

Ministry of Finance and Public Credit presents the Sustainable Financing Mobilization Strategy

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On September 13, 2023, the Ministry of Finance and Public Credit (“SHCP” for its acronym in Spanish) presented the Sustainable Financing Mobilization Strategy (“EMFS”, for its acronym in Spanish), which aims to promote the mobilization and redirection of financing from public and private sources, both national and international, to activities and projects that generate positive impacts on society and the environment. SHCP, together with other institutions of the financial system, will carry out a participatory consultation process between September and December 2023 on the EMFS.

What is the EMFS?

The EMFS is a guide for the transformation of the Mexican financial system towards sustainability; it has the potential to mobilize up to 15 trillion Mexican pesos from 2023 to 2030 through objectives and lines of work voluntarily adopted by public, private and social sectors, with the goal of closing the financing gap.

The mobilization of financial resources on a large scale is necessary to make progress on international commitments related to climate change and sustainable development. Therefore, EMFS emerges as a response to this need. To achieve this, EMFS lays the groundwork for mobilizing and redirecting financing towards activities and projects that have beneficial effects on the environment, the biodiversity and society.

I. Key Actors for implementing EMFS

There are various institutions within and outside the Mexican financial system that play an essential role in implementing the EMFS due to their involvement in the mobilization of sustainable financing: (i) in the design and execution of sustainable public financial policy, (ii) in the issuance of ESG financial regulation, (iii) in the mobilization of sustainable financing, (iv) in the development and implementation of projects with a sustainable approach, (v) in the

creation of sustainable financing governance mechanisms and/or (vi) in technical assistance and capacity building.

The key actors whose participation is crucial to achieving EMFS goals include the following: SHCP, Ministry of Environment and Natural Resources (SEMARNAT, for its acronym in Spanish), Bank of Mexico, National Banking and Securities Commission (CNBV, for its acronym in Spanish), National Development Banking (BND, for its acronym in Spanish), Insurance Companies, Investment Funds, Fintech Companies, Stock Exchanges, International Climate Funds, Subnational Governments, Micro, Small, and Medium-sized Enterprises (MIPYMES, for its acronym in Spanish), International Organizations, Academia, and Civil Society Organizations.

II. Objectives of the EMFS

The EMFS encompasses three specific objectives:

1) Access to Financing

The aim is to create a favorable environment that enables sustainable-focused activities and projects to access low-cost financing.

2) Disclosure of Information

The purpose is to ensure the disclosure and transparency of strategic information related to sustainable financing, with the intention of facilitating investment decision-making and the redirection of capital flows.

3) Innovative Financing Instruments

The goal is to promote the creation and development of new instruments with the purpose of diversifying sustainable financing sources and reducing investment risks.

Furthermore, the EMFS is divided into three pillars to achieve its objectives: (i) sustainable public financial management, (ii) sustainable financing mobilization, and (iii) cross-cutting actions.

- Pillar 1. Sustainable Public Financial Management

Its purpose is to incorporate sustainability into the practices, systems, and frameworks of public financial management. The aforementioned to promote sustainable, responsible, and transparent use of public resources. Additionally, it aims to enhance the effective management

of risks in public investment, encouraging private sector investors to participate in projects that create social and environmental benefits. Moreover, it includes actions to mitigate fiscal risks associated with biodiversity loss and climate change.

- Pillar 2. Sustainable Financing Mobilization

The primary focus of this pillar is to create a favorable environment for transforming debt and capital markets with the target of increasing and redirecting financing flows toward sustainable projects and activities. It also seeks to promote the sustainability perspective within institutions that make up the Mexican financial system and advocates for new financing mechanisms and instruments to facilitate access and democratization of resources. Furthermore, it includes the participation of social sector organizations alongside institutions from both the public and private sectors.

- Pillar 3. Cross-Cutting Actions

The aim of this pillar is to ensure the effective implementation of the EMFS through an inclusive approach, i.e. that the benefits generated by the EMFS are distributed equitably. The first cross-cutting action emphasizes the importance of developing sustainability capabilities within the entities that make up the Mexican financial system. The second action focuses on mainstreaming gender perspective within the institutions comprising the financial system and in financing mobilization. The third action intends to ensure that EMFS responds to current financial and market demands. To achieve this, strategies for monitoring, tracking, and evaluating the objectives and goals of the EMFS are included.

The pillars encompass 19 lines of work and 97 strategic activities, which, based on their priority and level of development, could be carried out in the Short Term (2023-2024), Medium Term (2025-2027), and Long Term (2027–2030). Each of the aforementioned lines of work has a goal in terms of public policy, financial regulation, financing mobilization, and enabling financing mechanisms.

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If you require advise on the EMFS or any other ESG-related matter¹, please send an email to your point of contact in Galicia or write to cescoto@galicia.com.mx.

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