



Joint Programme 2021 Annual Progress Report

SDG Financing Portfolio - Component 1

Cover page

UNCT/MCO: Mexico

Reporting Period: 1 January - 31 December 2021

JP title: Improving the allocation of risks and resources for sustainable development

PUNOs: UNODC, UNDP, UNEP

Government partner: Ministry of Finance and Public Credit

Target SDGs: SDGs 5, 13, 16, 17

Gender Marker: 2

Approved budget: USD 999,998.8

Co-funding: USD 588,416

Total Disbursement by 2021: USD 479,800

Total estimated expenditures: USD 175,936 (est. Delivery rate: 36.7%)

Total estimated commitments (including expenditures): USD 392,629 (est. Committed rate: 81.8%)

RCO focal point name: Roberto Murguia Huerta

RCO focal point email: roberto.murguia-huerta@un.org

Executive Summary

The JP finalized two studies on SDG financing, the first one was a feasibility study focused on a preliminary identification of relevant national planning documents, key stakeholders and institutions, main financing sources, instruments and all the relevant public information sources. The second one was the preliminary draft of the mapping exercise which includes the analysis of national financing trends to support the 2030 Agenda, the identification of main financing gaps, the analysis of policy priorities, and their alignment to the 2030 Agenda. These key products are in the process of being endorsed by the national government and it is expected that they will have significant impact on the design of a national resource mobilization strategy and national budgeting exercises.

The JP has started impacting Mexico's regular analysis and policy tools for addressing financial stability, by incorporating a climate change risk analysis in the latest Financial Stability Report. This has been possible thanks to the establishment of a technical working group comprised of experts, financial regulators and climate experts.

The JP has analyzed the legal framework for conducting financial investigations and asset recovery cases, and identified strategic recommendations to strengthen the recovery of stolen assets into national accounts. These findings have shaped the curricula and materials for a capacity building strategy that will benefit public officials at the national and subnational levels.

Annual Progress

Overall JP self-assessment of 2021 progress:

Satisfactory (majority of expected results achieved; 1 to 3 months delay in implementation)

Comments on self-assessment: The JP faced several challenges in 2021, but they were all addressed and successfully mitigated thanks to the development of an acceleration plan for the 4th quarter of the year. The acceleration plan resulted in an effective programmatic and financial implementation. While some delays from the original planning had been dragged for the past reports, the PUNOs reviewed and re-scheduled substantive activities through a project document revision. The project's self-assessment is satisfactory as per the new JP work plan and has secured all necessary counterpart engagement to ensure a streamlined implementation.

Overall progress and key developments to date (3 key JP milestones)

Financial policy development and financial advocacy activities: In 2021, the JP consolidated a working group with the participation of the international experts of UNEP Finance Initiative (UNEP FI), Mexico's financial regulators (Central Bank of Mexico, Ministry of Finance, and National Banking Commission) and the Institute of Atmospheric Sciences of the National Autonomous University of Mexico (UNAM) to strengthen analysis and policy tools for addressing climate change risks in the financial system. The group held regular meetings to exchange information and discuss approaches and methodologies on climate risk scenario modeling and stress testing. Mexico's financial regulators, in particular the Central Bank of Mexico (BANXICO), has benefited substantially from this working group by using the scenarios, models and approaches shared to improve the climate change risk analysis. As a matter of fact, in December 2021, BANXICO updated its "Financial Stability Report" with a section on climate and environmental risk. This section is based on a 3-step methodology integrating climate scenarios, impacts on banks' balance sheets and macroeconomic impacts, both for physical and transition climate risks.

Research, assessments and feasibility studies on SDG financing: In 2021, the JP conducted two studies on SDG financing, the first was a feasibility study focused on a preliminary identification of relevant national planning documents, key stakeholders and institutions, main financing sources, instruments and all the relevant public information sources. The second one was the preliminary draft of the mapping exercise which includes the analysis of national financing trends to support 2030 agenda, the analysis also included the identification of main financing gaps as well as the analysis of national policy priorities, relevant key policies and its alignment to 2030 Agenda. Apart from these studies, the JP also developed a legal analysis on the asset recovery criminal and civil frameworks at the national and subnational level (6 states) and compiled a document with 101 reports, analysis and working papers from central banks, financial regulators and international organizations on climate risk approaches, climate scenarios, stress testing exercises and metrics useful as benchmarks for policy design in Mexico.

Capacity building for key stakeholders on SDG financing: The JP participated in different events with private financial institutions, subnational governments, international organizations, and other stakeholders highlighting the benefits from mainstreaming a green and sustainable development strategy in the diverse institutions of the financial system, as well as how the outcomes from the COP 26-UNFCCC will impact Mexico's financial system. In addition, it organized two workshops to strengthen the dialogue with national counterparts regarding the DFA. The sessions, organized with officers from Ministry of Foreign Affairs and Ministry of Finance and Public Credit as well as colleagues from the regional UNDP financial hubs, served to highlight the importance of the DFA in the SDG financing strategies of Mexico and to identify the main priorities of government partners. Finally, the JP developed training curricula and materials for investigators, prosecutors and judges to better conduct financial investigations aimed at recovering assets stolen through corrupt practices. These training will be held in 2022.

Changes made to JP: At the end of 2021 JP presented to SDG secretariat an acceleration plan to respond to delays and challenges faced throughout the year. This implies relevant amendments to JP original programme document, main changes included contact details updating, project end-term, counterparts' adjustment from federal to subnational and adjustments to gender matrix to upgrade project gender marker. JP also updated budget distribution and workplan. The new version of the document was submitted to the Secretariat and is currently under review.

Main Challenges: The most critical aspect was the retraction of the General Attorney’s Office, the leading agency’s main counterpart. The leading agency has shifted the project implementation towards the sub-national level. Sub-national attorneys have not only agreed on the overall JP activities, but have shown the acquiescence to fast-track activities and carry out simultaneous process to accelerate implementation.

On the other hand, the administrative process to release the use of funds ran through separate routes for each PUNO. In all cases it was only after the funds had been internally released that PUNOs could start the recruitment of the JP staff, a procedure which also slowed the commencement of substantive activities. Yet, these problems were successfully resolved and have been compensated for.

Finally, the COVID-19 restrictions forced the JP to revise its budget and re-structure some implementation strategies, mainly those related on on-site activities.

Updates on SDG financing framework

Inception phase	Assessment Diagnostics	Financing Strategy	Monitoring Review	Governance Coordination
Advancing (50-99%)	Advancing (50-99%)	N/A	N/A	N/A

Descriptions on progress by INFF building blocks

Inception Phase: As part of the DFA, the JP has done a preliminary analysis of public and private financing outlook as well as policies and institutional structures that support Mexican financing for development. The financial outlook helps to identify the amount of resources Mexico invests in achieving SDGs and to identify the priorities and main gaps within this finance. The JP also launched a couple of financing dialogues which are expected to be reinforced by additional dialogues with relevant stakeholders outside government in order to agree on a financing roadmap based on the evidence provided by the DFA document.

Assessment & Diagnostics: The JP developed two tools, a feasibility study to identify the scope of the analysis and a resources mapping based on current expenditure review. The feasibility study was an identification of relevant documents, institutional attributions, financing sources, relevant stakeholders and an evaluation of the scope of public information on these matters (accuracy, completeness, opportunity, timeliness). Based on the findings of the feasibility analysis, the JP made an estimate of the resources aimed at fulfilling SDGs in Mexico. In accordance with these results, SDG 7. “Ensure access to affordable, reliable, sustainable and modern energy for all” is posed as the main development priority of Mexican government followed by SDG 3. “Good health and well-being” and SDG 4. “Quality education”. In terms of financing gaps, the most relevant financing gaps are focused on SDG 9. “Industry, innovation and infrastructure” and SDG 10. “Reducing inequalities”.

Financing Strategy: The National Financing Strategy is expected to be designed with the collaboration of national stakeholders during 2022, once the final version of DFA document and recommendations is released.

Monitoring & Review: N/A

Governance & Coordination: N/A

Priority Cross-cutting Issues

How did the JP adapt to the COVID-19 context

The JP had envisioned various workshops, trainings and meetings that would have been undertaken on site or face to face. The COVID-19 travel restrictions have limited such interactions. Since most government counterparts

have fully adapted to conduct meetings and events through virtual platforms, there has been little need to devote resources and logistics for this. Apart from that, coordination amongst PUNOs has been greatly enhanced by the use of digital tools and web-based platforms.

How did the JP apply the Gender Marker

It is important to point out that all JP Outputs focus on institutional development and on producing operative guidelines for government institutions. All the activities and products will incorporate a gender perspective analysis and mainstream gender equality. Yet, there are specific activities to highlight: - The sustainable development financing analysis will integrate gender equality mainstreaming and adequate budget allocation. - The financial governance components will prioritize the gender dimensions of vulnerability to environmental risks and, where relevant, ensure women's access to resources. - The recommendations on the criteria for reintegrating recovered assets will prioritize gender equality, whereas the training workshops will seek gender parity.

Estimated % of overall disbursed funds spend on gender: 26%

Alignment with cross-cutting UN issues (e.g. human rights, decent work, inclusion, LNOB)

The DFA counterparts explicitly asked for the inclusion of cross-cutting subjects in the diagnosis. Apart from this, the PUNOs have pushed for the inclusion of topics such as the gender analysis and the leaving no one behind dimension. Regarding the asset recovery criminal investigation component, the upholding of human rights in the criminal process and access to justice has been a paramount principle.

How did the JP work to build ownership and buy-in of key stakeholders

- The National Financing Strategy is expected to be designed and agreed among national stakeholders during 2022, once a final version of DFA document and recommendations is released. When the process is finalized, it will be fully endorsed and adopted by the federal government.
- All methodologies, analysis and trainings are being developed hand in hand with national authorities. Although this significantly impacts on the work schedule (reviews and approvals are out of the JP line of command), it also proves to be an ideal way to have the government counterparts acceptance, endorsement and subsequent adoption.
- Some of the products have already started to be referenced in, or are in the process to be incorporated into, other national platforms, publications, strategies etc. For instance, the financial component has already been referenced in the Central Bank's Financial Stability Report of December 2021.
- Finally, in order to broaden the impact of the programme and to strengthen SDG financing strategy JP has reached out to other key actors such as local governments (state of Nuevo Leon) and Banobras (Mexican development bank) to discuss the relevance to strengthen the financial mobilization strategy through the implementation of other relevant tools as the SDG Investors Map.

Annual Reporting on Results

Results achieved in promoting the priority thematic SDG agendas

- SDG 13. Target 2 pursues the integration of climate change measures into national policies, strategies and planning. To advance progress in achievement of this SDG, the JP established a technical working Group with México's financial regulators to strengthen their methodologies, information and approaches on climate risk and financial stability assessment and policies. This work contributed to improve the climate change

and environment risk section of the “Financial Stability Report” of the Central Bank of Mexico published in December 2021.

- SDG 16. Target 5 aims at substantially reduce corruption in all its forms, including bribery. One of its most impactful forms is the misuse or embezzlement of public resources. Acts of illicit enrichment on behalf of public officials or even citizens represents a direct loss in terms of sustainable development opportunities. The JP has identified the various legal strategies by which national authorities can recover such assets, thus fostering the fight against corruption.
- SDG 17. Targets 1 and 3 seek to strengthen domestic resource mobilization along with additional financial resources from multiple sources. The DFA preliminary document has identified main development areas to advance progress on resource mobilization, as well as the need to develop strategies to reinforce partnerships with non-government stakeholders, such as the private sector.

JP contributions to the Joint SDG Fund’s global results (especially around Outcome 2 & Output 4)

Regarding Outcome 2, the JP has promoted the development of interconnected multi-sectoral solutions which will ultimately help the country to better mobilize, protect and recover resources which can be used to meet the 2030 Agenda national commitments. From a total of 12 solutions, the JP has finalized 2 and worked on another 5 throughout 2021. Each of them is part of a blockchain for comprehensive assistance.

For Output 4, the JP has successfully engaged with authorities at the national and subnational level to participate in sustainable development decision-making processes. As a result, the JP is negotiating its adherence to the national the Sustainable Finance Committee, a board specifically design to guide Mexico’s mobilization for sustainable development.

Progress against JP-specific outcomes

Outcome 1 saw the completion of the feasibility analysis that served as diagnostic towards the SDG resource mapping, fulfilling the expected 2021 target. This document sets the cornerstone to plan the national strategy for leveraging additional resources to achieve the 2030 Agenda.

Whereas Outcome 2 saw the establishment of a specialized technical group of financial regulators, climate scenarios experts and UN international specialists to discuss, review and agree on the products and activities oriented at strengthening Mexico’s financial governance.

Progress against JP-specific outputs

For Output 1.1, the JP engaged with the Public Finance Ministry (SHCP), who actively participated in the formulation of the DFA and validated every stage of its development, thus ensuring that the national budgeting process takes into account the DFA and its roadmap in the short-term.

For Output 1.2, several workshops and meetings were held to discuss and develop a feasibility analysis and resource mapping of the DFA, which will enable the federal government to have a common strategy to mobilize non-public resources for sustainable development.

In Output 1.3 the JP reissued its legal analysis on asset recovery and reintegration. The change of counterparts (switching the Attorney General for Subnational Attorneys) forced the JP to incorporate the legal framework of 6 states. Apart from these, scoping missions were held to conduct a qualitative and quantitative capacity assessment.

Output 2.1 has reached the main national financial regulators and supervisors, by having them participate in a technical working group along with other national and international experts and review the key financial methodologies and products. Their engagement will allow the JP to conduct solid climate stress tests through Output 2.2 in 2022.

Output 2.3 had originally planned to have an in-depth analysis of Mexico’s adoption of the asset recovery principles set forth by the United Nations Convention Against Corruption, based on the findings of its Implementation Review Mechanism. While this has been conducted, the JP has found it necessary to go beyond this scope and focus more heavily on the subnational capacities and institutional frameworks.

Output 2.4 has been devoted to the development of a specialized training curricula and materials on asset recovery for investigators, prosecutors and judges, based on the on-site data collection strategy undertaken through scoping missions. The training will be held in 2022 and will result in the strengthening of the national capacities on asset recovery for the criminal justice sector at the national and subnational levels.

JP contributions to strengthening UN coherence, partnerships and reducing duplications of efforts

The JP helped to identify common counterparts for different UN agencies in sustainable development areas. Thanks to the coordinated efforts by JP PUNOs, the UN System will be part of the Sustainable Finance Committee. PUNOs coordination has also helped to disseminate and undertake common administrative processes. Continuous monitoring meetings have built a platform to compare strategies, share internal practices and plan ahead of administrative deadlines. Finally, the common evaluation of the joint programme will reduce individual costs and allow PUNOs to devote more resources for implementation.

Strategic Partnerships, Documents and Communications

How did the JP facilitate collaboration with diverse stakeholders in the SDG financing space

The JP has established a technical working group with México’s financial regulators to ensure that the methodologies, information, and deliverables are relevant to their work on climate risk, financial stability assessment and sustainable financing. It has also engaged with the National Sustainable Finance Committee and is in the process of securing a seat on it.

Did the JP secured additional financing (co-funding/co-financing) from the following stakeholders:

Government	Donors & IFIs	Private Sector	PUNOs	Other Partners
No	No	No	No	No

Comments on additional financing secured: The JP has established a technical working group with México’s financial regulators to ensure that the methodologies, information, and deliverables are relevant to their work on climate risk, financial stability assessment and sustainable financing. It has also engaged with the National Sustainable Finance Committee and is in the process of securing a seat on it.

JP organized events in 2021

JP Launch Event	Annual Donor Event	Partners Event
Organized in 2020	Organized in 2020	Yes in 2021

Number of strategic documents produced by the JP: 4

Number of strategic documents contributed by the JP: 1

Number of communication materials produced: 3

2022 Plans & Way Forward

JP priority activities & expected results for 2022

Regarding Outcome 1 “Additional financing leveraged to accelerate SDG achievement”, the JP will focus on the completion of Output 1.2. “Federal government entities have a shared strategy to mobilize non-public resources for sustainable development”. Through this output, PUNOs will collaborate with national authorities to define a national resource mobilization strategy. As for Outcome 2 “The Mexican financial system’s governance is strengthened in line with sustainable development”, the JP will invest heavily in finalizing Output 2.2 “Financial regulators develop policies and tools to establish appropriate governance mechanisms at all levels, to act according to environmental and social risks and opportunities”, by which financial regulators will be handed guidelines for green finance reporting and an outline of the governance structure needed to manage climate change funds. Simultaneously, the JP will develop Output 2.4 “Institutional and regulatory capacities are strengthened for asset recovery and reintegration”, which will oversee the implementation of a capacity building strategy targeted at law enforcement, investigation and prosecution authorities.

3 major transformative results that will be achieved by the end of the JP

- The JP will design strategies to mobilize additional financial and non-financial resources for national sustainable development. This component will provide critical steps to adopt a national resource mobilization strategy aimed at meeting the 2030 Agenda.
- The JP will boost the Mexican financial system’s resilience to climate change and environmental risks. It will improve strategies to integrate these risks into macro and micro prudential risk assessments, address financial gaps, and strengthen the governance of financial regulators. It will also improve how national authorities mobilize and manage climate change funds, helping to meet the SDG climate-related targets.
- The JP will build the capacities of investigators, prosecutors, and judges to conduct criminal investigations that result in the recovery of stolen national assets. This component will result in better access to justice, reparation procedures and an overall recovery strategy that will bring back financial resources into national budgets, increasing the allocation for development-oriented activities.

Estimated rate of completion for each result as of 31 Dec 2021

Result.1	Result.2	Result.3
Advancing (50-99%)	Emerging (1-49%)	N/A