote the full inclusion of women. Public policy design focuses not only on averages, but is rather people-centric to bridge the existing social gaps. Including gender perspective is crucial for the program's performance evaluation since bridging the gender gap is a priority.

In the federal budget processes, several groups such as women or indigenous people who have historically been discriminated are subject to special recognition and strengthened protection by the State. This must be taken into account in the design of federal public policies, which fight discrimination and structural inequality. Therefore, an important number of public policies have a gender component, but gender mainstreaming should be guaranteed in all policies.

During 2020, approximately **more than US \$ 5.9 billion were allocated across budget items within the federal budget with a gender perspective impact**. However, to guarantee that the budget allocations contribute to gender equality, indicators should be able to measure and provide evidence on how women's lives are benefited.

Therefore, additional strategies through the National Council, its technical committees, and CTEODS for gender mainstreaming and to provide gender-differentiated results of projects funded by the bond can add better information and improve subsequent reports.



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Annex 4: Social Gap Index



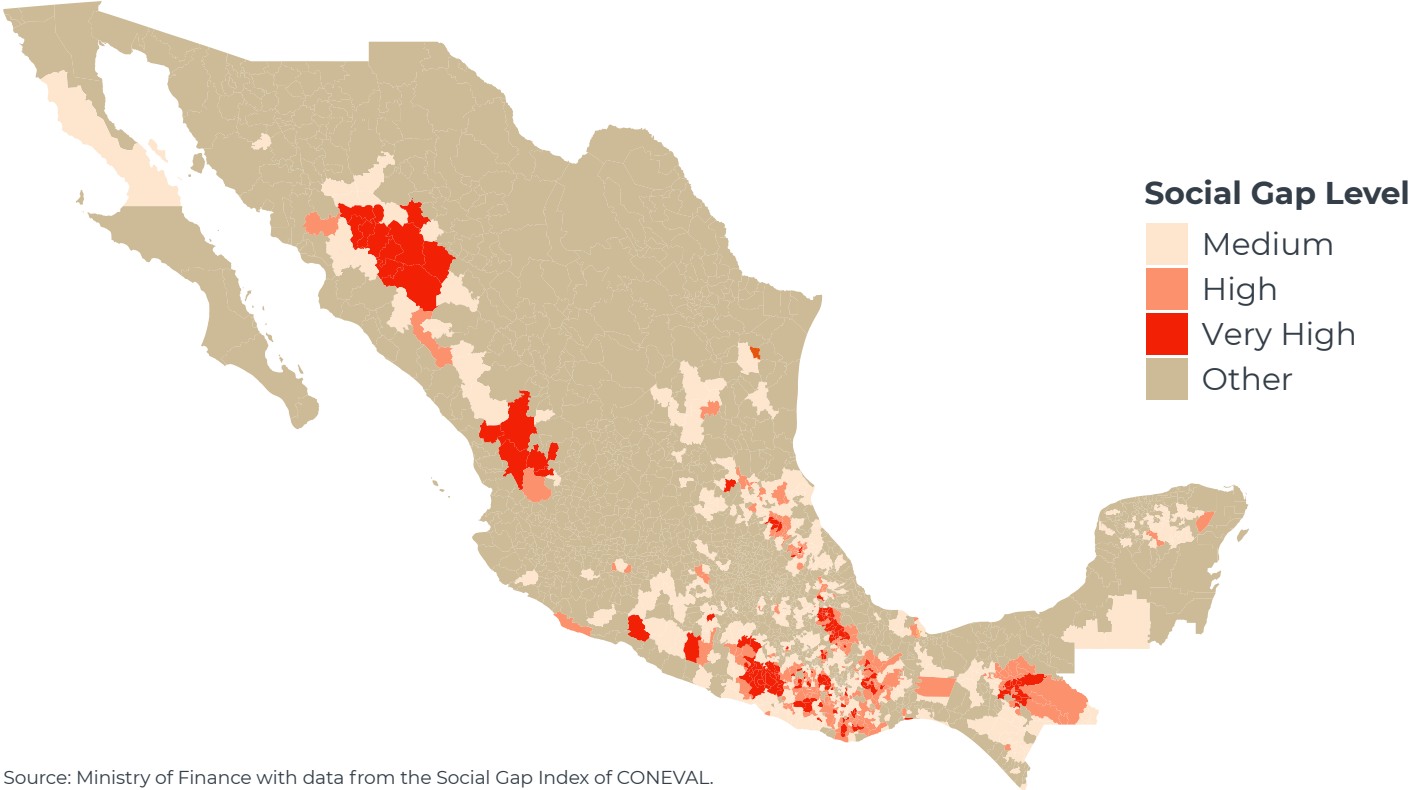
The Social Gap Index (SGI), published by CONEVAL, is a measure that summarizes four social deprivation indicators (education, health, household services and housing spaces). This index is divided into five level or strata: “very low”, “low”, “medium”, “high” and “very high” social gaps (see **Figure 4** in Mexico’s SDG Bond Allocation and Impact Report for further detail on the dimensions considered for SGI).

SGI’s purpose is to arrange the observation units according to the social deprivation, and this is done at state, municipal and locality level. For the purposes of the allocation report, the first two levels were used.

In Mexico, there are 899 municipalities out of 2,469 that are classified as “medium”, “high” and “very high” social gap shown in **Figure A.3**. Most of the municipalities with “high” (light

orange) and “very high” (dark orange) SGI are located in the southeast part of Mexico with a high presence in the states of Chiapas, Guerrero, Oaxaca and Puebla. However, in the northwest part of the country, there are also municipalities with high levels of marginalization in the states of Chihuahua and Durango. Indeed, three of the top 10 municipalities with the highest social gaps are located in these states. The allocated budget at municipal level on the light brown area, will not be considered for the notional allocation since these are municipalities with “low” or “very low” level of SGI. Budgetary programs for which their budgetary information can be pinned down to municipal level and which are allocated to at least one of the 899 highly-marginalized municipalities will be classified as Eligible Expenditures.

Figure A.3: Social Gap Index at municipal level

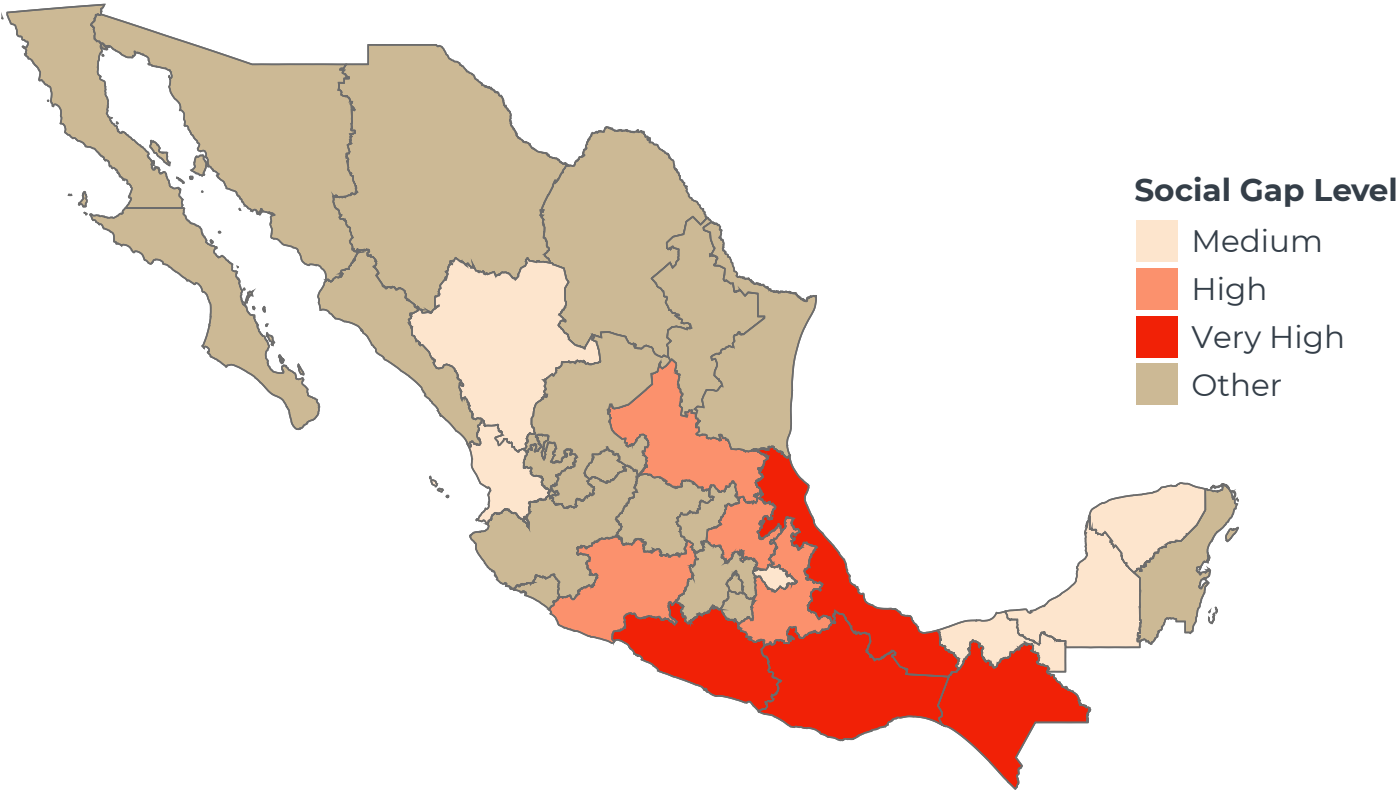


Source: Ministry of Finance with data from the Social Gap Index of CONEVAL.

At state level, there are 14 out of 32 states classified with a “medium”, “high”, and “very high” social gap level (see **Figure A.4**). There are some states such as Chihuahua or Jalisco that are classified with low levels of SGI, but still have

municipalities with high levels of SGI. Budgetary programs with state level data become Eligible Expenditures when the allocation falls into at least one of these 14 states⁹.

Figure A.4: Social Gap Index at state level



Source: Ministry of Finance with data from the Social Gap Index of CONEVAL.

9 CONEVAL (2020): “Social Gap Index”. https://www.coneval.org.mx/Medicion/IRS/Paginas/Indice_Rezago_Social_2020.aspx

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Annex 5: Geospatial criterion tool

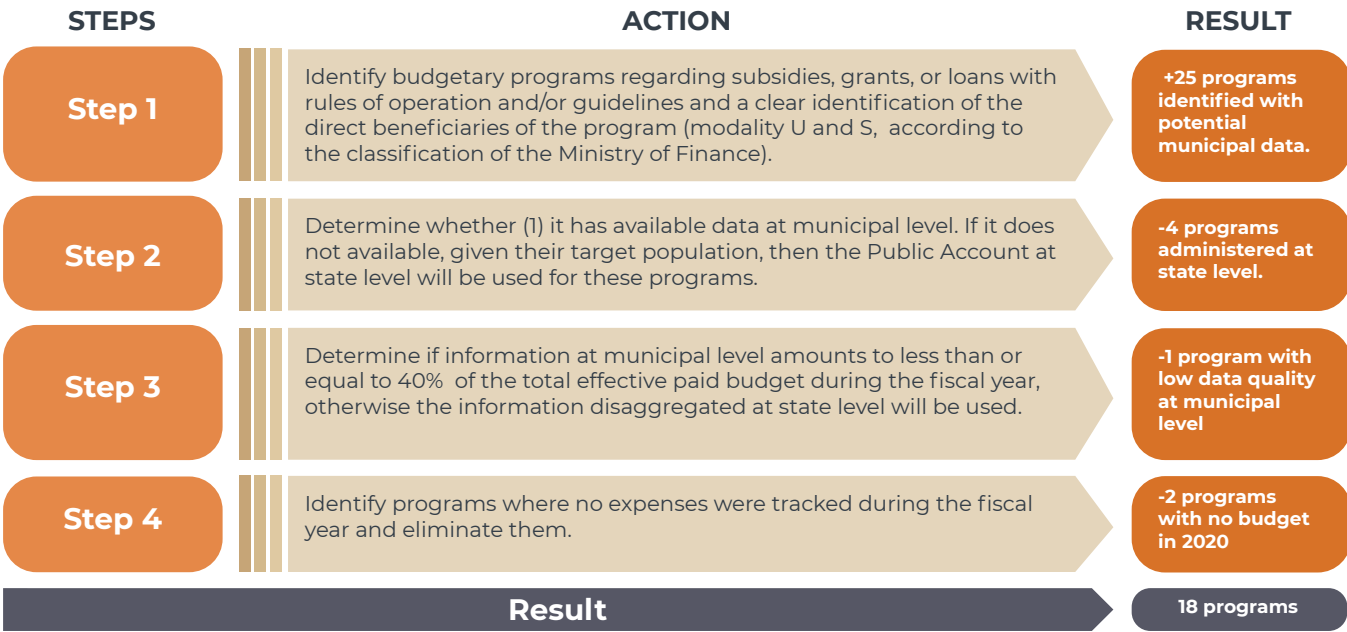
The geospatial criterion is only applied to Eligible Expenditures related to Social SDGs. It takes into account the available budgetary data at the most granular level (municipal level or state level) (i) and considers only highly-marginalized areas – those classified as “medium”, “high” and “very high” social gaps according to the 2020 Social Gap Index (SGI)¹⁰. For further information about the SGI, see **Annex 4**.

The Ministry of Finance and the Ministry of Public Administration collect information provided directly from ministries who manage the budgetary programs. In this way, we collected data at municipal and state level. The granularity of the data is determined according to the type of program:

- a) **Municipal level:** Data regarding subsidies, grants, or loans (to local governments or individuals) that, under the budgetary classification of the Ministry of Finance, are in the S (Subject to Operating Rules) or U (Other subsidies) modalities. Some exceptions apply when state authorities are the entities responsible for the direct execution of the resources¹¹.
- b) **State level:** Data available at state level are operating, investment or intervention expenditures, and the main source of information comes from the Public Account.

In order to approach better the effectively paid budget across the Eligible Sustainable Expenditures to the most vulnerable population, according to the SGI, the Ministry of Finance conducted the following analysis:

Part I: Analysis for programs classified as subsidies, grants and loans expenditures



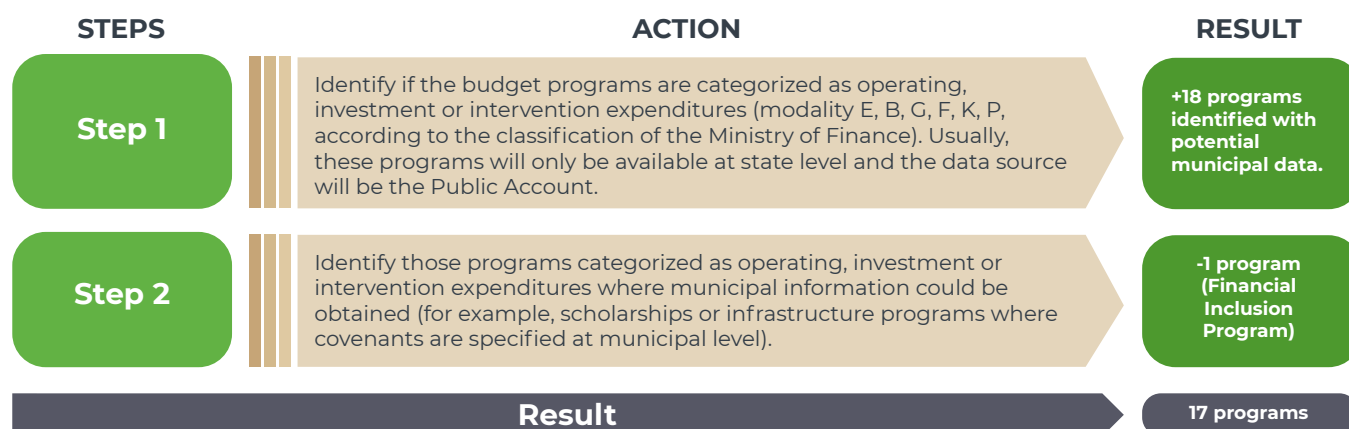
When data at municipal level is available from both the Ministry of Finance and the Ministry of Public Administration, the budgetary information source is determined by the one

which provides the lowest of the difference between those sources and the Public Account (see Table A.1 for the final source of data used for the allocation report at the budget-line level.)

10 CONEVAL (2020): "Social Gap Index". https://www.coneval.org.mx/Medicion/IRS/Paginas/Indice_Rezago_Social_2020.aspx

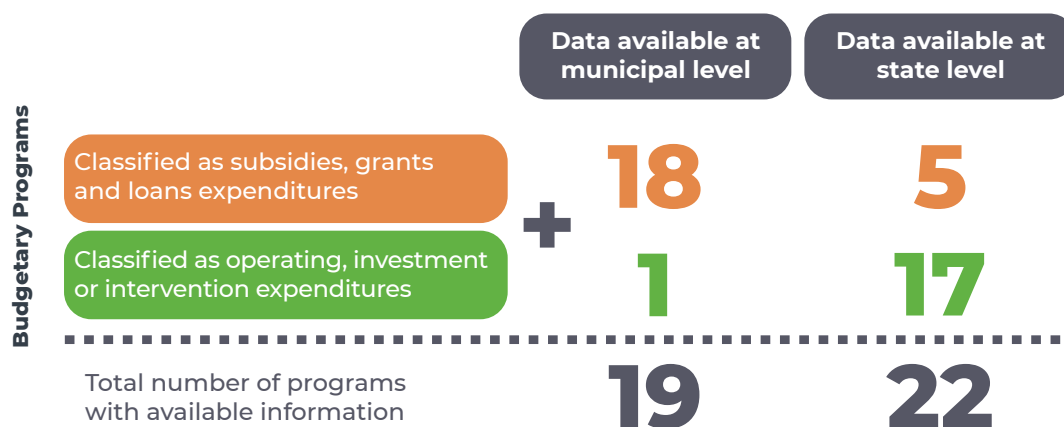
11 The main source of information for these data are: 1) Integral Information System for Governmental Programs Registers (SIIPP-G for its acronym in Spanish) that is part of the Ministry of Public Function, and 2) Budget Transparency that is part of the Evaluation Unit Performance (UED for its acronym in Spanish) of the Ministry of Finance.

Part II: Analysis for programs classified as operating, investment, or intervention expenditures



Part III: Classifying/Clustering data at municipal level and state level

After identifying the type and number of programs at municipal and state level we added them up. In sum, there are 19 programs available at municipal level and 22 at state level.



Part IV: Identification of whether programs were allocated in highly-marginalized areas

Budgetary programs classified at municipal level are matched with the geospatial criterion at municipal level, this means we only considered the budget allocation to highly-marginalized municipalities. Only one program did not apply the criterion. In a similar way, we applied the geospatial criterion at state level. In sum, 37 Eligible Expenditures were identified, 4 programs were not introduced in marginalized areas and 2 did not make expenditures during the fiscal year 2020.

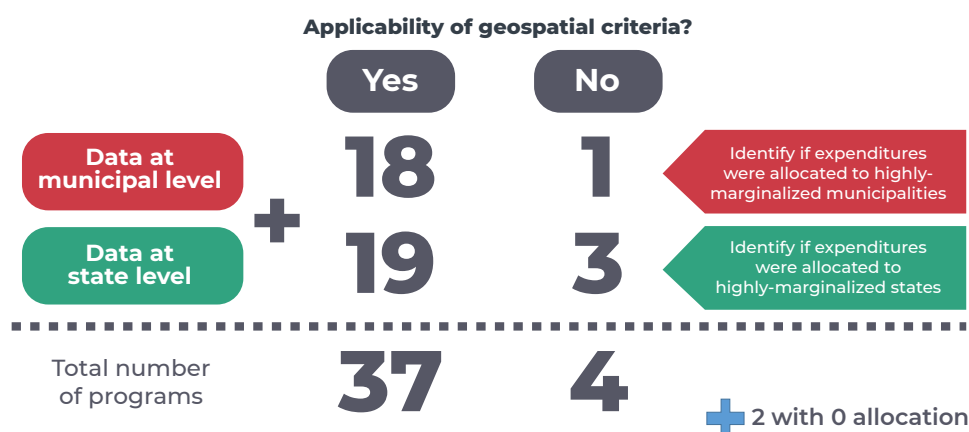


Table A.1. Budgetary Expenses Classification

No.	SDG	ID Program	Eligible Sustainable Expenditure	Eligible Sustainable Expenditure (Spanish)	Short Description of the Eligible Expenditure	Geospatial Criterion Used	Budgetary Expense Category*	Modality Key**	Modality**	Final Source of Information***
1	2	6S265	Agricultural Insurance Program	<i>Programa de Aseguramiento Agropecuario</i>	Support to agricultural producers to reduce the cost of agricultural insurance premiums	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	SIIPP-G - Ministry of Public Administration
2	2	8S290	Guarantee Prices for Basic Food Products	<i>Precios de garantía a productos alimentarios básicos</i>	Guarantee price support for milk and grain farmers, in order to increase their income and reduce food insecurity	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	UED - Ministry of Finance
3	2	8U024	Rural Development	<i>Desarrollo rural</i>	Capacity development for project implementation	State	Subsidies, grants, loans	U	Other subsidies	Public Account - Ministry of Finance
4	2	20U010	Sowing Life	<i>Sembrando Vida</i>	Financial, in-kind support and technical support for the implementation of agroforestry systems in lagging areas	Municipal	Subsidies, grants, loans	U	Other subsidies	SIIPP-G - Ministry of Public Administration
5	2	8S293	Wellbeing Production	<i>Producción para el bienestar</i>	Direct support for agrarian producers to achieve food self-sufficiency	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	UED - Ministry of Finance
6	3	12P020	Maternal, sexual and reproductive health	<i>Salud materna, sexual y reproductiva</i>	Prevention and care services in maternal, sexual and reproductive health. Includes contraception; pregnancy, childbirth and newborn care; early detection of cervical and breast cancer; and attention to family and gender violence	State	Operating expenditures	P	Planning, monitoring and evaluation of public policies	Public Account - Ministry of Finance
7	3	12P016	Prevention and care of HIV/AIDS and other STDs	<i>Prevención y atención de VIH/SIDA y otras ITS</i>	Timely initiation of HIV antiretroviral therapy	State	Operating expenditures	P	Planning, monitoring and evaluation of public policies	Public Account - Ministry of Finance
8	3	12G004	Protection Against Health Risks	<i>Protección contra riesgos sanitarios</i>	Protection against health risks from consumption of goods, services, medicines, exposure to environmental and labor factors, and health emergencies	State	Operating expenditures	G	Regulation and supervision	Public Account - Ministry of Finance
9	3	12E022	Research and technological development in health	<i>Investigación y desarrollo tecnológico en salud</i>	Funding for research projects, publication of research articles, etc.	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance
10	3	12U005	Seguro Popular (health care)	<i>Seguro popular</i>	Health care for the population without labor social security	State	Subsidies, grants, loans	U	Other subsidies	Public Account - Ministry of Finance
11	3	12E010	Education and training of human resources for health	<i>Formación y capacitación de recursos humanos para la salud</i>	Support to postgraduate specialists, training and continuing education for specialist physicians, and other health professionals	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance

No.	SDG	ID Program	Eligible Sustainable Expenditure	Eligible Sustainable Expenditure (Spanish)	Short Description of the Eligible Expenditure	Geospatial Criterion Used	Budgetary Expense Category*	Modality Key**	Modality**	Final Source of Information***
12	3	12E036	Vaccination program	<i>Programa de vacunación</i>	Mexico's Universal Vaccine Program. Includes vaccines for: Chickenpox, Rotavirus, Hepatitis A y B, Measles, Mumps, Rubella, etc.	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance
13	3	12E025	Addiction prevention and care	<i>Prevención y atención contra las adicciones</i>	Financial and training support on addiction problems; and medications	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance
14	3	12E023	Health care	<i>Atención a la salud</i>	Specialized medical care for people (focusing on those without social security) with a serious illness	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance
15	3	12U013	Health Care and Free Medicines for the Population without Labor social security	<i>Atención a la Salud y Medicamentos Gratuitos para la población sin seguridad social laboral</i>	Provision of health care and free medicines for the population without labor social security	State	Subsidies, grants, loans	U	Other subsidies	Public Account - Ministry of Finance
16	3	12S201	Health care "Seguro Médico Siglo XXI"	<i>Seguro Médico Siglo XXI</i>	Provision of medical care for children under 5 years of age without social security	State	Subsidies, grants, loans	S	Subsidies subject to operating rules	Public Account - Ministry of Finance
17	4	11S296	Attention to the Diversity of Indigenous Education (PADEI)	<i>Atención a la Diversidad de la Educación Indígena (PADEI)</i>	Financial and technical support to schools for indigenous population for strengthening linguistic courses and curricular development	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	Ministry of Public Education
18	4	11S072	Basic Education Scholarship Program for Well-being Benito Juárez	<i>Programa de becas de educación básica para el Bienestar Benito Juárez</i>	Scholarships for low income children for basic education (primary education and lower secondary)	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	UED - Ministry of Finance
19	4	11E009	Competency-based human resources training program	<i>Programa de formación de recursos humanos basada en competencias</i>	Support for teacher training, as well as for teaching materials, and equipment and technology	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance
20	4	11S243	Elisa Acuña Scholarship Program	<i>Programa de becas Elisa Acuña</i>	Scholarships for students and academic staff of upper secondary or higher education for continuing education	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	UED - Ministry of Finance
21	4	11U031	Expansion of Initial Education	<i>Expansión de la Educación Inicial</i>	Support to expand initial education coverage, through schooled and non-schooled modalities	Municipal	Subsidies, grants, loans	U	Other subsidies	SIIPP-G - Ministry of Public Administration
22	4	11S221	Full Time Schools	<i>Escuelas de tiempo completo</i>	Financial support to schools to go beyond the regular school day schedule	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	SIIPP-G - Ministry of Public Administration
23	4	11E047	Maintenance program and educational physical infrastructure	<i>Programa de mantenimiento e infraestructura física educativa</i>	Support for the improvement of the physical infrastructure of elementary, middle and high schools, as well as universities.	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance

No.	SDG	ID Program	Eligible Sustainable Expenditure	Eligible Sustainable Expenditure (Spanish)	Short Description of the Eligible Expenditure	Geospatial Criterion Used	Budgetary Expense Category*	Modality Key**	Modality**	Final Source of Information***
24	4	11U281	National Reconstruction Program	<i>Programa nacional de reconstrucción</i>	Financial support to schools in municipalities affected by earthquakes	Municipal	Subsidies, grants, loans	U	Other subsidies	SIIPP-G - Ministry of Public Administration
25	4	11S271	National school Coexistence Program	<i>Programa nacional de convivencia escolar</i>	Training and advise to supervisors, directors or advisors for improving school climate and prevention of bullying	State	Subsidies, grants, loans	S	Subsidies subject to operating rules	Public Account - Ministry of Finance
26	4	38S190	Postgraduate scholarships and quality support	<i>Becas de posgrado y apoyos a la calidad</i>	Scholarships for graduate studies	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	UED - Ministry of Finance
27	4	11B003	Production and distribution of books and educational materials	<i>Producción y distribución de libros y materiales educativos</i>	Production and distribution of books and educational materials, in accordance with the educational plans for basic education	State	Operating expenditures	B	Provision of public goods	Ministry of Public Education
28	4	11E013	Production and transmission of educational materials	<i>Producción y transmisión de materiales educativos</i>	Production and transmission of educational programs on television for secondary and high school within the strategy "Learn at Home II and III", mainly	State	Operating expenditures	E	Provision of public services	Public Account - Ministry of Finance
29	4	11S247	Program for Teaching Professional Development	<i>Programa para el desarrollo profesional docente</i>	Funding for training programs (pedagogical, didactic and digital abilities), for education staff at all school levels	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	SIIPP-G - Ministry of Public Administration
30	4	11S300	Strengthening Educational Excellence	<i>Fortalecimiento a la excelencia educativa</i>	Financial support for public universities for developing operational and academic projects	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	SIIPP-G - Ministry of Public Administration
31	4	11U080	Support to education centers and organizations	<i>Apoyos a centros y organizaciones de educación</i>	Financial support to states to improve the provision of educational services through centers and NGOs	State	Subsidies, grants, loans	U	Other subsidies	Public Account - Ministry of Finance
32	4	11U040	Teaching career at UPES	<i>Carrera Docente en UPES</i>	Financial support to universities to promote an improvement in teaching quality	Municipal	Subsidies, grants, loans	U	Other subsidies	SIIPP-G - Ministry of Public Administration
33	4	11U084	Universal Scholarship for High School Students Benito Juárez	<i>Beca Universal para Estudiantes de Educación Media Superior Benito Juárez</i>	Scholarships for youths from public high schools or high schools in marginalized areas	Municipal	Subsidies, grants, loans	U	Others subsidies	UED - Ministry of Finance
34	4	11U083	Universities for Well-being Benito Juárez García	<i>Universidades para el Bienestar Benito Juárez García</i>	Free Access to Universities in marginalized municipalities	State	Subsidies, grants, loans	U	Other subsidies	Public Account - Ministry of Finance
35	4	11U280	Young People Writing the Future	<i>Jóvenes Escribiendo el Futuro</i>	Scholarships for low-income youths to continue their studies for higher education	Municipal	Subsidies, grants, loans	U	Other subsidies	UED - Ministry of Finance
36	8	6F035	Financial Inclusion Program	<i>Programa de inclusión financiera</i>	Financial inclusion for low-income population (mainly): includes construction of branches and training courses	Municipal	Operating expenditures	F	Promotion and development	Banco del Bienestar - Ministry of Finance

No.	SDG	ID Program	Eligible Sustainable Expenditure	Eligible Sustainable Expenditure (Spanish)	Short Description of the Eligible Expenditure	Geospatial Criterion Used	Budgetary Expense Category*	Modality Key**	Modality**	Final Source of Information***
37	8	14S280	Youth Building the Future	<i>Jóvenes Construyendo el Futuro</i>	Scholarships for youths on employment training	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	UED - Ministry of Finance
38	8	47S249	Program for the economic strengthening of Indigenous Peoples and Communities	<i>Programa para el fortalecimiento económico de los Pueblos y Comunidades Indígenas</i>	Financial support to indigenous and Afro-Mexican communities for productive, tourism and climate change projects, among others	Municipal	Subsidies, grants, loans	S	Subsidies subject to operating rules	SIIPP-G - Ministry of Public Administration
39	9	9K037	Conservation of rural roads and feeder roads infrastructure	<i>Conservación de infraestructura de caminos rurales y carreteras alimentadoras</i>	Conservation of rural roads and feeder roads infrastructure	State	Investment/ Intervention expenditure	K	Investment projects	Public Account - Ministry of Finance
40	9	9K031	Construction projects for feeder roads and rural roads	<i>Proyectos de construcción de carreteras alimentadoras y caminos rurales</i>	Construction projects for feeder roads and rural roads	State	Investment/ Intervention expenditure	K	Investment projects	Public Account - Ministry of Finance
41	9	9K003	Road Construction Projects	<i>Proyectos de construcción de carreteras</i>	Modernization of road infrastructure under the Road Infrastructure Network	State	Investment/ Intervention expenditure	K	Investment projects	Public Account - Ministry of Finance
42	9	9K039	Studies and projects for the construction of rural roads and feeder roads	<i>Estudios y proyectos de construcción de caminos rurales y carreteras alimentadoras</i>	Studies and projects for the construction of rural roads and feeder roads	State	Investment/ Intervention expenditure	K	Investment projects	Public Account - Ministry of Finance
43	9	9G003	Supervision, regulation, inspection, verification and administrative services of road construction and conservation	<i>Supervisión, regulación, inspección, verificación y servicios administrativos de construcción y conservación de carreteras</i>	Supervision, regulation, inspection, verification and administrative services of road construction and conservation	State	Operating expenditures	G	Regulation and supervision	Public Account - Ministry of Finance

Source: Ministry of Finance.

* See pages 11 (Section 3.1) and 26 (Section 3.4.1) in the SDG Sovereign Bond Framework: United Mexican States – Building Prosperity: Financing SDGs for an Inclusive Economy. Available in: https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UMS-SDG_Sustainable_Bond_Framework.pdf

** See Classification of Budgetary Programs. Available on page 50 (PDF) of the Programmatic Structure to be used in the 2020 Expenditure Budget Project: https://www.ppef.hacienda.gob.mx/work/models/PPEF/2020/estructura_programatica/1_EstructurasProgramaticas_paraPPEF2020.pdf

*** Note: SIIPP-G refers to Integral Information System for Governmental Programs Registers, for its acronym in Spanish and UED is the Unit of Evaluation Performance within the Ministry of Finance

6

Annex 6:

Information at municipal
level for the Financial
Inclusion Program

The Financial Inclusion Program is defined as an operational program since it provides resources for the construction of bank branches and courses or technological facilities to increase the financial access for the population. Most of the allocation of the Financial Inclusion Program is concentrated on the construction of new bank branches, and its target is to build 2,700 branches by 2024. In this way, we constructed a proxy for the allocation of resources at municipal level. It is important to mention that resources are administered at a central level, so it was not possible tracking the allocation at state level.

Banco del Bienestar provided a list of agreements signed for 2020 with an associated value at municipal level. Therefore, this value

was taken as the proxy of the executed budget for this program. The sum of the value of the agreements is approximately US\$ 44.13 million. Even though all the budget considered in the Public Account (US\$264.4 mill) will be channeled to the construction of new bank branches, not all the budget was allocated in 2020. Most of this budget will be allocated during the next years until 2024 with the objective of building approximately 2,700 new branches. The program started in 2020; therefore, administrative and operative costs were higher in the first year. We expect that most of the execution of this program will take place in the following years, given the reduction of operative/administrative costs.

7

Annex 7:

2020 Eligible Expenditure's
budget exercise
and notional allocation

Table A.2. Eligible Sustainable Expenditures categories and allocation

No.	SDG	Responsible Ministry	Category of Sustainable Expenditure	Eligible Sustainable Expenditure (Budget Line Item)	Applicability of geospatial criterion (Yes/No) and level	Total after geospatial filter (US\$)	% of the total allocation	Notional allocation to the SDG Bond (US\$)
					(A)	(B)	(C)= (B/ 4.4 bn)*100	(D)= C/100* 855 mill
1	2	Ministry of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)	Promoting the environmental resilience of the agricultural sector through universal insurance coverage for small producers	Agricultural Insurance Program	Yes, municipal level	411,469	0.01%	80,226
2	2	Ministry of Agriculture and Rural Development (<i>Secretaría de Agricultura y Desarrollo Rural</i>)	Production subsidies to subsistence farmers for basic food products	Guarantee Prices for Basic Food Products (Establishment of guarantee prices, in order to increase the income of agricultural producers)	Yes, municipal level	95,030,104	2.17%	18,528,568
3	2	Ministry of Welfare (<i>Secretaría del Bienestar</i>)	Production subsidies to subsistence farmers for basic food products (staple food programs)	Sowing Life (Financial, in-kind support and technical support for the implementation of agroforestry systems in rural areas)	Yes, municipal level	450,647,674	10.28%	87,865,379
4	2	Ministry of Agriculture and Rural Development (<i>Secretaría de Agricultura y Desarrollo Rural</i>)	Consumption subsidies for basic food products	Wellbeing Production (Direct support for agrarian producers to achieve food self-sufficiency)	Yes, municipal level	167,055,439	3.81%	32,571,763
Subtotal SDG 2						713,144,687	16.26%	139,045,937
5	3	Ministry of Health (<i>Secretaría de Salud</i>)	Services, and equipment to improve sexual and maternal health	Maternal, sexual and reproductive health	Yes, state level	16,810,687	0.38%	3,277,677
6	3	Ministry of Health (<i>Secretaría de Salud</i>)	Prevention and care of Sexual Transmitted Infections	Prevention and care of HIV/AIDS and other STDs	Yes, state level	1,336,591	0.03%	260,603
7	3	Ministry of Health (<i>Secretaría de Salud</i>)	Provision/distribution of healthcare equipment and services	Protection Against Health Risks (Health risks from consumption of goods , services, medicines, exposure to environmental and labor factors, and health emergencies)	Yes, state level	1,333,361	0.03%	259,973
8	3	Ministry of Health (<i>Secretaría de Salud</i>)	Health related research and technological development funding	Research and technological development in health	Yes, state level	5,575,165	0.13%	1,087,022
9	3	Ministry of Health (<i>Secretaría de Salud</i>)	Support to health professionals through the purchase of materials, mobility and training	Education and training of human resources for health	Yes, state level	1,111,793	0.03%	216,773

No.	SDG	Responsible Ministry	Category of Sustainable Expenditure	Eligible Sustainable Expenditure (Budget Line Item)	Applicability of geospatial criterion (Yes/No) and level	Total after geospatial filter (US\$)	% of the total allocation	Notional allocation to the SDG Bond (US\$)
					(A)	(B)	(C)= (B/ 4.4 bn)*100	(D)= C/100* 855 mill
10	3	Ministry of Health (<i>Secretaría de Salud</i>)	Provision/distribution of healthcare equipment and services	Vaccination program	Yes, state level	1,068,846	0.02%	208,399
11	3	Ministry of Health (<i>Secretaría de Salud</i>)	Addiction prevention and care	Addiction prevention and care	Yes, state level	1,748,306	0.04%	340,877
12	3	Ministry of Health (<i>Secretaría de Salud</i>)	Provision/distribution of healthcare equipment and services	Health care (Specialized medical care for people (focusing on those without social security) with a serious illness)	Yes, state level	138,516,736	3.16%	27,007,408
13	3	Ministry of Health (<i>Secretaría de Salud</i>)	Provision/distribution of healthcare equipment and services	Health Care and Free Medicines for the Population without Labor Social Security	Yes, state level	1,314,819,800	29.98%	256,358,007
14	3	Ministry of Health (<i>Secretaría de Salud</i>)	Provision/distribution of healthcare equipment and services	Health care "Seguro Médico Siglo XXI" (Provision of health services to children without social security)	Yes, state level	12,859,471	0.29%	2,507,285
Subtotal SDG 3						1,495,180,755	34.10%	291,524,024
15	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Training for education professionals	Attention to the Diversity of Indigenous Education (PADEI - Financial and technical support to schools for indigenous population)	Yes, municipal level	2,404,517	0.05%	468,823
16	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Students/educational scholarships (to cover fees or living cost) for basic education or high school	Basic Education Scholarship Program for Well-being Benito Juárez	Yes, municipal level	467,185,340	10.65%	91,089,823
17	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Students/educational scholarships (to cover fees or living cost) for basic education or high school	Elisa Acuña Scholarship Program (Scholarships for students and academic staff of upper secondary or higher education for continuing education)	Yes, municipal level	8,888,389	0.20%	1,733,021
18	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Purchase of hardware equipment for education purposes	Expansion of Initial Education (Support to expand initial education coverage, in-school and outside school modalities)	Yes, municipal level	1,223,421	0.03%	238,537
19	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Construction and improvement of schools, campus, student housing	Full Time Schools (Financial support to schools to go beyond the regular school day schedule)	Yes, municipal level	4,996,593	0.11%	974,215
20	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Construction and improvement of schools, campus, student housing	National Reconstruction Program (Financial support to schools in municipalities affected by earthquakes)	Yes, municipal level	63,162	0.00%	12,315
21	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Training for education professionals	National School Coexistence Program (Training and advice to supervisors, directors or advisors for improving school climate and prevention of bullying)	Yes, state level	3,444,834	0.08%	671,659

No.	SDG	Responsible Ministry	Category of Sustainable Expenditure	Eligible Sustainable Expenditure (Budget Line Item)	Applicability of geospatial criterion (Yes/No) and level	Total after geospatial filter (US\$)	% of the total allocation	Notional allocation to the SDG Bond (US\$)
					(A)	(B)	(C)= (B/ 4.4 bn)*100	(D)= C/100* 855 mill
22	4	National Council for Science and Technology (<i>Consejo Nacional de Ciencia y Tecnología</i>)	Educational grants	Postgraduate scholarships and quality support	Yes, municipal level	1,166,500	0.03%	227,439
23	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Purchase of hardware equipment for education purposes	Production and distribution of books and educational materials	Yes, state level	58,981,232	1.35%	11,499,911
24	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Training for education professionals	Program for Teaching Professional Development (Funding for training programs for education staff at all school levels)	Yes, municipal level	413,522	0.01%	80,627
25	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Purchase of hardware equipment for education purposes	Strengthening Educational Excellence (Financial support for public universities for developing operational and academic projects)	Yes, municipal level	1,879,974	0.04%	366,549
26	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Training for education professionals	Support to education centers and organizations (Financial support to states to improve the provision of educational services through centers and NGOs)	Yes, state level	624,651,967	14.24%	121,792,000
27	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	Universal Scholarship for High School Students Benito Juárez	Yes, municipal level	153,898,865	3.51%	30,006,550
28	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Construction and improvement of schools, campus, student housing	Universities for Well-being Benito Juárez García (Free Access to Universities)	Yes, state level	13,505,632	0.31%	2,633,271
29	4	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)	Students/ educational scholarships (to cover fees or living cost) for basic education or high school	Young People Writing the Future (Scholarships for low-income youths to continue their studies for higher education)	Yes, municipal level	44,856,558	1.02%	8,745,942
Subtotal SDG 4						1,387,560,506	31.64%	270,540,683
30	8	Ministry of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)	Access to financing and financial services	Financial Inclusion Program	Yes, municipal level	8,577,531	0.20%	1,672,411
31	8	Ministry of Labor and Social Welfare (<i>Secretaría del Trabajo y Previsión Social</i>)	Scholarships for employment training	Youth Building the Future (Scholarships for youths on employment training)	Yes, municipal level	240,336,867	5.48%	46,859,867
32	8	Non-Sectorized Entities (<i>Entidades No Sectorizadas</i>)	Employment generation in sustainable tourism for indigenous people and Afro-Mexicans	Program for the economic strengthening of Indigenous Peoples and Communities	Yes, municipal level	541,428	0.01%	105,565

Subtotal SDG 8						249,455,826	5.69%	48,637,843
No.	SDG	Responsible Ministry	Category of Sustainable Expenditure	Eligible Sustainable Expenditure (Budget Line Item)	Applicability of geospatial criterion (Yes/No) and level	Total after geospatial filter (US\$)	% of the total allocation	Notional allocation to the SDG Bond (US\$)
					(A)	(B)	(C)= (B/ 4.4 bn)*100	(D)= C/100* 855 mill
33	9	Ministry of Communications and Transportation (<i>Secretaría de Comunicaciones y Transportes</i>)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	Conservation of rural roads and feeder roads infrastructure	Yes, state level	107,190,310	2.44%	20,899,514
34	9	Ministry of Communications and Transportation (<i>Secretaría de Comunicaciones y Transportes</i>)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	Construction projects for feeder roads and rural roads	Yes, state level	18,207,921	0.42%	3,550,103
35	9	Ministry of Communications and Transportation (<i>Secretaría de Comunicaciones y Transportes</i>)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	Road Construction Projects (Modernization of road infrastructure under the Road Infrastructure Network)	Yes, state level	101,905,027	2.32%	19,869,011
36	9	Ministry of Communications and Transportation (<i>Secretaría de Comunicaciones y Transportes</i>)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	Studies and projects for the construction of rural roads and feeder roads	Yes, state level	8,680,598	0.20%	1,692,506
37	9	Ministry of Communications and Transportation (<i>Secretaría de Comunicaciones y Transportes</i>)	Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure	Supervision, regulation, inspection, verification and administrative services of road construction and conservation	Yes, state level	303,834,563	6.93%	59,240,379
Subtotal SDG 9						539,818,418	12.31%	105,251,514
Total						4,385,160,192	100.00%	855,000,000

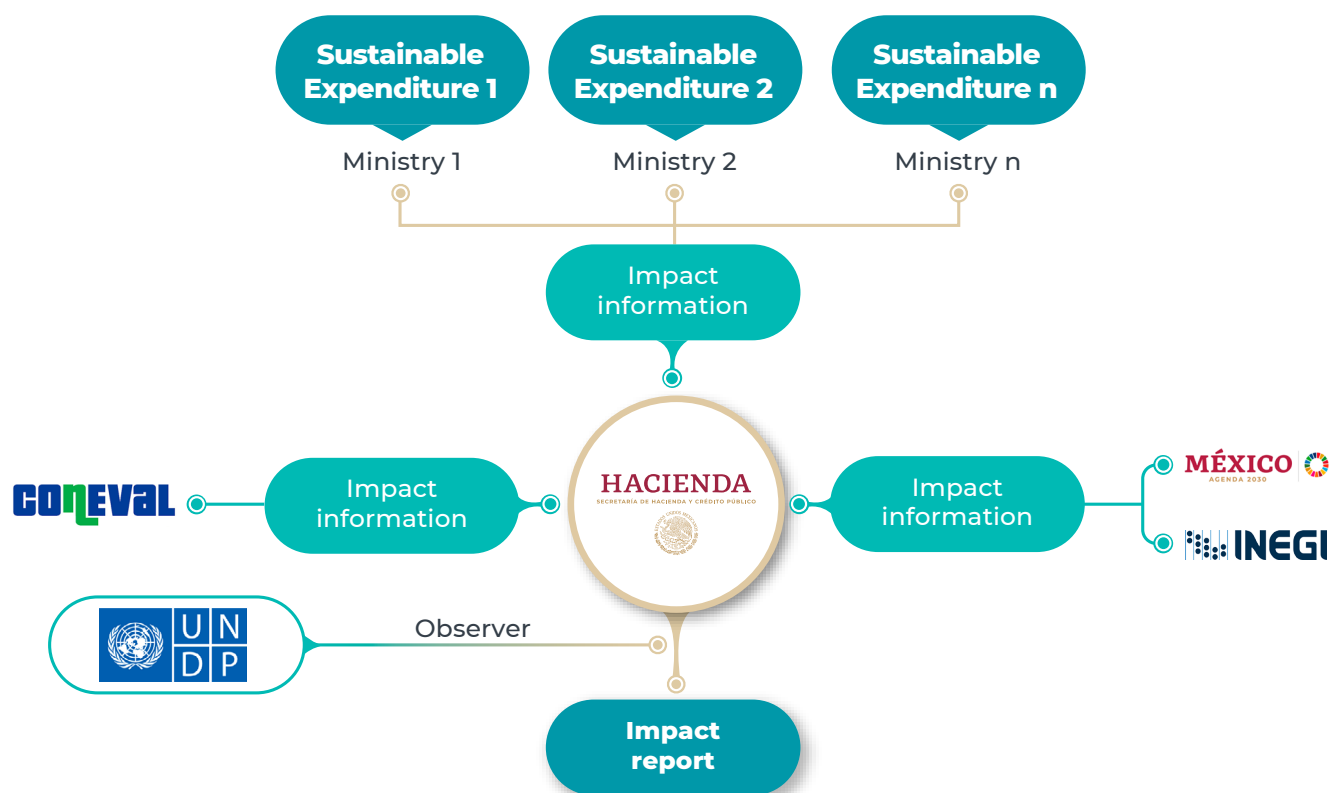
Source: Ministry of Finance.

Note: Column A shows if the budgetary program qualified for the geospatial criteria. Column B is the budget allocated by the Federal Government to these programs, for areas with a Social Gap Level equal or above a "medium" level (geospatial criterion). Column C shows the proportion paid for the budgetary program from the total budget of Eligible Expenditures (US\$ 4.4 bn). The notional allocation to the use-of-resources SDG Bond programs is presented in Column D which is the result of multiplying the value of Column C by the value of US\$ 855 mill (or 750 mill euros). Each figure in this column D is a proportional amount (approximately of 19.5%) of the budget allocated by the Federal Government to these programs considering the geospatial criteria.

8

Annex 8: Impact report methodology

Figure A.5: Impact report information sources



Source: Ministry of Finance.

The impact report aims to monitor the SDG targets, which are linked to the Eligible Sustainable Expenditures, via the indicators published on the Information System of Sustainable Development Goals (SIODS, for its acronym in Spanish) mainly, to monitor at project level through output results reported annually by the ministries.

These SIODS indicators consist mainly of broad SDG outcomes and outputs. The outcome indicators seek to measure the evolution of the results of the program. However, they do not measure an isolated or causal effect for the program. Since the SDG Bond issuance was in 2020, we present these indicators as baseline results (or “state of affairs”). The output

indicators specify the targeted population receiving a specific benefit from the program or indicators that specify the delivery of services or goods for the targeted population. For the output indicators, we estimate the proportional contribution of the notional allocation of the SDG Bond on these, and not the overall outputs or results.

A.8.1 METHODOLOGY TO CONSTRUCT THE “STATE OF AFFAIRS” RESULTS

In order to select the “State of affairs” indicators we did the following:

1.1 Map all the SDG targets to the Eligible Sustainable Expenditures (budgetary programs) that are linked to on the federal budget (see Annex 9 for the description of the SDG Targets used in this report);



1.2 Pinpoint all the available indicators on the SIODS in relation to the Eligible Expenditure's SDG targets and link them to the Eligible Expenditures;



1.3 For those programs that could not have an explicit indicator from the SIODS, the Ministry of Finance proposed to the Specialized Technical Committee for Sustainable Development Goals (CTEODS for its acronym in Spanish) "proxy indicators" for those programs;



1.4 All the indicators were subject to comments by the CTEODS's participants and were acknowledged for their use on this report;



1.5 From the indicators sample presented at the CTEODS, the Ministry of Finance selected strategically one indicator per eligible program for the impact report as a "state of affairs";



1.6 The Ministry of Finance relied on other governmental open sources such as INEGI, CONEVAL, the Performance Evaluation System and the Sectorial Plans where information was missing or not clear for the "state of affairs" indicators;



Additionally, for some subsets of the "state of affairs" indicators, when it was possible tracking the indicator at a state level, we constructed a weighted indicator only focused on the targeted states (referred as "state of affairs in states covered by the program").

1.7 First, we determined the programs associated to a specific target, and;



1.8 Second, we constructed a weighted average indicator for this subsample, weighted according to the population.

For example, for SDG 2, all budgetary programs classified within this SDG, were identified to Target 2.3. In this way, we identified the states where these programs were allocated (23 of them), and generated a weighted average for this indicator (percentage of the population that experienced moderate or severe food insecurity) restricted to this subsample.

For the output results, the Ministry of Finance used indicators from the Results Indicators Matrix (MIR, for its acronym in Spanish) obtained from the Performance Evaluation System (SED, for its acronyms in Spanish). These indicators are reported by the ministries and are directly related to the performance of the budgetary programs.

For the beneficiaries' results, the Ministry of Finance relied on information provided by the ministries regarding the target population benefited during the fiscal year. Beneficiaries' definition varies across the Eligible Expenditures and can be referred as population, schools, state governments, hospitals, among others.

A.8.2 METHODOLOGY TO CONSTRUCT THE BENEFICIARIES AND OUTPUT RESULTS FROM ELIGIBLE EXPENDITURES

The output and the number of beneficiaries presented in the impact report are a subset from the national beneficiaries or outputs. This subset of beneficiaries/outputs is estimated considering the target population located in marginalized areas and the notional resources that are linked to the SDG Bond.

Lastly, all the information from the impact report comes from public sources and the follow-up on the indicators is a sum of efforts from all the ministries to monitor the advance of the 2030 Agenda, as to also evaluate the performance of the budgetary programs. The indicators disclosed in these sections as well as the budgetary programs may be refined or changed for future reports; some programs may no longer be in these sections, or their respective indicators might be updated.

A.8.2.1 CALCULATION PROCESS TO OBTAIN BENEFICIARIES NOTIONALLY ATTENDED BY THE SDG BOND IN LAGGED AREAS

In order to estimate, the contribution of the notional allocation of the SDG Bond on specific outputs –such as the number of beneficiaries– we multiplied it by the relative contribution of the SDG bond (US\$ 855 million) on the total expenditures made in highly marginalized areas (US\$ 4.4 bn). However, indicators are usually determined at the national level. Therefore, in order to determine the total contribution made to in regions with an SGI equal or above “medium” level we calculated the proportion that the budget in lagged areas represented from the total budget.

For this, the following formula was used:

$$Benef_{SDG_Bond} = Benef_{Total_Program} \times \%Budget_{Lagged_areas} \times \%Notional_{SDG_Bond}$$

Where:

$Benef_{SDG_Bond}$ = Output, beneficiaries or target population attended in lagged areas using the SDG Bond issued amount (US\$ 855 mill).

$Benef_{Total_Program}$ = Beneficiaries or target population attended by the budgetary program at the national level.

$\%Budget_{Lagged_areas}$ = The proportion (%) of the budget expense of the program in lagged areas with respect to the total budget allocated to the program.

$\%Notional_{SDG_Bond}$ = The SDG Bond issued amount (US\$ 855 mill) divided into the total budget expense in lagged areas (US\$4.4). This percentage is approximately ≈ 19.5%.

Additionally, for the apportionment of the input/output indicators, this procedure was used.

For example, for the program “Sowing Life” there were 415,692 benefited farmers at the national level ($Benef_{Total_Program}$). The proportion of the budget allocated to highly marginalized areas was 35.48% ($\%Budget_{Lagged_areas}$). Therefore, the estimation of the number of beneficiaries

in lagged areas was 147,492 beneficiaries ($415,692 \times 35.48\%$). In order to approximate the contribution of the SDG Sovereign bond to the number of beneficiaries, we multiplied this last figure by the notional factor ($\%Notional_{SDG_Bond} \approx 19.5\%$). In this way, our estimate of beneficiaries targeted by the notional allocation is 28,757.

There is an exception for the Financial Inclusion Program, given the management of its budgetary resources and the proxy we used for approximating the expenditures at municipal level. In this case, the percentage of spending in lagging areas was established according to the construction of the new branches of Banco del Bienestar completed in 2020 at national level. This percentage is 19.44%.

9

Annex 9:

SDGs targets
description of Eligible
Expenditures

Figure A.5: SDGs Targets Description

1	End poverty in all its forms everywhere
1.1	Eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.
1.2	Reduce, at least by half, the proportion of men, women and children of all ages living in poverty in all its dimensions, according to national definitions.
1.4	Ensure that all men and women, in particular the poor and the vulnerable ones, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
2	End hunger, achieve food security and improve nutrition and promote sustainable agriculture
2.1	End hunger and ensure access by all people to safe, nutritious, and sufficient food all year round.
2.3	Double the agricultural productivity and incomes of small-scale food producers, secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.
2.4	Ensure the sustainability of food production systems and apply resilient agricultural practices that increase productivity and production.
2.a	Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular in the least developed countries.
2.c	Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.
3	Ensure healthy lives and promote well-being for all at all ages
3.1	Reduce the global maternal mortality ratio to less than 70 per 100,000 live births.
3.2	End preventable deaths of newborns and children under 5 years of age.
3.3	End the epidemics of AIDS, tuberculosis, malaria, and other communicable diseases.
3.4	Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.
3.5	Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.
3.6	Halve the number of global deaths and injuries from road traffic accidents.
3.7	Ensure universal access to sexual and reproductive health-care services, including for family planning, information and education.
3.8	Achieve universal health coverage, including financial risk protection, quality and affordable essential medicines and vaccines for all.

3.a	Strengthen the implementation of the WHO Framework Convention on Tobacco Control in all countries.
3.b	Support the research and development of vaccines and medicines.
3.c	Increase health financing and the recruitment, training, and retention of the health workforce.
3.d	Strengthen the capacity of all countries in early warning, risk reduction and management of national and global health risks.
4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
4.1	Ensure that all girls and boys complete free, equitable and quality primary and secondary education.
4.2	Ensure that all girls and boys have access to quality early childhood development, care and pre-primary education.
4.3	Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
4.4	Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
4.5	Eliminate gender disparities in education and ensure equal access to all levels for the vulnerable people.
4.6	Ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.
4.7	Ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.
4.a	Build and upgrade education facilities that are child, disability and gender sensitive to provide safe and effective learning environments.
4.b	Increase globally the number of scholarships available to developing countries, in particular to the least developed countries, small island, developing states and African countries, to enable their students to enroll in higher education programs.
4.c	Increase the supply of qualified teachers, including through international cooperation for teacher training.
5	Achieve gender equality and empower all women and girls
5.2	Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.
5.3	Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation.
5.6	Ensure universal access to sexual and reproductive health and reproductive rights, as agreed in accordance with the Program of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences.

8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
8.1	Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.
8.6	Reduce the proportion of youth not in employment, education or training.
8.9	Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture.
8.10	Strengthen the capacity of domestic financial institutions to expand access to banking, insurance, and financial services for all.
9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
9.1	Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access.
9.5	Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular in developing countries. This includes, by 2030, encouraging innovation and increasing substantially the number of research and development workers per 1 million people, as well as the public and private research and development spending.
9.b	Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.
10	Reduce inequality within and among countries
10.1	Progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.
10.2	Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
11	Make cities inclusive, safe, resilient, and sustainable
11.a	Support positive economic, social, and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.
12	Ensure sustainable consumption and production patterns
12.a	Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.
16	Promote fair, peaceful, and inclusive societies
16.1	Significantly reduce all forms of violence and related death rates everywhere.

Source: Ministry of Finance.

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Annex 10: Superior Audit of the Federation

The Superior Audit of the Federation (ASF, for the acronym in Spanish of *Auditoría Superior de la Federación*) is in charge to do an independent audit of the Public Account at the end of each fiscal year, once the annual audit program is approved and published on its website (https://www.asf.gob.mx/Section/357_Programa_Anual_de_Auditorias).

In accordance with article 6 of the *Ley Fiscalización y Rendición de Cuentas de la Federación* (Law on Oversight and Accountability of the Federation, LFRCF acronym in Spanish), the audit is carried out independently and autonomously from any other form of control or oversight carried out by the internal control bodies from the Federal Government, which gives it its external character.

Annually, the ASF has full power to supervise any operation involving federal public resources, in accordance with article 2 of the last paragraph of its Internal Regulations.

In addition, the powers of control of the public account includes: 1) The supervision of the financial management of the audited entities to verify compliance with the provisions of the *Ley de Ingresos y el Presupuesto de Egresos de la Federación* (Revenue Law and the Expenditure Budget), and other applicable legal provisions, regarding public revenues and expenditures, as well as public debt, including the review of the management, custody and application of federal public resources, as well as other financial, accounting, patrimonial, budgetary and programmatic information in accordance with the applicable provisions, and 2) the practice of performance audits to verify the degree of compliance with the objectives of federal programs.

In accordance with Article 17 of the *LFRCF*, the Superior Audit of the Federation has within its powers:

- Carry out audits on performance in meeting the objectives contained in federal programs, in accordance with the indicators established in the Expenditure Budget and taking into account the National Development Plan, among others, in order to verify their performance and **the use of federal public resources;**
- Verify that the audited entities that have collected, guarded, managed, administered, applied or exercised public resources, have

done so in accordance with the **approved programs and authorized amounts, as well as in the case of expenditures**, charged to the corresponding items, and

- **Request financial information, including** accounting, budgetary, programmatic, and economic records, **as well as institutional reports** and government accounting systems that public entities are obliged to operate for the purpose of consulting the information contained therein.

During 2020, in October 20 the ASF requested the information related to bond issues in international markets as of September 30, in which the information related to the issuance of the SDG Bond was included. At the beginning of 2021, on February 19, the ASF ordered the opening of the 25-GB audit called "*Public Debt of the Federal Government*", and on March 23 of this year, requested information on the issuance of bonds in the international market in November 2020. Once this information was reviewed, the ASF presented results on May 13, 2021, in which it did not issue observations regarding that or any other issue. On August 30 of this year, the ASF presented to the Chamber of Deputies the first report of the review of the Public Account 2020.

Furthermore, on September 20 of this year, the ASF requested the preliminary review for the Public Account 2021, for the period from January 1st to August 31, 2021, leaving still uncovered the period that the Impact Report related to the issuance of the SDG Bond is being concluded.

It should be noted that in previous reviews the ASF has requested information on the use of the resources obtained in connection with the contracting of debt, to which it has been made known that it is in the capacity of the ASF itself to verify the efficiency and effectiveness of the expenditure, where the allocation, application and destination of this amount is detailed in the volumes of the budget and justified in the programmatic strategy of the expenditure. Finally, a collaboration agreement between the Ministry of Finance and the ASF will be signed for the revision of the Allocation Report, in accordance with the regulations that govern this last institution. In this way, in the near future the ASF will be performing an independent external audit to the allocation report.

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Annex 11:

UNDP's Opinion of Mexico's
2020 SDG Bond Allocation
and Impact Report

UNDP'S OPINION AT A GLANCE¹²

UNDP is of the opinion that Mexico's 2020 SDG Bond Allocation and Impact Report follows the criteria portrayed in the UMS SDG Sovereign Bond Framework underpinning its issuance. The report showcases the consistent effort of the Government of Mexico to integrate impact management into its sustainable financing decision-making. The report embodies the core elements of UNDP's SDG Impact Standards for Bond Issuers. The expected impact reflects the direction of the country's policy choices and is linked to budgetary programs aligned with SDGs targets.

The opinion is built upon the following dimensions:

1. ALIGNMENT WITH STANDARDS

2020 Mexico's SDG Bond Allocation and Impact Report is aligned with the four foundational elements of the SDG Impact Standards for Bond Issuers¹³. The country efforts reflect a commitment towards developing a strategy for contributing positively to SDGs.

2. PROGRAM SELECTION

The eligible expenditures selection process is formalized in the UMS SDG Sovereign Bond Framework¹⁴. UNDP considers that this process is verifiable, consistent, and sufficiently robust. The selection and exclusion clauses met the provisions established in the Framework.

3. ALLOCATION REPORT

The funds were allocated to eligible expenditure categories aligned with social development goals that are intended to achieve positive socio-economic outcomes. The Ministry of Finance was responsible for notionally allocating the funds according to clear, transparent, and

verifiable criteria. The spending practices are in line with domestic public financial management regulations and laws.

4. IMPACT REPORTING

The Ministry of Finance fulfills the commitment to publish its first annual Allocation of Funds and Impact Report and will continue to do so until the Bond has been fully repaid. UNDP considers that the reported interventions can translate into positive social impacts and advance the Sustainable Development Goals, specifically SDG 2, 3, 4, 8 and 9. UNDP is of the view that this Report is aligned with UMS SDG Sovereign Bond Framework's established practices.

5. SDG SOVEREIGN BOND AS A DRIVER OF CHANGE

Institutional and organizational dynamics associated with bond issuance and its impact report triggered a continuous learning environment, invigorating knowledge and information-sharing channels, surfacing the potential virtuous cycle of connecting financing sources and results-oriented reports on expenditures. This opened new conversations among development economics and financing for sustainable development practitioners.

¹² This UNDP opinion on the "Mexico's SDG Bond Allocation and Impact Report 2021" is found on page 3 of the document called "UNDP's Opinion of Mexico's 2020 SDG Bond Allocation and Impact Report", published on the official website of the Ministry of Finance and Public Credit, available in https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UNDPs_opinion_on_the_2020_SDG_Bond_Allocation_and_Impact_Report.pdf

¹³ The four foundational elements are strategy, management, approach, transparency, and governance. For further detail please refer to the following link: <https://sdgimpact.undp.org/sdg-bonds.html>

¹⁴ https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UMS-SDG_Sustainable_Bond_Framework.pdf



Disclaimer



The information disclosed in this *UMS SDG Bond Allocation and Impact Report* shall be used solely as a reference document and for informational purposes for bondholders, in accordance with the commitments established by the Government of Mexico in the SDG Sovereign Bond Framework, which can be consulted on the SHCP website¹⁵. Anyone interested in the content of this presentation should consult and read it in full at the website¹⁶.

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

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

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

This document is NOT a formal description of the direct and final use of the net proceeds of Mexico's first SDG Bond. It is imperative for the reader to comprehend that those specific

resources were not destined to any precise "Eligible Expenditure"; instead, an amount equal to the net proceeds of our inaugural SDG Bond was allocated to existing Eligible Expenditures that met any of Mexico's SDG Sovereign Bond Framework standards during the assessed period.

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

The issuance of external indebtedness of the UMS Government through an SDG bond, as well as the issues that are not aligned with the SDGs, comply with the laws of the United Mexican States that govern the issuance of public debt, particularly articles 73, section VIII, and 89, section I, of the *Constitución Política de los Estados Unidos Mexicanos* (Political Constitution of the United Mexican States), having the Mexican Congress the faculty to establish the bases on which the Federal Executive can contract public debt; and the *Ley de Ingresos de la Federación para el Ejercicio Fiscal de 2020* (Federal Revenue Law for the Fiscal Year 2020), Article 2, which authorizes the Federal Executive to issue securities in foreign markets, to finance the Federal Expenditure Budget (PEF) for the current fiscal year, as well as for the purposes of swapping and refinancing Mexico's external indebtedness. Mexico will use the net proceeds from the sale of the notes for the general purposes of the Government of Mexico, as well as to finance budgetary programs that qualify as eligible expenses under the SDG Sovereign Bond Framework and that are included in the PEF for the fiscal year 2020.

Article 31, sections V and VI of the *Ley Orgánica de la Administración Pública Federal* (Organic Law of the Federal Public Administration), empowers the Ministry of Finance and Public Credit to administer the public debt of the Federation and to execute or authorize all transactions in which public credit is used; the *Ley Federal de Deuda Pública* (Federal Law of

¹⁵ Ministry of Finance (2020): "SDG Sovereign Bond Framework. United Mexican States Building Prosperity: Financing SDGs for an inclusive economy", https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UMS-SDG_Sustainable_Bond_Framework.pdf

¹⁶ Ministry of Finance (2020): "SDG Sovereign Bond Framework. United Mexican States Building Prosperity: Financing SDGs for an inclusive economy", https://www.finanzaspublicas.hacienda.gob.mx/es/Finanzas_Publicas/es#collapseSostenibilidad

Public Debt), article 1, section I; article 2, sections I and IV; article 3; article 4, sections I, II, IV, V and VII; article 5, sections I, II, III and V; articles 8 to 12; article 16; and article 17, first paragraph, establishes the subscription and maintenance of the public debt; the faculty of the Ministry of Finance and Public Credit to issue and manage public debt and formulate its debt program; and the Ley del Mercado de Valores (Securities Market Law), article 7, which refers to the notification to the Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission) of offers abroad of securities made abroad but issued in Mexico or by Mexican legal entities.

Abbreviations and Acronyms

AIDS	Acquired Immunodeficiency Syndrome
BC	Black Carbon
BJ	Benito Juárez
CNBV	<i>Comisión Nacional Bancaria y de Valores / National Banking and Securities Commission</i>
CONEVAL	<i>Consejo Nacional de Evaluación de la Política de Desarrollo Social / National Council for the Evaluation of Social Development Policy</i>
CTEODS	<i>Comité Técnico Especializado de los Objetivos de Desarrollo Sostenible / Specialized Technical Committee for the SDGs</i>
EM	Emerging market
ESG	Environmental, Social and Governance
GACP	<i>Grado de Acceso a Carretera Pavimentada / Degree of Accessibility to a Paved Road</i>
GBP	Green Bond Principles
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HIV	Human Immunodeficiency Virus
ICMA	International Capital Market Association
INEGI	<i>Instituto Nacional de Estadística y Geografía / National Institute of Statistics and Geography</i>
KPI	Key Performance Indicator
MXN	Mexican Peso
MIR	<i>Matriz de indicadores para resultados / Logical Framework Matrix or Indicator Matrix</i>
NDC	Nationally Determined Contributions
NDP	National Development Plan
OSI	<i>Órganos de Seguimiento e Instrumentación / Monitoring and Implementation Bodies</i>
PADEI	<i>Programa de Atención a la Diversidad de la Educación Indígena / Program for the Attention to Diversity of Indigenous Education</i>
PRI	Principles for Responsible Investment
SBG	Sustainability Bond Guidelines
SBP	Social Bond Principles
SDG	Sustainable Development Goal
SED	<i>Sistema de Evaluación del Desempeño / Performance Evaluation System</i>
SEP	<i>Secretaría de Educación Pública / Ministry of Public Education</i>
SHCP	<i>Secretaría de Hacienda y Crédito Público / Ministry of Finance and Public Credit</i>

SIIPP-G	<i>Sistema Integral de Información de Padrones de Programas Gubernamentales</i> / Integral Information System for Governmental Programs Registers
SIODS	<i>Sistema de Información de los Objetivos de Desarrollo Sostenible</i> / Information System of Sustainable Development Goals
SPO	Second Party Opinion
STD	Sexually Transmitted Diseases
UED	<i>Unidad de Evaluación del Desempeño</i> / Unit of Evaluation Performance
UMS	United Mexican States
UNDP	United Nations Development Programme
UPES	<i>Universidades Públicas Estatales</i> / State Public Universities
US\$	United States Dollar
WHO	World Health Organization