



# **Social Gender Bond**

## **Annual Report**

### **FEFA21G**

**JULY 2022**



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# 1. GENERAL OVERVIEW

Although in recent years there have been important advances in Mexico to achieve gender parity, **women are still in a situation of vulnerability** or at disadvantage compared to their male counterparts as reflected in the gender gaps associated with several key indicators.

For example, according to the **2021 National Survey of Financial Inclusion (Spanish: “ENIF”)** formal credit proportion for women passed from **41% (2018 ENIF) to 46%**. In contrast, insurance among the female population fell from **31% to 25% in the same period**, a higher drop than that reported at the national level (-3 percentage points). In rural localities, women’s ownership of financial products still lags in comparison with their male counterparts; while ownership by men remained without relevant changes between the two surveys, **the participation of women fell from 22% to 18%**.

Since gender equality is not only a matter of social justice but also of economic efficiency, it is necessary to establish **policies and urgent compensatory actions**, such as the issuance of social bonds, in favor of women. The gender equality perspective in the **agricultural sector is essential to recognize the**

**importance and capacity of women as producers** and to guarantee the mechanisms and financing processes that allow them to succeed.

In this context, the issuance of **Social Gender Bonds (Gender bonds)** allows FIRA to contribute to solving the problems described above and reducing gender gaps.



## 2. FIRA SOCIAL GENDER BONDS

Trust Funds for Rural Development (Spanish: Fideicomisos Instituidos en Relación con la Agricultura; “FIRA”) was established in 1954 by Mexico’s Federal Government as a second-tier development financial institution that offers credit, guarantees, training, technical assistance, and technology-transfer support to the agriculture, livestock, fisheries, forestry and agribusiness sectors in Mexico. It is made up of four trust funds (FONDO, FEFA, FEGA, and FOPESCA) and FEFA is the bond issuer.

FIRA’s mission is to foster the consolidation of an **inclusive, sustainable, and productive** agricultural and rural sector. To accomplish this, the Institutional Programme for 2020-2024<sup>1</sup> (IP20-24) establishes three priority goals, as well as the strategies and transversal actions applicable to all the productive branches financed by the institution (agriculture, livestock, fishing, forestry, and other economic activities in the rural environment).

Specifically, priority goal number 1 addresses the challenge of increasing **financial inclusion and reducing barriers for small producers, as well as for women and other vulnerable groups**<sup>2</sup> (covered by FIRA), by designing financial products suitable to the needs of producers and by incorporating a gender perspective throughout the institutional operations<sup>3</sup>.



<sup>1</sup> For more information, please read the complete Programme in [www.fira.gob.mx](http://www.fira.gob.mx) section “Acerca de nosotros =>Programa Institucional 2020-2024” or the ESG micro site section “Programa Institucional”.

<sup>2</sup> According to the National Council for the Evaluation of Social Policy (Spanish: “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.

<sup>3</sup> Transversal action number 3 “Ensuring a gender perspective”; for instance, in 2021, FIRA obtained for the second time the certification of the Mexican Standard NMX-R-025-SCFI-2015 in Labor Equality and Non-Discrimination granted by the Inter-institutional Council, made up of the Ministry of Labor and Social Welfare (STPS), the National Institute of Women (INMUJERES) and the National Council to Prevent Discrimination (CONAPRED) and its validity is for four years (2021 - 2025). Obtaining a SILVER level and 94 points out of 100.



As part of the strategies to achieve financial inclusion FIRA developed a specific Framework<sup>4</sup> that, after receiving a positive second opinion by Sustainalytics, allowed FEFA to issue its first Gender bond (FEFA20G) in October 2020, followed by a second one in April 2021 (FEFA21G). The gender bonds' portfolios comprise hundreds of small, medium, and big projects distributed throughout Mexico **in which women have exclusive participation or which are led by them**. These projects are divided into three categories:

◆ **Financial Inclusion**

New credit recipients. - women who appear for the first time in the beneficiary databases.

◆ **Labor and productive initiative**

Short-run credits or working capital for productive projects.

◆ **Entrepreneurship**

Long-term loans for capital goods acquisition and investment in productive infrastructure.



<sup>4</sup> Available at [www.fira.gob.mx](http://www.fira.gob.mx) => ESG Portal =>social or [www.fira.gob.mx](http://www.fira.gob.mx) => Relación con Inversionistas => Bonos verdes, sociales y/o sostenibles=> Fefa Social Bond with a gender focus Framework Second Party Opinion Final.

These gender bonds have been widely recognized as innovative and impactful. In November 2020, the **Inter-American Development Bank (IDB) published the document entitled “Financial innovation to support companies run by women”<sup>5</sup>** recognizing the gender bond **FEFA20G** as the first of its kind in Mexico and the first in Latin America and the Caribbean issued by a development bank. The document summarizes the characteristics of the issuance and highlights its potential, as well as the opportunities it offers to mobilize resources from the private sector toward women’s productive projects. In addition, in 2022, **FIRA’s gender bonds received the Latin American Association of Development Financial Institutions (Spanish: “ALIDE”) award for best practices in the category of “Support for women entrepreneurs”<sup>6</sup>.**

Through the financial inclusion of women, FIRA promotes the economic and social development of this segment of the population. This translates not only into women’s well-being improvement (for them and their families) but also places the entire economy of the rural sector on a higher path of progress and development<sup>7</sup> since the greater access of women to financial services, **generates a strong positive correlation with economic growth (for more details on this, see the Framework section “Main benefits of the bond”).**

Finally, and equally important, the social bond strategy aims to engage stakeholders in **implementing compensatory actions in favor of women.** It is of paramount importance to create awareness of the existing gender problems as well as to create active participation of the whole society in its solution. Social bonds with a gender focus are **great instruments to inform and channel resources towards social gender projects.**



<sup>5</sup> <https://publications.iadb.org/en/financial-innovation-support-women-led-businesses-mexicos-first-gender-bond-and-role-national>.

<sup>6</sup> <https://www.alide.org.pe/wp-content/uploads/2022/06/Premios-ALIDE-2022-resumenes-ganadores.pdf>.

<sup>7</sup> Recent studies highlight the contributions and benefits of women’s financial inclusion, both at the microeconomic and macroeconomic levels (e.g. higher growth and reduction of inequality).

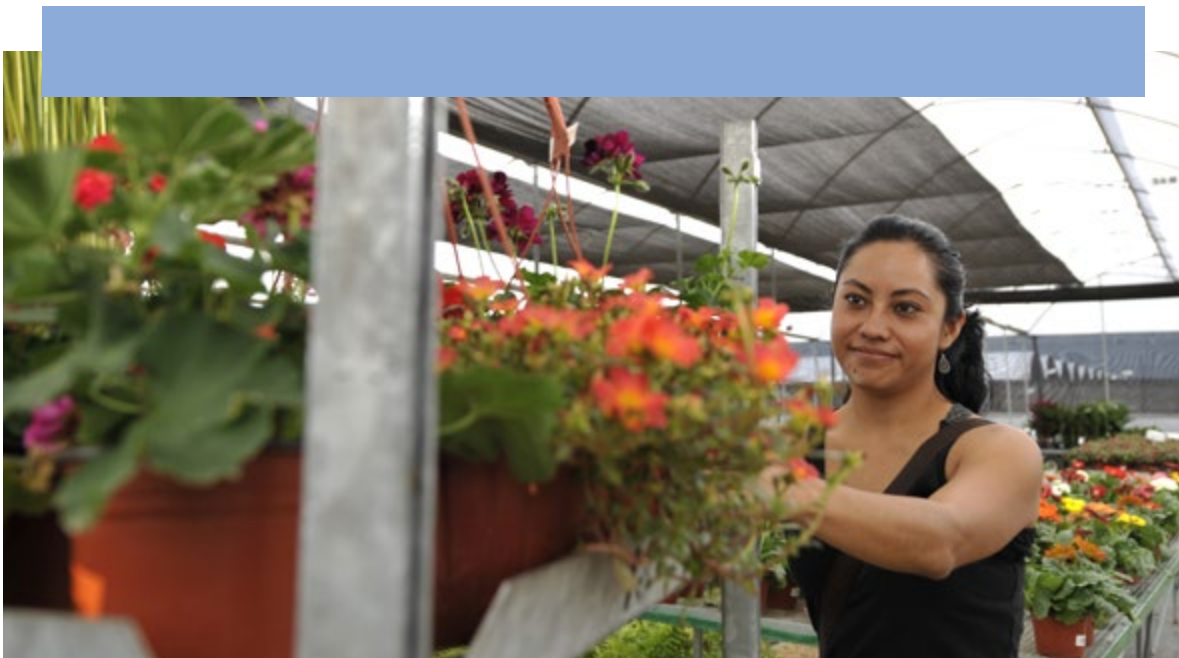
# 3. OVERVIEW OF THE GREEN BOND

FEFA issued its second Gender bond in 2021 according to the following:

**Table 1. FEFA's 2021 Social Bond with gender focus details.**

<b>Issuer:</b>	Fondo Especial para Financiamientos Agropecuarios
<b>Issuer Rating:</b>	mxAAA by S&P and AAA by HR Ratings
<b>Issued amount (MXN):</b>	\$3,500 million pesos
<b>Date of Issuance:</b>	April 26, 2021
<b>Maturity Date:</b>	April 22, 2024
<b>Tenor:</b>	3 years
<b>Bond details:</b>	Floating rate bond, coupon of TIE <sup>8</sup> + 14 bp
<b>Bond symbol:</b>	FEFA 21G

In the Framework, **FIRA committed to publishing an annual use of proceeds report.** This report includes, among others, the allocation of the debt proceeds by category per the Eligibility Criteria defined in the Framework and performance indicators.



<sup>8</sup> In its Spanish acronym, *Tasa de Interés Interbancaria de Equilibrio*.

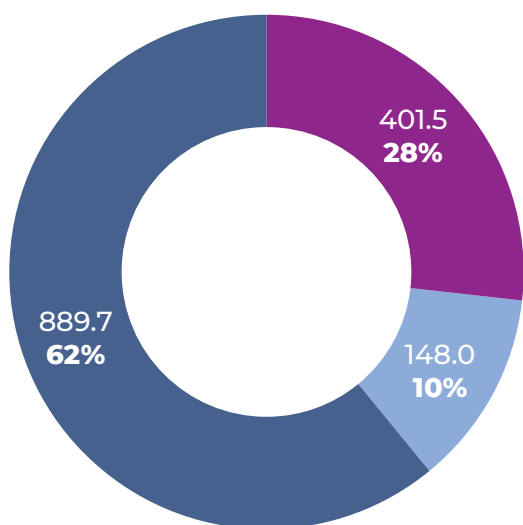
# 4. USE OF PROCEEDS AND PERFORMANCE

The Gender bond proceeds were used to finance or refinance projects led by women in the agricultural, fishing, forestry, agri-food, and rural sectors in the three categories outlined in the framework: (i) *Financial Inclusion*, aimed at new credit recipients; (ii) *Labor and Productive Initiatives*, to provide financing for working capital for productive projects; and (iii) *entrepreneurship*, to provide long-term financing for capital investment in productive infrastructure.

As of April 30, 2022, **41.1% (1,439.2 million pesos) of the 3,500 million pesos issued were allocated to eligible projects, of which 99.99% correspond to new operations and only 0.01% to refinancing.**

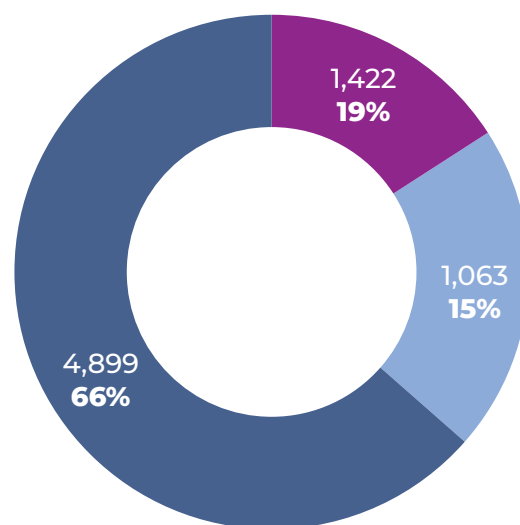
Graph 1 shows the amount allocated in each of the three categories of eligible projects, while graph 2 refers to the number of women who received funding for their investment projects under the same categories.

**Graph 1. Allocated resources by category**  
(million pesos, percentage)



- Entrepreneurship
- Financial Inclusion
- Labor & productive initiative

**Graph 2. Women beneficiaries by category**  
(number of women, percentage)



- Entrepreneurship
- Financial Inclusion
- Labor & productive initiative

All eligible projects **were financed by FEFA** and tagged with the issuance code “FEFA21G” in the Information System databases (SIIOF<sup>9</sup>) which allows identifying, monitoring, and reporting on the use of the funds.

<sup>9</sup> Spanish: Sistema Informático Integral de las Operaciones de FIRA.



The loans provided to women and their projects **promote their participation in the labor force**, improve access to financial services, and supports **economic growth in agricultural and livestock related activities**, as well as in rural environments, while promoting equal gender opportunities.

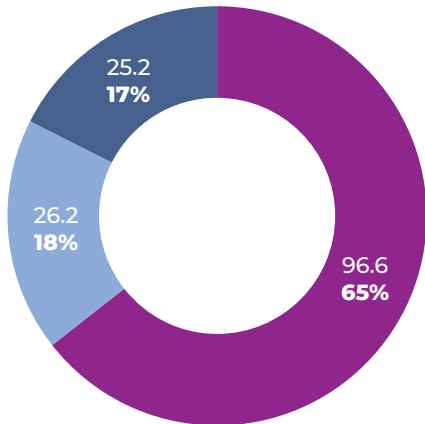
Table 2 shows that agriculture concentrates **65% of the allocated proceeds** and that, as seen in graphs 3, 4, and 5, it represents more than **50% in each category**. This emphasizes the relevance of women in agricultural activities, mainly in value chains such as corn, wheat, avocado, tomato, apple, sugar cane, mango, and coffee, among others (Table 3).

**Table 2. Financing distribution by branch**  
(million pesos)

Category	Agriculture	Livestock	Rural	Fisheries & Forestry	Total
 Financial Inclusion	96.6	26.2	25.2	---	148.0
 Labor & productive initiatives	635.7	107.4	105.6	41.0	889.7
 Entrepreneurship	210.0	156.6	34.9	---	401.5
Total	<b>942.2</b>	<b>290.2</b>	<b>165.8</b>	<b>41.0</b>	<b>1,439.2</b>
% of total	<b>65%</b>	<b>20%</b>	<b>12%</b>	<b>3%</b>	<b>100%</b>

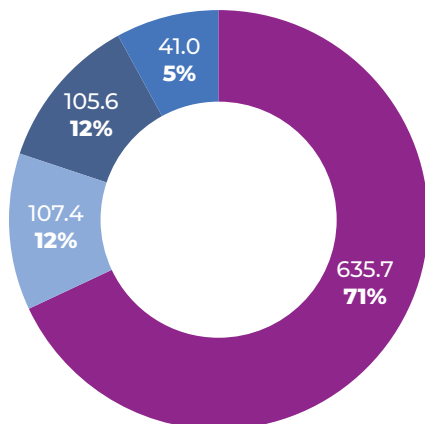


**Graph 3. Financial inclusion**  
(million pesos, percentage)



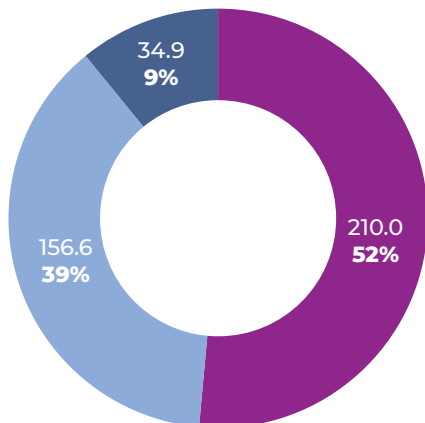
■ Agriculture ■ Livestock ■ Rural

**Graph 4. Labour & productive initiative**  
(million pesos, percentage)



■ Agriculture ■ Livestock ■ Rural ■ Fisheries & Forestry

**Graph 5. Entrepreneurship**  
(million pesos, percentage)



■ Agriculture ■ Livestock ■ Rural

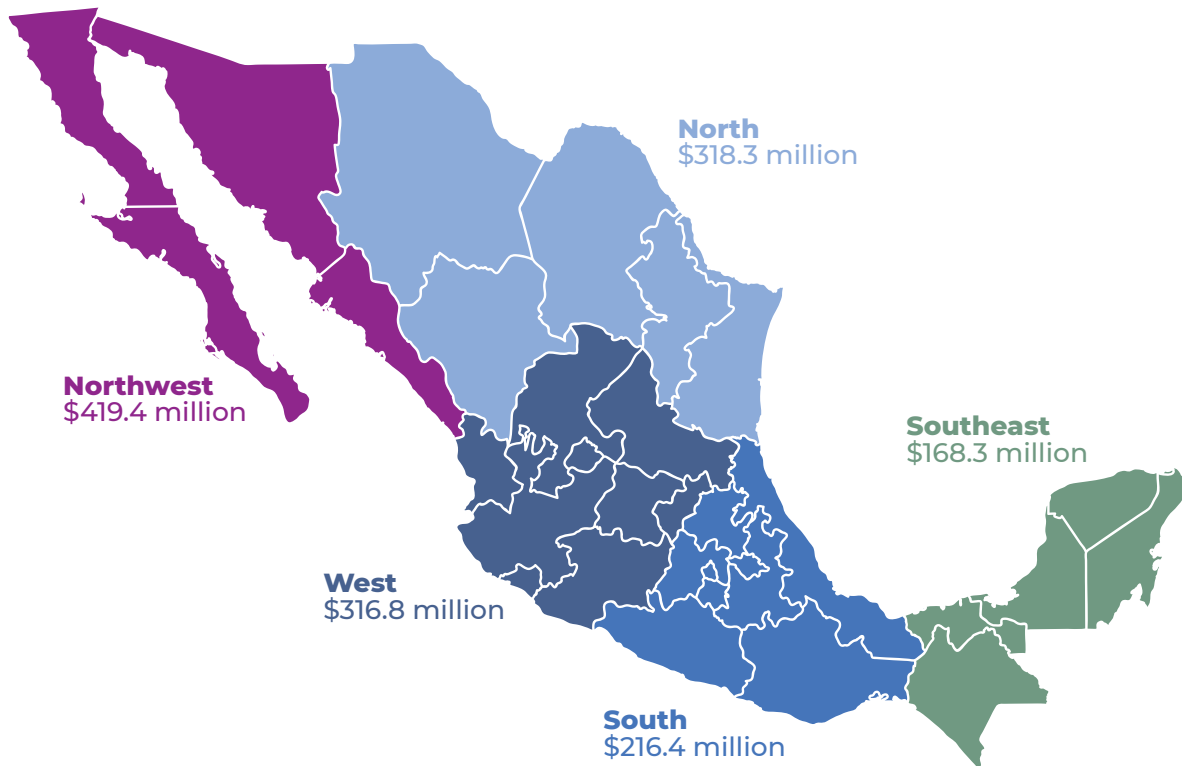


**Table 3. Main value chains in agriculture financed with the bond**

Value Chain	Credit Granted (million pesos)
Corn	201.65
Wheat	108.18
Avocado	61.42
Tomatoe	53.53
Apple	53.50
Sugar cane	48.97
Mango	47.20
Coffee	43.24
Fertilizers & supplies	42.34
Pineapple	39.44
Alfalfa	24.85
Other productive chains	217.88
<b>TOTAL</b>	<b>942.20</b>

The allocation of credit resources by the regional offices is as follows:

**Graph 6. Gender bond FEFA21G resources distribution by region**



# 5. IMPACT REPORTING

The bond is consistent with the Social Bond Principles which seek to achieve positive **socio-economic outcomes** for target populations. By financing projects led by **women** in rural areas, this bond promotes women's participation in the **labor force**, improves women's access to **financial services**, and supports economic growth in agricultural and rural settings while **advancing gender equality**.

The bond contributes to the achievement of **UN Sustainable Development Goals (SDGs)** 1, 2, 5, 8, and 10.



As mentioned in the framework, this report includes **key performance indicators of the projects financed with the bond's proceeds**. These indicators are considered at a portfolio level and are as follows:

**Table 4. Performance indicators by category**

Category	Granted credit <sup>10</sup> (million pesos)	# credits <sup>11</sup>	# Women beneficiaries <sup>12</sup>
Financial Inclusion	148.0	327	1,063
Labor & productive initiatives	889.7	2,776	4,899
Entrepreneurship	401.5	2,917	1,422
<b>Total</b>	<b>1,439.2</b>	<b>6,020</b>	<b>7,384</b>

Finally, it is important to mention that FIRA is working on **evaluating the use of the proceeds of the bond to expand on the impact that financial inclusion has on women**, their living conditions, and other different dimensions associated with gender equality. The results will be included in the following annual reports.

<sup>10</sup> Credit operations that IF presented to FIRA for discount during the period: April 22, 2021 to April 29, 2022.

<sup>11</sup> Number of operations labeled in SIIOF.

<sup>12</sup> Accredited women benefited by category (without repetition).

# 6. EXTERNAL REVIEW

Sustainalytics, a global leader in ESG & Corporate Governance, was selected to independently review this annual report and concluded that all projects complied with the use of proceeds and reporting criteria established in the framework. For more details please refer to the annual review provided by **Sustainalytics** and published in FIRA's ESG portal.





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 [www.fira.gob.mx](http://www.fira.gob.mx)

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