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ANNEX I

to the Commission Implementing Decision on the financing of the multiannual action plan part III in favour of Americas and the Caribbean for 2022 and 2023

Action Document for "Green Global Challenges in Mexico"

MULTIANNUAL ACTION PLAN 2022 AND 2023

This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title **OPSYS business reference** **Basic Act**	"**Green Global Challenges in Mexico"** **OPSYS reference: ACT-61543** Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe) Overseas Association Decision/European Instrument for International Nuclear Safety Cooperation Regulation
2. Team Europe Initiative	Yes Team Europe Initiative on green and inclusive transition in Mexico
3. Zone benefiting from the action	The action shall be carried out in Mexico
4. Programming document	The Americas and the Caribbean Regional Multiannual Indicative Programme 2021-2027
5. Link with relevant MIP(s) objectives / expected results	**Priority Area 1: Green Transition** Specific objective 1: To increase ambition and effectiveness of climate action in LAC, in line with the commitments under the Paris Agreement. R1) More ambitious and effective climate policies have been promoted in the countries of the region, based on NDCs, national adaptation plans (NAPs) and existing climate plans at the local level, and the monitoring of their implementation R3) Improvements are promoted in key sectors, such smart mobility, sustainable transport, disaster risk and water management, sustainable food production, to contribute to climate change adaptation and mitigation in LAC countries **Priority Area 2: Digital Transformation and innovation** Specific objective 2: Develop backbone digital connectivity within the LAC region and with the EU

	R2) Increased connection to open, affordable and secure broadband connectivity and digital infrastructure Specific objective 4: Support the development and broad use of digitally-enabled products and e-services where the EU has specific expertise. R1) Enhanced development and integration in LAC public and private sectors of EU ICTs/digital technologies, services and applications that build on the use of big data, supercomputing, artificial intelligence. **Priorities for countries supported under Regional MIP: Mexico** Priority 2: Green Global challenge, objective c) sustainable and smart mobility and transport			
PRIORITY AREAS AND SECTOR INFORMATION				
6. Priority Area(s), sectors	210 - Transport and Storage 250 - Business and Other Services			
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 13: Take urgent action to combat climate change and its impacts Other significant SDGs (up to 9) and where appropriate, targets: -SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation -SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable -SDG 5: Gender equality -SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development			
8 a) DAC code(s)	21030 –Rail Transport - 55% 21011,21012 – Transport policy, planning and administration- percentage and Public transport services - 33% 25020, 25040 - Privatisation and Responsible business conduct 12 %			
8 b) Main Delivery Channel	*European Commission - Development Share of Budget - 42001* *Inter-American Development Bank - 46012*			
9. Targets	☐ Migration ☒ Climate ☐ Social inclusion and Human Development ☒ Gender ☐ Biodiversity ☐ Education ☐ Human Rights, Democracy and Governance			
10. Markers (from DAC form)	**General policy objective** @	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☒	☐	☐
	Aid to environment @	☐	☐	☒
	Gender equality and women's and girl's empowerment	☐	☒	☐

	Trade development	☒	☐	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction @	☒	☐	☐
	Inclusion of persons with Disabilities @	☐	☒	☐
	Nutrition @	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity @	☒	☐	☐
	Combat desertification @	☒	☐	☐
	Climate change mitigation @	☐	☐	☒
	Climate change adaptation @	☐	☒	☐
11. Internal markers and Tags:	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation @	☐	☒	☐
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES ☐ ☐ ☐ ☐ ☒	NO ☐ ☐ ☐ ☐ ☐	
	Connectivity @	☐	☐	☒
	digital connectivity energy transport health education and research	YES ☐ ☐ ☒ ☐ ☐	NO ☒ ☒ ☐ ☒ ☒	
	Migration @ (methodology for tagging under development)	☒	☐	☐
	Reduction of Inequalities @ (methodology for marker and tagging under development)	☒	☐	☐
	Covid-19	☒	☐	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2022-14.020140-C1-INTPA Total estimated cost: EUR 9 000 000			

	Total amount of EU budget contribution EUR 9,000,000 This Action is part of the Team Europe Initiative for a Green and Inclusive Transition in Mexico, including financial contributions from Spain, France, Germany and EIB, and political support from The Netherlands, Denmark and Hungary.
13. Type of financing	**Direct management** through: Procurement **Indirect management** with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.2

1.2 Summary of the Action

As second largest country in Latin America and 12th greenhouse gas emissions (GHG) producer worldwide, Mexico is one of the most important global players regarding climate change, facing a slowdown on its decarbonisation path, although sharing the green agenda challenges. Cooperating with Mexico regarding the green and inclusive transition can significantly step up the EU strategic partnership with the country and deliver a significant message to the region. As one of the main priorities of multilateral relations, supporting Mexico in achieving its commitments under the Paris Agreement (NDCs) presents added value in working under the Team Europe flagship approach.

The green agenda does not represent a priority under the National Development Plan (NDP) 2019-2024 supported by the current federal government of Mexico and the constant political pushback on renewable energy entailed uncertainty and discouraged investments in the sector. However, there is general agreement among analysts that: a) the decarbonisation of the transport sector – one of the greatest GHG emitters - and b) creating an enabling environment for green finance flows, represent windows of opportunity for the EU, with great potential for concrete environmental, economic and social impact in the following years.

This Action aims to address the issue under a realistic, comprehensive, strategic and innovative approach, adequately combining actions at different levels, in the short, medium and long term, that will allow the EU to work swiftly with Mexico, as equal partners on both opportunities and common challenges. The action will focus on three components: 1) relaunch of the Mexican Railway Sector, as a greener transport alternative, nationwide; 2) support sustainable urban mobility actions in big urban centres and 3) create an enabling environment to leverage sustainable finances across economic sectors.

The Action is expected to support federal authorities in adopting a sustainable, well-planned shift-to-rail strategy and enhance investments in the railway sector, which could reduce transport GHG emission as much as 20% across the country. By supporting authorities at state level in the pre-investment, preparatory phase of electro mobility or zero-carbon transport projects, the Action is also expected to contribute to a significant reduction of the sector's carbon footprint in urban areas and to sustainable smart cities planning. Finally, public funds remain limited and private capital represents the big bulk of financing for the green transition in Mexico, but the sector lies behind global dynamics in terms of sustainability. This Action therefore aims to create the enabling conditions to raise sustainability-linked funding from private sector and international financing institutions (IFIs), to ensure the necessary financing and advance in the green transition.

This Action is marked as a Global Gateway intervention. In line with the European Green Deal[1] and the Sustainable and Smart Mobility Strategy – putting European transport on track for the future[2], it supports Mexico in planning for a greener, smarter and more efficient transport infrastructure, in view of a more sustainable growth and includes the private sector as main investment actor for the financing of the green agenda. By applying the principles of the green & digital (twin) transition, the action will directly contribute to the implementation of the first priority for a sustainable and smart urban planning under the *"Team Europe Initiative for a green and inclusive transition in Mexico"*, as well as the *"Green Global Challenges"* priority, identified under the Mexico Chapter of the Regional Indicative Programme for Latin America and Caribbean[3]. It will mainly contribute to SDG 11 and secondary to

1 A European Green Deal | European Commission (europa.eu)
2 Sustainable and Smart Mobility Strategy – European transport on track for the future - 2Zero Emission
3 mip-2021-c2021-9356-americas-caribbean-annex_en.pdf (europa.eu)

SDG 9, 13 and 17, as well as DAC markers on: rail transport, transport policy, planning and administration, public transport services and privatisation and responsible business conduct.

It will deepen strategic relations built through previous pilot projects on green and smart mobility, provide an entry point in moulding the local green financing environment and enhance the overall strategic association with Mexico on green global challenges, while paving the way for new alliances on energy in the future.

2 RATIONALE

2.1 Context

With a population of about 129 million, Mexico is the 15th largest global economy, the second largest in Latin America and the 12th largest GHG emitter in the world (2020). Due to its size, economy and geo-political position, Mexico is an important global actor regarding climate change, highly vulnerable to environmental degradation and a key player in Latin America in order to pursue a more ambitious green transition of the region.

Following a period of strong leadership with the adoption of a General Law on Climate Change and the commitment taken in 2015 to reduce GHG emissions by 50% by 2050, Mexico slowed down on green transition, missing the opportunity in 2020 to deliver progress reports on its Paris Agreement commitments or increase its climate ambition. Additionally, a political pushback on renewable energy since 2018/2019 has entailed uncertainty and discouraged investments and innovation in this sector. Policy dialogue with Mexico on green transition and green growth requires a comprehensive strategic approach on NDCs implementation - adequately combining actions at different levels and sectors in the short, medium and long term - that will allow the EU to work swiftly with Mexico, as partners on both opportunities and common challenges.

Predominantly an urban country with 80% of the population living in towns, Mexico is facing specific challenges related to sustainability and growth. Rapid urban growth during the last decades, based on the expansion of private car use, without clear territorial development planning to account for environmental impact, entailed important infrastructure gaps, limited basic services and increased pressure on urban mobility and subsequently entailed the rise in GHG emissions. Thus, the transport sector is one of the largest GHG emitters in Mexico, with roughly 25% equivalent of total greenhouse gas emissions[4]. Furthermore, Mexico is a highly prone to climate change impact and disaster risks, with increasingly dangerous extreme phenomena adding up to its earthquake and hurricane risks.

In Mexico's National Determined Contributions to the Paris Agreement (NDC), it was estimated that in a business-as-usual scenario, transport emissions would reach up to 250 MtCO2 in 2030 if mitigation measures are not implemented and Mexico committed under non-conditional NDCs to limit them to 205 MtCO2 by 2030. Therefore, accelerating the decarbonisation of the transport sector (along with broadening the share of renewables in the energy mix) is a fundamental step in tackling climate change and supporting Mexico´s NDCs. However, this can only be achieved if a mobility strategy aimed at avoiding passenger and freight travel is developed, by shifting travel to sustainable transport modes and improving energy efficiency through the transition to cleaner fuels.

While public policies are fundamental drivers of the transition to a low-carbon and climate resilient growth, one of main cross-sectoral challenges of green transition in Mexico is the financing gap, which cannot be covered by public sources alone, especially in the context of a decreasing investments trend[5]. While estimates vary, it is clear that the **private sector**, which already contributes to climate action with 60% of estimated flows at global level will represent the game changer **for green growth in Mexico**.

Due to the limited fiscal autonomy of the cities, coupled with a narrow resource base and lack of government long-term planning for green investments, Mexican **private sector** is considered in the short and medium term the main driver for change to keep one of the largest world economies on the green transition track and accelerate the profound evolutions that are not currently prioritised by the federal government. These challenges are particularly acute in sectors that typically require substantial capital expenditure, such as green transport and sustainable mobility. Access to financing of market segments related to clean and resilient infrastructure outstands as a limitation that could compromise Mexico's NDCs. Therefore, enabling the investment environment to allow

[4] According to the Ministry of Environment and Natural Resources (SEMARNAT), the transport sector emits in Mexico around 171 MtCO2e (out of a total of 683 Mt CO2e). Comparatively, 64% of total emissions correspond to fossil fuel consumption in different industries.

[5] Private investments account for more than 80% of global infrastructure projects. There is a sustained declining trend of private investments in the transport sector over the last decade, reaching -28% in 2020 according to the Global Infrastructure Hub.

climate action investments and related financing through innovative financial products, such as green bonds, will be an essential support in Mexico's green transition path.

The significant advances in both voluntary and compulsory standards at European level, paving the way for the achievement of the EU Green Deal argue in favour of EU action in this area. The EU taxonomy for sustainable activities and the EU Green Bond Standard set some of the highest standards in the world to foster sustainable investments, while the knowledge base created throughout the development and adoption process can represent valuable guidelines for Mexico to make businesses, the economy and the society empowered actors of sustainable growth.
Considering the country's profile, this action aims to build an impactful partnership with Mexico on stepping up climate action at different levels: local communities, states and federal authorities to develop and improve **smart and sustainable transport and mobility** and foster sustainable financing by:

(i) Relaunching the Mexican railway sector
(ii) Supporting selected States in developing and implementing urban sustainable and inclusive mobility projects
(iii) Create an enabling environment for private sector and international financial actors to leverage sustainable investments

EU policy and strategy

The proposed action is aligned to the **"European Consensus on Development"**, in particular the commitment of the EU and Member States to implement the 2030 Agenda and the Paris Climate Change Agreement. The action will directly contribute to the Sustainable Development Goals, 11 "sustainable cities and communities", 9 "industry, innovation and resilient infrastructure", 13 "climate action", and 17 "partnerships for the goals".

It is based on the Global Gateway Strategy[6] to "create sustainable, smart, resilient, inclusive, and safe transport networks in all modes of transport that foster sustainable development of partner countries and reduce greenhouse gas emissions", as well as its delivery model based on financial tools, combined with operational tools to create quality investments. This Action is marked as Global Gateway intervention, as it responds to the overall strategy to "promote worldwide infrastructure investments that create sustainable, smart, resilient, inclusive and safe networks in all modes of transport". In this regard, the EU will provide to Mexico "a positive offer" to plan for sustainable investments in greener infrastructure, with an emphasis on transport and mobility, allowing advancing on the green transition path. In line with the Global Gateway Strategy, the EU positive offer will aim at providing inclusive investments, including in terms of gender equality. Moreover, this Action proposes to apply the Global Gateway strategy to enhance the private sector's investment capacity as fundamental actor to unlock the green agenda in Mexico.

This action builds upon the specific priorities of the European Green Deal in its external dimension, as well as the Commission's objectives for a new green and socially fair growth strategy. In line with the European Union's Sustainable and Smart Mobility Strategy – putting European transport on track for the future, strengthening rail services and implementing intra and inter-urban transport decarbonisation strategies significantly contribute to reducing GHG emissions as well as dependence on fossil fuels. The digital transformation of the sector makes it possible to improve accessibility, availability and quality and transport services for the benefit of users and, consequently, enhance emission reductions. Furthermore, by effectively mainstreaming gender equality and a Human Rights based approach, the action will contribute to the objectives of the EU Gender Action Plan 2021-2025.

Finally, this Action will implement the **Team Europe Initiative flagship programme for a green and inclusive transition in Mexico.** In complementarity with regional initiatives (i.e. EUROCLIMA LAC), actions developed under other financing sources such as Latin America and Caribbean Investment Facility (LACIF) instrument or Member States financed initiatives, this programme will contribute to the concretization of the Priority 1 under the Team Europe support in Mexico for the decarbonisation of transport sector and planning for more sustainable and smarter cities.

[6] joint_communication_global_gateway.pdf (europa.eu)

2.2 Problem Analysis

Although Mexico has a very high potential to contribute to the global green agenda if it adopts a sustainable growth model, Mexico's National Development Plan 2019-2024 does not include environment/climate change as a main objective. Some federal programmes are identified as general "contributors" to the overall policy in this area and the General Law on Climate Change assigns local, state and national responsibilities, opening specific windows of opportunity. At national level, Mexico submitted updated NDCs in 2020 without raising the target levels[7], de facto reducing the country's ambition for mitigating measures, which are largely considered insufficient by external analysts.

With a rising population, largely concentrated in urbanised centres[8], Mexico's **transport and mobility sector is one of the main GHG emitters**, with large discrepancies between regions. The transport sector alone is responsible for 25.1% of net emissions, with values similar to those of energy industries (24.1%). The self-transport sub-sector is the source of 23.4 % of net emissions, while the rail sector accounts for only 0.4 %[9]. Mexico's policies and strategies have mainly favoured during the last decades heavy investments in road infrastructure and incentives on fossil fuels use, entailing a constant trend of transport motorisation and growing private car-based urban mobility, also considered safer than public transport. The share of the **self-transport sector** in the country's net emissions[10] is linked to dependence on fossil fuels as a result of the increase in the vehicle fleet by 5.91 % annually[11], well above the annual growth rate of the population in the same period (1.22 %). This is partly due to the lack of accessible, reliable, safe and efficient sustainable transport alternatives (massive and non-motorised). **Passenger rail transport** has a very low share of the transport sector due to its limited supply, despite the fact that there is a consolidated (but not maintained) rail network in most of the country, which is mainly used for freight transport[12]. Recent years have seen initiatives and projects that aim to return to the passenger movement of the national rail system[13].

To date, **urban mobility** actions have taken place mostly through state-level and local governments' initiatives, lacking effective coordination mechanisms between the municipalities that make up metropolitan areas. This situation is even more critical in urbanised centres that are made up of several states. In 2022, the Mexican Senate adopted the *General Law on Mobility and Road Safety*, which defines the division of competencies between federal level, federative states, municipalities and territorial districts in the field of mobility and road safety. The Law aims to provide greater certainty for people to exercise their right to mobility and mainstreams a human-right approach, with particular emphasis on women and youth. This law also lays down the basis for prioritising non-motorised modes of transport and the promotion of inter-modality. The integration of the Secretariat for Infrastructure, Communications and Transport and the Ministry of Economy as members of the National Road Safety and Mobility System should promote greater scope of action in this area.

In the absence of a comprehensive policy and regulations that establish the conditions of competitiveness of the sector, **electro-mobility** has been mainly driven by the private sector, international cooperation, public research organisations and at sub-federal level by some states, through alliances and strategic plans, fiscal and non-fiscal incentives, as well as ad hoc service and infrastructure projects. Following a first unpublished version of the *National Electric Mobility Strategy*, launched by the Ministry of Environment and Natural Resources (SEMARNAT), the updated version of the strategy is expected to be published by the end of 2022 or early 2023. Meanwhile, government-driven public policy actions have been isolated and unrelated, but have laid some of the necessary foundations for their deployment. Regarding electric public transport, in addition to lack of knowledge, technology limitations and high initial investment costs for electric vehicles, the vast majority of existing state

7 Unconditional contributions: Consist of, alternatively: reduction of 22% of greenhouse gas emissions (GHG) and 51% of black carbon emissions by 2030 as compared to the baseline business-as-usual scenario (BAU). Conditional contributions: A reduction of up to 36% of GHG emissions and 70% of black carbon emissions by 2030 compared to the BAU scenario.

8 As of 2020, the population in Mexico was 128,9 million inhabitants distributed in 32 states and 2,471 municipalities, where 81 % of the population lives in urban areas and 19 % in rural areas.

9 Data provided by the National Institute of Ecology and Climate Change, for 2015.

10 Out of the 148 million tonnes of CO2 emitted by the self-transport sector, 80 % of the private vehicle fleet.

11 From 31.6 million vehicles in 2010 to 50.35 million in 2020 (INEGI, 2022)

12 The Mexican railway infrastructure consists of 17.360 km of main and secondary tracks, 4.474 km of auxiliary tracks and 1.555 km of private tracks, accounting for a total of 23.289 km of operated tracks (ARTF, 2022).

13 Between 2012-2018, 2 intercity passenger trains were tendered to connect Mexico City with Querétaro and Toluca - in the most transited zones of the country, while the current administration has focused on investments in two mixed railways both in the south of the country, aiming at the economic development of this region.

legislations are not prepared for the development of new business models adapted to the context of electro-mobility and there are no subsidies to cover investment or maintenance costs of public transport systems. Despite these barriers, punctual progress has been made in cities like Monterrey (Nuevo Leon) or Mexico City demonstrating at state level there are open windows of opportunity[14]. In terms of **electric infrastructure**, there is a lack of coordinated policies, standards and specifications to consolidate a dense and interoperable network of charging stations, reflected in the diversity of connectors and territorial distribution[15]. The development of mobility infrastructure, especially for non-motorised means have a high impact on the transport mode people decide to use and prioritising investments in active mobility and shared transport should incentivize the use of private vehicles and progressively unlock the potential of green and more inclusive growth. Therefore, linking the accessibility of infrastructure to public transport would increase the amount of clean transport, reduce the externalities of urban mobility based on private vehicles, as well as promote social inclusion, in particular for people living in remote areas around urbanized centres. Finally, **digitalisation** of sustainable transport services in Mexico and data-driven decision-making represent a real opportunity, mainly for collective public transport, most of which is currently managed and operated without any IT system, due to the atomisation of the sector.

Financing gaps and opportunities

After raising its green financing profile with innovative instruments both through public and private investments between 2016 and 2019[16], Mexico has been facing in recent years a clear declining trend, mainly due to political uncertainty and reputational risk of assets. Investment rates have generally decreased during the last years in Latin America, with energy and transport sectors, which make two thirds of total private investments being the most affected by internal and external factors, such as the Covid-19 pandemic. Moreover, in Mexico the controversy around the constitutional reform proposal for the energy sector drastically dis-incentivized investments and set back the green agenda.

In the context of low prioritisation of green global challenges within public policies and their financing, Mexico's current financing needs for the transition to a low-carbon economy far exceed the capacity of public funding. Thus, private investors, which have demonstrated eagerness for sustainable growth[17], urgently need an enabling environment to convert potential capital into complete transactions to the benefit of qualitative sustainable projects.

One of the key components to consolidate a sustainable financial system is the adoption of reference frameworks for the efficient application and disclosure of information on environmental, social and governance (ESG) factors. The Sustainable Finance Roadmap[18] identified the need to incorporate environmental and social risks and opportunities into Mexico's financial institutions' risk assessments, incorporate management strategies and develop internal competencies on ESG risks and policies. Furthermore, private investors across sectors face the same challenges and ESG factors are of increasing importance for those looking to mitigate risks and enhance their financial performance and returns, particularly for long-term investments in transport, infrastructure or energy, as these sectors lock-in the necessity of climate-related risk assessments, environmental impact analysis and resilience factors, fundamental in promoting green finances.

Mexico's main challenges to align financial flows with the development of an environmental and socially responsible agenda and transition to a low-carbon economy are:

(i) Lack of awareness at management level and throughout the organization – corporations lack the necessary capacity to generate data, provide monitoring and assessments. Knowledge and capacity scarcity slow down the agility of the process for the entire organization.

(ii) Lack of clear regulatory measures to foster sustainable finance – Mexico doesn't currently count on an unified taxonomy, entailing disconnected, self-regulated individual efforts

[14] In addition to having rail electric transport systems and trolleybus systems in operation, Mexico City has succeeded in modernising recently its electric fleets or introduced electric buses into service. In addition, the Metropolitan Area of Monterrey (Nuevo León) announced the introduction of services with electric buses in the short term.

[15] 50.5 % are located in public spaces, 26.5 % in car distributors and 22.9 % in residences. The largest number are in Mexico City (22.9 %), Jalisco (10.6 %), Nuevo León (8.5 %) and the State of Mexico (8 %). Taken together, these 4 states account for 50 % of the loading points in the whole country.

[16] Mexico became an active player at regional level through the participation of several development banks and Mexico City issued the first municipal green bond in 2017 in Latin America.

[17] For example, in June 2022, BBVA Mexico was the first private bank to issue a sustainable bond for EUR 470 million.

[18] The Roadmap is a non-binding document, launched in 2020 under the leadership of Banco de México with the participation of private financial institutions.

(iii) Scepticism regarding transaction costs and lack of visibility regarding concrete benefits of ESG-related capital in terms of potential for economic growth.

These factors hinder the **capacity of the Mexican private investors to participate on the capital market with innovative products oriented to sustainability**.

Main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

For transport: the overall executive authority at federal level is the Ministry of Infrastructure, Communications and Transport (SICT), while at State level there are numerous sub-federal entities responsible for planning and execution (i.e. Transport and Mobility ministries or agencies, IMEPLAN - Institutos Metropolitanos de Planeación), sub-sectoral management and operations (i.e. for non-motorized transport) etc. Actions related to emission reduction in the transport and mobility sector are often led by or coordinated with sub-federal ministries responsible for the environment. Specifically, the promotion of the rail system is entrusted by SICT to the Rail Transport Regulatory Agency (ARTF), a body attached to the Ministry and responsible for regulating, monitoring and verifying the construction, operation, and maintenance of railway infrastructure, public rail transport service and its ancillary services. The Mexican federal Congress (in particular the Infrastructure and Environment and Natural Resources Commissions) are key stakeholders for the policy changes needed to re-launch the railway sector. State-level Congresses may also be involved in discussions for investments in specific urban sustainable mobility projects.

In terms of financing, the Ministry of Finance, together with international development financial actors and the Mexican private sector are crucial to fill-in current gaps. The Ministry of Finance is the main entry point for the development and approval of successful, bankable projects, as well as for the coordination of institutional steps towards a future Mexican taxonomy on sustainable activities. The private sector is largely the main investor in clean infrastructure, transport and industry in Mexico - and the segment that can reverse the declining importance of green transition in Mexico. In particular, stock exchanges and large companies specialized in ESG will be important stakeholders for the development of an enabling environment for sustainable finance in Mexico, with a particular focus on BIVA (Bolsa Institucional de Valores), which is also member of the EU High Level Group on Sustainability. Moreover, other financial, investment funds and international actors play an important role in pushing the green agenda and promoting climate-related investments. Most notably, the experience achieved by IDB Invest in the development of thematic bonds in the region, the successful pilot project in ESG capacity development implemented by BIVA and the coordination role of the IFC (International Finance Corporation) through the CCFV (Consejo Consultivo de Finanzas Verdes)[19] will be essential to join and coordinate efforts in this area with interested stakeholders.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to support Mexico in pursuing a net decarbonisation and climate-resilient path, enabling green transition and sustainable growth in view of complying with its climate targets under the Paris Agreement.

The Specific(s) Objective(s) (Outcomes) of this action are to:

1. To boost railway transport in Mexico as a competitive, smart and sustainable mobility alternative for reducing sector GHG emissions at national level.
2. To improve smart and inclusive urban mobility planning, including the expansion of zero-emission transportation networks and digitalized services in the selected states of Mexico City, Nuevo Leon (Monterrey - Metrorrey), Estado de Mexico, Queretaro and Yucatan.
3. To boost green finance and investments in Mexico.

[19] CCFV (Consejo Consultivo de Finanzas Verdes) is a consultative entity representing the Mexican financial sector that promotes Green and sustainable financing, capacity building among capital market participants and capital mobilization to allow the transition towards a greener, inclusive and resilient economy.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Contributing to Outcome 1 (Specific Objective 1):

1.1 A comprehensive National Railway Masterplan for establishing an interoperable communication system in line with international standards is developed.
1.2 Shift-to-rail is promoted, though a competitive, safe, inclusive, climate-resilient and sustainable railway infrastructure, by making use of the existing network or planning new connexions where it is socially, economically and environmentally justified.
1.3 Comprehensive pre-investment studies for Naucalpan – Buenavista and Xalapa – Veracruz passenger railway sections are available.

Contributing to Outcome 2 (Specific Objective 2):

2.1. Improved technical and administrative capacity of Metrorrey (Monterrey, Nueva Leon) to exploit and expand the current fleet of electrical buses.

2.2. Improved technical capacity of Mexico City administration for expansion of its zero-emission transport networks.

2.3. Improved technical and administrative capacity of Estado de Mexico to improve air quality at State level.

2.4. Improved technical and administrative capacity of State of Queretaro to develop sustainable mobility.

2.5. Improved technical and administrative capacity of Yucatan State to decarbonize the transport sector.

Contributing to Outcome 3 (Specific Objective 3):

3.1. Improved capacity of businesses, investors and financial institutions for formulation, implementation and monitoring of Environmental, Social and Governance (ESG) principles and their operationalization in market activities.
3.2. Improved capacity of businesses, investors and financial institutions for developing and issuing ESG-based debt and capital financial products.
3.3. Improved knowledge of stakeholders on an institutional framework and high-standard taxonomy system for sustainable finance.

3.2 Indicative Activities

Activities relating to Output 1.1 and 1.2:

- Support the elaboration of a **National Railway Masterplan**, including a diagnostic, a prognostic and execution plans of railway systems nationwide.

It is proposed to carry out a comprehensive study of the Mexican railway sector, over a period of 50 years, laying down the long term development vision, identifying infrastructure and technology projects that optimise the use of the existing railway network and the need for new rail sections to leverage the social and economic cross-sectorial sustainable development of all regions in Mexico. Furthermore, particular attention will be given to ensure the "do no harm" principle regarding environmental sustainability, adapt the infrastructure to disaster risks. The study is a necessary baseline, standardised analytical planning tool for the development of the railway transport public policy at federal level. It will allow identifying estimated and projected demand, environmental impact analysis, GHG emissions reduction, integrate climate change adaptation criteria, network capacity problems and other bottlenecks, as well as the prioritisation of freight and passenger transport projects or mixed traffic on new or existing lines, data integrated simulation analysis and decision-making.

Activities relating to Output 1.3 and 1.4 :

- **Pre-investment studies for two passenger railway sections**: (i) Naucalpan-Buenavista and (ii) Xalapa, Veracruz

The realisation of the pre-investment studies aims at determining the feasibility of implementing a light rail passenger service on the underused railway infrastructure, by optimising the use of the old railways, in order to attract investments. The choice of the first segment, Naucalpan-Buenavista, responds to a logic of inter-municipal low-carbon transport system in Mexico Valley between Estado de México (Naucalpan - Rio Hondo) and Ciudad de México (Buenavista, in the centre of the city), which together make the most transited zone in the whole country, connecting highly vulnerable and densely populated neighbourhoods (almost 900.000 inhabitants in Naucalpan). This segment is also subject to discussions with the European Investment Bank, which makes it a priority in terms of potential bankable projects in the future[20]. In the case of Xalapa, by introducing a mixed service, the existence of the underused railway (for limited freight transport only), opens a good opportunity for good environmental, social and economic return with comparatively small investment. Further analysis by ARTF determined that the advancement of the project and its feasibility in terms of external factors (political, investments etc.) make it one of the top priority for the country.

Activities relating to Outputs 2.1, 2.3, 2.4 and 2.5:

Support state-level authorities with **technical assistance and pre-investment studies for urban mobility projects** with clear impact on the reduction of GHG emissions from the transport sector, incorporate climate change adaptation and integrated disaster and risk management criteria in strategic infrastructure investment projects, as well as a more efficient, digitalized, clean, resilient and safe mobility within big cities. In this regard, activities will focus in several states that have demonstrated interest in working on greening the transport and mobility sector. In a demand-driven approach, the activities were selected among projects sufficiently advanced to ensure their feasibility and where the EU expertise, technology transfer and integrated transport models represent an added-value for the green agenda. In case the implementation of these activities are hindered, other similar projects in States of interest (i.e. Yucatan, Tamaulipas etc.) may replace the following:

1) **Mexico City**, the largest metropolitan urban area in the country (the largest in North America and 5th in the world with more than 22 million inhabitants) has dramatically increased public investment in infrastructure for sustainable mobility and there is a clear opportunity to contribute to the decarbonisation of transport in the following 3-4 years. The activities will consist of:
   a) pre-investment studies and detailed design and construction documents for the expansion of the zero-emissions trolleybus corridor Line 1
   b) Pre-investment studies, detailed design and construction documents for an electric bus corridor in Xochimilco, Mexico City

2) **Monterrey, Nuevo Leon:** the third largest city in Mexico, a sprawling business and industrial centre in one of the most impacted regions by climate change in the country, counts on a new administration, committed to improve sustainable urban mobility through electrification of public transport as well as digitalization processes. The support will consist of:
   a) Detailed design and construction documents for Metrorrey's 50 electric buses charging depot,
   b) Digital transformation of administrative processes and intelligent public procurement of Metrorrey.

3) **Estado de Mexico –** the most densely populated state in Mexico has been selected in an integral approach to transport in the Mexico Valley, comprising Ciudad de Mexico and Estado de Mexico, as millions of people transit this zone daily and the valley is a natural transport corridor towards the industrialized area of both states. The support will consist of sustainable mobility actions to improve Tlalnepantla and adjacent municipalities' air quality, including:
   a) Feasibility study for a safe cycling connection among five municipalities
   b) Feasibility study of the 'Natural Corridor' (low emissions public transport corridor) in the Río de los Remedios - San Pedro Barrientos
   c) Feasibility study and implementation plan for a low emission zone (LEZ) in Tlalnepantla – propose a specific area depending on technical feasibility, using European low emissions

[20] A working Group between ARTF, the EIB and the EU Delegation to Mexico has been established to ensure complementarity of actions regarding this rail segment. The EIB is considering financing through the City Climate Fund a pre-investment analysis regarding the railway rights and state of play of rail invasion, as well as legal and economic plans to recover the railway space in an urban planning inclusive approach.

benchmark, proposal for measures to be included as part of the Tlalnepantla LEZ, plan of the LEZ, socialization and citizen participation plan

4) **Querétaro** – smaller state in the centre of Mexico, with an expanding capital city but the second highest GDP growth, due to intense industrial and technological development in recent years. It counts on a new administration since 2021, demonstrating political engagement to address the issues of mobility in a comprehensive and integrated manner. The increase in employment has made this state, especially its metropolitan area, an area of significant population attraction. The growth of economic activity has resulted in a significant increase in human settlements, growth in the urban footprint. The support will consist of developing a "Sustainable Mobility Strategy for the State of Querétaro", including a set of strategies, indicators, and goals based on a strategic diagnosis that allows laying the foundations for a sustainable and efficient mobility system for the State of Queretaro.

5) **Yucatan** – important state for tourism in the south-east of Mexico, Yucatan is also one of the most advanced in terms of sustainable transport and mobility planning. Various actions have been undertaken during the last years to improve this sector at state level, such as the Metropolitan System of Friendly and Sustainable Mobility, completed by the promotion of non-motorized urban mobility. With support from the "Green Finance Program for the development of Smart Cities"[21], Yucatan generated feasibility studies on greener and digital transport solutions at small scale (micro-mobility system) and the state has a track record of good practices, under the leadership of the Mobility and Urban Development Institute of Yucatan. The support under this initiative will consist of formulating a comprehensive Action Plan for the decarbonisation of the entire transport sector in this State. This study shall give a diagnosis of the current situation in terms of GHG emissions from the sector (including current/ necessary legal instruments to address mitigation), will set short, medium and long term climate goals at State level, will provide a modelling of mitigation scenarios, a cost analysis and prioritization of measures, a monitoring and evaluation system of GHG emissions in the sector, and will design decarbonisation routes (including transparency and governance aspects).

Activities relating to Output 3.1:

- Organize and implement a series of **tailor-made ESG trainings**, with high management and ESG responsible persons of medium and large companies, banks and other financial actors with large investment potential aiming at integrating sustainability throughout their organization and activities.

Indicatively (but not exclusively), participants will be selected from the following interest sectors: infrastructure, automotive, energy, finance, real estate, chemicals production etc., which represent a large share of GHG emissions in Mexican economy and therefore important potential contributors to the green agenda. Trainings may be organized with representatives of companies or Mexican trade associations to ensure large dissemination. Training formats and content will be developed based on existing frameworks used by international actors. The aim of the trainings is to transfer knowledge and working tools to participants to better understand the ESG ecosystem and its applicability in their businesses, how to formulate a solid ESG strategy, ensure data collection and measure it against international standards, monitor progress on its implementation and how to use it to raise ESG-related capital. Participants to the training courses will then be organized into a network for reference in their areas and potential trainers training.

Activities relating to Output 3.2

- Provide **technical assistance** in the form of one-to-one support for the **preparation, development of frameworks and monitoring systems** for innovative sustainability-linked financial products (such as green and sustainable bonds), in line with international standards.

Accompany companies, investors, banks etc. showing concrete potential of raising sustainable capital with a personalized assistance to issue sustainable financial products that will contribute to the financing of the green and inclusive transition. The role of the technical assistance will be to ensure ESG compliance checks, support in developing or improving robust and ambitious ESG strategies, frameworks, structure the proposal and ensure monitoring and reporting of their ESG goals, adopting internationally recognized disclosure frameworks, as well as second-party opinions to avoid green washing.

[21] Programme financed with UK financial support.

Activities relating to Output 3.3

- Provide **technical assistanc**e to relevant Mexican authorities to further develop and adopt a national, harmonized high-standard comprehensive **taxonomy on sustainability**

Share EU knowledge, experience and best practices with the development, adoption and implementation of a taxonomy classification system and the EU Green Bond Standard. An advocacy plan will be elaborated and implemented, mainly towards the main federal authorities driving the institutional process (in particular the Finance Ministry) and to the Mexican private sector.

3.3 Mainstreaming

Environmental Protection & Climate Change

The final objective of this action is to support Mexico in the implementation of specific actions contributing to the green transition, reducing GHG emissions and thus achieving the country's NDCs under the Paris Agreement.

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)
The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)
The EIA (Environment Impact Assessment) screening classified the action as Category B (for which an EIA will be undertaken, as part of outputs 1.1 - 2.5.

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)
The Climate Risk Assessment (CRA) screening concluded that this action is at risk (climate risk will be addressed as part of an EIA for outputs 1.1 – 2.5.

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that Gender mainstreaming, as primary means to achieve gender equality has been integrated in the design of this action and will be a substantive objective throughout the implementation of the activities.
The EU is committed to gender mainstreaming in all policies and actions as a responsibility for all.
In this action, three minimum standards will be applied:
1. Conducting and using updated gender analyses to inform decision-making on future action and integrating these into all relevant activities;
2. Applying gender-sensitive and sex-disaggregated indicators and statistics to monitoring and evaluation;
3. Giving robust reasons, based on the findings of the gender analysis, to substantiate any activity deemed not to contribute to gender equality.

Human Rights
Human Rights Based Approach (HRBA) is integrated in the design of this Action and will represent a crosscutting issue throughout its implementation. The planning of clean urban mobility investments in the future will mainstream safety and human rights considerations. Particular attention will be given to the specific connectivity needs of most vulnerable populations, including indigenous people, and population living in remote areas and therefore subject to socio-economic exclusion. Furthermore, along the HRBA guidelines, elevating ESG standards in the country is expected to contribute significantly to the promotion of human rights through the private sector's efforts.

Disability
As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that urban mobility pre-investment studies as well as planning tools for mobility infrastructure will address the specific needs of disabled people. Updates to the transport units or infrastructure in urban centres (where most of the Mexican population is concentrated) will include as a necessary condition the analysis and concrete proposals to respond to

these specific needs and ensure no one is left behind. Moreover, attention will be paid that training activities, workshops, coordination meeting, events and seminars (related to activities 3.2 and 3.3) are accessible to those with disabilities.

Democracy
In line with the Global Gateway principle for democratic values and high standards to enhance sustainable connectivity, this action will support smart investments in quality infrastructure, based on the highest environmental and social standards. In this regard, good governance and transparency, which can only be achieved through informed planning and a consultative approach, will be key to build more resilient and inclusive connectivity in Mexico.

Conflict sensitivity, peace and resilience
N/A

Disaster Risk Reduction
A risk analysis will be carried out in the areas of action, possible disaster risks will be identified and categorized by probability level, and in the implementation of the action will take them into account in order to adapt or mitigate the risks.

Other considerations if relevant
This action mainstreams the green & digital (twin) transition approach, by addressing digitalization as a main enabler to achieve progress on the green agenda in Mexico. In particular, a cross-cutting strategy is proposed to plan for greener transport alternatives coupled with digital technologies conducive of a major shift towards sustainability in this sector. Digitalisation is expected to boost multimodal sustainable mobility solutions, with emphasis on interoperability.

3.4 Risks and Lessons Learnt

Category	**Risks**	**Likelihood (High/ Medium/ Low)**	**Impact (High/ Medium /Low)**	**Mitigating measures**
3 – People and the organization	Lack of interest from federal/sub-federal authorities to promote or implement green agenda projects. Lack of support due to political conflicts of federal government with state or local governments or between state governments with local governments	**Medium**	**High**	-Identification of appropriate stakeholders, eager to advance on the implementation of sustainable growth is fundamental. -Addressing particular issues at the appropriate level (municipal/state vs. federal) will allow building more effective alliances. -Promoting climate action as an opportunity of sustainable and resilient growth in particular for long-term investments.
2 – planning, processes and systems	Recurrent changes in administration entail a loss of continuity and hinder the effective	**Medium**	**Medium**	-Continuous political and policy dialogue at appropriate levels

	implementation of medium and long term projects			- Choice of specific actions based on overall, visionary policies and leadership during the project - Geographical targeting upon feasibility analysis, including political factors - Creating ownership of the project with public administration officials and civil society actors
	Political uncertainty reduces investors' appetite to address green challenges in Mexico	**Medium**	**High**	- Global approach to climate change, as a cross-borders challenge - Sustainability is operated through the growth angle and the green transition agenda becomes a growth opportunity for investors
3 – People and the organization	Resistance to the implementation of new technologies due to lack of knowledge or transparency on the part of public authorities or private operators	**Low**	**Low**	- Awareness and communication regarding the benefits of new technologies to reduce mistrust - Knowledge and experience transfer with operators having adopted and implemented new technologies in Europe and Latin America.
2- planning, processes and systems	Direct degradation of natural habitat due to construction activities; indirect degradation when access is created to remote, wild locations for settlers or poachers	**Medium**	**High**	-Environmental Impact Assessment studies -Avoiding transects through protected areas or other sensitive areas -Wildlife passages over/below rail tracks -Speed limits
3 – People and the organization	Human-induced hazards such as violence, civil unrest, displacement	**Medium**	**Low**	-Forward-looking studies, including social impacts -Comprehensive territorial approach, inserting sustainable mobility in a territorial planning strategy at State and federal level.
5 – external environment	Global economic issues severely impact the capacity of economic agents to invest in innovation and channel resources towards the green agenda	**High**	**Medium**	- Support the development of legal and economic incentives to make investments in the green transition agenda profitable for economic agents
5 – legality and regularity aspects	Global taxonomies related to sustainability advance much faster than the adaptation capacity of Mexican investors to absorb the trend and compete on international markets, becoming an	**Medium**	**Medium**	- Use adapted tools to evaluate the specificities of the Mexican market - Generate intermediary instruments to avoid excluding smaller economic actors with development potential if accompanied throughout the process

	exclusion factor, in particular for smaller businesses			
2 – planning, processes and systems	Economic actors use sustainability as another tool to raise additional capital and do not respect the standards (i.e. green washing, in particular after the issuance of the financial instrument)	**Medium**	**High**	-Accompanying investors before, during and after issuing a sustainable-related financial product ensures due diligence is performed at all stages -Including second-opinion party checks

Lessons Learnt:

This Action is innovative at two levels: first, it is the first large initiative financed by the European Union in Mexico in the transport and mobility sector, following only a few pilot projects previously implemented at state level. Second, the action proposes a comprehensive approach, including foresight towards both public and private capital to finance bankable projects that will contribute to achieve the objectives of the green and inclusive agenda. Therefore, the following are lessons learnt during the consultations and design of these actions.

- Define activities at the appropriate level (municipal, inter-municipal, state, federal) depending on the scheme of institutional responsibilities.
- Create alliances with determined stakeholders that ensure leadership throughout implementation and ownership of results for their sustainability
- Improve coordination and communication at results level among Team Europe Members working on sustainable and smart transport and mobility in Mexico to avoid duplication, and ensure complementarity from the design phase (i.e. support the preparation of bankable projects)
- Promote a cross-sector approach that fosters alliances between public and private sector on all levels, including the leverage of private and international finance
- Preparatory phases for future investments yield real results after the lifespan of the project.

3.5 The Intervention Logic

Due to its size, population and geo-political position, Mexico is an important global actor regarding climate change and environmental degradation, highly vulnerable and a key player in Latin America in order to pursue a more ambitious green transition of the region. However, the green agenda is not among the current federal political priorities, with a series of policies deterring innovation and investments in this sector, but certain engagement at States level[22] opens strategic windows of opportunity to advance at different levels in a comprehensive approach on sustainable growth.

The underlying intervention logic of this action is that, in order to support Mexico in enabling green transition in view of achieving its Paris Agreement[23] commitments (Overall Objective), it is necessary to address challenges in the transport and urban mobility sector as one of the highly polluting sectors and foster sustainable finance across economic sectors. In a highly urbanized country, boosting an interconnected and efficient railway system (SO1) as a competitive, smart and clean transport alternative has the potential of reducing sector emissions by as much as 20% across Mexico. Supporting cleaner, safer and smart urban mobility planning in big cities (SO2) will support States to grow in a sustainable way, integrating climate change in their long-term strategies and thus contribute to emissions' reduction. Finally, due to the low prioritisation at governmental level of green global challenges,

[22] Various Mexican states have recently displayed interest in promoting innovation policies for sustainable growth. In 2022, the Joint Research Centre of the European Commission collaborated with some of them (Aguascalientes, Colima, Hidalgo, Nuevo León), providing methodological support for the design of place-based innovation policies inspired by the Smart Specialisation methodology. Smart Specialisation has offered a valuable framework to better understand the domains in which Mexican states can build comparative advantages for a sustainable future.

[23] Including Article 2 (c) « Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. »

creating an enabling environment for Mexican private sector and international financial institutions to leverage sustainable investments (SO3) will be key to ensure the necessary financing of green transition in Mexico.

Outcome 1. In order to relaunch the latent Mexican railway sector, it is necessary to develop a comprehensive masterplan at national level, to recover existing infrastructure, establish a clean, safe, low-carbon, climate-resilient efficient, and interconnected network plan, adapted to the country's long-term growth outlook and promote the concrete economic, social and environmental benefits of a shift-to-rail policy. Moreover, financing the pre-investment analysis for two of the most important passenger railway routes in selected States, will generate analytical tools and high-standard methodologies, setting the ground for public or private investments, thus promoting the incremental use of trains as a greener, more efficient and more inclusive transport alternative.

Outcome 2. Supporting sustainable urban mobility projects in big cities includes enhancing de-carbonization and digitalization of public transport as well as the promotion of non-motorized alternatives through specific studies that define technical standards, best use of clean technologies equipment and system reforms. The States where this technical support will be implemented were selected in a demand-driven approach, based on their political engagement with the sustainable mobility agenda, the impact of proposed projects and their level of maturity. All these projects will contribute to the implementation or extension of zero-carbon transport corridors in urban centres, influencing the daily life of large portion of the population.

Outcome 3. As public investments remain short of covering the green agenda financing needs, creating an enabling environment for the private sector and international financial institutions to leverage large-scale sustainable finance is key in Mexico. Equipping investors with necessary tools to implement ESG standards policies across their activities, accompanying them in developing high-standards, innovative financial tools and promoting at the same time an institutional framework and taxonomy system on sustainability will determine a change of paradigm from considering green transition a challenge to seeing it as a profitable opportunity to become actors of sustainable development. There is a clear need to prepare this terrain and create an enabling environment to increase the chances of sustainable capital mobilisation in the future. This could unlock a significant financing potential, including through European Fund for Sustainable Development Plus (EFSD+) and bring Mexico on the track of green transition and sustainable growth.

The Action design and implementation will consider key enablers across the three components of the Action such as access to finance and social actors' involvement and digitalization. It will mainstream the human-rights based approach and gender considerations throughout the three components and will ensure reducing inequalities, avoid exclusion factors (i.e. connectivity of remote areas, accessibility of transport etc.) and benefit to the local people.

The action aims to contribute to Mexico's efforts, in mitigating and adapting climate change in particular at state level, progressing on the green transition path and adopting a sustainable growth strategy. This comprehensive approach to NDCs implementation will maximize the impact of EU contribution, adequately combining actions at different levels (federal, state, municipal), building alliances with strategic stakeholders and becoming Mexico's main partner in dealing with this global challenge in alternative ways, while paving the way for future alliances in the energy sector when conditions will allow it. In this sense, the Action will be the translation of the Global Gateway Strategy adapted to Mexico's profile and implemented through a strategic approach as Team Europe flagship initiative.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To support Mexico in pursuing a net decarbonisation path and enabling green transition and sustainable growth in view of complying with its climate targets under the Paris Agreement.	1. CO2 emission per unit of value added in transport sector (OPSYS Core indicator) 2. Contribution of the transport sector to the GDP	1.. 171 Mt CO2e – projected to 250 MtCO2e by 2030 2. 6,8 % by 2021	1 Max. 205 MtCO2e in 2026 2. TBD by 2026	1. Ministry of Environment reports, UNFCCC Secretariat data, NDC and its reports 2. National Economic statistics, Ministry of Transport and Communications and international organizations	*Not applicable*
Outcome 1	To boost railway transport in Mexico as a competitive, smart and sustainable mobility alternative for reducing sector GHG emissions at national level.	1.1. Financial amounts allocated to the development of the railway in Mexico.	1.1. TBC	1.1 TBD by 2026	1.1 ARTF and SICT[24] Data	Federal and States' authorities give priority to railway transport Large investments are channelled to this sector at federal level Green technologies are preferred.

[24] ARTF – Rail Transport Regulatory Authority and SICT- Federal Ministry of Transport and Communications

Outcome 2	To support smart and inclusive urban mobility planning, including the expansion of zero-emission transportation networks and digitalized services in the selected states of Mexico City, Nuevo Leon (Monterrey - Metrorey), Estado de Mexico, Queretaro and Yucatan.	2.1. Number of sustainable investments contracted for the green transport investment projects of Mexico City, Monterrey and Estado de Mexico 2.2. Number of green transport and mobility policy instruments adopted and implemented at State level in Queretaro and Yucatan	2.1. 0 by 2022 TBC 2.2. 0 by 2022	2.1. 3 investment projects are contracted by 2026 in the transport sector in the target States 2.1. 2 policy instruments are adopted and implemented at State level	2.1. Statistics and Annual Report of activity from Ministries of Environment/sustainable planning at State level; Ministries of Transport 2.2. Decisions of Yucatan and Queretaro admin-s on adoption and funding of the policy instruments supported by the Action	Target States prioritize transport and mobility under a sustainable and green approach, and plan for green investment budgets
Outcome 3	To boost green finance and investments in Mexico.	3.1 Number of private sector entities (investors, businesses, banks) having adopted and /or implemented comprehensive ESG strategies in Mexico, disaggregated by sector.3.2. Amount of green investments in targeted sectors, disaggregated by sector)	3.1. 0 by 2022 3.2. 0 by 2022	3.1. TBD in the inception phase 3.2. TBD in the inception phase	3.1. Companies, banks web-sites. 3.2. Information on the investment projects	Private sector develops an economic/business / competitiveness – related understanding of sustainability Conducive green economic development policies are pursued and funded.
Output 1 **relating to Outcome 1**	1.1 A comprehensive National Railway Masterplan for establishing an interoperable communication system in line	1.1.1 Status of the National Railway Masterplan.	1.1.1 No comprehensive national level plan is available by 2022	1.1.1 The National Masterplan is elaborated and discussed by the ARTF and SICT and	1.1.1 ARTF and SICT Database	ARTF counts on the institutional and financial resources to prioritize the strategic development of a

	with international standards is developed.			made available to the public by 2025		safe, green and interconnected railway sector in Mexico.
Output 2 **relating to Outcome 1**	1.2 Shift-to-rail strategy is promoted, though a competitive, safe and sustainable railway infrastructure, by making use of the existing network or planning new connexions where it is socially, economically and environmentally justified.	1.2.1 Number of pre-investment studies for the Naucalpan - Buenavista electric railway route discussed with the ARTF and SICT and available to public 1.2.2 Number of pre-investment studies for Xalapa, Veracruz railway route discussed with the ARTF and SICT and available to public	1.2.1 0 by 2022 1.2.2 0 by 2022	1.2.1. 10 comprehensive studies are elaborated to prepare investments 1.2.2 10comprehensive studies are elaborated to prepare investments	1.2.1 & 1.2.2 ARTF and SICT Database	Stable and credible climate for green investments in Mexico is enabled. Green technologies are incentivized, including with financial support by public, private sector or international financial institutions.
Output 3 relating to **Outcome 1**	1.3 Comprehensive pre-investment studies for Naucalpan – Buenavista and Xalapa – Veracruz passenger railway sections are available.	1. 3. 1.				
Output 1 **relating to Outcome 2**	2.1 Improved technical and administrative capacity of Metrorrey (Monterrey, Nueva Leon) to exploit the current fleet of electrical buses	2.1.1. Number of electric public transport charging units planned for operation in Monterey 2.1.2. Status of detailed design and construction documents for Metrorrey charging system	2.1.1 None by 2022 2.1.2. None by 2022 2.1.3. None by 2022	2.1.1 50 additional charging units are planned in Monterrey 2.1.2. Design and construction documents are ready, were quality checked by a competent	2.1.1 Movilidad y Planeación Urbana, Metrorrey (Nuevo León) 2.1.2. Design documents, quality check conclusion and	States are allowed to take loans for transport and infrastructure investments with greening potential.

		2.1.3. Status of digitalisation of Metrorrey's business processes 2.1.4. Status of digitalisation of public procurement system in Monterrey (**GERF 2.12)	2.1.4. None by 2022	authority and discussed with Metrorrey with the support of the Action 2.1.3. Done with the support of the Action 2.1.4. Done with the support of the Action	minutes of discussion 2.1.3. and 2.1.4. Protocol of establishment, testing and acceptance of the new IT system	Green technologies are adopted in transport sector design and exploitation standards Sustainable transport and mobility strategies at State level are adopted/ to improve life in urban centres States develop public-private partnership schemes for infrastructure projects
Output 2 **relating to Outcome 2**	2.2 Improved technical capacity of Mexico City administration for expansion of its zero-emission transport networks	2.2.1. Status of pre-investment study, including detailed design and construction documents for the expansion of the zero-emissions trolleybus corridor Line 1 2.2.2. Status of pre-investment studies, detailed design and construction documents for an electric bus corridor in Xochimilco	2.2.1. None by 2022 2.2.2. None by 2022	2.2.1. Done, quality checked by a competent authority and discussed with Mexico City administration 2.2.2. Done, quality checked by a competent authority and discussed with Mexico City administration	2.2.1 Design, construction documents and minutes of discussion SEMOVI (CDMX) 2.2.2. Design, construction documents and minutes of discussion	
Output 3 relating to Outcome 2	2.3. Improved technical and administrative capacity of Estado de Mexico to improve air quality at State level.	2.3.1. Status of the feasibility study and implementation plan for a low emission zone (LEZ) in Tlalnepantla and neighbouring five municipalities.	2.3.1. None by 2022	2.3.1. Done and discussed with Estado de Mexico authorities	2.3.1. The study with implementation plan and discussion minutes	

		2.3.2. Status of feasibility of inter-municipal cycling route 2.3.3 Status of feasibility of a high-standard "Natural Corridor" between Rio de los Remedios and San Pedro Barrientos				
Output 4 relating to Outcome 2	2.4. Improved technical and administrative capacity of the State of Queretaro for developing sustainable mobility	2.4.1. Status of the draft Sustainable Mobility Strategy for Queretaro	2.4.1. None by 2022	2.4.1. Sustainable Mobility Strategy is completed and adopted by the State of Queretaro.	2.4.1.Official Journal.	
Output 5 relating to Outcome 2	2.5. Improved technical and administrative capacity of Yucatan State for decarbonisation of the transport sector	2.5.1. Status of the draft Action Plan for the decarbonisation of the transport sector in Yucatan.	2.5.1. None by 2022	2.5.1. The Decarbonization of the Transport Sector in Yucatan is completed and adopted.	2.5.1. IMDUT Annual Activity Reports.	
Output 1 **relating to Outcome 3**	3.1.1 Improved capacity of businesses, investors and financial institutions for formulation, implementation and monitoring of Environmental, Social and Governance (ESG) principles and their operationalization in market activities.	3.1.1 Number of individuals (private sector representatives, CEOs, ESG-responsible) trained by the programme with increased knowledge and skills on ESG strategies, international standards, disaggregated by sector, company, institution, sex (**GERF 2.14) 3.1.2. Number of institutions which start adopting an ESMS from scratch or with progress in implementing their ESG or E&S system and have run pilot case on some investment projects	3.1.1. 0 by 2022 TBD in the inception phase	3.1.1. 400 2026 TBD in the inception phase	3.1.1. Pre- and post-training tests, sign in lists	ESG standards gain international traction in the Latin America and Caribbean region among financial institutions, funds and joint investment platforms Mexican private sector absorbs sustainability as a competitive

		3.1.3. Number of sectoral association of specialised network activities supported (Equator principles, FC4S, NGFS, Chamber of Commerce, Banking association or others)				advantage to make business Mexican authorities show openness to align to international standards in terms of sustainability Financial institutions / real sectors include green financing into their agenda and improve internal capacities and business processes.
Output 2 **relating to Outcome 3**	3.2. Improved capacity of businesses, investors and financial institutions for developing and issuing ESG-based debt and capital financial products.	3.2.1. Number of companies, investors personnel trained on ESG-based debt and funding, disaggregated by company, investor, debt and funding (**GERF 2.14) 3.2.2 Number of companies and investors supported in the structuring, issuance and monitoring of sustainable financial products , disaggregated by companies, investors / type of product 3.2.3 Number of new green financial products offered in Mexico financial market 3.2.4 Resources mobilized through sustainable financial products; identification of national investors (pension funds, insurers) to promote a local financial ecosystem	TBD in the inception phase	TBD in the inception phase	3.2.1. Participation lists 3.2.2. Specific projects' reports by companies and investors; projects' reports 3.2.3 & 3.3.3 Public financial data, IDBI reports	
Output 3 **relating to Outcome 3**	3.3. Improved knowledge of stakeholders on an institutional framework and high-standard	3.3.1. Status of the Mexican Taxonomy / Mexican strategy on sustainable finance	3.3.1; Mexican strategy on	3.3.1. A national Mexican taxonomy is	Ministry of Finance declarations,	

	taxonomy system for sustainable finance.	3.3.2 Number of key documents to elaborate progress on the Mexican Taxonomy 3.3.3 Number of high-level promotion events, workshops, national, regional or international forums in Mexico focusing on the exercise of preparing a national Taxonomy and more widely a Sustainable Finance strategy, including peer-to-peer learning events.	sustainability is in incipient phase TBD in the inception phase	adopted and institutionalized TBD in the inception phase	reports, Official Journal	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

4.3.1 Direct Management (Procurement)

A part of this Action will be implemented in direct management (procurement) in order to achieve the following objectives and results:

Specific Objective 1: Boost railway transport in Mexico as a competitive, smart and sustainable mobility alternative to reduce sector GHG emissions at national level.

Outputs:

1.1 A comprehensive National Railway Masterplan for establishing an interoperable communication system in line with international standards is developed.

1.2 Shift-to-rail is promoted, though a competitive, safe and sustainable railway infrastructure, by making use of the existing network or planning new connexions where it is socially, economically and environmentally justified.

1.3 An incremental use of railway network is promoted through new passenger systems, fostering sustainable economic and social development and improving the population's quality of life.

1.4 Comprehensive pre-investment studies for Naucalpan – Buenavista and Xalapa – Veracruz passenger railway sections are available.

4.3.2 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- In terms of nature of the action, the entity has demonstrated experience in implementing EU funded actions with a significant component of technical assistance
- The entity's leadership in working with private sector actors is recognized at national and/or regional level
- The entity's know-how and expertise in financial sustainable products is demonstrated through previous successful projects
- The entity is a recognized member of national coordination platforms on green financing

The implementation by this entity entails the implementation of the indicative activities relating to *Outcome 3: Create an enabling environment for Mexican private sector and international financial institutions to leverage large-scale sustainable (green and inclusive) investments.* The expected results are to contribute to the mobilization of sustainable capital in Mexico, designing innovative sustainable financial products and promote a high standard taxonomy on sustainability, in line with European and other international frameworks.

A part of this action may be implemented in indirect management with the International and Ibero-American Foundation for Administration and Public Policies (FIIAPP). This implementation entails the implementation of the indicative activities relating to *Outcome 2: Clean, smart and inclusive urban mobility planning is supported in urbanized centres, through sustainable and integrated transport alternatives, coupled with digitalization and automatization measures for inter-connected and safe services.* The expected results are to support with technical assistance selected States in Mexico in the preparation of sustainable urban mobility projects, contributing to the reduction of GHG emissions in the sector.

The envisaged entity has been selected using the following criteria:

- Previous experience in implementing technical assistance at state level in the transport and mobility sector in Mexico
- Capacity to identify and create alliances with relevant stakeholders and develop a solid network basis to ensure sustainable results in view of policy changes in Mexico
- Solid national experience in the decarbonisation of the transport sector and strategic planning for clean, safe and smart as well as inclusive mobility in urban centres
- Demonstrated capacity to coordinate actions in a Team Europe approach

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.3.1.

4.3.3 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.4 Indicative Budget

Indicative Budget components	**EU contribution (amount in EUR)**	**Third-party contribution, in currency identified**
[Objective 1/Outputs 1.1.,1.2, 1.3 and 1.4.] To boost railway transport in Mexico as a competitive, smart and sustainable mobility alternative for reducing sector GHG emissions at national level composed of	5 000 000	
Procurement (direct management) – cf. section 4.3.1	5 000 000	

[Objective 2/Outputs 2.1, 2.2, 2.3, 2.4 and 2.5]: To support smart and inclusive urban mobility planning, including the expansion of zero-emission transportation networks and digitalized services in the selected states of Mexico City, Nuevo Leon (Monterrey - Metrorey), Estado de Mexico, Queretaro and Yucatan. composed of	3 000 000	
Indirect management with FIIAPP cf. section 4.3.2	3 000 000	
[**Objective 3 /Outputs 3.1, 3.2 and 3.3]** To boost green finance and investments in Mexico composed of	1 000 000	
Indirect management with a pillar assessed international organisation- cf. section 4.3.2	1 000 000	
Evaluation – cf. section 5.2 **Audit** – cf. section 5.3	(covered by another Decision)	N.A.
Contingencies	N.A.	N.A.
Totals	9 000 000	

4.5 Organisational Set-up and Responsibilities

A high-level Project Steering Committee (PSC) composed of: the Representative of ARTF (Agencia Reguladora de Transporte Ferroviario), the Transport and Communications Ministry at federal level (SICT), the Infrastructure Commission of the federal Mexican Congress, representatives of the Transport and Mobility Ministries from Mexico City, Nuevo Leon, Estado de Mexico and Queretaro, representative of the Delegation of the European Union in Mexico and the implementing partners will be established to provide strategic guidance and to oversee overall project implementation. EU Member States and members of the "Team Europe Initiative for a green and inclusive transition in Mexico" may be invited as observers. Other organizations funding or implementing similar projects may also be invited. Each PSC meeting will take place in two phases, one dedicated to transport and mobility and another dedicated to sustainable finance. The responsibility of organising the PSC meetings will lie with the implementing partners.

A Project Operational Committee (POC) will be established to oversee the implementation of the activities, budget execution and assess performance of each contract. It will meet every 6 months and will include internal or external sessions, according to necessity, the latter involving all government/public or private actors included in this action. The organization of these meetings lies with the implementing partners.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the

logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

For each contract, the implementing partner shall have the responsibility of monitoring and reporting on the progress of the implementation at the corresponding output and outcome level on a yearly basis. Detailed logical frameworks may be developed at contract level in accordance with the monitoring system of the implementing partner.

Each implementing partner will provide annual narrative and financial reports, covering all activities, accomplishments, and financial performance. Reports will provide an accurate account of implementation to date, difficulties encountered, changes introduced, as well as the degree of achievement of its results (direct outputs and outcomes) as measured by corresponding indicators, using as reference the log frame matrix and the list of result indicators. The implementing partner may propose updates to the logframe and agree with the Contracting authority new targets throughout the project and upon duly justified request.

Final consolidated narrative report, after the completion of each contract, must be provided no later than three months after the operational closure of the activities. Relevant information collected will be also shared during Project Steering Committee and Project Operational Committee meetings.

Results at outcome and impact level will be communicated by the EU to the Team Europe members on an annual basis and will be integrated in the monitoring framework for the Initiative on a Green and Inclusive Transition in Mexico.

5.2 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components through a joint mission contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the action aims to leverage sustainable financing and support bankable projects.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entities'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as:

Contract level		
x	Group of Contracts 1	Service Contract 1 (covering outputs 1.1-1.4) Service Contract 2 (supporting technical assistance)
x	Single Contract 2	Sustainable urban mobility actions at state-level in Mexico
x	Single Contract 3	Fostering sustainable finance in Mexico