Estrategia de Movilización de **Financiamiento Sostenible**

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Estrategia de movilización de financiamiento sostenible

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PROLOGUE

Mexico is at a crucial moment in its history, where sustainability has stopped being an aspirational ideal and has become a central pillar of public policy. Between 2018 and 2024, significant progress was made in the integration of this perspective into the planning and executing of the country's economic, financial, and fiscal policies, positioning Mexico as a regional and global leader regarding this agenda. These advances, along with the critical path to strengthening the direction of financial resources toward impactful projects and activities, are consolidated in the Sustainable Finance Mobilization Strategy (EMFS).

With a potential mobilization of up to MXN 15 trillion by 2030, the Strategy represents an opportunity to further the transition toward alternative energies, the integration of technologies and clean transportation, the development of infrastructure with a social focus, and, overall, the establishment of a low-emission, more prosperous, and inclusive economy.

The Strategy was first introduced on September 18, 2023. Today, a year after its publication and following a consultation process aimed at the general public, as well as the financial and environmental sectors, it is clear that the EMFS has not only laid the groundwork for the mobilization of sustainable financing but has also generated tangible results. One example is the exponential growth of Mexico's sustainable debt market. Since 2018 to date, the cumulative market value has increased 70-fold, reaching a total of MXN 979 billion, of which 36% comes from sustainable bonds issued by the Federal Government, 19% from Development Banks, 31% from the corporate sector, and the remaining 14% from other issuers. By 2030, it is expected that sustainable debt issuance from the Federal Government and Development Banks will help mobilize at least MXN 1.1 trillion.

Another of the Strategy's successes is the development of Mexico's Sustainable Taxonomy, which has marked a milestone both nationally and globally by being the first to integrate both environmental and social aspects. Its acceptance is such that, a year after its launch, some institutions have voluntarily begun adopting their metrics and criteria to design sustainable financial products and services. Furthermore, in February and June 2024, the Regulatory and Supervisory Commissions updated regulations requiring institutional investors (pension funds, insurance companies, and surety companies) to integrate environmental, social, and governance (ESG) criteria into their investment decisions and risk management strategies, including the use of the Taxonomy. The next steps include continuing to expand its reach and use beyond the financial system.

Alongside the Strategy, efforts have also been made to ensure access to financing and to strengthen the role of other key sectors of the economy, such as the social sector and small and medium-sized enterprises (SMEs). Evidence of this includes amendments to the Securities Market Law, the development of sustainable financing programs promoted by Development Banks, as well as the publication of the Sustainability Information Standards (NIS) by the Mexican Financial Reporting Standards Board (CINIF).

Regarding international financing, during the current administration, Mexico has raised its profile with climate and environmental funds such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), and the Global Biodiversity Framework Fund (GBFF), achieving an active portfolio of USD 476 million. Additionally, starting in 2025, Mexico, through Development Banks, will be able to access up to USD 300 million in financing for projects related to energy efficiency, sustainable transportation, and water resource management in the agricultural sector.

In terms of public financial management, in recent years, the Ministry of Finance and Public Credit (SHCP) has laid the foundation for sound and sustainable public finances. To this effect, since 2020, 80% of budgetary programs are aligned with at least one Sustainable Development Goal (SDG). In terms of public investment, more than MXN 4.8 billion were allocated to sustainable infrastructure. Additionally, internal efforts have been initiated within the Ministry to measure the economic and fiscal risks associated with climate change. This establishes a foundation for the next administration to implement budgetary and public debt planning that fosters investment toward a just and equitable transition.

Finally, it is essential to recognize the effort and commitment of all those who were part of the Strategy's development, whether through setting goals, defining work streams, or participating in sectoral dialogues. As a result, a document has been consolidated that not only outlines a financial mobilization goal but also emphasizes the collective commitment to advancing the transformation of our financial system and the economy as a whole. This will help address environmental challenges and reduce social inequalities, ensuring a prosperous future for generations to come.

MA. Gabriel Yorio González
Undersecretary of Finance and Public Credit
September 2024.

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EXECUTIVE SUMMARY

The Sustainable Finance Mobilization Strategy (EMFS) devised by the Ministry of Finance and Public Credit (SHCP) has the potential to mobilize up to MXN 15 trillion from 2023 to 2030 through objectives and lines of work voluntarily adopted by the public, private, and social sectors, managing to close the financing gap to achieve Sustainable Development Goals (SDGs) in Mexico.

The current administration has implemented actions to promote sustainable financing under the fundamental principles of climate justice, environmental justice, and social justice. These actions include issuing thematic bonds, placing guarantees and green credits, and investing in strategic infrastructure projects. These efforts cement the EMFS and seek to enhance the flow of resources from key sectors toward sustainable activities.

Meeting international climate change and sustainable development commitments necessitates the large-scale mobilization of financial resources. The financing gap to achieve the SDGs in Mexico is estimated at MXN 13.6 trillion from 2023 to 2030. Therefore, an annual mobilization of MXN 1.7 trillion, equivalent to 5.4% of the Gross Domestic Product (GDP) in 2023, is imperative.

The magnitude of the challenge we face underscores the crucial role of the financial and non-financial private sectors. In 2023, the total assets in the financial system amounted to MXN 29.2 trillion, equivalent to 94% of 2023 GDP. The commercial banking sector holds the greatest share of assets at 46.2%, followed by pension funds at 19.5%, investment funds and companies at 11.3%, the development banks at 9.2%, and insurance and finance at 7.5%. Other non-banking intermediaries and brokerage houses jointly contribute 6.2% of the total assets of this sector (CNBV, 2023; CNSF, 2023; CONSAR, 2023). This data suggests that transforming 6% of the financial system's assets could effectively close the annual sustainable financing gap.

Based on this information, in addition to establishing a roadmap to continue the transformation of public finances, the Strategy proposes financial policy and regulatory actions, as well as the development of enabling mechanisms that provide market certainty. This would allow financing to be mobilized by private and alternative sources with the potential to bridge the sustainable financing gap by 2030.

The EMFS serves as a guide for transforming the Mexican financial system toward sustainability. It lays the foundation for mobilizing and reorienting financing toward activities and projects that positively impact the environment and society. To this end, the EMFS has three specific objectives:

Access to financing: Create an enabling environment for activities and projects with a sustainable approach to access low-cost financing.

Information disclosure: Ensure the disclosure and transparency of strategic information on sustainable financing, facilitating investment decision-making and re-channeling capital flows.

Innovative financing instruments: Promote the creation and development of new instruments to diversify sustainable financing sources and reduce investment risks.Para cumplir con su objetivo general y objetivos

The EMFS is divided into three pillars to meet its general and specific objectives: 1. Sustainable Public Financial Management, 2. Mobilization of Sustainable Financing, and 3. Transversal Actions, which contemplate 20 lines of work and 125 strategic activities. Due to their priority and degree of progress, these could be implemented in the Short (2023—2024), Medium (2025—2027), and Long Term (2027—2030).

The successful implementation of these activities depends on the participation of various institutions from the public, private, and social sectors. However, in order to facilitate follow-up and monitor the progress of the EMFS, each workstream has a goal, which are classified as follows:

Table 1. Goal Classification

Goal Type	**Financing Mobilization**	**Public Policy and Financial Regulation**	**Financing Enabling Mechanisms**
Refers to:	Financing mobilization expected to be generated by implementing the actions listed in the EMFS	The outcomes in terms of public policy or regulation to guarantee the financial system's certainty and consolidate its transformation toward sustainability	The plans, platforms, or governance and collaboration schemes necessary to facilitate the involvement of different stakeholders in the Sustainable Financing agenda

Source: Own elaboration

Pillar 1. Sustainable Public Financial Management seeks to mainstream the sustainability perspective in public finance management practices, systems, and frameworks. With this, we hope to promote sustainable, responsible, and transparent management of public resources. Likewise, public investment is intended to incorporate improved risk management, including climate risks, allowing private sector investors to engage in innovative activities and projects that bring environmental and social benefits. This pillar also involves actions to minimize fiscal risks associated with climate change and biodiversity loss, which can adversely impact the country's macroeconomic stability.

Meanwhile, Pillar 2. Mobilization of Sustainable Financing focuses on creating a favorable environment to advance the transformation of debt and capital markets to significantly increase and redirect financing flows toward sustainable activities and projects. Through this second pillar, sustainability will be promoted within the institutions that make up the Mexican financial system through financial policy and regulation actions. Additionally, it considers the promotion of new financing mechanisms and instruments to facilitate access to and democratization of resources. It is important to note that to achieve the latter, the EMFS emphasizes the inclusion and engagement of the economy's social sector, comprised of common lands, communities, cooperatives, and others. The involvement of social sector organizations, along with public and private institutions, will be key to ensuring the EMFS's successful implementation.

Finally, Pillar 3. Transversal Actions aims to ensure compliance with the EMFS without leaving anyone behind. The first transversal action focuses on mainstreaming gender perspectives, both at the level of institutions within the financial ecosystem as well as in the mobilization of financing. The second action is centered on strengthening financing to protect and conserve ecosystems through nature-based actions. The third transversal action refers to building sustainability capacities in the entities that make up the Mexican financial system. Finally, to ensure that the EMFS responds to the current financing and market needs, strategies for monitoring, tracking, and evaluating the objectives and goals pursued by the EMFS are included.

This version of the EMFS was developed through an inclusive, participatory consultation process with the support of the public sector, the financial and non-financial private sector, civil society, and international organizations, among others. From September to December 2023, an online public consultation was conducted, and from January to May 2024, sectoral dialogues were held with various financial sector stakeholders, in coordination with regulatory and supervisory authorities. A dialogue was also held with environmental sector authorities to ensure the EMFS aligns with the country's climate and environmental commitments. Thus, the EMFS is expected to adequately reflect the need for sustainable financing and incorporate the perspectives of all interested institutions to significantly increase investments and produce solid results for the people's welfare, environmental protection, and biodiversity conservation.

Table 2. Workstreams on Specific Objectives of the EMFS

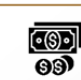
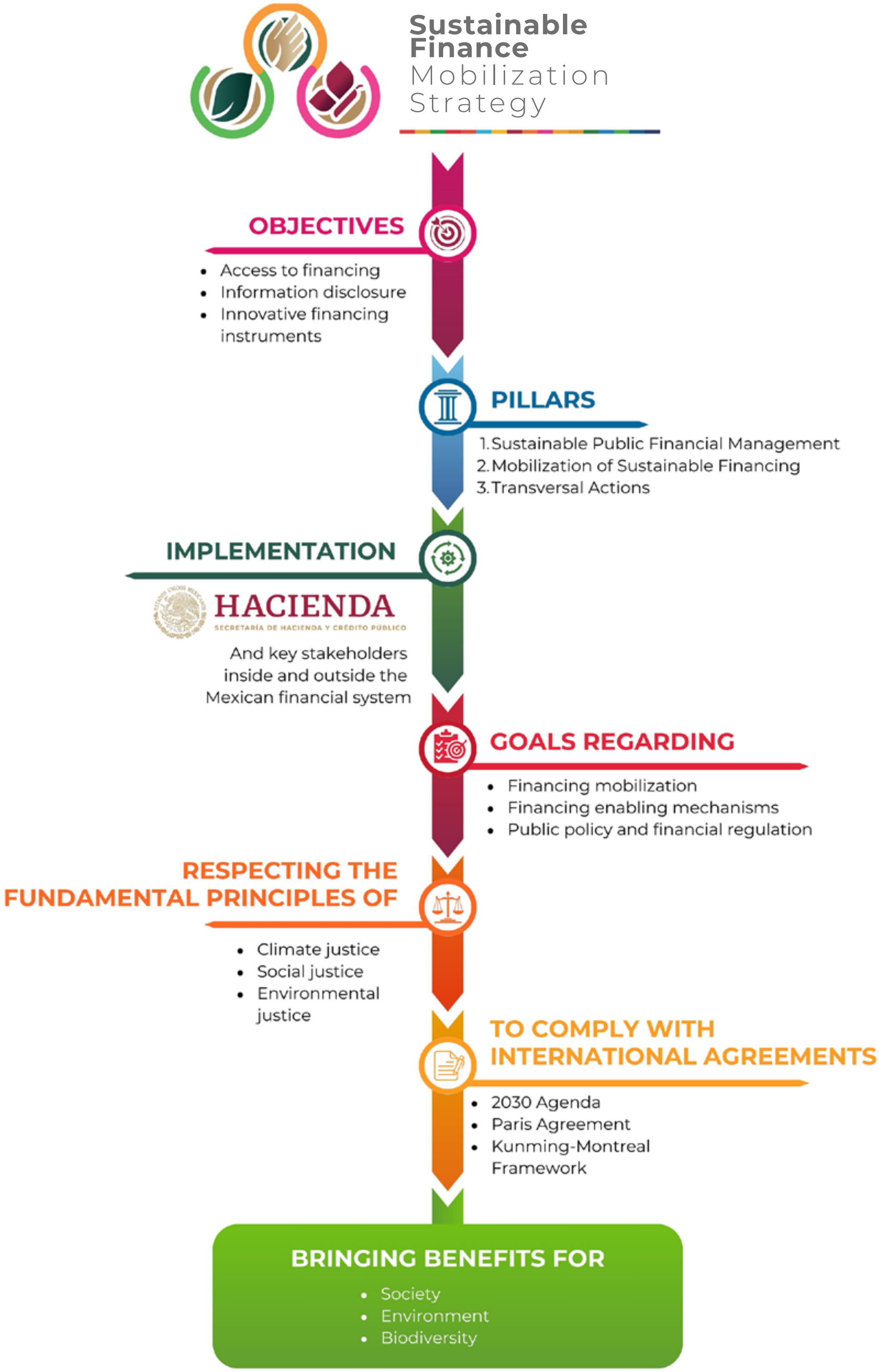
Pillars	Lines of Work	Access to Financing	Information Disclosure	Innovative Instruments	Goal Type
Pillar 1 Sustainable Public Financial Management	1.1 Sustainable Economic and Fiscal Planning	✓		✓	
	1.2 Sustainability-aligned Budget	✓	✓		
	1.3 Sustainable Public Investment and Mobilization of the National Development Banks	✓		✓	
	1.4 Sustainable Insurance	✓		✓	
	1.5 Sustainable Corporate Governance	✓	✓		
	1.6 Sustainable Measures in Fiscal Legislation	✓			
	1.7 Financing the Just Transition in Mexico	✓		✓	
Pillar 2 Mobilization of Sustainable Financing	2.1 Consolidating the Sustainable Debt Market	✓	✓	✓	
	2.2 Implementing Mexico's Sustainable Taxonomy	✓	✓	✓	
	2.3 Regulation for the Sustainability of the Financial System	✓	✓	✓	
	2.4. Creating Innovative Sustainable Financing Instruments.	✓		✓	
	2.5. Sustainable financing for MSMEs	✓	✓	✓	
	2.6. Boosting Social Finance	✓		✓	
	2.7. Linkage between Carbon Pricing Instruments	✓			
	2.8. Inclusion and Financial Education in the Mexican Financial System	✓		✓	
	2.9. Access to International Sources of Sustainable Financing	✓		✓	
Pillar 3 Transversal Actions	AT.1. Mainstreaming the Gender Perspective in the Mexican Financial System	✓	✓	✓	
	AT.2. Integrating Nature-based Solutions and Biodiversity Conservation into the Financial System	✓	✓	✓	
	AT.3. Building Capacities of Financial Authorities and Regulated Entities to Facilitate the Mobilization and Access to Sustainable Finance.	✓	✓	✓	
	AT.4 Strategy Review, Update and Monitoring Process	✓			

Illustration 1. Sustainable Finance Mobilization Strategy



Source: Own elaboration

ACRONYMS

ABM	Association of Mexican Banks
AF	Adaptation Fund
AFORES	Retirement Fund Administrators
AGROASEMEX	Agricultural and Property Insurance Company of the Federal Government
AMAFORE	Mexican Association of Retirement Fund Administrators
AMEXCAP	Mexican Association of Private Equity
AMIB	Mexican Association of Securities Institutions
AMIS	Mexican Association of Insurance Institutions
APF	Federal Public Administration
ASEA	Security, Energy, and Environment Agency
ASEM	Association of Entrepreneurs of Mexico
AT	Cross-cutting Annex
BANCOMEXT	National Foreign Trade Bank
BANOBRAS	National Bank of Public Works and Services
BANXICO	Banco de México
BEIF	Border Environmental Infrastructure Fund
BIVA	Institutional Stock Exchange
BMV	Mexican Stock Exchange
BND	National Development Bank
CAF	Development Bank of Latin America
CBI	Climate Bonds Initiative
CDB	Convention on Biological Diversity
CENAPRED	National Center for Disaster Prevention
CERPIs	Investment Project Certificates
CESF	Financial System Stability Council
CFA	Climate Financing Accelerator
CFE	Federal Electricity Commission
CFS	Sustainable Finance Committee
CFU	Climate Funds Update
CGEM	Neo-Keynesian Computable General Equilibrium Model
CICC	Intersecretarial Commission on Climate Change
CIIGEF	Interinstitutional Committee for Gender Equality in Financial Institutions
CINIF	Mexican Financial Reporting Standards Board
CKDs	Development Capital Certificates
CMFS	Mexican Council of Sustainable Finance

CNBV	National Banking and Securities Commission
CNSF	National Commission of Insurance and Surety
COCOSCE	Emissions Trading System Advisory Committee
COMEGEI	Mexican Committee for Emissions Reduction and Greenhouse Gas Capture Projects
CONABIO	National Commission for the Knowledge and Use of Biodiversity
CONAFOR	National Forestry Commission
CONAGUA	National Water Commission
CONANP	National Commission of Natural Protected Areas
CONDUSEF	National Commission for the Protection and Defense of Financial Users
CONEVAL	National Council for Evaluation of Social Development Policy
CONSAR	National Commission of the Retirement Savings System
COP	Conference of the Parties
CSRD	Corporate Sustainability Reporting Directive
CTF	Clean Technology Fund
DAE	Direct Access Entities
DOF	Official Gazette of the Federation
EA	Executing Agency
EMFS	Sustainable Finance Mobilization Strategy
ENBioMex	National Biodiversity Strategy
ENCC	National Climate Change Strategy
ENIF	National Financial Inclusion Survey
ENOE	National Occupation and Employment Survey
ESG	Environmental, Social, and Governance
ESRS	European Sustainability Reporting Standards
ETF	Exchange Traded Funds
FEIP	Budget Revenue Stabilization Fund
FIBRAs	Real Estate Investment Trusts
FIDE	Electrical Energy Savings Trust
FIRA	Agriculture-Related Trusts
FONACOT	Fund and Guarantee for Workers' Consumption
FONADIN	National Infrastructure Fund
FONAFOR	National Forest Fund
FONAGA	National Guarantee Fund
FONAGUA	Guarantee Fund for Efficient Water Use
FONDEN	Natural Disaster Fund
FOTESOJE	Fund for Sovereign, Fair, and Equitable Energy Transition
GCF	Green Climate Fund
GDP	Gross Domestic Product

GECIG	Special Gender Equality Coordination Group
GEF	Global Environment Facility
GFPS	Sustainable Public Financial Management
GGGI	Global Green Growth Institute
GHG	Greenhouse Gases
GIZ	German Technical Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GP	Gender Policy
GRI	Global Reporting Initiative
GT-ADAPT	Adaptation Policy Working Group
GT-FIN	Financing Working Group
GT-INT	International Negotiations on Climate Change Working Group
GT-MITIG	Mitigation Working Group
GT-PECC	Special Climate Change Program Working Group
GT-REDD	Deforestation and Degradation Emission Reduction Working Group
GT-VINC	Civil Society Liaison Working Group
IA	Implementing Agency
IBSO	Core Sustainability Indicators
IDB	Inter-American Development Bank
IFOs	International Financial Organizations
IIG	Gender Equality Index
IMTA	Mexican Institute of Water Technology
INAES	National Institute of Social Economy
INECC	National Institute of Ecology and Climate Change
INEGI	National Institute of Statistics and Geography
INFONAVIT	Institute of the National Housing Fund for Workers
INMUJERES	National Institute for Women
IPAB	Institute for Bank Savings Protection
ISAN	New Vehicle Tax
ISSB	International Sustainability Standards Board
IT	Income Tax
KFW	State Development Bank of the Federal Republic of Germany (Kreditanstalt für Wiederaufbau)
LGCC	General Climate Change Act
LIEPS	Special Production and Services Tax Act
LT	Long Term
MAQ	Mechanism for Responding to Environmental and Social Complaints
MDB	Multilateral Development Bank
MRV	Monitoring, Reporting, and Verification

MSMES	Micro-, Small-, and Medium-sized Enterprises
MT	Medium Term
MVC	Voluntary Carbon Market
NADBank	North American Development Bank
NAFIN	National Financial
NDC	Nationally Determined Contribution
NGFS	Central Banks and Supervisors Network for Greening the Financial System
NIS	Sustainability Information Standards
OSSE	Organizations of the Social Economy Sector
PAC	Community Support Program
PACA	Environmental Conservation Assistance Program
PAS	Environmental and Social Policies
PAT	Technical Assistance Program
PDAP	Project Development Assistance Program
PDP	Supplier Development Program
PEA	Economically Active Population
PECC	Special Climate Change Program
PEF	Federation Expenditure Budget
PEMEX	Mexican Petroleum Company
PND	National Development Plan
PNIF	National Financial Inclusion Policy
Pp	Budget Program
PROAF	Family Farming Program
PROEM	Financing for Medium-sized Companies
PROFEPA	National Environmental Audit Program of the Federal Attorney General's Office for Environmental Protection
PROIF	Financial Inclusion Program
PROIGUALDAD	National Equality Program between Women and Men
PROINFOR	Forest Investment Program
PROMAGUA	Modernization Program for Water Operators
PROMARNAT	Environment and Natural Resources Sector Program
PRONAFIDE	National Development Financing Program
PRORESOL	Municipal Solid Waste Program
PROSUSTAINABLE	Support Program for Sustainable Projects
PROTRAM	Federal Support Program for Mass Urban Transportation
RAÍCES	Digital Repository for Learning and Collaboration in Sustainable Financing

RENE	National Emissions Registry
RESICO	Simplified Trust Regime
SARAS	Environmental and Social Risk Management
SASB	Sustainability Accounting Standards Board
SAT	Tax Administration Service
SCE	Emissions Trading System
SDG	Sustainable Development Goals
SEC	United States Securities and Exchange Commission
SEMARNAT	Ministry of the Environment and Natural Resources
SGAS	Environmental and Social Management System
SHCP	Ministry of Finance and Public Credit
SHF	Federal Building Society
SIEFORES	Specialized Retirement Fund Investment Companies
SINAPROC	National Civil Protection System
SNIP	National Public Investment System
SOCAP	Savings and Loan Cooperatives
SOFIPO	Popular Financial Companies
SOFOME	Multiple Purpose Financial Companies
SONFINCO	Community Financial Societies
SOE	State-Owned Enterprise
SPV	Special Purpose Vehicle
ST	Short Term
TCFD	Taskforce on Climate-Related Financial Disclosures
tCO2e	Tons of Carbon Dioxide equivalent
TNDF	Taskforce on Nature-Related Financial Disclosures
TSM	Mexico’s Sustainable Taxonomy
TTT	Total Working Time
UBVA	Banking, Securities and Savings Unit
UGA	Environmental Manage Unit
UNFCCC	United Nations Framework Convention on Climate Change
UN-Habitat	United Nations Human Settlements Program
VAT	Value Added Tax
WB	World Bank
WRI	World Resources Institute

CONTEXT OF THE SUSTAINABLE FINANCE MOBILIZATION STRATEGY

Mexico, like other developing economies, faces the dual challenge of addressing the adverse effects of climate change while closing the social and economic gaps the population faces. This dilemma becomes even more relevant when considering the link between poverty and climate change. On the one hand, the increase in the planet's temperature disrupts productive, social, and natural systems, conditioning the livelihoods of communities and exacerbating poverty and inequality. On the other hand, people with socioeconomic disadvantages have a greater degree of vulnerability to the impacts of this global phenomenon. This emphasizes the urgency of accelerating climate action to deliver immediate results for people's welfare and environmental protection. In this context, it is essential to adjust the current economic model and move toward sustainable, resilient, equitable, and inclusive development.

Among the environmental challenges Mexico faces, its high exposure and vulnerability to climate change stand out. Due to its geographic location, demographics, and productive structure, approximately 40% of the national territory and around 68% of the population are exposed to the effects of climate change (DOF, 2020). This situation is further aggravated by the increasing intensity and frequency of hydrometeorological events that have been observed in recent years (INECC, 2019), posing significant risks for individuals, productive systems, strategic infrastructure, and natural environments. (DOF, 2020) (INECC, 2019)

The effects of climate change are also seen in biodiversity loss, primarily affecting megadiverse countries like Mexico. This problem is related to various threats such as deforestation, habitat degradation, and overexploitation of natural resources. As a result, at least 2,630 species of flora and fauna in the country are categorized as threatened or in danger of extinction (CONABIO, 2022).

Addressing environmental challenges without considering socioeconomic aspects would only delay the consolidation of sustainable economic development. Recent data indicates that, between 2018 and 2022, the percentage of the population in poverty nationwide decreased from 41.9% to 36.3%, representing a reduction from 51.9 to 46.8 million people (CONEVAL, 2023). This, combined with the fact that households with the lowest income receive only 2.1% of the total current income while those with the highest income concentrate 31.5% of the national total, underscores the urgency of continuing actions to counteract the existing conditions of poverty and inequality. (CONEVAL, 2023)

Nonetheless, ensuring the transformation of the economic model to move toward one that prioritizes people, and the environment requires the involvement and commitment of public, private, and social institutions. Only through the adoption of coordinated actions across different sectors can Mexico align its economic growth and development with international climate and sustainable development commitments. The main agreements that guide this transformation and, therefore, the actions specified in this EMFS are the 2030 Agenda for Sustainable Development, the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, and the High-Level Panel for a Sustainable Ocean Economy.

In the context of climate urgency and the search for solutions with social and environmental justice approaches, accelerating the mobilization of financing is crucial. For example, addressing the global climate challenges alone requires an average annual amount of USD 4.5 to 5 trillion (CPI, 2021). This figure becomes even larger if the necessary amount to close social gaps is added. In Mexico, the annual financing needs from 2023 to 2030 are estimated at MXN 1.7 trillion, equivalent to mobilizing 5.4% of GDP (2023) annually. To cover this difference (MXN 13.6 trillion by 2030), it is necessary to scale up and reallocate financial resources on a scale beyond the budgetary capacity of any government. (CPI, 2021)

To bridge this gap, the Government of Mexico has implemented a series of actions to advance the mobilization of sustainable financing. Actions such as the publication of the Sustainable Taxonomy and the development of a sustainable debt market, among others, have laid the foundations for this EMFS, which is expected to provide a roadmap that guides the transformation of the Mexican financial system toward the incorporation of socially and environmentally responsible practices.

In this sense, the EMFS aims to promote the mobilization and reorientation of financing from public and private, national and international sources to develop activities and projects that produce positive impacts on the environment and society. Through the EMFS, the Government of Mexico seeks to foster a favorable environment so that each sustainable project has a source of financing, as well as to promote transparency and the design of innovative sustainable financial products.

The task ahead remains critical. It requires effective and positive decisions in an increasingly reduced time frame. However, mechanisms must continue to be sought to encourage the creation of solutions based on nature, science, and technology while promoting innovation and the transformation of the Mexican economy into a stronger, more inclusive, and sustainable one.

REGULATORY AND INSTITUTIONAL FRAMEWORK

The EMFS is established under a regulatory and programmatic framework promoted by the Government of Mexico. It aims to incorporate socio-environmental considerations into national public policy and address the country's priorities. In this context, the SMFS is aligned with various policies and programs, outlined below.

Firstly, the alignment with the National Development Plan (PND, 2019-2024) is emphasized. This plan centers sustainable development as an indispensable factor for welfare and commits the Government to consider the societal, ecological, and economic impacts of its policies. This approach promotes development that fosters economic growth without compromising peaceful coexistence, solidarity, cultural diversity, or the environment. (PND, 2019-2024)

The EMFS is also aligned with sectoral programs, such as the National Development Financing Program (PRONAFIDE, 2020-2024), based on the PND 2019-2024. This program aims to contribute to the sustained improvement of the population's quality of life. It presents the objectives, priority strategies, and specific actions within the fiscal and financial sectors. Furthermore, the EMFS aligns with the Program for Equality between Women and Men (PROIGUALDAD, 2020-2024), aimed at achieving substantive equality between women and men within a framework of unrestricted respect for the rights of women and girls, and the Special Climate Change Program (PECC, 2021-2024), which seeks to promote actions and policies that help reduce polluting emissions and decrease the vulnerability of the population, ecosystems, and their biodiversity to climate change. Regarding strategies, the EMFS is aligned with the National Strategy for the Implementation of the 2030 Agenda, which stresses the importance of meeting the Sustainable Development Goals (SDGs) to reduce social gaps and promote a development model centered on welfare and environmental care. Similarly, the National Biodiversity Strategy (ENBioMex, 2016-2030) is considered in the EMFS, emphasizing the need to implement actions to address environmental challenges and promote biodiversity conservation.

The EMFS also reflects Mexico's international commitments related to climate action, biodiversity protection, and sustainability. These include the signing and ratification of the United Nations Framework Convention on Climate Change (UNFCCC), whose most relevant milestone is the adoption of the Paris Agreement in 2015, from which the Nationally Determined Contribution (NDC) derives. In terms of sustainability commitments, Mexico's adherence to the United Nations 2030 Agenda for Sustainable Development in 2015 is highlighted, as well as the Convention on Biological Diversity (CBD), from which commitments for biodiversity conservation arise, such as the Kunming-Montreal Global Biodiversity Framework.

These commitments are also reflected in the increased participation of financial system authorities in international forums and bodies, such as the Coalition of Finance Ministers for Climate Action, the LAC Regional Climate Change Platform of Economy and Finance Ministries, the G20 Sustainable Finance Working Group, and the Network for Greening the Financial System (NGFS).

Another factor that has enhanced and seeks to ensure compliance with the EMFS is the solid institutional framework under which this financial policy document has been developed and agreed upon. The main governance structure under which the EMFS was developed and presented is the Sustainable Finance Committee (CFS, for its initials in Spanish). The CFS, created in 2020 to contribute to the financial system's stability and to design a sustainable finance agenda with an environmental and social focus, is a high-level governance body that has enabled coordination with authorities and associations of the financial sector regarding the objectives and guidelines in the EMFS, thus guaranteeing the integration of the financial sector's collective vision and facilitating its adoption.

Box 1A. Sustainable Financing Committee

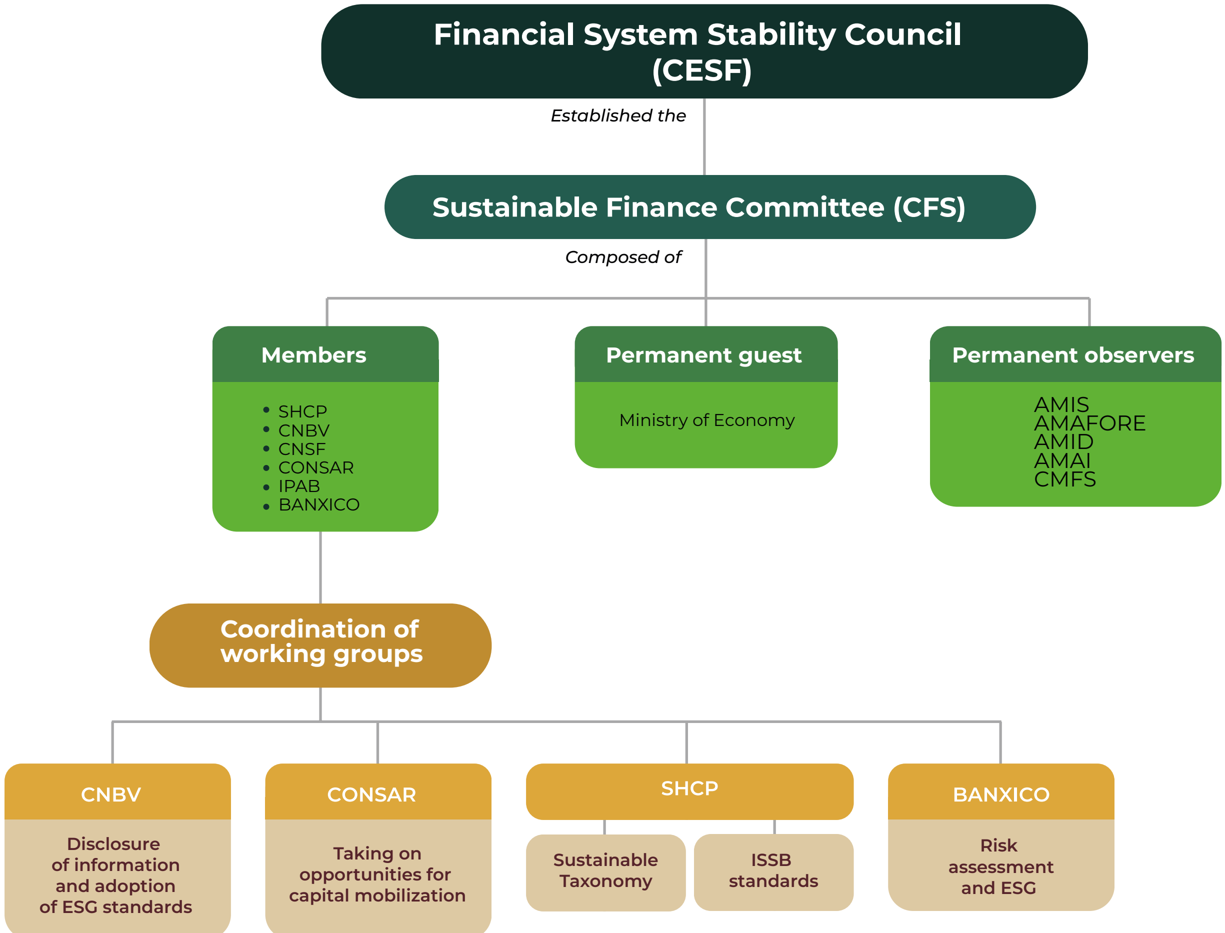
In order to promote sustainable development and financial stability in Mexico, the Financial System Stability Council (CESF, for its initials in Spanish) created the CFS in March 2020. The CESF is chaired by the Ministry of Finance and Public Credit and includes Banco de México's heads, the National Banking and Securities Commission (CNBV, for its initials in Spanish), the National Commission of Insurance and Surety (CNSF, for its initials in Spanish), the National Commission of the Retirement Savings System (CONSAR, for its acronym in Spanish) and the Institute for Bank Savings Protection (IPAB, for its initials in Spanish), together with the Undersecretary of Finance and Public Credit and two Deputy Governors of the Central Bank.

The CESF created the CFS to promote a transition toward sustainability and stability in the financial system. It is composed of representatives from the same institutions that make up the CESF, at a level just below the heads of these institutions. The Committee is chaired by the Undersecretary of Finance and Public Credit, while Banxico serves as its secretariat.

Additionally, a permanent guest from the Coordination of the 2030 Agenda in the Government of Mexico (Ministry of Economy) participates, along with six permanent observers from the different financial system associations: the Mexican Bankers Association (ABM), the Mexican Association of Insurance Institutions (AMIS, for its initials in Spanish), the Mexican Association of Retirement Fund Administrators (AMAFORE, for its acronym in Spanish), the Mexican Association of Securities Institutions (AMIB, for its acronym in Spanish), the Mexican Association of Investment Advisors (AMAI, for its initials in Spanish), and the Mexican Council of Sustainable Finance (CMFS, for its acronym in Spanish). The latter do not have voting rights in Committee meetings.

Box 1B. Sustainable Finance Committee

Illustration 2. Sustainable Finance Committee



Source: Own elaboration

To fulfill the CFS's objective, the following working groups were created.

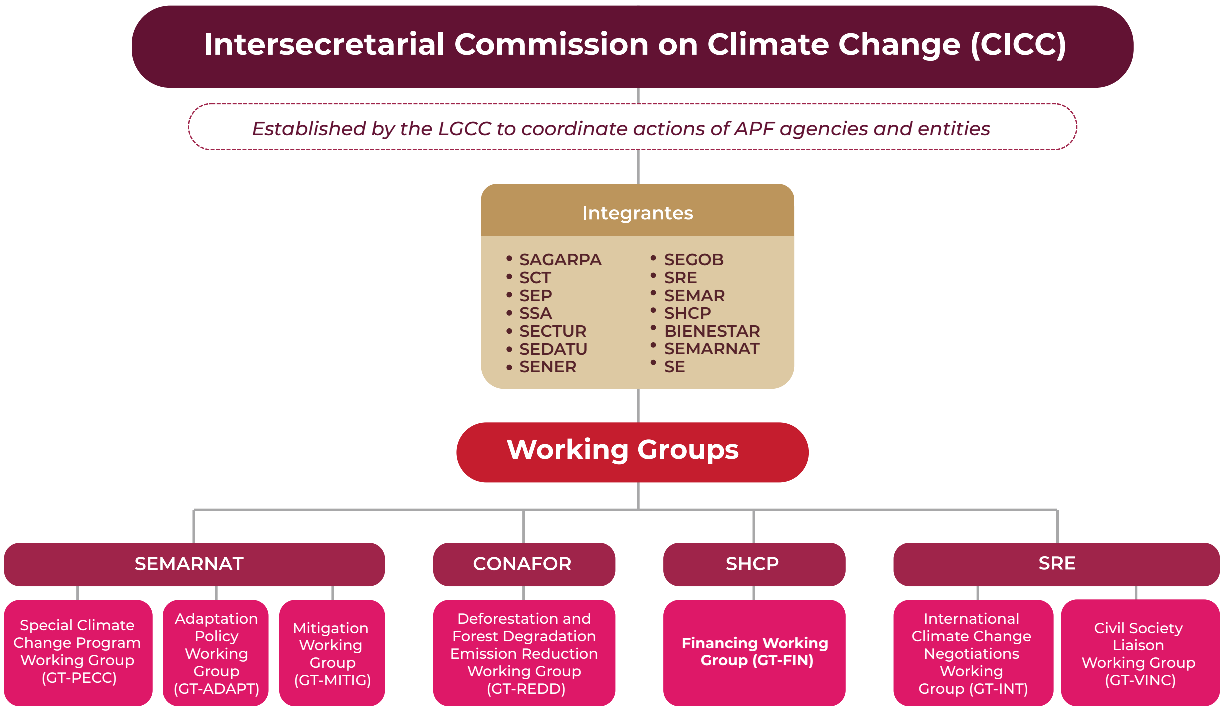
- **Sustainable Taxonomy:** Coordinated by the SHCP through the Banking, Securities, and Savings Unit (UBVA, for its initials in Spanish). This working group was responsible for defining and is now implementing the Sustainable Taxonomy, a public financial policy instrument whose main objective is to classify sustainable activities and investments, thereby contributing to the mobilization of financing for activities that benefit the environment and society.
- **Taking opportunities for capital mobilization:** Coordinated by CONSAR, this group seeks to facilitate conditions to increase sustainable capital mobilization, identify obstacles, and share best practices.
- **ESG risks measurement and assessment:** Under Banxico's coordination, this group aims to integrate environmental, social, and governance (ESG) factors into supervisory activities and financial markets through the analysis and assessment of climate risks.s financieros, mediante el análisis y evaluación de riesgos climáticos.
- **Information disclosure and ESG standard adoption:** La CNBV coordina este grupo, cuyo objetivo es fomentar la divulgación y adopción de estándares ASG entre instituciones financieras y no financieras acordes con marcos internacionales.
- **ISSB standards (temporary group):** Coordinado por la SHCP a través de la UBVA, este grupo se creó con el objetivo de revisar los proyectos de estándares de divulgación relacionados con la sostenibilidad y el cambio climático.

The EMFS has been submitted to and consulted with the Intersecretarial Commission on Climate Change (CICC, for its initials in Spanish) and its Climate Financing Group (GT-FIN), which the SHCP leads. The CICC, being the country's main climate governance body, ensures that the Strategy responds more adequately to national climate goals.

Box 2. Commission on Climate Change

To promote the coordination of actions among federal agencies and entities of the Federal Public Administration on climate change, Article 47 of the General Climate Change Law establishes the creation of the CICC. The CICC formulates and implements national policies for climate change mitigation and adaptation and promotes actions to fulfill the commitments derived from the UNFCCC.

Illustration 3. Structure of the Intersecretarial Commission on Climate Change (CICC)



Source: Own elaboration

The GT-FIN is coordinated by the SHCP to identify financing and investment opportunities in climate change mitigation and adaptation actions, as well as sustainable development. It seeks to facilitate access mechanisms to national and international financial resources, coordinate, arrange, and disseminate efforts related to national and international economic resources aimed at combating climate change, and promote the development of economic and financial instruments that encourage the mobilization of resources (public and private) toward low-carbon activities and projects.

EMFS PARTICIPATORY CONSULTATION PROCESS

The EMFS results from an effort led by the SHCP, with the participation of various institutions both within and outside the financial system. After its publication in September 2023, the participatory consultation process began so that the Strategy could adequately meet sustainable financing needs and integrate the perspectives of all interested institutions.

Firstly, an online public consultation took place from September to December 2023. Through eight questions, the aim was to identify areas for improvement identified by stakeholders, as well as to gather their views on the objectives pursued by the EMFS, its goals, and even the participating institutions. This phase involved 55 individuals from the general public, with 32% being women and 63% men. Among the participants, 27 % were young people (18-31 years old), demonstrating the interest of this population segment in sustainability issues. Regarding sectors, 20 % of the participants were civil society representatives, and 20 % stated they worked in some government agency.

During the online public consultation process, important feedback was received, such as the need to strengthen public policies at subnational and local government levels, clarify the Strategy's objectives for the public, and outline ways for them to participate using more accessible language. Additionally, there was a call to provide further weight to the contributions from decentralized and deconcentrated bodies of the Federal Government and to reinforce the use of taxes and other mechanisms that generate sustainable incentives.

Subsequently, from January to May 2024, sectoral dialogues were held with institutions and associations of the financial sector, as well as with agencies of the environmental sector. These dialogues were held with SHCP, CNBV, CONSAR, and CNSF as convening institutions. The result was 12 dialogue sessions with the participation of approximately 980 people from public and private institutions:

Table 3. Public and Private Institutions within the EMFS Consultation Process

Public sector	Private sector
▸ National Banking and Securities Commission (CNBV), ▸ National Commission of Insurance and Surety (CNSF), ▸ National Forestry Commission (CONAFOR), ▸ National Commission for the Knowledge and Use of Biodiversity (CONABIO), ▸ National Water Commission (CONAGUA), ▸ National Commission of the Retirement Savings System (CONSAR), ▸ National Institute of Ecology and Climate Change (INECC), ▸ National Institute for Women (INMUJERES), ▸ Federal Attorney for Environmental Protection (PROFEPA), ▸ Ministry of Agriculture and Rural Development (SADER), ▸ National Health, Safety, and Quality Service (SENASICA), ▸ Ministry of the Environment and Natural Resources (SEMARNAT), and ▸ Ministry of Finance and Public Credit (SHCP).	▸ Mexican Association of Retirement Fund Administrators (AMAFORE), ▸ Mexican Association of Insurance Institutions (AMIS), ▸ Mexican Bankers Association (ABM), ▸ Mexican Association of Guarantee Institutions (AMIG), ▸ Mexican Association of Securities Institutions s (AMIB), ▸ Mexican Association of Private Equity (AMEXCAP), ▸ Mexican Association of Leasing, Credit and Factoring Financial Companies (AMSOFAC), ▸ Multiple Purpose Financial Association (ASOFOM), ▸ Mexican Council of Sustainable Finance (CMFS), ▸ Mexican Stock Exchange (BMV), ▸ Institutional Stock Exchange (BIVA), and ▸ Guarantee Liaison Office (OVG).

Source: Own elaboration

The results of the EMFS sectoral dialogues reflect broad acceptance and support for its general and specific objectives, with 90.5% of participants considering the EMFS objective to be clear and relevant. In particular, commercial banking institutions have highlighted their progress in sustainable practices, and non-banking financial intermediaries have expressed a firm commitment to the EMFS, stressing the importance of financial education and capacity building.

However, several barriers and challenges have also been identified throughout this exercise. For example, pension funds have underlined the lack of standardized information on ESG aspects and the need for specialized human resources in the financial system. Meanwhile, insurers have emphasized the importance of developing specific products to mitigate climate risks, while issuers have shown strong interest in converging ESG frameworks and standards to improve disclosure and transparency. Additionally, the commercial banking sector has identified significant barriers to ESG information by small- and medium-sized enterprises (SMEs) and in adopting the Sustainable Taxonomy. The need for a solid and effective regulatory framework on ESG matters was a common theme across all sectors, reflecting the urgency of establishing regulations that guarantee effectiveness and transparency in mobilizing sustainable financing. During the dialogues, the need to integrate more critical stakeholders in implementing the Strategy was also identified, including rating and certification entities, subnational governments, and large companies in the real economy. The involvement of these sectors in the consultation and sectoral dialogues has enriched the Strategy's development and consolidated the institutions' engagement and awareness.

As we move forward with implementing the EMFS, it is essential to continue promoting coordinated efforts, ensuring that the proposed actions truly align with the country's sustainable development needs.

This significant consultation effort was undertaken with the support of the Global Green Growth Institute (GGGI), with funding from the Green Climate Fund (GCF) Readiness Program and the British Embassy's UKPACT Program.

Illustration 4. Timeline of the Public Participatory Consultation Process

Source: Own elaboration

KEY STAKEHOLDERS IN THE EMFS IMPLEMENTATION

Advancing the implementation of the EMFS depends largely on the coordinated implementation of strategic actions by key institutions inside and outside the financial system. Table 4 presents the primary institutions that play a fundamental role in meeting the goals defined in the Strategy due to their relevance and influence in mobilizing sustainable financing. Still, we know that it is everyone's responsibility to fulfill national commitments to sustainable development.

Table 4. Key Stakeholders in EMFS Implementation

Design and performance of sustainable public financial policy	ESG financial regulation issuance	Movilización de financiamiento sostenible
▸ Ministry of Finance and Public Credit (SHCP) ▸ Ministry of the Environment and Natural Resources (SEMARNAT) ▸ National Institute of Ecology and Climate Change (INECC) ▸ National Water Commission (CONAGUA) ▸ National Forestry Commission (CONAFOR) ▸ Mexican Institute of Water Technology (IMTA) ▸ National Commission of Natural Protected Areas (CONANP) ▸ National Commission for the Knowledge and Use of Biodiversity (CONABIO) ▸ Security, Energy, and Environment Agency (ASEA) ▸ Federal Attorney for Environmental Protection (PROFEPA) ▸ National Institute for Women (INMUJERES) ▸ Other authorities in the environmental sector ▸ National Institute of Social Economy (INAES) ▸ Subnational governments	▸ Ministry of Finance and Public Credit (SHCP) ▸ Banco de México ▸ National Banking and Securities Commission (CNBV) ▸ National Commission of the Retirement Savings System (CONSAR) ▸ National Commission of Insurance and Surety (CNSF) ▸ Financial Reporting Standards Board (CINIF)	▸ Ministry of Finance and Public Credit (SHCP) ▸ National Development Banks (BND) ▸ Commercial Banking Institutions ▸ Organizations of the Social Economy Sector (OSSE) ▸ Fintech Companies ▸ Retirement Fund Administrators (AFORES) ▸ Insurance companies ▸ Investment funds ▸ Issuers ▸ Associations of the financial system (ABM, AMAFORE, AMIS, AMIB, AMEXCAP, and Fintech México) ▸ Stock markets ▸ Brokerage houses ▸ Non-banking financial intermediaries (SOFOMES, SOCAPS, SOFIPOS, credit unions) ▸ Subnational governments ▸ Multilateral Development Banks ▸ International Climate Funds ▸ Bilateral cooperation agencies

Desarrollo e implementación de proyectos y actividades con enfoque social y ambiental	Sustainable financing governance mechanisms	Technical assistance and capacity building
▸ Federal Public Administration agencies ▸ Subnational governments ▸ Issuers ▸ Companies in the real economy ▸ Micro-, Small-, and Medium-sized Enterprises (MSMEs)	▸ Sustainable Finance Council (CFS) ▸ Mexican Council of Sustainable Finance (CMFS) ▸ Intersecretarial Commission on Climate Change (CICC)	▸ Ministry of Finance and Public Credit (SHCP) ▸ International financial organizations ▸ International cooperation agencies ▸ Multilateral Development Banks ▸ Associations of the financial system (ABM, AMAFORE, AMIS, AMIB, AMEXCAP, ASOFOM, and Fintech México) ▸ Stock markets ▸ CONDUSEF ▸ Academia ▸ Universities
Other institutions		
▸ Credit rating agencies ▸ Information verifiers ▸ Financial information agencies		

Fuente: Elaboración propia.

Pillar I

SUSTAINABLE PUBLIC FINANCIAL MANAGEMENT

PILLAR I.
SUSTAINABLE PUBLIC FINANCIAL MANAGEMENT

The Government of Mexico has begun mainstreaming sustainability in the planning and managing of public resources. In particular, the SHCP, as the authority coordinating the country's economic, fiscal, and financial policy, has implemented various actions to address the main challenges associated with the climate crisis and social gaps through public financial management. This is reflected in improvements to public expenditure programming and monitoring processes, the transformation of public investment and financing granted by development banks to sustainable projects, and the design of tax measures for sustainability, among others.

Sustainable Public Financial Management (SPFM) refers to adapting financial management practices, frameworks, and systems to integrate environmental and social perspectives (IMF, 2022). To achieve this, it is necessary to make adjustments throughout the budgetary and public investment management cycle, resulting in a fiscal policy that responds to sustainable development priorities. In this regard, SPFM represents an opportunity to increase the mobilization of sustainable public financing, as well as to identify and address potential risks that could generate fiscal contingencies for the country. Along with the incorporation of best practices in the allocation, tracking, and monitoring of the public budget, SPFM will generate greater benefits associated with the use of public resources and establish higher transparency standards for informing the public. (IMF, 2022)

Planning public sector investments and expenditures is essential for transitioning toward a low-carbon, climate-resilient economy. Public investment decisions directly affect how households and businesses respond to climate change and how they prepare for a resilient and equitable future. With this in mind, since the beginning of the administration, a strategy has been implemented to redirect public investment to boost economic development in historically disadvantaged regions. Examples include investments in mass transportation, water and sanitation, and comprehensive solid waste management projects, which seek to improve people's quality of life and promote environmentally friendly technologies.

Together with the private sector, the Government of Mexico has a portfolio of 612 sustainable investment projects totaling MXN 482.9 billion. The budget allocated to these projects represents around 2% of GDP, and is expected to generate over 368 thousand direct and indirect jobs in the coming years. Twenty-one percent of the total investment in these projects will be allocated to the central and south-southeast regions of the country, with the State of Mexico being the primary recipient of investment (20.3 %), followed by Oaxaca (15.5 %) and Hidalgo (14.3 %) (SHCP, 2023). In some cases, resource mobilization for these projects has been done through special purpose vehicles (SPVs). Through these financing mechanisms, the Mexican State has isolated the financial risks of investment projects, increased liquidity, and financed new acquisitions without increasing public debt.

To further integrate sustainability into public financial management, the Strategy identifies seven lines of work and 34 strategic activities, outlined below, whose effective implementation requires the involvement of development banks, the State-Owned Enterprises and Subnational Governments. Through these efforts, the Government of Mexico will move toward a more comprehensive management of public resources, prioritizing people's welfare and environmental protection.

1.1. Sustainable Economic and Fiscal Planning

The risks related to climate change and biodiversity loss may have negative implications on economic and fiscal planning, making it essential to conduct a comprehensive assessment that enables the government to make better-informed decisions and support the transition to sustainability.

Including sustainability aspects in economic planning is essential not only to address environmental and social challenges but also to devise a strategy for robust, equitable, and lasting economic development. Currently, in addition to complying with the PND 2019-2024 provisions regarding sustained growth and inclusive development, economic planning will now include the impact assessment of climate change and biodiversity loss on the federal public budget planning, finance, and public debt. Going forward, the budget package will seek to include the effects of climate change, and the adaptation measures necessary for the transition toward decarbonization. This innovative approach will allow for a more precise assessment of how climate change and biodiversity loss influence the economy and resource allocation, thereby boosting the Government of Mexico's commitment to a fiscal policy that supports the just transition and the energy transition.

Currently, the SHCP builds capacities and macroeconomic models that allow for a better understanding of the economic and fiscal risks of climate impacts to support decision-making and public policy design. Specifically, the SHCP is updating a Neo-Keynesian Computable General Equilibrium Model (CGEM), also known as the ThreeMe model, which allows for the simulation of imbalances between supply and demand, as well as suboptimal equilibria in order to assess the medium- and long-term impact of environmental and energy policies on the economy, at both the macroeconomic and sectoral levels. The calibration of the model will help assess the socioeconomic impact of electricity rate reform, of different carbon tax levels and its channeling, as well as taxes on fossil fuels, and the Emissions Trading System.

In addition to economic planning, it is vital to have fiscal policies and management to face existing environmental challenges. In this context, the SHCP includes fiscal policy and management actions focused on guaranteeing the country's macroeconomic stability and sustainability of public finances to benefit the population. For instance, the Ministry annually conducts fiscal risk assessments considering short- and medium-term risks, such as climate change and biodiversity loss, to avoid additional pressures on public spending. These factors or events that affect the fiscal framework are known as fiscal risks.

Due to its level of vulnerability to the effects of climate change, Mexico faces fiscal risks associated with natural disasters. The country is highly vulnerable to the effects of climate change and is exposed to associated acute physical risks (hurricanes, storms, floods, heat waves, avalanches, forest fires), as well as chronic physical risks (changes in precipitation patterns, extreme climate variability, ocean acidification, sea-level rise, and productivity impacts related to temperature increases). These phenomena increase in frequency and intensity throughout Mexican territory, increasing adaptation costs and associated economic losses. For example, from 2010 to 2021, more than 1,950 hydrometeorological events occurred across the country, resulting in economic losses of around MXN 300 billion, affecting more than 28 million people and damaging 3.5 million hectares of crops and pastures (CENAPRED, 2022). From 2000 to date, the main hydrometeorological phenomena that have affected the country are rainstorms (36 %), followed by frosts (12 %), tropical cyclones (11 %), hailstorms (10 %), and snowstorms (10 %), among others, with the states of Veracruz, Chiapas, and Oaxaca being the most affected (CENAPRED, 2023).

In response, the Government of Mexico began implementing a response strategy to address fiscal risks related to natural disasters. To manage the physical risks associated with climate change and promote the integration of resilience into public finances, the SHCP has launched financing mechanisms such as budgetary and risk transfer instruments. An example is the annual purchase of catastrophe insurance to cover damages caused by natural phenomena. Currently, the catastrophe insurance covers MXN 5 billion, with an annual deductible of MXN 750 million (SHCP, 2022).

Another risk transfer instrument implemented by the Ministry to minimize the fiscal impact of natural disasters is catastrophe bonds (CAT Bonds). In 2006, the Government of Mexico, with the support of the World Bank, issued the world's first sovereign CAT bond, with subsequent successful issuances. One of these was the catastrophe bond launched in 2020 for USD 485 million, valid until March 2024, which provided funds following Hurricane Otis in Guerrero. Notably, CAT bond resources can be used to reduce losses associated with tropical cyclones and earthquakes, allowing the Government of Mexico to safeguard public finances and face contingencies that harm the population.

On the budget allocation side, the operation of the resources allocated to the Natural Disasters Fund (FONDEN, for its acronym in Spanish) was recently updated to address the effects of natural disasters whose magnitude exceeds the financial response capacity of federal agencies and entities, the states, and their municipalities. The Fund contemplates the incorporation of risk transfer mechanisms in strategic economic sectors, which have been implemented to reduce the adverse impacts of natural disasters associated with climate change.

In addition to physical risks, transition risks are associated with the economy's shift toward a low-carbon model, driven by changes in climate policy, technological advances, and consumer preferences. These can impact the economic performance of institutions and cause social effects due to the change in traditional high-emission industries, which may create inequalities if worker relocation efforts are not adequately supported.

Transition risks depend primarily on the process and speed at which institutions adapt to the new criteria for a low-emission, climate-resilient economy. They may arise from changes in the policy or legal framework, technological advancements, market shifts, or even reputational concerns (TCFD, 2022). Such risks are not exclusive to private sector companies, as they can also become fiscal contingencies for the country. (TCFD, 2022)

Therefore, considering that the fiscal risks associated with climate change and biodiversity loss can come from different sources (physical risks, transition risks, and adaptation costs), a comprehensive evaluation is necessary. This will allow the Government of Mexico to maintain sound financial planning and continue developing mechanisms and instruments that strengthen the financial system's resilience to these challenges. The analysis should integrate physical and transition risks, as well as the cost of resilience-building measures in different scenarios.

Implementing this Strategy to reduce the fiscal risks associated with climate change and biodiversity loss requires the involvement and effective coordination of multiple institutions. For example, entities like the National Center for Disaster Prevention (CENAPRED) and the National Civil Protection System (SINAPROC), which generate and compile data on environmental incidents and economic costs.

Incorporating sustainability aspects into public policy, both ex-post and ex-ante, will help address the physical and transition risks associated with climate change and biodiversity loss. The proposed activities below are designed to improve the identification and implementation of measures for managing climate-related fiscal risks.

As part of the progress in this workstream, starting in 2023 the SHCP has launched training sessions on climate-economic models among its Administrative Units.

GOAL TYPE: 

<table>
<tr><th>Workstream</th><th colspan="3">1.1. Sustainable Economic and Fiscal Planning</th></tr>
<tr><th>Baseline
(2022):</th><th>Progress
2023-2024</th><th colspan="2">Goal
(2023–2030):</th></tr>
<tr><td>Currently, there are sustainable planning and risk evaluation, and management instruments associated with climate change (macroeconomic models, budgetary and risk transfer instruments).</td><td>The SHCP is currently providing training to its Administrative Units on climate-economic models.</td><td colspan="2">By 2030, the goal is to implement macroeconomic models to understand the fiscal and economic risks associated with sustainability.

By 2030, the goal is to develop risk transfer mechanisms to respond to contingencies caused by climate change.</td></tr>
<tr><th colspan="2">Actividades estratégicas:</th><th>Responsables:</th><th>Temporalidad:</th></tr>
<tr><td colspan="2">1.1.1. Provide training on climate-economic models.</td><td>SHCP</td><td>ST</td></tr>
<tr><td colspan="2">1.1.2. Analyze climate scenarios to understand the fiscal implications of climate change.</td><td>SHCP</td><td>ST and MT</td></tr>
<tr><td colspan="2">1.1.3. Continue procuring a catastrophe bond (cat bond).</td><td>SHCP</td><td>ST, MT, and LT</td></tr>
<tr><td colspan="2">1.1.4. Annually contract catastrophe insurance.</td><td>SHCP</td><td>ST, MT, and LT</td></tr>
<tr><td colspan="2">1.1.5. Include a section on catastrophic risk impact measurement in the Budgetary Revenue Stabilization Fund (FEIP)</td><td>SHCP</td><td>MT</td></tr>
<tr><td colspan="2">1.1.6. Conduct an analysis to understand the fiscal implications related to biodiversity loss.</td><td>SHCP</td><td>MT</td></tr>
<tr><td colspan="2">1.1.7. Update technological tools for disaster risk management (R-FONDEN, SIAR databases).</td><td>SHCP</td><td>MT</td></tr>
</table>

Activities performed

1.2. Sustainability-aligned Budget

To move toward sustainable public financial management, a budgetary policy focused on achieving the SDGs has been outlined during the current administration.

By 2024, more than 84% of budget programs are aligned, directly or indirectly, with at least one SDG.

Mexico has become a regional benchmark for incorporating climate and sustainability elements into budget management processes and systems. Although different actions have been carried out throughout the budgetary cycle, the efforts by the Government of Mexico, through the SHCP, stand out for integrating sustainability and climate change perspectives in the programming and budgeting phases, as well as in tracking and monitoring resource execution.

The country was one of the first to earmark resources to combat climate change through the incorporation of the Transversal Annexes (ATs, for its initials in Spanish) in the Federal Expenditure Budget (PEF, for its initials in Spanish), which serve as a reference for budgetary programs (Pp, for its initials in Spanish) that support transversal topics across various agencies of the Federal Public Administration (APF, for its initials in Spanish) and other institutions or organizations with allocated public resources. Thus, ATs facilitate the identification of resources allocated to addressing specific groups or national issues through a comprehensive approach (SHCP, 2022).

The PEF currently includes eleven ATs, all related to the climate and sustainable development agenda. Since their integration into the budget, the total amount of ATs has increased yearly to meet the needs of the most vulnerable populations and contribute to the country's sustainable development (see Table 5).

From 2022 to 2023, the ATs experienced a real growth of 25%, with the Resources for Climate Change Adaptation and Mitigation section experiencing the largest increase compared to the previous year. Likewise, during the current administration, the resources allocated to the Equality between Men and Women AT have seen an average annual growth rate of 45%, demonstrating the government's commitment to reducing gender gaps.

Table 5. Transversal Annexes and Their Impact on SDGs

Transversal Annexes from 2018 to 2023	Trend	Impact on SDGs
Anti-Corruption	↗	16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS
Transition Strategy to Promote the Use of Cleaner Technologies and Fuels	→	7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE; 13 ACCIÓN POR EL CLIMA
Science, Technology, and Innovation Program	→	8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO; 9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA
Expenditures for the Comprehensive Development of the Indigenous People and Communities	↗	1 FIN DE LA POBREZA; 2 HAMBRE CERO; 4 EDUCACIÓN DE CALIDAD; 11 CIUDADES Y COMUNIDADES SOSTENIBLES; 10 REDUCCIÓN DE LAS DESIGUALDADES
Resources for Adaptation and Mitigation of the Effects of Climate Change	↗	13 ACCIÓN POR EL CLIMA
Actions to Prevent Crime, Combat Addictions, Recover Public Spaces, and Promote Production Projects	↗	3 SALUD Y BIENESTAR; 16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS
Expenditures for Equality between Women and Men	↗	5 IGUALDAD DE GÉNERO; 10 REDUCCIÓN DE LAS DESIGUALDADES
Special Concurrent Program for Sustainable Rural Development	→	2 HAMBRE CERO; 11 CIUDADES Y COMUNIDADES SOSTENIBLES; 12 PRODUCCIÓN Y CONSUMO RESPONSABLES; 13 ACCIÓN POR EL CLIMA
Resources for the Assistance of Vulnerable Groups	↗	1 FIN DE LA POBREZA; 2 HAMBRE CERO; 8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO; 10 REDUCCIÓN DE LAS DESIGUALDADES
Expenditures for Youth Development	↗	3 SALUD Y BIENESTAR; 4 EDUCACIÓN DE CALIDAD; 8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO
Resources for the Assistance of Children and Adolescents	→	1 FIN DE LA POBREZA; 3 SALUD Y BIENESTAR; 4 EDUCACIÓN DE CALIDAD

Source: Own elaboration, with data from Cuenta Pública 2019-2022 and PEF 2023

Moreover, since 2018, the effort to align the PEF with the 2030 Agenda has been consolidated, enabling the Government to link budgetary programs directly or indirectly with SDGs. As a result, **for the 2022 fiscal year, 78% of budget programs were linked to at least one SDG; in 2023 and 2024, the alignment percentage rose to 84%, confirming the commitment to meeting the goals associated with this workstream of the EMFS.** In both fiscal years, SDG 16 Peace, Justice, and Strong Institutions and SDG 4 Quality Education had the highest alignment (SHCP, 2024).

To strengthen the budgetary cycle, the SHCP has made substantial progress in enhancing the transparency of public budget execution and its sustainability-related outcomes. To this end, the Government of Mexico has sought to consolidate a strategy that allows for the transparent and clear evaluation and disclosure of results associated with the execution of budgetary programs each fiscal year. Information on the progress of the budgetary programs' goals through their indicators is available on the Budget Transparency website. [1]

In line with the aforementioned endeavors, a methodology is being developed to identify and quantify federal government revenues and expenditures related to environmental goals and objectives. This methodology includes identifying, classifying, and quantifying federal government revenues and expenditures which impact water, biodiversity, air quality, mitigation, and adaptation. This will establish a system for comparing the use of federal resources allocated to meet environmental goals nationally and internationally, thereby enabling more informed decision-making during the budgetary cycle and improving the results of federal government interventions.

Additionally, this methodology incorporates indicators to monitor expenditures and revenues related to environmental goals and objectives. These indicators are divided into two groups: financial indicators, which analyze the allocation of resources to environmental aspects, and environmental indicators, which measure the actual impacts of spending identified as green or environmental. This budget monitoring will help advance the 2030 Agenda, since indicator goals are grounded on relevant SDGs.

While the public budget alone is limited in addressing financing mobilization challenges, alignment efforts toward a sustainable growth path must continue. These efforts, along with transparency in resource management, are key steps toward the consolidation of sustainable public financial management.

[1] Transparencia Inicio (transparenciapresupuestaria.gob.mx)

GOAL TYPE:

Workstream	1.2. Public Budget Aligned with Sustainability	
Baseline (2022):	**Progress 2023-2024**	**Goal (2023–2030)**
In the 2022 fiscal year, 78 % of PEF budgetary programs were directly or indirectly linked to at least one SDG.	In the 2023 and 2024 fiscal years, more than 80% of PEF budgetary programs were directly or indirectly linked to at least one SDG.	By 2030, the goal is to annually maintain at least 80 % of PEF budgetary programs directly or indirectly linked to at least one SDG annually.

Strategic Activities:	Owners:	Term:
1.2.1. Continue with the alignment of budgetary programs with SDGs.	SHCP	ST
1.2.2. Assess the feasibility of developing guidelines or methodologies to determine the alignment of PEF with the objectives established in the NDC.	SHCP	ST
1.2.3. Strengthen the integration of sustainability criteria during the PEF's analysis, review, and approval process.	SHCP and Chamber of Deputies	ST
1.2.4. Promote the development and implementation of methodologies, transparency mechanisms, and specific monitoring systems for budgetary programs linked to sustainability and climate change.	SHCP	MT

Activities performed and / in progress

1.3. Sustainable Public Investment and Mobilization of the National Development Banks

In recent years, a historic transformation has been observed in public investment and financing granted by the national development banks to support projects with high social and environmental returns.

From 2019 to 2022, national development banks have mobilized around MXN 56 billion for projects considered sustainable.

One of the primary mechanisms the Ministry of Finance and the National Bank of Public Works and Services (Banobras, for its acronym in Spanish) use to drive public investments is the National Infrastructure Fund (FONADIN, for its Spanish acronym). FONADIN serves as a coordinating body for the APF, investing in priority infrastructure projects with high social impact. In recent years, FONADIN has channeled investments into mass transit projects like trains and integrated transportation systems in the country's major cities, such as the Mexico-Toluca Interurban Train, Mexico City Metro, Monterrey Suburban Train, Guadalajara Electric-Urban Train, and Mérida Integrated Transportation System. Through these projects, FONADIN aims to support low-emission technologies and provide direct benefits to the public. Resources have also been allocated to projects and studies in the water, solid waste management, and road construction sectors. Most of these investments have been executed through three FONADIN sectoral programs—transportation, waste, and water (see Box 3).

From 2019 to 2022, FONADIN mobilized approximately MXN 4.8 billion toward sustainable projects, representing 20% of its total portfolio. By 2030, this share is expected to grow to 65%, with a cumulative total of MXN 21.3 billion to be directed between 2023 and 2030 toward projects with positive environmental and social impacts.

Box 3. FONADIN Sectoral Programs

PROTRAM

The Federal Support Program for Mass Urban Transportation (PROTRAM, for its acronym in Spanish) is a sectoral program that has contributed to advancing and strengthening the urban mobility sector in cities. Through PROTRAM, recoverable and non-recoverable support is granted to public sector entities locally and to private concessionaires for the development of mass transportation infrastructure, preferably in cities with more than 500 thousand inhabitants. FONADIN promotes alignment with the best institutional, social, and environmental risk management practices and the strengthening of mobility planning and diagnostic instruments.

After 15 years of operation, and in an improved institutional context of sustainable urban mobility at the federal, state, and municipal levels, actions are currently being implemented to update and reinforce PROTRAM in order to enhance its impact in Mexican cities.

PRORESOL

The Municipal Solid Waste Program (PRORESOL, for its acronym in Spanish) is a strategy adopted in coordination with SEMARNAT. Through PRORESOL, resources are allocated to activities to ensure the comprehensive management of solid waste, such as the sweeping, collection, closure, and sanitation service of open-air dumps, recycling and waste management plants, and final disposal in sanitary landfills.

PRORESOL is aimed at State and Municipal Governments, Mayor's Offices, Inter-municipal Associations, Decentralized Inter-municipal Organizations, and APF Agencies and Entities. In addition, it offers several advantages over traditional financing schemes, as FONADIN and private investors provide 100% of the resources for the project development. As they are long-term financing schemes, efficiency in the operation and maintenance of the infrastructure is ensured, comprehensively managing solid waste and improving the population's quality of life.

PROMAGUA

The Modernization Program for Water Operators (PROMAGUA, for its acronym in Spanish), coordinated jointly with the National Water Commission (CONAGUA), promotes the operational and financial sustainability of public entities related to the water sector. Through the performance of long-term projects under Public-Private Partnership schemes, the aim is to increase the coverage and quality of drinking water and sanitation services, as well as the Operators' levels of efficiency. PROMAGUA is aimed at States and Municipalities, primarily through State Water Commissions or the Operating Agencies responsible for service provision.

The supported water projects include aqueducts, desalination plants, wastewater treatment plants, and operational and financial sustainability works. Currently, work is being done on adopting international best ESG practices through a sustainability strategy.

Source: SHCP, 2023.

The National Development Banks have made significant progress in transforming their investments to incorporate a sustainability perspective. By integrating ESG factors into both their internal and external processes, the Banks have notably increased the resources allocated to projects with positive environmental and social impacts in recent years. Today, the National Development Banks offer a wide range of sustainable financial instruments, including loans, guarantees, and refinancing options. Below are the actions implemented by Development Banks.

- **National Bank of Public Works and Services (Banobras)**

To advance its Sustainable Bank Strategy, Banobras implemented an Environmental and Social Policy (PAS, for its initials in Spanish) starting in 2020. This policy aims to embed environmental and social principles within the institution's strategy and promote the financing for projects that protect the environment and deliver high social value. Based on this policy and its strategy, Banobras has taken several actions to finance sustainable projects, such as issuing thematic bonds, offering preferential financing terms, and seeking international funding, including initiating its accreditation process with the GCF. Since 2021, Banobras has operated an Environmental and Social Risk Management System (SARAS, for its initials in Spanish) to identify and assess environmental and social risks across more than 60 bank-financed operations. In 2020, Banobras introduced its Gender Policy (PG, for its initials in Spanish) to integrate a gender perspective both institutionally and within the projects it finances. Recognizing that infrastructure is not gender neutral, Banobras has used this policy to promote gender-focused projects that help reduce inequality gaps between women and men.

Banobras' initiatives have enabled the granting of MXN 24.384 billion in credits for sustainable projects between 2019 and 2022. These projects fall into categories such as affordable basic infrastructure, public service infrastructure, sustainable transportation, energy efficiency, water efficiency, and wastewater management. Banobras also maintains the Mexico Projects Platform, which promotes investment in infrastructure projects open to private participation. This platform includes the systematized set of over 30 sustainable infrastructure criteria for 205 projects with impact across the 17 SDGs.

Table 6. Banobras' ESG Actions

<table>
<tr><th colspan="2">ESG Strategy</th></tr>
<tr><td colspan="2">Sustainable Bank Strategy:
i) Governance, ii) Internal processes and strategic partnerships, III) Environmental and social risk management, iv) Well-being indicators, v) Promotion of sustainable projects, and vi) Communication and transparency.

Gender Strategy:
i) Political will and governance, ii) Institutional culture, iii) Capacity building in gender equality and non-discrimination, iv) Allocation of resources and budget, v) Processes and procedures, and vi) Monitoring and accountability.</td></tr>
<tr><th>Mechanisms to allocate resources to projects</th><th>Sustainable financial instruments or programs</th></tr>
<tr><td>▸ Mexico Projects Platform (methodologies and tools for project analysis such as alignment with the SDGs and sustainability sheets).
▸ FONADIN (largest trust in the country for developing infrastructure with private participation. Over the last few years, it has adopted the Principles for Responsible Investment and created the Sustainable Infrastructure Unit.
▸ Undergoing accreditation with the GCF.</td><td>▸ Sustainable bonds with a gender perspective (Reference framework, Impact Reports, and SPO).
▸ Credits (preferential financial conditions for sustainable infrastructure projects, urban development, and to reduce gender gaps).
▸ Access to international climate funds (GCF accreditation process).</td></tr>
<tr><th>Sustainable project or program portfolio</th><th>ESG policies</th></tr>
<tr><td>▸ Green projects: sustainable transportation, renewable energy, water efficiency and management, energy efficiency, pollution prevention and control
▸ Social projects: infrastructure for public services, disaster recovery, affordable basic infrastructure</td><td>▸ Gender Policy.
▸ Environmental and Social Policy.
▸ ABM Sustainability Protocol.
▸ CMFS and ABM Sustainable Finance Declaration.
▸ Environmental and Social Risk Management Systems (SARAS) aligned with international standards.</td></tr>
<tr><th colspan="2">Capacity building</th></tr>
<tr><td colspan="2">▸ Web portal.
▸ Sustainability Working Group.
▸ Training for staff on ESG and gender issues.</td></tr>
</table>

Source: Own elaboration with information from Banobras

- **National Financial (Nafin, for its acronym in Spanish)**

Nafin's Sustainable Strategy enables the incorporation of ESG factors in the institution's decision-making and credit-granting processes. Among the actions included in this Strategy are the financing of sustainable projects and programs through the issuance of thematic bonds and access to international resources. These resources include concessional credits from the GCF, a fund with which Nafin was accredited as a Direct Access Entity in 2021. Through this accreditation, Nafin can access resources from this mechanism for up to USD 250 million per project or program with a high climate impact which are aligned with Mexico's international priorities and commitments.

The Nafin Sustainable Fund, established in 2021, is another initiative aimed at supporting the management of resources allocated to sustainable projects. This public administration and payment trust aims to receive and manage non-reimbursable resources from International Financial Organizations (OFIs) and non-PEF third parties, which will be distributed in support of programs and projects of both Nafin and other APF agencies and entities. This Fund has an equity of USD 7.7 million and a committed amount of USD 50 million for implementing projects and programs that add to the country's sustainable development.

Additionally, since 2022, Nafin has had a Gender Equality Policy, for which a Gender Action Plan is currently being developed. This plan includes activities, responsible parties, and supervision mechanisms to ensure the achievement of the objectives established in the policy. Furthermore, in March 2023, Nafin updated its Environmental and Social Policy (PAS, for its acronym in Spanish) to expand its scope, as initially it only considered the application of its SARAS for first-tier operations. Currently, the PAS integrates guidelines to make the bank's operations more sustainable, including the design of sustainable financial products, the management of environmental and social risks, and the efficient use of resources. In this context, Nafin is working on expanding the SARAS to include second-tier operations, as well as developing a mechanism to address environmental and social complaints, which are expected to begin operating in their pilot stage during the second half of 2023.

Table 7. Nafin's ESG Actions

Strategy	
Sustainable NAFIN	
Mechanisms to collect and allocate resources to projects	**Financial instruments or programs**
▸ Green, social, sustainable bonds (Sustainable Bond Framework, Impact Reports, and SPO). ▸ NAFIN Sustainable Fund. ▸ Loans from International Financial Organizations (OFIs). ▸ Accreditation as an entity with direct access to GCF.	▸ Credits to MSMEs. ▸ Financing for Mexican businesswomen. ▸ MSMEs preferential guarantees. ▸ Electronic factoring. ▸ First-tier credit. ▸ Economic incentives in sustainable programs. ▸ Cetes Directo.
Sustainable project or program portfolio	
▸ Social programs: SMEs, States, women, financial inclusion, agrobusiness. ▸ Green programs: sustainable transportation, energy efficiency. ▸ Priority projects of the Federal Government: South-Southeast and financial inclusion.	
Capacity building	**ESG policies**
▸ Training on ESG topics. ▸ Technical assistance. ▸ Business management in native languages. ▸ Organization and participation in forums. ▸ Web portal. ▸ Sustainability Group.	▸ Environmental and social policy ▸ Gender equality policy. ▸ Environmental and Social Risk Management Systems (SARAS). ▸ Mechanism for Responding to Environmental and Social Complaints (MAQ). ▸ Sustainable Bond Framework. ▸ ABM Sustainability Protocol. ▸ CMFS and ABM Sustainable Finance Declaration.

Source: Own elaboration with information from NAFIN.

- **National Foreign Trade Bank (Bancomext, for its acronym in Spanish)**

Bancomext has an Environmental and Social Policy that outlines the bank's commitments to financing foreign trade by designing sustainable financial products and managing environmental and social risks. In line with this Policy, the bank has a SARAS to identify the environmental and social impacts of first-tier operations to be financed. Concerning second-tier operations, the bank requires the financial intermediaries with which it works to have a procedure to manage the environmental and social risks of operations financed with its resources. Bancomext also offers various financial mechanisms and instruments to support sustainable projects, such as issuing bonds and granting credits to projects focused on promoting the incorporation of clean technologies in electricity generation. Additionally, Bancomext also has a gender equality policy to promote equality and women empowerment by incorporating a gender perspective in its organizational culture and operations.

Table 8. Bancomext's ESG Actions

<table>
<tr><th colspan="2">ESG Strategy</th></tr>
<tr><td colspan="2">▸ Institutionalization of internal sustainability policies.
▸ Environmental and social risk management in investment or credit processes
▸ Sustainable investment.
▸ Efficient use of resources in internal processes.
▸ Monitoring and dissemination of the sustainability practices and policies within the banking sector.</td></tr>
<tr><th>Mechanisms to manage resources</th><th>Sustainable financial instruments or programs</th></tr>
<tr><td>N/A</td><td rowspan="2">Sustainable Bonds (Reference Framework, Allocation and Impact Reports, SPO).</td></tr>
<tr><th>Sustainable project or program portfolio</th></tr>
<tr><td>Renewable energy projects.</td><th>ESG policies</th></tr>
<tr><th>Capacity building</th><td rowspan="2">Environmental and Social Risk Management Systems (SARAS).</td></tr>
<tr><td>Annual periodic training.</td></tr>
</table>

Source: Own elaboration with information from Bancomext.

- **Federal Building Society (SHF, for its acronym in Spanish)**

SHF has been a pioneer in promoting sustainable housing, significantly contributing to SDG 11: Sustainable Cities and Communities. In 2023, it adopted its ESG Policy, which aims to foster housing development with a social, economic, and sustainable approach by promoting access to financing, managing environmental and social risks, and engaging stakeholders. Additionally, SHF has developed ECOCASA, a sustainable housing certification program designed to reduce CO_2 emissions associated with the housing sector by at least 20%.

During this administration, the ECOCASA Program has certified over 21,500 homes, mitigating 759 thousand tons of carbon dioxide equivalent (tCO_2e). Designed by SHF in collaboration with the State Development Bank of the Federal Republic of Germany (KFW, for its acronym in German) and the Inter-American Development Bank (IDB), this program has been recognized on several occasions and was awarded the Scroll of Honor in 2020 by the United Nations Human Settlements Program (UN-Habitat). Additionally, it has been certified by the Climate Bonds Initiative (CBI) as a low-carbon housing standard for its performance in reducing emissions. These actions enabled SHF to support the issuance of the First Green Social Housing Bond in Latin America and to advance other actions, such as the design of an Environmental and Social Management System (SGAS), whose implementation will begin at the end of 2023, as well as the development of a Reference Framework and Infrastructure for the issuance of sustainable bonds to financial intermediaries based on its financing operations.

Table 9. SHF's ESG Actions

ESG Strategy
▸ **We promote sustainable housing, improving the quality of life for families through three pillars:** ▸ **Huella Ambiental:** Environmental and Social Management System (SGAS), environmental performance, disclosure, multilateral principles and protocols.• **Inclusion:** Gender equity, financial education, access, talent retention, community outreach. ▸ **Responsible Practices:** Ethics, code of conduct, data security and privacy, governance and accountability, human rights, financial sustainability.

Mechanisms to allocate resources to projects	Sustainable project or program portfolio
N/A	Supply of housing certified by ECOCASA that allows reducing at least 20% of CO_2e emissions.
Sustainable financial instruments or programs	
Loans and guarantees for sustainable homes ▸ GPE (Partial Emissions Guarantee) **Sustainable housing programs:** ▸ ECOCASA* ▸ NAMA **Thematic Issuances:** Sustainable Bond (under development). *Certified by Climate Bonds Initiative (CBI)	
Capacity building	**ESG policies**
▸ Financial inclusion courses ▸ Housing ESG courses	▸ ASG Policy ▸ Environmental and Social Management System (SGAS)

Source: Own elaboration with information from SHF.

- **Agriculture-Related Trusts (FIRA, for its acronym in Spanish)**

FIRA contributes to the development of a financial system that promotes the agri-food and rural sectors with a comprehensive approach to sustainability. In recent years, FIRA has implemented effective sustainable development practices by adopting Sustainability Principles and establishing a corporate governance structure. The latter is strengthened by the Sustainability Working Group, which includes various departments within the institution focused on sustainable projects. These Principles encompass several action areas that include the institutionalization of sustainability policies, such as the Gender Policy, for which a Gender Action Plan is being drawn up; environmental and social risk management, which includes the SARAS; and the promotion of projects and investments that minimize the impact of rural activities on the environment, considering the issuance of sustainable thematic bond instruments, among others.

To implement these actions, FIRA has established a set of mechanisms, instruments, and programs to finance investments in green and social projects. The sectors or activities funded by FIRA include environmentally sustainable agriculture, renewable energy, efficient water use, and energy efficiency. The credit flow for climate change adaptation and resilience projects, i.e., those that reduce the risk and vulnerability of producers to the effects of climate change, was MXN 26.98 billion for the benefit of 3,595 projects. Finally, the credit portfolio's balance associated with women amounted to MXN 16.58 billion, intended mainly to promote projects that favor financial inclusion.

Table 10. FIRA's ESG Actions

ESG Strategy
Institutional program i) Financial inclusion, ii) productivity and efficiency in rural value chains, iii) responsible and sustainable development of the agricultural and forestry sector **Sustainability principles:** i) Institutionalization of sustainability policies, ii) SARAS, iii) promotion of financing for sustainable projects, iv) efficient use of resources in internal processes, v) dissemination of sustainable policies and practices

Mechanisms to allocate resources to projects	Sustainable financial instruments or programs
▸ Sustainable Project Support Program (PROSOSTENIBLE). ▸ Climate Change Vulnerability and Socioeconomic Marginalization Program. ▸ Forest Investment Program (PROINFOR). ▸ Guarantee Fund for Efficient Water Use (FONAGUA). ▸ National Forestry Fund (FONAFOR). ▸ Energy Efficiency Guarantee Fund ▸ Sustainable Productive Territories Program. ▸ Family Agriculture Program (PROAF). ▸ Supplier Development Program (PDP). ▸ Financial Inclusion Program (PROIF). ▸ Financing for Medium-sized Companies (PROEM). ▸ National Guarantee Fund (FONAGA) ▸ Rural financing.	▸ Green bonds, gender social bonds, financial inclusion social bonds, adaptation and resilience bonds (sustainable reference framework, CBI certification, annual reports, and SPO). ▸ Financing of investment projects and productive reconversion of the rural sector, efficient use of water, energy efficiency, women, medium-sized agricultural and rural companies, among others. ▸ Traditional credits and microcredits. ▸ Technical assistance. ▸ Guarantees. ▸ Access to international climate funds (GCF accreditation). ▸ Lines of credit with OFIs (IDB, AFD, KFW, and CAF) to finance green projects.

Sustainable project or program portfolio	ESG policies
▸ Green projects: environmentally sustainable agriculture, water use efficiency, renewable energy, energy efficiency, and climate change adaptation and resilience. ▸ Social projects with a gender approach: financial inclusion, entrepreneurship, labor and productive initiative. ▸ Social financial inclusion projects: access and use of financial products and services and financial intermediaries that increase the offer of products and services to reduce the barriers to financial inclusion.	▸ Employment equality and non-discrimination policy. ▸ Gender policy. ▸ SARAS. ▸ ABM Sustainability Protocol.
Capacity building	
▸ ESG rating (MSCI, HR, and AFORE XXI). ▸ ESG portal. ▸ Annual Training Program. ▸ Sustainability Working Group. ▸ Participation in the Working Groups of Mexico's Sustainable Finance Committee. ▸ Sustainable information through reports: GRI and SASB.	

Source: Own elaboration with information from FIRA.

- **North American Development Bank (NADBank)**

In 2023, NADBank adopted its ESG Policy to manage the ESG risks and impacts of projects supported by the Bank. This policy includes a SARAS to minimize the potential environmental and social impacts of the projects in which it is involved. **NADBank also adopted its SDG-aligned Gender Equality and Inclusion Policy to promote gender equality and inclusion in all Bank-financed projects.** This Policy considers evaluating existing practices at the project level and identifying risks and opportunities to promote gender equality in collaboration with project developers. Both policies integrate the Bank's commitment to building new internal capacities through training and support for accredited persons (including financial intermediaries).

Unlike other banks, NADBank is responsible for financing environmental infrastructure development and providing technical assistance for actions that help preserve, protect, or improve the environment along the country's northern border. NADBank finances projects that prevent, control, or reduce environmental pollutants, improve drinking water supply, or protect flora and fauna in order to improve human health, promote sustainable development, or contribute to achieving a better quality of life (NADBank, 2023). NADBank offers a variety of financing instruments including direct loans, revolving lines of credit, and non-reimbursable resources in border states and municipalities, and has a Green Credit Program to finance financial intermediaries. In Mexico, NADBank has financed 155 environmental infrastructure projects in Tamaulipas, Nuevo León, Coahuila, Chihuahua, Sonora, and Baja California for USD 2.2 billion. (NADBank, 2023)

Table 11. NADBank's ESG Actions

<table>
<tr><th colspan="2">ESG Strategy</th></tr>
<tr><td colspan="2">▸ Implement SARAS.
▸ Assign a rating to ESG risks.
▸ Establish a transparent and timely process for disclosing ESG and climate-related risks and opportunities.</td></tr>
<tr><th>Mechanisms to allocate resources to projects</th><th>Sustainable financial instruments or programs</th></tr>
<tr><td>▸ Border Environmental Infrastructure Fund (BEIF).
▸ Technical Assistance Program (PAT).
▸ Project Development Assistance Program (PDAP).
▸ Border 2025: Environmental program of Mexico and the US.</td><td>▸ Credit program.
▸ Community Support Program (PAC).
▸ Non-refundable resources.
▸ Technical assistance.</td></tr>
<tr><th>Sustainable project or program portfolio</th><th>ESG policies</th></tr>
<tr><td>▸ Infrastructure projects focused on water and sanitation, solid waste, water conservation, solar energy, air quality, wind energy, recovery program for the impacts of COVID-19, basic urban infrastructure, storm drainage, public transportation, and sustainable food value chains.</td><td>▸ Gender equality and inclusion policy
▸ ESG principle in project evaluation, approval, and monitoring
▸ Environmental Conservation Assistance Program (PACA).
▸ Environmental and Social Risk Management System (SARAS).</td></tr>
</table>

Capacity building
▸ Continuous employee training program. ▸ Dissemination of the ESG policy to clients.

Source: Own elaboration with information from NADBank

Through the coordinated efforts of the Government of Mexico and the National Development Banks, more than MXN 56 billion have been mobilized between 2019 and 2022 for activities and projects directly impacting the population's welfare and the environment. This has been achieved through the commitment and actions of the Development Banks in the incorporation and dissemination of ESG factors in its operations, positioning the country and these institutions as significant drivers of sustainable development. The financing provided has catalyzed private investments in key sectors for decarbonization, such as sustainable mass transportation and the promotion of renewable energies. With the activities established in the Strategy, the Development Banks are expected to mobilize more than MXN 139 billion by 2030.

GOAL TYPE:

<table>
<tr><td>Workstream :</td><td colspan="3">1.3. Sustainable Public Investment and Mobilization of the National Development Banks</td></tr>
<tr><td>Baseline
(2019-2022):</td><td>Progress
2023-2024</td><td colspan="2">Goal
(2023–2030):</td></tr>
<tr><td>From 2019 to 2022, the sustainable amount mobilized by FONADIN was MXN 4.8 billion, equivalent to 20 % of the total portfolio amount.

From 2019 to 2022, Development Banks mobilized MXN 56.666 billion.</td><td>N/A</td><td colspan="2">By 2030, an additional 5 % of FONADIN's total portfolio will be allocated yearly to sustainable projects so that this proportion will rise to 65 %. With the above, we expect to mobilize MXN 21.3 billion by 2030.

By 2030, we expect to mobilize MXN 139.592 billion towards sustainable projects and activities through Development Banks.</td></tr>
<tr><td colspan="2">Strategic Activities:</td><td>Owners:</td><td>Term:</td></tr>
<tr><td colspan="2">1.3.1. Update the National Public Investment System (SNIP, for its acronym in Spanish) to incorporate ESG policies and factors in evaluating investment projects.</td><td>SHCP</td><td>ST</td></tr>
</table>

1.3.2. Incorporate ESG aspects into FONADIN's current processes to allocate resources.	SHCP	ST
1.3.3. Start the process of aligning resource mobilization and monitoring the Development Banks portfolio with Mexico's Sustainable Taxonomy.	SHCP and Development Banks	ST
1.3.4. Develop and use special purpose vehicles (SPVs) for sustainable infrastructure projects.	SHCP and Development Banks	MT
1.3.5. Promote the role of Development Banks in supporting the issuance of SDG-aligned debt instruments by Subnational Governments.	SHCP and Subnational Governments	ST and MT

Activities performed and / in progress

1.4. Sustainable Insurance

The high vulnerability to climate change and the dependence of rural populations and communities on production activities such as agriculture make it necessary to propose solutions for people to face the potential risks associated with this phenomenon.

Thus, the Strategy suggests developing an insurance program to support the vulnerable population in facing adversities related to climate change.

Economic inequality and the physical risks associated with climate change demand the immediate measures to enhance resilience and welfare. In 2020 alone, losses and damages related to natural disasters exceeded MXN 31 billion, of which 83 % derived from hydrometeorological phenomena (ASF, 2022), significantly affecting the most vulnerable localities and, in particular, small producers in rural areas, who make up 90 % of the rural sector (UNDP, 2023). (ASF, 2022) (PNUD, 2023).

Climate change-related disasters are becoming more frequent and of greater intensity. Therefore, developing countries like ours need to adopt financial instruments for risk retention and transfer. In this context, the insurance market plays a key role in managing liquidity risks, allowing financial planning and minimizing the impact of contingencies such as climate change. However, risk financing in our country shows significant lags. An example of this is the existing gap in the ownership of insurance products among the population, given that in 2021, only 21 % of the adult population reported having some insurance. This figure is lower than that reported in 2015, when the percentage was 25 % (CNBV, 2022).

Insurance coverage is not only low across the population, but it is also unevenly distributed throughout the country, disadvantaging the most vulnerable and traditionally excluded groups. In 2021, the country's northeast region and Mexico City had the largest share in this sector, concentrating 29 % and 27 % of the population with insurance coverage, respectively. Conversely, only 16 % of the population in the southern region has some insurance (CNBV, 2022).

Existing barriers in the supply and demand of this type of product explain this low insurance environment. On the supply side, insurers face high entry costs for new products and a lack of regulation that encourages inclusive insurance to increase coverage for lagging populations.

On the demand side, the barriers have to do with the perceived complexity of these products and the instability of income in the population that acquires them (UNDP, 2023). Consequently, it is crucial to promote the supply of affordable and differentiated insurance, considering the population's characteristics to meet their particular needs. Additionally, it is vital to have a financial education program that promotes a culture of risk prevention among the population. This is particularly relevant for people most affected by climate change's negative impacts. (PNUD, 2023)

In recent years, new stakeholders have been integrated into the insurance industry to democratize access to this instrument and contribute to developing more inclusive insurance products. For instance, Insurtech, a financial technology institution, aims to establish itself as a safe and affordable option for the population seeking insurance through innovative and technological channels (UNDP, 2023). (PNUD, 2023)

The Government of Mexico has also taken steps to strengthen the insurance sector toward sustainability. In 2022, the SHCP coordinated the design and implementation of a pilot parametric social protection insurance project for white corn-producing farmers in vulnerable situations. Through this sectoral insurance, the Ministry intends to support small rural producers in responding to environmental and socioeconomic crises more efficiently without adversely impacting their production capacity. The coverage will protect beneficiaries' crops from drought and excessive rainfall. Initially, the insurance will be available in four high-priority states: Oaxaca, Tabasco, Chiapas, and Guerrero.

Meanwhile, the Agricultural and Property Insurer of the Federal Government (AGROASEMEX) stands out as a State-Owned Enterprise (SOE) that provides insurance services to protect the agencies and entities of the Federal Public Administration and the country's agricultural, fishing, and livestock activities. This insurer plays an essential role in providing coverage to one of the sectors that contribute most to the economic and social development of the country but is most affected by climate change. It is estimated that 60 % of the country's agricultural areas are exposed to drought events, while 80 % of the land is vulnerable to floods. Therefore, AGROASEMEX's support for reconstructing homes for populations in marginalized contexts during natural disasters is crucial. At the end of 2021, AGROASEMEX covered 321 insurance funds and 31 federal agencies, reinforcing federal property insurance. In the following years, it will continue to be strengthened in order to increase its coverage and develop more specialized products. (AGROASEMEX, 2022)

Finally, the importance of an efficient and inclusive insurance sector is recognized through the coordinated participation of diverse sectors that work on establishing an insurance program that includes specialized products to reach the most vulnerable population, encouraging the use of technology under an accurate regulatory framework. tecnología y que se establezca bajo un marco regulatorio certero.

GOAL TYPE:

Workstream :	**1.4. Sustainable Insurance**	
Baseline (2022):	**Progress 2023-2024**	**Goal (2023–2030):**
By 2022, the SHCP coordinated and implemented a parametric insurance pilot program for small corn producers.	N/A	A program to ensure social and climate protection aimed at the population in vulnerable situations will be established by 2030. By 2030, there will be regulations in place to ensure inclusion criteria in insurance provision.

Strategic Activities:	**Owners:**	**Term:**
1.4.1. Scale the parametric social protection insurance for farmers producing white corn to include different crops.	SHCP, AGROASEMEX	CP
1.4.2. Promote the use of technology to increase insurance dissemination and sales channels to reduce costs and increase coverage.	SHCP	CP
1.4.3. Design insurance to cover extreme environmental risks, such as parametric insurance with automatic payments based on climate indices.	SHCP	MP
1.4.4. Strengthen AGROASEMEX to increase its coverage.	SHCP, AGROASEMEX	MP
1.4.5. Introduce regulation for inclusive insurance.	CNSF	MP
1.4.6. Promote the implementation of public and private arrangements to serve the population lagging with this type of instrument.	SHCP, AMIS	MP

Activities performed and / in progress

1.5. Sustainable Corporate Governance

The transformation of markets toward sustainability requires that companies and financial institutions adapt to the new national and international context by positioning the environmental and social perspective in their investment and business decisions.

Therefore, the Strategy involves promoting the adoption of practices aligned with sustainability in Corporate Governance bodies in which the SHCP participates. Based on this, the Development Banks are expected to accelerate resource mobilization in order to integrate sustainable performance actions in SPCs.

Investors' interest in organizations and companies integrating environmental and social practices has recently increased. This has led to investments having lower risks and generating significant contributions to society and the environment. This trend is not exclusive to private sector companies. Governments and public companies that wish to access financing must adjust to the practices and requirements of both national and international markets.

Companies and institutions require corporate governments capable of managing and addressing environmental, social, and governance risks when adopting ESG policies. Considering the senior management's direct responsibility to investors for potential risks, including environmental and social aspects, the Boards of Directors must take a more active leadership role and participate in sustainability-related actions.

In the context of the evolution of public finances toward sustainability, the Government of Mexico aims to promote the transformation of corporate governments in the bodies where SHCP participates. This initiative is expected to reduce potential tax contingencies associated with State-Owned Enterprises and promote the consolidation of the sustainability perspective in the portfolios of development banks.

As mentioned, development banks in Mexico have made significant progress in institutionalizing and implementing ESG policies. However, to date, no bank has a Sustainability Committee as such since these have been integrated into their risk committees. In cases like NADBank's, the sustainability committee has been integrated into their investment committee, where ESG criteria are discussed.

Regarding State-Owned Enterprises (SOEs), such as the Mexican Petroleum Company (PEMEX) and the Federal Electricity Commission (CFE), both companies have made strides in integrating the ESG perspective into their business plans. Still, it is a priority to consolidate these efforts in designing and implementing ESG Policies. For instance, PEMEX has incorporated ESG aspects in its 2023–2027 Business Plan to outline the actions it will implement to achieve sustainable performance in its operations (PEMEX, 2023). The CFE, in its 2023–2027 Business Plan, contemplates the need to undertake actions to be recognized as a socially and environmentally responsible company through the integration of ESG policies and criteria. With this, both companies seek to address ESG trends nationally and internationally.

Incorporating sustainability into corporate governance can be accelerated by specialized units that address sustainability issues and corporate governance bodies. These teams can perform various functions, including advising, coordinating, and proposing much of the content of policy reforms related to climate change and sustainability. They can also serve as coordination units or focal points for climate change-related topics, collaborating with other divisions within the institutions and with external partners to channel consultations on climate change and ensure follow-up, and as knowledge centers that build and transfer sustainability capacities to other areas of the institution, among other functions. Some institutions have Environmental Management Units (UGAs), such as Bancomext.

To achieve the goal of this workstream, it is proposed that the SHCP continue to collaborate closely with the institutions where it is part of its corporate governance to place sustainability at the center of their decisions. It is expected that the bodies considered will integrate and implement ESG policies, institute special sustainability units, and, in the case of SPCs, initiate the development of Transition Plans. For instance, in Development Banks, PEMEX, and CFE, the SHCP has seats in their committees.

GOAL TYPE:

<table>
<tr><td colspan="2">Workstream</td><td colspan="3">1.5. Sustainable Corporate Governance</td></tr>
<tr><td colspan="2">Baseline
(2022):</td><td>Progress
(2023-2024)</td><td colspan="2">Goal
(2023–2030):</td></tr>
<tr><td colspan="2">Algunos bancos ya cuentan con áreas encargadas de la agenda de sostenibilidad.</td><td>N/A</td><td colspan="2">By 2030, all corporate governance bodies in which the SHCP participates are expected to have a sustainability committee and a senior management unit or person responsible for environmental and social issues.</td></tr>
<tr><td colspan="3">Strategic Activities:</td><td>Owners:</td><td>Term:</td></tr>
<tr><td colspan="3">1.5.1. Initiate the necessary actions to establish and launch a Sustainability Committee to inform the Boards of Directors.</td><td>SHCP, National Development Banks, and SPCs</td><td>ST</td></tr>
<tr><td colspan="3">1.5.2. Assess and propose the establishment of a Unit or Senior Management responsible for ensuring the implementation of ESG Strategies and Policies.</td><td>SHCP, National Development Banks, and SPCs</td><td>ST</td></tr>
<tr><td colspan="3">1.5.3. Promote the formulation and implementation of Environmental, Social, and Governance Policies in SPCs.</td><td>SHCP and SPCs</td><td>ST</td></tr>
<tr><td colspan="3">1.5.4. Devise a sustainability transition or alignment plan to mainstream the sustainability vision in SPCs' Business Plans.</td><td>SHCP and SPCs</td><td>MT</td></tr>
<tr><td colspan="3">1.5.5. Promote annual reporting on sustainable practices and results based on established and recognized international standards.</td><td>SHCP and SPCs</td><td>MT</td></tr>
</table>

Activities performed and / in progress

1.6. Sustainable Measures in Fiscal Legislation

The SHCP, through the implementation of sustainable fiscal measures, has promoted the implementation of low-emission projects and activities and has sought to reduce the gender gap and gender inequality by modifying the VAT applicable to the sale of menstrual hygiene products.

Fiscal policy plays a crucial role in promoting sustainability and stability by offering incentives that support sustainable projects and technologies. The Government of Mexico has implemented tax measures to foster a sustainable and climate-resilient economy. These measures seek to positively impact people's welfare, emphasizing vulnerable groups and promoting the development and application of recent technologies.

Currently, the Ministry of Finance has fiscal mechanisms in place for diversifying energy sources in the country and mitigating the impact caused by fossil fuel energy production, distribution, and final use. One example is the 100 % depreciation allowance on machinery and equipment used to generate energy from renewable sources as long as they operate for at least five years after the deduction is applied.

Additional measures to encourage investment in sustainable infrastructure, not only contribute to environmental protection, but also to job creation and economic growth. Proof of this is the incentives aimed at promoting electromobility and the use of transportation with less environmental impact, thus addressing the challenges in this activity. For example, there is a lack of infrastructure and technology to make electric vehicles profitable and a low demand derived from their high cost.

In this context, to encourage the installation of service stations for electric cars (electro-stations), companies receive a tax credit on their income tax (IT) equivalent to 30 % of the investment in electro-stations, as long as they are located and permanently connected in public places. Likewise, rentals and purchases of electric or hybrid vehicles can be deducted from the IT in amounts greater than those authorized for internal combustion cars.[2] The sale and final import of electric or hybrid cars is exempt from the tax on new vehicles (ISAN, for its acronym in Spanish), and the final import of new light, passenger, and freight electric vehicles is tariff-free until September 2024

[2] For purchase, MXN 250,000 instead of MXN 175,000, and for rent, MXN 285 per day instead of MXN 200.

Another tax measure to encourage alternative transportation is the deduction allowed for the conventional bicycles and bicycles or motorcycles with rechargeable electric batteries. LBusinesses and individuals with commercial activity can deduct the acquisition of this alternative means of transportation after applying depreciation in four years (25% annually), and legal entities within the Simplified Trust Regime (RESICO, for its acronym in Spanish) in two years (50% annually).

To reduce gender gaps and economic inequality, the Value Added Tax (VAT) on menstrual hygiene products was modified in 2022. This tax was only applied to women due to a biological condition and it affected those in poverty to a greater extent. Furthermore, the high cost of menstrual hygiene products has perpetuated educational inequality, as some girls miss school for lack of access to these products.[3] This fiscal measure represents an important step to reduce the gender gap by reducing the final price consumers pay. It benefits 44% of low-income households since women within this population group are the ones who spend a larger proportion of their income on these products.

It also seeks to take advantage of all federal, subnational, and local fiscal opportunities to build sustainable and robust fiscal federalism. In other words, fiscal measures are not limited to the federal level only but there are opportunities to successfully coordinate subnational and local provisions to promote sustainability. To achieve this, it is essential to respect the legislative powers assigned to each level so that the fiscal mechanisms established complement each other and contribute to the same goal without additional economic pressures.

The Ministry 's strategy involves the coordination of the fiscal framework for sustainability. Considering the progress made to incorporate sustainability into certain fiscal measures, a roadmap will be developed to analyze the current fiscal framework and, where appropriate, adapt it to promote sustainability aspects, such as renewable energy generation and sustainable energy adoption, as well as reducing gender inequalities in accessing the labor market, within the healthcare system and in meeting essential needs, in conjunction with introducing the circular economy.

[3] According to the United Nations Children's Fund (UNICEF, 2020), 30% of girls and adolescents in Mexico use toilet paper instead of sanitary towels, and 43% prefer not to go to school during their period.

GOAL TYPE:

Workstream :	1.6. Sustainable Measures in Fiscal Legislation		
Baseline (2022):	Progress 2023-2024	Goal (2023–2030):	
Fiscal mechanisms to promote clean energy sources, sustainable infrastructure, alternative means of transportation, and reduced gender gaps.	N/A.	By 2030, the legal framework will be analyzed to determine the tax incentives that promote and slow down actions to address climate change. By 2030, at least one fiscal measure will be implemented to address climate change and biodiversity loss.	
Strategic activities:		Owners:	Term:
1.6.1. Develop a strategy to promote current tax incentives that encourage renewable energy generation and adopt sustainable technologies.		SHCP	MT
1.6.2. Analyze the current fiscal framework and, where appropriate, adjust it to promote new measures that reduce gender inequalities in the labor market access, the care system, and the fulfillment of essential needs.		SHCP	MT
1.6.3. Analyze the federal fiscal framework and its complementarity with the fiscal measures implemented by Subnational Governments in environmental matters.		SHCP	MT
1.6.4. Analyze the current fiscal framework and, where appropriate, adjust it to promote sustainable production chains in line with nearshoring needs.		SHCP	MT

Activities performed and / in progress

1.7. Financing the Just Transition in Mexico

To move toward a low-carbon economy in a fair and equitable manner, it is necessary to advance decarbonization goals, while meeting the needs of the most vulnerable people.

Therefore, the Strategy contemplates financing mechanisms to prioritize the development and welfare of people, through the installation of solar shingles for a clean energy basket for the entire population and the mitigation of the potential social risks associated with the energy transition, for example.

The global challenge of addressing climate change underscores the need to shift to an economic model that upholds the principles of social and climate justice, especially for the most vulnerable and economically disadvantaged populations. At the end of 2022, the Government of Mexico reaffirmed its commitment to the Paris Agreement by increasing the ambition of its mitigation goals and sustaining efforts to adapt to climate impacts. Mexico's update of the NDC integrates actions that aim not only to foster a transition to a low-emission economy, but also to generate economic benefits for the country.

To achieve a 35 % reduction in Greenhouse Gas (GHG) emissions by 2030 in the energy sector, the NDC proposes integrating clean technologies into electricity generation, replacing high carbon fuels with natural gas, and reducing technical losses in the power grid (SEMARNAT, 2022). These measures are key steps toward a national energy transition. However, **ensuring that this transition embodies social justice, equity, and sovereignty in a country like Mexico, it is necessary to satisfy the energy needs of homes and support families affected by this decarbonization process.** (SEMARNAT, 2022)

While electricity service coverage has increased during the current administration, reaching 99.2 %, some of the population still lacks access to this essential resource (CFE, 2022). To address "energy poverty", it is necessary to guarantee the electricity supply constantly and use alternative technologies that improve families' quality of life. Moreover, these solutions must prioritize women, who often spend more time on household tasks. (CFE, 2022)

In this regard, it is necessary to develop financing mechanisms to invest in distributed solar generation for Mexican households. Through such mechanisms, it will be possible to maximize the use of public resources and foster multiple economic and social benefits. The installation of solar rooftops has great potential to generate significant long-term savings for public finances. Similarly, they have the potential to create employment opportunities in the sector, derived from activities related to the installation, operation, and maintenance of solar panels. Another relevant aspect is the potential savings that beneficiary families may experience due to the reduction in costs associated with electricity supply.

Regarding the social benefits, the implementation of this financing mechanism would enhance the democratization of access to electricity through clean sources. Furthermore, the population will be able to directly experience the benefits of the energy transition due to the savings generated by the installation of solar panels in their homes.

Furthermore, it is essential to recognize that transitioning a low-carbon and climate-resilient economy involves structural shifts in the economic model. Although these changes aim to deliver equal benefits across the population, they may also negatively affect certain economic sectors and displace the workforce. For example, one of the pillars of the energy transition is to drive the replacement of carbon-intensive fuels, such as coal, with natural gas. This technological conversion could affect communities that depend on coal mining activities.

Therefore, it is necessary to define a financing mechanism to serve communities and mitigate the social costs of the energy transition. This could be done by financing strategic actions such as developing sustainable projects that create jobs, building capacities that meet the demand for new production activities, and providing economic support for the affected population.

According to the Ministry's projections, implementing these two major financing mechanisms could mobilize MXN 2.3 billion by 2030. At the same time, one more step will be taken toward compliance with climate policy, based on the fundamental principles of equity and justice, seeking not to leave anyone behind or left out during the energy transition process.

GOAL TYPE: 

<table>
<tr><td colspan="2">Workstream :</td><td colspan="3">1.7. Financing the Just Transition in Mexico</td></tr>
<tr><td colspan="2">Baseline
(2018 - 2022):</td><td>Progress
2023-2024</td><td colspan="2">Goal
(2023–2030):</td></tr>
<tr><td colspan="2">N/A</td><td>N/A</td><td colspan="2">By 2030, a Fund for a just and equitable transition will be established.

By 2030, a Fund for the energy transition focused on households will be created using guarantees.</td></tr>
<tr><td colspan="3">Actividades estratégicas:</td><td>Responsables:</td><td>Temporalidad:</td></tr>
<tr><td colspan="3">1.7.1. Design and implement the financing mechanism for financing solar shingles.</td><td>SHCP and CFE</td><td>ST and MT</td></tr>
<tr><td colspan="3">1.7.2. Ensure that the materials and companies responsible for installing solar panels meet minimum environmental and social safeguards</td><td>SHCP and CFE</td><td>ST and MT</td></tr>
<tr><td colspan="3">1.7.3. Implement and activate the financing mechanism for a just and equitable energy transition</td><td>SHCP</td><td>ST and MT</td></tr>
</table>

Progress 2023-2024

Pillar II

MOBILIZATION OF SUSTAINABLE FINANCING

PILLAR II.
MOBILIZATION OF SUSTAINABLE FINANCING

Mobilizing sustainable financing beyond the Public Treasury implies significantly accelerating financing from different public and private sources. The public sector plays a significant role in making public policies and instruments that create a favorable environment for increased funding from other sources for sustainable purposes. This undoubtedly encourages the participation of the private financial and non-financial sectors, which are pivotal in mobilizing the financing required to transition toward a low-carbon economy.

Increasing public and private sustainable financing is restricted by economic fluctuations and political risks, among others. To face these risks, developing financial instruments that allow investment in projects and activities with a positive impact on the environment and society will be crucial, as will the creation of reference frameworks that provide information and certainty to investors for decision-making. This, accompanied by regulation that allows the enabling and large-scale adoption of these mechanisms, will result in the necessary conditions to increase financing.

The current administration has implemented actions to position the country as a regional leader in sustainable financing. These actions include consolidating debt and capital markets, developing a Sustainable Taxonomy, and encouraging innovative financial instruments that incorporate additional financing sources and minimizing investment risk. To enhance further sustainable funding, relevant institutions' policy, regulatory, monitoring, reporting, and awareness actions are needed to drive the transformation of the financial system.

This second pillar has nine lines of work and 59 strategic activities. Its effective implementation will mobilize and redirect public and private capital toward projects aligned with the goals of decarbonization and ecosystem protection. At the same time, benefits will be reaped for people's welfare.

2.1. Consolidating the Sustainable Debt Market

The sustainable debt market in Mexico is essential to mobilize financing with a sustainability focus and move toward a more fair and equitable economy. To date, the thematic debt market in Mexico has managed to mobilized around MXN 1 trillion.

The rapid growth of this market demands actions that strengthen its positive trend in the long term and provide certainty to stakeholders.

Since 2020, Mexico's sustainable thematic bond market has strengthened, marked by the issuance of the first SDG Sovereign Bond. That year, the Government of Mexico entered the market with a EUR 750 million placement (equivalent to MXN 18.78 billion at the issuance exchange rate), becoming the first country to issue an SDG sovereign bond. This issuance set a record for size and boosted Mexico's sustainable debt market, expanding its volume six-fold compared to the previous year. Between that first issuance and 2022, **the Government of Mexico has issued sustainable bonds seven times in international markets in euros, US dollars, and Japanese yens, as well as in the local market for a total amount of approximately MXN 149 billion**. From 2023 to 2024, 9 additional issuances have taken place, contributing to the progress towards meeting the Strategy's objectives of MXN 231 billion (see Table 12).

The issuances of SDG Bonds are done through the 2020 SDG Sovereign Bond Framework (hereafter the Framework). This Framework was innovative at a global level, it allowed the Federal Government to issue bonds with either social, green, or sustainable objectives, and report the allocation of resources in the most lagged areas of the country through a geospatial criterion based on the Social Gap Index published by CONEVAL. In addition to being aligned with internationally accepted standards, this Framework enables the Government to identify budgetary programs supporting compliance with Mexico's most relevant SDGs.

The local sovereign bond market debut occurred in 2022 with the issuance of Bondes G for MXN 45 billion. With subsequent issuances, from 2023 to 2024, the Government of Mexico has made progress in the implementation of the EMFS, successfully raising an additional MXN 78 billion in the local market. Strong demand from national investors has demonstrated a high interest in these instruments, with demand sometimes exceeding the amount placed by up to four times. In 2022, sovereign sustainable bonds accounted for 41% of Mexico's thematic bond market, significantly increasing the Federal Government's share compared to the previous year (see Chart 1).

Adding to the progress of the EMFS, in July 2023 the Federal Government issued the Bono S at a fixed rate in local currency. The issuance totaled MXN 23 billion with a coupon rate of 8%, a yield of 8.85%, and a 12-year maturity. During 2024, two additional Bondes G issuances have been completed, amounting to MXN 45 billion. With these issuances, the Government of Mexico continues to reaffirm its commitment to building a sustainable local debt market and creating attractive conditions for long-term investors.

Table 12. Sovereign SDG Bond Issuances

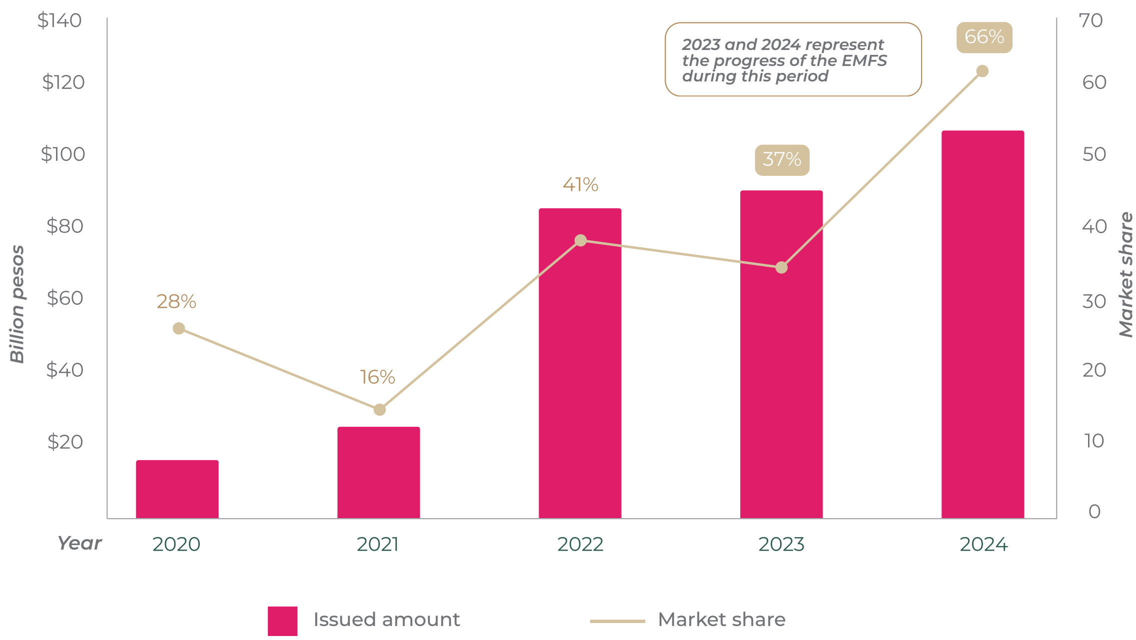
Issuance	Date of issuance	Type of Bond	Currency	Amount issued (millions in original currency)	Term (Years)	Rate	Amount issued (millions of USD)	Amount issued (millions of MXN)	Outstanding amount (millions of USD)	Outstanding amount (millions of MXN)	Maturity
1	14/9/2020	UMS Bono ODS	EUR	750	7	1.35%	890	18,780	806	14,868	9/8/2027
2	6/7/2021	UMS Bono ODS	EUR	1,250	15	2.25%	1,478	29,610	1,343	24,780	18/4/2036
3	2/5/2022	Bondes G	MXN	14,520	2	TIIEF + 0.15%	709	14,520	0	0	21/4/2024
				5,480	6	TIIEF + 0.23%	268	5,480	322	5,480	31/3/2028
4	20/7/2022	Bondes G	MXN	10,230	3	TIIEF + 0.17%	498	10,230	554	10,230	4/7/2025
				4,770	6	TIIEF + 0.23%	232	4,770	259	4,770	18/6/2028
5	8/8/2022	UMS Bono ODS	USD	2,203	10	4.88%	2,203	44,614	2,203	40,647	16/6/2032
6	26/8/2022	UMS Bono ODS	JPY	29,700	3	1.00%	216	4,336	188	3,475	10/8/2025
				23,800	5	1.25%	173	3,475	151	2,785	31/7/2027
				14,900	10	1.83%	108	2,175	94	1,743	4/7/2032
				4,000	15	2.28%	29	584	25	468	8/6/2037
				3,200	20	2.52%	23	467	20	374	13/5/2042

Issuance	Date of issuance	Type of Bond	Currency	Amount issued (millions in original currency)	Term (Years)	Rate	Amount issued (millions of USD)	Amount issued (millions of MXN)	Outstanding amount (millions of USD)	Outstanding amount (millions of MXN)	Maturity
7	30/11/2022	Bondes G	MXN	7,090	1	TIIEF + 0.15%	368	7,090	0	0	25/11/2023
				2,660	2	TIIEF + 0.19%	138	2,660	144	2,660	19/11/2024
				250	3	TIIEF + 0.2%	13	250	14	250	14/11/2025
8*	20/4/2023	UMS Bono ODS	USD	2,941	30	6.33%	2,941	52,941	2,941	54,264	13/11/2052
9*	26/4/2023	Bondes G	MXN	2,030	2	TIIEF + 0.15%	112	2,030	110	2,030	15/4/2025
				9,400	3	TIIEF + 0.19%	518	9,400	509	9,400	10/4/2026
				3,570	5	TIIEF + 0.24%	197	3,570	193	3,570	30/3/2028
10*	20/7/2023	Bonos S	MXN	23,000	12	8.00%	1,362	23,000	1,247	23,000	18/5/2035
11*	25/10/2023	Bondes G	MXN	3,750	1.7	TIIEF + 0.14%	205	3,750	203	3,750	28/06/2025
				6,000	2.4	TIIEF + 0.17%	327	6,000	325	6,000	7/03/2026
				5,250	4.4	TIIEF + 0.22%	286	5,250	285	5,250	25/02/2028
12*	18/1/2024	UMS Bono ODS	EUR	2,000	8	4.90%	2,175	37,333	2,149	39,648	7/12/2031
13*	8/3/2024	Bondes G	MXN	3,000	1.3	TIIEF + 0.1%	178	3,000	163	3,000	19/6/2025
				11,000	3.2	TIIEF + 0.17%	654	11,000	596	11,000	4/5/2027
				6,000	6	TIIEF + 0.21%	357	6,000	325	6,000	5/2/2030
14*	13/5/2024	Bondes G	MXN	3,000	2	TIIEF + 0.1%	179	3,000	163	3,000	17/3/2026
				14,870	3	TIIEF + 0.16%	885	14,870	806	14,870	4/5/2027
				7,130	6	TIIEF + 0.19%	424	7,130	386	7,130	12/3/2030
15*	21/8/2024	Bondes G	MXN	11,670	2	TIIEF + 0.11%	616	11,670	616	11,670	16/07/2026
				6,050	4	TIIEF + 0.19%	319	6,050	319	6,050	19/10/2028
				5,280	6	TIIEF + 0.22%	279	5,280	279	5,280	14/03/2030

Issuance	Date of issuance	Type of Bond	Currency	Amount issued (millions in original currency)	Term (Years)	Rate	Amount issued (millions of USD)	Amount issued (millions of MXN)	Outstanding amount (millions of USD)	Outstanding amount (millions of MXN)	Maturity
16*	22/8/2024	Bono ODS	JPY	97,100	3	1.43%	664	12,788	664	12,788	27/08/2027
				32,200	5	1.72%	220	4,241	220	4,241	28/08/2029
				10,000	7	1.88%	68	1,317	68	1,317	28/08/2031
				8,300	10	2.27%	57	1,093	57	1,093	28/08/2034
				4,600	20	2.93%	31	606	31	606	26/08/2044
Total	20,400	380,360	18,778	347,487							

**Progress 2023-2024* *Source: Own elaboration with information from SHCP (2024).*

Chart 1. Evolution of SDG Sovereign Bonds in millions of MXN and share percentage in the thematic debt market (2020 to date)



Source: Own elaboration with data from the SHCP and the CMFS (2024).

Through the SHCP, the Government has promoted the thematic bond market growth by establishing a benchmark curve for other public and private issuers. The increase in sovereign issuances has facilitated the expansion of local and international investor bases, the market diversification, and the utilization of SDGs as a parameter to mobilize financing.

Another key player in developing Mexico's sustainable debt market is the Development Banking sector. From 2019 to 2022, various Development Banks in Mexico have issued around MXN 98 billion through 37 thematic bonds (see Table 13). In recent years, almost all such banks have published or updated their Frameworks for Sustainable Bonds, reaffirming their commitment to mobilizing financing toward activities favoring the environment and society. Between 2023 and 2024, National Development Banks have issued approximately MXN 78 billion across 17 operations.

Aligning with its mandates and positioning in the market, the Development Banks have entered the market with innovative thematic instruments, such as issuing social bonds with a gender focus. For example, in 2022, Banobras updated its framework to include a gender perspective. This allowed it to place MXN 4 billion in two sustainable bonds linked to infrastructure projects with a gender perspective in that same year, and nearly MXN 15 billion between 2023 and 2024. Meanwhile, NAFIN, in addition to being the first Development Bank in Mexico to issue a thematic bond in 2015, continues to offer instruments in the market to finance sustainable projects or programs focusing on micro, small, and medium-sized enterprises (MSMEs). In 2022, it issued three bonds to mobilize resources for some of the social categories listed in its framework (improving access to essential services, job creation, and gender equality), while in 2023, it reaffirmed its commitment through four issuances aligned with social objectives, for an amount of MXN 17.5 billion. All Development Banks currently have frameworks covering climate change mitigation activities. However, in early 2023, FIRA updated its framework to include adaptation activities, executing the first issuance of a green resilience bond in Latin America and the first in Mexico, totaling nearly MXN 3 billion. Through this instrument, FIRA can finance investment projects in the food sector and rural areas aimed at reducing risks caused by climate change.

In addition, NADBank, as a binational institution, is the only bank that has the mandate to support the development and implementation of environmental infrastructure projects, resulting in 100% of its issuances being considered green. Consequently, it has focused on the support for renewable energy, energy efficiency, solid waste management, and water projects in the country's northern states bordering the US.

In April 2024, NADBank updated its Bond Framework to incorporate the technical criteria defined in Mexico's Sustainable Taxonomy. Between 2019 and 2022, the bank that issued the most thematic bonds was BANCOMEXT, with an amount of MXN 37 billion. It allocated these funds to projects in different categories such as i) sustainable water and wastewater management, ii) pollution prevention and control, iii) green buildings, and iv) job creation. From 2023 to 2024, progress has been reported with a total mobilization of another MXN 37 billion.

Moreover, the SHF issued the First Green Social Housing Bond in Latin America, with a 25% partial guarantee by the SHF and another 25% guaranteed by the IDB, channeling the resources through the ECOCASA program. The above represents an innovation in sustainable financing due to the integration of various participants in the bond placement, but above all, due to the ESG characteristics of this instrument, which seeks to provide sustainable and adequate housing in Mexico.

Table 13. Thematic Issues of Development Banks from 2019 to 2024 and Their Reference Frameworks

Bank	Bonds issued	Bonds issued (2022-2024)	Total amount (millions of MXN) (2019-2022)	Total amount (millions of MXN) (2022-2024)	Reference Framework's Year	Environmental objective and priority sectors	Gender/social issues
FIRA	5	3	$ 15,920	$ 7,075	Published: 2018 Updated: 2023	Mitigation and adaptation: Agriculture, forestry, water, energy, and fishing	Yes
NAFIN	2	6	$ 17,104	$ 29,823	Published: 2015 Updated: 2021	Mitigation: Transportation, energy, waste management, and industry Social: Essential services, job creation, and gender equality	Yes
NADBank	1	0	$ 8,048	$0	Published: 2018 Updated: 2024 (SST aligned)	Mitigation: Energy, industry, water, and waste management	No
Bancomext	3	2	$37,249	$22,078	2021	Mitigation: Energy, water, transportation, construction, forestry, and waste management	Yes
Banobras	12	3	$34,938	$14,783	Published: 2017 Updated: 2022	Mitigation: Transportation, energy, water, and waste management	Yes

Source: Own elaboration with information on emissions and the Sustainable Bond Frameworks of the Development Banks.

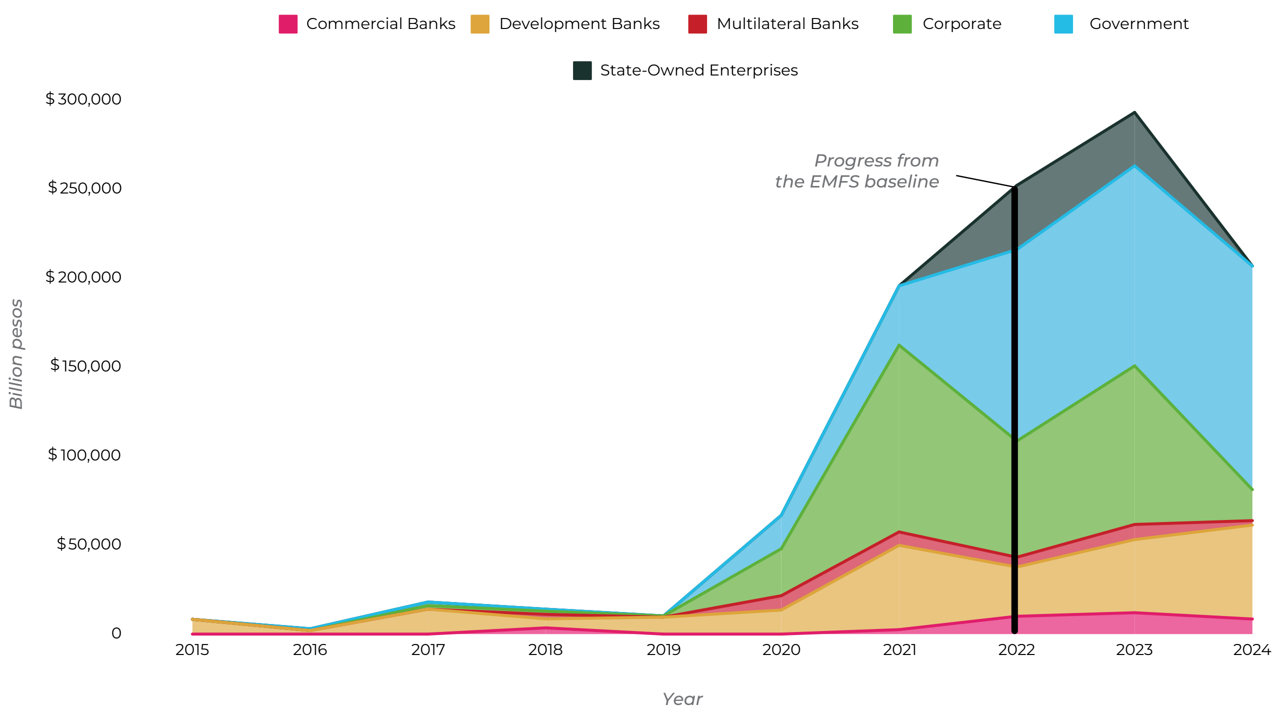
Also, in 2022, the CFE issued its first sustainable bond for USD 1.75 billion (approximately MXN 46billion at the exchange rate at the time of issuance) in two tranches with maturities of 7 and 30 years, respectively. This bond was structured based on its Sustainable Financing Framework, through which the CFE commits to financing projects in renewable energy, energy efficiency, clean transportation, green buildings, and social inclusion. As a SOE, CFE is driving its transformation and demonstrating its commitment to supporting the transition toward renewable energies and the population's welfare.

In terms of corporate bonds, between 2019 and 2022 alone, an equivalent of MXN 197 billion in thematic bonds has been mobilized. These issuances only represented MXN 700 million in 2019. In 2020, they were already equivalent to MXN 26 billion. This increase continues at an upward pace, with corporate thematic bond issuances increasing by 36.5% from 2022 to 2023. This behavior supports the accelerated growth of the thematic debt market in Mexico, managing to position itself as one of the leaders in issuing thematic bonds in Latin America, along with Brazil and Chile. These three countries represent 77% of the region's green, social, and sustainable bond issuances.

Regarding subnational governments, Mexico City and the State of Mexico were the first states to issue thematic bonds. Mexico City issued MXN 4.1 billion across three issuances between 2016 and 2018, while the State of Mexico made an issuance of MXN 2.89 billion in 2022. Additionally, **at the beginning of 2023, the State of Baja California, through its Sustainable Bond Framework**, obtained financing for USD 163 million from NADBank to improve the State's public water and sanitation services, setting the tone for other states interested in raising thematic capital or capital labeled as sustainable.

As a result, Mexico's thematic debt market has mobilized around MXN 1 trillion since 2019. Meanwhile, from 2023 to 2024 alone, an additional MXN 485 billion were mobilized, thus progressing towards the goal of consolidating the sustainable debt market in Mexico. The most significant growth occurred from 2020 to 2022, when the sustainable debt market tripled in size (see Chart 2), going from 12 issuances for an amount of MXN 66.7 billion, to 45 issuances, equivalent to MXN 255.3 billion (CMFS, 2023). This market trend, bolstered by a stable macroeconomic and financial environment, greatly benefited from the Federal Government's larger share and investors' increased demand for sustainable instruments.

Chart 2. Annual Issuances of Thematic Bonds in Millions of MXN (2015 to date)



Fuente: CMFS, 2023.

The strengthening of the debt market has resulted in a significant growth in the amount issued in recent years. In total, from 2019 to 2022, MXN 348 billion weremobilized through the SDG Sovereign Bonds and the National Development Banks thematic issuances. Additionally, during 2023 and 2024, this mobilization has increased by MXN 305 billion, marking significant progress toward the goal of consolidating the sustainable debt market in Mexico.

This demonstrates the Federal Government's commitment to advancing the sustainable curve development, as well as the Development Banks' efforts to venture into issuing bonds with social and environmental criteria. Therefore, it is important to continue consolidating this market, as it is currently one of the most important and effective tools for mobilizing financing with a sustainability focus.

Goal Type:

Workstream :	**Consolidating the Sustainable Debt Market**	
Baseline (2019-2022):	**Progress 2023-2024**	**Goal (2023–2030):**
MXN 348 billion were mobilized through the SDG Sovereign Bonds and the National Development Bank thematic issuances from 2019 to 2022.	MXN 305 billion through SDG Sovereign Bond and National Development Bank thematic issuances	By 2030, we expect that at least MXN 1.1 trillion will be mobilized through the Federal Government and Development Banks' thematic bond issuances. Of this, MXN 903 billion will come from the issuance of SGD Sovereign Bonds and MXN 209 billion from thematic placements of the Development Bank.
Strategic Activities:	**Owners:**	**Term:**
2.1.1. Align the SDG Sovereign Bond Framework and thematic bonds of the Development Bank with Mexico's Sustainable Taxonomy.	SHCP and Development Banks	ST
2.1.2. Promote thematic bond issuances by the Federal Government in Mexico and international markets to consolidate the sustainable yield curve.	SHCP	ST, MT, and LT
2.1.3. Promote the issuance of thematic bonds a ligned with sustainability by Development Banks and Subnational Governments.	SHCP, Development Banks, and Subnational Governments	ST, MT, and LT
2.1.4. Collaborate with bodies where the private sector participates, such as the Mexican Council of Sustainable Finance, Trade Associations, and Stock Exchanges, to promote an increase in thematic corporate issuances.	SHCP	ST, MT, and LT
2.1.5 Foster the adoption of best practices for monitoring and reporting on the impact of thematic bonds in the local and international markets.	SHCP, Stock Markets	ST, MT, and LT

Activities performed and / in progress

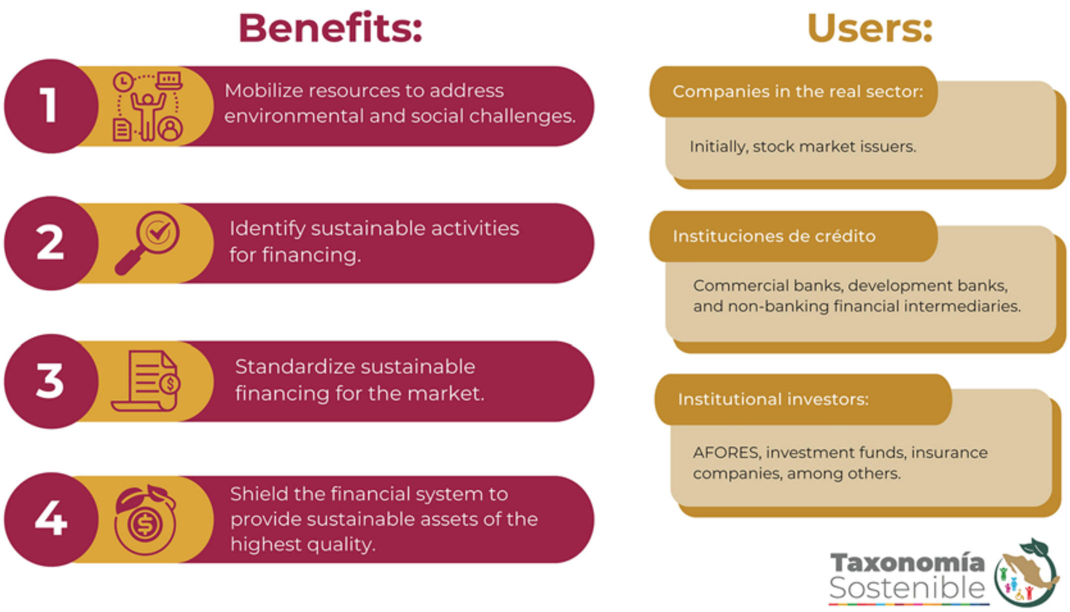
2.2. Implementing Mexico's Sustainable Taxonomy

The incorporation of Mexico's Sustainable Taxonomy (TSM, for its initials in Spanish) as an instrument of public financial policy enables institutions to determine whether their economic activities are sustainable, thereby facilitating the mobilization of public and private capital toward projects with a significant environmental and social impacts. Additionally, the TSM is the first to include social objectives through a Gender Equality Index.

The Sustainable Taxonomy of Mexico (TSM, for its initials in Spanish) is a financial public policy instrument for sustainability. From 2020 to 2022, the TSM construction process was carried out with the main objective of generating a science-based classification system that defines which economic activities are sustainable. This seeks to increase the mobilization and reorientation of public and private capital toward projects and activities that have positive impacts on the environment and society. In addition to providing a sustainable financing standard, with the publication of the Taxonomy the Government of Mexico seeks to generate an environment of certainty and transparency in the markets, as well as to shield the financial system by ensuring the existence of high-quality sustainable assets.

Thus, companies in the real sector, credit institutions, and institutional investors—as the main users of the Taxonomy—will be able to make more efficient investment decisions based on accurate information. Similarly, this reference framework is expected to promote the creation of new financial products and services such as green mortgages, loans for electric cars, gender-focused instruments, among others. In the case of large companies, by aligning their expenses and operations with the Sustainable Taxonomy, they will be able to access sustainable debt and capital markets, which have an investor base interested in strengthening their portfolios with this type of assets.

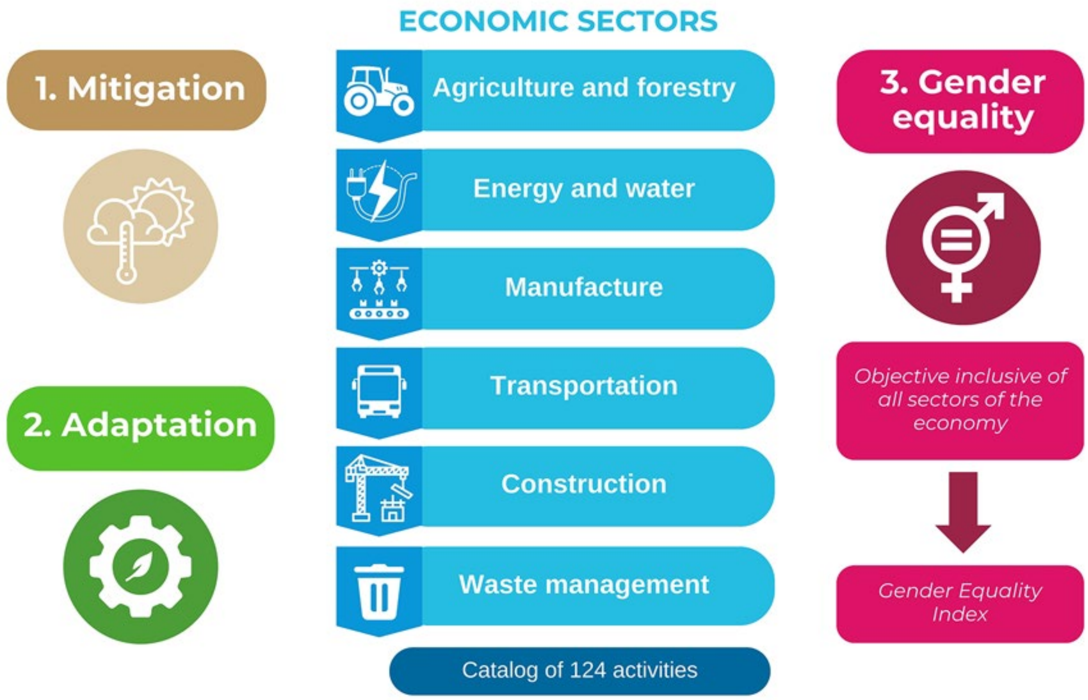
Illustration 5. Benefits and Users of Mexico's Sustainable Taxonomy



Source: Own elaboration with information from the SHCP (2023).

The Mexican Taxonomy has become the first to incorporate social objectives at a global level. In its initial stage, the Taxonomy covers three specific objectives: climate change mitigation, climate change adaptation, and gender equality. Regarding climate objectives, the Taxonomy includes 124 economic activities distributed along six strategic sectors (agriculture and forestry, energy and water, construction, manufacturing, transportation, and waste management). These were selected for their relevance in reducing polluting emissions and creating resilience. On the other hand, to address the objective of gender equality, the Taxonomy presents the Gender Equality Index (IIG, for its acronym in Spanish), which recognizes the cross-sectional nature of this objective in the Mexican economy and seeks to benefit women along three main pillars: 1) Decent Work, 2) Welfare, and 3) Social Inclusion (SHCP, 2023). With the fulfillment of the gender equality objective, the Government of Mexico has set a precedent. Its experience building the IIG will be a reference for developing social taxonomies in other jurisdictions worldwide.

Illustration 6. Elements of Mexico’s Sustainable Taxonomy



Source: Own elaboration with information from the SHCP (2023).

Mexico’s Sustainable Taxonomy is robust, comparable, and interoperable with other taxonomies worldwide. The Taxonomy development considered the progress made by other countries to build these reference frameworks and, thus, ensure interoperability between instruments. An example is the taxonomy of the European Union, which is the main reference at the international level, and Colombia’s Green Taxonomy. To guarantee its technical robustness and relevance in addressing the challenges of sustainable development in Mexico, the Taxonomy was built through a participatory exercise involving more than 200 technical experts from different institutions of the public, private, and financial sectors, academia, civil society, and international organizations. Through eight working groups, the technical criteria were proposed for each activity that makes up the Taxonomy and validated by the authorities of the environmental sector to ensure their contribution to climate and environmental commitments.

Ensuring the correct implementation of the Taxonomy implies dissemination actions and capacity building among potential users. Therefore, after the publication of the TSM in March 2023, dissemination and information sharing sessions were held, as well as a capacity-building process aimed at institutional investors, credit institutions, issuers, and non-banking financial intermediaries. The SHCP and the National Regulatory and Supervisory Commissions convened the sessions, resulting in 980 people inside and outside the financial system who improved their knowledge about the taxonomy and its implementation.

As part of the Taxonomy implementation process, a Pilot Program was run in 2024 with the participation of 10 financial institutions, including commercial and development banks, AFORES, insurance companies, issuers, and investment funds. The pilot aimed to identify barriers and areas of opportunity in implementing the TSM based on applying and assessing the alignment of more than 90 financial system assets. As a result, the pilot provided policy and regulatory recommendations for financial system authorities and individual reports for participating institutions. The training sessions and the pilot program have marked significant progress in the implementation of the TSM and EMFS. Additionally, they have highlighted the importance of building the capacities of financial institutions and companies in the real sector of the economy, developing tools to facilitate their adoption, and establishing a regulatory framework to guarantee transparency and certainty in the market by improving the quality and availability of ESG information institutions published.

Since the publication of the Taxonomy, multiple financial institutions from the public and private sectors have decided to voluntarily align their activities. An example is the recent issuance of the first FIRA Green Resilience Bond, Santander and HSBC green mortgages,[4] and the support for climate initiatives aligned with the Sustainable Taxonomy by the United Kingdom Climate Financing Accelerator (CFA). However, to ensure that this behavior permeates financial institutions, it is necessary to adapt existing regulations to incorporate those that reflect users' commitment to sustainability while reducing risks and bringing co-benefits to investors and project developers. The SHCP cooperates closely with the regulatory and supervisory commissions of the financial system to make regulations associated with the TSM and guarantee its proper use (see workstream 2.3 for greater detail).

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[4] Verde Santander Mortgage available at: Verde Santander Mortgage | Financial solution that rewards you for taking care of the planet https://www.santander.com.mx/personas/creditos-hipotecarios/hipoteca-verde/index.html
HSBC Green Mortgage available at: https://www.hsbc.com.mx/hipotecario/productos/hipoteca-verde/https://www.hsbc.com.mx/hipotecario/productos/hipoteca-verde/
FIRA Resilience Bond available at: FIRA/Banco de México places first green resilience bond in Latin America | Green Finance LAChttps://greenfinancelac.org/es/recursos/novedades/fira-banco-de-mexico-coloca-primer-bono-verde-de-resiliencia-en-america-latina/

As part of the subsequent actions in this workstream, the Ministry will continue setting other environmental and social objectives, focusing on biodiversity, sustainable cities, and financial inclusion. Moving forward with the biodiversity objective responds to the need to immediately address biodiversity loss and fulfill the commitments acquired as a country in signing the Kunming-Montreal Agreement. Concerning the social objectives of sustainable cities and financial inclusion, their inclusion in the Taxonomy will help counteract the conditions of economic inequality and create more efficient opportunities to provide vulnerable populations with access to both financial and basic infrastructure services, including housing, transportation, land use, pollution, waste management, and comprehensive water management.

The dynamic nature of the Sustainable Taxonomy implies ongoing review and updating. Current economic activities, metrics, and thresholds are due to the country's current economic context, climate goals, and technological availability. The Taxonomy implementation process involves periodic reviews of the instrument, adjusting it to ensure its applicability and that it continues to meet market needs for sustainable financing.

The taxonomy has marked a milestone in sustainable finance, reinforced by the progress observed in 2023 and 2024, as various institutions and financial authorities have adopted it as part of their processes.

GOAL TYPE:

Workstream :	2.2. Implementing Mexico's Sustainable Taxonomy	
Baseline (2020-2022):	**Progress 2023-2024**	**Goal (2023–2030):**
Mexico's Sustainable Taxonomy under construction	The CONSAR, CNSF, and CINIF have incorporated taxonomy-related aspects into their regulations and standards, respectively	By 2030, we expect to have published at least three more objectives of Mexico's Sustainable Taxonomy. By 2030, we expect CONSAR, CNSF, CNBV, and CINIF to issue regulations and standards associated with the Sustainable Taxonomy. By 2030, financial institutions and issuers are expected to report on the alignment of their financial products or services with the Sustainable Taxonomy.

Strategic Activities:	Owners:	Term:
2.2.1. Design and implement the TSM Pilot Program.	SHCP	ST
2.2.2. Prepare and issue a document of findings and recommendations of the TSM Pilot Program for participating institutions and regulatory and supervisory commissions.	SHCP	ST
2.2.3. Prepare and issue the regulation associated with the Sustainable Taxonomy for public interest institutions (institutional investors, credit institutions, and issuers) and non-public interest institutions (SMEs).	CNBV, CONSAR, CNSF, and CINIF	ST
2.2.4. Prepare and publish the second phase of the Sustainable Taxonomy with other environmental and social objectives (biodiversity, sustainable cities, and financial inclusion).	SHCP	MT

2.2.5. Prepare and publish the third phase of the Sustainable Taxonomy with other environmental and social objectives (health, education, water, pollution, and circular economy).	SHCP	MT
2.2.6. Review and update the activities and thresholds of the Sustainable Taxonomy according to market needs, technological availability, etc.	SHCP	MT
2.2.7. Measure financing flows aligned with Mexico's Sustainable Taxonomy.	SHCP, CNBV, CONSAR, and CNSF	MT
2.2.8. Assess the development of verification mechanisms to ensure alignment with the TSM.	SHCP, CNBV, CONSAR, and CNSF	LT

Activities performed and / in progress

2.3. Regulation for the Sustainability of the Financial System

In recent years, there has been significant recognition of the need to identify and manage risks and opportunities related to ESG factors. In this regard, ESG regulation seeks to promote sustainable practices within the financial system and address the risks associated with climate change.

Recently, companies and investors have recognized the need for risk management strategies and the identification of opportunities associated with ESG factors. This recognition has led to the creation of international recommendations and standards aimed at financial and non-financial institutions to encourage the incorporation of sustainability practices into their business models and to improve the transparency and quality of disclosed information.

In the quest to manage and mitigate ESG and climate-related financial and operational risks, the market has adopted international frameworks and standards that require actions within companies and across their value chains. Such is the case of the Task Force on Climate-related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI) standards, and the IFRS Foundation's Sustainability Accounting Standards Board (SASB) standards, among others. Furthermore, in some jurisdictions, applicable regulations have been introduced, as is the case of the European Union with the European Sustainability Reporting Standards (ESRS) for entities subject to the Corporate Sustainability Reporting Directive (CSRD), as well as the climate disclosure rules of the United States Securities and Exchange Commission (SEC), among others.

The growing demand for ESG products from investors and the multiplicity of reporting frameworks and standards have created barriers to comparing and evaluating non-financial information disclosed by companies. For this reason, in late 2021, at COP 26 in Glasgow, Scotland, the establishment of the International Sustainability Standards Board (ISSB) within the IFRS Foundation was announced. The creation of the ISSB represented a step towards a global baseline for disclosing information so that investors have access to high-quality, transparent, and internationally comparable ESG information, thus facilitating capital mobilization. In this regard, in June 2023, the ISSB issued its first sustainability disclosure standards: IFRS S1, with general requirements on sustainability, and IFRS S2, on disclosures of climate-related risks and opportunities, both effective as of 2024. Similarly, to improve global financial stability, the Basel Committee seeks to promote the strengthening of regulation, supervision, and the adoption of ESG practices in the banking system.

The development of these frameworks and standards has created an ecosystem with multiple stakeholders whose involvement enhances their implementation, such as specialized consultancies advising institutions, data aggregators and providers, ESG rating agencies, and others. The increased participation of these institutions highlights the need to reinforce the authorities' role in regulation and supervision to facilitate the dynamics between stakeholders and provide certainty to the markets about the ESG information disclosed.

- **Incorporation of ESG factors in the institutions of the Mexican financial system**

In Mexico, most financial institutions and companies that integrate, monitor, and disclose ESG factors do so voluntarily. For example, they adhere to initiatives such as the Equator Principles or the Principles for Responsible Investment, which seek better financial results for their signatories and ensure that the projects to which resources are allocated follow socially and environmentally responsible practices.

The Retirement Fund Administrators (AFORES, for its acronym in Spanish) sector was the first to introduce regulations on ESG matters. Since September 2019, the National Commission for the Retirement Savings System (CONSAR) implemented regulatory changes requiring Specialized Investment Companies for Retirement Funds (SIEFORES, for its acronym in Spanish) to include ESG factors in their investment strategies and risk management as of 2022. This requirement aims to help AFORES better understand the risks and profitability prospects of the companies they invest in (DOF, 2019). A significant follow-up action to this regulation was the launch, in August 2022, of the Homologated ESG Questionnaire for Issuers by the Mexican Association of Retirement Funds Administrators (AMAFORE). This questionnaire, featuring more than 200 questions for issuers seeking financing, helps AFORES align their investment decisions with new regulatory requirements and enables them to invest in companies that are socially and environmentally responsible (AMAFORE, 2023).

In compliance with the EMFS goals, in February 2024, CONSAR modified financial regulations to promote sustainability in the Retirement Savings System. These changes seek to identify and measure sustainable activities aligned with national and international standards. In this context, pension funds are required to i) disclose ESG information in line with a Sustainable Information Disclosure Framework, ii) adopt a taxonomy, and iii) establish metrics in their investment and risk management processes aligned with the selected taxonomy (DOF, Disposiciones de carácter general en materia finanicera de los Sistemas de Ahorro para el Retiro, 2024).

Furthermore, 40% of entities in the insurance sector release ESG information from their headquarters, some of which have corporate sustainability strategies to green their portfolios (GGGI, 2021). Incorporating ESG factors in the insurance sector becomes even more relevant considering its dual role as a risk manager and institutional investor in the Mexican financial system. Like AFORES, insurers have the potential to mobilize financing with positive impacts on the environment and society by transforming their investment portfolios. (GGGI, 2021)

As a result, in May 2024, advancing the objectives of the EMFS, the **CNSF adjusted its regulation to require insurers and sureties to incorporate ESG criteria** and potentially apply Mexico's Sustainable Taxonomy to their investment policies and comprehensive risk management systems through their corporate governance. This measure will undoubtedly strengthen environmental and social risk management and promote responsible and sustainable investments (DOF, Circular modificatoria 2/24 de Única de Seguros y Fianzas, 2024).

The Commercial Banking sector has also stood out for its progress in the integration of ESG factors, where around 50% of institutions disclose some type of ESG information (GGGI, 2021). The rest of the banks focus on submitting information on sustainability-related initiatives or activities. This trend is strongly promoted through initiatives such as the ABM Sustainability Protocol. In line with the commitments of the EMFS and in order to continue advancing these measures in Commercial Banks, the ABM created the Environmental, Social, and Governance Commission in 2023 to address challenges related to the environment, social welfare, and governance from the highest decision-making bodies of the Association (ABM, 2023). Similarly, in April 2024, the ABM adopted its ESG Policy to promote the integration and dissemination of ESG factors in line with national and international best practices, both within the Association and among its Commercial Banking members. (ABM, 2023)

In the case of issuers, the availability and quality of ESG information disclosed is still in an early stage of development. According to a report by GGGI in which 443 issuers listed on the Stock Exchanges in 2021 were analyzed, only one in ten issuers uses any ESG standard or reference framework since the majority focuses on submitting information on corporate responsibility (GGGI, 2021). To support the transformation of the market and issuers, the Mexican Stock Exchange (BMV), the Institutional Stock Exchange (BIVA), and the CMFS have prepared specialized guides and courses for capacity-building, efforts that must be leveraged by the issuance of applicable regulations. (GGGI, 2021)

In order to advance regulatory work on ESG aspects within the framework of the Sustainable Finance Committee, the CNBV has implemented a capacity-building program for regulators and supervisors, as well as launching the ESG Self-Assessment Tool for issuers and financial entities. This tool was created to help financial and non-financial institutions understand their level of integration, monitoring, and disclosure of ESG factors and climate-related risks. Around 200 institutions participated in this voluntary exercise, through which they received a series of recommendations to help them close identified gaps.

Additionally, the Mexican Council for Financial and Sustainability Reporting Standards (CINIF, for its initials in Spanish) made a significant contribution to the EMFS objectives by publishing Sustainability Reporting Standards (NIS) in May 2024. The NIS seeks to promote the adoption of sustainability reports in non-public interest institutions, such as SMEs. In this regard, the NIS aims to converge with the IFRS sustainability standards published by the ISSB, considering the context of Mexican SMEs and advancing towards a more inclusive, sustainable financial system.

Box 4. CINIF Sustainability Information Standards (NIS)

NIS A-1 Conceptual Framework for Sustainability Information Standards emphasizes the importance of integrating sustainability information for SMEs and other entities, establishing guidelines for disclosing such information. This aligns with IFRS S1 at the international level, which requires governance, strategy, risk management, metrics, and objectives to be covered. The NIS that the CINIF formulates will define the disclosure requirements for each element.

NIS B-1 Basic Sustainability Indicators (IBSO, for its acronym in Spanish) establishes the quantitative and qualitative metrics entities must report on ESG matters through 30 indicators. In the environmental domain, it includes 16 indicators covering GHG emissions, energy consumption, sustainable investments (aligned with Mexico's Sustainable Taxonomy), sustainable water use, biodiversity, chemical substances and products that deplete the ozone layer, and waste management. From a social perspective, six indicators are defined for equal opportunities and decent work (in line with Mexico's Sustainable Taxonomy), investment in human capital, and health and safety at work. Finally, in terms of governance, eight indicators of corporate governance, sustainable business management, and responsible business conduct are included.

The NIS published by the CINIF will come into effect in January 2025. From then on, non-public interest entities must report annually on their risks and opportunities related to climate change and sustainability. Starting in 2026, disclosures will also need to include Scope 3 emissions and taxonomy-related aspects.

- **Financial risks related to climate change and biodiversity loss**

Incorporating financial risks related to climate change and biodiversity loss into regulation is crucial for guaranteeing economic stability and promoting sustainable practices. Previously, advances in regulation associated with integrating ESG into information disclosure and investment decisions were described. However, moving toward identifying, assessing, and managing risks associated with climate change and biodiversity loss will be important. Regarding risks associated with climate change, Banco de México has made progress on a Roadmap to analyze climate scenarios in recent years. This effort, made within the framework of the Sustainable Finance Committee, includes the calibration and execution of integrated assessment and macroeconomic models to identify the magnitude and relevance of physical and transition risks, as well as opportunities related to climate change in the economy and the financial system.

Banco de México develops and calibrates integrated evaluation and macroeconomic models to analyze climate scenarios. This work aims to identify the magnitude and relevance of physical and transition risks, and the opportunities associated with climate change in the economy and the financial system. Most of the projected scenarios align with the NGFS scenarios. However, to adjust the scenarios to the national context, in recent years, Banco de México has been calibrating two integrated assessment models and developing a macroeconomic model. In line with the progress of the EMFS, the "First Pilot of Climate Scenario Analysis for the Mexican Financial Sector" was launched. Its objective is to develop capacities for identifying, assessing, and managing climate-related risks and opportunities and to build capacities for accessing next-generation climate models and scenarios. Building on this pilot, the results of using the GCAM and CLIMRISK models will be carried out, and individual reports for the participating institutions and general reports on the results and lessons learned from this exercise will be generated. .

In the coming years, more financial institutions are expected to incorporate the analysis of risks associated with climate change and biodiversity loss to capitalize on investment opportunities in sustainable sectors and influence the financial system's stability, sustainability, and competitiveness.

Similarly, in line with the strategic activities of the EMFS, the SHCP may issue general provisions on sustainable development and gender equality. This arises from the amendment to the Securities Market Law in 2023, which added, among other aspects, Article 9 Bis. This new precept requires the SHCP to issue regulations associated with sustainable development and gender equality, applicable to securities market participants, with the prior opinion of the CNBV and Banxico. Currently, the SHCP is diagnosing the regulation of the securities market in Mexico and internationally. This analysis will be useful in identifying the best practices and designing a regulatory framework that promotes inclusion and sustainability in the securities market, thus consolidating investor confidence and contributing to the country's economic development.

Accordingly, supporting the market in incorporating and disclosing ESG, climate, and biodiversity aspects requires creating opportunities for dialogue with investors and companies, hence identifying their main needs. Efforts can be made to raise awareness and build capacities for integrating common disclosure standards aligned with the Taxonomy and existing international regulations.

Currently, SHCP, CNBV, CONSAR, and CNSF are working jointly and in coordination to define the next steps regarding ESG regulation. Likewise, the CNBV and Banxico have begun work on biodiversity-related risk analysis and measurement, which will be incorporated into regulation in due time. However, the progress made from 2023 to 2024 has represented a significant advancement in meeting the goal of regulating for the sustainability of the financial system. As outlined throughout this section, the financial sector now has guidelines that are beginning to define an increasingly sustainable ecosystem.

GOAL TYPE: 

Workstream :	**2.3. Regulation for the sustainability of the financial system**		
Baseline (2022):	**Progress 2023-2024**	**Goal (2023–2030):**	
Currently, only CONSAR has regulations on the disclosure of ESG factors.	The CONSAR and the CNSF have amended their regulations to incorporate aspects related to ESG criteria. The CINIF has published disclosure regulations for ESG information for entities of no public interest.	By 2030, the rules and regulations that disclose ESG factors and risks associated with climate change are expected to be released and implemented.	
Strategic Activities:		**Owners:**	**Term:**
2.3.1. Publish ESG regulation for public interest institutions (institutional investors, credit institutions, and issuers) and non-public interest institutions (SMEs).		SHCP, CNBV, CONSAR, CNSF, and CINIF	ST

2.3.2. Following ISSB standards, design and implement regulations that disclose ESG factors and climate-related risks for issuers, financial institutions, and SMEs.	CNBV, CONSAR, CNSF, and CINIF	ST
2.3.3. Prepare and implement the Oversight Framework to manage ESG factors and climate-related risks.	CNBV, CONSAR, CNSF, and BANXICO	MT
2.3.4. Pilot test climate scenarios with financial system institutions.	Banxico - CMFS	ST
2.3.5. Publish the results of the analysis of climate scenarios to identify and measure climate-related risks and opportunities in the economy and the financial system.	Banxico - CMFS	ST

Activities performed and / in progress

2.4. Creating Innovative Sustainable Financing Instruments

The growing demand for sustainable financial products has been supported by an increased supply of these instruments from institutions in the public, private, and social economy sectors.

The promotion of financial innovation is essential for the transformation of the financial system toward sustainability.

The increased demand for sustainable financial products has led financial innovation to emerge as a key tool to support the transformation of the financial system toward sustainability. To transform their portfolios, financial institutions such as commercial banks and development banks have started to design and integrate sustainable products in their supply of financing instruments. It is expected that, with the implementation of the Sustainable Taxonomy, the availability and diversification of these instruments will be reinforced.

Green mortgages are an example of an innovative sustainable financing instrument, as they facilitate access to housing while helping the environment. Currently, 20% of the total credit portfolio of commercial banks[5] is allocated to housing, which represents the greening potential that can be reached through green mortgages. This potential can be raised to 32% if we consider the supply of housing credit from commercial banks, development banks, and government housing promotion organizations (CNBV, 2022). Thus, the SHCP is discussing and defining actions to increase the participation of green housing and mortgages in the market from an approach that prioritizes access to these instruments at all income levels and grants direct incentives to end users.

[5] The total credit portfolio includes business, consumer, and housing loans.

Table 14 A. Mortgages with a Sustainable Approach

Green Mortgage Santander	**Social Housing Mortgage** SOCAP Tosepantomin
The first mortgage from a commercial bank that is aligned with the Sustainable Taxonomy, through which the construction sector will be supported in its transition toward a sustainable economy. This mortgage offers preferential rates, reduced long-term home maintenance and service costs.	A preferential rate enables a family to acquire a decent and sustainable home efficiently without excessive payments over the life of the loan. In addition, it incorporates innovative factors such as adapting the payment period to the member's economic activity and analyzing and designing the home together with the member to meet ecological and sustainable standards.

Source: Own elaboration with data from Santander and SOCAP Tosepantomin

Table 14 B. Mortgages with a Sustainable Approach

INFONAVIT Green Mortgage
The Green Mortgage requires that all homes purchased, built, expanded, or remodeled with a loan from the institute be equipped with eco-technologies designed to save water, electricity, and gas. To achieve this, an amount is added to all the credits granted, which is set according to the worker's salary and the savings achieved through eco-technologies.

Source: Own elaboration with data from INFONAVIT

Other relevant stakeholders in creating innovative sustainable financing instruments are non-banking financial intermediaries. For instance, within the SOCAPS, there are 21 Credit Unions offering sustainable-focused financial products to their members. These offer loans or commercial improvements for the acquisition of energy-saving eco-technologies (such as solar panels and hybrid cars), efficient use of water (drip irrigation systems), social housing, and housing equipment (water collectors), among others. Besides innovating in designing financing instruments to meet members' needs, the products offered by Credit Unions adapt to the socioeconomic conditions of their communities, considering the payment capacities and economic activities of cooperative members. Additionally, they offer technical training and financial education processes for their members.

FinTech companies, due to advancements in financial technology, accelerate sustainable financing mobilization. Through highly sophisticated, profitable, and flexible financial products, they offer innovative instruments that are easily accessible to users, directly contributing to increased financial inclusion and resource allocation for activities with positive environmental impacts. Some examples of financial services and products offered by FinTech are crowdfunding (project financing), insurance contracts, payment systems, investments, among others.

Table 15. *FinTech* with a Sustainability Focus in Mexico

Red Girasol	A total of MXN 227 million has been mobilized directly for sustainable activities through various financial services, of which MXN 159 million is allocated to financing affordable and non-polluting energy (SDG 7), MXN 60 million to projects that contribute to gender equality (SDG 5), and around MXN 7 million to consolidate partnership to accomplish the SDGs (SDG 17). More than 894 projects have been funded with these resources, resulting in a reduction of more than 11,173 tCO_2.
Stori Card	Contributes to increased financial inclusion among vulnerable populations by offering online credit cards to more than 1.4 million active customers in Mexico.
Finisphera	Provides Environmental, Social, and Governance (ESG) crowdfunding for small and medium-sized enterprises. Through financial services such as loans and investments, Finisphera helps meet 6 of the 17 SDGs: Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Industry, Innovation, and Infrastructure (SDG 9), Climate Action (SDG 13), Life Below Water (SDG 14), and Life on Land (SDG 15).

Source: Red Girasol, StoriCard, Finisphera, 2023.

Other non-banking financial intermediaries with the potential to design and market sustainable financing instruments with innovative potential are Popular Financial Companies (SOFIPOS, for its acronym in Spanish), Multiple Purpose Financial Companies (SOFOMES, for its acronym in Spanish), and Credit Unions. Due to their characteristics, these institutions can offer credit under conditions that are more favorable than those currently available in the market, creating a supply of sustainable products with a fixed demand.

In terms of large-scale financing and growing investors' interest in environmentally and socially responsible projects, recent years have also seen a substantial shift toward innovation and sustainability in securities. The unique attributes of these instruments, combined with market demand for impact investment instruments that offer lower risk and higher returns, have encouraged the development and alignment of securitized assets with sustainability and ESG criteria. Examples of these types of assets adjusting to demand and aiming to innovate in investment vehicle design and sustainability impact include Exchange Traded Funds (ETFs), Real Estate Investment Trusts (FIBRAs), Development Capital Certificates (CKDs), and Investment Project Certificates (CERPIs). In this sense, it is expected that stock market products will continue this trend, generating more sustainable investment options for interested investors.

GOAL TYPE: 

<table>
<tr><th>Line of Work:</th><th colspan="3">2.4. Creating and Promoting Innovative Sustainable Financing Instruments</th></tr>
<tr><th>Baseline (2022):</th><th>Progress 2023-2024</th><th colspan="2">Goal (2023 – 2030)</th></tr>
<tr><td>Credits for green housing granted by SOCAPS.</td><td>Two financial institutions have developed green mortgages aligned with the TSM.</td><td colspan="2">By 2030, there will be an annual increase of 10 % in the supply of sustainable financial products and services

By 2030, through the placement of green mortgages, it is expected to mobilize approximately 295 MXN billion by 2030.</td></tr>
<tr><th colspan="2">Strategic Activities:</th><th>Owners:</th><th>Term:</th></tr>
<tr><td colspan="2">2.4.1. Promote the development of green housing and mortgages aligned with the criteria outlined in the Sustainable Taxonomy of Mexico.</td><td>SHCP, Development Banks, Commercial Banks, and Development Entities</td><td>ST and MT</td></tr>
<tr><td colspan="2">2.4.2. Incorporate the definition of green mortgages into the applicable legal framework.</td><td>SHCP and CNBV</td><td>ST</td></tr>
<tr><td colspan="2">2.4.3. Foster the alignment of stock market instruments, which disclose some positive impact on sustainability, with the Sustainable Taxonomy (REITs, CKDs, and CERPIs)</td><td>SHCP, CNBV, and stock markets</td><td>MT and LT</td></tr>
<tr><td colspan="2">2.4.4 Desarrollar instrumentos financieros sostenibles considerando los criterios establecidos en la Taxonomía Sostenible de México.</td><td>SHCP, SOFIPOS, SOFOMES, SOCAPS, Credit Unions, and FinTech institutions</td><td>MT and LT</td></tr>
</table>

Activities performed and / in progress

2.5. Sustainable Financing for MSMEs

Commercial Banks and National Development Banks, through NAFIN, serve as the primary sources of financing for MSMEs, which play a crucial role in job creation and, consequently, in the country's economy. Therefore, it is essential to strengthen actions that facilitate access to financing for MSMEs and promote the dissemination of sustainability information.

Micro, small, and medium-sized enterprises (MSMEs) are fundamental in promoting sustainable development, as they represent 99.8% of businesses and create 45% of jobs in the country. However, MSMEs are more vulnerable to macroeconomic fluctuations compared to large companies. In 2020 and 2021 alone, the health crisis caused by COVID-19 led to the closure of 1.6 million establishments Despite this, 1.1 million new businesses were created in those same years, keeping the number of MSMEs relatively stable, decreasing from 4.8 million in 2019 to 4.4 million in 2021 (INEGI, 2022).

Notably, one of the main effects of the COVID-19 health crisis has been the commitment of the Government of Mexico to create conditions for sustainable economic recovery in MSMEs through financing mechanisms that support their healthy development. According to the latest data, the number of MSMEs in the country grew by 14.26% between 2021 and 2023, reaching slightly over 5 million micro, small, and medium-sized enterprises (MSMEs) (INEGI, 2023b).

The sectoral distribution of MSMEs has remained stable in recent years, primarily dominated by the commercial sector, which accounts for 46.4% of businesses.. In second place is the provision of private non-financial services with 40.6%, followed by manufacturing activities (12.4%) and other activities (0.6%). Although the sectoral distribution of MSMEs has not varied considerably in recent years, one of the main changes observed is the increase in the number of women who are business owners. Between 2008 and 2018, establishments led by women increased on average by 30.5%, while establishments led by men only increased by 8.3%. As a result, during the same years, the percentage of businesses with women owners rose from 35.8% to 36.6%, while businesses with male owners decreased from 42.2% to 35.8% (INEGI, 2019).

The primary source of financing for MSMEs is access to credit lines provided by Commercial and Development Banks, with Nafin serving as the main national benchmark. In 2023, the credit and guarantee portfolio to the private sector reached a balance of MXN 409.725 billion, of which 99.7 % was channeled to MSMEs, as follows: 93.5 % for micro-, 5.7 % for small-, and 0.5 % for medium-sized enterprises (NAFIN, 2023).

Regarding sustainability, Nafin has implemented various programs to promote sustainable financing for MSMEs. For example, from 2019 to 2022, Nafin granted over 54 thousand sustainable loans for MXN 71.422 billion through the so-called Sector Programs. These programs target MSME modernization and equipping, financial inclusion, local and regional growth, as well as reduced emissions through initiatives such as upgrading changes in transportation fleets and improving energy efficiency.

Nafin has established three programs under the Eco-Credit initiative allowing MSMEs to access lines of credit with preferential terms for implementing energy-efficiency projects in their facilities, such as replacing outdated or low-efficiency equipment, with new ones, installing high energy-efficiency equipment, producing photovoltaic energy, or adopting technologies[6] that lower energy costs.

The Massive Business Eco-Credit program, launched in partnership with the Electric Energy Savings Trust (FIDE, for its acronym in Spanish) in 2015, targets MSMEs with at least one year of operation and a CFE commercial electricity rate. Throught this program, businesses can apply for loans of up to MXN 1.3 million with preferential rates through authorized equipment distributors. This program sets a strategic link with the CFE since MSMEs repay the loan through electricity bills. There is also a complementary program for collecting and scrapping old equipment. From 2015 to date, 28,590 loans have been granted for MXN 2.465 billion.

Additionally, in 2024, Sustainable Eco-Credit[7] was launched in collaboration with the SHCP, SEMARNAT, and GIZ, financed by the Mitigation Action Facility. It addresses SMEs in the industrial subsectors with the highest and most significant energy consumption and GHG emissions. [8] This program establishes a line of credit for up to MXN 15 million and a Counter-Guarantee Fund in NAFIN that reduces the risks for commercial banks

[6] Eligible equipment refers to industrial and commercial refrigeration, air conditioning, efficient lighting, electric motors, electrical substations, capacitor banks (including harmonic filters), boilers and furnaces, dryers, refrigeration chambers, solar water heaters, thermal insulation, and photovoltaic solar systems.

and, thus, decreases the interest rate for SME loans by approximately six percentage points. By the end of this program, more than 12 thousand projects are expected to be financed, with an estimated reduction in GHG emissions of almost 1 million tons of CO_2e and creating a total energy efficiency business volume of more than MXN 6 billion. Furthermore, a third Eco-Credit program is currently under development as a GCF project and aims to build upon the two previous programs by re-establishing a Counter-Guarantee Fund and enabling loan repayment through CFE electricity bills, to achieve an estimated reduction of 550,000 tons of CO_2e. The main distinguishing feature is its focus on the decarbonization of large value chains by prioritizing SMEs that are part of Mexico's supply chains.

The Eco-Credit programs establish foundations for a market of financial instruments that address climate change mitigation. Their diverse targeting criteria comprehensively support the Mexican MSME ecosystem. They also strengthen the energy efficiency ecosystem with lines of work focused on secondary stakeholders such as commercial banks, technological equipment distributors, and technical validation companies.

Thus, they incorporate innovative practices such as integrating energy savings forecasts in the financial analysis of companies' debt capacity, a methodology not previously used in Mexico by commercial banks. They also implement complementary financial and non-financial mechanisms that address the barriers that SMEs face in accessing credit and those that prevent the performance of energy efficiency projects, such as energy audits and information dissemination and awareness campaigns.

In April 2024, Nafin signed a Memorandum of Understanding with the Federal Attorney for Environmental Protection (PROFEPA, for its acronym in Spanish) and the Global Green Growth Institute (GGGI) to collaborate on designing a program for SMEs to be part of the National Environmental Audit Program. Through this program, Clean Industry, Environmental Quality, or Environmental Tourism Quality-certified companies can access financing under preferential conditions (PROFEPA, 2024). This is a significant contribution to achieving the goals of this workstream.

[7] The program is internationally known as SME NAMA. A NAMA (Nationally Appropriate Mitigation Action) is a voluntary action implemented by a country to mitigate greenhouse gas emissions, aligning with national and sectoral policies and bringing co-benefits. Any action must be implemented within sustainable development in a measurable, reportable, and verifiable manner and supported by financing, technology, and capacity building. NAMAs may be an institutional program, regulatory change, tax incentive, or other measures to reduce GHG emissions (INECC, 2018).

[8] The industrial subsectors are temporary accommodation services, the plastic and rubber products industry, the grocery and department stores, the chemical industry, the food industry, the beverage and tobacco products industry, the textile industry, and the paper industry. In terms of energy consumption, companies must be CFE users with PDBT (Small Demand in Low Voltage) and GDBT (Large Demand in Low Voltage) commercial rates and GDMTO (Large Demand in Ordinary Medium Voltage) and GDMTH (Large Demand in Medium Voltage Hourly) industrial rates.

With the aim of increasing investments and strategies so that MSMEs can continue accessing low-cost capital, in 2022 Nafin began implementing the Sustainable Transport Financing Program. Through this program, Nafin seeks to promote the renewal of the vehicle fleet of MSMEs in the urban public transport and freight sectors[9] by providing financing at concessional costs, including 10 million euros for the scraping of obsolete vehicles. Additionally, economic incentives are planned for the transport sector with a bonus of between 10% and 20% of the final cost of the vehicle to be acquired. This will support the reduction of 75,300 tCO_2e and the replacement of 1,250 vehicles.

Nafin is in the second stage of this program under a GCF project, which focuses on fleet renewal in the manufacturing sector using electric vehicles. In this new stage, a total financing of approximately USD 168 million is expected to support the reduction of 1.6 million tCO_2e. Direct economic incentives are considered for the beneficiaries.

FIRA, through its International Fund for Agricultural Development (IFAD, for its acronym in Spanish) in the implementation and performance of the project "Integrating Biodiversity in Agriculture and the Production Activities of Mexico's Rural Landscapes" (AGRIBIOMEX, for its acronym in Spanish), together with the NAFIN Sustainable Fund (FSN, for its initials in Spanish) under the leadership of the Ministry of Agriculture and Rural Development. This project has MXN 160 million in financing from GEF and intends to support small farmers in food production using natural resource care schemes.

Additionally, in the future, FIRA plans to advance toward schemes and mechanisms to support small producers that enable a market transition toward sustainable production. Two projects are planned: one in the Central West region (with emphasis on the area encompassed by the Central West Mexico Biocultural Corridor, known as COBIOCOM) and another in the Yucatan Peninsula. The aim is to implement a financial instrument that allows for the design, structuring, and calibration of financial incentives for the agricultural sector, considering the production chain they are directed at and the priorities of local authorities.

Another key source of financing for MSMEs is the financial institutions of the social economy sector, which support the mobilization of resources for strategic sectors of the economy, such as the agricultural sector. In 2018 alone, SOCAPs were the second most important source of financing nationally for private economic units and SPCs, only below banks (made up of Commercial and Development Banks) (INEGI, 2019). Of the 118,445 companies that received financing from a Popular Savings Bank, 98.82% were micro-sized, 1.09% small-sized, and 0.09% medium-sized. This represents an opportunity

[9] Taxis, buses, and vans, as well as merchants and service providers with their fleets for the distribution of products or the provision of services, are considered for loans with preferential conditions.

to take advantage of its experiences in financing projects with a sustainable approach or to advance such an approach in the sectors it serves, particularly agriculture.
One of the primary challenges for MSMEs is limited access to financing, mainly related to complications in accessing the credit and capital market (ASEM, 2023). According to the National Business Financing Survey (INEGI, 2021), there is a difference in access to financing according to the size of the company's operation. While 55.6% of large companies have accessed some type of financing since the beginning of their operations, this percentage has been lower for small (45.4%) and micro (37.3%) enterprises.

Financing is especially scarce for companies focused on sustainability, largely due to the limited availability of funds for products with ESG criteria. **Consequently, the SHCP, in coordination with the CNBV and Banxico, promoted the amendment to the Securities Market Law, which was approved in November 2023.** This amendment provides a simplified option for SMEs to enter the market and thus diversify their financing options. This will give greater dynamism to the stock market by having more options for the placement of capital with a sustainable approach, for instance, making investments in companies that are part of the production chain of services and products with positive impacts on the environment and society.

Lastly, considering the role of SMEs in the Mexican economy, their participation in the integration and promotion of ESG factors is of great relevance. The CINIF's efforts in publishing the Sustainability Information Standards, which, as mentioned above, promote the disclosure of ESG information in SMEs, stand out. The NIS helps SMEs know their sustainability status and identify the risks and opportunities to which they are exposed. Later, and in line with the particular NIS that the CINIF formulates, SMEs can take these indicators as a basis to manage the risks identified to develop their plans toward sustainable performance.

These measures will help SMEs gradually align with sustainability standards, base their reports on reliable ESG information including Mexico's Sustainable Taxonomy, and generate key information for financial institutions.
While significant strides were made in mobilizing sustainable financing for MSMEs between 2019 and 2022, progress has also been made in the established goals in this area during the subsequent years, 2023 and 2024. In recent years, not only have programs like the Sustainable Eco-Credit from Nafin been created, but a memorandum has also been signed between Nafin, PROFEPA, and GGGI to improve financing conditions for MSMEs. Additionally, efforts have been made to create an ecosystem that allows for new sources of financing for MSMEs through the reform of the Securities Market Law and the publication of sustainability standards dedicated to this important segment of the real economy.

GOAL TYPE:

Workstream :	2.5. Sustainable Financing for MSMEs	
Baseline (2019–2022):	**Progress 2023-2024**	**Goal (2023–2030):**
From 2019 to 2022, MXN 71.4 billion of sustainable financing was granted to MSMEs through Nafin.	N/A	By 2030, at least MXN 174 billion in sustainable financing for MSMEs will be mobilized through Nafin. By 2030, all small businesses are expected to report ESG information based on applicable regulations.

Strategic Activities:	Owners:	Term:
2.5.1. Issue guidelines to facilitate granting loans and guarantees for green and sustainable SMEs.	SHCP and Development Banks	ST
2.5.2. Promote access and permanence of SMEs that seek sustainable financing in the securities market.	SHCP, CNBV, Stock Markets	ST, MT, and LT
2.5.3. Develop corporate governance programs and special financing mechanisms aimed at guiding MSMEs toward sustainability.	SHCP and National Development Bank	ST
2.5.4. Implement dissemination and capacity-building actions on sustainability aimed at MSMEs that favor the adoption of NIS.	SHCP, CINIF	ST and MT

Activities performed and / in progress

2.6. Boosting Social Finance

The social economy sector plays a significant role in the conservation of natural resources and biodiversity, and SOCAP has been essential in facilitating access to financing in recent years.

However, challenges in the sector necessitate improvements in regulation and a stronger role for SOCAP to enhance financial inclusion and access to funding.

In Mexico, the social economy sector, alongside the public and private sectors, drives much of the country's economic development. This sector represents approximately 1.6 % of the national GDP (INEGI, Estudio de caso de la economía social de México, 2013 y 2018, 2022). It includes Organizations of the Social Economy Sector (OSSE, for its acronym in Spanish), such as ejidos, communities, worker organizations, and cooperatives (DOF, 2012). Ejidos and communities occupy 50 % of the national territory and approximately 100 million hectares inhabited by 5.5 million people (RAN, 2023). These areas contain 80 % of the biological wealth and diversity, 75 % of forestry production, 70 % of water resources, and 40 % of agricultural production (INAES, 2024), positioning the social sector as one of the most relevant to implement actions of conservation and sustainable use of resources.

One of the best-known figures in the social sector is the Cooperatives, which serves as a primary financial resource for ejidos, communities, and the social sector. The Community Financial Societies (SONFINCO, for its acronym in Spanish) and the Savings and Lending Cooperative Societies (SOCAP, for its acronym in Spanish) are collectively owned, non-profit financial institutions that provide financial services to their user members and, after ejidos and communities, are the organizations that contribute the most to the social economy. Currently, there is one SOFINCO, 154 SOCAPs authorized by the CNBV, and more than 300 SOCAPs are considered basic. [10]

In recent years, the role of Credit Unions (SOCAPs) in providing access to sustainable financing has been enhanced by being a great alternative to promote financial inclusion and the democratization of financing for populations generally excluded from financial services. An example is the support SOCAPs are given to the rural population, channeling 26 % of the total credits or loans to the agricultural sector (INEGI, 2019) and granting 98 % of the savings accounts to the rural population (CNBV, 2022).

[10] Las SOCAP básicas tienen menos de 2.5 millones de unidades de inversión (UDIS) en activos, por lo que no es necesario contar con autorización de la CNBV para realizar operaciones (CONDUSEF, 2021).

As of March 2023, authorized SOCAPs held total assets equivalent to MXN 240 billion, showing an increase of 280% from 2012 to 2022; 79.6% of the assets came from the deposits of its saving members, 13.8% from the capital earned in transactions, 4% from its capital contributions, and 2.6% from loans from Development Banks and development institutions. In terms of their credit portfolio, SOCAPs have successfully placed MXN 137 billion in production (19%), consumption (71%), and housing (9%) activities. Additionally, the SOCAPs have more than MXN 79 billion in liquidity to meet their user members' requirements, mostly due to their investment in government securities and other commercial banking products.

Aiming to enhance community welfare, social financial institutions have innovated in the placement of their financial products and services to bring environmental and social benefits at the local level. SOCAPs have focused on financing initiatives such as social housing, water collection and sanitation, nature-based solutions, and biodiversity conservation, and selling microinsurance against climate catastrophes for production issues. This focus on innovation can be attributed to the operation and structure of SOCAPs as community financial institutions, whose objective is to cater to user members' needs.

Recently, INAES conducted a pilot program with 27 SOCAPs to make an initial diagnosis of the potential for aligning the financial products and services provided by the SOCAPs with the objectives set out in this Strategy and Mexico's Sustainable Taxonomy. This pilot highlighted the substantial potential of SOCAPs to develop innovative financial instruments such as loans for social and sustainable housing, energy transition, sustainable use, and water harvesting. This first approach lays the foundations for a diagnosis at the national level, which helps to promptly identify the strategic actions necessary to consolidate the role of the OSSE in placing sustainable financial instruments.

Strengthening the role of SOCAPs as strategic players in promoting sustainable finance involves addressing challenges in various aspects. One major issue is that of a segment of SOCAPs classified at the basic level not being supervised, which influences the difficulty in accessing external financing and increasing the risk for savers and investors of these institutions. In such a situation, the possibility of encouraging basic SOCAPs to transition in an orderly manner toward regulated SOCAPs will be evaluated, either through strategic partnerships with authorized SOCAPs or by granting other facilities that support their transition, such as training, technical assistance, incentive creation, and support funds to cover associated costs.

Besides, SOCAPs face difficulties regarding a lack of access to financial services, such as financing for production activities. This is mainly because the SOCAP are not registered as a business company, causing Cooperatives to classify loans in the consumer portfolio. This results in higher credit costs for the population due to the payment of additional taxes that consumer loans entail. Reviewing the credit placement guarantee requirements that hinder financing access is necessary.

The low volume of credits by SOCAPs leads to high liquidity, resulting in idle resources and dependence on commercial banking investment instruments to manage resources. To ensure access to low-cost financing for people in vulnerable situations, it is necessary to draw up an action plan to enhance social finance mechanisms for those in poverty who face social deprivation; this includes reviewing applicable regulations, creating incentives, and capacity-building.

Advancing the sustainable financing agenda, focusing on social and climate justice, requires mobilizing additional resources and fostering mechanisms that facilitate access to financing. Therefore, it is necessary to promote and improve the operation of financial institutions of the social economy, whose importance lies in their high coverage in territories with high levels of marginalization and climate vulnerability, their potential to promote financial inclusion and financing democratization, their ability to provide territorial solutions based on the needs of user members, and their cooperative and solidarity principles, with great potential to confront the social and economic inequalities of the population, while promoting sustainable development.

GOAL TYPE:

Línea de trabajo:	2.6. Impulso de las finanzas sociales	
Baseline (2022):	**Progress 2023-2024**	**Goal (2023–2030):**
N/A	A national diagnosis on the mobilization of sustainable financing by OSSEs is available.	By 2030, we expect a national diagnosis of sustainable financing mobilized by the OSSE. By 2030, we expect an adjusted and differentiated applicable regulation to improve the penetration and promotion capacity of sustainable financing in financial institutions in the social sector.

Strategic Activities:	Owners:	Term:
2.6.1. Initiate a diagnosis of the applicable regulation for SOCAP to identify areas of opportunity that enhance social finance mechanisms for the population.	INAES, SHCP, and OSSE	ST
2.6.2. Evaluate the relevance of the orderly transition from basic to regulated SOCAPs and the necessary incentives for such transition.	SHCP	ST
2.6.3. Provide technical assistance to SOCAPs for capacity building in sustainable finance.	INAES, CONDUSEF, and SHCP	ST
2.6.4. Encourage the creation of financial instruments for the implementation of actions and projects aligned with the Sustainable Taxonomy in SOCAPs	INAES, SHCP, and OSSE..	ST

2.6.5. Promote the establishment of a Guarantee Fund for SOCAPs to facilitate access to sustainable financing.	INAES, SHCP, and OSSE.	MT
2.6.6. Design and link second-tier financial vehicles, to the social finance sector, which contribute to climate action.	INAES and SHCP	MT
2.6.7. Create financial vehicles for liquidity and treasury management and investment companies that enhance financing in the social economy sector.	SHCP, CNBV, FINABIEN, BANBIEN, NAFIN, INAES, and OSSE	MT
2.6.8. Design and promote new legal forms of social property that encourage and enhance the mobilization of sustainable financing in the social economy sector.	SHCP, CNBV, INAES, and OSSE	MT
2.6.9. Promote a policy of mutualization of technological services, resources, and strategies for regulatory compliance of social finance.	INAES, SE, CNBV, SHCP, and OSSE	MT

Activities performed and / in progress

2.7. Linkage between Carbon Pricing Instruments

In recent years, there has been significant development of various carbon pricing instruments in the country, both at the federal and subnational levels.

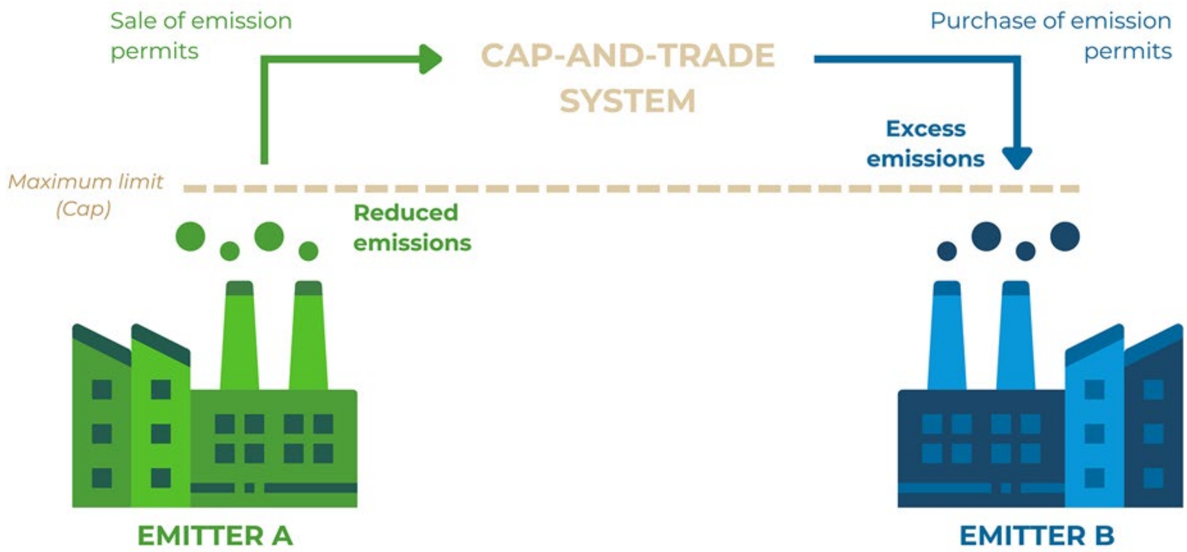
Therefore, it is important to coordinate these instruments so that their implementation supports sustainable financing goals.

Mexico has developed economic, fiscal, financial, and market instruments to combat climate change. Among the initial measures implemented, the introduction of a carbon tax at the federal level is particularly notable. This tax is applied to fuel producers, importers, or distributors based on the carbon content of fossil fuels, so there is a differentiated tax rate for each fossil fuel considered in the tax base. Since its implementation, the carbon tax has enabled the Government of Mexico to raise more than MXN 58 billion (SAT, 2023).

In 2018, Mexico became the first country in Latin America to develop an Emissions Trading System (ETS). That year, the LGCC was amended to build the ETS and promote the reduction of emissions in a cost-efficient, measurable, reportable, and verifiable manner without violating the competitiveness of the sectors participating in international markets (DOF, 2018). Since then, under the leadership of the Ministry of Environment and Natural Resources (SEMARNAT, for its acronym in Spanish), the advancement of this market instrument began.

Following the cap-and-trade principle (see Figure 4), the ETS limits total emissions from polluting sectors and creates a compliance instrument known as an emission right, which will be issued, allocated, and canceled by the environmental authority. To comply with the established emissions cap, market participating companies must have an emission right for each tCO_2e emitted in a given period. These emission rights are tradable among ETS participants to complete the appropriate allocations for this criterion, which sets a price for the emission rights. The cap decreases over time, leading to high and stable prices to induce constant emission reductions (Zeng, 2016). As with taxes, within the ETS, it is possible to institute flexibility mechanisms to cover some of the emission rights through offset credits or emission reduction certificates.

Illustration 7. Operation of the Cap-and-trade System



Source: : MEXICO₂ y WRI, 2022

During the current administration, the testing phase of the ETS was implemented to prepare for its operational phase in 2023. The pilot phase of the ETS focused on plants in the industrial and energy sectors with emissions equal to or greater than 100 thousand tCO_2e. covering 90% of the total emissions reported by companies through the National Emissions Registry (RENE, for its acronym in Spanish). As the next step toward the implementation of the ETS, SEMARNAT plans to publish the Rules of the Operational Phase in 2023, which will determine the process of allocation, cancellation, and reservation of emission rights. Meanwhile, the SHCP, in collaboration with SEMARNAT, will define the tax and accounting treatment of emission rights, the auction mechanism, and the rules for the secondary market.

The tax (carbon tax) and environmental (ETS) policy measures implemented by the SHCP and SEMARNAT have positioned Mexico as a leading country in the region in implementing a hybrid carbon pricing scheme, cas presented in Table 16. To date, outside the European Union, only countries such as Canada, Switzerland, the United Kingdom, and Mexico have both schemes implemented or about to start (CPD-WB, 2023). As a result, carbon price signals have been sent to the market in Mexico, incentivizing companies to reduce polluting emissions and trigger investments in favor of technological development.

Table 16. Operation of the Hybrid Carbon Price Scheme in Mexico at the Federal Level

	Carbon Tax	Emissions Trading System
Status	Under implementation	Pilot phase under implementation and Operational Phase Rules under development
Authority in charge	SHCP	SEMARNAT
Year of establishment	2014	2020
Fossil fuels covered	All except natural gas	
GHG covered	CO_2	CO_2
Sector coverage	All sectors, through fossil fuel producers and importers	Industry and energy

Fuente: Elaboración propia

Box 5. Governance of the Emissions Trading System

To implement the ETS, the SHCP has a seat on the Emissions Trading System Consultative Committee (COCOSCE, for its acronym in Spanish), which is led by SEMARNAT. This committee serves as a permanent technical body for consultation, guidance, social participation, and advice from the Federal Public Administration regarding emissions trading. Within the framework of COCOSCE, the SHCP participates in different working groups: a) cap and allocation, b) offset, and c) the electricity sector.

In particular, the SHCP and SEMARNAT collaborate to enhance the connection between carbon pricing instruments, such as the carbon tax, ETS emission rights, and emission rights derived from the voluntary carbon market

Source: Own elaboration with information from SEMARNAT.

Several Mexican states have implemented carbon taxes since 2017, including Zacatecas, Baja California, Tamaulipas, Querétaro, Yucatán, the State of Mexico, Guanajuato, and Durango, while Colima is in the proposal process, and Jalisco is awaiting approval of its tax. The implementation at the subnational level began in 2017 when Zacatecas imposed its carbon tax in conjunction with a series of environmental taxes. This initial effort was followed by other states, such as Baja California, a state that introduced its tax in 2020. However, a conflict of double taxation in its design prevented its implementation. In the case of Tamaulipas, it presented its instrument in 2020, and, like Zacatecas, its application purpose is emissions into the atmosphere. Additionally, Querétaro and Yucatán put forward their tax proposals in 2021 based on successful experiences but included flexibility mechanisms in their implementation. The State of Mexico, Guanajuato, and Durango, which established the instrument in 2022, maintain the downstream regulation point without considering flexibility mechanisms in its application. Finally, Colima is finalizing the technical details for the tax implementation proposal. Jalisco, which announced its initiative in 2020 and has already been adjusted, is now pending approval by its local Congress (MÉXICO2, 2022).

In addition to the ETS, there is the Voluntary Carbon Market (VCM). This market is established through the implementation of mitigation projects that reduce GHG emissions following international standards that issue methodologies and protocols verified by independent third parties. These reductions translate into offset credits that can be acquired by companies or institutions that seek to offset their emissions as part of their strategies to contribute to mitigation and environmental responsibility.

In Mexico, offset markets represent significant opportunities to mobilize capital for low-carbon projects. The demand for carbon credits issued by the VCM comes from organizations or companies implementing their own decarbonization and environmental responsibility strategies, which can support emissions mitigation projects. It is also determined by the flexibility mechanisms of the regulations established with the tax instruments or the ETS. Flexibility mechanisms are considered to reduce the negative impacts of the regulations themselves, since the ultimate goal of these instruments is not revenue collection or emission registration but to effectively achieve a transition toward a low-carbon economy. In this sense, flexibility mechanisms present the opportunity to smooth this transition and minimize negative impacts on the economy, such as carbon leakage due to impacts on the competitiveness of regulated companies while they work to address their abatement costs.

Currently, the sector that contributes the most projects and emissions reductions to the VCM is forestry (87.5 %). However, projects in energy (5.6 %), industry (1.2 %), waste management (4 %), and other sectors could benefit from these schemes. To advance these markets, it is essential to draw up guidelines that allow efforts and capital to be directed to projects with the highest economic and social impact. It is necessary to strengthen the conditions that enable communities owning projects in the country to support market growth with a climate justice approach (SEMARNAT-GGGI, 2023).

The value of the VCM in Mexico for 2030 is estimated at approximately MXN 2 billion based on global trends in VCMs where they are expected to reach a scale of 0.5 to 1.5 GtCO2 by 2030 (Trove-Research, 2021), at least based on the primary market demand. This global momentum, combined with the flexibility mechanisms of applicable regulations, leads to supporting this perspective in the local VCM, which will allow the placement of credits for those projects already in progress, in addition to those that will emerge in the future by gradually strengthening this market.

Therefore, it is essential to establish coordination mechanisms between instruments and mechanisms that interact in setting the carbon price in the country. The coordination of regulatory instruments is necessary to avoid unsustainable pressures on economic agents while creating synergies and spaces for investment in mitigation projects and production reconversion processes. The efforts of different stakeholders are fundamental as the risks of climate change are heterogeneous, not only globally but also in various regions of the country.

GOAL TYPE:

Workstream :	**2.7. Linkage between Carbon Pricing Instruments**	
Baseline (2022):	**Progress 2023-2024**	**Goal (2023–2030):**
Currently, the approximate value of the VCM in Mexico amounts to MXN 115 million.	N/A	By 2030, MXN 2 billion will be mobilized through the VCM in Mexico. By 2030, there will be strategically linked carbon pricing instruments to advance resource mobilization and reduction of polluting emissions.

Strategic Activities:	**Owners:**	**Term:**
2.7.1. Improve the linkage between carbon pricing instruments.	SHCP and SEMARNAT	ST
2.7.2. Assess the economic and environmental impact of the federal carbon tax and its potential link with the financing of sustainable projects and activities.	SHCP	ST
2.7.3. Promote coordination between federal and local carbon taxes to ensure emission reductions at a level compatible with national climate goals, avoiding negative economic impacts.	SHCP and subnational governments	ST
2.7.4. Preliminary diagnosis of the current situation and opportunities for the country to leverage the potential of blue carbon.	SEMARNAT and INECC	ST
2.7.5. Analyze the current tax framework to identify areas of opportunity that facilitate the operation and good performance of the VCM.	SHCP	ST & MT
2.7.6. Consolidate accounting mechanisms for emissions reduced by carbon pricing instruments and CVMs.	SEMARNAT and INECC	ST

2.7.7. Prepare the guidelines for the emission rights auction mechanism within the ETS.	SHCP and SEMARNAT	ST
2.7.8. Outline the tax and accounting treatment of emission rights within the ETS.	SHCP and SEMARNAT	ST
2.7.9. Develop the necessary tools to launch the auction mechanism for emission rights within the ETS.	SHCP and SEMARNAT	MT

Activities performed and / in progress

2.8. Inclusion and Financial Education in the Mexican Financial System

The democratization of the use of and access to financial services helps reduce inequality and poverty, making it essential to maintain and intensify efforts aimed at lowering access barriers, diversifying products, and providing financial education for vulnerable groups.

Incorporating a financial inclusion lens into sustainable financing strategies will enable underserved and unserved populations to access the benefits of sustainable financial services, promoting a sustainable and inclusive financial sector. Addressing people's financing needs, such as providing savings opportunities or access to financial instruments to meet their consumption or investment needs, generates economic benefits for the country while reducing inequality and poverty. Nonetheless, to ensure the benefits of financial inclusion are widespread, it is necessary to complement these efforts with financial education actions. This means preparing the population to gain skills and knowledge that help them make better savings and investment decisions and manage their finances (CNBV, 2022).

In 2021, 67.8% of the population, equivalent to 56 million people, had access to at least one financial product, such as a formal savings account, credit, insurance, and retirement funds (AFORES). Access to financial products is heterogeneous at the national level, considering that 62% of women had at least one financial product compared to 74.3% of men. In regional terms, those areas with the most significant lag in financial inclusion are the southern regions (Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, and Yucatán), and the south-central and eastern regions (State of Mexico, Hidalgo, Morelos, Puebla, Tlaxcala, and Veracruz) with 60% and 62% of their population having access to financial products, respectively. When differentiating between financial products, only 32% of the population has access to formal credit, 21% have taken out insurance, and 39% are members of retirement funds. In all cases, men have greater access than women (CNBV, 2022).

In order to promote financial inclusion, the SHCP coordinates with financial authorities at the highest level to develop, implement, and monitor actions that promote the financial health of the population and encourage the deepening of financial services. .The two main coordinating bodies among financial authorities for these purposes, chaired by the SHCP, are the National Financial Inclusion Council

(CONAIF, for its acronym in Spanish) and the Financial Education Committee (CEF, for its acronym in Spanish).

In March 2020, CONAIF and CEF presented the National Financial Inclusion Policy (PNIF, for its acronym in Spanish) 2020-2024. The PNIF articulates the actions of various financial authorities to promote the financial health of the population, focusing particularly on vulnerable groups, fostering efficient access to and use of the financial system, and developing the economic and financial competencies of the population. Additionally, this policy aims to increase the percentage of the population with access to at least one financial product to 77% by 2024 (PNIF, 2020). This constitutes an essential step towards achieving sustainable development goals since, by providing greater access to and use of financial services for the population, complementary alternatives are offered to address poverty and inequality, thus improving the welfare of people.

CONAIF is the consultation, advisory, and coordination body responsible for proposing measures for the planning, formulation, implementation, execution, and monitoring of the PNIF. Among the main actions highlighted by CONAIF is the generation of sex-disaggregated data, which allows for measuring the state of financial inclusion in Mexico. One of the largest data collections is the National Financial Inclusion Survey (ENIF, for its acronym in Spanish), a triennial survey that is nationally representative and provides insights into financial inclusion indicators, the financial capabilities of the population, and financial health. Notably, the National Banking and Securities Commission (CNBV), as CONAIF's executive secretary, has played a crucial role in promoting financial inclusion.

Moving towards greater financial inclusion requires support that equips the population with economic and financial knowledge and skills (PNIF, 2020). In this regard, The Ministry of Finance plays a fundamental role in coordinating financial education efforts, as it presides over and leads the executive secretariat of the CEF, a coordination mechanism among financial sector authorities that develops the National Financial Education Strategy, which is integrated into the PNIF through the collaboration between the SHCP and the CNBV with the financial authorities.

On the other hand, the National Commission for the Protection and Defense of Financial Services Users (CONDUSEF, for its acronym in Spanish) is vital in promoting and implementing a comprehensive agenda to foster the financial health of the population. Since its inception, the Commission has created specialized financial education and inclusion content for youth, older adults, women, and recipients of social programs, among other population groups. The Financial Education Certificate

Course and the Minerva Project stand out among these initiatives. Both are 100% online and free, reinforcing the government's commitment to financial health and closing gender gaps. Recently, these initiatives have been updated to incorporate content on sustainable development (PNIF, 2020).

Table 17. CONDUSEF Programs with a Sustainable Perspective

Financial Education Certificate Course	Minerva Project
Objetive: Provide knowledge and skills for the optimal use of financial services and products, regardless of the participants' educational level. **Year of creation:** 2008 **Topics covered:** Importance, components, and trends in financial education. Since 2021, an additional section on economic-financial sustainability, focused on Sustainable Finance, has been included.	**Objetive:** Strengthen women's financial capabilities by providing the knowledge and tools necessary for achieving financial autonomy and independence. **Year of creation:** 2020 **Topics covered:** Budgeting, saving, credit, insurance, and economic participation.

Source: Own elaboration with data from CONDUSEF, 2023.

Additionally, during this Administration, the SHCP and the CNBV have implemented regulatory actions to enhance the population's access to financial services. Examples are the regulatory modifications to simplify the authorization process for correspondents and the reduction of capital requirements for financing MSMEs. Similarly, in 2021, a reform was enacted to allow credit institutions to reduce reserve requirements for expected losses on loans granted to women. By adjusting factors like probability of default and the severity of losses, incentives are created to increase women's access to credit services and thereby facilitate their inclusion in the financial system.

Furthermore, to increase the participation of women entrepreneurs in foreign trade and strategic sectors to strengthen their position in global markets, BANCOMEXT launched the MujerEs Bancomext product aimed at small and medium-sized companies whose ownership (51% in shares) and decision-making are led by women (SHCP, 2023). It is worth noting that promoting women's financial inclusion requires continuous analysis of the internal capabilities of financial institutions to design gender-focused financial products and services. This activity will enable the subsequent development of guidelines for financial institutions to incorporate a gender perspective in their products and service offerings.

Other key institutions in accelerating financial inclusion are non-banking financial intermediaries (SOCAPs, SOFIPOs, SOFOMEs, and Credit Unions) and FinTech institutions, which have the capacity to offer financial services to sectors of the population in vulnerable situations or through technological innovations. These institutions can extend the financial system coverage, providing high-quality services to traditionally excluded populations. Examples are the improved access of small businesses to capital, which until recently was only accessible to large corporations, and the increased coverage of financial services like savings accounts, credits, loans, and financing options regardless of gender, age, and origin.

Although considerable progress has been made, achieving an inclusive financial environment requires regulatory actions that respond differently to the economic sector and the target population group. These actions should focus on breaking down barriers to accessing financial products, simplifying the requirements for opening accounts, diversifying financial products and services according to the needs of the target audience, increasing accessibility for vulnerable groups such as women, migrants, older adults, Indigenous peoples, and rural communities, as well as promoting financial literacy (PNIF, 2020).

Therefore, and in compliance with the objectives of the EMFS, the SHCP has undertaken various actions, among which the following stand out. Firstly, it has coordinated the financial education program for the Sembrando Vida program in collaboration with the Ministry of Welfare, aimed at strengthening the capacities of the program's beneficiaries. Additionally, recommendations are being developed for the design of strategic planning instruments of the CEF.

Furthermore, to incorporate a gender perspective in financial inclusion, the SHCP coordinated the development of Guidelines for the Adoption of a Gender Perspective in Financial Sector Institutions in Mexico, an instrument that focuses on developing the essential capacities required by financial institutions to incorporate a transversal gender approach, from the highest institutional levels down to products and service provision.

Finally, within the framework of the CEF and with Technical Cooperation from the Development Bank of Latin America and the Caribbean (CAF), supported by a technical team of consultants from the German Foundation Services (FAS, for its acronym in Spanish) and independent consultants, a digital repository compiling financial education content is being developed, alongside an e-learning platform for basic education students, which will be developed according to the financial education competencies established with the Undersecretariat of Basic Education (SEB, for its acronym in Spanish).

The actions presented here reinforce the Government of Mexico's commitment to building a comprehensive agenda that broadens financial sector services, promotes efficient financial markets, and improves the financial health of the population. Continuing to promote financial literacy and designing financial products and services tailored to the population's needs will be crucial in sustaining this progress.

GOAL TYPE:

Workstream:	2.8 Education and Financial Inclusion in the Mexican Financial System	
Baseline (2022):	**Progress (2023-2024)**	**Goal (2023 – 2030)**
In 2020, the Federal Government published the PNIF. Number of people with financial education through the CONDUSEF Financial Education Certificate Course by 2022: 107,548 Number of people with financial education through the CONDUSEF Minerva Project by 2022: 14,148	A draft of the guidelines for the adoption of a gender perspective in financial sector entities in Mexico is available.	By 2030, it is expected that 40% of financial sector institutions will incorporate a gender perspective at all levels, from the highest institutional levels down to product and service offerings. By 2030, the expected number of people with financial education through the Financial Education Diploma Program is projected to reach 1,338,981 individuals. By 2030, it is anticipated that by 2030, 68,056 individuals will have received financial education. Through the Minerva project.

Strategic Activities:	Owners:	Term:
2.8.1. Review the PNIF and identify if updates or additional actions are required.	CONAIF SHCP, CNBV, and CONDUSEF	ST
2.8.2. Conduct an analysis of the capabilities within financial institutions and provide support in developing financial products and services tailored to various population groups.	CNAINSHCP, CNBV, CONDUSEF and Development Banks	ST and MT
2.8.3. Publish the guidelines for incorporating a gender perspective in financial sector entities in Mexico	SHCP	ST

2.8.4. Create a digital repository of Financial Education content.	CEF, SHCP	ST
2.8.5. Encourage the expansion of financial education courses and platforms with a sustainability focus.	SHCP, CNBV, and CONDUSEF	MT
2.8.6. Continue reviewing the regulations to develop regulatory measures that promote financial inclusion and innovation.	SHCP and CNBV	MT
2.8.7. Participate in financial inclusion initiatives by designing and implementing financial products and services with an inclusive approach.	Non-banking financial intermediaries (SOCAPS, SOFIPOS, SOFOMES, and Credit Unions) and FinTech Institutions	MT

Activities performed and / in progress

2.9. Access to International Sources of Sustainable Financing

Due to the concessional nature of financing from international sources, it has great potential to provide countries access to low-cost financing. Innovation must also be promoted in the development of sustainable instruments, such as guarantees, equity, and others.

Concessional nature of financing from international sources has great potential to provide...

The impact of climate change manifests itself unevenly throughout the world, disproportionately affecting poor or developing economies due to their vulnerable conditions. This situation, combined with the historical responsibility of developed countries as the main emitters of greenhouse gases, underlines the urgency for the international community to collaborate in mobilizing financial resources to address this climate crisis.

In 2010, during the sixteenth Conference of the Parties (COP16) held in Cancun, developed countries committed to jointly mobilize USD 100 billion annually by 2020. This goal was extended to 2025 after the signing of the Paris Agreement in 2015. If the annual goal were met, developed countries would have managed to mobilize up to USD 1.4 trillion from 2011 to 2025. However, this amount falls short of other estimates, which suggest that around USD 4.3 trillion per year is needed by 2030 to achieve climate goals (CPI, 2021).

Climate financing from international sources can be mobilized through different financial mechanisms and instruments. Among the most relevant mechanisms are multilateral organizations such as Multilateral Development Banks (MDBs) and the International Climate and Environmental Funds, which can provide concessional financing to developing countries. Another source of international financing is bilateral cooperation agencies, which directly manage the allocations from their governments and transfer them through grants, loans, technical assistance, or equity to the recipient countries. In 2020, international climate financing was mobilized through multilateral organizations and bilateral cooperation agencies amounted to USD 68.3 billion, representing 81% of the total amount mobilized by international sources (OCDE, 2022).

In terms of the geographical distribution of international climate financing, Latin America, and the Caribbean region ranks as the third most benefited region. From 2016 to 2020, the region received an average of approximately USD 12.5 billion annually from international sources, representing 17 % of mobilized resources. Meanwhile, Asia and Africa ranked first and second, receiving an average of USD 31.2 and 19.5 billion annually, respectively (OCDE, 2022). This uneven regional distribution of international financial resources calls for intervention by donors and recipient countries to promote equitable implementation of climate mitigation and adaptation measures across regions.

a. Multilateral financing

MDBs play a significant role in mobilizing financing for sustainable development. In recent years, they have incorporated sustainability into their operating model, supporting governments in implementing strategic actions to accelerate investments in activities with positive impacts on the environment and society. Through direct financing and technical assistance, MDBs support developing countries in building and strengthening technical and institutional capacities and in financing specific projects and programs that facilitate the transition to a low-carbon economy. Due to the degree of concessional financing granted by MDBs, countries use these resources to reduce initial capital costs and mitigate investment risk, encouraging participation from other investors.

From 2019 to June 2023, Mexico received USD 40.8 million in non-reimbursable technical assistance. These resources come mainly from the World Bank, the Inter-American Development Bank, and the Development Bank of Latin America and the Caribbean (CAF). Of the total resources granted to Mexico by the MDBs, 72 % yielded sustainability benefits: 48 % of technical assistance was linked to environmental projects, 17 % had a transversal gender focus, and 7.1 % focused on financial inclusion. Environmental technical assistance primarily funded climate change, water and sanitation, and energy activities. Meanwhile, technical assistance with a gender perspective was mainly focused on the infrastructure and transportation, governance and public finance, and water and sanitation sectors.

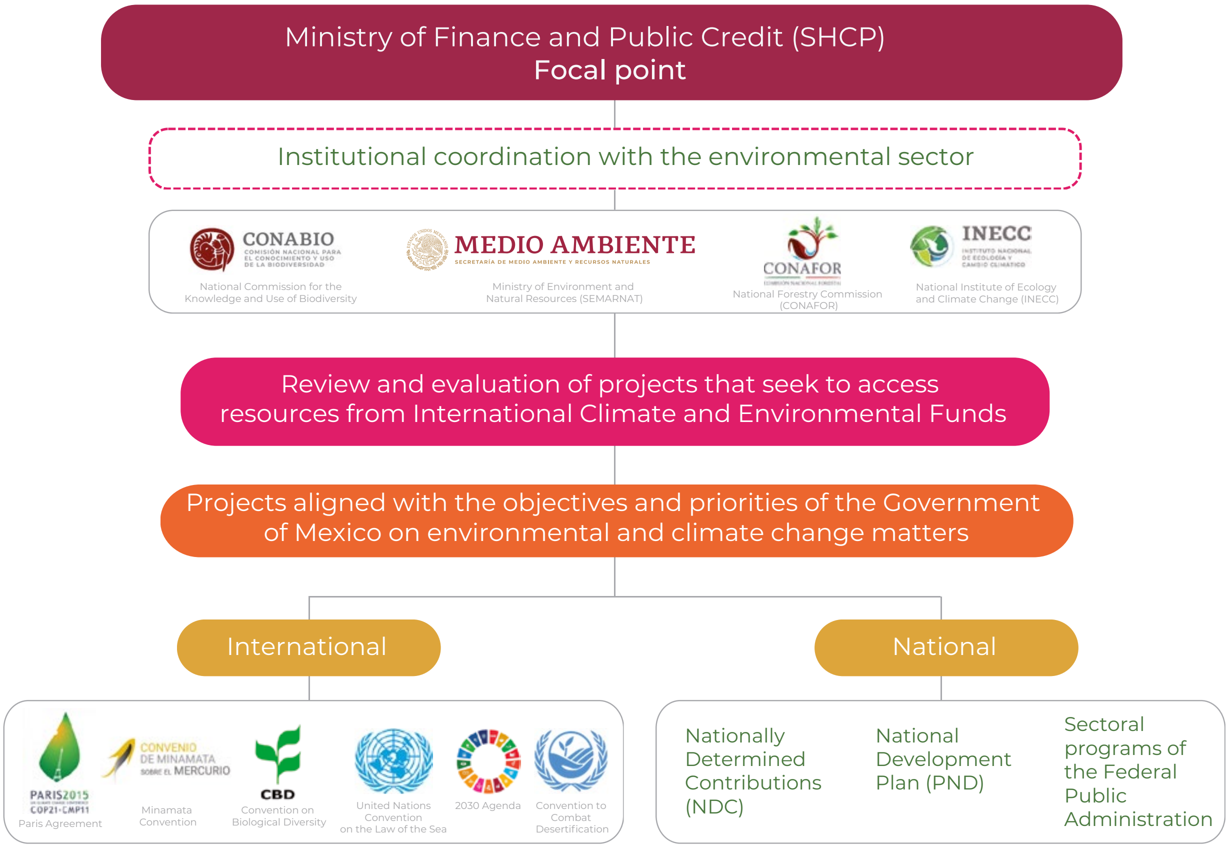
During the current Administration, MDBs have played an important role in supporting the SHCP to further the Sustainable Finance Mobilization Strategy. This partnership is expected to continue, with proactive identification and coordination of projects and technical assistance to build a sustainable financial ecosystem.

b. International climate and environmental funds

At a regional level, Mexico is the second largest recipient of financing from International Climate and Environmental Funds. From 2003 to 2023, the country received an estimated USD 561 million from these mechanisms, second only to Brazil, which received around USD 1.178 billion (CFU, 2022). Major International Climate Funds that mobilize the most resources in Latin America and Mexico include the Green Climate Fund (GCF), the Clean Technology Fund (CTF), and the Global Environment Facility (GEF). In recent years (2018–2024), Mexico has considerably raised its profile among international climate funds, reaching an active grant portfolio of USD 378 billion in non-refundable funds. (CFU, 2022)

Nationally, the SHCP is the authority that represents the Government of Mexico in the most relevant climate and environmental funds worldwide: GCF, GEF, the Global Biodiversity Framework Fund (GBFF) and the Adaptation Fund (AF). As GEF's focal point, SHCP acts as the main liaison between the Funds and the agencies involved in project design and development while monitoring their alignment with the country's environmental and climate objectives. Furthermore, as the National Designated Authority (NDA) before the GCF and the AF, the Ministry focuses on the strategic coordination and approval of specific climate projects, guaranteeing alignment with national policies and promoting direct access to resources. Finally, the SHCP, with technical support from environmental authorities such as SEMARNAT, the National Institute of Ecology and Climate Change (INECC, for its initials in Spanish), the National Forestry Commission (CONAFOR, for its acronym in Spanish), and the National Commission for the Knowledge and Use of Biodiversity (CONABIO, for its acronym in Spanish), evaluates project relevance and alignment with the country's climate and environmental priorities, and is responsible for monitoring their implementation.

Illustration 8. Portfolio of Projects in Mexico Financed by International Climate Funds



Source: Own elaboration

▸ **Global Environment Facility**

Mexico is one of the five countries that receive the most resources from the GEF. Since 1991, more than USD 714 million has been obtained, forming a portfolio of 130 national, regional, and global supporting biodiversity, climate change, soil degradation, chemical and waste management, and international waters.

The GEF operates through Implementing Agencies (IAs) and Executing Agencies (EAs). IAs are international or regional organizations accredited by the Fund that manage and administer activities during project design, development, and implementation. They are directly accountable to the GEF for guaranteeing the alignment and successful project execution. EAs, in turn, are national or international organizations that design, propose, and execute enabling projects, programs, and activities with the support of IAs, following both national and GEF regulations and standards.

The resources from this Fund have supported the deployment of new technologies, the establishment of environmental governance across sectors, the development of local knowledge, and the identification of good practices. For example, the technical and financial support that GEF granted between 1991 and 2015 for the conservation and sustainable use of natural resources and the biodiversity sector made it possible to demonstrate the effectiveness of Protected Natural Areas as conservation instruments [11] and helped create Mexico's Environmental Services Program.

In the seventh replenishment (GEF-7), the project "Green and Inclusive Recovery in Mexico (GreenMex): Making high-value ecosystems and rural livelihoods more resilient and sustainable in a post-COVID-19 scenario" was approved. This project aims to promote biodiversity conservation through integrated landscape management and inter-institutional cooperation, all the while promoting green economic recovery through market-based instruments and sustainable ventures. Additionally, the project will strengthen the social economy and allow the development of inclusive business models for biodiversity management, benefiting local residents [12] in addressing the challenges posed by the COVID-19 pandemic.

In December 2022, the SHCP launched the national call for the Eighth Replenishment of the GEF (GEF-8) to support projects during the 2022-2026 period. After the call closed in January 2023, more than 60 proposals were received, of which seven were approved by the SHCP to be part of the national project portfolio for this replenishment. These seven projects will mobilize USD 72 million allocated to the country by the GEF, along with an estimated USD 480 million in public and private co-financing benefiting over 393,000 people through their implementation.

[11] GEF (2015). Impact evaluation of GEF support to protected areas and protected area systems. Available at: https://www.thegef.org/sites/default/files/council-meeting-documents/IMPACT%20EVALUATION%20OF%20GEF%20SUPPORT%20TO%20PROTECTED%20AREAS%20AND%20PROTECTED%20AREA%20SYSTEMS.pdf
[12] The project is implemented in Durango, Nayarit, Chiapas, Tabasco, Michoacán, Guerrero, and Oaxaca.

Table 18. Portfolio of Projects in Mexico Financed by the GEF for the Eighth Replenishment

Integrated Program	Project Name	Geographic Location	Implementing Agency	Approved Amount (millions of USD)
Ecosystem restoration	1. ORIGIN: Restoring watersheds for ecosystems and communities.	Chiapas, Jalisco, Oaxaca, and Veracruz	CI	12
Critical forest biomes	2. Mexico's critical forest biomes: ensuring benefits for the welfare of local communities and the ecosystems of the Mayan Forest	Campeche, Quintana Roo, and Yucatán	UICN	10
Net zero accelerator	3. Accelerating action in Mexico toward carbon neutrality, nature positivity, and climate justice	Puebla and Yucatán (Mérida)	PNUMA	10
Clean and healthy ocean	4. Building partnerships for the ocean: Reducing water pollution in Mexico through sustainable solutions	Chiapas, Oaxaca, Veracruz, and Quintana Roo	UNDP	15
Wildlife conservation	5. From conflict to coexistence, safeguarding wildlife corridors in Mexico for sustainable development	Campeche, Yucatán, Sonora, Chihuahua, Coahuila, Nuevo León, Michoacán, Nayarit, and Jalisco	US WWF	10
Food systems	6. Food systems, Indigenous peoples, and biodiversity	Chihuahua, Coahuila, Sonora, Durango, Zacatecas, San Luis Potosí, and Jalisco	FAO	5.2
Ecosystem restoration	7. Integrated management of biocultural landscapes: ecosystem restoration and sustainable development in the Biocultural Corridor of Central Western Mexico (COBIOCOM)	Nayarit, Aguascalientes, Zacatecas, San Luis Potosí, Guanajuato, Michoacán, Jalisco, and Colima	FAO	10

Source: Own elaboration with information from the GEF.

▸ Green Climate Fund

Mexico has received approximately USD 141.7 million from the GCF for climate projects and capacity building. Since 2020, GCF has approved eleven projects for the country: two national and nine regionals. According to GCF country allocation estimates, the amount of climate finance approved for Mexico totals approximately USD141.7 million. Additionally, through the Readiness and Preparatory Support Program, Mexico has three national projects approved worth nearly USD 4 million, aimed at strengthening the institutional capacities of the Mexican financial system and facilitating the mobilization of climate financing. Moreover, an additional USD 3 million is expected to be obtained soon from this program to develop the National Adaptation Plan.

GCF operates through Accredited Entities responsible for developing, proposing, and implementing approved projects. These agencies can be international, regional, or national. Currently, Mexico has two GCF-accredited Direct Access Entities (DAE). On the one hand, the Mexican Fund for the Conservation of Nature A.C., accredited in 2019, is mainly responsible for channeling financial resources to implement conservation, sustainable management, and capacity-building initiatives. Such is the case of the "River Restoration for Climate Change Adaptation - RIOS" project, the first national project approved by GCF in 2021. This project aims to increase the adaptive capacity of people and ecosystems throughout the Ameca-Mascota basins in Jalisco and Jamapa in Veracruz (2019), generating direct and indirect benefits for more than 900 thousand people (FMCN, 2021).

The second national entity to be accredited by GCF was Nacional Financiera in 2021. Following its mandate as National Development Bank, Nafin will seek to implement climate change mitigation projects with SMEs as the main beneficiaries. Currently, Nafin is currently working on two project proposals that will use GCF resources to support programs in energy efficiency and the transportation sector. Additionally, in 2024, Banobras became the third DAE, while NADBank is in the process of accreditation to become the fourth DAE. These institutions may conduct infrastructure projects hand in hand with subnational governments in key sectors for the decarbonization of the national economy, such as transportation, water and sanitation, waste management, and energy sectors. FIRA is preparing a proposal for submission to GCF under the Project-Specific Assessment Approach (PSAA) pilot program, allowing it to access concessional resources to support small rural producers in projects that enhance resilience and reduce the risks caused by climate change that adversely affect their productivity.

Regarding the national project portfolio, Mexico hopes to mobilize USD 800 million with support from the GCF. In 2020, the SHCP began the development of the Mexico Country Program before the GCF. Through this document, the Government of Mexico communicates its climate financing priorities to the Fund and presents a portfolio of strategic projects. In collaboration with the environmental sector, the SHCP conducted a participatory process with federal and state government agencies, the private sector, and civil society organizations to build Mexico's strategic project portfolio for the Fund. The result is a set of eight national projects impacting climate change mitigation, adaptation, or both. If approved, they would support the mobilization of more than USD 800 million, of which USD 319 million would be granted by the GCF (SHCP, 2023). All projects have been submitted to the GCF and are at various stages of review for approval.

Table 19. National Project Portfolio with GCF

Project name	GCF financing, estimated ($USD M)	Accredited entity	Result areas
1) Reducing emissions and climate vulnerability in the Balsas Basin in southern Mexico	39.5	FIDA	Cross-cutting
2) Federal Support Program for Financing Mass Electric Transportation (EMT program)	90	BANOBRAS	Mitigation
3) Promoting energy efficiency in Micro, Small and Medium-sized Enterprises (MSMEs)	43.5	NAFIN	Mitigation
4) Program to achieve national climate change objectives in the transport sector	63	NAFIN	Mitigation
5) Ensuring water security in remote rural communities	30	BID	Adaptation
6) Water efficiency program	Por definir	FIRA	Adapatation
7) Improving the resilience of vulnerable families in Mexico City due to the impacts of climate change on water	6.32	Avina Foundation	Adaptation
8) Sustainable Communities for Climate Action on the Yucatan Peninsula (ACCIÓN)	9	FMCN	Cross-cutting

Source: Own elaboration

▸ Adaptation Fud

The Adaptation Fund provides an opportunity for Mexico to channel resources toward projects that help vulnerable communities adapt to climate change. In 2022, the SHCP was appointed as the National Designated Authority before this Fund. From then on, with the support of the Mexican Institute of Water Technology (IMTA, for its acronym in Spanish), the only national entity accredited as an Implementing Entity with the Fund, the SHCP submitted the project "Ha Ta Tukari, Water Is Our Life: Towards universal access to drinking water for 21 communities of the Wixarika Nation" to the Adaptation Fund. In April 2024, the

AF Board of Directors approved the project concept note and support for the formulation of a complete project, making it the first project in Mexico to secure USD 8 million from the AF under the national window.

Encouraging the development of projects with an impact on climate change adaptation requires identifying needs and capacity building to achieve them. In this regard, the SHCP developed the "Guide for Evaluating Project Proposals for the Adaptation Fund (AF) and Obtaining an Endorsement Letter" to facilitate an understanding of the process for accessing resources from the Fund. In addition, national capacity for implementing adaptation projects will be strengthened by accrediting a new National Implementing Entity. Based on the National Adaptation Plan, it will be possible to identify strategic programs and projects which may be eligible for financing from the Adaptation Fund.

- **Global Biodiversity Framework Fund**

During the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD), held in Montreal in 2022, the importance of increasing international financing for biodiversity was underlined. This meeting was a crucial forum to promote resource mobilization to achieve the objectives and goals of the Kunming-Montreal Global Biodiversity Framework.

In this context, the GEF was requested to collaborate in creating a trust fund to facilitate the immediate implementation of the Framework. The Government of Mexico, reaffirming its commitment to biodiversity protection, supported the creation of the Global Biodiversity Framework Fund (GBFF). This Fund was approved during the 64th meeting of the GEF Council in June 2023, where Mexico, as a member of the Council, played a key role in discussions and negotiations for its approval.

This Fund was established to meet the financing goals of the Kunming-Montreal Global Framework for 2030 and aims to channel new resources toward projects that seek to achieve the goals set at the COP15 on Biodiversity. The Fund was initially capitalized with contributions from Canada, the United Kingdom, Germany, Japan, Luxembourg, and Spain, totaling USD 236 million.

The resource allocation policy was approved at the first meeting of the GBFF Council in February 2024, allocating USD 18 million to Mexico. With these resources, the country submitted the project "MEx30x30: Conserving Mexican biodiversity through communities and their protected areas," requesting USD 16 million in funding, which was approved during the second meeting of the Fund Council.

Box 6. Mex30x30 Project

The MEx30x30 project seeks to help Mexico advance toward the 30x30 goal of the Global Biodiversity Framework by securing long-term sustainable financing for existing national protected natural areas (ANP, for its acronym in Spanish). This objective is aligned with the goals of GBFF and Mexico's National Biodiversity Strategy and Action Plan (ENBioMex, for its acronym in Spanish).

Funded by GBFF through GEF, with Conservation International (CI) as the Implementing Agency, the project will be executed from 2025 to 2030 by the Mexican Fund for the Conservation of Nature (FMCN, for its initials in Spanish). with the National Commission of Natural Protected Areas (CONANP, for its acronym in Spanish) as a government partner. This is the first GBFF project to be implemented and will be transformative by enhancing the efficiency of all existing ANPs, catalyzing substantial progress toward Mexico's 30x30 goal, laying the financial and institutional foundations for Mexico to achieve this goal, and ensuring solid management of 30% of the country under robust conservation.

The project will be developed through the implementation of four components:

- Component 1. Strengthening the CONANP to increase its budget and effectively manage ANPs and areas voluntarily designated for conservation (ADVCs).
- Component 2. Mobilizing funds to bridge the financial gap of ANPs while public financing reaches its goal.
- Component 3. Strengthening recently created ANPs and ADVCs managed by Indigenous Peoples and Local Communities (IPLC) to sustainably conserve, restore, and manage their territories.
- Componene 4. Knowledge management, monitoring, and evaluation to scale the impact.

Regarding the mobilization of sustainable financing from international climate and environmental funds, Mexico received approximately MXN 2.5 billion from 2018 to 2022. This amount has increased due to a commitment of additional resources equal to MXN 3.108 billion in the last year, thus contributing to the progress of the goals of the EMFS, which seeks to consolidate its strategy to increase access to the financial resources offered by International Climate and Environmental funds.

GOAL TYPE:

Workstream:	2.9. Access to International Sustainable Financing Sources		
Baseline (2018–2022):	**Progress 2023-2024**	**Goal (2023–2030):**	
From 2018 to 2022, International Climate and Environmental Funds approved around MXN 2.5 billion for Mexico.	From 2023 to 2024, the following financing has been mobilized from these funds (excluding co-financing): GCF: USD 1.077 billion; GEF and GBFF: MXN 2.031 billion at the 2023 average exchange rate.	By 2030, at least MXN 6.5 billion are expected to be mobilized through International Climate and Environmental Funds.	
Strategic Activities:		**Owners:**	**Term:**
2.9.1.Manage Mexico's Country Program for the GCF and update it according to national priorities and the second replenishment for 2024 – 2027 (GCF-2).		SHCP, SEMARNAT and INECC	ST and MT
2.9.2. Prepare and submit the proposal to develop the National Adaptation Plan through the GCF Readiness Program.		SHCP, SEMARNAT and INECC	ST
2.9.3. Complete the accreditation process for at least two direct access entities with GCF.		SHCP, BANOBRAS and NADB.	ST and MT
2.9.4. Support the preparation and submission of at least two new Concept Notes to the GCF, prioritizing those promoted by DAEs or national institutions.		SHCP, NAFIN, BANOBRAS, FMC, FIRA and NADB	MT
2.9.5. Prepare and submit at least one multi-year proposal to the country's window of the GCF Readiness Program for the strengthening of national capacities.		SHCP	MP

2.9.6. Approve at least one multi-year proposal to the GCF Readiness Program window to strengthen the capacities of the DAE.	SHCP	MT
2.9.7. Promote the accreditation process for another national institution with the Adaptation Fund.	SHCP	MT
2.9.8. Submit at least two funding proposals to the Adaptation Fund.	SHCP, SEMARNAT and INECC	MT
2.9.9. Lead the negotiations to define the allocation of resources destined for Mexico during the Ninth Replenishment of the GEF (GEF-9).	SHCP	MT
2.9.10. Launch a national call and define a portfolio of strategic projects that align with the country's environmental priorities, within the framework of GEF-9.	SHCP and SEMARNAT	LT
2.9.11. Define a portfolio of national projects focused on achieving the objectives of the Kunming-Montreal Global Biodiversity Framework, aligned with national priorities, and financed by the GBFF.	SHCP	MT snd LT

Activities performed and / in progress.

PILLAR 3

TRANSVERSAL ACTIONS

PILLAR 3.
TRANSVERSAL ACTIONS

Transversal actions must be considered for an equitable distribution of the benefits derived from the Sustainable Finance Mobilization Strategy (EMFS). These actions must be part of the lines of work and activities described in the previous pillars. Due to its importance in advancing the sustainable, fair, and equitable financing agenda, this Strategy involves four fundamental transversal actions: 1) ensuring the mainstreaming of the gender perspective in the financial system, 2) integrating nature-based solutions and biodiversity conservation into the financial system, 3) building and strengthening sustainable finance capacities, and 4) monitoring and tracking the implementation of the Strategy.

Seeking to mainstream the gender perspective through the EMFS aligns with the Government of Mexico's commitment to providing better opportunities for women. This considers the relevant role of women in the national economy, particularly in poverty reduction, and progresses toward more just and prosperous societies. Furthermore, considering that the climate crisis has disproportionately affected women, one of the transversal actions of this Strategy will be to promote and adopt a gender perspective across all strategic activities outlined in this document.

Similarly, as a megadiverse country and understanding the direct link between climate variation and biodiversity loss, **this Strategy aims to ensure ecosystem conservation is integrated across its actions.** This approach is expected to trigger greater innovation in promoting nature-based solutions within the financial sector, increasing the availability of resources in favor of protecting and conserving ecosystems.

Moreover, correctly implementing the EMFS will require building capacities for better decision-making based on sustainable principles. To this end, activities focused on improving the skills and knowledge regarding sustainable financing of institutions inside and outside the financial system are considered.

Finally, **to ensure the effective implementation of the strategy, follow-up and monitoring actions are included** to allow the Ministry and the implementing institutions to know and evaluate the progress in realizing the goals and strategic actions proposed in the SFMB. Since the strategy is aligned with the 2030 Agenda and the Paris Agreement and aims to respond to sustainable financing needs, periodic review and updating exercises are proposed, with the participation of all stakeholders being essential.

Thus, this section considers four transversal actions comprising 29 strategic activities.

AT.1. Mainstreaming the Gender Perspective in the Mexican Financial System

Women's participation in the economy is fundamental, making it necessary to address gender inequality in the socio-economic and financial environment through governance mechanisms, the availability of specialized financial instruments, and by increasing women's participation in the financial sector.

In Mexico, gender inequalities persist as one of the challenges facing society and the Mexican State. Equal access to job opportunities, full participation in decision-making processes, and discrimination are just some of the obstacles that Mexican women face every day to achieve full and equitable development. These inequalities not only represent social injustices but also inhibit the exercise of women's human rights, who represent more than half of the population in our country.

Among the inequalities that women face is low participation in the labor market. According to figures from the National Occupation and Employment Survey (ENOE, for its initials in Spanish) in May 2023, 75.9% of all men of working age are considered economically active population (PEA, for its acronym in Spanish, while for women, the percentage of PEA was 46%. This difference can likely be attributed to the fact that more women are engaged in unpaid work such as caregiving. Regarding the representation of women in the financial sector, data from WEF (2023) shows a 10% underrepresentation in high-level leadership roles in the financial sector, with women holding only 32% of these positions, despite an overall female workforce rate of 42%.

In addition, another persistent inequality in our country is the gender wage gap. While the average quarterly monetary income of men was MXN 29 thousand, that of women was only MXN 19 thousand during the same period. This translated to a 34.5% gender wage gap, representing a difference of MXN 10 thousand between the incomes of both population groups (INEGI, 2022).

These inequality gaps are mainly explained by the disproportionate burden of caregiving responsibilities that often fall on women and girls. According to data from the National Time Use Survey (ENUT, 2021) in Mexico, 67% of women's total working time (TWT) is unpaid. At the national level, the average weekly TWT hours for women ages 12 and older is 59.5 hours per week, while men work 53.3 hours - a 6.2-hour weekly disadvantage for women. It should be noted that unpaid work is done without receiving any salary or income. These activities generally include caregiving, healthcare, and education services women and girls provide to family and community members (Campus Género).

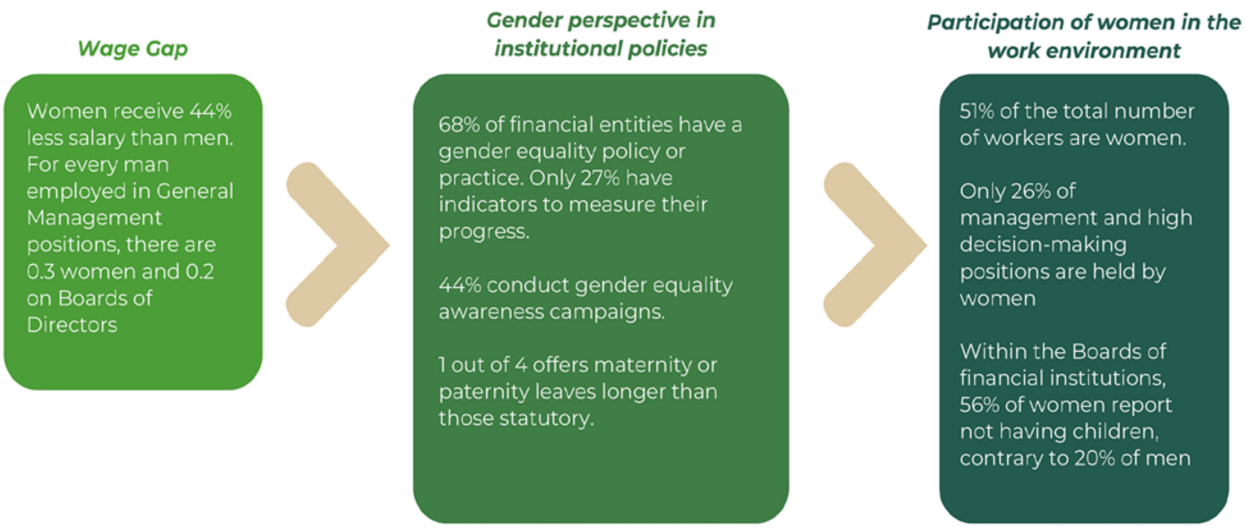
In other words, after dedicating much of their day to unpaid work, women and girls have little time left for paid work. This results in women facing greater challenges entering certain economic sectors due to a lack of affordable care services or the absence of work-life balance policies. Thus, women often must accept part-time jobs with lower salaries, resulting in fewer women advancing to higher decision-making positions.

Modifying these trends and **achieving greater participation of women in both the national economy and the financial sector, as well as reducing the wage gap, are tasks that cannot be postponed.** This is not only essential for social reasons but also because of the potential contribution that women could provide to the country's economic growth and productivity if they were not disproportionately burdened with domestic work.

As a response to this situation, the Government of Mexico, through the SHCP, has implemented various public policy actions to promote gender equality and close inequality gaps in the financial sector. Among these efforts is the creation of the Interinstitutional Committee for Gender Equality in Financial Institutions (CIIGEF, for its initial in Spanish) in 2022. The main objective of this Committee is to develop proposals and share experiences between financial institutions in the public and private sectors to advance three fundamental lines: i) achieving greater gender balance in decision-making positions, ii) preventing gender-based violence within financial institutions, and iii) furthering financial education and inclusion of women.

The SHCP, in collaboration with key financial sector associations, has contributed to the CIIGEF's objectives. An example is the development of a detailed diagnostic assessment that identifies the main barriers to promoting gender equality and the representation of women in financial institutions in Mexico. This study gathered information from 202 financial institutions and more than 13 thousand employees. The main findings are as follows (CIIGEF, 2023):

Illustration 9. CIIGEF Diagnosis on the Participation of Women in Financial Institutions



Source: Own elaboration with data from CIIGEF (2023).

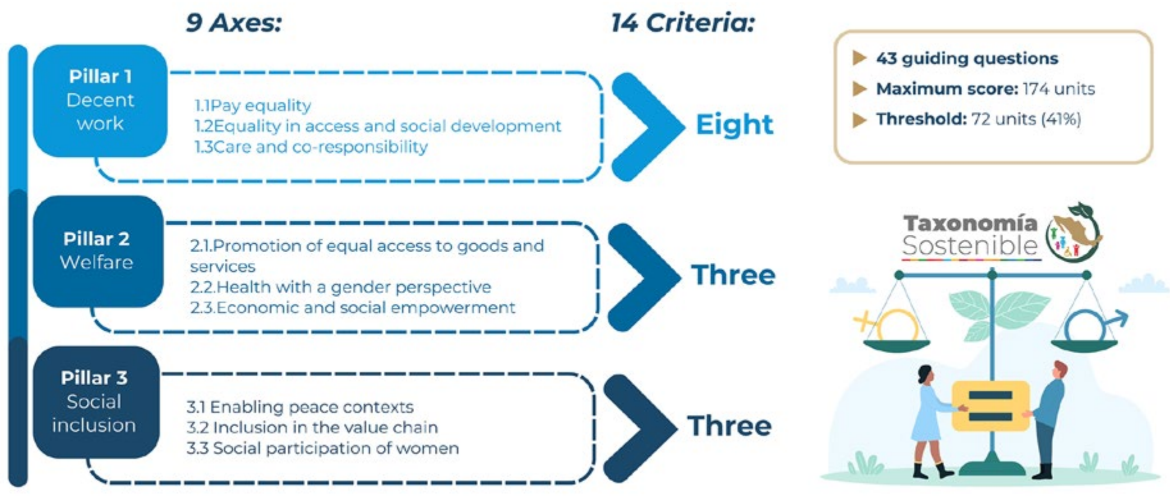
To date, the CIIGEF has 22 member institutions, including authorities and associations from the financial sector, promoting the representation of the diversity of financial sector institutions. Likewise, to follow up on the objectives of this committee, four working groups have been established, which have developed and implemented a work plan for 2024. The coordination of the CIIGEF and its working groups involves extensive participation from the private sector, allowing the strategies and actions promoted under this coordination mechanism to be replicated by financial sector institutions through their trade associations.

While the actions within financial institutions represent progress toward gender equality in the sector, it is the creation of gender-focused public financial policy instruments that has the potential to transform the lives of women in our country. An example of one of these public policy instruments is the Sustainable Taxonomy, which, through the development of the Gender Equality Index (IIG, for its acronym in Spanish), seeks to measure the contribution of productive organizations and investment projects to closing gender inequality gaps, thereby encouraging the channeling and mobilization of resources toward such institutions, companies and/or investment projects.

The IIG recognizes that gender inequalities prevail in institutions and investment projects across various sectors of the economy, allowing any organization from any sector to use the index to assess its alignment with gender equality criteria. The IIG is made up of three pillars: 1) Decent Work, 2) Welfare, and 3) Social Inclusion. These pillars include criteria to assess the practices of institutions and investment projects based on globally recognized gender standards.

Accordingly, institutions that use the IIG will know to what extent their gender equality actions contribute to closing gender inequality gaps, identify areas of improvement within their organizations, and develop financial instruments that address the practical and strategic needs of women and other vulnerable groups (see Illustration 10).

Illustration 10. Sustainable Taxonomy Gender Equality Index



Source: Own elaboration with information from SHCP (2023).

While the Taxonomy will drive the creation of this type of instruments, Mexico has been developing a broad gender bond market since 2020. Among the institutions that have contributed significantly to the issuance of these instruments are FIRA, Banobras, the Worker's Consumption Fund and Guarantee (FONACOT, for its acronym in Spanish), and IDB Invest. These issuances total MXN 12.6 billion and promote the offering of gender-focused credits and loans from commercial banks through second-tier schemes (CMFS, 2024).

Additionally, one of the key contributors to gender equality in the financial system is the Development Banking sector. During the current administration, the development banks have performed actions ranging from the creation of gender-focused financial instruments to supporting projects with an impact on gender equality and the implementation of Policies and Action Plans with a gender perspective, among others.

Cuadro 7A. Actions of Development Banks with an Impact on Gender Equality

NAFIN

Nafin has had a Gender Equality Policy since 2022 as part of the accreditation process with the GCF. This policy intends to establish the guidelines for Nafin to promote gender equality and the empowerment of women, incorporating the gender perspective both in our organizational culture and in our operations. Based on this policy, a Gender Action Plan is currently being developed that describes the activities to comply with this policy, as well as the responsabilities and the supervision mechanisms. The plan will be formalized in the second half of 2023 to begin implementation with the support of international technical cooperation.

BANOBRAS

BANOBRAS has had a Gender Policy since 2020, under the main international commitments on gender equality and aligned with principles of sustainable financing such as those of the GCF. This policy is reviewed periodically and has a multi-year Action Plan that seeks to be implemented in BANOBRAS's institutional culture and internal procedures and in managing project financing operations.

Additionally, BANOBRAS has made progress in institutionalizing internal rules and procedures with a gender perspective, a Labor Equality and Non-Discrimination Policy updated in 2022, and several mechanisms for preventing bullying and sexual harassment through infographics, training, and awareness-raising on the subject. BANOBRAS has also been certified in the Mexican Standard on Labor Equality and Non-Discrimination NMXR 025 SCFI-2015 (NOM 025) and has developed performance indicators to know the projects' impact on women's quality of life.

NADBANK

NADBANK has a Gender Equality and Inclusion Policy aligned with the SDGs, intending to promote gender equality and inclusion in all projects financed by the Bank. It has created gender evaluation tools and databases for the border region where it operates. The bank has drawn up a Gender Action Plan as a roadmap for implementing its gender policy, establishing indicators, identifying responsible parties, and providing a time frame for fulfillment. Also, as part of this plan, a training plan has been devised to integrate the gender approach in the institution and build the necessary capacities to improve the gender analysis of funded projects.

Source: Information provided by the Development Banks.

Cuadro 7B. Actions of Development Banks with an Impact on Gender Equality (continued)

FIRA

In September 2022, FIRA approved its internal Gender Policy. This document represents the institution's commitment to adopting national equality and discrimination prevention policies so that the gender perspective is incorporated both inside and outside the institution. The same regulatory document (Gender Policy) includes the "FIRA Labor Equality and Non-Discrimination Policy" required by NMX-025; the "FIRA Psychosocial Risk Prevention Policy," outlined in NOM-035, the "FIRA Zero Tolerance Policy for Sexual Harassment", the National Program for Equality between Women and Men (PROIGUALDAD), the National Program for Equality and Non-Discrimination (PRONAID), and the provisions in the applicable regulations on ethics, public integrity, and gender-based violence prevention, assistance, and punishment.

Also, FIRA has placed more than MXN 10,000 million in three social bonds (FEFA20G, FEFA21G, and FEFA22S). These bonds seek to make the promotion of women's economic autonomy and devise strategies that benefit them through greater financial inclusion, thus improving their socioeconomic conditions and those of their families.

Source: Information provided by the Development Banks.

Other federal government entities, such as regulatory commissions, associations, and other institutions in the financial sector, have also incorporated gender perspectives into their actions. Such is the case of the amendments to the Securities Market Law that seek sustainability and gender equality in the stock market sector and establish tax incentives with a gender approach. The role of Regulatory Commissions, such as the CNSF, stands out. It is forming a Special Gender Equality Coordination Group (GECIG, for its initials in Spanish) to implement agreements and initiatives of the CIIGEF and other regulatory programs. In the case of CONDUSEF, the work done in creating content to build capacities focused on including women in the financial system is noteworthy.

Finally, the recent collective commitments made by financial sector associations demonstrate their willingness to move forward in a coordinated manner to close gender gaps. An example is the commitment letter signed by SHCP, AMIS, CONDUSEF, and CNSF in 2021 to promote gender equality, diversity, and inclusion in the Insurance Sector; the voluntary commitment letter for the reduction of the gender gap in the financial sector signed by SHCP and ABM in 2021; and the recent signing, in 2023, of the letter of intent to reduce the gender gap in the digital financial services ecosystem.

Accordingly, the Strategy recognizes the importance of moving toward gender equality. To do so, it builds upon the actions of different financial sector institutions and proposes the following:

GOAL TYPE:

Workstream :	**AT.1. Mainstreaming the Gender Perspective in the Mexican Financial System**	
Baseline (2022):	**Progress (2023-2024)**	**Goal (2023 – 2030):**
By 2022, 68 % of financial institutions will have a gender equality policy or practice. By 2022, there will be 0.3 women employed for every man in General Management positions in the financial system.	N/A	By 2030, 100 % of financial institutions are expected to have a gender equality policy or action plan. By 2030, it is expected that for every 10 men employed in General Management positions in the financial system, there will be 6 women employed.

Strategic Activities:	**Owners:**	**Term:**
AT 1.1. Dissemination and capacity building on the Gender Equality Index of the Sustainable Taxonomy in financial institutions and real economy companies.	SHCP and INMUJERES	ST
AT 1.2. Conduct IIG pilots in small- and medium-sized businesses.	SHCP	MT
AT 1.3. Encourage the design of financial products and services with a gender perspective	SHCP, CNBV, development banks, financial sector associations, and digital financial services ecosystem associations	ST
AT 1.4. Promote financial education actions with a gender perspective.	SHCP and CONDUSEF	ST
AT 1.5. Establish mechanisms that promote the presence of women in decision-making positions.	CIIGEF, SHCP, development banks, financial sector associations, and digital financial services ecosystem associations	ST

Activities performed and / in progress

AT.2. Integrating Nature-based Solutions and Biodiversity Conservation into the Financial System

The value of biodiversity and the financial needs for its conservation require the integration of a vision that recognizes it within the financial system. Achieving this requires promoting various actions, such as disclosing the risks and impacts related to the nature of financial institutions, creating the tools and conditions to drive the mobilization of financing with a positive impact on biodiversity, and strengthening the national frameworks on the matter.

The resilience of human society is inextricably linked to the strength of biodiversity[13], as ecosystem services underpin human welfare and economic activity. Often, biological diversity and ecosystem services are often referred to as nature, which represents an asset for the economy, yet typically lacks an assigned economic value or price. However, human activities' impacts and dependencies on biodiversity have tangible and measurable repercussions, from which it is possible to conceive part of its value in our economy and lives. Therefore, it is imperative from both an economic and financial perspective to adopt a view whereby nature intersects all human activity. The impacts resulting from ignoring these effects can be observed in a study that showed ten cases of companies with an aggregate financial impact of at least USD 80 billion due to inadequate management of their interactions with nature (BloomberNEF, 2023).

In our interconnected world, more than half of the global Gross Domestic Product depends on nature and its services (WEF, 2020). However, we face a growing threat due to biodiversity loss and ecosystem degradation. The World Wildlife Fund's (WWF) 2022 global Living Planet Index shows an average 69% decline in the relative abundance of monitored wildlife populations between 1970 and 2018. This reality impacts not only on our global economic stability but also on the population's welfare (WEF, 2020).

Faced with this challenge, countries have committed, through the Kunming-Montreal Biodiversity Agreement, to conserve and protect at least 30% of land and marine surface to halt biodiversity loss. The Agreement emphasizes the importance of mobilizing USD 200 billion annually for biodiversity from various sources (public, private, and international). These goals, which are extremely important, especially for megadiverse countries like Mexico, call for proposals of effective strategies to meet them.

[13] **Biological diversity** or **biodiversity** means the variability among living organisms from all sources, including, but not limited to, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species, and of ecosystems (Convention on Biological Diversity).

The Government of Mexico has sought to contribute by developing policies and directly allocating resources for environmental protection in favor of biodiversity. From 2018 to 2022, the average annual expenditure on biodiversity was MXN 15 billion, a figure well below what is necessary since, according to BIOFIN estimates, Mexico requires mobilizing at least MXN 216 billion annually (INEGI, 2022).

With this in mind, identifying the challenges and opportunities biodiversity presents for Mexico's financial system becomes even more. Some studies indicate that investing in nature conservation and restoration can generate economic benefits up to ten times the initial investment amount. This underscores the importance of continuing to estimate the economic value of natural assets and understanding the estimated cost of economic losses associated with inaction.

The health of oceans is essential to support society's food security, as well as the fight against climate change - one of the causes of biodiversity loss. With a warmer, more acidic, and less oxygenated ocean, more than 70% of endangered species seek refuge in Marine Protected Areas, essential for their conservation. Meanwhile, another refuge lies in the coastal blue carbon ecosystems, which continue to be important carbon deposits. Still, their protection is not guaranteed; between 20% and 35% have been lost globally since 1970 (IOC-UNESCO, 2024).

The PROBLUE fund has intensified the cohesion of marine-coastal public policies, and has promoted progress through coordinated efforts toward a common agenda for sustainable economic development. This is a multi-donor initiative managed by the World Bank that has supported the collaborative work of various stakeholders under the coordination of SHCP, with technical assistance of SER and the participation of the Interministerial Commission on Sustainable Seas and Coasts (CIMARES, for its acronym in Spanish), SEMARNAT, the Mexican Fisheries and Aquaculture Research Institute, SECTUR, SEP, INEGI, among other federal agencies. PROBLUE has driven three main components:

i) Gestión de datos y conocimientos para la toma de decisiones: Mejorando la generación y sistematización de información para optimizar la toma de decisiones y la respuesta a los impactos del cambio climático, y evaluando el cumplimiento de compromisos internacionales.
ii) Gobernanza, acciones sectoriales y territoriales: Fortaleciendo capacidades institucionales y promoviendo prácticas sostenibles en actividades relacionadas con el océano.
iii) Financiamiento e inversión azul: Desarrollando guías y estrategias para atraer inversiones hacia actividades económicas sostenibles que conserven los recursos marinos y costeros.

These efforts have contributed significantly to achieving nine Sustainable Development Goals, specifically SDG 14, which promotes the conservation and sustainable use of oceans, seas, and marine resources.

The Ministry of Finance and Public Credit is advancing several initiatives to integrate biodiversity into the financial system. Examples include the analysis of the fiscal risks related to biodiversity loss, the development of the biodiversity objective of the Sustainable Taxonomy, the incorporation biodiversity-related financial risk disclosures into regulations, and the continued use of financial resources from the Global Environment Facility and the Global Biodiversity Framework Fund, of which Mexico is a main recipient due to its ability to innovate and run replicable and scalable projects.

Additionally, the SHCP is collaborating with the environmental sector to review and update Mexico's National Biodiversity Strategy (ENBioMex, for its acronym in Spanish). The activities proposed in the Strategy include creating a Biodiversity Financing Plan for the effective implementation of ENBiomex. This plan should integrate a critical roadmap to mobilize resources toward actions that positively impact biodiversity conservation and sustainable use. Within the ENBioMex framework, a pilot expenditure classifier is also planned to identify and quantify the resources included in the Federation's Expenditure Budget for biodiversity.

Lastly, the role of the Sustainable Finance Committee should be highlighted as a space where discussions and initiatives already consider biodiversity as a priority, recognizing the potential contributions from the financial system. For instance, **important advances have been made internationally regarding biodiversity-related financial risks, which must be incorporated into Mexican regulations.** The Kunming-Montreal Agreement, adopted in 2022, establishes the need for administrative or regulatory measures to encourage companies and financial institutions to monitor, assess, and disclose information on risks, dependencies, and impacts associated with biodiversity (CBD, 2022).

Another example is the progress of the Taskforce on Nature-related Financial Disclosures (TNFD). In March 2023, TNFD launched the latest version of its framework for identifying nature-related financial risks and opportunities. This framework will improve understanding of the economic, financial, and fiscal implications associated with biodiversity loss and, ultimately, may provide relevant elements for the creation of ISSB standards (TNFD, 2023). Notably, the GT-ESG Disclosure coordinated by CNBV facilitated the issuance of comments for this reference framework.

GOAL TYPE:

Workstream :	**AT.2. Integrating Nature-based Solutions and Biodiversity Conservation into the Financial System**	
Baseline (2022):	**Progress 2023-2024**	**Goal (2023–2030):**
N/A.	N/A	By 2030, regulations are expected to require financial institutions to assess and disseminate information about the risks and opportunities associated with biodiversity.
Strategic Activities:	**Owners:**	**Term:**
AT.2.1. Initiate actions toward the quantification of natural assets in Mexico and their impact on the national economy.	SHCP, INEGI, and institutions of the environmental sector	ST, MT, and LT
AT.2.2. Strengthen capacities regarding the importance of integrating biodiversity in the public and private financial sectors.	SHCP	ST
AT 2.3. Desarrollar la Estrategia de financiamiento para la Biodiversidad.	SHCP	ST
AT.2.4. Develop the biodiversity objective in the Sustainable Taxonomy.	SHCP	ST
AT. 2.5. Conduct a diagnostic assessment of fiscal incentives and disincentives to reduce negative impacts on biodiversity and increase those that promote its conservation and sustainable use.	SHCP	MT
AT. 2.6. Conduct analyses of risks and financial opportunities associated with biodiversity.	SHCP, CNBV, CONSAR, CNSF and BANXICO	MT
AT. 2.7. Perform an analysis of financing instruments for biodiversity.	SHCP	MT
AT. 2.8. Develop regulation for the disclosure of financial risks associated with biodiversity loss.	SHCP, CNBV CONSAR CNSF	LT

Activities performed and / in progress

AT.3. Building Capacities of Financial Authorities and Regulated Entities to Facilitate the Mobilization and Access to Sustainable Financing

The implementation of the Strategy largely depends on the transformation and adoption of sustainable practices by key institutions. In this regard, to continue advancing the mobilization and reorientation of public and private capital, it is essential to build and consolidate sustainable finance capacities and knowledge of both the financial system authorities and regulated institutions.

Integrating the sustainability agenda in the financial sector requires that key institutions ensure the appropriate use of resources intended for sustainable purposes. Therefore, the Strategy is accompanied by specific actions to build and strengthen capacities that facilitate the transformation of the Mexican financial system toward sustainability.

Following the publication of the EMFS document in 2023, various actions have been implemented to increase the capacities of institutions inside and outside the financial system in terms of sustainable financing. For example, the SHCP has held several training sessions to ensure the proper use of the Sustainable Taxonomy, with over40 dissemination sessions and more than 2,000 participants since its publication. Additionally, at the beginning of 2024, a capacity-building process began with financial entities, institutional investors, credit institutions, issuers, and non-bank financial intermediaries. This process included 12 training sessions on the implementation of the Sustainable Taxonomy, benefiting 25 institutions from the public and private sectors and around 980 individuals. This effort was conducted by financial system authorities with support from sector associations.

As a second phase of Sustainable Taxonomy (TSM) training, and following the Letter of Intent to implement the EMFS and the Sustainable Taxonomy, signed by SHCP and financial sector associations on September 18, 2023, these associations will begin to plan and subsequently lead training sessions. To support this effort, **the Sustainable Finance Mobilization Strategy Implementation Network will be launched under the leadership of SHCP, the Mexican Council for Sustainable Finance, and with the support of the French Development Agency (AFD, for its initials in French).** This network aims to serve as a space for sharing experiences and supporting initiatives that promote the transformation of financial sector associations toward sustainability, in line with the provisions of this document.

Furthermore, to create clear and concise technical content on the Taxonomy, throughout 2023 and 2024, the SHCP developed learning and implementation tools. An example is the Online Learning Tool, a digital course designed to introduce potential users the Taxonomy and facilitate its understanding and adoption. This tool includes five strategically designed modules covering the main elements, characteristics, and practical applications of the Taxonomy: i) Introduction to Sustainable Finance, ii) Objective and Elements of Mexico's Sustainable Taxonomy, iii) Technical Evaluation Criteria, iv) Gender Equality Index, and v) Applications of Sustainable Taxonomy.

The SHCP has also developed a Sustainable Taxonomy implementation tool with an associated manual to guide user institutions in evaluating the alignment of their financial operations with the Taxonomy and its components. The manual will also include a series of recommendations for financial entities to facilitate the adoption of the taxonomy. Looking forward, tools and guides are expected to be available not only for the TSM but also for other sustainable financing instruments.

An essential part of capacity building to promote a sustainable environment is the timely and relevant dissemination of information to the public. To this end, various entities have developed digital resources that allow all interested parties to delve deeper into sustainable finance topics. One such initiative is the Ministry of Finance's Sustainable Finance Platform. This digital resource is available to the public to present and disseminate relevant information about the actions undertaken by the Government of Mexico regarding sustainable finance. Through this platform, interested parties can access key information about sustainable finance in Mexico and an overview of the Sustainable Finance Mobilization Strategy, the Sustainable Taxonomy, SDG Sovereign Bonds, and Climate and Environmental Financing Funds. This platform will also feature a glossary of sustainable financing, which is currently being developed under the leadership of the CNBV as part of the Sustainable Finance Committee.

Additionally, Banco de México is developing the Digital Repository for Learning and Collaboration in Sustainable Financing (RAÍCES, for its acronym in Spanish) to raise awareness of the relevance of sustainability-related finance and capacity building. This repository will cover topics such as ESG reporting and disclosure standards, green and sustainable taxonomies, environmental and social risk and opportunity analyses, climate scenario analyses, and new financial instruments in capital markets to mobilize resources toward sustainable activities. The five main audiences of the Repository are i) financial authorities, ii) financial institutions, iii) non-financial companies, iv) young people, and v) local communities.

Publishing digital resources and building capacity represent an essential first step in integrating a sustainability vision into the financial system. Nonetheless, it is vital to continue building partnerships inside and outside the financial sector. In this sense, academia, particularly universities and research centers, plays a critical role, being uniquely positioned to influence the training of professionals and leaders who can advance toward a more sustainable economy. This can be achieved through specific programs, courses, certifications, and research projects on sustainable finance.

In this context, the goals listed below are part of the initial phase of capacity building. However, it is desirable to increasingly integrate sustainability topics as demand requires.

GOAL TYPE:

<table>
<tr><th>Workstream :</th><th colspan="3">AT.3. Building Capacities of Regulated and Regulatory Entities to Facilitate the Mobilization of Sustainable Finance</th></tr>
<tr><th>Baseline (2022):</th><th>Progress (2023-2024)</th><th colspan="2">Goal (2023 – 2030):</th></tr>
<tr><td>N/A</td><td>A total of 12 training sessions on the Sustainable Taxonomy have been conducted, benefiting approximately 980 individuals.

Materials have been developed and published to ensure better adoption of the Sustainable Taxonomy.</td><td colspan="2">A total of 12 training sessions on the Sustainable Taxonomy have been conducted, benefiting approximately 980 individuals.

Materials have been developed and published to ensure better adoption of the Sustainable Taxonomy.</td></tr>
<tr><th colspan="2">Strategic Activities:</th><th>Owners:</th><th>Term:</th></tr>
<tr><td colspan="2">AT 3.1. Develop and launch Mexico's Sustainable Taxonomy Online Learning Tool.</td><td>SHCP</td><td>ST</td></tr>
<tr><td colspan="2">AT 3.2. Develop and make available the Sustainable Finance Platform to interested parties.</td><td>SHCP</td><td>ST</td></tr>
<tr><td colspan="2">AT 3.3 E-learning platform on financial inclusion for basic education students.</td><td>SHCP</td><td>ST</td></tr>
<tr><td colspan="2">AT 3.4. Develop and publish the Sustainable Taxonomy Implementation Tool and its user manual.</td><td>SHCP</td><td>ST</td></tr>
</table>

AT. 3.5. Develop and make available the Digital Repository for Learning and Collaboration in Sustainable Financing (RAICES) available to interested parties.	BANXICO	ST
AT. 3.6 Develop and make available the ESG platform for interested parties.	CNBV	ST
AT 3.7. Develop and publish a glossary of sustainable finance terms.	CNBV	ST
AT 3.8. Develop tools and guides to facilitate the correct use of the TSM and other financial instruments, such as thematic bonds.	SHCP	ST
AT 3.9. Conduct training sessions on Mexico's Sustainable Taxonomy in preparation for its implementation with various financial system institutions.	SHCP and financial system associations	ST and MT
AT 3.10. Launch and implement the EMFS Implementation Network.	SHCP	ST, MT and LT

Activities performed and / in progress

AT.4. Strategy Review, Update, and Monitoring Process

To ensure compliance, the Strategy considers two key actions regarding follow-up and monitoring. On the one hand, the construction and implementation of a monitoring and transparency system for sustainable financing flows will allow tracking progress in terms of mobilization. On the other hand, the process of reviewing and updating goals, lines of work and strategic activities guarantees that the Strategy aligns with the financing needs and the country's economic, social, and environmental context.

The Sustainable Finance Mobilization Strategy is a dynamic document that responds to the country's needs. To ensure its effective implementation and meet the objective of increasing sustainable financing mobilization and access, it is important to periodically review the progress of each workstream and strategic activity concerning the established goals.

It is also necessary to review and update sustainable financing needs at least every three years. While this document provides an estimate of current resource mobilization needs to achieve the NDC and SDG goals in Mexico, a thorough process must be conducted to determine, in detail, the amount of sustainability-associated resources currently mobilized and required.

Once the baseline of financing needs is confirmed, activities must be initiated to design and implement a monitoring, verification, and reporting (MRV, for its initials in Spanish) mechanism for public and private, national and international sustainability-associated resources mobilized in Mexico. Developing an MRV will ultimately enhance transparency and accountability regarding the progress in the availability and allocation of resources toward sustainability.

To ensure that the Strategy directly benefits citizens, a review of the progress in implementing the lines of work and activities defined in the Strategy will be necessary. This review will be led by the SHCP, with support from key actors inside and outside the financial system. Monitoring should be conducted annually, with results presented within the framework of the Sustainable Financing Committee and the CICC Financing Working Group, and subsequently shared with the general public through the Sustainable Finance Platform.

The proposed activities for reviewing, updating, and monitoring the Strategy are described below.

GOAL TYPE:

Workstream :	AT.4. Strategy Review, Update, and Monitoring Process		
Baseline (2022):	**Progress 2023-2024**	**Goal (2023–2030):**	
▸ MRV System proposals for sustainable financing generated by the environmental sector. ▸ Estimation of costs and benefits associated with implementing mitigation actions to meet the emissions reduction objectives of the Paris Agreement.	N/A	By 2030, the MRV system for mobilized sustainable financing flows will be developed and implemented. By 2030, there will be reports on the progress in the implementation of the Sustainable Finance Mobilization Strategy.	
Strategic Activities:		**Owners:**	**Term:**
AT 4.1. Review and update financing needs to achieve established goals.		SHCP, SEMARNAT	ST
AT. 4.2. Develop a Roadmap for the design of a sustainable financing MRV System.		SHCP	ST
AT 4.3. Identify key stakeholders and the needs for the necessary institutional arrangements to build and operate the sustainable financing MRV System.		SHCP	ST
AT 4.4. Conduct an annual review of the EMFS, involving key stakeholders inside and outside the Mexican financial system.		SHCP	MT
AT 4.5. Prepare annual reports on the progress in EMFS implementation.		SHCP	MT and LT
AT 4.6. Implement a sustainable financing MRV System with information available to the general public.		SHCP	MT and LT

Activities performed and / in progress.

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