



## SOCIAL BOND WITH A GENDER FOCUS FRAMEWORK



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# List of Acronyms

- AT:** Cross-cutting actions
- CDT:** Technological Development Center
- EAP:** Economically Active Population
- ENIF:** National Survey of Financial Inclusion
- ENIGH:** National Household Income Expenditure Survey
- ENOE:** National Survey of Occupation and Employment
- FEFA:** Special Fund for Agricultural Financing, and issuer of Gender Social Bonds.
- FEGA:** Special Fund for Technical Assistance and Guarantee for Agricultural Credits
- FIRA:** Trust Funds for Rural Development
- FUND:** Guarantee and Promotion Fund for Agriculture, Livestock and Poultry
- FOPESCA:** Guarantee and Promotion Fund for Fishing Activities
- GRI:** Global Reporting Initiative - Global Reporting Initiative
- ICMA:** International Capital Markets Association
- IDB:** Inter-American Development Bank
- FI:** Financial Intermediary
- LAC:** Latin America and the Caribbean
- MSME:** Micro, Small and Medium Enterprises
- MSBH:** Module of the Situation of Home Assets
- OFI:** International Financial Organization
- PI:** Institutional Program
- PND:** National Development Plan 2019-2024
- PRONAFIDE:** National Development Financing Program 2020-2024.
- SADER:** Ministry of Agriculture and Rural Development, previously called SAGARPA: Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food
- SBP:** Social Bonds Principles
- SDG:** Sustainable Development Goals (UN)
- SGB:** Social Gender Bond
- SHCP:** Ministry of Finance and Public Credit
- WB:** World Bank

# 1. Introduction

The Trust Funds for Rural Development (Fideicomisos Instituidos en Relación a la Agricultura or FIRA, regarding its Spanish acronym) was established in 1954 by Mexico's federal government as settlor and the Central Bank of Mexico (Banco de México) as trustee. FIRA is part of the Mexican financial system and operates as a second-tier development bank that offers credit and guarantees, training, technical assistance and technology-transfer. This is to support the agriculture, livestock, fishing, forestry and agribusiness sectors in Mexico.

FIRA integrates the following four trusts funds, which do not consolidate and operate with their own equity under one single administration<sup>1</sup>:

- **FONDO** (1954): this fund channels resources to banking institutions, savings and credit cooperatives, general deposit warehouses and other non-bank financial intermediaries authorized by the Ministry of Finance and Public Credit (SHCP, by its initials in Spanish), they in turn send them through credits granted to producers for equipment loans, agriculture, livestock, poultry and other related activities, or to develop rural areas.
- **FEFA** (1965): (**issuer of the Social Gender Bond**) aims to facilitate access to financing through credit and discount operations for projects related to agriculture, livestock, poultry, agribusiness, fishing and other related activities that are carried out in rural areas.
- **FEGA** (1972): created to grant credit guarantees, subsidies and other services, directly and/or through financial institutions, for agricultural, forestry and fishing sectors, as well as for agribusiness and other related activities, or those developed in areas rural. In addition, FEGA offers subsidies to develop access to credit and technological development to improve the competition and sustainability of producers.
- **FOPESCA** (1989): created to channel FIRA's resources through Financial Intermediaries to fishing and aquaculture sectors and related activities.

## Organizational Structure

FIRA is administered by a technical committee integrated by financial system authorities such as the SHCP and the Central Bank of Mexico, SADER authorities, as well as independent representatives of the agri-food industry, small producer organizations and financial intermediaries. It has more than 131 offices throughout Mexico to support their activities:

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<sup>1</sup> Because of this single administration, the four trust funds operate under the same organizational structure and systems, and contribute to fulfil the objectives of FIRA as a whole. On the other hand, the trust fund known as FEFA, as the issuer of the Social Bond, will be the one to comply with all the obligations derived from the issuance (s).

- Central office in Morelia, Michoacan, Mexico
- Representative office in Mexico City
- 5 Regional Offices
- 31 State Offices
- 88 Local Offices
- 5 Technological Development Centers

As a second-tier bank, FIRA's business model is supported by an extensive network of banks and non-bank financial intermediaries; as well as technology agents and sales executives.

## Products and Services

FIRA has more than 65 years of experience as a second-tier development financial institution to encourage the participation of banks and non-bank financial intermediaries to provide credit to the agri-food and rural sectors, among others, through the following instruments:

### **Credit**

It grants loans through financial intermediaries registered and authorized to operate FIRA resources in order to finance companies in the target sector.

The resources are granted through the following types of credit: equipment, stock and working capital, pledge, leasing, factoring, unsecured and liquidity loans. Furthermore, other credits are granted for non-traditional activities in the rural sector through rural financing and microcredit schemes.

### **Guarantee**

FIRA complements the guarantees granted by the borrower to the financial intermediary. This is a support for the credit granted that mitigates the credit risk and promotes the intermediary's participation. Likewise, it strengthens financial inclusion by replacing in some cases the lack of guarantees of the final borrowers.

### **Training, technical assistance and technology transfer**

FIRA provides training and technical assistance to strengthen producer organization; facilitates access to financing and their integration into value networks, allowing them to be eligible for loans; increases productivity, profitability and integration of their businesses; promotes sustainability of natural resources; and increase their participation in the markets. This allows increasing the welfare levels of the target population.

These services can be provided through independent third parties or by one of the five technology development centers, whose purpose is to stimulate the process of adopting new technologies and

best practices to accelerate and increase the efficiency of the agri-food sectors and rural development.

### **Market information and economic analysis**

In order to provide timely and useful information for FIRA's governing body, business partners (financial institutions), and clients (companies and producers), the agricultural, livestock and fisheries markets are analysed at the regional level, national and international. The aim is to detect investment opportunities and assess risks throughout the value chain.

## **2. Gender Bond Overview**

### **Diagnosis of Mexican women situation, their role in agriculture and financial inclusion.**

#### **Evidence of Mexican women situation**

Although in recent years there have been important advances both in Mexico and worldwide, women and girls are still in a situation of vulnerability or disadvantage in relation to their male counterparts, as reflected in the gender gaps associated with several key indicators.

The following indicators show the gender gap in Mexico: 1) In 2018, 42.4% of women were in poverty, a percentage higher than 41.4% of men. In rural areas (towns with less than 2,500 inhabitants) the incidence of poverty in women reaches up to 55.9% (CONEVAL)<sup>2</sup>; 2) the incidence of educational backwardness is also higher for women (17.4%) than for men (16.3%); 3) the economic participation rate for women (over 15 years old) is 45.4%, a percentage significantly lower than the 77.1% of their male counterparts; 4) the percentage of the population with part-time is 33.8% for women and 17.1% for men (ENOE 2019, IV quarter); 5) the percentage distribution of the employed population with access to social security is 60.2% for men and 39.8% for women; 6) the percentage distribution of current monetary household income is 64.6% for men and 35.4% for women (CONEVAL based on ENIGH 2018); 7) women face less access to physical capital and land tenure than men (see annex 1). The percentage of ownership of agricultural land for rural women is 21%, in contrast to 79% for their male counterparts (Module of the Situation of Home Assets (MSBH), from the National Institute of Statistics and Geography (INEGI) and UN-Women, pilot 2015)<sup>3</sup>.

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<sup>2</sup> Poverty and marginalization particularly affect rural women, 93.5% of them present a high degree of vulnerability due to lack of access to education, health and social security services (CNDH, 2018).

<sup>3</sup> Data on asset ownership in the ENIF 2015 show the differences in access and control of those individuals who could undertake productive activities. These describe certain gaps between women and men, which indirectly suggest a greater difficulty for women entrepreneurs to have collateral, a requirement traditionally required when applying for a loan (Annex 1).

### **Role of women in agriculture and limitations they face in this activity**

Although women in agriculture play important roles in contributing to household food security, earning income, caring for their family, managing natural resources and biodiversity, their effectiveness in performing these roles often depends on the limitations they have in access to land possession, labor, capital and technology (FAO, 2018).

Different studies conclude that rural women are subject to restrictions such as the lack of productive assets and resources, access to credit, networks and other necessary inputs. Women face gender biases in financial services, as they are perceived as complementary “helping hands” and not as farmers contributing to the sector. They often lack collateral for their loans, such as land titles, which are necessary in the agricultural sector.

In addition to the sociocultural barriers that affect their activities in the agricultural sector, women have low access to formal training. According to the IDB, non-financial barriers such as the prevailing gender roles imply more time dedicated to household activities and childcare, and therefore less time in business development. They face reduced access to business networks and less key contacts for market access; as well as less developed business skill, resulting from adverse conditions for capacity building.

### **Financial inclusion and access to finance**

Women represent almost half of the labor force in the Mexican countryside (ENOE, 2019), women face less access to credit and other financial services. According to the 2017 report by Global Findex, only 33% of women (over 15 years old) have an account in a financial institution compared to 39% of their men counterparts (see annex 1). The problem of limited access to financial services is even more accentuated in rural communities.

According to the 2018 ENIF, 43% of the adult population (46% of women and 40% of men) do not have any credit, either formal or informal, and this percentage increases to 47% in rural localities with less of 15,000 inhabitants, only 29% of women between 18 and 70 years old have any formal credit (compared to 33% of men). In localities with fewer than 15 thousand inhabitants, only 20% of women have formal credit (ENIF, 2018). In the agricultural sector, only 9.9% of the production units obtained a credit or loan in 2018, this percentage was even lower in the case of women with access to formal credits to finance productive projects (National Agricultural Survey, 2018).

In addition to less access and control over assets such as property and land, there are financial restrictions particularly affecting women-owned businesses in Mexico. These include high costs of accessing credit in terms of interest rates and terms; and inadequate assessment of the risk and solvency of banks, which in general are unaware of women´s conditions and needs (IFC, 2014).

One of the main problems facing the female entrepreneurs is the scarcity of adequate financing options, which leads to low productivity and low growth potential - especially at the micro and small business levels. According to data from the National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises 2015 (ENAPROCE)), it is the lack of collateral, guarantee or endorsement that represents the strongest barrier to accessing credit by the micro-businesses and

small companies in Mexico. Additionally, women are not able to prove income, which is a great restriction on their opportunities to receive financing from the formal banking sector. Given their participation in the micro segment and, to a lesser extent, in the small segment, this affects women entrepreneurs asymmetrically.<sup>4</sup>

All these challenges together generate less access to finance and represent a greater barrier for women compared to men in the agricultural sector. The low availability of credit is one of the most important aspects that affects the development possibilities of women and their companies in the agricultural sector, becoming an obstacle to expanding their production, orienting their activity to large-scale crops or allocating their production to more competitive markets with export capacity.<sup>5</sup>

## Importance of Gender Equality

FIRA recognizes, questions and rejects discrimination, inequality and exclusion of women, particularly from the financial means necessary for their productive development.

Addressing the problems described above, place the importance of addressing actions for gender equality, since women represent half of the world's population and their neglect causes the stagnation of economic and social progress (United Nations, 2020). Women issues become more pressing if we consider the trend of women's involvement in agriculture. FAO has emphasized that the female economically active population remained around 50% until 2010 and has increased recently, derived from the migratory waves of men. In the food sector, 6 out of 10 people who produce food goods in developing countries are women, the main producers of planting and harvesting food (United Nations Conference on Environment and Development (UNCED), the Global Forum for Women (Miami), and Agenda 21).

“The impact of this gender gap is not trivial, as it is estimated that closing the credit gap for women-owned SMEs could increase productivity and per capita income growth (World Bank, 2012 and Goldman Sachs Global Markets Institute, 2014).”<sup>6</sup>

***Recognizing the importance of gender equality not only as a matter of social justice, but also as a matter of economic efficiency, makes it necessary to establish policies and urgent compensatory actions in favor of women, which contribute effectively to equality of rights, and generate opportunities between men and women. The gender equality perspective in the agricultural sector is essential to recognize the importance and capacity of women as producers and to guarantee***

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<sup>4</sup> Different studies have shown that SMEs led by women not only face greater challenges in accessing financial services, but also tend to face higher interest rates or guarantee or collateral requirements. Some surveys show that LAC firms with female owners are more underserved regardless of company size, and have a significantly smaller loan size, adjusted for income level, than firms without female owners (IFC-McKinsey, 2011).

<sup>5</sup> The Women's Entrepreneurial Venture Scope found that in LAC the weakest category, among the five used in the general index, was precisely "access to finance", which means that, among all factors that determine business success, obtaining financing is the most difficult step in starting or developing an SME.

<sup>6</sup> According to FAO, ensuring that female producers have the same access to resources as their male counterparts would reduce the number of people with malnutrition in the world by 12 to 17%.

***the mechanisms and financing processes that allow them to achieve their development in the sector.***

***In this context, the issuance of Social Gender Bonds will allow FIRA and Mexico to strengthen their strategy of financial inclusion and socioeconomic empowerment of women, thereby contributing to both solving the problems described above and reducing gender gaps, which is understood as the inequality between men and women with respect to access to goods, services and opportunities in different areas.***

***In particular, the issuance of Gender Social Bonds will allow FIRA to advance in the UN 2030 agenda, contributing to several of the specific goals of the SDGs related to gender equality (see annex 2).<sup>7</sup>***

## **Alignment of the Gender Equality Bond with the FIRA's Purposes**

In line with its Institutional Program 2020-2024, FIRA's mission is to promote the consolidation of an inclusive, sustainable and productive agri-food and rural sector. As part of the strategy to achieve inclusion, FIRA has positioned the gender perspective as one of its three transversal actions (AT3.- "Ensuring a gender perspective"). Through the transversal approach, it seeks to influence all aspects of its institutional life, incorporating within its goals, design and operation, concrete actions in favor of gender equality.

In accordance with the national development strategy and the provisions of the strategic documents, including the National Development Plan 2019-2024 (Plan Nacional de Desarrollo, PND), the new FIRA 2020-2024 Institutional Program (PI) not only maintains its commitment to gender equality but gives it greater importance, taking as a basis specific goals of the National Development Financing Program 2020-2024 (PRONAFIDE, Goal 6, specific actions 6.3.5 and 6.4.1)<sup>8</sup>

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<sup>7</sup> SDG 5 entitled "Gender Equality" recognizes the importance of achieving gender equality and empowering all women and girls. It includes among its goals, to undertake actions that guarantee women access to economic resources and financial services, among others. SDG 10 recommends the application of policies for "Inequalities Reduction" based on income, gender, age, disability, sexual orientation, race, class, ethnic origin and religion. It emphasizes the importance of empowering and promoting inclusive economic and social growth that guarantees equal opportunities and reduces income inequality by meeting the needs of disadvantaged and marginalized populations, including women, among other groups.

<sup>8</sup> PRONAFIDE is the sectoral program of finance sectors that presents the goals, strategies and actions to ensure the availability of resources necessary to increase investment and promote the development of the country, as well as promote financial inclusion, and maintain the macroeconomic stability of the country. Goal 6 consists of "Expanding and strengthening the financing and planning of the development banking and other financing vehicles of the Federal Public Administration, as well as promoting greater financial inclusion of the target sectors and greater participation of the private sector, to contribute to the sustained economic development of the country and social welfare." Actions 6.3.5 and 6.4.1 are aimed, respectively, to: "Designing financial products and services for women to promote their financial inclusion" and "Providing training, financial education and technical assistance benefiting population from the programs and financing schemes, as well as other

and the Sustainable Development Goals (SDG: 1, 2, 5, 8 and 10) established in the UN 2030 agenda; In particular, those targets of the SDGs which underline the importance of economic and financial inclusion of women<sup>9</sup>, as well as their contribution to reducing gender gaps (see Annex 2). The foregoing will contribute to the achievement of Goal 6, strategy 6.4 of the National Policy for Financial Inclusion 2020-2024 (PNIF<sup>10</sup>).

Additionally, considering FIRA's mandate together with FAO recommendations<sup>11</sup>, within the PI have established 7 specific purposes to be addressed by the institution:<sup>12</sup> Three of these purposes (1, 6 and 7) promote the development of strategies in favor of vulnerable groups, and the socioeconomic empowerment of women through greater financial inclusion that facilitates undertaking productive activities that improve their socioeconomic conditions and their families too.

For these purposes, the IP establishes three priority goals (OP), as well as the strategies that describe the policies and tools applicable to all FIRA's branches (agriculture, livestock, fishing, forestry and other economic activities in the rural environment).

Specifically, Goal 1 addresses the challenge of increasing financial inclusion, especially for small producers, as well as for women and other vulnerable groups (covered by FIRA)<sup>13</sup> with backwardness and inequality conditions.

FIRA maintains the commitment to carry out actions in favor of the personnel, which promotes equal opportunities, gender equality and non-discrimination. In 2017, the institution was certified under the "Mexican Standard NMX-R-025-SCFI-2015" on Labor Equality and Non-Discrimination. At the end of 2018, the certification was achieved again.

Additionally, FIRA counts with the mechanisms for the registration of complaints related to issues of non-discrimination, gender equality, harassment at workplace and sexual harassment, as well as

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financial services offered by development banks, with an emphasis on women, companies led by women, young people and other groups in vulnerable situations, in order to contribute to greater financial inclusion."

<sup>9</sup> Between 2014 and 2019, a generally increasing trend was observed in the total number of women borrowers within FIRA's loan portfolio.

<sup>10</sup> [https://www.gob.mx/cms/uploads/attachment/file/557108/PNIF\\_2020.pdf](https://www.gob.mx/cms/uploads/attachment/file/557108/PNIF_2020.pdf)

<sup>11</sup> In the document named "Transforming the food system and agriculture to achieve the SDGs."

<sup>12</sup> F1.- Inclusion and financial education; F2.- Greater financing for development and structuring of bankable productive projects; F3.- Action for the climate and sustainability of agri-food production, including water, energy, ecosystems and rural communities; F4.- Industry, innovation and infrastructure; F5.- Mitigate prices volatility of agricultural products; F6.- End of poverty and zero hunger; F7.- Gender equality, reduction of inequalities and decent and responsible work.

<sup>13</sup> According to the National Council for the Evaluation of Social Policy (CONEVAL), a person is vulnerable when they face any of the social deprivations considered in the measurement of poverty but whose income is higher than the welfare line (minimum income threshold necessary to meet people's food and non-food needs), or when, despite not facing any social deprivation, their income is below the welfare line (vulnerable by income). Overcoming both conditions requires access to financial services. In the case of FIRA, the vulnerable population to be covered by its programs and financial intermediaries must have a direct link with the productive sector in rural areas.

those related to Ethics Codes, Rules of Integrity and Conduct Codes;<sup>14</sup> these complaints are submitted to the Ethics and Conflict of Interest Prevention Committee (CEPCI) to be solved. Gender equality actions are reported annually in a "Sustainability Reports" document, publicly available on the FIRA website. The document follows the GRI guidelines.

## Main Benefits of the Bond

***By increasing the availability of resources for granting loans to women, the issuance of FIRA Gender Social Bonds constitutes an important element within FIRA's strategy to improve access to women financing and expand and strengthen the investment portfolio in projects and companies with women exclusive participation or led by them<sup>15</sup>.***

***Through the financial inclusion of women, FIRA promotes women economic and social development, thereby fostering a greater number of labor and productive initiatives, as well as fostering entrepreneurship for this segment of the population.***

***This translates not only in women well-being improvement (for them and their families), but also places the entire economy of the national rural sector on a higher path of progress and development.<sup>16</sup>***

**The greater financial inclusion of women contributes to the following issues:**

- To have more formal financial services, instead of informal mechanisms, which are generally less efficient, more expensive and riskier.
- To raise the potential of finance as an engine of growth, in addition to helping women socioeconomic empowerment within the home and their communities.
- To foster better and more efficient ways to access, use, manage and control resources, which contributes to improve economic opportunities and development results for them and society as a whole<sup>17</sup>.
- To reduce women disadvantage to seek economic opportunities, their participation in the workforce, and their contribution to the economy<sup>18</sup>.

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<sup>14</sup> The Conduct Code complies with the law and norms to prevent and avoid discrimination and violence against women as well as promote labor and gender equality according to what is established in the article 15<sup>th</sup> at the General Law of Administrative Responsibilities.

<sup>15</sup> A company led by women will be understood as that with major participation (51% or more) of women within their shareholding or productive structure.

<sup>16</sup> Recent studies highlight the contributions and benefits of women financial inclusion, both at the microeconomic and macroeconomic levels (e.g. higher growth and reduction of inequality).

<sup>17</sup> Ashraf, Karlan, & Yin (2009); Kast and Pomeranz (2014); Schaner (2014); and Aker et al. (2011).

<sup>18</sup> When women's participation in the labor force increases, there is faster economic growth. Therefore, the creation of more and better jobs for women, as well as women discrimination reduction increase gender equality, both at home and at work, this is included in 2030 Agenda Goals (Carballo, 2020).

- To promote women participation in the labor market and women productive inclusion, which reduces income inequality and generate benefits for future generations by improving children health and education.
- To improve income opportunities for women.
- To enhance women to start a business and to increase women entrepreneurship and self-employment.
- To invest in women families and businesses, and to cover emergencies without resorting to accumulated assets sale<sup>19</sup>.

The greater access of women to financial services generates a strong positive correlation with economic growth. Economic growth increases as higher levels of financial access are observed (Sahay and others, 2015).

The IMF (2016) suggests a positive association between gender equality in financial inclusion and equality in income distribution, due to the increase of women financial inclusion and female labor force participation. Generally, financial inclusion indicators are negatively and significantly correlated with the Gini index<sup>20</sup>.

It is estimated that in the coming years the incorporation of women into productive activities, could generate a greater impact on the country's GDP growth compared with the impact produced by the demographic bonus<sup>21</sup>. The foregoing highlights the importance of promoting women productive participation by financing their productive projects.

The following sections of the document develop the framework for the issuance of gender social bonds, in accordance with the provisions of the Social Bond Principles (SBP 2020) and its four guidelines: (i) Use of Proceeds; (ii) Project Evaluation and Selection Process; (iii) Management of Proceeds; and (iv) Reporting. This framework document will be submitted to the opinion of Second Parties, and both the framework and the opinion will be published by FIRA through its website.

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<sup>19</sup> Knowles (2013); Dupas and Robinson (2009 and 2013); Jakiela and Ozier (2012); Gamberoni, Heath, and Nix (2013); and Buvinic and Furst-Nichols (2014).

<sup>20</sup> Women access to financial services is related to income inequality, in addition to the factors previously identified in the literature (Aslan and others, 2017).

<sup>21</sup> According to the Report "Gender Equality and Development" (World Bank 2012), it was estimated that income losses due to the market labor exclusion of women in the world range between 10% and 37% of GDP in all regions. Studies by the World Bank Group, the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the private sector indicate that billions of dollars could be added to world GDP by promoting gender equality (cited by Carballo, 2020). Another study by the McKinsey Global Institute (Woetzel et al. 2015) estimates that closing the gender gap would add \$28 trillion to global GDP by 2025, equivalent to the sum of the economies of the United States and China. The scenario that includes these potential benefits makes its estimates on the assumption that all women play an identical role to men in the labor market (Cited by Carballo, 2020).

### 3. Use of Proceeds

The projects financed with the resources of this bond will be aligned with the mission and strategies of the institution, and the ICMA Social Bond Principles (SBP 2020).

The proceeds from the issuance of the Social Gender Bond will be used to finance the portfolio of investment projects and credit operations of accredited women in any of the sectors supported by the Institution. This will be carried on through the different programs and authorized products, and in accordance with the purposes established in the trust agreement “FEFA” of August 26, 1965 (slightly modified after that date).

Specifically, the proceeds of the FEFA Gender Bond will be used to finance and refinance loans and investments of credited women granted during the last 24 months prior to each issuance, as well as new requests for credit and financing of investment projects of accredited women, that comply with the eligibility criteria.

***From the Gender Bond issuance, and considering the different financing needs of women in the rural sector, it is proposed that the investment projects, eligible under this framework, are those in which women have exclusive participation or are led by women (using information provided by the FIs where accredited women are fully identified).<sup>22</sup>***

Project types are differentiated and grouped into three basic categories according to the nature and main purpose of loan and investment projects, the credited companies, organizations or associations’ characteristics, as well as the incidence of the support type on specific goals of the PI of FIRA, the SDGs and the 2030 Agenda linked to gender equality.

**Table 1.- General selection criteria by project category**

Category	Goal	Criteria	Eligible segments <sup>23</sup>
1. Financial Inclusion	Promote women financial inclusion and thus contribute to gender equality.	<p><i>Credits for productive or investment projects with women participation:</i></p> <ul style="list-style-type: none"> <li>• Woman individuals (exclusively).</li> <li>• MiPYMES, family businesses, large companies, associations and organizations of producers with</li> </ul>	<b>N: New credit recipients.</b> - accredited women who appear for first time in the FIRA beneficiary databases.

<sup>22</sup> Both the FIRA Comprehensive Computer System of Operations (SIIOF) and other statistical bases of the institution allow identifying an ID, for intermediate or immediate credited (example: companies, organizations and associations of producers), as for final credited, women who receive a loan collectively or individually (microcredits are included).

<sup>23</sup> The characteristics, purpose and area of incidence or impact of the credits or projects are imputed from the combination of these segments derived from the variable “status” (which is the variable used by FIRA to classify and identify its borrowers) and the credit type (short and long term).

Category	Goal	Criteria	Eligible segments <sup>23</sup>
		women exclusive participation or led by them.	
2. Labor and productive initiative	Promote productive and labor inclusion of women for greater autonomy and thereby contribute to gender equality.	Short run credits or working capital credits for productive projects granted to: <ul style="list-style-type: none"> <li>• Woman individuals (exclusively).</li> <li>• MiPYMES, family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them.</li> </ul>	<b>O: Beneficiaries with on going credits.</b> - Accredited women with prior registration in the FIRA beneficiary databases and current credit.
3. Entrepreneurship	Promote participation and development of the entrepreneurial capacity of women in productive projects with a long-term perspective, through the financing capitalization of their companies.	<i>Long-term loans for capital goods acquisition and investment in productive infrastructure granted to:</i> <ul style="list-style-type: none"> <li>• Woman Individuals (exclusively).</li> <li>• MiPYME, family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them.</li> </ul>	<b>R: Beneficiaries reinstated.</b> - accredited women with previous registration in the FIRA beneficiary databases, but without operation during the last 3 years.

Despite not being completely mutually exclusive, the three categories in principle suppose differences in investment needs and degree of production sophistication (use of infrastructure, organizational structure, production scale and time horizon) that together determine different levels of investment, financial inclusion and socio-economic empowerment of women.

This seeks to address the heterogeneity in financial inclusion needs and socio-economic empowerment of women as well as to transparent the resources use of proceeds, and to identify their concrete contributions to gender equality, in congruence with the Principles of Social Bonds.<sup>24</sup>

1. Financial inclusion seeks to address those women who have not previously benefited from a productive loan granted by FIRA and thereby contribute to the generation of economic opportunities for them and their families.
  - In this way, FIRA contributes to closing the gender gap regarding the human rights to economic resources, and access to financial services, including microfinance, in accordance with target 1.4 in the SDGs 1.

<sup>24</sup> The three categories coincide in their purposes with general categories and subcategories eligible, considered in the issuance of Social Bonds mentioned in the “Harmonized Framework for the Impact Report of Social Bonds” developed by ICMA: 1) Access to basic services (financial services); 2) Generation of employment; and 3) Socio-economic advancement and empowerment. As in this case it is a Gender Social Bond, the three categories are directly linked to women care.

- Greater access to formal savings and credit options would not only guarantee a greater women participation in the economy, but also allow them to use these opportunities as a catalyst to get them out from poverty and achieve greater women equality.<sup>25</sup>
2. The labor and productive initiatives contemplate the credit provision and working capital to recurring productive projects that offer women opportunities to convert and maintain their lands and other properties into productive assets and a source of income, job creation and self-employment.
    - Increasing the women participation in the labor force and in production contributes to faster economic growth in the agricultural and rural sectors, which at the same time promotes the creation of more and better jobs, thus generating a virtuous circle.
    - Through this type of credit, FIRA contributes to raising the productivity and income of women producers in the agricultural, fishing, forestry, agri-food and rural sectors, mainly those linked to small and medium-scale productive projects.
  3. Through the entrepreneurship category, FIRA seeks to support the participation and business development of women with productive projects with a long-term perspective and a greater degree of complexity or sophistication of their production processes, in which the management and agency capabilities of women, besides organizational improvements, innovation and investment in infrastructure are the basis for its success and growth. For this type of projects, long-term credits for the acquisition of fixed assets, capital goods and productive infrastructure will be granted.
    - In addition to promoting economic empowerment and trying to ensure the full and effective participation of women in positions of economic leadership as entrepreneurs, in line with the provisions of several of the goals of the SDGs (particularly Goal 5), the aim of this type of credits is to support women by providing their companies with the resources and productive assets to start a new business or to consolidate or grow an existing one.
    - Through long-term credit, modernization, growth and innovation of women companies, this allows women to take advantage of business opportunities generated by the market.
    - By financing investments in infrastructure, machinery and equipment, added value is generated, increased capacity and increased productivity of women companies.

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<sup>25</sup> World Bank 2012; cited by Carballo 2020).

- A long-term loan allows women companies to maintain their operational flow and take advantage of the profits for their company's growth, amortizing the loan according to the generation of business flow.

## **4. Selection and Evaluation Process of Projects for Women.**

The process of evaluating and selecting eligible projects financed to women is a key factor in ensuring that the resources of the Gender Bond are allocated to projects that meet the criteria in section 3 of this framework. It will also ensure that funds do not finance other activities outside of eligible gender projects.

To do so, FIRA will parameterize in its systems the characteristics and criteria necessary to identify the eligible prospects to be financed by the resources of the Gender Bond.

In addition to allowing their identification in FIRA's computer and statistical systems, a database will be generated to identify and monitor the different categories of credits granted.

### **The Credit Process and Procedure for the Selection of Eligible Gender Projects.**

As a second-tier financial institution, FIRA operates by granting loans to different projects through a network of FIs, which are the ones who grant the loans to the final borrowers or beneficiaries.

The eligible financing projects will be selected from this loan portfolio. These correspond to the different credit and support schemes granted by FIRA through its FIs<sup>26</sup> and their condition is that they are productive projects executed exclusively by women or led by them.

The project selection process provides a transparent system by which projects are identified, classified, and eventually approved. FIRA will promote investment in selected projects for the use of resources coming from the issuance of the Gender Bond, considering the categories and general selection or eligibility criteria indicated in table 1.

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<sup>26</sup> Within the "traditional" credits, some variants are identified in short-term credits: equipment credit and capital credit, Pledge credit, Repo, Factoring, Unsecured loan and Liquidity credit. Long-term loans include the equipment loan. Additionally, outside the "traditional" scheme, credits are granted for non-traditional activities in the rural sector, through rural financing schemes (Credit support to any legal economic activity in the rural environment, different from companies in the agricultural, forestry and fishing sectors, which promote the generation of jobs and economic reactivation in populations under 50,000 inhabitants) and Microcredit (productive microcredits, granted to individuals).

- Financial Inclusion of women;
- Labor and productive initiative; and
- Entrepreneurship

The investment to women projects is fully identified in the credit administration system of FIRA (Integrated Computer Information System of FIRA Operations or SIIOF) used by FIs to access FIRA services (credit and/or guarantees).

Projects operated by financial intermediaries that due to their characteristics and parameters (selection criteria) are eligible for inclusion in the Social Gender Bond portfolio, these will be selected by the Institution's Business Promotion area, which will allow the identification and extract the necessary information from SIIOF.

## **Exclusion Criteria.**

The proceeds of the Gender bond will not finance credits that do not comply with the provisions of the Funding Service Operating Conditions between FIRA and the Financial Intermediaries. In this sense, the following investment concepts will not be eligible.

- 1) Those who are not allowed by law,
- 2) Those that are meant for projects that promote vices and /or family disintegration.

Likewise, projects related to the following operations will not be eligible for the use of proceeds of the Gender Bond:

- 3) Those related to other thematic bonds issued by the institution (such as credits supported through green bonds).
- 4) Unfunded Guarantee Credits (GSF).
- 5) Loans with portfolio treatment (restructuring and extensions, among others).
- 6) According to international best practices, the projects mentioned in the exclusion list of Annex 3.

## **Analysis, Performance and Registration of the Gender Bond.**

Parametric indicators will be applied to quantify the progress of the financial inclusion of women within the loan portfolio granted by FEFA, achieved through the issuance of Gender Bonds.

The operation of the portfolio that is part of the resources use from the Gender Bond will be reviewed by the Institution's Business Promotion area through an automated report generated in SIIOF and an analysis will be carried out to confirm that each project in the portfolio is an eligible

project, operated by women, for the FEFA Gender Bonds. This information will be used to internally monitor the progress of the resource's allocation.

Projects that are eligible will be marked and identified in SIIOF. The register will be used for proceeds usage monitoring, matching and reporting, and to ensure that Gender Bonus income is accurately allocated on a regular basis. Eligible projects will be differentiated using a unique identifier for each Gender Bonds issuance.

Internal systems are in place to track the proceeds of the Gender Bonds, which guarantees that eligible gender projects are not assigned to other sustainable, social, green bond issues or credits from international financial organizations during the specific term of the Gender Bond.

For any Gender Bond issuance that FIRA carries out through FEFA, the credit registry must be identified and determined as eligible, at least in the amount of the issuance size. The **SIIOF** will keep information related to the issuance of the Gender Bond, including the location of the project, the amount financed, as well as the indicators and supporting information for the analysis and reporting of the gender social bond.

## 5. Management of Proceeds

The Institution's Finance area will manage the resources of the Gender Bond, which will be allocated to eligible projects.

Any portion of the net proceeds from the issuance that have not been allocated due to the absence of eligible projects will be temporarily invested in accordance with FEFA's internal liquidity management policy, keeping them in liquid assets or bank accounts.

## 6. Reporting

In order to be completely transparent with the Gender Bond investors and other market stakeholders, FEFA commits to report, at least annually and until full allocation, on the use of resources and the impact of the Gender Bond portfolio.

### Use of Proceeds Reporting

FEFA will report annually and until full allocation the use of the resources of the Gender Bonds on its corporate website (<http://www.fira.gob.mx>). This report will also be included in the Sustainability Memories report which is published annually. The first report on the use of resources will be published one year after the corresponding Gender Bond is issued. The report will include:

- Total amount of the applicable Gender Bond issued;
- Use of proceeds within each project category of the Gender Bond;
- Total amount of unallocated resources; and
- Resources used for financing/re-financing.

## Impact Reporting

FEFA will annually publish an Impact Report on social and/or gender matters. The report will include parametric indicators on the social and/or gender impact of the projects eligible to be financed by the Gender Bond at the portfolio level and it will continue to be published until full allocation. Information regarding credited and projects will be subject to permitted disclosure in accordance with the appropriate confidentiality agreements.

The following table shows the indicators that will be used to measure the impact of the projects financed through the Gender Bond and their impact on gender equality and the socioeconomic empowerment of women. The categories or principles of social bonds are included, as well as the Sustainable Development Goals to which the eligible projects are aligned.

The basic analysis allows identifying the impact or contribution of each project category to the achievement of specific goals of the Institutional Program and some of the SDGs, based on the actions of financial and economic inclusion of women, promoted and financed through

<b>Table 2. Parametric indicators by category or type of project</b>			
<b>Categories of eligible Projects linked to the SBP</b>	<b>"FIRA Categories"</b>	<b>Impact on the 2030 Agenda, Sustainable Development Goals (SDG) and correspondent Targets<sup>27</sup></b>	<b>Basic Parametric Indicators</b>
1.- Financial Inclusion	Credits, granted to:  Final credited women (borrowers) receiving FIRA credit for the very first time.  Companies, associations, producer organizations and projects with exclusive participation of	Goal 1.- End of Poverty (Targets: 1.4 and 1.b)  Goal 2.- Zero Hunger (Target 2.3)  Goal 5.- Gender Equality (Targets: 5.1, 5.a and 5.c)  Goal 8. - Decent Work and Economic Growth. (Target: 8.10).	<ul style="list-style-type: none"> <li>• Number of women benefiting from a FIRA loan for the very first time.</li> <li>• Amount of credits granted for the very first time to final female borrowers (as individuals or as members or partners of a company, association or organization of producers with exclusive participation of women or led by women).</li> </ul>

<sup>27</sup> For more details See Annex 2.

	women or led by women classifiable in the “eligible segment N”.	Goal 10. - Reduced Inequalities (Targets: 10.1 and 10.2).	
2.- Labor and productive initiative	<p>Agricultural credits or working capital credits granted to:</p> <p>Final credited women (borrowers), previously registered as FIRA credit recipients.</p> <p>Companies, associations or organizations of producers and projects with exclusive participation of women or led by women classifiable in the eligible segments "O" and "R".</p>	<p>Goal 1.- End of Poverty (Target: 1.4)</p> <p>Goal 2.- Zero Hunger (Target: 2.3)</p> <p>Goal 5.- Gender Equality (Targets: 5.1, 5.a and 5.c)</p> <p>Goal 8.- Decent Work and Economic Growth. (Targets: 8.3 and 8.5).</p> <p>Goal 10.- Reduced Inequalities (Targets: 10.1 and 10.2).</p>	<ul style="list-style-type: none"> <li>• Number of women (final credited) receiving agricultural or working capital credit to carry out their productive Project.</li> <li>• Number of credits of provision or working capital to productive projects of women individuals, or companies, organizations or associations of women producers or those led by women.</li> <li>• Amount of agricultural or working capital credits granted to final credited women (as individuals or as members or partners of a company, association or organization of producers with the exclusive participation of women or led by women).</li> </ul> <p>FIRA will report complementary indicators on the subject of labor and productive inclusion for 10 selected cases.</p> <ul style="list-style-type: none"> <li>• Jobs generated or sustained through the productive project financed through the SGB.</li> <li>• Value of the production linked to the productive project financed through the SGB (e.g. Hectares harvested, or units produced, etc.).</li> </ul>
3. Entrepreneurship (Socioeconomic advancement and empowerment)	<p>Loans for the acquisition of machinery and equipment or/and investment in productive infrastructure granted to:</p> <p>Final credited women (borrowers) previously</p>	<p>Goal 5: Gender Equality (Targets: 5.5, 5.a and 5.c)</p> <p>Goal 8: Decent Work and Economic Growth. (Targets: 8.3)</p> <p>Goal 10: Reduced Inequalities (Target: 10.3)</p>	<ul style="list-style-type: none"> <li>• Number of women (final credited) receiving long-term credit for the acquisition of capital goods and investment in productive infrastructure.</li> <li>• Number of long-term credits for the acquisition of capital goods and investment in productive infrastructure in support of productive projects of individuals, companies, organizations or associations of women producers or those led by women.</li> </ul>

	<p>registered as FIRA credit recipients.</p> <p>Companies, associations or organizations of women producers and projects with exclusive participation of women or led by women classifiable in the eligible segments "O" and "R".</p>		<ul style="list-style-type: none"> <li>Amount of long-term loans for the acquisition of capital goods and investment in productive infrastructure to final credited women (as individuals or as members or partners of a company, association or organization of producers with exclusive participation of women or led by women).</li> </ul> <p>FIRA will report complementary indicators on the subject of labor and productive inclusion for 10 selected cases.</p> <ul style="list-style-type: none"> <li>Areas of the enterprise benefited through the productive project financed by the BSG (management capacity, improvements in the organization, in the value chains; innovation processes, etc.)</li> </ul>
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Notes: Agricultural credit refers in this case to one of several credit vehicles used to finance agricultural transactions. This type of financing is specially adapted to the specific financial needs of farmers and allows them to secure essential productive inputs, and do other things that are necessary to keep their farms running.

Although the indicators have been created for the analysis of the women productive projects portfolio financed through the SGB, they could apply as well for the entire loan portfolio of the institution in order to analyze the progress in women financial inclusion, productive and socio-economic advance. The indicators construction assumes that there may be more than one partner per loan and/or one or more loans for MSMEs with the exclusive participation of women or led by women.

***In order to ensure and be able to show the expected impact of the financial inclusion of women on their living conditions and the different dimensions associated with the SDGs and other indicators linked to gender equality (labor and productive inclusion, socio-economic empowerment and agency), FIRA will select up to 10 representative cases of the portfolio projects that contributed to the goals of the Social Gender Bond.***

## 7. External Review

This reference framework will be verified by an independent third party designated by FEFA to assess the suitability and relevance of the identified criteria and the resulting eligible projects.

### Second Opinion

The FEFA Gender Bond follows the ICMA SBP, and will have a second opinion from an independent third party (*second opinion*) to have an external review mechanism that verifies its adherence to such principles.

### Compliance Review

The FEFA gender bond portfolio will be verified by an independent external provider who will review the Annual Report on the Gender Social Bond and determine its compliance with the FEFA Social Bonds Framework with a gender perspective; the reports will be available on FIRA's corporate website.

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# Annex 1

## Asset ownership by sex (% adult population)

Asset Type	National Total		Urban		Rural	
	Female	Male	Female	Male	Female	Male
Land or farmland	6	15	5	10	9	23
Cars or trucks	13	34	16	38	7	28
The house that inhabits	31	41	29	37	35	47
Premises, warehouses or offices	1	3	1	3	1	3
Fixed or semi-fixed positions	2	3	2	3	2	2
Other type of ownership	4	7	3	7	4	7

Source: ENIF 2015

## General situation of financial inclusion by sex

Indicator (Population at the age of 15+)	Region					
	Mexico		Average of 5 Latin American countries <sup>1/</sup> close to Mexico in HDI <sup>2/</sup>		Average of 5 countries with high HDI <sup>2/</sup>	
	Female (%)	Male (%)	Female (%)	Male (%)	Female (%)	Male (%)
She/he has an account at a financial Institution	33	39	56	67	99	98
She/he saves at a financial institution	8	12	13	21	59	63
She/he has a debit card	21	29	42	53	91	90
She/he has a credit card	8	11	13	22	57	63
She/he had a loan from a financial institution	6	6	8	12	19	22
She/he has savings for old age	12	15	9	16	51	57
She/he used the internet to pay bills last year	8	11	12	17	61	65

<sup>1/</sup> The Latin American countries included are: Costa Rica, Panama, Venezuela, Brazil and Ecuador; High HDI countries included are Norway, Switzerland, Australia, Ireland, and Germany; Within Latin American countries, Cuba is excluded, despite having an HDI close to that of Mexico because there is no data on that country in the indicators studied.

<sup>2/</sup> Human Development Index.

Source: Elaboration based on data from the GLOBAL FINDEX of the World Bank, report 2017.

# Annex 2

## SDGs

## Goals



**1.4** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

**1.b** Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.



**2.3** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.



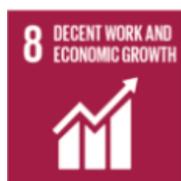
**5.1** End all forms of discrimination against all women and girls everywhere

**5.2** Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation

**5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

**5.a** Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws

**5.c** Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels



**8.3** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

**8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

**8.10** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all



**10.1** By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average

**10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

**10.3** Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

**10.5** Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations

## Annex 3

### Exclusion list

- Trade in species of wild flora and fauna that are threatened or regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) or products derived from them.
- Production or trade of wood products and other forest products from forests without the corresponding sustainable management plan and / or permission from the environmental authority of the area of operation
- Development of projects in protection and conservation areas without the respective permission of the environmental authority of the area of operation.
- Fishing activities in the marine environment with nets of more than 2.5 km in length.
- Production or trade in substances that deplete the ozone layer, subject to phase-out at the international level.
- Manufacture or sale of radioactive materials (includes radioactive waste) (except radioactive materials for medical purposes).
- Production, trade or use of non-agglomerated asbestos fibers (asbestos).
- Manufacture or sale of products with PCBs (polychlorinated biphenyls).
- Production or trade of pharmaceutical specialties subject to gradual elimination or prohibition at the international level, unless licensed by a competent body.
- Production, trade or use of pesticide or herbicide chemicals subject to international phase-out or ban and persistent organic pollutants (POPs).
- Transboundary movements of waste and waste products (except non-hazardous waste).