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CASE STUDY SERIES: Innovative Financing for Gender Equality via Bonds

Mexico:
SOCIAL BOND ISSUED BY A PUBLIC DEVELOPMENT BANK

Fondo Especial para Financiamientos Agropecuarios (FEFA)

[Special Fund for Agricultural Financing]

Mexican Peso (MXN)

LUXEMBOURG GREEN EXCHANGE
by Luxembourg Stock Exchange

LUXEMBOURG AID & DEVELOPMENT

UN WOMEN
United Nations Entity for Gender Equality and the Empowerment of Women

Issuer	Fideicomisos Instituidos en Relación con la Agricultura (FIRA) [Trust Funds for Rural Development] 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 Fondo Especial para Financiamientos Agropecuarios (FEFA) is the bond issuer. FEFA, the 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.	
Issuance tranche	**1st issuance: FEFA20G**	**2nd issuance: FEFA21G**
Amount issued	MXN $3 billion (US$150 million approx.)	MXN $3.5 billion (US$175 million approx.)
Date of issuance	19 October 2020	26 April 2021
Date of maturity	16 October 2023	22 April 2024
Number of issuances	Single issuance	Single issuance
Coupon rate	Interbank Equilibrium Interest Rate (Spanish: TIIE) +27 basis points (bp)	TIIE +14 bp
Listing (domestic or international)	Domestic	Domestic
Stock exchanges where listed	BIVA stock exchange: https://www.biva.mx/	BIVA stock exchange: https://www.biva.mx/
Future issuances	Non-applicable	Non-applicable

Use of proceeds
(Socioeconomic advancement and empowerment)

Proceeds from the Gender Bond were used to finance and/or refinance projects exclusively involving women or led by them. Projects fell within the agricultural, fishing, forestry, agri-food and rural sectors in three categories outlined in the framework:

1. Financial inclusion, aimed at new credit recipients
2. Labour and productive initiatives, to provide financing for short-run credit or working capital for productive projects
3. Entrepreneurship, to provide long-term financing for capital investment in productive infrastructure

Gender considerations in the use of proceeds

Access to essential services and financial inclusion

New credit recipients[1] with loans for productive or investment projects with the participation of:

- Individual women (exclusively)
- Micro-, small and medium-sized enterprises (MSMEs); family businesses; large companies; associations and organizations of producers exclusively involving women or led by them

Generation of employment and labour and productive initiatives

Beneficiaries with ongoing credit[2] or reinstated[3] with short-term or working capital loans for productive projects, including:

- Individual women (exclusively)
- MSMEs, family businesses, large companies, associations and organizations of producers exclusively involving women or led by them

Socioeconomic advancement and empowerment and entrepreneurship

Beneficiaries with ongoing credits or reinstated with long-term loans for capital goods acquisition and investment in productive infrastructure, including:

- Individual women (exclusively)
- MSMEs, family businesses, large companies, associations and organizations of producers exclusively involving women or led by them

Alignment with the Sustainable Development Goals (SDGs)

SDG targets that the bond addresses

Target 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.

Target 2.3

By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous people, 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.

Target 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.

Target 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.

Target 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.

Target population	Women-led SMEs and women individuals involved in agriculture, forestry, fisheries and rural area projects in Mexico.							
Indicators **Financing distribution by branch** **https://www.fira.gob.mx/Files/FASGB_Report21G.pdf**	According to the first annual report:				According to the first annual report:			
	1st Gender Bond (FEFA20G)				**2nd Gender Bond (FEFA21G)**			
	Category	**Amount of credit granted** (millions of pesos)	**Number of credits**	**Number of women**	**Category**	**Amount of credit granted** (millions of pesos)	**Number of credits**	**Number of women**
	Financial inclusion	377	1,210	4,201	Financial inclusion	148	327	1,063
	Labour and productive initiatives	1,487	3,995	4,375	Labour and productive initiatives	889.7	2,776	4,899
	Entrepre-neurship	1,196	2,607	1,431	Entrepre-neurship	401.5	2917	1,422
	Total	**3,060**	**7,812**	**10,007**	**Total**	**1,439.2**	**6,020**	**7,384**

Description	**Financial inclusion** • **Amount of credit granted (millions of pesos):** Credits granted to final credited women (borrowers) receiving credit for the first time from FIRA. Companies, associations, producer organizations and projects exclusively involving women or led by women classifiable in the "eligible segment N". • **Number of credits:** Number 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 exclusively involving women or led by women). • **Number of women:** Number of women benefiting from a FIRA loan for the very first time. **Labour and productive initiatives** • **Amount of credit granted (millions of pesos):** 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 exclusively involving women or led by women). • **Number of credits:** Number of credits of provision or working capital to productive projects of women individuals, or companies, organizations or associations exclusively involving women or led by women. • **Number of women:** Number of women (final credited) receiving agricultural or working capital credit to carry out their productive project. **Entrepreneurship** • **Amount of credit granted (millions of pesos):** 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 exclusively involving women or led by women). • **Number of credits:** 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 exclusively involving women or led by women. • **Number of women:** Number of women (final credited) receiving long-term credit for the acquisition of capital goods and investment in productive infrastructure.

International standards alignment	ICMA Social Bond Principles	
Link to framework	FIRA. 2020. Social Bond with a Gender Focus Framework. September. https://www.fira.gob.mx/Files/ESG-Social-FEFA21G-MarcoReferencia-english.pdf	
Link to Second Party Opinion	Sustainalytics. 2020. Fondo Especial para Financiamientos Agropecuarios (FEFA) Social Bond with a Gender Focus Framework. 30 September. https://www.fira.gob.mx/Files/ESG-Social-FEFA21G-SPO-english.pdf	
Second Party Opinion provider	Sustainalytics	
Credit enhancement *(yes or no)*	No	No

Was the bond oversubscribed and were there any special considerations?	**Oversubscribed 3.8 x** In an environment affected by the COVID-19 pandemic, the social gender bond saw an overdemand of 3.8 times, greater than overdemand for plain vanilla bonds issued in the same year (2020) and even for green bonds (For example, FEFA 20V). This indicated the interest of institutional investors, made up mainly of pension fund administrators, brokerage firms, private banks, investment funds and insurance companies, among others.	**Oversubscribed 3.2 x** Overdemand was 3.2 times, greater than that observed in three previous green bond issuances (1.8 times on average).
Partners	• Inter-American Development Bank (IDB) (technical assistance) • White & Case (law firm) • BBVA, S.A. de C.V. (brokerage firm) • Citibanamex, S.A. de C.V. (brokerage firm) • HSBC Casa de Bolsa, S.A. de C.V. (brokerage firm) • Santander, S.A. de C.V. (brokerage firm) • Scotiabank Inverlat S.A. de C.V. (brokerage firm)	• Inter-American Development Bank (IDB) (technical assistance) • White & Case (law firm) • Banorte, S.A. de C.V. (brokerage firm) • BBVA, S.A. de C.V. (brokerage firm) • HSBC Casa de Bolsa, S.A. de C.V. (brokerage firm) • Santander, S.A. de C.V. (brokerage firm) • Scotiabank Inverlat S.A. de C.V. (brokerage firm)

Lessons learned

Rural women face restrictions such as the lack of productive assets and resources, access to credit, networks of producers, inputs and guarantees for loans that are necessary in the agricultural sector. Many women confront gender bias in financial services since they are perceived as complementary "helping hands" and not as farmers who make vital contributions to agriculture. A common assumption is that credit extended to women is riskier, even when the evidence shows otherwise. The low availability of credit is among the greatest constraints to development for women and their companies in agriculture. It poses an obstacle to expanding production, moving into large-scale crops or shifting production to more competitive markets.

FIRA's gender bond strategy has been widely recognized as innovative and impactful[4] and, by increasing the availability of resources to grant loans to women, the institution has expanded and strengthened its investment portfolio in projects and companies exclusively involving women or led by them.

Through the financial inclusion of women, FIRA promotes women's economic and social development, fosters more labour and productive initiatives, and promotes entrepreneurship. This translates into improvements in the well-being of women and their families. It also accelerates progress and development for the entire rural economy.[5]

Finally, and equally important, the gender bond strategy aims to increase the involvement of stakeholders in implementing gender solutions. It is of paramount importance to create awareness of gender deficits and encourage the active participation of the whole society in solutions. Gender bonds are powerful instruments to inform and channel resources towards projects to advance gender equality.

Endnotes

1. Accredited women who appear for the first time in FIRA's beneficiary databases.
2. Accredited women with prior registration in FIRA's beneficiary databases.
3. Accredited women with previous registration in FIRA's beneficiary databases but without active operations during the last three years.
4. In November 2020, the IDB published "Financial innovation to support women-led businesses: Mexico's first gender bonds and the role of National Development Banks" (https://publications.iadb.org/en/financial-innovation-support-women-led-businesses-mexicos-first-gender-bond-and-role-national) recognizing the gender bond FEFA20G as the first of its kind in Mexico and in Latin America and the Caribbean issued by a development bank. 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."
5. Many studies, such as the "World Development Report 2012: Gender Equality and Development (Vol. 2)" (https://documentos.bancomundial.org/en/publication/documents-reports/documentdetail/782811495176667965/overview) and "Transforming food and agriculture to achieve the SDGs" (https://www.fao.org/3/I9900EN/i9900en.pdf) 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).

Recommended citation: UN Women. 2023. Mexico: Social Bond Issued by a Public Development Bank – Fondo Especial para Financiamientos Agropecuarios. Case Study Series: Innovative Financing for Gender Equality via Bonds. New York: UN Women.

UN WOMEN IS THE UN ORGANIZATION DEDICATED TO GENDER EQUALITY AND THE EMPOWERMENT OF WOMEN. A GLOBAL CHAMPION FOR WOMEN AND GIRLS, UN WOMEN WAS ESTABLISHED TO ACCELERATE PROGRESS ON MEETING THEIR NEEDS WORLDWIDE.

UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide. It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind women's equal participation in all aspects of life, focusing on four strategic priorities: Women lead, participate in and benefit equally from governance systems; Women have income security, decent work and economic autonomy; All women and girls live a life free from all forms of violence; Women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action. UN Women also coordinates and promotes the UN system's work in advancing gender equality.

UN WOMEN

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