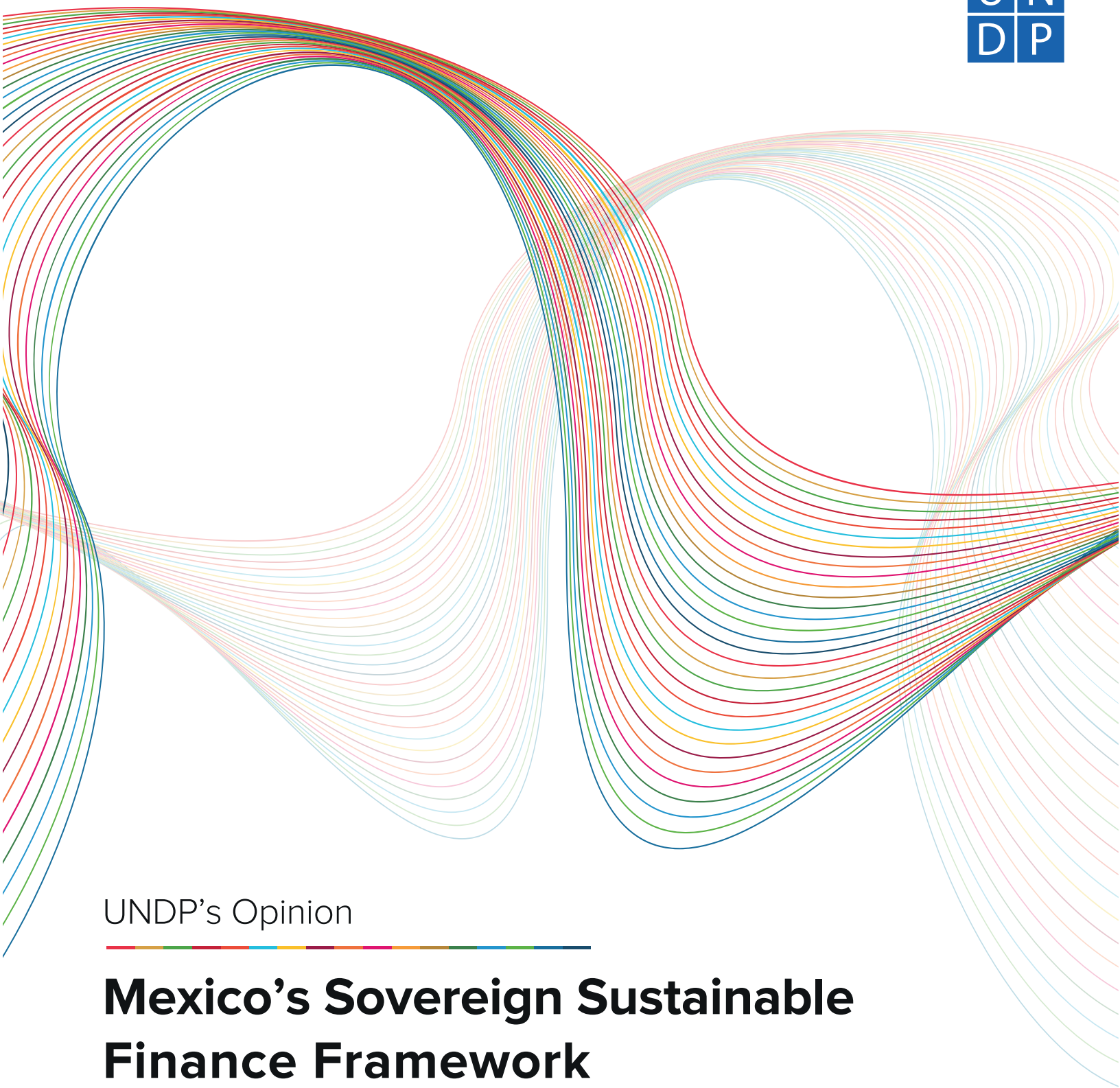


United Nations Development Programme



UNDP's Opinion

Mexico's Sovereign Sustainable Finance Framework

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UNDP's Opinion of Mexico's Sovereign Sustainable Finance Framework

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United Nations Development Programme (UNDP)
Montes Urales 440
Col. Lomas de Chapultepec, Alcaldía Miguel Hidalgo.
C.P.11000, CDMX, México.

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Analysis: Maite García de Alba.

External support: Jeremías Diez-Canedo and Julia Gómez.

Editorial design: Octavio Mendoza.

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UNDP's Opinion at a Glance

UNDP considers the Sovereign Sustainable Finance Framework (SSFF) to be fully aligned with the principles and objectives of the 2030 Agenda for Sustainable Development. The issuance of the SSFF represents a significant advancement in scaling sustainable financing, through the incorporation of new financial instruments and activities designed to generate positive social, economic, and environmental impacts. These efforts demonstrate consistency with the national priorities established in the National Development Plan (NDP) 2025–2030. The annual reporting commitments, together with the application of the Mexican Sustainable Taxonomy as an analytical framework for assessing Eligible Sustainable Expenditures, constitute milestones expected to produce broader institutional benefits and the embedment of the principles of sustainability, resilience, and inclusion across the entire budgetary ecosystem. The SSFF incorporates robust impact management and governance mechanisms that reinforce accountability, foster investor confidence and ensure the effective allocation of proceeds to both national and global development priorities.



Foreword

Mexico has established itself as a leading innovator in the development of financing instruments to support both public and private spending and investment in sustainable development. The issuance of the UMS SDG Sovereign Bond Framework in 2020 marked a milestone in the Mexican financial ecosystem, not only for its contribution to deepening the sustainable yield curve within the public debt portfolio, but also as a catalyst for broader institutional transformation.

Since 2020, the United Nations Development Programme (UNDP) has participated as an observer in the issuance of SDG Bonds and has consistently documented the positive progress achieved through these instruments. Advancements have been noted in monitoring and reporting practices, capacity-building initiatives, and strengthened coordination across public administration. Moreover, the bonds have leveraged multisectoral bodies to support the implementation and follow-up of the 2030 Agenda in the national context, while enhancing the measurement of public expenditure and the effectiveness of SDG-related outcomes.

In January 2026, the Government of Mexico took another decisive step forward with the issuance of the Sovereign Sustainable Finance Framework (SSFF). This new Framework, which supersedes the 2020 UMS SDG Sovereign Bond Framework, is more ambitious in scope, expanding the range of financial instruments it regulates and the thematic activities it encompasses. It also introduces more rigorous reporting standards, integrating Sustainable Financing Instruments (SFIs) into the broader financial landscape.

The SSFF responds to the updated national priorities set forth in the National Development Plan (NDP) 2025-2030 and reflects the Government of Mexico's commitment to align with the most advanced international standards in sustainable finance. Accordingly, the Framework is harmonized with the International Capital Market Association's (ICMA) Green Bond Principles (2025), Social Bond Principles (2025), and Sustainability Bond Guidelines (2021), as well as with the Green Loan Principles (2025) and Social Loan Principles (2025) issued by the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA), and the Asia Pacific Loan Market Association (APLM).

A distinctive feature of the SSFF lies in its governance provisions, which engage sectoral ministries, multisectoral bodies, autonomous institutions, and international organizations, including UNDP as an observer in the selection and reporting processes. These mechanisms reinforce accountability, foster investor confidence, and ensure the effective allocation of proceeds to both national and global development priorities.

UNDP welcomes the issuance of this strengthened Framework, which consolidates Environmental, Social and Governance (ESG) principles as a priority in the Mexican budgetary and financial ecosystem, and that aligns with the principles and objectives of the 2030 Agenda for Sustainable Development. UNDP reiterates its commitment to continue supporting Mexico in the development of innovative financial solutions and other means of implementation to accelerate progress towards the Sustainable Development Goals (SDGs) and climate action commitments.

Overview



Financing is a central element in advancing the Sustainable Development Goals (SDGs) and in supporting environmental and climate action commitments. This year, the Fourth International Conference on Financing for Development (FfD4) was held, resulting in the “Sevilla Commitment,” which underscores the need to mobilize resources, align capital flows, and design innovative financial instruments that enable the scaling up of financing to achieve social, environmental, and economic objectives.

The United Mexican States has been at the forefront in developing strategies, products, and methodologies aimed at generating information and improving the efficiency and quality of public expenditure for development. Likewise, it has pioneered the design of financial instruments incorporating Environmental, Social, and Governance (ESG) criteria, which have facilitated the expansion of resource flows that promote social inclusion, poverty eradication, environmental protection, and climate change adaptation and mitigation.

In February 2020, Mexico became the first country to issue a Sovereign SDG Bond in accordance with the Sovereign SDG Bond Framework. Under this Framework, 22 issuances have been carried out, amounting to the equivalent of USD \$26.9 billion, notionally allocated to Eligible Social and Green Expenditures. Since then, national development priorities have been adjusted, policy tools for sustainable financing have been broadened and consolidated, and the range of financial instruments has diversified.

In view of the foregoing, the Government of Mexico has undertaken an update of the 2020 Sovereign SDG Bond Framework, which has now been superseded by the Sovereign Sustainable Finance Framework (SSFF). The SSFF encompasses a wider array of Sustainable Finance Instruments (SFIs), including bonds and loans and incorporates Eligible Sustainable Expenditures (ESEs) within an expanded set of categories and labeling schemes. The SSFF includes the coverage of new activities and reporting standards, such as the Mexican Sustainable Taxonomy (MST), fostering alignment between international and national standards, strengthening transparency and accountability, and expanding the potential for sustainable financing of environmental and social priorities.

The United Nations Development Programme (UNDP) is the leading United Nations (UN) agency that supports nations in building integrated and enduring solutions for people and the planet, including financing for development initiatives. Since 2020, UNDP has served as an observer of Mexico’s Framework issuance and of the reporting processes led by the Ministry of Finance (SHCP, by its Spanish acronym). In this capacity, UNDP reviews compliance with international standards, analyzes the bonds’ contributions to sustainable development, evaluates the effectiveness of impact management, and verifies alignment with the provisions of the Framework.

UNDP’s opinion on the SSFF is submitted in accordance with the Memorandum of Understanding signed on November 2025 between SHCP and UNDP.



Financing for development: a cornerstone in Mexico's efforts to advance sustainable development

In 2015, Mexico was one of the 193 Member States of the UN to adopt the SDGs and the 2030 Agenda for Sustainable Development and since then has implemented strategic steps to integrate these goals and principles in its national planning processes (through Mexico's National Development Plan and derived programs) and in its budgetary policy. It also established governance mechanisms at the highest level, such as the National Council for the 2030 Agenda and the Specialized Technical Committee of the SDGs (CTEODS, by its Spanish acronym), for an adequate follow-up of Mexico's progress regarding sustainable development.

The Government of Mexico has demonstrated a steadfast commitment to creating enabling conditions for development, especially through policies, provisions and instruments aimed at scaling finance for development. In 2017, the Government of Mexico pioneered the development of an SDG budget tagging methodology aimed at tracking the contributions of budgetary programs to specific SDG targets, thereby reinforcing planning and budgetary decision making. In 2025, SHCP updated and strengthened this methodology—applicable to the 2026 Federal Budget (PEF, by its Spanish acronym)—to produce more accurate information and to support the design of more robust policies that mainstream social inclusion, sustainability, and integrated approaches.

In 2020, the issuance of the SDG Sovereign Bond Framework, followed by successive issuances of SDG Bonds in local and foreign currencies, was instrumental in advancing the transition of the debt portfolio composition toward sustainability. In 2023, the Government of Mexico introduced the Sustainable Finance Mobilization Strategy (EMFS, by its Spanish acronym), which serves as the guiding document for national efforts aimed at fostering a more accessible financing environment, mobilizing additional resources to support development, and strengthening transparency provisions on sustainable finance for informed decision making. Moreover, SHCP issued the MST to classify activities, assets and investments based on Technical Evaluation Criteria to determine their positive contribution to green and social objectives.

These milestones—together with other critical initiatives led by National Development Banks and national financial regulators—have fostered an enabling environment for sustainable development and climate action. The issuance of the SSFF builds upon this trajectory and marks an additional step in scaling sustainable financing, through the incorporation of new financial instruments and activities that generate positive social, economic, and environmental impacts, in alignment with the 2030 Agenda and the international commitments undertaken by the Federal Government. Furthermore, these efforts are consistent with the national priorities set forth in the current National Development Plan (NDP) 2025–2030, especially in General Axis 4 “Sustainable Development”.

UNDP considers the SSFF to be a milestone in Mexico's trajectory toward strengthening the finance for development ecosystem through the incorporation of new categories and strengthening the alignment with the most updated global principles of sustainable finance. It is expected to contribute significantly to the mobilization of additional resources to advance national development and sustainability priorities and the achievement of the SDGs.



The 2025 SDG Bond Allocation and Impact Report introduced an innovative use of the MST to analyze Eligible Sustainable Expenditures and their contribution to gender equality objectives, as well as to climate change adaptation and mitigation. The SSFF institutionalizes the use of the MST as an analytical framework, not only to strengthen

accountability regarding the sustainable Use of Proceeds obtained through SFIs, but also to reinforce program design, technical information, and the measurement of results. This, in turn, generates broader positive effects by enhancing the impact of public policy and their compliance with human rights and respect for planetary boundaries.



UNDP is of the opinion that the interconnection between frameworks for sustainable finance, such as the MST and the SSFF, increases the effectiveness of impact management for SDGs as well as coherence in the financial ecosystem to avoid social- and greenwashing.

Mexico's SSFF establishes a more ambitious structure and scope to advance a wide range of sustainability objectives. Compared to the SDG Sovereign Bond Framework, the SSFF broadens the criteria for the selection of Eligible Sustainable Expenditures, thereby enabling wider coverage of the 2030 Agenda and promoting a more integrated approach to balanced sustainable development.

set of SDGs financed through the SDG Bonds which included SDG 2 Zero Hunger, SDG 3 Good Health and Well-Being, SDG 4 Quality Education, SDG 6 Clean Water and Sanitation, SDG 7 Affordable and Clean Energy, SDG 8 Decent Work and Economic Growth, SDG 9 Industry, Innovation and Infrastructure, SDG 11 Sustainable Cities and Communities, SDG 13 Climate Action, SDG 14 Life Below Water and SDG 15 Life on Land.

The SSFF incorporates additional SDGs that were not previously considered but are critical to achieving holistic and enduring development. SDG 10 Reduced Inequalities and SDG 12 Responsible Consumption and Production have been added to the original

Furthermore, the SSFF enables the issuance of a broader range of SFIs, extending beyond SDG Bonds to include Green, Blue, Social, Sustainable and other thematic instruments.



UNDP considers that the inclusion of additional SDGs and labeling schemes strengthens Mexico's sustainability finance strategy, advancing a more integrated and holistic approach while attracting a wider spectrum of investors committed to ESG objectives.





Use of proceeds

The SSFF establishes that SFIs issued under this scheme will finance an equivalent amount Eligible Sustainable Expenditures (ESEs) incorporated within the PEF for the corresponding fiscal year. ESEs may encompass both real and intangible assets that are intended to contribute to SDG targets, in accordance with the updated [SDG Budget Tagging Methodology](#).

SFIs may be issued under a range of thematic labels, including SDG, Green, Blue, Social, Sustainability, Transition, Nature, Biodiversity, and Climate Adaptation and Resiliency. The identification of ESEs under the SDG label is governed by the provisions of the SSFF and reflects a combination of Social and Green projects aligned with the 13 SDGs designated as national priorities.

For SFIs issued under other thematic labels, the selection criteria of ESEs will be determined on a case-by-case basis, guided by internationally recognized standards and frameworks. These include the *International Capital Market Association (ICMA) Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide*, the *International Finance Corporation (IFC) Blue Finance Guidelines, Version 2.0*, and the *Sustainable Bonds for Nature: A Practitioner's Guide*.

The alignment with those standards contributes to ensuring transparency in the application of criteria for each thematic label, together with adherence to international guidelines, is an essential element to foster investor confidence and to mitigate risks of social-washing and green-washing.

a. Contribution to SDG targets and the application of the Social Gap Index (SGI) to determine eligibility of Sustainable Expenditures

The SSFF establishes 13 relevant SDGs as subject for allocation of proceeds derived from SFIs:

- **SDG 2** Zero Hunger
- **SDG 3** Good Health and Well-Being
- **SDG 4** Quality Education
- **SDG 6** Clean Water and Sanitation
- **SDG 7** Affordable and Clean Energy
- **SDG 8** Decent Work and Economic Growth
- **SDG 9** Industry, Innovation and Infrastructure
- **SDG 10** Reduced Inequalities
- **SDG 11** Sustainable Cities and Communities
- **SDG 12** Responsible Consumption and Production
- **SDG 13** Climate Action
- **SDG 14** Life Below Water
- **SDG 15** Life on Land

The selection of these priority SDGs is informed by legal considerations and by the capacity of budgetary expenditures to generate measurable and tangible contributions to sustainable development objectives. To identify and filter budgetary programs according to their relevance to

the SDGs, the SSFF applies the SDG Budget Tagging Methodology, which has been recently updated by the SHCP. This updated methodology enhances the accuracy of linkages between budgetary programs and specific SDG targets.

The original SDG Budget Tagging Methodology, implemented during the period 2018–2025, constituted a cornerstone for monitoring Mexico’s progress in the implementation of the 2030 Agenda for Sustainable Development. Furthermore, it provided the technical foundation for the issuance of Sovereign SDG Bonds between 2020 and 2025, thereby consolidating Mexico’s leadership in sustainable sovereign financing.

The updated methodology builds upon the original methodology, enhancing the accuracy of established linkages through (i) its alignment to the NDP 2025-2030 axis and objectives; (ii) adaptation to the simplified PEF’s Program Structure; and (iii) the integration of the applicable functional and programmatic classifications into the analysis.

This updated methodology further enables the quantification of budgetary resources that contribute either substantively, in a supporting role or in an enabling capacity to the achievement of specific SDG targets, thereby strengthening monitoring and follow-up mechanisms.



UNDP recognizes that the application of the updated SDG Budget Tagging Methodology in the selection of ESEs is critical to fostering positive social and environmental outcomes through an integrated approach. The methodology is characterized by its multi-stage process, the involvement of diverse stakeholders, and the application of robust and transparent criteria, which collectively ensure the accurate identification of ESEs and the sound allocation of proceeds under the SSFF.

The SSFF, in continuity with the SDG Sovereign Bond Framework, incorporates the Social Gap Index (SGI) as a geospatial criterion to identify and prioritize marginalized territories through the allocation of **Social ESEs**. The SGI summarizes four dimensions of social deprivation: educational lag, limited access to health services, insufficient access to basic housing services, and deficiencies in housing quality and available spaces. This instrument was designed by, the National Council for

the Evaluation of Social Development Policy (CONEVAL, by its Spanish acronym) to aggregate 11 variables into a single composite index¹ thereby enabling a standardized and evidence-based approach to territorial targeting.

States and municipalities are eligible to receive proceeds from SFIs when classified within the Medium, High, or Very High categories of the SGI. According to the most

¹ Percentage of the population aged 15 and over who are illiterate. Percentage of the population aged 6 to 14 who do not attend school. Percentage of the population aged 15 and over with incomplete basic education. Percentage of the population without entitlement to health services. Percentage of occupied private dwellings with dirt floors. Percentage of occupied private dwellings without a toilet or latrine. Percentage of occupied private dwellings without piped water from the public network. Percentage of occupied private dwellings without drainage. Percentage of occupied private dwellings without electricity. Percentage of occupied private dwellings without a washing machine. Percentage of occupied private dwellings without a refrigerator.



recent SGI measurement, 14 states qualify for the notional allocation of SFI proceeds: 4 states fall under the Very High category, 4 states under the High category, and 6 states under the Medium category. At the municipal level, 899 municipalities are eligible under the SSFF geospatial criterion. Of these, 152 municipalities are categorized as Very High SGI, 243 municipalities as High SGI, and 504 municipalities as Medium SGI. This classification framework ensures that SFI resources are directed toward territories with the most significant social gaps, thereby enhancing the effectiveness and equity of expenditure allocation.

The application of this geospatial criterion strengthens impact management practices in accordance with the *SDG Impact Standards for Bond Issuers* and ensures alignment with ICMA's *Social Bond Principles* by addressing territories for which social ESEs may provide more tangible social benefits. The use of this criterion mitigates the limitations inherent in the notional allocation of SFIs proceeds, particularly with respect to the precise targeting of populations affected by a social issue.

The use of the SGI for geospatial targeting has significant strengths:

- I. The multidimensional nature of the SGI positions it as a robust and appropriate instrument for guiding the allocation of social ESEs that address multiple and differentiated policy objectives.
- II. It is an official measure based on a well-established and transparent methodology.
- III. It is calculated using publicly available data from Population and Housing Censuses and Intercensal Surveys.

- IV. It is updated on a regular basis.
- V. Granularity of data allows targeting proceeds at the municipal level.
- VI. A sensitivity analysis carried out by UNDP in 2020 demonstrates SGI's robustness to target vulnerable territories against alternative indices: the Human Development Index (HDI), the Marginalization Index (MI), and the National Multidimensional Poverty Methodology (NMPM).
- VII. The use of the SGI as a geospatial criterion in the SDG Bonds Allocation and Impact Reports from 2021 to 2025 is proof of the appropriateness of this measure to target social Eligible Expenditures.

Mexico's institutional framework has recently undergone significant transformations, including the dissolution of CONEVAL. As a result, the responsibility for measuring the SGI will be assumed by the National Institute of Statistics and Geography (INEGI, by its Spanish acronym), an autonomous institution recognized for its technical rigor and credibility. While this transition is not expected to alter the methodological foundations of the SGI, the SSFF explicitly commits to disclosing any methodological adjustments that may arise. This provision ensures transparency and safeguards the integrity of the framework's geospatial targeting criterion, thereby reinforcing accountability in the allocation of resources through SFIs.

Green ESEs are not subject to the geospatial criterion as their benefits are intended to extend to society at large.

UNDP is of the view that the SGI is a robust and appropriate instrument to target vulnerable territories through social ESEs with multiple and differentiated policy objectives.



b.Target populations

To maximize developmental benefits, proceeds derived from SFIs may be allocated to three principal categories of target populations: (i) vulnerable populations; (ii) underserved populations; and (iii) Small and Medium Enterprises (SMEs) and climate-sensitive sectors. The identification of these three broad categories of target populations enhances impact management by embedding a human rights–based approach and recognizing that distinct individuals and groups are disproportionately exposed to social and environmental risks, thereby experiencing heightened levels of vulnerability.

This framework is aligned with the sustainable development paradigm, which emphasizes inclusivity and the principle of “leaving no one behind” thereby necessitating tailored and context-sensitive interventions.

It is further noted that the list of target populations is not directly mapped to specific ESEs. The SSFF acknowledges the potential for intersectionality among target populations, reflecting the complex and overlapping nature of social and environmental vulnerabilities. While the SSFF does not explicitly clarify whether these categories apply exclusively to social ESEs, the broader territorial and public benefits generated by environmental ESEs suggest that the classification is most appropriately applied within the social domain.



UNDP recognizes the identification of potential target populations of the ESEs under SFIs—consistent with the ICMA Social Bond Principles—as an essential mechanism to enhance the positive contributions to sustainable development. This approach reinforces the integration of a human rights–based perspective in the allocation of proceeds, thereby ensuring that resource deployment is both equitable and impact-oriented.

c.Eligibility criteria, exclusions and screening

The SSFF demonstrates a strong commitment to transparency through the explicit identification of eligibility criteria for projects associated with relevant social and environmental SDGs, and their alignment with ICMA Eligible Categories as defined under the Social Bond Principles and the Green Bond Principles. The eligibility framework is consistent with the overarching principles of sustainability, resilience, and inclusion, encompassing a broad spectrum of projects that may be financed through SFI proceeds.

Eligible projects include initiatives aimed at expanding access to essential services for vulnerable populations, developing basic infrastructure, creating enabling conditions for inclusive development, promoting resilient practices, and facilitating the integration of marginalized groups into markets. In addition, projects may address environmental priorities such as renewable energy generation, improvements in energy efficiency, climate-resilient infrastructure, transitions to low-carbon production in strategic sectors, and the advancement of sustainable transportation systems, among others.



It is important to note that SDGs and their associated eligibility criteria are not rigidly segregated into social and environmental domains. Overlaps between categories are anticipated, thereby enabling an integrated approach to the notional allocation of proceeds and recognizing that social and green projects often generate cross-cutting co-benefits. For instance, SDG 9 Industry, Innovation and Infrastructure incorporates eligibility criteria spanning both social and environmental dimensions, including climate change adaptation measures and

the development of affordable transport infrastructure to enhance connectivity for vulnerable rural populations.

For purposes of transparency, the SSFF clearly identifies the eligibility categories subject to notional allocation based on the SGI geospatial criterion.

Payments of principal and interest will not be conditional upon the selection or performance of the ESEs

UNDP acknowledges that the eligibility criteria are fully aligned with the overarching principles of the 2030 Agenda, namely sustainability, resilience, and inclusion. The articulation of a broad spectrum of projects eligible for financing through SFI proceeds enhances transparency in the allocation of resources and serves as a safeguard against risks of social- and greenwashing.



The selection of ESEs is consistent with UNDP’s Impact Standards for Bond Issuers, as the processes and criteria applied are designed not only to maximize positive contributions but also to mitigate potential adverse impacts on sustainable development, human rights, and planetary boundaries. In line with this approach, the SSFF explicitly excludes the use of proceeds for budgetary programs associated with the following activities:

- i. Exploration, production, or transportation of fossil fuels. Exploration, production, or transportation of fossil fuels are excluded. This restriction is directly aligned with SDG 7 Affordable and Clean Energy and SDG 13 Climate Action, as financing such activities would undermine progress toward these goals.
- ii. Alcohol, weapons, tobacco, palm oil, cattle/beef production, conflict minerals, or adult entertainment industries.

a. Alcohol: The exclusion is aligned with SDG 3 Good Health and Well-being, specifically target 3.5, which calls for strengthened prevention and treatment of substance abuse. Financing alcohol-related activities would be inconsistent with a sustainable development approach.

b. Weapons: Restrictions are aligned with SDG 16 Peace, Justice and Strong Institutions, which emphasizes the reduction of all forms of violence.

c. Palm oil and cattle/beef production: These exclusions are partially aligned with SDG 15 Life on Land, which commits to the sustainable use of terrestrial ecosystems, forest management, combating desertification, and halting biodiversity loss. The concern lies not in the products themselves, but in the unsustainable production processes that often accompany them.

d. **Conflict minerals:** The restriction is aligned with SDG 12 Responsible Consumption and Production and SDG 16 Peace, Justice and Strong Institutions, reflecting the need to avoid financing activities linked to exploitation and conflict.

e. **Adult entertainment industries:** This exclusion is partially aligned with SDG 16 Peace, Justice and Strong Institutions and SDG 5 Gender Equality, particularly target 5.2, which calls for the elimination of all forms of violence against women and girls, including trafficking and sexual exploitation. The concern is not the industry per se, but the associated risks of violence, trafficking, and human rights violations.

The SSFF—unlike the SDG Sovereign Bond Framework—does not exclude budgetary programs associated with nuclear power generation. As a source of low-carbon electricity, nuclear energy contributes to the advancement of SDG 7 Affordable and Clean Energy and SDG 13 Climate Action. Nevertheless, its utilization entails potential environmental and public health risks, which must be mitigated through the implementation of robust and appropriate waste management and safety measures.

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

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

ESEs must undergo rigorous screening to ensure that they do not generate adverse impacts across ESG dimensions. Such screening is intended to prevent activities that could contravene international environmental

agreements, human rights conventions, international labor standards, or national anti-corruption legislation.

The screening provisions are fully consistent with the sustainable development approach and are explicitly aligned with UNDP's Impact Standards for Bond Issuers as well as the *UN Guiding Principles on Business and Human Rights*. This alignment reinforces the integrity of the framework by embedding safeguards that uphold international commitments and normative standards.





Management of proceeds

In compliance with Mexican fiscal and budgetary legislation, the net proceeds derived from SFIs shall be transferred to the general resource pool administered by the Treasury of the Federation (TESOFE, by its Spanish acronym). These resources will be allocated to support the corresponding fiscal year's PEF and will be subject to continuous monitoring.

Each SFI within the SSFF will be assigned to an annually defined pool of ESEs identified in the PEF, in accordance with the eligibility and exclusion criteria previously described. Should one or more ESEs cease to meet the eligibility requirements, fail to pass the screening process or be discontinued, the

associated proceeds will be reallocated accordingly. Any shortfalls in covering ESEs equivalent to the proceeds and reallocations from SFIs shall be disclosed in the annual Allocation and Impact Report. The risk of such shortfalls is mitigated through the quarterly monitoring and tracking mechanisms implemented by SHCP.

Net proceeds from SFIs shall be notionally allocated to ESEs. This allocation will be determined in proportion to the relative weight of each ESE within the total resource pool, ensuring that the distribution reflects the established share of each expenditure category.

UNDP considers the management of net proceeds from SFIs to be appropriate and aligned with established transparency principles. Furthermore, the commitment to annual independent external reviews conducted by the Superior Audit Office of the Federation (ASF, by its Spanish acronym) is recognized as a key mechanism to ensure the integrity of the notional allocation and the sound management of proceeds.



Reporting



a. Annual allocation and impact reports

The SSFF commits the issuance of annual SFI allocation and impact reports for as long as any SFI under the framework remains outstanding. Allocation reports will detail the composition and amounts of the SFIs issued during the relevant fiscal year, together with the notional allocation of net proceeds among ESEs. The allocation reports will encompass: the consolidated pool of ESEs, the application of the geospatial criterion in accordance with the established eligibility requirements and, the notional allocation to each ESE and the distribution of proceeds according to identified social gaps and ESEs features.

Impact reporting shall be conducted annually to provide updated information on both qualitative and quantitative indicators. These reports will encompass data on output and/or outcome indicators, beneficiary coverage, and State of Affairs indicators directly linked to the SDGs and/or specific ESEs. The information will be drawn from reliable and publicly available datasets produced either by line ministries through established monitoring mechanisms or by institutions of the Mexican State, such as INEGI. In addition, the disclosure of methodological approaches and assumptions applied in the calculation of indicators is recognized as a key element for strengthening transparency, accountability, and institutional certainty in the management and reporting of results.

To strengthen impact reporting, and in consideration of the provisions governing the management of proceeds and the notional allocation of resources—which inherently limit the identification of direct results—the SSFF establishes complementary approaches designed to maximize the accuracy and

comprehensiveness of information on the impact of SFIs on the SDGs and other thematic dimensions.

In addition, on a best-efforts basis, SHCP will include in its reports the results of the alignment analysis of sustainable expenditures for the relevant fiscal year with the Technical Evaluation Criteria of Mexico's Sustainable Taxonomy.

In this regard, the SSFF commits to report:

- Case studies: providing in-depth analyses of strategic or emblematic ESEs;
- Output and outcome indicators together with beneficiary data, enabling the linkage of notional allocations to geolocated material outputs and direct beneficiaries;
- State of Affairs indicators: monitoring national-level development trends across multiple dimensions associated with the SDGs prioritized under the framework;
- Taxonomy alignment results: disclosing, on a best-efforts basis, the level of alignment of ESEs for the relevant fiscal year against the MST.

Allocation and impact reporting commitments are methodologically aligned with the reporting practices established for SDG Bonds under the previous framework. This methodological consistency enables temporal comparisons, particularly with respect to State of Affairs indicators. Moreover, the commitment to disclose results through complementary reporting approaches is recognized as an institutional best practice, reinforcing transparency and accountability. The reporting processes are expected to articulate a more coherent and measurable relationship between public spending, the SDGs, and the national development priorities.



While the Framework transparently describes resource management and the dynamic monitoring cycle (notional allocation, reallocations, and surplus pools/reserves), it also importantly indicates that when confidentiality agreements, competitive factors, or scale limit disclosure, the SHCP will provide aggregated or general information instead of project-level details. These restrictions are explicitly described as exceptions to granular disclosure and will be disclosed in the Annual Report.



b. Output, beneficiaries and State of Affairs indicators

The proposed non-exhaustive set of indicators is suitable for monitoring the contributions of SFI proceeds to the 2030 Agenda SDGs and for assessing the benefits accruing to the identified target populations and economic units. Data will be drawn from reliable and publicly accessible sources, thereby optimizing the use of existing resources such as the SDG National Platform and the reporting mechanisms embedded within the

Performance Evaluation System (SED, by its Spanish acronym).

Complementarities across different categories of indicators are critical for generating a comprehensive representation of SFIs' material outputs, their direct beneficiaries, and the broader indirect contributions to national sustainable development objectives. This integrated approach enhances the robustness of monitoring and evaluation processes, while reinforcing alignment with international reporting standards.

UNDP recommends that indicators are disaggregated—where feasible—by gender, age groups, ethnicity, level of income, employment status and geographic location. Such disaggregation embeds the principle of inclusion and operationalizes the “leave no one behind” approach within the reporting framework.



c. Alignment with the MST

The SSFF institutionalizes the systematic mapping of ESEs against the MST for tracking and reporting purposes. While the eligibility of projects and budgetary programs is not contingent upon alignment with the MST, expenditures from the PEF financed through SFIs are required to undergo an assessment based on the MST's Technical Evaluation Criteria. The interconnection between both instruments—the SSFF and the MST—enhances the effectiveness of impact management for the SDGs and strengthens coherence within the financial ecosystem and between public policy tools, thereby mitigating risks of social- and greenwashing.


ESEs are classified according to their contribution to climate change adaptation and mitigation objectives, as well as to gender equality. When an ESE is identified under the MST, it is further analyzed in relation to MST objectives. This process leads to the classification of ESEs as *aligned or partially aligned* when they meet the criteria of “substantial contribution”, “do no significant harm,” and/or “minimum safeguards”. In cases where none of these criteria are satisfied, ESEs are classified as *not aligned*.

The assessment of ESEs within the MST framework generates recommendations that support the progressive improvement of ESEs, particularly in the mainstreaming of social and environmental considerations into their

design, operating regulations, and reporting standards. This process consolidates the SSFF as a catalyst for institutional change within public administration. Moreover, it adds a layer of oversight to promote compliance with human rights and respect for planetary boundaries in budgetary planning and execution.

It is noteworthy that the 2025 SDG Bonds Allocation and Impact Report included a pilot application of this methodology, thereby establishing a baseline for subsequent assessments and reporting cycles.

The MST is an evolving instrument that will progressively incorporate additional environmental and social objectives. As a result, the assessment of ESEs under the MST will become more comprehensive and better aligned with the integrated nature of sustainable development.



UNDP places high value on the systematic mapping of SFIs' ESEs against MST Technical Evaluation Criteria, as this practice promotes the integration of the overarching principles of clarity, sustainability, resilience, and inclusion embedded in the 2030 Agenda. Positive changes identified through these mapping exercises should be systematically tracked and reported on an annual basis to ensure accountability and continuous improvement.

Furthermore, the capacity-building initiatives led by SHCP to foster the appropriation of MST objectives among line ministry officials are duly acknowledged. These efforts contribute to strengthening institutional ownership and enhancing the coherence of public administration in mainstreaming sustainability considerations.



Governance mechanisms

The SSFF establishes a set of governance mechanisms for both the selection of ESEs and the associated reporting processes. Within the selection stage, the SHCP will filter budgetary programs included in the PEF in accordance with the provisions of the Framework. Subsequently, SHCP will submit the identified ESEs to the competent ministries for review. At this stage, SHCP will maintain close coordination with existing multisectoral bodies, namely, the Executive Secretariat of the 2030 Agenda National Council or the Interministerial Commission on Climate Change. To enhance procedural certainty, it is recommended that specific criteria be established to determine under which of these bodies the review will be conducted.

The SSFF assigns clear responsibilities to the SHCP, designating it as the lead institution for the issuance of SFIs and the preparation of the corresponding allocation and impact reports, and updating of the Framework thereby reinforcing accountability. SHCP will be responsible for the production of annual reports, by gathering data from line ministries responsible for each ESE.

For the reporting processes, the SSFF establishes a multisectoral governance mechanism through the Technical Secretariat of the Specialized Technical Committee of the SDGs (CTEODS, by its Spanish acronym), headed by INEGI. This body is tasked with ensuring the generation and regular updating

of data required to monitor progress toward sustainable development. In addition, the SSFF recognizes the central role of the ASF in reviewing the annual allocation reports, guaranteeing compliance with the national legislation and the SSFF's provisions. UNDP participates as an observer in both the selection of ESEs and the reporting processes, thereby contributing to transparency and credibility. Finally, each annual report will be subject to a Second Party Opinion (SPO). Collectively, these oversight and control mechanisms are designed to safeguard the quality of reporting and ensure the integrity in the use and management of SFIs' net proceeds.

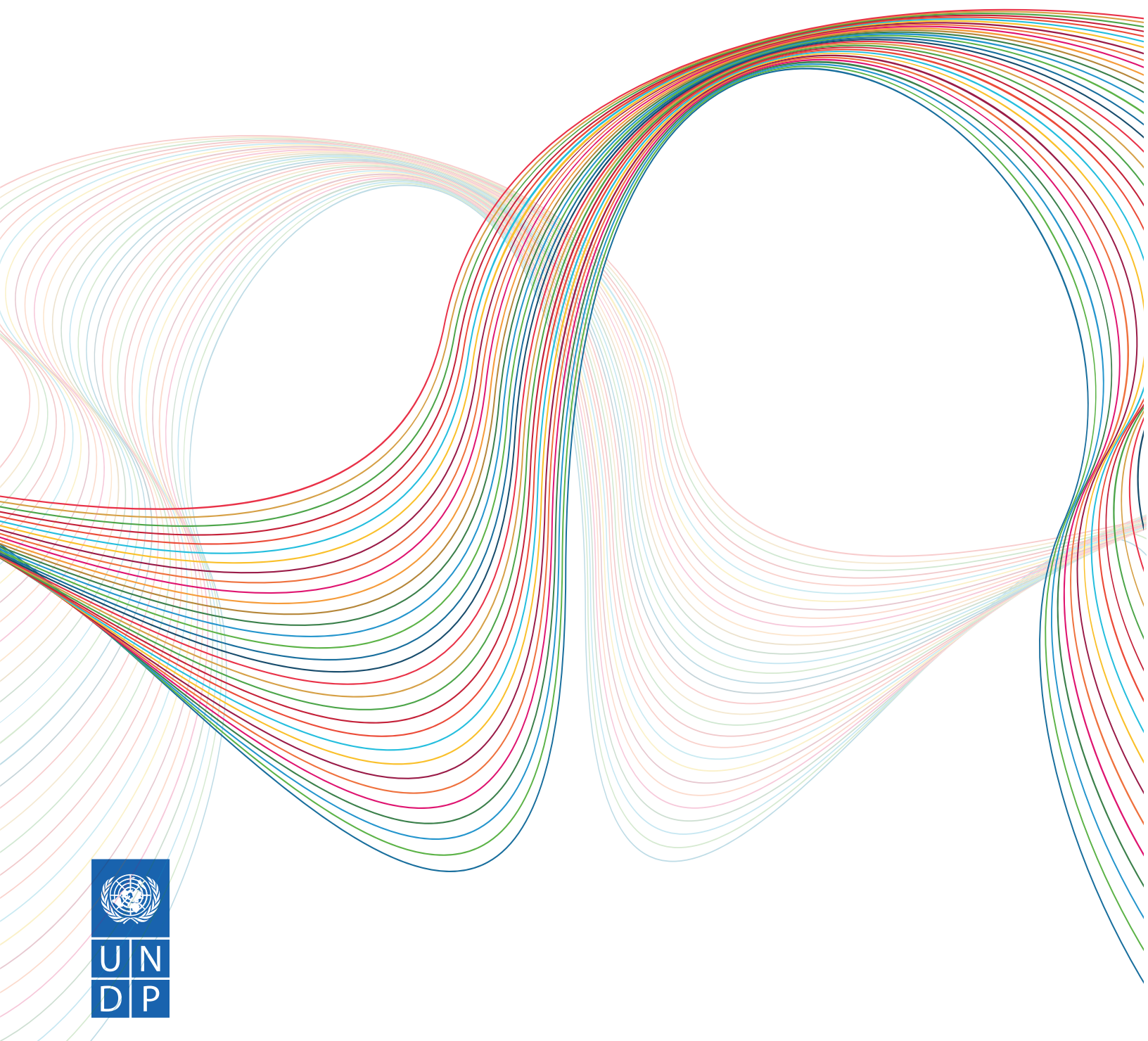
Provisions and conditions for the updating and amendment of the SSFF are clearly established, in order to ensure certainty and alignment with international standards and scientific advancements. Major adjustments will undergo review by an SPO.

Closing observation

Based on the considerations outlined in this document, UNDP concludes that the SSFF is fully aligned with the principles and objectives of the 2030 Agenda for Sustainable Development. It incorporates robust impact management and governance mechanisms that strengthen accountability and foster investor confidence.

The SSFF is recognized as a cornerstone of the EMFS. Together with the associated annual allocation and impact reports, it will not only expand the scale of financing for development but also generate positive institutional advancements. These improvements will lead to the embedding of the principles of sustainability, resilience, and inclusion across the entire budgetary and fiscal ecosystem, thereby reinforcing the long-term coherence of public finance management with national and global development priorities.





United Nations Development Programme
Montes Urales 440, Lomas de Chapultepec,
Alcaldía Miguel Hidalgo, Ciudad de México,
C.P. 11000.
www.mx.undp.org