



Invest

**IDB Programming Committee
IIC Impact, Portfolio, and
Synergies Committee
For discussion**

Subsequently to the Committee of the Whole of the IDB and the IIC

GN-3317
CII/GN-622
13 November 2025
Original: Spanish
Public
Simultaneous Disclosure

To: The Executive Directors of the Inter-American Development Bank and the Executive Directors of the Inter-American Investment Corporation

From: The Secretary

Subject: IDB Group Country Strategy with Mexico 2026 – 2031

Inquiries to: Tomás Bermudez (tomasb) o Laura Ripani (laurari)

Reference: GN-3267-3(3/25), CII/GN-587-3(3/25)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK, IDB INVEST, AND IDB LAB

COUNTRY STRATEGY WITH MEXICO

2026 – 2031

December 2025

Under the IDB and IDB Invest Access to Information Policies, this document is being publicly disclosed and distributed to the IDB and IDB Invest Boards of Executive Directors simultaneously. This document has not been approved by the Boards. Should the Boards approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

This document was prepared by Laura Ripani (CID/CME), Agustin Ignacio Filippo (CID/CME), Claudia Grayeb (CID/CME), María Cecilia Acevedo Villalobos (GEN/SPK), Juan Gabriel Flores (GEN/SPK), Ana Luisa Albarran Velasco (LAB/SKI), Edgar Adrian Parra Oyervides (LAB/VCI), Tatiana Virviescas Mendoza (LAB/EBA), Germán Zappani (CID/CME), Uriel Barrios Núñez (CID/CME), Lucía Martín (CID/CID), and Arnoldo López Marmolejo (CID/CID), under the supervision of Tomás Bermúdez (CID/CID), Eric Parrado (RGS/RID), and Oscar Valencia (CID/CID), with contributions by Alejandra Fleitas (CID/CID), Carmen Madriz (CID/CID), Agustina Schijman (CID/CES), Ayatima Hernández (CID/CID), Hugo Flórez (VPC/VPC), Priscilla Gutiérrez (VPC/VPC), Paula Castillo (GEN/SPK), Marcelo Paz (GEN/SPK), Adriana Valencia (GEN/SPK), Gabriel Jiménez (RGS/RGS), Gina Andrade (SCL/GDI), Carina Lupica (SCL/GDI), Fátima López (CSD/CCS), Mirely Guzmán (CSD/CCS), Carlos Guaipatín (PTI/CTI), Fernando Pavon (SCL/SPL), Marta Rubio (SCL/SPL), Marco Stampini (SCL/SPL), Maia Inzaurrealde (SCL/SPL), Fiorella Benedetti (SCL/SPL), José Antonio Urteaga (INE/ENE), Amado Crotte (INE/TSP), Ana Bernal (SCL/HNP), Andrés Muñoz (IFD/FMM), David Kaplan (SCL/SPL), Oliver Azuara (SCL/SPL), César Bustamante (PTI/ARD), Belen Michel Torino (SCL/EDU), Lourdes Sánchez Álvarez (VPC/FMP), Eugenio Hillman (VPC/FMP), Edgardo Mosqueira (IFD/ICS), Sandra Bautista Naranjo (IFD/ICS), Alfredo Rodríguez (RMG/RMG), Rodrigo Serrano (IFD/CIS), Karelía Villa (IFD/CIS), Paloma Silva (CSD/HUD), Felipe Vera (CSD/HUD), Ginés Suárez (CSD/DRM), Roberto Guerrero Compeán (CSD/DRM), Tsuneki Hori (CSD/DRM), Martha Fernández (ICT/SMC), and Armando Simon (ICT/FLI).

CONTENTS

LINKS	4
ABBREVIATIONS.....	5
I. INTRODUCTION	6
II. BUILDING A NEW COUNTRY STRATEGY: PURPOSE AND APPROACH.....	8
A. CONTEXT AND OUTLOOK: CONSOLIDATE AN INCLUSIVE GROWTH MODEL	8
B. KEY LESSONS FROM THE 2019-2024 COUNTRY STRATEGY.....	10
C. FOCUS ON SELECTIVITY FOR TANGIBLE IMPACT	11
III. MAIN ACTION PILLARS AND EXPECTED RESULTS	14
A. PILLAR 1: ECONOMIC GROWTH FOSTERED IN SYNERGY WITH THE PRIVATE SECTOR	15
B. PILLAR 2: PROVISION OF SOCIAL SERVICES.....	22
C. PILLAR 3: RESILIENCE.....	27
D. CROSSCUTTING PILLARS.....	30
IV. HOW WE WILL DO IT.....	33
A. PROGRAMMATIC APPROACH	33
B. SYNERGIES.....	33
C. IDENTIFICATION OF REFORMS	35
D. IDB GROUP REGIONAL FLAGSHIP PROGRAMS	37
E. STRATEGIC PARTNERSHIPS	37
V. CONSIDERATIONS FOR IMPLEMENTATION AND CAPACITY-BUILDING.....	39
A. KNOWLEDGE	39
B. MONITORING AND EVALUATION CAPACITY	40
C. COUNTRY FIDUCIARY SYSTEMS	41
D. EMERGENCY RESPONSE.....	41
E. RISK ASSESSMENT	42
ANNEX I – RESULTS MATRIX.....	44
ANEXO II – PORTFOLIO ALIGNMENT AND INDICATIVE PROGRAM 2026-2027	46
ANNEX III – COUNTRY SYSTEMS MATRIX.....	48
ANNEX IV – ESTIMATED LENDING FRAMEWORK.....	49
ANNEX V – DEVELOPMENT EFFECTIVENESS MATRIX	50

LINKS

1. [Country Development Challenges \(CDC\)](#)
2. [Fiduciary technical note](#)
3. [Portfolio summary](#)
4. [Civil society consultation](#)
5. [National Development Plan 2025-2030 and Long-term Vision – Plan Mexico](#)
6. [Development Effectiveness Matrix](#)
7. [Strategic positioning analysis](#)
8. [Monitoring and evaluation](#)
9. [Knowledge products - Mexico](#)

ABBREVIATIONS

AFORE	Administradora de Fondos para el Retiro (Retirement fund administrator)
CID	Country Department Central America, Haiti, Mexico, Panama, and the Dominican Republic
CME	Country office in Mexico (CID)
DRM	Disaster risk management
FISLAC	IDB database on public finance and public investment in Latin America
GDI	IDB Gender and Diversity Division
IDB Group	IDB, IDB Invest, and IDB Lab
IMSS	Instituto Mexicano del Seguro Social (Mexican Social Security Institute)
INEGI	Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography)
ISSSTE	Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (Institute for Social Security and Services for State Workers)
LAC	Latin America and the Caribbean
MtCO₂e	Megatons of CO ₂ equivalent
MSMEs	Micro, small, and medium-sized enterprises
NDC	Nationally determined contribution
OECD	Organisation for Economic Co-operation and Development
OVE	IDB Office of Evaluation and Oversight
PND	National Development Plan 2025–2030
PRODESEN	Programa de Desarrollo del Sistema Eléctrico Nacional 2023-2037 (National Power System Development Program 2023-2027)
SHCP	Ministry of Finance and Public Credit
SHF	Sociedad Hipotecaria Federal (Federal Mortgage Bank)
SMEs	Small and medium-sized enterprises
SNPC	Sistema Nacional y Progresivo de Cuidados (Progressive National Care System)

I. INTRODUCTION

NEW APPROACH FOR IMPACT

Mexico's potential Mexico has established itself as a regional and global leader in automobile, auto parts, and electronic device production, and also as a world-class tourism destination. This leadership position rests on the country's macroeconomic stability, its strategic geographic location, and an institutional framework that facilitates its global integration. There is great potential to diversify production and extend these achievements nationwide, while leveraging and consolidating the domestic market as an engine of growth. Looking outward, Mexico could deepen its integration with Central America to expand mutual investment and trade flows through increased access to markets.

New country strategy approach The IDB Group Country Strategy with Mexico 2026-2031¹ is aimed at supporting the country in making a leap toward equitable and sustainable long-term growth. It will resolutely uphold the national priorities, leveraging the framework of the National Development Plan and Plan Mexico² and assisting in initiatives such as the National Care System, thereby reinforcing the alignment between the country's vision and IDB action. The IDB Group has a unique opportunity to raise the ambition of its work in Mexico; thus, in line with the needs of a middle-income country with a sophisticated public administration, it will make its financing options, technical knowledge, and capacity to mobilize private capital available to the country. The new institutional objectives and guidelines (including the strategic selectivity framework),³ as well as the lessons learned from the previous strategy and its independent review by OVE, have helped to sharpen the focus on innovative collaboration opportunities in which the IDB Group will seek to deploy an unprecedented amount of resources, with and without sovereign guarantee. The strategy describes elements that will need to materialize in order for these resource levels to be achieved.

A crucial feature of this strategy will be to continuously monitor and review the alignment of priorities jointly with the Mexican government and modify the strategic objectives as needed. This will help to ensure the planning and effectiveness of the contributions (with and without sovereign guarantee) in support of the country.

¹ The strategy will become effective upon its approval by the IDB Group Board of Executive Directors and will remain in effect through 31 December 2031. The one-year transition period will commence on that date and conclude in 2032.

² Plan Mexico is a strategy aimed at promoting equitable and sustainable economic development. It is available at <https://www.planmexico.gob.mx/>.

³ The New Guidelines Proposal for the Country Strategy Framework (GN-3267-3) provides a basic reference for preparing strategic agreements. The IDB Institutional Strategy is available at: [IDB | Institutional Strategy](#).

Identified intervention pillars and expected impact

The country strategy is built around three strategic pillars: (i) economic growth fostered in synergy with the private sector; (ii) provision of social services; and (iii) resilience. In many ways, the pillars are interdependent.

Under pillar 1: Economic growth fostered in synergy with the private sector, the 2026-2031 country strategy envisages helping to accelerate Mexico's equitable economic growth by strengthening the competitiveness of the private sector. This pillar's strategic objectives are to: (i) improve conditions for productive integration in the private sector; (ii) support an efficient, pro-growth, and sustainable fiscal policy; and (iii) strengthen the institutional framework of the labor market.

Under pillar 2: Provision of social services will focus on providing support to enhance access and quality of these services so as to deepen the country's achievements in reducing poverty and inequality. The main strategic objectives are to: (i) improve access and quality of care services; (ii) expand the provision of basic services and consolidate the circular economy; and (iii) support urban development.

Under pillar 3: Resilience, the strategy proposes a multidimensional approach aligned with the government's vision in this area and aimed at the following objectives: (i) mitigate the socioeconomic impact of emergencies; and (ii) promote a resilient and sustainable infrastructure.

The expected impact of this support will be measured through a set of indicators established in the results matrix.⁴ These indicators are aligned with and contribute to the IDB Group Impact Framework 2024-2030.

In addition, the strategy includes **two crosscutting areas**: (1) equal opportunities for women, Indigenous peoples and vulnerable groups; and (2) disaster risk management and sustainability.⁵

Mexico - IDB Group partnership

In recent years, Mexico and the IDB Group have deepened their relationship in key areas for the country's sustainable development. **In the 2019-2024 country strategy period**, the IDB Group proved to be an important partner for addressing institutional as well as pandemic-related challenges. The **IDB** was a key contributor to policy reforms, as evidenced by, inter alia, its significant and influential role in improving the institutional framework for the labor market. Furthermore, to help businesses in the critical period of the pandemic, **IDB Invest and IDB Lab** adapted their portfolio of financial solutions to address market needs and the needs of companies that faced greater credit restrictions.

For the 2026-2031 country strategy period, the IDB Group is strategically positioned to support the country in making a leap toward growth by leveraging **regional programs and initiatives** such as IDB Cares, Ready and Resilient Americas, and the Alliance for Security, Justice, and Development. These initiatives bring experience, visibility, and focus to project design, boosting the probability of impact. Applying the long-term vision that characterizes the work of the IDB Group in Latin America and the Caribbean, we will support Mexico in maximizing its comparative advantages and opportunities to achieve sustainable growth and attain its social justice goals and its economic, social, and human development objectives, while at the same time seeking to position Mexico as a provider of regional and global solutions.

⁴ See Annex I.

⁵ The pillars and crosscutting areas complement each other and at the same time depend on each other to achieve this strategy's general objectives of inclusive growth.



II. BUILDING A NEW COUNTRY STRATEGY: PURPOSE AND APPROACH

A. CONTEXT AND OUTLOOK: CONSOLIDATE AN INCLUSIVE GROWTH MODEL

II.1 This country strategy is part of Mexico's efforts to consolidate a model of growth with equity, focused on wellbeing, social justice, and sustainability.⁶ Advancing this vision requires boosting economic growth. Between 2010 and 2024, Mexico posted an average annual growth rate of 2.0%, similar to the average for Latin America and the Caribbean (LAC). In recent decades, the country's growth has been driven mainly by an expanding workforce and, to a lesser extent, by capital investment, with productivity making a limited contribution.⁷

II.2 To consolidate the model of growth with equity, it is crucial to sustain progress in social inclusion and close the remaining social gaps. Between 2018 and 2024, the income poverty rate declined by 12.4 percentage points, from 41.9% to 29.5%,⁸ and the Gini inequality index improved from 0.426 to 0.391.⁹ This social progress is primarily attributable to a sustained increase in labor income¹⁰ as well as to certain transfers, particularly noncontributory universal pensions.¹¹ During this period, real wages grew at an average annual rate of 3.9%, and workers' share in national income rose by more than 5 percentage points (from 24.7% of GDP in 2018 to 30.0% in 2024). However, informality levels in Mexico remain high in view of the country's per-capita income.¹² This reflects high costs of formality and incentives that are misaligned with formalization, limiting productivity and jeopardizing the sustainability of social achievements.¹³

II.3 There is a need to increase investment and create regulatory conditions conducive to an expansion of critical infrastructure for growth. At present, investment represents 24% of GDP, and the government has proposed raising it to 25% in 2026 and 28% in 2030 as part of its vision for boosting growth.¹⁴ Two key public policy components for achieving those targets are: (i) Plan Mexico, which provides a clear horizon for the private sector's long-term outlook and could encourage investments; and (ii) prospects for greater investment in critical infrastructure, such as in energy, where State-owned companies (Pemex in hydrocarbons and CFE in electricity) have ramped up investment and production and are developing regulatory frameworks for mixed public-private participation in these areas.

II.4 In terms of equity, the priorities are to expand social opportunities, emphasizing improvements in access to and the quality of basic services and care for women,

⁶ The government's vision is set out in the National Development Plan; see pages 1-4.

⁷ A breakdown of growth showing these data, as well as many of this strategy's quantitative and technical references, is available in the CDC document. The share of factors and productivity in growth is shown in Figure 1a.

⁸ Using the INEGI's measurement, which is the most widely used in the country.

⁹ Calculated by the [INEGI](#).

¹⁰ See [Corella and Lovera \(2023\)](#). The minimum wage increased sharply during the period in question.

¹¹ See [González and Maravalle \(2024\)](#).

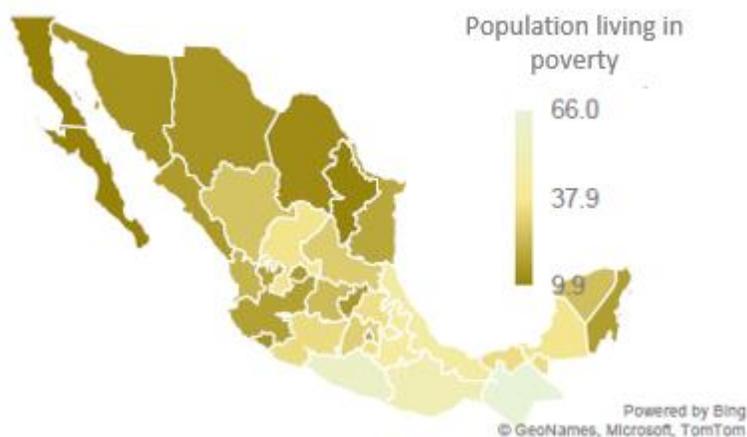
¹² ILO (2021). *El desafío de la informalidad en América Latina* (The challenge of informality in Latin America).

¹³ IDB (2018). *Esfuerzos fallidos: políticas públicas, informalidad y crecimiento en México* (Failed efforts: Public policies, informality and growth in Mexico).

¹⁴ National Development Plan and Plan Mexico.

Indigenous peoples, and vulnerable populations. Improving access to health and care is key for satisfying the unmet and growing demand for these services and making strides in reducing poverty and inequality.¹⁵ Equity also entails the inclusion of highly vulnerable groups, such as the Indigenous and migrant populations, particularly with regard to disaster risks, including climate-related disasters. Mexico exhibits significant territorial fragmentation, with a disproportionate concentration of Indigenous, rural, and vulnerable populations in the country's southern states, where higher rates of poverty are observed (Illustration 1).¹⁶

ILLUSTRATION 1. MULTIDIMENSIONAL POVERTY, 2024 (% OF POPULATION)



Expressed as a percentage of the population living in poverty. Lighter colors represent a higher incidence of poverty. Source: INEGI.

II.5 Mexico is prone to natural disasters which give rise to social, territorial, and climate challenges; the government promotes a comprehensive and multidimensional resilience approach. This idea is developed in the National Development Plan (PND) and encompasses social protection, risk management, climate change adaptation, and natural capital protection,¹⁷ as well as support for vulnerable populations. While the objective is to strengthen both disaster response capacity and future risk prevention, the system is currently in transition and there are persistent challenges to effective risk management to minimize the negative impacts of extreme events.¹⁸

¹⁵ In Mexico, women, persons with disabilities, and the Indigenous population face higher poverty levels. Thus, 37% of women, 48.5% of persons with disabilities, and more than 60% of the population in 82.6% (889) of municipios with a high proportion of Indigenous communities live in poverty (CONEVAL, 2021, 2025; IMCO, 2024)

¹⁶ It is estimated that 50.5% of the Indigenous population resides in four states in the south-southeast region: Oaxaca, Chiapas, Yucatan, and Guerrero (INEGI, 2021). The sharp regional dispersion across many socioeconomic variables is discussed in detail in the Mexico CDC (see links).

¹⁷ Ecosystem degradation in Mexico is driven by changes in land use, overexploitation of natural resources, pollution, and climate change. This environmental degradation makes the population more vulnerable to climate change and natural disasters by weakening the ecosystem services that regulate water, protect against extreme events, and sustain livelihoods.

¹⁸ In 2020, the Index of Governance and Public Policy in Disaster Risk Management (iGOPP) indicated that 67.41% of the conditions for governance in this area were favorable, which was deemed a "good" level. However, critical components such as risk reduction, disaster preparedness, and financial protection exhibit low scores, meaning that the capacity for effective emergency response is limited. The elimination of the Fondo de Desastres Naturales (Natural Disaster Fund) (FONDEN) has left gaps in post-disaster financing, and while there are instruments such as the catastrophe bond and parametric insurance, they provide limited coverage.

B. KEY LESSONS FROM THE 2019-2024 COUNTRY STRATEGY

- II.6 The lessons learned from the previous strategy will contribute to better implementation of the country strategy for 2026-2031.** Operational monitoring of the portfolio, client engagement, and the lessons of OVE's 2019-2024 Independent Country Program Review yield the following lessons:
- II.7 At the strategic level, a higher value-added, lower-cost proposition is needed:** (i) The lack of incentives for sectoral government counterparts (government ministries, for example) to work with external loan operations due to an absence of budgetary additionality necessitates that the Bank put forward a solid value proposition, extending beyond financial considerations, that encourages the counterparts to carry out investment projects with the Bank and is aligned with both the budgetary processes and the country's strategies and sectoral priorities. (ii) Access to capital markets and other sources of financing on favorable conditions makes it essential for Bank operations to be designed for easy execution, with short implementation periods; keep commitment fees to a minimum; and be aligned with the government's budgetary practices and financial management. (iii) Since sovereign-guaranteed investment lending was low in the previous strategy period, with support concentrated in sector reforms through programmatic policy-based loans, the IDB identified an opportunity to work with the national counterparts on analyzing the feasibility of using the Bank's various instruments within Mexico's budgetary process, particularly modalities such as loans based on results and guarantees. (iv) Concessional resources, climate finance funds, and other nonreimbursable resources can be leveraged by turning them into unique tools to make investment operations more attractive for the government, and especially for national development banks, as a way of lowering financial costs and generating knowledge. (v) National development banks are a very important vehicle for supporting various sectors in Mexico; thus, global credit operations continue to be a key instrument for engaging with these entities. (vi) Subnational needs continue to be considerable and the Bank should continue to explore mechanisms for working at that level of government, even within the constraints of a legal framework that limits external borrowing by states and municipalities. Development banks can play an important role in this effort, along with special federal trusts that are able to channel funds to subnational governments. (vii) Technical assistance and leadership, as well as the ability to offer knowledge products, are important means to develop a dialogue, interact, and have an impact in sectors in which the Bank would otherwise have no presence, and build a sovereign-guaranteed loan portfolio that supports the country's priorities. Similarly, the advisory services that have supported IDB Invest operations in the country have provided considerable nonfinancial additionality and been key in project preparation, building clients' management capacity, and deployment of innovative solutions. All IDB Group technical assistance activity is closely coordinated with the government, and its allocation is jointly determined and monitored. This lesson about the value of the IDB Group's technical assistance is very significant in terms of highlighting the importance of the IDB Group as a development partner for other middle-income countries in the region.
- II.8 At the operational level, steps can be taken to expand the use of financial instruments, improve project execution, and strengthen the work with counterparts:** (i) Analyze new support instruments for Mexico, assessing the feasibility of using loan operations based on results, making greater use of contingent credit lines for investment projects and guarantees, and exploring other ways of engaging with the country through a broader range of options. (ii) It is important to design and dimension operations taking into account the budget available to the executing agencies so as to comply with the timeframes established in the design and keep cancelations and delays to a minimum. (iii) Leadership and early involvement by the Ministry of Finance and Public Credit (SHCP) and by the designated financial agents in the sovereign-guaranteed project preparation, approval, execution, and closure cycle are essential in order to advance and improve project implementation and results. (iv) With a view to expanding the

Bank's operational program in the country, it will be essential to show the Bank's sector-specific nonfinancial value added as well as to train the execution units and financial agents, in coordination with the SHCP, in the use of the Bank's procurement policies. (v) The financing products offered by IDB Invest for value chains, including reverse factoring, expand credit access for Mexican micro, small, and medium-sized enterprises (MSMEs) on better conditions than those available on the local market. However, the experience with operations of this type suggests that it takes time to inform the beneficiaries about the mechanism and get them registered on the digital platforms.¹⁹ (vi) Keeping the focus on the client and providing a degree of flexibility are key requirements for responding to changes in the market variables that impact their operations.

II.9 At the development effectiveness level, enhanced strategic selectivity, institutional strengthening, and results-based monitoring are to be prioritized: (i) Redouble efforts to ensure enhanced strategic selectivity and a robust theory of change as part of the value proposition of the IDB Group. (ii) Reinforce the institutional capacity of executing agencies and financial agents to conduct monitoring and evaluation for more effective monitoring of the new development agendas. Similarly, strengthen the capacity of companies and financial intermediaries to properly implement innovative financial solutions, particularly those targeting underserved segments such as small and medium-sized enterprises (SMEs). (iii) Implement results-based portfolio reviews. (iv) Complement the supervision of operations by incorporating effectiveness criteria into the entire project cycle.

II.10 OVE's Independent Country Program Review highlights key lessons for strengthening the IDB Group's strategic alignment, value proposition, and use of instruments: (i) The importance of strengthening dialogue and coordination with the government to ensure strategic alignment and an agile response to changing circumstances. (ii) The need to fine-tune the IDB's and IDB Invest's value added proposition by emphasizing their technical experience and support of development processes. (iii) The importance of improving the generation of evidence to show and deepen the IDB Group's contributions to that value proposition. (iv) The opportunity to use technical cooperation operations more strategically in order to explore, together with the government, the best ways of supporting national priorities. (v) The opportunity to continue to build on private sector participation and the various IDB Invest instruments, strengthening the synergies with the work of the IDB and its demonstration effects.

C. FOCUS ON SELECTIVITY FOR TANGIBLE IMPACT

HOW WE SHARPEN OUR FOCUS

II.11 Country diagnostic assessment and alignment of priorities. The Bank analyzed the intersection of the country's priorities, as defined in national planning documents such as the PND and Plan Mexico,²⁰ with the strategic documents and regional programs of the IDB Group.²¹ It found broad areas of agreement in terms of objectives: (i) inclusive growth and poverty reduction; (ii) employment and development of the private sector; (iii) social policy and wellbeing; (iv) sustainable development and natural capital; (v) equal opportunities, diversity, and inclusion. The initial alignment analysis identified a weaker intersection of priorities and less room for joint action in: (1) direct financing for large government-owned enterprises; (2) specific national

¹⁹ IDB, IDB Invest, and IDB Lab (2024). Development Effectiveness Overview (DEO) 2024.

²⁰ Information on Plan Mexico is available at various government sources, and there is an [online](#) version with up-to-date information. The analysis used the version published in the Diario Oficial de la Federación (Federal Official Gazette) as [Visión de Largo Plazo del PND](#) (PND Long-term Vision) (pp. 98 et seq.).

²¹ The National Development Plan 2025-2030 and Plan Mexico – National Industrialization and Shared Prosperity Strategy; with the priorities arising from the mandate and analysis of the IDB Group: IDB Impact+, IDB Invest+, IDB Lab+; the country diagnostic assessment document (CDC, see link 1); the regional initiatives Alliance for Security, Justice, and Development; IDB Cares; and the Framework to Support Populations in Situations of Fragility, Conflict, and Criminal Violence; and the IDB programs Ready and Resilient Americas and IDB for Cities and Regions.

projects, such as certain infrastructure works implemented by the armed forces; (3) policies relating to national sovereignty, including cross-border security; and (4) national identity, cultural preservation, and Indigenous rights.

II.12 Strategic positioning of the IDB Group.²² The IDB is the country's second-largest multilateral partner, holding approximately 48% of Mexico's debt with multilaterals. Slower activity from the IDB and increased approvals by the World Bank, particularly in operations to support reforms, led to a slight decline in market position during the last strategy period.²³ At the same time, IDB Invest commitments increased under the 2019-2024 strategy with respect to the prior strategy: long-term commitments expanded by 15%, while short-term commitments, including revolving lines (commercial loans and value chains), experienced a very sharp rise at a critical time for companies, exceeding the amount under the prior strategy by a factor of 10 enabled by regulations that favored their deployment. In terms of distribution by sectors, most IDB projects focused on five areas, each with US\$500 million or more in total approvals over the 2019-2024 strategy period: (1) institutional strengthening; (2) financial services; (3) social protection; (4) social infrastructure; and (5) labor markets. In the case of sectors with large loan volumes, the two main multilateral partners participated jointly. IDB Invest provided financial support for projects in seven sectors (science and technology, enterprise development and SMEs, housing and urban development, energy, agriculture and rural development, manufacturing, and financial markets). During this period, IDB Lab supported innovative solutions in agriculture and natural capital, health, essential infrastructure services, education, human capital, and employment. In addition, it supported innovative entrepreneurship by financing early-stage companies and fostering entrepreneurial activity in the country's south-southeast.

II.13 Operational experience. In terms of sovereign-guaranteed operations, there is a predominance of policy-based loans²⁴ and global credit operations, while the specific experience regarding other investment loans is limited,²⁵ and in some sectors there is not enough data to analyze operational behavior.²⁶ IDB Invest operations showed satisfactory performance, together with a modest, temporary decline in the development impact of some transactions. This decline appears to be the result of: (1) increased risk aversion on the part of some financial institutions regarding certain segments with heightened inherent risks in the wake of the pandemic; and (2) the lack of technical capacity of some counterparts and intermediate agents in nontraditional (such as foreign trade and supply chain) financing programs. This acknowledgment suggests the need to provide technical assistance, in coordination with national counterparts, for specific strengthening in execution issues (for IDB transactions in which there is no recent relevant experience, and for IDB Invest transactions due to the expected positive impact of providing such assistance in nontraditional products).

II.14 Risk assessment and mitigation measures.²⁷ The implementation of the program will face the following risks: (1) unstable demand for financial products (including a drive to boost the share of investment or innovative loans, or demand for long-term non-sovereign-guaranteed

²² See [link](#).

²³ Data from the organizations show that the IDB approved approximately US\$6.0 billion between 2019 and 2024 (with a 3 to 1 ratio of policy-based loans to investment loans), while the World Bank approved a total of US\$6.3 billion over the same period, with a substantial increase in its loans in support of reforms (showing a ratio of reform support to investment operations slightly in excess of 6 to 1).

²⁴ In the following sectors: (1) labor markets and pensions; (2) fiscal; (3) regulatory quality; (4) transportation; and (5) capital markets.

²⁵ This affects operations in the areas of: (1) education; (2) health; (3) housing and urban development; (4) water and sanitation; (5) energy; and (6) agriculture.

²⁶ In sectors such as: (1) innovation; (2) gender and diversity, where this country strategy considers it both important and feasible to carry out operations (as it does in innovation, due to its significance as a catalyst for the private sector) and where crosscutting activity (particularly on gender and diversity issues) is essential.

²⁷ Section V.E Risk Assessment discusses institutional, programming, economic, natural disaster, and execution risks in greater detail. This section deals with specific issues faced in executing operations, even though it may seem a bit artificial to separate one set of factors from the other.

operations); and (2) loss of the advantages revealed in some market segments, such as support for major policy reforms or supply chain financing. **The mitigation measures by the IDB are:** (1) keep the strategy's focus aligned with government priorities while retaining the flexibility to adapt to any priority adjustments that might be made over time, and articulate a value proposition that combines attractive financial terms with knowledge products and technical cooperation; (2) maintain a long-term vision and traceability in sustained technical assistance to support or acknowledge reforms. **The mitigation measures by IDB Invest and IDB Lab are:** (1) close alignment with the new social, industrial, and energy policy objectives of the Mexican government, described in Plan Mexico; (2) sharper focus on companies and industries with high potential for sales growth, productivity and innovation increase, and job creation; (3) greater appetite for risk on the part of IDB Invest and IDB Lab as a result of the New Vision and Business Model (IDB Invest+ and IDB Lab business model); and (4) deepening of advisory services, as well as increased complementarity with the IDB's capacity to improve the regulatory and institutional frameworks to attract private investment and experimental tests to enable greater mobilization of private resources.

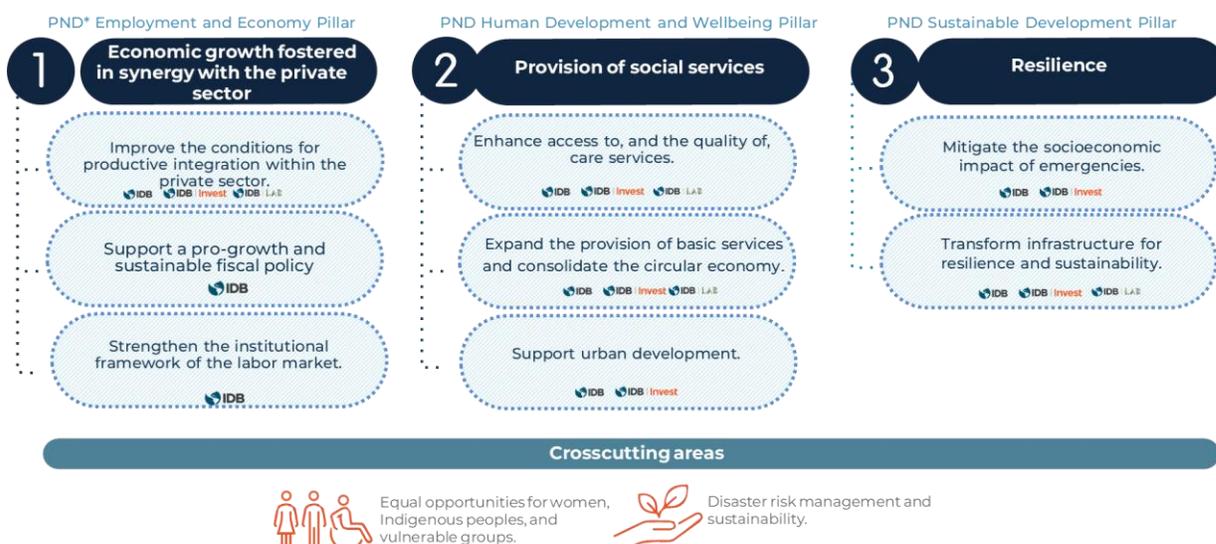
II.15 Outcome of implementing the strategic selectivity framework. Implementing the four criteria of the selectivity framework made it possible to identify the areas in which the IDB Group windows, acting in coordination, can maximize their impact. The pillars and crosscutting areas arising from the analysis are set out in the following section.



III. MAIN ACTION PILLARS AND EXPECTED RESULTS

III.1 The objective of the 2026-2031 country strategy is to support Mexico in its leap toward equitable and sustainable long-term growth, while at the same time consolidating and deepening the significant social progress achieved. Based on the implementation of the strategic selectivity framework and the operations in execution, the 2026-2031 country strategy is built around three pillars: (1) economic growth fostered in synergy with the private sector; (2) provision of social services; and (3) resilience. The strategic objectives corresponding to each pillar are described in Illustration 2. In addition, the country strategy will implement actions in two crosscutting areas: (1) equal opportunities for women, Indigenous peoples, and vulnerable groups; and (2) disaster risk management and sustainability.

ILLUSTRATION 2. IDB GROUP STRATEGIC PILLARS AND OBJECTIVES



*PND: Mexico's National Development Plan. Source: Prepared by the authors.

A. PILLAR 1: ECONOMIC GROWTH FOSTERED IN SYNERGY WITH THE PRIVATE SECTOR

WHY IT MATTERS

- III.2 This pillar addresses key challenges constraining economic growth fostered in synergy with the private sector.** As indicated above, Mexico faces an inclusive growth challenge. The reasons are diverse: (i) factors responsible for low social returns on investment, namely, human capital limitations and infrastructure lags; (ii) risks that are difficult for private investors to manage, namely, regulatory framework changes, fiscal management inefficiencies, or insufficient resources allocated to innovation; and (iii) high financial costs.²⁸ In the context of Plan Mexico, this pillar will support inclusive growth through access to financing, innovation, human capital development, pro-growth fiscal policy, and quality of labor and pension market institutions.
- III.3 Limited access to financing constrains productive expansion and deepens inequalities.** Domestic credit represents only 33% of GDP, less than in Brazil (72%) and Chile (110%),²⁹ and entails high financial costs for businesses, particularly affecting SMEs. The financial gap is attributable to factors such as lack of credit history or insufficient guarantees in a highly informal context. In households, only 63% of adults have a savings account at a banking institution, and a mere 37% have had access to formal credit. In addition, there is a gender gap in household and business credit.³⁰
- III.4 Low investment in innovation limits competitiveness and integration into global value chains.** Investment in research and development (R&D) decreased as a percentage of GDP, going from 0.5% in 2010 to 0.27% in 2023, compared with an increase from 2.3% to 3.0% in OECD member countries (Figure 1).³¹ Low participation by SMEs in global value chains is partially attributable to a weak innovation system.³²

²⁸ Mexico's [CDC](#) sets out the full picture of challenges. The description provided in the paragraph follows Figure A1. Diagnostic assessment of growth, Mexico, 2023, on page 47.

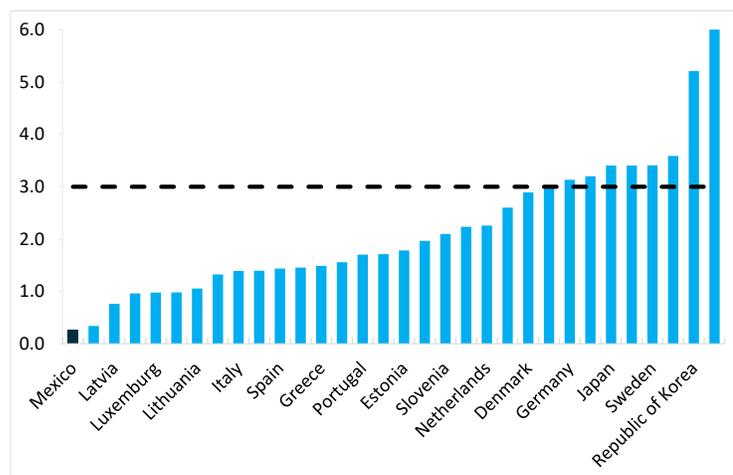
²⁹ World Development Indicators, World Bank. The most recent available data for Mexico are 2023 data; accessed on 25 June 2025.

³⁰ Women face a financial inclusion gap: only 42.3% of women-led businesses have access to formal financing, versus 47.4% of businesses led by men, and a mere 58.6% of women-led businesses have a formal savings account, versus 68% of businesses led by men (INEGI, [2025a](#), [2025b](#)). Average data for Latin America are taken from the World Bank (2022). The Global Findex Database 2021. An issue associated with the low access to banking services is the widespread use of cash, which is about 85% nationwide in transactions of less than Mex\$500 (US\$27), according to INEGI data, relegating all types of card and electronic payments to the margins. The payment modality is a function of the characteristics of the consumers and the shops they visit (for example, the use of electronic payments is more common on platforms than in shops). See this [BBVA](#) study.

³¹ UNESCO Institute for Statistics (UIS). UIS. Stat Bulk Data. Retrieved from the World Bank: World Development Indicators.

³² Filippo, A., Guaipatín, C., Navarro, L., and Wyss, F. (2023). [Las Políticas de Desarrollo Productivo frente a los nuevos imperativos de las Cadenas Globales de Valor](#) (Productive development policies in response to the new imperatives of global value chains).

FIGURE 1. R&D INVESTMENT BY OECD MEMBER, 2022 (% OF GDP)



Source: [World Bank](#).

III.5 The dearth of specialized human capital slows business growth. In terms of upper secondary education, students find it difficult to complete their educational paths: only 73.9% of young people reach upper secondary school and a mere 58.9%³³ succeed in graduating. The dual education model, a government policy objective, is currently characterized by low coverage and limited diversification of study programs, which are not always aligned with the most relevant economic sectors identified in Plan Mexico. As a result, the labor market experiences frictions as 68% of companies report difficulties filling their vacancies.³⁴

III.6 The quantity and quality of public investment reduce the potential for economic growth. Total investment expenditure by the consolidated public sector represented merely 2.3% of GDP in 2024,³⁵ less than the 3.4%-of-GDP average for LAC (Figure 2).³⁶ The gap between Mexico and LAC in public investment expenditure as a percentage of GDP has widened from similar values in 2003-2007 to an average of 1.4 percentage points between 2019 and 2024. The investment gap hinders achieving higher growth rates and even attaining the targets established in Plan Mexico.

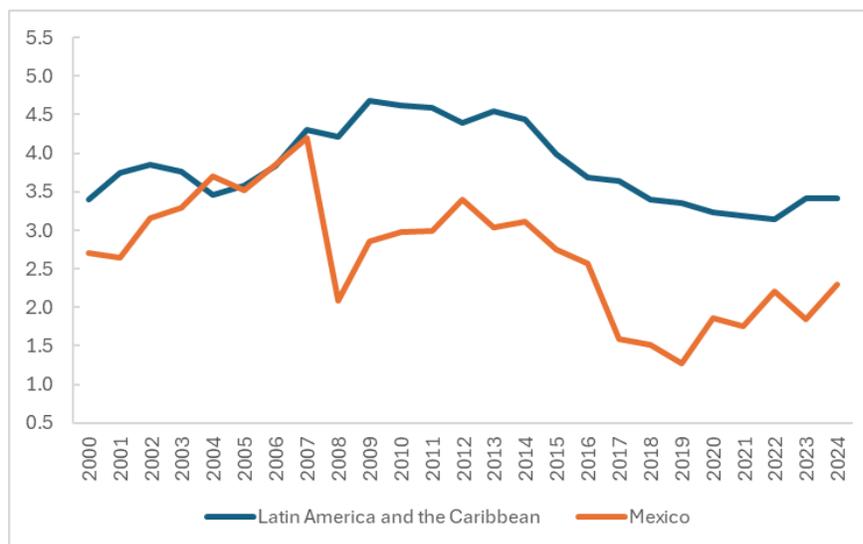
³³ [SEP, 2023](#)

³⁴ [Manpower, 2024](#).

³⁵ Close to half of the public investment expenditure is at the subnational level.

³⁶ [FISLAC, IDB](#).

FIGURE 2. PUBLIC INVESTMENT EXPENDITURE, 2000-2024 (% OF GDP)



Source: [FISLAC. IDB.](#)

III.7 Fiscal policy has contributed to macroeconomic stability but faces the challenge of driving growth with equity. On the expenditure side, inefficiencies are equivalent to nearly 4.7% of GDP.³⁷ The capacity to select, plan, finance, and implement public investment remains stagnant.³⁸ These factors contribute to the limited impact of fiscal policy on the economy.³⁹ At the same time, tax revenue accounts for 17.7% of GDP, half the average in OECD countries (34%) and less than the average in LAC (21.3%).⁴⁰ This is attributable to high tax expenditure, which amounts to 4.4% of GDP,⁴¹ and low tax efficiency, particularly with respect to value-added tax, where effective collection is merely 31.5% of potential collection (mostly due to high evasion levels). In addition, there is a fiscal federalism problem: tax revenues of subnational governments represented only 1.4% of GDP in 2023, compared to an average of 2.4% and 5.1%, respectively, in LAC and OECD countries. Lastly, fiscal policy has a low redistributive capacity (the reduction in the Gini coefficient before and after taxes and transfers is smaller than the OECD average).⁴²

III.8 The Mexican labor market has room for improvement in terms of job quality. In the IDB's Better Jobs Index with 2022 data, Mexico is ranked 12th out of 17 countries in Latin America.⁴³

³⁷ Considering only expenditures in government salaries, transfers, and public procurement.

³⁸ The last evaluation of public investment management in Mexico was conducted in 2019. See [link](#).

³⁹ For every dollar invested in public investment, US\$-0.5 is returned in output in the second year (see [Fislac](#) and [Ardanaz, M., Li. López; J. Puig, and O. Valencia](#))

⁴⁰ This tax revenue takes all government levels into account and includes the following levies: income, profits, and capital gains tax; social security contributions; property taxes; taxes on goods and services; and other taxes (such as payroll and labor-related taxes). [Revenue Statistics in Latin America and the Caribbean 2025: Mexico, OECD](#). For reference, the standard SHCP table highlights the following components of total budgetary revenue (22.4%): oil revenue (3.2%) and nonoil revenue(19.2%). In turn, nonoil revenue is broken down into tax (14.7%); nontax (1.0%); and agencies and companies (3.5%). (The figures, stated as a percentage of GDP, are projected for 2025 and are taken from the [Precriterios Generales de Política Económica 2026](#); (Preliminary General Criteria for Economic Policy 2026); Annex II, page 40 shows the breakdown.)

⁴¹ [Informe de Renuncia Recaudatoria de la Secretaría de Hacienda, 2025](#) (Foregone Revenue Report by the Ministry of Finance and Public Credit).

⁴² Source: OECD. [Income distribution database](#). Most recent data for Mexico: 2022.

⁴³ [Mejores Trabajos](#) (Better Jobs).

The evidence indicates that this is due to multiple factors⁴⁴ related to the way the labor market operates, including regulations that act imperfectly as a defense of collective labor rights and costly and uncertain resolution processes for individual labor disputes. Nevertheless, there is room for improvement in certain areas. For example, the initial years following implementation of the labor reform show that, between 2019 and 2023, the conciliation rate for individual labor disputes declined from 78% to 68.9%.⁴⁵ Boosting the efficiency of labor dispute resolution would result in increased transparency, greater predictability, and therefore more hiring and better labor conditions.⁴⁶

III.9 The pension system represents an opportunity to support economic growth. The two national social security systems (IMSS and ISSSTE) are based on individual accounts managed by specialized companies (AFOREs), which have become the country's largest institutional investors.⁴⁷ However, the savings in the pension system are not efficiently channeled toward investment, representing a lost opportunity to finance infrastructure projects that could boost economic growth and equity through Plan Mexico financing. AFOREs allocate 8.2% of their portfolio to structured instruments that include infrastructure, energy, and real estate, while the regulatory limit for these assets is 30%. At the same time, there is persistent inequity in the system, since most workers do not have access to an adequate pension at retirement, mainly due to the high level of employment informality. Lastly, while the instability risks in the federal pension system have been overcome, efficiency and sustainability issues remain in some of the more than 1,000 systems that coexist with the 2 national systems, especially in the 41 state systems, and these issues will necessitate significant transfers in the coming years.⁴⁸

WHAT WE WILL DO

III.10 The IDB Group will support growth fostered in synergy with the private sector by means of productive integration, fiscal sustainability, and institutional strengthening of the labor market: Actions will be aimed at three strategic objectives: (i) improve the conditions for productive integration in the private sector; (ii) support an efficient, pro-growth, and sustainable fiscal policy; and (iii) strengthen the institutional framework of the labor market.⁴⁹ The collaboration described below will help to achieve the strategic objectives of this pillar.

III.11 Access to productive financing will be increased to promote productive integration and boost business growth. With the participation of all its windows, the IDB Group will seek to: (i) provide and supplement long-term financing for projects aligned with Plan Mexico; (ii) increase financing for early-stage and mature companies, including agroindustrial (including competitive crops, animal protein, and associated processing) and manufacturing enterprises, using innovative instruments;⁵⁰ (iii) finance private projects with sustainable certifications, aimed at promoting the deployment and adoption of renewable energy sources; (iv) expand access to

⁴⁴ The most significant factors are labor regulations and social security; the functioning of credit markets; distortions in markets for nontradable goods; and infrastructure quality. See Arias et al. (2010), Hanson (2010), Chiquiar and Ramos Francia (2009), IDB (2017), Levy (2007), and Levy (2019).

⁴⁵ IDB, 2023. Project Completion Report, "Program to Improve the Quality of Employment in Mexico," ME-L1289. In high-income countries, the percentage is as high as 80%-90%. See, for example, [this report](#) (Sadka, J. E. Seira, and C. Woodruff, 2020).

⁴⁶ Another area for improvement is in closing the gender gap in the women's workforce participation rate, which has remained constant at close to 30 percentage points over the last two decades. This inequality is largely due to the excessive burden of unpaid domestic and caregiving work, addressed in pillar 2, which significantly limits women's access to formal and remunerated work.

⁴⁷ AFOREs manage more than 20 percentage points of GDP. CONSAR. [Informe trimestral al H. Congreso de la Unión \(enero-marzo 2025\)](#) (Quarterly report to Congress (January-March 2025)).

⁴⁸ More information on the pension system is available in [Azuara Herrera et al. \(2019\)](#).

⁴⁹ A specific support plan within the framework of the Bank's growth agenda could be explored in the future in conjunction with the Mexican government.

⁵⁰ IDB Invest will continue to implement a broad portfolio of projects in the agribusiness and manufacturing sectors that not only are aimed at boosting productive capacity, productivity, and innovation on the basis of best practices, but also have a high capacity to link domestic farmers and MSMEs to their value chains. In addition, it will explore avenues for supporting more resilient food production and processing, the agrifoodtech industry, and strategic and high-complexity manufacturing activities.

adequate financing for SMEs and other segments faced with credit restrictions by partnering with development, commercial, and cooperative banking institutions and through thematic bond issues and advisory services to strengthen the capacity of financial intermediaries; (v) strengthen financial infrastructure and payment digitalization to increase SME sales channels, access to financing, and formalization and to foster financial inclusion of excluded segments such as women, the rural population, and informal workers; and (vi) facilitate certification arrangements for SMEs and national companies aimed at their integration, as suppliers of goods and services, with anchor companies and multinationals. To this end, **IDB Invest** may offer local currency instruments, reverse factoring solutions, equity investments, and other mechanisms to boost financial inclusion and climate finance through financial intermediaries (both regulated and unregulated).⁵¹ IDB Invest will also work on promoting access to capital markets, fostering thematic reference frameworks, and accelerating strategic financing agendas, in all cases leveraging its market knowledge, bank and nonbank partners, and broad advisory services. **IDB Lab** will play a key role in expanding the supply of financing for innovative early-stage companies by means of loans and investments—both direct and indirect—and in strengthening the resource mobilization capacity of strategic partners seeking to channel more resources toward these emerging companies.

III.12 The IDB Group will promote the development of productive capacity and internationalization in strategic sectors. This will be achieved by: (i) developing higher value-added domestic supply and exports in multiple sectors prioritized under Plan Mexico, including agriculture and agroindustry, pharmaceutical products, advanced electronics (semiconductors), aeronautics and electromobility, and medical device manufacturing; (ii) improving the business environment for the facilitation of trade and investment (through trade and investment windows, streamlining of formalities and procedures, security improvements, and oversight of foreign direct investment and imports), and facilitating trade with Central America through support for infrastructure and logistics services on regional freight corridors, which in turn will benefit from the coordination efforts with the region through the **América en el Centro** program; (iii) institutional strengthening of the state- and national-level agencies and functions for the promotion and attraction of trade and investment. Based on its New Vision and Business Model, **IDB Invest** will comprehensively support this effort at productive intensification through the financing of foreign trade and production chains,⁵² development of assets at scale (i.e., development hubs (*Polos de Bienestar*) and industrial parks as well as projects related to vertical integration processes), and productive infrastructure to support these investments, including energy, water, logistics (ports, airports, roads), broadband digital connectivity, and telecommunications infrastructure, as needed to optimize operation of the clusters and integrate new participants. The foregoing also entails an increase in the planned demand for housing in the areas of influence of the investments, and this will be analyzed by IDB Invest. Lastly, regarding exportable services, the Bank will support the Ministry of Tourism, and IDB Invest will examine the possibility of supporting sustainable and value-added tourism projects in areas that are less developed than the traditional destinations, with a strong focus on quality job creation, development of domestic supply chains, and robust environmental and social governance.

III.13 Integration into global value chains will be promoted, especially in areas prioritized by Plan Mexico. This includes: the Industria Manufacturera, Maquiladora y de Servicios de Exportación (Manufacturing, Maquiladora, and Export Services) (IMMEX) program; and the Agencia Nacional de Aduanas de México (Mexican National Customs Agency) (ANAM) management systems. It also includes the reengineering of trade facilitation tools such as the Investment Single Window and the Ministry of Economy's National Registry of Foreign

⁵¹ Work with financial intermediaries will be prioritized to strengthen the inclusion and sustainability agendas, channel resources to sectors and segments underserved by traditional banks, and close financing gaps for SMEs and vulnerable groups, reinforcing the scope of the existing IDB Invest portfolio in financial markets.

⁵² IDB Invest will expand the scope of the reverse factoring and foreign trade facilitation programs, strengthening the financial capacity of MSMEs.

Investment to transform them into truly interactive platforms for a streamlined processing of formalities, licenses, permits, and other administrative procedures. These actions are aligned with the federal government's national digitalization strategy and with the objectives of making the use of foreign direct investment registries transparent and efficient and reducing lags in sectoral regulatory agencies, which currently hinder the development of strategic sectors prioritized under Plan Mexico.

- III.14 The IDB Group will support expanding human capital capacity and innovation systems to boost the economy.** The IDB will provide support in: (i) access to upper secondary and higher education focused on quality, retention, and timely graduation, along with dual education programs and other training models such as apprenticeships, or short training modules for rapid development of human capital aimed at the strategic value chains under Plan Mexico; (ii) development of a pilot network of technology centers specialized in extension services on green and digital topics; (iii) implementation of an investment plan to update the technical and institutional capacity of the Centro Nacional de Metrología (National Metrology Center) (CENAM), the public institution that issues industry certifications for weights and measures; and (iv) establishment of a guarantee fund for new technology adoption. **IDB Invest** will provide advisory services to strengthen the operational and management capacity of companies; participation in the formal labor market, especially in the case of underrepresented population segments; training in technical and digital skills; and the design of upskilling/reskilling strategies.⁵³ **IDB Lab** will promote the development of entrepreneurial talent and strengthening of the inclusive innovation ecosystem by supporting disruptive solutions that can help to close skill gaps and create new job opportunities for vulnerable populations. The IDB's experience in Mexico with successful programs such as industry-specific skill strategies and digital apprenticeships—implemented in partnership with companies such as Google, IBM, and Cisco—shows the potential of scaling training initiatives aligned with productive demand, which the IDB is already expanding to Central America through **América en el Centro**. In addition, the IDB Group will seek to reinforce industry-academia collaboration for vocational training that is better aligned with the new market needs and the “jobs of tomorrow.”
- III.15 National and subnational fiscal sustainability will be reinforced to support economic growth.** The IDB Group will seek to boost national and subnational fiscal sustainability by: (i) making tax revenue collection more efficient; (ii) containing operating expenditure; (iii) enhancing expenditure quality; (iv) strengthening the crosscutting public management systems, including monitoring and evaluation, planning, and civil service; and (v) improving financial management and the debt sustainability framework. At the subnational level, through fiscal performance programs managed by the federal government, the Bank will encourage achievement of strategic objectives in revenue, expenditure, and debt, including: (i) expanding the tax base; (ii) boosting revenue collection efficiency; (iii) harmonizing tax burdens; (iv) reducing operating expenditures; (v) building subnational capacity; (vi) increasing investment expenditure; and (vii) improving financial solvency. In addition, the Bank will strengthen institutional capacity for fiscal planning that takes climate impacts into account.⁵⁴ The effectiveness of the State (including at the subnational level) is one of the keys for overcoming deficits in the provision of public services and negative effects of adverse external shocks.
- III.16 Support for the labor market and social security will continue to be provided to enhance employment quality.**⁵⁵ The Bank will continue to support implementation of the 2019 labor reform, particularly in terms of strengthening pre-judicial conciliation and the implementation of measures aimed at improving the operation of the new institutions created under the reform. In

⁵³ IDB Invest will also continue to support digital industries and technology-based enterprises through adequate financing and various mechanisms.

⁵⁴ Including risk management, green fiscal revenue or incentives, debt management and green financing, and fiscal strategies for climate action.

⁵⁵ The gender gap in workforce participation will be addressed by promoting the comprehensive care agenda included in pillar 2.

social security, the Bank will support implementing the reform of the individual account system managed by AFOREs and the transformation of subnational government pension systems (SGPSs) to achieve more effective functioning with better benefits for users (while encouraging employment formality) as well as long-term financial sustainability, by: (i) improving their institutional design; (ii) improving their management, planning, and technological capacity; (iii) facilitating interoperability between the SGPSs and the national pension systems; and (iv) improving the short-term financial profile of the SGPSs by creating financial guarantees for the pension transition and other financial instruments subject to institutional and parametric improvement of their systems.

III.17 The IDB Group will consolidate a programmatic approach in order to deepen structural reforms. The Bank has been supporting Mexico for several years in various growth-impacting sectors, including strengthening fiscal management by subnational governments by introducing efficiency criteria in revenue collection and public expenditure and fostering improvements in transparency, accountability, and fiscal discipline to enhance the credit profile and fiscal sustainability of states and municipalities and ultimately bring about better coverage of basic service infrastructure. In addition, the Bank has provided long-term support in developing a comprehensive vision of the labor market and pension system, with a view to enhancing employment quality, expanding the enrollment of individuals and companies in the social security system, and boosting its sustainability. This support mainly took the form of policy-based loans, technical cooperation operations, and knowledge products. It laid a foundation of achievements on which to build; thus, during this strategy period, the Bank will continue this work not only using technical cooperation funding and policy-based loans, but exploring the use of contingent credit lines for investment projects, investment operations, and if feasible, loans based on results. The objective of this support will be to enhance employment quality in Mexico through better labor representation, less expensive and more predictable resolution of labor disputes, and greater social security coverage at lower costs, as well as to consolidate progress in the policies and subnational management initiatives promoted in recent decades.

EXPECTED IMPACT

Increase financing flows to corporations and SMEs, particularly to sustainable projects linked to industrial and agricultural value chains.

Strengthen productive capacity and innovation, in turn facilitating productive sophistication and integration into value chains. These actions will increase exported value in prioritized strategic sectors, including agroindustry, pharmaceuticals, semiconductors, electromobility, aeronautics, and medical devices.

Boost tax revenue collection, as access to financing is contingent on improvements in revenue, expenditure, and debt levels. This will support fiscal sustainability at all levels and strengthen the capacity for public investment and service delivery.

Strengthen compliance with the legal framework for workers' labor rights. This support helps to reduce labor-related frictions and promote growth with equity.

Reinforce effective implementation of workers' rights during retirement. The coverage and efficiency of the pension system will be improved, thereby reducing the proportion of older adults living in poverty.

B. PILLAR 2: PROVISION OF SOCIAL SERVICES

WHY IT MATTERS

- III.18 This pillar addresses significant deficits in the provision and quality of social services needed to build on the important progress made in reducing poverty and inequality.** The main issues include: (i) access to and the quality of healthcare, particularly the care system; (ii) access to drinking water and sanitation and solid waste management; and (iii) lack of integration between urban planning, mobility, and housing. This pillar relies on the leadership role of the regional initiative **IDB Cares**. Due to its focus on provision of services, this pillar operates under the same logic as the **Alliance for Security, Justice, and Development**, which Mexico has joined.
- III.19 The health system faces gaps in access and in specialized care.** For example, the gap in access to health services widened⁵⁶ (see Figure 3), and there is a significant shortfall in care for older adults, particularly in cases that require continuous professional assistance.
- III.20 Care services have limited coverage and are disproportionately provided by women, blocking the country's productive potential.** In Mexico, 17 million people aged 60 and above and 5.6 million people with disabilities or dependent on care are likely to require care, and only 22.4% and 61.5%, respectively, have received it.⁵⁷ This is compounded by low coverage⁵⁸ of public care services and limited coordination with the existing health services, despite recent efforts aimed at building the National Care System. The population in need of care also includes young children. The responsibility for their care falls primarily to the education system, but coverage is low, encompassing only 10.2% of children aged 0 to 35 months.⁵⁹ According to the 2022 National Survey for the Care System (ENASIC), 31.7 million people perform caregiving work, 75.1% of whom are women. A large share of them do this work without compensation or under precarious arrangements (without access to social security and with low levels of training),⁶⁰ thus, 48% of paid caregivers who work in households and 29% of those who work in residential care facilities have no specific training in caregiving.⁶¹ Professionalizing the service brings direct benefits to providers and users, while at the same time unlocking enormous productive potential in the economy by expanding women's participation in the workforce.⁶²

⁵⁶ Access to health services is measured by the number of enrollments in or affiliations with a public health services institution, such as *Seguro Popular*, or public social security institution (IMSS, ISSSTE, Pemex, Army, or Navy), and enrollments in private health plans. The access gap was more pronounced in rural areas, where it reached 48.7% and disproportionately affected the Indigenous population, particularly in states such as Chiapas, Puebla, and Michoacán, which had access gap rates of 63.3%, 47.3%, and 46.1%, respectively ([INEGI, 2025c](#)).

⁵⁷ INEGI (2023). [Encuesta Nacional para el Sistema de Cuidados 2022](#) (National Survey for the Care System).

⁵⁸ [Aging in Latin America and the Caribbean: Social protection and quality of life for older persons](#). [Envejecimiento y atención a la dependencia en México](#) (Aging and dependency care in Mexico).

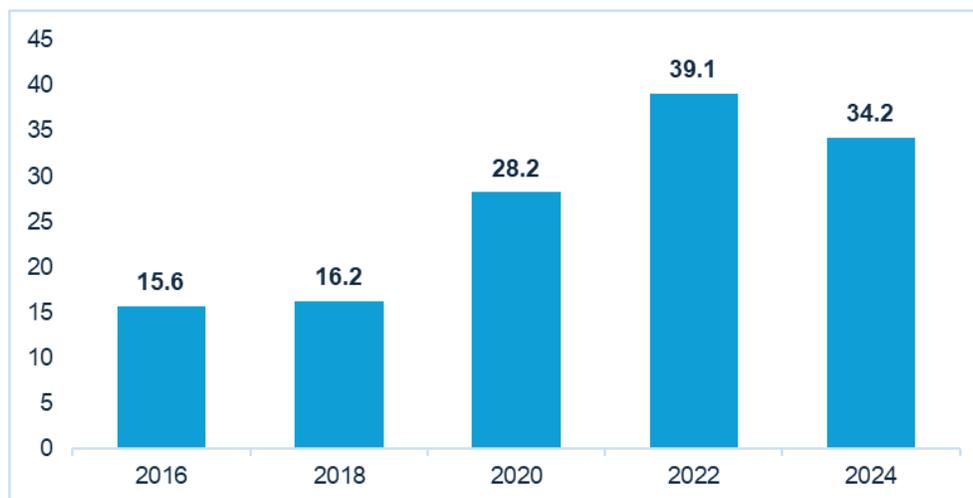
⁵⁹ INSP (2025). Encuesta Nacional de Salud y Nutrición (ENSANUT) Continua 2023 (Continuous National Health and Nutrition Survey).

⁶⁰ [Caregivers for older people: overburdened and underpaid](#) (table 26).

⁶¹ See [World Bank](#).

⁶² The persistently unequal distribution of unpaid care work—with women devoting up to 9.4 hours more than men to child care—perpetuates their time poverty, and freeing up that time could add up to 20 million women to the labor market, significantly boosting national productivity (INEGI 2025, [Encuesta Nacional sobre Uso del Tiempo \(ENUT\) 2024](#)) (National Time Use Survey); SHCP 2025, ([Recuadro 1 CPGE 2026](#)) (Box 1 CPGE 2026).

FIGURE 3. GAP IN ACCESS TO HEALTH SERVICES (% OF POPULATION)



Source: [Medición de la Pobreza 2022, CONEVAL](#) (2022 Poverty Measurement, CONEVAL), continued by the INEGI from 2025 onward using the same methodology.

III.21 Access to drinking water and sanitation continues to be insufficient and unequal. All told, 8 of the 13 hydrological-administrative regions are under high or very high pressure; of 653 aquifers, 111 are overexploited and in 275 there is no longer availability.⁶³ At the same time, 43% of the national population had access to safe drinking water services and 62% had access to safe sanitation services.⁶⁴ In addition, only 56% of Mexico's population had simultaneous access to improved basic sanitation⁶⁵ and daily drinking water.⁶⁶ Moreover, there are gaps in income levels, between regions, and between the urban and rural populations, with rural dwellers facing the greatest difficulties in obtaining piped water in their homes.⁶⁷

III.22 Solid waste management is inefficient, falls to municipalities with limited capacity, and exhibits low levels of reuse. Only 84% of urban solid waste is collected, 10% is recycled, and 60% is not disposed of properly.⁶⁸ A total of 87% of waste is urban and thus falls under municipal responsibility and is predominantly managed by the municipios themselves, where there is

⁶³ Conagua 2024, *Estadísticas del Agua en México 2023* (Water Statistics in Mexico, 2023), pp. 51 and 86. 2022 data.

⁶⁴ Access to safe drinking water services refers to the use of an improved water source (such as public systems, cased wells, or rainwater) that is located inside the home, yard, or parcel, is available when needed, and is free of fecal contamination and priority contaminants such as arsenic and fluoride. Access to safe sanitation services refers to the use of improved facilities (such as toilets connected to sewer systems, septic tanks, or improved latrines) that are solely for use by the household and ensure safe management of excreta, whether through safe elimination in situ, collection and subsequent treatment, or safe transport and final disposal (2022 data; source: UNICEF/WHO, 2023).

⁶⁵ Home dwellers are considered to have improved basic sanitation if they have a sanitation facility solely for use by the household and if their sanitation facility is connected to the sanitary drainage network or to a septic tank.

⁶⁶ INEGI, 2022. National Household Income and Expense Survey.

⁶⁷ The challenges of the water sector will be exacerbated by the impacts of climate change. Protection of natural ecosystems, ecological restoration, diversification of productive landscapes, and implementation of sustainable farming practices foster water quality and availability, supporting the cycle of aquifer recharge and the filtration of surface water. Mexico's nationally determined contribution (NDC) provides for incorporating climate risks into integrated management of water resources, and highlights the use of nature-based solutions to promote hydrologic environmental services (NDC, 2022).

⁶⁸ Semarnat, 2020. *Diagnóstico Básico para la Gestión Integral de los Residuos* (Basic Diagnostic Assessment for Comprehensive Waste Management). 2017 data.

typically no charge for the service and where the equipment and infrastructure are substandard. Only 8.7% of the waste is reused (recycled, co-processed, or composted).⁶⁹

III.23 The lack of integration between mobility, urban planning, and housing perpetuates an unsustainable urban model. Only 11% of new urban developments are connected to mass transportation systems, while 60% of motorized travel in large cities is done by private automobile.⁷⁰ This reinforces an extensive, low-density growth model and entails high environmental and social costs.⁷¹

III.24 Housing shows deficiencies in sustainability, resilience, and quality. The Expanded Housing Deficit⁷² totaled 8,977,409 homes in 2022, equivalent to 24.3% of all inhabited homes in the country,⁷³ and was highly concentrated in the country's south-southeast. Residential construction exhibits poor resilience and overall environmental indicators; 7 of every 10 inhabitants live in hydrometeorological or geological risk areas. Although progress has been made in building codes in terms of resilience metrics, there are significant areas of opportunity in terms of sustainability.⁷⁴ Against this backdrop, the government launched a massive housing plan,⁷⁵ underscoring the need to update certain aspects of design and regulations, as well as strengthen the organizational and coordination capacity of the administrative units involved.⁷⁶

WHAT WE WILL DO

III.25 The IDB Group will help to improve the provision of social services by strengthening the care system and boosting equitable access to basic services and local resilience. Actions will focus on three strategic objectives: (i) enhance access to and the quality of care services for the aforementioned populations; (ii) expand the provision of basic services and consolidate the circular economy; and (iii) support urban development. For care-related issues, the strategy will closely follow the guidelines and coordination opportunities provided by **IDB Cares**. The approach is convergent with that of the Mexican government, which emphasizes a human and shared vision of care.

III.26 The IDB Group will promote a comprehensive care agenda focused on early childhood, older adults, and disabilities and aimed at enhancing equity and quality of life for care-dependent people. In the early childhood area, the Bank will continue to support: (i) quality improvements and expansion of educational and early childhood care facilities, ensuring that the

⁶⁹ Solid Waste and Circular Economy Hub (IDB) based on data from INEGI <https://hubresiduoscirculares.org/recursos/database>

⁷⁰ Encuesta Origen Destino (Origin-Destination Survey) (2017). INEGI. At the same time, access to public transportation remains limited for women and persons with disabilities, whether due to perceived lack of safety (73.1% feel unsafe when using it) or because it is not adapted to their needs (31.9% of persons with disabilities consider it inaccessible) (INEGI, 2025, [Encuesta Nacional de Victimización y Percepción sobre Seguridad Pública \(ENVIPE\) 2025](#) (National Survey on Victimization and Perceptions of Public Safety) CONAPRED, 2023, [Ficha temática sobre discriminación hacia personas con discapacidad](#) (Thematic overview of discrimination against persons with disabilities).

⁷¹ CENAPRED 2018.

⁷² The Housing Deficit includes overcrowded dwellings (more than 2.5 people per room in the dwelling), dwellings built with precarious materials, and dwellings lacking toilet facilities. Homes with one or more of these deficiencies make up the Expanded Housing Deficit. If a home has two or more deficiencies, it is only counted once, pursuant to the following order of precedence: overcrowding, precarious materials, and toilet facilities.

⁷³ [Rezago Habitacional Ampliado en México, Sociedad Hipotecaria Federal](#) (Expanded Housing Deficit in Mexico, Federal Mortgage Bank).

⁷⁴ [Resilience and Sustainability in Building Codes in Latin America and the Caribbean \(IDB\) 2023](#).

⁷⁵ The government's housing and regularization program calls for building one million homes and delivering one million title deeds, with a view to supporting vulnerable population groups in particular, such as women heads of household, young people, Indigenous populations, and older adults.

⁷⁶ The actions carried out by the national housing agencies, such as the Instituto del Fondo Nacional de la Vivienda para los Trabajadores (National Workers' Housing Fund) (INFONAVIT), Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (Housing Fund of the Government Workers' Social Security and Services Institute) (FOVISSSTE), and Federal Mortgage Bank (SHF), in coordination with the Department of Agrarian, Territorial, and Urban Development, are very significant.

implemented policies consider children's equity and specific health and nutrition needs;⁷⁷ and (ii) defining the competencies and profiles of educational staff and strategies for in-service training and professional development. In the area of care for and dependency of older adults and persons with disabilities, the Bank will support: (i) coverage of long-term care and dependency prevention policies (day centers and home care, including in collaboration with the health sector); and (ii) quality improvements and expansion of caregiver training and professionalization arrangements. For the design and launch of these policies, the Bank will support institutional strengthening and coordination.⁷⁸ In addition, it will promote awareness-raising activities aimed at fostering a more equitable distribution of caregiving responsibilities between men and women. In parallel, **IDB Lab** will support the development of an innovative solutions ecosystem to improve the quality of life of older adults in areas such as care and support, health, leisure, and dependency. **IDB Invest** will explore opportunities to support the health sector by financing private medical care facilities to complement government efforts to enhance the system's quality and capacity, and through investments in healthtech-based business models.

III.27 The IDB Group will promote reinforcing the efficiency and sustainability of water, sanitation, and waste management services to ensure equitable access and environmental resilience. Specifically, the IDB Group will support the sector reform process, including the National Water Law and enactment of a new General Water Law. In addition, it will deepen its collaboration with the country to improve water resource management (including cleanup and restoration of priority watersheds by means of nature-based solutions and other measures) as well as the efficiency and resilience (including stormwater drainage) of urban and rural water and sanitation services. Support will be provided in solid waste management and the circular economy, including strengthening vulnerable operators and municipalities. In addition, the IDB Group will seek mechanisms for collaborating with the private sector to boost investment in priority water infrastructure projects. This will include adopting advanced water purification and treatment technologies as well as waste management and circularity solutions and promoting—particularly through **IDB Lab** and **IDB Invest**—the use of innovative approaches tailored to the local context and the specific needs of each sector, with a view to maximizing the social, environmental, and economic impact of the support.

III.28 A more balanced and safer approach to urban development will be promoted to enhance livability and reduce territorial vulnerabilities. This includes: (i) strengthening metropolitan institutes that provide territorial planning and land-use management services by introducing sustainability and resilience considerations (including strategies for reconstruction and completion of the risk atlas) and implementing a high-quality land bank close to urban centers; and (ii) providing long-term financing products for housing development companies through banks and nonbank financial institutions in order to expand home loan portfolios in population segments with the largest deficits.⁷⁹ These actions will be aligned with the implementation of

⁷⁷ Such as the specific health and nutrition needs of Indigenous children, who face more adverse conditions than the national average. In this regard, strengthening community health services with an intercultural approach is key, as described in the Crosscutting Areas section.

⁷⁸ Government commitment 55: Create the Care System jointly with the Mexican Social Security Institute (IMSS) and the Sistema Nacional para el Desarrollo Integral de la Familia (National System for Comprehensive Family Development) (SNDIF). [PND 2025-2030](#).

⁷⁹ IDB Invest will continue to implement a robust housing and urban development portfolio, which includes a wide variety of accredited entities and financial instruments. The former include real estate developers specialized in sustainable and affordable social and middle-income housing and proptech focused on the purchase and sale of used homes in the low- and middle-income segments. Support through advisory services has been essential for sustainable project design and for obtaining associated building certifications. In addition, access to sustainable and affordable housing will be promoted by means of long-term lines of credit, mortgage financing, and working capital loans, as well as through support for the issuance of thematic bonds. IDB Invest participation has been a catalyst for attracting impact investors to this sector. Between 2016 and 2024, some 19,000 Mexican households have benefited from housing and urban development solutions supported by IDB Invest.

strategic reforms included in Plan Mexico to promote a more balanced and environmentally responsible approach to urban development.⁸⁰

III.29 The IDB Group will consolidate a programmatic approach to expand impact on social services and strengthen people-centered systems. The Bank has been supporting the country for more than 20 years in expanding the coverage of water and sanitation and water management services through specific investment loans and multiple works loans leveraged by technical cooperation and knowledge products.⁸² In addition, in terms of care services, Bank support through technical cooperation has helped to make progress in designing and implementing scalable projects to improve the quality of early childhood development centers and promote autonomy for dependent older adults in day centers. In this strategy period, the Bank expects to deepen and build on this work by means of investment operations and programmatic policy-based loans supported by technical cooperation in sanitation and the circular economy as well as in care services, seeking to develop comprehensive systems that provide people-centered quality services and promote self-care, wellbeing, training, recognition, and access to better economic opportunities for caregivers.⁸³ In addition, the Bank expects to build on the work carried out through technical cooperation in urban development and housing in order to deepen existing progress by means of specific investment operations or, if feasible, loans based on results, in alignment with the Bank's regional initiatives.

EXPECTED IMPACT

In care services, the IDB Group will seek to **expand the coverage of quality care services and improve training of caregivers.**

In water and sanitation, the IDB Group will seek to **increase safely managed services and facilitate conditions conducive to the reuse of solid waste.**

Expand access to quality housing. The IDB Group will provide support to reduce the housing deficit in priority areas with vulnerable populations, aligned with the development hubs for wellbeing, and climate adaptation.

⁸⁰ The program IDB for Cities and Regions is a significant benchmark for subnational work, although Mexican states and municipios are for the moment barred by national legislation from securing direct access to sovereign-guaranteed loan instruments, including the funds available to this initiative. In other words, the Bank's focus and technical assistance will be important for Mexico; at the same time, while there is a possibility of acting at the subnational level through sovereign-guaranteed loan operations, Mexican legislative restrictions narrow the current options to the federal government and national development banks.

⁸¹ With regard to gender violence, the Bank will support the National Registry of Protection Measures and strengthening police response, with an emphasis on training first responders on protocols and a gender approach.

⁸² Loan operations 1161/OC-ME, 1645/OC-ME, 2512/OC-ME, and 3133/OC-ME.

⁸³ ATN/OC-18929, ATN/OC-20706, ATN/EE-20205-ME4607, ATN/KP-18349-ME, ATN/OC-19955-ME, ME-T1539, and ATN/CF-19925-ME.

C. PILLAR 3: RESILIENCE

WHY IT MATTERS

- III.30 This pillar addresses key elements for enhancing resilience, which is a strategic priority in the government's vision.** The main challenges include: (i) costs of disasters and environmental degradation; (ii) absence of resilient infrastructure; and (iii) concentration of fossil fuels in the energy matrix. Sustainable development is one of the four pillars of the PND. The collaboration described below is based on the guidelines of the IDB program **Ready and Resilient Americas**. The actions under this pillar are complemented with the crosscutting area of disaster risk management (DRM) and sustainability (in the next section). Therefore, the strategy contains a **double emphasis** in terms of resilience.⁸⁴
- III.31 The costs of disasters and environmental degradation are substantial and create fiscal pressure.** In 2022, disasters resulted in losses equivalent to 0.1% of GDP and were 8 percentage points higher than in the previous year.⁸⁵ Natural resource deterioration and exhaustion have led to economic costs that exceed the expenditure in environmental protection. According to the Instituto Nacional de Ecología y Cambio Climático (National Ecology and Climate Change Institute) (INECC), in 2022 these losses represented 4.1% of GDP, while public expenditure in environmental protection represented 0.7% of GDP.⁸⁶ Disasters and losses due to environmental degradation are costly for households,⁸⁷ pose a risk to fiscal stability,⁸⁸ and require expeditious financial support. National capacity still needs to adapt to these circumstances, and the dimension that shows the greatest opportunity for improvement is post-disaster recovery planning.⁸⁹
- III.32 Low public investment limits the development of resilient infrastructure, particularly in vulnerable territories.** Investing one dollar in resilient infrastructure can generate up to US\$4 in returns by preventing economic damage and reducing service disruptions.⁹⁰ However, the development of this type of infrastructure is hindered by the low levels of public investment and by how it is prioritized and distributed. The problem becomes even worse if one analyzes subnational capacity, since some states (particularly those in the south-southeast) lag behind and receive less public investment than would be optimal from both a productive and an equity standpoint. In addition, there is an opportunity to focus public resources on sustainable and safe transportation, particularly considering that transportation is responsible for 25% of CO₂ emissions. While public policies typically have not prioritized sustainable options, the government recently announced a railroad and sustainable mobility expansion program as part of Plan Mexico.⁹¹

⁸⁴ It is double in the sense that, to support its multidimensional nature, elements from other pillars of the strategy are contributing to resilience. Enhanced productive and fiscal capacity, as well as quality labor institutions, contribute to that objective by reducing people's vulnerability (pillar 1); the development of care services provides safer environments, and both urban development and advances in sanitation systems provide more robust contexts that reduce disaster risks (pillar 2). Added to this is the objective of pillar 3: financial capacity to act quickly to address a climate emergency, and increased availability of resilient transportation and energy infrastructure. Taken as a whole, this enables a vision of resilience that goes beyond infrastructure.

⁸⁵ See [Mexico's Biennial Transparency Report](#) to the United Nations Framework Convention on Climate Change.

⁸⁶ See [Mexico's Biennial Transparency Report](#).

⁸⁷ The gain from an emergency response one month faster is 0.8% of the per-capita long-term income (Hill et al., 2019).

⁸⁸ [Delgado, R., Eguino, H., Vogt-Schilb, A., Alejos, L., Pimenta, C., Harper, L., Edwards, G., & Rasteletti, A. \(2023\).](#)

⁸⁹ Mexico was rated as "incipient" in the most recent assessment. This category reflects the ex ante process focused on preparing for quick and adequate reestablishment of acceptable and sustainable living conditions by rehabilitating, repairing, or rebuilding the infrastructure, goods, and services that have been destroyed, disrupted, or degraded in the affected area, and by reactivating or boosting the economic and social development of the community under conditions of lower risk than existed prior to the disaster.

⁹⁰ [Hallegatte, Stéphane, Jun Rentschler, and Julie Rozenberg. 2019.](#)

⁹¹ In 2025, Mexico has 27,732 kilometers (km) of railways, compared to 26,914 km in 2019, and 23,619 km in 1964. The country has 849 electric buses, fewer than Brazil (1,059), Colombia (1,590), and Chile (2,729) [E-BUS RADAR](#). Plan Mexico, in addition to its objectives for resilient logistic infrastructure, has electromobility targets that encompass even the manufacture of electric vehicles ([Olinia](#)).

III.33 The energy matrix relies on fossil sources, limiting economic and social resilience.

Continuously expanding integration into global value chains and markets requires traceability to renewable energy sources, to prevent its absence from jeopardizing jobs and income. That said, 78.8% of the primary energy supply comes from fossil fuels: natural gas and condensates (41.2%); crude oil (34.2%); and coal (3.4%); while only 21.2% of the primary energy supply comes from clean sources, compared to 60% in LAC. In addition, there are persistent energy poverty problems in Mexico, creating a disadvantage and vulnerability for many families.⁹² In the south-southeast, where the Indigenous population is concentrated, 445,000 people lack access to electricity⁹³ and 11.2 million people use firewood as an energy source (out 15.7 million nationwide),⁹⁴ and these communities are among the most severely affected by environmental degradation.⁹⁵ Moreover, to facilitate access to electricity, the government grants subsidies, which have a fiscal impact estimated at US\$4 billion in 2025 and could delay the efficient use or adoption of sustainable energy modalities.

WHAT WE WILL DO

III.34 The IDB Group will help to mitigate the impact of emergencies and transform infrastructure for sustainability through actions aligned with the Ready and Resilient Americas program.

The strategic objectives are to: (i) mitigate the socioeconomic impact of emergencies; and (ii) promote resilient and sustainable infrastructure. The collaboration described below will aid in achieving these strategic objectives.

III.35 The IDB Group will support strengthening the emergency response capacity to mitigate socioeconomic impacts.

In this context, it will promote the implementation of a contingent financial instrument that enables the country to secure timely access to resources in the event of a crisis. In addition, the IDB Group will analyze the feasibility of helping to update Mexico's federal and state regulatory and institutional DRM framework. This effort aims to help soften the economic and human impact of disasters and improve fiscal resilience through innovative financing solutions that strengthen the national DRM systems, thereby reinforcing the State's capacity to protect the population and mitigate the economic and social impacts of natural disasters.

III.36 Transport sustainability and resilience will be promoted to improve territorial equity and reduce emissions.

This includes IDB and **IDB Invest** operations in the following areas: (i) development of an egalitarian and inclusive regulatory framework through the comprehensive sustainable urban mobility program and provision of technical assistance in electric mobility; (ii) expansion and professionalization of public transportation (cable cars, Bus Rapid Transit corridors, trolleybuses, and subways); (iii) financing for sustainable electric mobility (such as a subnational electric bus system, following the examples of the Puebla and Mexico City pilots, and charging stations for electric vehicles);⁹⁶ (iv) support for consolidating the passenger train system at the national level in terms of infrastructure, equipment (rolling stock), and railway-related policy reforms; and (v) strengthening of logistics capacity in freight trains and investments

⁹² Energy poverty disproportionately affects women and Indigenous women in Mexico, particularly in rural areas, resulting in heavier domestic burdens and exposure to pollutants due to firewood use ([Morales López, 2025](#)).

⁹³ [Programa de Desarrollo del Sistema Eléctrico Nacional 2024-2038](#), (National Electric System Development Program 2024-2038) and [Informe Anual 2023 de CFE](#) (CFE 2023 Annual Report).

⁹⁴ [Censo de Población y Vivienda 2020, INEGI](#) (Population and Housing Census).

⁹⁵ Due to the location of their territories in vulnerable areas, their direct dependence on the environment, and the historical neglect of environmental protection systems. According to the INPI, these communities suffer displacements, biodiversity loss, and serious damage to their health and livelihoods, and many of the 70 or more areas identified as health and environmental emergency regions are located in Indigenous territories ([INPI, 2017](#); [SECIHTI, 2023](#)).

⁹⁶ IDB Invest will support the consolidation and replicability of electric bus systems with private participation in various cities.

in modernizing and expanding airport and port capacity to boost connectivity and trade.⁹⁷ In addition, **IDB Lab** will explore opportunities to support innovative and sustainable solutions in urban mobility, emphasizing disruptive models that promote inclusion and a faster transition toward cleaner and more efficient transportation systems.

III.37 The energy transition will be promoted to boost economic resilience, reduce energy poverty, and support the government's energy policy. Specifically, (i) **IDB Invest** will finance renewable energy projects that comply with current regulations, including CFE initiatives under a build-operate-transfer model, as well as private plants operating on the wholesale market.⁹⁸ In addition, it will promote the development of energy storage solutions that strengthen the integration of renewables, improve the stability of the electric system, and contribute to a resilient and sustainable energy transition. (ii) The IDB will provide support for expanding coverage and improving access to distributed energy solutions and for the energy efficiency and sustainability policy by means of financing operations to replace inefficient electricity sources in households and implement energy efficiency measures such as installing thermal insulation. This support benefits vulnerable population groups such as women and Indigenous women by shortening the time needed to heat or cook food (enabling women and children to use that time for other productive activities) and reducing potential adverse effects on health. Lastly, support will be provided for electric interconnection efforts between Mexico and Guatemala, a key step for moving forward on regional energy integration. **IDB Lab** will explore opportunities to support innovative solutions for a faster transition toward cleaner, more accessible, and more efficient energy sources, fostering disruptive models with high potential for social impact.

III.38 The IDB Group will incorporate an ecosystem approach in the provision of infrastructure to protect the natural capital. The IDB Group will support projects that prevent the loss of forest cover, promote biological corridors, and use nature-based solutions such as green infrastructure. This approach is aligned with the guidelines set out in the Resilient and Sustainable Infrastructure Law (2025) and the National Public Works Plan 2025-2030.

III.39 The IDB Group will consolidate a programmatic approach to expand the impact of territorial and energy resilience. In terms of resilience, since 2014 the Bank has supported the Government of Mexico on resilient mobility issues with a view to achieving an integrated vision, given the importance of approaching housing, urban development, and mobility policies jointly. This support has been provided through various nonreimbursable technical cooperation projects⁹⁹ and two policy-based loans,¹⁰⁰ already executed. These operations have significantly contributed to the implementation of two legal frameworks and laid the foundations for strengthening a new territorial and urban development model that is comprehensive, inclusive, resilient, and sustainable. In energy, the IDB has established a long-term strategic approach to support sustainable development and infrastructure modernization in Mexico in line with emissions reduction through renewable energy use, energy efficiency, and investment in infrastructure projects by supporting clean energy programs and sustainable infrastructure projects through both the public window and **IDB Invest**. Accordingly, the Bank has supported Mexico through technical cooperation funding, investment operations, and grants, including the design of an energy efficiency and distributed generation program for households in Mexico City and financing for clean energy and energy efficiency projects through national development

⁹⁷ IDB Invest will seek to provide financing and technical support to modernize urban and suburban trains and back private operators of airports and ports. To the extent that the capacity of IDB Invest to provide equity solutions increases with the implementation of its New Vision and Business Model, IDB Invest will selectively search for investment opportunities in operational transportation assets with a record of high performance and development impact.

⁹⁸ In Mexico, IDB Invest has a considerable portfolio in power generation from nonconventional renewable sources that will remain in execution during the 2026-2031 country strategy period. Between 2016 and 2024, this portfolio generated in excess of 29,000 gigawatt-hours of electricity, thus making a significant contribution to the system's safety and resilience.

⁹⁹ (i) ME-T1226 and ME-T1298; (ii) ME-T1405; (iii) ME-T1451; (iv) ME-T1356; (v) ME-T1357; (vi) ME-T1464; (v) ME-T1488; ME-T1531.

¹⁰⁰ ME-L1266, and ME-L1294.

banks.¹⁰¹ During this strategy period, the Bank expects to complement and build on these lines of work through global credit operations with development banks, investment operations and loans based on results, technical assistance, and policy-based loans. In addition, through models provided for in current regulations, **IDB Invest** will employ its financial products to support private investments in power generation and transmission, including a potential introduction of battery energy storage systems, in compliance with bankability criteria in non-sovereign-guaranteed arrangements as well as financial sustainability criteria. **IDB Lab** will complement these efforts through technical assistance and financing for the deployment of innovative solutions that help to preserve natural resources and strengthen territorial resilience.

EXPECTED IMPACT

Improve the capacity to respond to climate shocks. Implementing financial support and technical assistance will additionally make it possible to upgrade institutional capacity at the federal and municipal levels in line with the crosscutting area of risk management and sustainability. Pillars 1 and 2 also contribute to this outcome through support that impacts resilience from economic, fiscal, and social standpoints. The double emphasis adopted by the strategy in this regard, as described above, means that the issue of resilience is embedded in the other pillars of the strategy in addition to being a specific focus of pillar 3.

Expand access to resilient transportation and mobility. The IDB Group will provide support for designing and implementing programs under the national transportation strategy. This will enable the implementation of resilient mobility infrastructure and projects, including mass transit and the development of sustainable electric mobility, including private sector participation.

Boost energy efficiency and electric power generation. The IDB Group will focus on reducing household energy consumption and associated expenses, as well as lowering the allocation of electricity rate subsidies. It will support generation of and access to quality energy through loans, investments, and company-level solutions as well as through investments in infrastructure.

D. CROSSCUTTING PILLARS

WHY THEY MATTER

III.40 Unequal access to economic opportunities affects women, Indigenous peoples, and vulnerable population groups in particular. The unequal distribution of unpaid domestic work and family care, described under pillar 2, is partly responsible for the very large gender gap in economic participation (26.1 percentage points), which is even larger in Indigenous communities, where it reaches 36.4 percentage points.¹⁰² In addition, 70.1% of Indigenous women and 67.5% of Indigenous men live in poverty, almost double the respective figures for the country's population as a whole (36.9 % of women and 35.6% of men).¹⁰³ The economic participation rate of persons with disabilities is only 38%, much lower than the 67% rate of those without disabilities.¹⁰⁴ Lastly, persistent problems such as violence against women and LGBTQ+

¹⁰¹ ME-L1300; ME-L1339.

¹⁰² INEGI (2022). [Estadísticas a propósito del día internacional de los pueblos indígenas](#) (Statistics on the International Day of the World's Indigenous Peoples).

¹⁰³ Idem.

¹⁰⁴ INEGI. (2023). [Estadísticas a propósito del Día Internacional de las Personas con Discapacidad](#) (Statistics on the International Day of Persons with Disabilities).

individuals result in lower productivity, higher absenteeism, and higher personnel turnover costs. Women in abusive relationships exhibited a 12% drop in their employment rate and a 26% decline in income compared to women with nonabusive partners.¹⁰⁵ The lack of data on, or underestimates of, the LGBTQ+ population makes it difficult to develop unbiased indicators of the socioeconomic gaps faced by this group.¹⁰⁶

III.41 Risk management and sustainability are essential for reducing structural vulnerabilities.

This issue combines various institutional, fiscal, economic, and social dimensions that need to be resolved simultaneously in order to minimize the negative impact of shocks. In terms of regulatory frameworks for disaster risk management, in 2022 Mexico was ahead of the countries in the region.¹⁰⁷ The economic challenges diagnosed in pillar 1 and the social challenges in pillar 2 reflect vulnerabilities in those respective areas. In addition Mexico is one of the most carbon-intensive economies of Latin America. Its emissions account for at least 1.3% of the world's total and have substantially increased since 1990.¹⁰⁸ This emissions trend is closely linked to sectors such as transportation, energy, agriculture, industry, and waste, all of which have a high potential for transformation toward more sustainable models.

III.42 Mexico's climate framework has made progress but faces implementation challenges.

For more than a decade, the country has established key climate policy instruments, such as the national climate change strategy (medium- and long-term instrument) and the nationally determined contribution (NDC). In 2022, the country updated its NDC, raising its unconditional mitigation target for 2030 from 22% to 35%, with the possibility of reaching 40% subject to international financing, technology, and innovation.¹⁰⁹ In addition, in 2024 Mexico reaffirmed its commitment to a decarbonization path by announcing its goal of achieving carbon neutrality by midcentury.¹¹⁰ In terms of adaptation, Mexico has prioritized protecting the population from the impacts of climate change as well as strengthening infrastructure and ecosystem resilience.¹¹¹ However, major challenges persist in achieving effective adaptation to the impacts of climate change in Mexico.

¹⁰⁵ Adams-Prassl, Zhang, Huttunen, and Nix (2023). The Dynamics of Abusive Relationships.

¹⁰⁶ Araujo, M. C., Berlinski, S., Bosch, M., & Frisancho, V. (2024). [Expanding Opportunities: Policies for Gender Equality and Inclusion](#).

¹⁰⁷ Measured by the Index of Governance and Public Policy in Disaster Risk Management (iGOPP). Last applied to Mexico in 2020, it yielded a score of 67.6 (out of a possible 100) for Mexican design and policies. The iGOPP is a composite index developed by the Bank and adopted by the United Nations and countries such as Mexico to measure governance conditions, defined as the institutional, regulatory, and budgetary conditions for effective DRM. It consists of six components associated with the DRM reform process: general framework of governance for DRM; risk identification and knowledge; risk reduction; disaster preparedness; post-disaster recovery planning; and financial protection. Each of these components is weighted equally and they are evaluated on a scale from 0 to 100. It is available [here](#).

¹⁰⁸ The greenhouse-gas-intensive subsectors are: road transport, mentioned above, with 25% of total emissions; the energy subsector, with 20% of the total (141.5 MtCO₂e); the agricultural and livestock sector, with 19% (135.1 MtCO₂e), including a high share of methane (livestock) and nitrous oxide (fertilizers); the industrial sector, with 16% (117.2 MtCO₂e), the biggest contributor being the industrial processing and product use subsector (60.2%); and the waste sector, with 9% of the total (63.8 MtCO₂e), with wastewater treatment as the main emissions source (49.2%). [INECC \(2024\)](#). See also: [Reforma energética 2025: avances, riesgos y la ruta pendiente](#). (2025 energy reform: progress, risks, and the road ahead).

¹⁰⁹ According to the government, 30% will be provided using national resources and 5% through planned international cooperation and financing for clean energy.

¹¹⁰ At the 2024 United Nations Climate Change Conference (COP29), the Government of Mexico committed to achieving its zero net emissions goal by 2050 and urged the parties to implement similar action in order to stem the adverse effects of climate change. See the [comunicado de prensa de la SHCP](#) (SCHP press release).

¹¹¹ The adaptation component of the NDC envisages five thematic pillars: (a) prevention of and response to negative impacts on the human population and territory; (b) resilient productive systems and food security; (c) conservation, restoration, and sustainable use of biodiversity and ecosystem services; (d) integrated water resource management with a climate change approach; and (e) protection of strategic infrastructure and tangible cultural heritage. See [here](#).

HOW WE WILL DO IT

- III.43 The IDB Group will promote equal opportunities for women and Indigenous peoples by providing crosscutting support in gender, diversity, and inclusion.** **Pillar 1** incorporates crosscutting support to level the playing field in terms of productive and financing opportunities, and envisages support for initiatives that specifically promote gender considerations in public expenditure and budgeting. **Pillar 2** includes support for the national care system, which, in addition to benefiting persons with disabilities, professionalizes work in the sector and enables women to seek opportunities in other areas of the economy. Moreover, the Bank will actively look for opportunities to support actions to prevent and respond to violence against women and LGBTQ+ individuals. This will include support aimed at changing social norms that perpetuate gender violence, dissemination of a toolkit for MSME hotels to prevent risk factors associated with human trafficking and sexual and labor exploitation, and strengthening the institutional capacity of organizations responsible for mainstreaming gender policies.¹¹² Under **pillar 3**, the Bank will support expanding the coverage and accessibility of energy solutions that directly benefit women and Indigenous women. For a robust design of evidence-based policies, the Bank will support data collection through the National Sexual and Gender Diversity Survey. It will also support knowledge generation regarding models for intercultural adaptation of care, health, and education services for Indigenous peoples and their implementation in rural and urban areas.
- III.44 Sustainability and risk management will be incorporated into all pillars of the strategy to strengthen territorial resilience.** Under **pillar 1**, the IDB Group will provide support for integrating enterprises into sustainable value chains and for obtaining environmental and quality certifications. **IDB Invest** will offer financial products that foster sustainable practices, long-term financing for sustainable industrial infrastructure, and financing and advisory services for anchor companies, in addition to supporting innovation and new technology adoption through IDB Lab. These actions will be supplemented by IDB support for channeling concessional climate funds to boost the transition toward low-carbon industries, with a focus on green employment and social inclusion.¹¹³ In the agricultural and livestock sector, the IDB Group will foster climate innovation, ecosystem restoration, sustainable land management, and smart agriculture through institutional strengthening and intermediation of credit resources, with a particular focus on rural MSMEs (in partnership with development banks). Under **pillar 2**, to reduce risk exposure and strengthen post-disaster recovery capacity, the IDB Group will promote strategic territorial planning and public works design pursuant to climate-risk criteria. A concrete example of this approach is the multisector technical support currently being provided by the Bank for recovery efforts in Acapulco, which emphasizes urban resilience, risk management, strengthening of basic services, and local economic development.¹¹⁴ Other specific actions under that pillar relate to appropriate and sustainable management of water resources and waste. Under **pillar 3**, to avoid disruptions and facilitate supply growth, the IDB Group will provide financing to enhance energy efficiency and expand the use of renewable energy. These actions will be supplemented by technical assistance and knowledge for institutional strengthening and for the design of specific measures, such as improvement of early warning and detection systems, vulnerability assessments, and community preparedness and response mechanisms. Lastly, application of the Paris Alignment Implementation Approach and compliance with the IDB Disaster Risk Management Policy ensure that the operations are designed to be resilient from the outset.

¹¹² Complementing the statement in paragraph III.29 regarding support for the National Registry of Protection Measures and strengthening of police response, with an emphasis on training first responders in protocols and gender approach.

¹¹³ For example, the Climate Investment Funds Industry Decarbonization Program, in which Mexico was selected to participate through an industry decarbonization investment plan. This will provide access to concessional resources to promote clean and circular technologies such as green hydrogen, residual heat recovery, and low-carbon materials such as steel, aluminum, and cement, which are crucial for the energy transition: <https://www.cif.org/news/IndustryCountries>.

¹¹⁴ Actions include studies to assess damage, recovery times and economic consequences, water efficiency, waste management, and nature-based solutions, with a view to achieving a sustainable, inclusive, and comprehensive recovery.



IV. HOW WE WILL DO IT

A. PROGRAMMATIC APPROACH

IV.1 The 2026-2031 country strategy is designed to maximize its impact on the country's development. It focuses on priority sectors with a long-term horizon, using a combination of financial and knowledge tools to accomplish the expected outcomes in the country. This programmatic approach is reflected in each of the three pillars of the strategy: (i) economic growth fostered in synergy with the private sector; (ii) provision of social services; and (iii) resilience. The support provided under these pillars will help to achieve the inclusive economic growth that the country calls for in its National Development Plan and reach the targets established under Plan Mexico. The implementation of the country strategy will address the strategic objectives through a combination of multisector support and financing instruments. This includes making strategic use of nonreimbursable technical cooperation to provide operational support for sovereign-guaranteed projects, to conduct studies and lay the groundwork for accelerated project execution, as well as making efforts over time to support structural reforms, as recommended by OVE in its Independent Country Program Review (ICPR) 2019-2024. In parallel, IDB Invest will deploy advisory services to strengthen non-sovereign-guaranteed project preparation and move forward on strategic agendas. This programmatic approach has enabled the IDB Group to position itself with a sustainable value proposition in strategic sectors such as private sector development, labor markets and pensions, water and sanitation, urban planning and transportation, and energy, where technical value added has been key for promoting structural reforms and implementing solutions effectively. In addition, periodic monitoring and evaluation of project results and identifying lessons learned will be essential for ensuring the strategy's maximum effectiveness. Lastly, continuous monitoring will enable timely adjustments in programming and execution, thereby contributing to a more efficient and results-oriented implementation.

B. SYNERGIES

IV.2 In pillar 1, the potential synergies are primarily associated with productive integration. The relocation of global value chains creates opportunities for strengthening Mexican industrial clusters and for the productive integration of new enterprises, including MSMEs, into these chains. Leveraging its range of solutions and public-private coinvestment, the IDB Group will develop complementary initiatives to expand suitable financing to new and existing enterprises, including those operating in underserved or strategic geographic regions and productive sectors, such as the development hubs (*Polos de Bienestar*) envisaged under Plan Mexico.¹¹⁵ This support to businesses will take various forms, including partnerships with local banks and nonbank financial institutions as well as with anchor companies. In addition, productive integration entails the deployment of investments in the development or upgrading of support infrastructure. Mobilizing the resources of development partners, such as institutional investors,

¹¹⁵ See <https://www.planmexico.gob.mx/polos>.

among others, will make it possible to leverage larger financing volumes for these projects.¹¹⁶ In addition, the Bank will promote reforms that incentivize the establishment of new companies in strategic industries, streamline requirements and costs for doing business in the country, and foster access to suitable business financing and more active corporate participation in the capital markets.

IV.3 Digital transformation and investment in innovation activities will be promoted with a view to boosting productivity and fostering a sustainable and inclusive structural transition. Public-private synergies will be conducive to expanded digital connectivity (particularly in rural areas), broader adoption of technology and international standards to adapt the exportable supply to the requirements of the destination markets, and reduced information and coordination asymmetries (which are common in the south-southeast region). Other related areas that provide opportunities for synergies are agrifoodtech and the circular economy. In addition, the Bank will seek to enhance collaboration between industry, the public sector, and academia in strengthening the national innovation systems and in research and development activities.

IV.4 The IDB Group can assist in finding synergies to enhance financial inclusion. This can be achieved by supporting public policy changes that promote innovation in financial technology, in turn improving access to financial products by underserved segments. This will be complemented by guarantees, developed in collaboration with public- and private-sector financial intermediaries, to mitigate the risk inherent in these segments. In addition, the Bank will seek to support financial and digital education programs, as well as digital payments, creating synergies with the new technology by accelerating its adoption and fostering selection of the technology options that provide the best financial conditions.

IV.5 In pillar 2, the most visible synergies relate to improvement of the social infrastructure and of water and sanitation services. The IDB's work can promote key investments at the subnational government level, which can subsequently be integrated with IDB Invest and IDB Lab financial solutions in collaboration with the private sector. These financial solutions would focus on private-sector awardees of public works contracts and State-owned enterprises, as well as on supporting private sector entities such as housing developers, materials suppliers, and financial institutions. Through upstream work, the IDB Group will seek to strengthen regulatory and institutional frameworks that can enable joint public-private investment mechanisms to facilitate corporate participation in infrastructure projects while preserving fiscal balance.¹¹⁷ In addition, the Bank will seek to reinforce the public sector capacity to support the governance structure of these mechanisms.

IV.6 In pillar 3, there are potential IDB Group synergies in logistic infrastructure and mobility. The Bank will coordinate with the various government levels the provision of integrated financial solutions that support the deployment of logistics infrastructure, including: urban mass transit systems, railway system modernization and expansion, port and airport terminals, and modal transfer centers. The Bank's work with the public sector will be key for mobilizing new infrastructure bidding processes for the development of strategic assets with the private sector and reinforcing the regulatory security of the processes. In addition, the strategy envisages public sector collaboration to enable private sector investment in developing value chains for the automotive industry (e.g., safety equipment, electronic components), electric vehicles, and associated charging infrastructure pursuant to resilience and sustainability criteria. IDB Invest and IDB Lab could support thematic issuances and private investment in sustainable and resilient projects.

¹¹⁶ This is aligned with the originate-to-share strategy promoted by IDB Invest, aimed at originating high-impact transactions with the intention of sharing the attendant risk and exposure with other investors.

¹¹⁷ Coinvestment or joint public-private investment has fiscal costs that are at times significant and should be properly managed.

- IV.7 Similarly, coordinated work by the IDB Group is expected to create opportunities for private investment to contribute to energy resilience and security** within the framework of the National Electricity Sector Strategy. The Bank's upstream work will be essential for supporting the incorporation of current legislation into the respective regulations, administrative provisions, and manuals. In turn, modernizing and building confidence in the rules and project pipelines will be key for the participation of institutional players (such as the AFOREs) in infrastructure financing. In parallel, IDB Invest will continue to identify opportunities to complement public sector efforts in nonconventional renewable power generation, in line with the parameters and mechanisms established by the government and in compliance with bankability and financial sustainability criteria. Moreover, IDB Invest will help in developing energy storage solutions and energy efficiency measures in coordination with public- and private-sector actors, strengthening the accessibility, reliability, and scalability of the national electric system.
- IV.8 In addition, the IDB Group will promote greater electricity access (and reliability).** This includes financing generation, energy storage, and energy efficiency projects. The sector holds potential for structuring innovative financing arrangements, such as mixed-ownership producers, bilateral power purchase agreements with large consumers, and thematic issuances (green, sustainable, and sustainability-linked bonds). Private sector participation is essential for closing financing gaps, accelerating technological innovation, and scaling up projects. In this regard, IDB Invest can play a strategic role in the design of suitable financial structures, mobilization of equity resources, and mitigation of project risks.

C. IDENTIFICATION OF REFORMS

- IV.9 The IDB Group will continue to provide specialized support and foster technical dialogue on policy reform agendas** in various areas, including, without limitation: (i) improvement in the quality of employment; (ii) national care system; (iii) urban planning optimization, development of resilient and sustainable housing, and sustainable mobility; and (iv) sanitation, circular economy, and private sector participation in infrastructure. This selection is the result of a thematic consolidation process driven by the Bank's continuous support, and considers the following criteria: (i) relevance and impact for the country and the Bank; (ii) timeliness of implementing the policy measures; (iii) scope and soundness of the evidence-based diagnostic assessment and the recommended policy measures; (iv) complementarity with previous efforts; and (v) track record of previous reform programs.¹¹⁸
- IV.10 Under pillar 1, the IDB Group will continue to support reforms to improve employment quality and the pension systems.** The first operation of the programmatic series Program to Improve the Quality of Employment in Mexico was approved in 2020.¹¹⁹ This operation supported a labor reform that created the legal obligation to build a new labor justice system providing for democratic procedures for labor unions, faster resolution of individual labor disputes, and a conciliation process to avoid transferring disputes to the new labor courts, and considered lowering the fees charged by AFOREs. In a subsequent phase currently underway with Bank support, the new institutions created under the reform (including labor courts in the judicial branch and the Federal Center for Labor Conciliation and Registration in the executive branch) are being implemented and a reduction in fees is being secured. In addition, the Bank expects to support the country in improving the functioning of social security. Accordingly, support

¹¹⁸ The Bank's support has taken the form of nonreimbursable technical cooperation operations, ongoing knowledge transfer on projects and practices with high impact in the region, and continuous monitoring of the modernization and reform processes promoted by various Mexican government authorities. Between 2019 and 2023, as evidence of this commitment, the Bank provided close to US\$23 million in nonreimbursable technical cooperation funding, mainly in the following areas: 27% to develop the social protection agenda; 22% to strengthen the fiscal agenda and State capacity, as well as for regulatory and competition matters; and 20% in infrastructure and associated services. During that period, Costa Rica participated in regional policy dialogues on topics such as digital transformation, green finance, quality public expenditure, and dependency support mechanisms.

¹¹⁹ (ATN/OC-20455-ME).

will continue to be provided to implement changes to the pension system managed by AFOREs as well as to the pension systems of subnational governments, with a view to enhancing their complementarity and enabling workers to obtain higher replacement rates at retirement.

- IV.11 Under pillar 2, the IDB Group will seek to support construction of the Sistema Nacional y Progresivo de Cuidados (Progressive National Care System) (SNPC).** The country has made strides in positioning care at the center of the public policy agenda and in legislative proposals, including constitutional reforms, the General Law on Social Development, the Social Assistance Law, and various care-related bills. Still absent, however, is a comprehensive system that establishes a care governance model, the target population, services, and financing. The Bank will seek to enhance the wellbeing of the population groups that require and provide care by building the SNPC, which includes: (i) strengthening the coverage and quality of comprehensive early childhood care services (including an in-service training model focused on the quality of caregiver-child interactions and competency profiles for its implementation); (ii) strengthening the coverage and quality of long-term care and dependency prevention services for older adults (including active aging programs, and design and implementation of a home and community care model); (iii) support for caregivers; and (iv) governance development and institutional strengthening of the entities that comprise the SNPC.
- IV.12 Under pillars 2 and 3, the IDB Group will continue to help consolidate sustainable and resilient land-use planning, urban development, and housing, coordinated with safe and sustainable mobility.** Since 2014, the Bank has been supporting the Government of Mexico in efforts to achieve an integrated vision, given the importance of approaching housing, urban development, and mobility policies as one. The Bank will continue to work on improving coordination between transport, mobility, and urban development by promoting an increase in the number of states and municipalities with road safety programs and metropolitan authorities. It will also seek to strengthen institutional coordination and the implementation of tools to improve the link between urban development and public transportation, enhancing access to basic services and labor opportunities. Specifically, the Bank will work to: (i) harmonize and reinforce the regulatory and institutional frameworks for mobility, road safety, and land-use planning, promoting integrated services and multisector planning arrangements; and (ii) support planning and development of mobility, road safety, and land-use planning tools under an inclusive gender, diversity, resilience, and sustainability approach.
- IV.13 In addition, under pillar 2, the IDB Group will support an institutional reform of the water sector and strengthening the circular economy.** The Government of Mexico is seeking to conduct a comprehensive review of the legal framework, aimed at reforming the management of national waters and federal water zones and strengthening comprehensive solid waste management and the circularity of the economy. The Bank has supported the country's water and sanitation and solid waste sectors through various instruments and will seek to deepen its support during the strategy period with a view to modernizing these sectors.
- IV.14 Pillar 3 will help to boost the effectiveness of regulatory frameworks in the areas of sustainable transportation, mobility, and energy.** The government has modified the model for and approach to the delivery of strategic infrastructure services such as transportation, mobility, and energy. Key laws establish roles for State-owned companies and place limits on private sector participation, including in hydrocarbons and the electric system (where the State is in charge of 54% of power generation). While the government has highlighted the importance of private investment in these areas, there are no effective and reliable regulatory frameworks that can enable such investment at scale. IDB Group support will be important for promoting private sector investment on the basis of appropriate regulatory and institutional frameworks and their effective implementation.

D. IDB GROUP REGIONAL FLAGSHIP PROGRAMS

- IV.15 The strategy is closely aligned with IDB Cares.** Particularly through pillar 2, Bank support will have a direct impact on: (i) the institutional framework of care in Mexico, through SNPC governance; and (ii) the coverage and quality of care services, starting with early childhood services and services for functionally dependent older adults (including dependency prevention services).
- IV.16 IDB for Cities and Regions.** The strategy is aligned with these principles through pillar 1, since fiscal sustainability and pension system improvements will have a partly subnational focus. In addition, in Mexico, the crosscutting area of equal opportunities has a significant regional impact, since the southern states house a major proportion of the vulnerable population.¹²⁰
- IV.17 Lastly, the country strategy is aligned with the IDB program Ready and Resilient Americas.** First, the three pillars of the strategy help to reduce economic and social vulnerabilities, enabling robust systems that can better withstand and recover more quickly from a disaster. Second, an action provided under pillar 3 reduces one aspect of financial vulnerability by making contingent resources available upon the occurrence of a disaster. This alignment, already highlighted in pillar 3 and in the Risk Management and Sustainability crosscutting area, is again described in Section V.D Emergency Response.

E. STRATEGIC PARTNERSHIPS

- IV.18 The IDB Group strengthens the impact of its country program through partnerships.** Partnerships help to mobilize technical assistance resources and deepen knowledge generation.¹²¹
- IV.19 Pillar 1: Economic growth fostered in synergy with the private sector.** The IDB Group will maintain a technical dialogue with organizations such as the Consejo Coordinador Empresarial (Business Coordinating Council) (CCE) and various chambers.¹²² In addition, in partnership with the International Climate Initiative (IKI), the World Resources Institute, and the Inter-American Institute for Cooperation on Agriculture, the Bank will implement the “SABERES” program, aimed at promoting land-use planning and financial innovation to strengthen the Mexican rural sector’s resilience to climate change. At the same time, the IDB Group and the Monterrey Institute of Technology and Higher Education are developing microcourses to foster youth participation in the workforce and strengthen dual education through technical abilities and digital skills.¹²³ Lastly, strategic partnerships are maintained through IDB Lab with Fondo de Fondos (Fund of

¹²⁰ The Mexican legal framework currently restricts subnational borrowing. As a result, the country cannot at present use the lending instruments being developed by the Bank under this initiative.

¹²¹ However, cofinancing opportunities in the case of sovereign-guaranteed loan operations are limited, particularly for investment projects, since the amount in such operations is determined on the basis of budgetary availability.

¹²² Including the Cámara Nacional de la Industria de Transformación (National Chamber of the Manufacturing Industry) (CANACINTRA); Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación (National Council of the Maquiladora and Export Manufacturing Industry); CCE; Consejo de Comercio Exterior, Inversión y Tecnología (Foreign Trade, Investment, and Technology Council) (COMCE); Cámara Nacional de la Industria Electrónica, de Telecomunicaciones y Tecnologías de la Información (National Chamber of the Electronics, Telecommunications, and Information Technology Industry) (CANIETI); United States-Mexico Foundation for Science; Semiconductor Alliance; Asociación Mexicana de Industrias Innovadoras de Dispositivos Médicos (Mexican Association of Innovative Medical Device Industries) (AMID); Cámara Nacional de la Industria Farmacéutica (National Chamber of the Pharmaceutical Industry) (CANIFARMA); Asociación Mexicana de Laboratorios Farmacéuticos (Mexican Association of Pharmaceutical Laboratories) (AMELAF); and Asociación Mexicana de la Industria Automotriz (Mexican Automotive Industry Association) (AMIA).

¹²³ The objective of the digital apprenticeship program is to incorporate three skills development pillars for workers in industries prioritized under Plan Mexico: (i) technical academic curricula delivered by the training provider (i.e., CONALEP), focusing on the skills and practical knowledge required to pursue various career paths; (ii) training modules and certification in digital skills offered by the Cisco, IBM, and Google training platforms under academic curricula; and (iii) an on-the-job training plan aligned with academic curricula, implemented in partnership with companies in the priority sectors identified in Plan Mexico.

Funds) and the Asociación Mexicana de Capital Privado (Mexican Private Capital Association) (AMEXCAP).

IV.20 Pillar 2: Provision of social services. In the area of care, the IDB Group will collaborate with the Japan International Cooperation Agency (JICA) and the French Development Agency (AFD) in the context of technical cooperation projects focused on improving the supply of long-term care services, preventing dependency, and training caregivers. In addition, the IDB Group will continue to collaborate with the Global Environment Facility (GEF), Kreditanstalt für Wiederaufbau (KfW), and the United Nations Environment Programme on water, sanitation, and circularity. In security and justice, the IDB Group will facilitate Mexico's participation in the Alliance for Security, Justice, and Development, a regional IDB initiative designed to strengthen countries in their fight against organized crime. This includes collaborating with institutions such as Innovations for Poverty Action (IPA) and the Laboratorio de Soluciones Colaborativas de Políticas Públicas (Laboratory for Collaborative Public Policy Solutions) (LAB-CO).

IV.21 Pillar 3: Resilience. In energy, the IDB Group has been collaborating with AFD, the German Agency for International Cooperation (GIZ), KfW, and the World Resources Institute (WRI) to expand renewable energy and enhance energy efficiency in various productive sectors. In sustainable mobility and road safety, the Bank will continue to collaborate with the British Embassy, the World Bank, GIZ, WRI, the Institute for Transportation and Development Policy (ITDP), and Crossrail International in actions aimed at strengthening planning for passenger rail projects, road safety, and urban mobility. In climate project planning and development, the Bank is working in coordination with the GEF, the Green Climate Fund (GCF), the Climate Investment Funds (CIF), the Mitigation Action Facility, and IKI. In development of public policy and sustainable finance, the Bank maintains partnerships with AFD, the World Bank, KfW, GIZ, and Banco de México (Bank of Mexico) (BANXICO). The aim of these partnerships is to strengthen the institutional and financial frameworks so as to enable the mobilization of green investments through thematic (including green and blue) bonds with development banks, commercial banks, and the capital market. In addition, the Bank is working together with the Monterrey Institute of Technology and Higher Education on generating knowledge and long-term scenarios for decarbonization to guide the country's energy and climate policy.



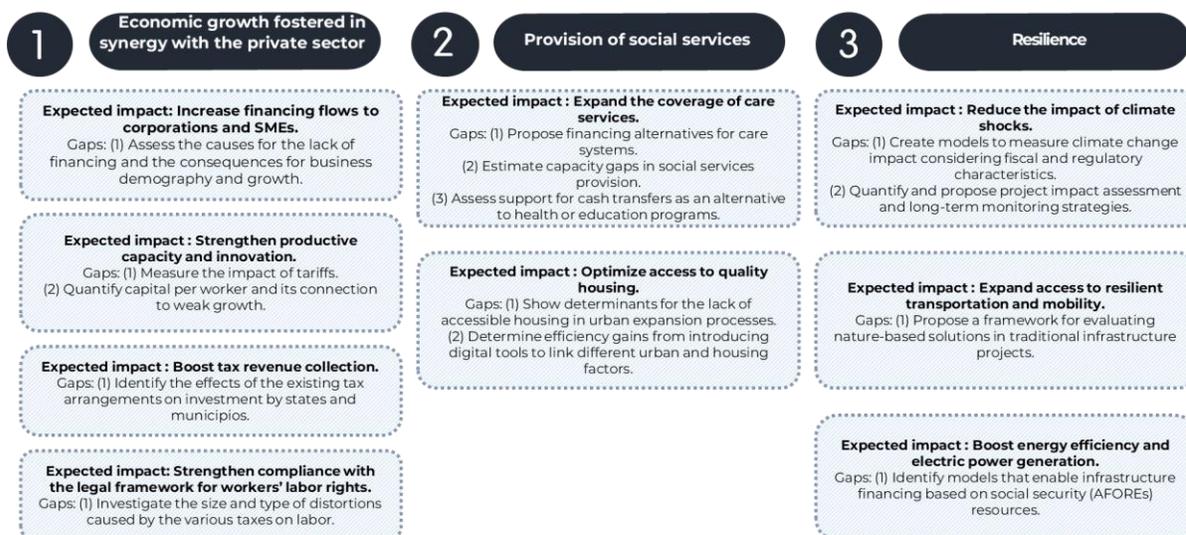
V. CONSIDERATIONS FOR IMPLEMENTATION AND CAPACITY-BUILDING

A. KNOWLEDGE

V.1 The IDB Group will place special emphasis on having a strategic knowledge agenda linked to the creation of opportunities to support the country in both the public and private sectors and in coordination and collaboration with local academic institutions. For the first time, the IDB Group conducted a comprehensive mapping of research activities on Mexico in order to have a country approach for the knowledge agenda. This mapping covers products that focus exclusively on Mexico as well as regional products that include Mexico, developed by the Bank’s various units, at Headquarters and in the field. It encompasses products in preparation and scheduled for release over the next three years as well as those being published in 2025. This mapping showed that there are 91 knowledge products in preparation, broken down into 39, 34, and 18 products under pillars 1, 2, and 3, respectively.¹²⁴

V.2 That research program under way will be supplemented by additional studies aligned with the strategic priorities of this country strategy. In addition to the mapping of products in preparation, the Bank’s Country Office in Mexico, working jointly with local academia, the private sector, and the government, identified the major knowledge gaps that specifically affect the program proposed under this strategy. The objective of this exercise was to allow the country knowledge agenda to boost our impact. Illustration 3 shows a selection of preliminarily identified gaps in line with the expected impact of this strategy.

ILLUSTRATION 3. PRELIMINARILY IDENTIFIED KNOWLEDGE GAPS



¹²⁴ See [link](#) for a description of the process of building the IDB knowledge agenda in Mexico.

- V.3 The country knowledge agenda will be continuously adjusted on the basis of operational progress.** The identified gaps will give rise to specific three-year studies aimed at researching issues that are essential for the country program. In addition, the various areas of the IDB Group (VPC, VPS, IDB Lab, IDB Invest) will collaborate to identify technical assistance resources as well as the areas responsible for advancing this agenda. Needs will be frequently assessed with the governmental and private sector counterparts, and could lead to a shift in priorities. At present, one of the essential issues for the government is the impact of tariffs on the Mexican economy, which will be addressed as a priority under the knowledge agenda. This issue has gone from not being a problem due to the solidity of Mexico's trade agreements, especially the United States-Mexico-Canada Agreement, to becoming a source of uncertainty in the current geopolitical context. Lastly, the agenda will be updated according to the programming needs and will be monitored jointly with the portfolio.
- V.4 The impact measurement exercises will leverage knowledge products.** The Bank has developed impact measurement instruments that may be useful for Mexico and that provide valuable information on areas where knowledge gaps have been identified. These are quasi-experimental techniques for conducting a granular analysis of the effect of specific public policies (initially involving Bank projects but also applicable to the project portfolio in the country) on a set of key socioeconomic variables.¹²⁵

B. MONITORING AND EVALUATION CAPACITY¹²⁶

- V.5 Mexico has developed advanced monitoring and evaluation tools and methodologies.** This includes general guidelines, project-based budgeting, indicator matrices based on a logical framework, monitoring, fiscal transparency, accountability, standardized evaluations, and follow-up of recommendations. Led by qualified technocrats, this infrastructure improves performance measurement and fosters a monitoring and evaluation culture at the federal level. Mexico's recent institutional reform entails the dissolution of CONEVAL, the transfer of its poverty measurement responsibilities to INEGI, and the creation of the Policy and Results-based Strategy Unit (UPER) at the SHCP as the governing body of the performance assessment system. This transition may improve coordination between planning, budget, and monitoring and evaluation, but there is the risk of losing the technical progress achieved. It is essential to manage the transition in order to maintain system quality, prevent fragmentation, and strengthen the capacity of ministries and states to generate and draw on useful information for decision-making and accountability.
- V.6 The IDB can provide technical assistance and support the transition toward a new governance model that consolidates monitoring and evaluation practices in Mexico.** The main strategic opportunities include the following: (i) *strengthen governance*: operationalize the UPER, maintaining the integrity of the system and consolidating its technical and organizational capacity; (ii) *improve the integration of the monitoring and evaluation system with planning and budgeting*: better integrate the performance assessment systems with planning, budgeting, and national statistics, improve the quality of performance information and the use of administrative and statistical records, and strengthen the incentives for Congress and the center of government to use monitoring and evaluation information; (iii) *strengthen capacity*: equalize and enhance monitoring and evaluation capacity across the federal administration, and develop and institutionalize the monitoring and evaluation systems in the state governments.

¹²⁵ This is the HUELLA methodology, which uses georeferenced information on Bank operations together with structured and nonstructured context data to develop dynamic impact estimates. Mexico is a candidate for the use of this methodology due to the abundance of data.

¹²⁶ See [link](#) for more information.

C. COUNTRY FIDUCIARY SYSTEMS

- V.7 Budget and accounting and reports:** The strategy calls for conducting a diagnostic assessment of gaps between the local accounting standards and international standards to identify significant strengthening or update opportunities. In addition, assistance will be provided in implementing the financial reporting module, developed with support from the Bank, the federal government's financial agent (NAFIN), and executing agencies, in investment operations to be executed in the future.
- V.8 Public procurement system.** Fiduciary supervision is based on the Compras MX (formerly CompraNet) country systems, as well as on the harmonized standard documents for international and national competitive bidding for goods, minor works, and nonconsulting services. This also includes the standard request for proposals for selection of consultants and the standardized contract for individual consultants. In terms of the country's fiduciary capacity, available assessments and the Bank's experience to date do not suggest any risks that might adversely affect the achievement of the Bank's strategic objectives with the country. Mexico's new Public Sector Procurement, Leasing, and Services Law, published on 16 April 2025, is aimed at modernizing the public procurement processes by incorporating digital tools and focusing on accountability and sustainability. The assessment of the country procurement system, conducted using the OECD's Methodology for Assessing Procurement Systems (MAPS), has identified gaps with respect to international good practices that should be remedied and which the Bank could help to close. The following actions will be carried out: (i) update the MAPS diagnostic assessment, conducted with OECD advisory input; (ii) support the Department of Anticorruption and Good Governance (SABG) in developing a roadmap for implementation of the Strategic Plan for Professionalization and Accreditation of Procurement Units, aimed at professionalizing and accrediting institutional procurement offices, procurement units, and government officials responsible for planning, budgeting, developing, and conducting public procurement processes; and (iii) foster public procurements that equalize access and provide opportunities for various domestic players (such as SMEs), taking sustainability into account.

D. EMERGENCY RESPONSE

- V.9 The IDB Group country strategy with Mexico contributes to long-term resilience through its three pillars as well as through the guidelines for the Ready and Resilient Americas program.** In each of these, the support has the effect of reducing the impact of events that could have adverse material and personal consequences by providing more robust baseline conditions and adapting institutional and financial capacity in both the public and private sectors. The three pillars act on risk prevention and mitigation as well as on emergency preparedness and response. The main mechanisms are described below. **Pillar 1: Economic growth fostered in synergy with the private sector.** Disaster resilience is the result of: (i) promoting financing modalities for the private sector that indirectly reduce vulnerability to external shocks; (ii) sustainability and fiscal management assistance, which leads to greater government resilience and financial capacity to respond to emergencies; (iii) fostering productive capacity in enterprises, which provides them with increased resilience and ability to resist adverse events; (iv) stronger labor institutions, which improve the prospects for quality jobs, in turn reducing individual vulnerability to shocks. **Pillar 2: Provision of social services.** In this case, the reduction in vulnerability results from: (i) improvement in care systems (including older adult healthcare), which is crucial both in terms of prevention and as a palliative measure in emergency situations; (ii) promoting clean environments with adequate sanitation, which reduces post-disaster health risks (such as the risk of waterborne diseases); (iii) better urban development, which provides better ways of addressing emergencies through physically resilient cities. **Pillar 3: Resilience.** This pillar contributes to a better emergency response due to: (i) financial mechanisms that create immediate response capacity; (ii) progress in urban mobility, which facilitates faster emergency response (evacuation, arrival of assistance) and a more

resilient environment for residents, reducing their exposure and vulnerability to natural disasters; (iii) more reliable energy and electricity systems and development of distributed solutions, resulting in efficient, carbon-free, and more reliable energy systems for households and businesses, which is crucial during and after a disaster. In addition, application of the Paris Alignment Implementation Approach and compliance with the IDB Disaster Risk Management Policy ensure that the operations are designed to be resilient from the outset. Thus, the country strategy strengthens national capacity and actively contributes to the regional shared resilience objectives, established in the Santiago Declaration and backed by the Bank's commitment to allocate to this effort up to US\$10 million in technical cooperation resources between 2025 and 2030.

E. RISK ASSESSMENT

V.10 The strategy identifies a set of risks and mitigation actions, classified under the following structure:

- a) **At the institutional level:** There is a risk that a shifting political landscape could affect the government's willingness to collaborate with multilateral organizations. Mitigation measures consist in expanding and/or strengthening the value-added proposition through technical assistance and knowledge products and engaging in continuous dialogue with counterparts to highlight the value of the IDB Group contributions, as well as continuously monitoring both the progress made on the program and the communication strategies.
- b) **At the programming level:** There is a risk of a compressed financing ceiling for multilaterals, which may partially result from improved conditions for access to international capital markets. In addition, borrowing limits for national development banks could impact operations with those entities and constrain the Bank's actions in various sectors. Mitigation measures consist in searching for innovative financial products and partners that can help to improve financing conditions. Supporting operations through a technical assistance and knowledge package that encourages the counterparts to work with the Bank in investment projects is a key strategy with high impact in middle-income countries.
- c) **Economic:** There is a risk that fiscal consolidation, perhaps accentuated by an uncertain international context, leads to delays in, cancellation of, or loss of appetite for investment projects. Mitigation measures consist in ensuring that operations are prepared under stable budgetary allocations. They also include conducting continuous follow-up and monitoring to identify changes in priorities that require adapting or modifying projects to ensure their effectiveness.
- d) **Natural disaster risks:** There is a risk of occurrence of extreme natural events, such as seismic activity, droughts, hurricanes, and floods, whose economic impact has increased in recent years, influencing both government priorities and the fiscal space available for projects. Mitigation measures will include strengthening the capacity to prevent and manage natural disaster risks through various instruments, including contingent credit lines and knowledge products. In addition, IDB Invest may support the private sector by means of financial solutions that reinforce resilience to extreme climate events, including instruments with adaptive debt clauses, green finance, and technical assistance for businesses in strategic sectors such as energy, agribusiness, infrastructure, and tourism. These actions are aimed at reducing vulnerabilities, protecting investments, and accelerating recovery in disaster contexts.
- e) **At the project execution level.** There is a risk that potential policy shifts or changes of government officials may lead to changes in priorities or budgetary allocation for projects in preparation or in execution, resulting in cancellations or delays. Mitigation measures consist in providing continuous support in the design and execution of operations to adapt them to the client's requirements and budgetary processes and anticipate changes in policies and/or

priorities. For IDB Invest, government failure to prioritize infrastructure projects with private sector participation may lead to reduced support for initiatives in this segment. Mitigation measures include expanding dialogue with the government regarding the various arrangements for private sector participation in infrastructure and providing associated technical assistance.

V.11 Taken together, these risks affect the Bank’s ability to deliver the maximum financing scenario announced for the country. The risks described in a, b, and c above may lead to a lower approval level than the maximum expected approvals, which total US\$25 billion over the next six years.

ANNEX I – RESULTS MATRIX

Table A 1. Results matrix

Government priority	Strategic pillar	Strategic objective	Expected impact	Indicator	Baseline	Source		
PND economic and employment pillar	1. Economic growth fostered in synergy with the private sector	Improve the conditions for productive integration in the private sector	Increase financing flows to corporations and SMEs* ¹	Credit to the private sector as a percentage of GDP	33.3% (2023)	World Development Indicators (World Bank)		
				Foreign trade financing promoted by IDB Invest	US\$3.687 billion (2024)	IDB Invest Impact Dashboard		
				Number of MSMEs with increased access to financing	14,243 (2024)	IDB Invest Impact Dashboard		
		Strengthen the institutional framework of the labor market	Strengthen access to innovation for private-sector companies* ¹	Total gross spending (public and private) in R&D as a percentage of GDP	0.27 (2023)	UNESCO		
				Support a pro-growth and sustainable fiscal policy	Boost tax revenue collection	Tax revenue collection (by the central government) as a percentage of GDP	17.7% (2023)	OECD
				Strengthen compliance with the legal framework for workers' labor rights	Percentage of settlements resulting from conciliation	24.81% federal	INDERLAB , STPS	
PND human development and wellbeing pillar	2. Provision of social services	Enhance access to and the quality of care services	Expand coverage of care services	Number of facilities providing care services	91,836 (2024)	Mapa de cuidados de Mexico (Map of care services in Mexico), SEMJERES		
				Improve training of caregivers	Number of IMSS centers whose staff has received quality training in caregiver-child interactions	39 (2024)	IMSS administrative records for subsequent periods	
		Expand the provision of basic services and consolidate the circular economy	Increase access to safely managed water and sanitation services ¹	Percentage of the population that simultaneously has daily access to water at home or on the property and access to improved basic sanitation	56 (2022)	INEGI		

Government priority	Strategic pillar	Strategic objective	Expected impact	Indicator	Baseline	Source
			Facilitate conditions for solid waste reuse ¹	Percentage of reuse ¹²⁷	8.73% (2021)	Hub de residuos circulares (IDB) (Solid waste and circular economy hub)
		Support urban development	Expand access to quality housing* ¹	Percentage of dwellings listed under the Expanded Housing Deficit	24.3% (2022)	SHF
PND sustainable development pillar	3. Resilience	Reduce the socioeconomic impact of emergencies	Boost climate shock response capacity ¹	iGOPP value ¹²⁸	67.4% (2020) ¹²⁹	iGOPP (IDB Riskmonitor)
		Promote resilient and sustainable productive infrastructure	Expand resilient periurban transportation and mobility solutions ¹	Annual volume of railway passengers	45.84 million	Agencia Reguladora del Transporte Ferroviario (Railroad Regulatory Agency)
			Increase energy efficiency and electric power generation* ¹	Energy intensity, energy consumption per unit of GDP Electric power generation	407.38 kJ/\$ of GDP (2023) 346,504 GWh (2023)	SENER , National Energy Balance, 2023 Balance Nacional de Energía 2023 (National Energy Balance)

Note: Color code and matrix symbols:

- Green shading represents the expected impact based on existing operations plus new operations.
- Blue shading indicates that the impact will come from new operations only.
- An asterisk “*” identifies expected impact to which existing (portfolio) IDB Invest operations contribute.
- A superscript “1” identifies expected impact that will be achieved through new IDB Invest operations.

Source: Prepared by the authors.

¹²⁷ Calculated as the sum of recycling, co-processing, and composting percentages, published by INEGI every two years in the [Censo Nacional de Gobiernos Municipales y Demarcaciones Territoriales de la Ciudad de México](#) (National Census of Municipal Governments and Territorial Divisions of Mexico City).

¹²⁸ Improvements in the iGOPP are related to reductions in human losses. Guerrero Compeán, R., Salazar, L., & Lacambra Ayuso, S. (2017). Gestionando el riesgo: Efectos de la gobernabilidad en las pérdidas humanas por desastres en América Latina y el Caribe (Managing risk: Governance effects of human losses from disasters in Latin America and the Caribbean). <https://doi.org/10.18235/0000802>.

¹²⁹ A baseline update is planned for 2026.

ANEXO II – PORTFOLIO ALIGNMENT AND INDICATIVE PROGRAM 2026-2027¹³⁰

Table A 2. Portfolio alignment and indicative program 2026-2027

Strategic pillar	Strategic objective	Portfolio alignment	Indicative program
Economic growth fostered in synergy with the private sector	Improve the conditions for productive integration and innovation within the private sector	ME-L1308, ME-L1300, and ME-L1326 IDB Lab: ME-Q0014, ME-T1345, ME-Q0006, ME-Q0005, ME-M1105, ME-Q0011, ME-G1021, ME-T1462, ME-G1027, ME-L1330, ME-M1090. IDB Invest: 11599-01, 11818-02, 12037-01, 12088-01, 12119-01, 12120-01, 12121-01, 12124-02, 12134-01, 12135-01, 12181-01, 12199-01, 12292-01, 12444-01, 12522-01, 12593-01, 12614-01, 12629-01, 12766-01, 12775-02, 12822-01, 12854-02, 13001-01, 13057-01, 13117-01, 13133-01, 13152-01, 13209-01, 13283-01, 13284-01, 13882-01, 14002-01, 14281-01, 14387-01, 14686-01, 14880-01, 14917-01, 14926-01, 14964-01, 15047-01, 15101-01	ME-L1340 Strengthening Metrological Capacity for Equitable and Sustainable Economic Development. ME-L1XXX Program to Finance Energy Diversification and Industrial Efficiency. ME-LXXX Mexican Human Capital Program for Plan Mexico
	Support fiscal sustainability, including at the subnational level		ME-L1309 Program to Strengthen the Fiscal Performance of Subnational governments. ME-LXXX Subnational Pension Support Program
	Strengthen the institutional framework of the labor market		ME-L1341 Program to Improve the Quality of Employment in Mexico II.
Provision of social services	Improve access to and the quality of care services	IDB Lab: ME-G1023, ME-T1485	ME-L1342 Support for Creating and Consolidating the Progressive National Care System in Mexico

¹³⁰ Operations subject to formal validation by the Ministry of Finance and Public Credit as part of the programming dialogue with the Bank. The alignment of IDB Invest operations corresponds to those in the portfolio and excludes those considered special assets.

	Improve sanitation services and promote the circular economy	IDB Lab: ME-T1517, ME-G1032	ME-L1XXX CONAGUA River Cleanup Program. ME-L1335 Program to Finance Projects in Sustainable Water and Sanitation and Energy Efficiency in Companies. NAFIN. ME-LXXX Support for the Circular Economy and for Institutional Reform in the Water Sector
	Support urban development	IDB Invest: 11307-04, 11307-05, 12200-01, 13033-01, 13033-02, 13454-01, 13505-01, 13945-01, 13988-01, 14776-01, 14777-01	ME-L1XXX Program to Support Safe, Inclusive, and Sustainable Mobility in Mexico II.
Resilience	Reduce the socioeconomic impact of emergencies		ME-LXXX Program to Finance Small Farmers
	Transform infrastructure for resilience and sustainability	ME-L1308 and ME-L1300 IDB Invest: 11894-02, 11894-03, 11894-04, 12083-01, 12197-01, 12402-01, 12718-03, 12893-01, 13289-01, 13290-01, 13291-01	ME-L1340 Strengthening Metrological Capacity for Equitable and Sustainable Economic Development. ME-L1XXX Photovoltaic Panels and Energy Efficiency in Northern Mexico Households. ME-L1XXX Program to Finance Projects in Sustainable Water and Sanitation and Energy Efficiency in Companies.

ANNEX III – COUNTRY SYSTEMS MATRIX

Table A 3. Country systems matrix

Strategic objective	Expected result during the country strategy period	Indicator	Unit of measure	Baseline	Base year	Target	Period	Alignment with the Corporate Results Framework
Strengthen country systems	Closure of gaps with respect to International Public Sector Accounting Standards (IPSAS)	Diagnostic assessment of gaps	Strategy document	0	2024	1	End of country strategy period	Institutional capacity and rule of law
	Update of technical memorandum of understanding (MoU) between the SABG, IDB, and World Bank for conducting external audits of projects financed by OFIs as well as for considering innovation practices in the internal and external control functions	Updated technical MoU	Technical MoU document	0	2024	1	End of country strategy period	Institutional capacity and rule of law
	Update of MAPS diagnostic assessment	Diagnostic assessment to identify the gaps between current and ideal profiles of government employees who perform public-procurement-related work	Number of diagnostic assessments completed	0	2024	1	End of country strategy period	Institutional capacity and rule of law
	Completed roadmap for implementing the Strategic Plan for Professionalization and Accreditation of Public Procurement Units	Roadmap for the Strategic Plan for Professionalization and Accreditation of Public Procurement Units	Number of roadmaps completed	0	2024	1	End of country strategy period	Institutional capacity and rule of law

Source: Prepared by the authors. For details and acronym descriptions, see link 2 under this strategy.

ANNEX IV – ESTIMATED LENDING FRAMEWORK

The Country Strategy 2026-2031 estimates cumulative sovereign guaranteed approvals of US\$9.770 billion to US\$19.056 billion under seasonality (approvals are higher in certain years) and type of operation assumptions. The high scenario was built around the [support announcement](#) made in September 2025 (US\$25 billion in six years, US\$18 billion from the IDB and US\$7 billion from IDB Invest). This scenario requires: (1) policy-based loans in sufficient amount, i.e., US\$1.5 billion yearly; (2) global credit operations; (3) loans based on results under conditions feasible for Mexico, and possibly other instruments; (4) more specialists in the Country Office to promote greater demand for investment loans in order to reach the target of US\$1.2 billion yearly. By way of reference, the IDB, IDB Invest, and IDB Lab approved US\$7.9 billion, US\$4.9 billion, and US\$29.2 million, respectively, over the 2018-2024 period.

Table A 4. Estimated lending framework

US\$ billion	2018 – 2024								2025 – 2031															
	2018	2019	2020	2021	2022	2023	2024	Total	2025		2026		2027		2028		2029		2030		2031		Total	
									Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Approvals	1.3	1.5	1.0	1.5	1.3	0.7	0.6	7.9	0.8	1.3	2.1	3.1	1.8	3.3	1.2	2.8	1.8	3.3	0.9	2.4	1.2	2.7	9.8	19.1
Disbursements	1.2	1.4	0.6	0.8	0.9	1.0	1.2	7.1	0.7	0.8	1.1	2.3	1.4	3.1	1.8	2.7	1.5	3.6	1.8	2.5	1.6	2.6	9.9	17.5
Repayment (principal)	0.7	0.7	0.8	0.9	0.7	2.0	1.3	7.1	2.3	2.3	0.8	0.8	0.7	0.7	1.9	1.9	2.0	2.0	1.7	1.7	0.6	0.6	9.9	9.9
Net capital flows	0.5	0.8	-0.2	-0.1	0.2	-1.0	-0.1	0.1	-1.6	-1.5	0.3	1.5	0.7	2.4	-0.1	0.9	-0.5	1.6	0.1	0.9	1.0	2.0	-0.1	7.6
Interest and fees	0.6	0.7	0.4	0.3	0.4	0.4	0.5	3.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	2.4	2.4
Net cash flow	-0.1	0.1	-0.6	-0.4	-0.1	-1.4	-0.6	-3.2	-1.9	-1.9	-0.1	1.0	0.3	2.0	-0.4	0.5	-0.8	1.3	-0.2	0.6	0.7	1.7	-2.4	5.3
IDB debt	15.5	16.4	16.6	16.0	15.5	14.8	13.8		12.3		13.7		16.1		17.0		18.6		19.5		21.4			
Multilateral debt	30.2	31.5	32.8	31.6	31.9	30.1	28.8		29.1		29.4		29.7		30.0		30.3		30.7		30.9			
External debt	202.4	204.7	223.6	221.6	217.8	215.1	221.0		217.9		214.8		211.8		208.8		205.9		203.0		200.1			
Total debt	559.8	606.4	623.6	655.4	733.5	891.6	893.8		989.9		976.0		962.2		948.6		935.2		922.0		909.0			
IDB debt/ multilateral debt (%)	51.2%	51.9%	50.7%	50.5%	48.7%	49.1%	47.9%		42.2%		46.7%		54.2%		56.6%		61.4%		63.4%		69.3%			
IDB debt/foreign debt (%)	7.6%	8.0%	7.4%	7.2%	7.1%	6.9%	6.2%		5.6%		6.4%		7.6%		8.1%		9.0%		9.6%		10.7%			
IDB debt/total debt (%)	2.8%	2.7%	2.7%	2.4%	2.1%	1.7%	1.5%		1.2%		1.4%		1.7%		1.8%		2.0%		2.1%		2.4%			

Source: SHCP and IDB team calculations and projections.

ANNEX V – DEVELOPMENT EFFECTIVENESS MATRIX

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX

In August 2008, the Board of Executive Directors approved the Development Effectiveness Framework (GN-2489) to enhance the evaluability of all Bank development products.

The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group of the multilateral development banks in the “Good Practice Standards” document.

COUNTRY STRATEGY: MEXICO

STRATEGIC ALIGNMENT

Refers to the extent to which the country strategy’s objectives are consistent with the country’s development challenges and the government’s priorities

EFFECTIVENESS

This measures the extent to which the country strategy is likely to achieve its objectives, through an examination of three dimensions: (i) the quality of the diagnostic assessments on which the Bank’s actions in each area of work are based; (ii) the quality of the results matrix for the country strategy; (iii) the use and strengthening of the country systems.

Dimensions of effectiveness	
I. Country diagnosis - Country Development Challenges (CDC)*	Yes/No
- The CDC is comprehensive/holistic/complete.	Yes
- The CDC clearly identifies the main development challenges.	Yes
- The CDC presents the main development challenges that are based on empirical evidence.	Yes
II. Priority area diagnostics	%
- That clearly identify and dimension, based on empirical evidence, the specific constraints and challenges for the priority areas.	100%
- That clearly identify and assess, based on empirical evidence, the main factors or causes contributing to the specific constraints and challenges.	100%
- That provide the appropriate policy recommendations .	100%
III. Results matrix**	%
- The strategic objectives are clearly defined.	100%
- The expected outcomes are clearly defined.	100%
- The strategic objectives and expected outcomes are directly related to the main challenges identified in the diagnosis.	100%
- The indicators are outcome indicators and are SMART.	100%
- The indicators have baselines	100%
IV. Vertical logic	Yes/No
- The country strategy has vertical logic.	Yes

* This analysis includes any potential diagnostic document used to inform.

** The results matrix comprises indicators that are meaningful to, and capture progress toward, the expected results. The expected results stem from the strategic objectives.

Source: Prepared by the authors.