BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>P172863</td>
<td>COVID-19 Financial Access DPF (P172863)</td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>Estimated Board Date</td>
<td>Practice Area (Lead)</td>
<td>Financing Instrument</td>
</tr>
<tr>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td>19-May-2020</td>
<td>Finance, Competitiveness and Innovation</td>
<td>Development Policy Financing</td>
</tr>
<tr>
<td>Borrower(s)</td>
<td>Implementing Agency</td>
<td>Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público)</td>
<td></td>
</tr>
</tbody>
</table>

Proposed Development Objective(s)

Contribute to the government’s efforts to: (i) support liquidity in the financial sector, and (ii) establish instruments for improved financial access.

Financing (in US$, Millions)

**SUMMARY**

<table>
<thead>
<tr>
<th>Total Financing</th>
<th>1,000.00</th>
</tr>
</thead>
</table>

**DETAILS**

<table>
<thead>
<tr>
<th>Total World Bank Group Financing</th>
<th>1,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank Lending</td>
<td>1,000.00</td>
</tr>
</tbody>
</table>

Decision

The review did authorize the team to appraise and negotiate
B. Introduction and Context

Country Context

1. The proposed Development Policy Financing (DPF) supports part of the authorities’ response to the economic and social crisis unraveled by the COVID-19 global pandemic. Beyond the health and livelihood consequences, which are massive, the COVID-19 pandemic brings a supply and demand shocks to the economy, with trade, investment, financial, fiscal, employment, and social consequences that will generate deep impacts across firms and households. In these times of crisis, support for firms to protect jobs as well as programs to boost household incomes are critical. It is equally important to have liquidity in the financial system and efficient digital financial channels and platforms to pass-through that support while eliminating bottlenecks that hamper a fluid access to/and intermediation of resources.

Relationship to CPF

2. The proposed operation is fully aligned with the new Country Partnership Framework (CPF) 2020–25 approved by the Board in February 2020. Specifically, the proposed operation contributes to Objective 1 of the CPF, “foster financial intermediation and inclusion”. The operation is also based on the findings of the 2016 Financial Sector Assessment Program (FSAP) and follows a Financial Inclusion Development Policy Financing (DPF) operation (P167674) approved in June 2019.

C. Proposed Development Objective(s)

3. The development objective is to contribute to the government’s efforts to: (i) support liquidity in the financial sector, and (ii) establish instruments for improved financial access.

Key Results

4. In summary, supported prior actions are expected to: (i) support liquidity of the financial sector; (ii) boost financial inclusion among teenagers between 15 to 17 years old; (iii) facilitate and expand the usage of electronic payments between individuals and businesses; (iv) enable the sound development of the Fintech industry; (vi) promote women access to finance; (vii) contribute to increase financial literacy and capability of children and youth; and (v) reduce the incidence of fraud and thus create more trust in the financial system.

D. Project Description

5. The proposed DPF supports critical policy and institutional measures carried out by the authorities focused on: enabling banks' access to liquidity facilities, easing access to the financial sector for firms and individuals, particularly underserved groups like youth and women; fostering financial education; and enabling innovation and competition in an industry that is critical to support domestic demand. This operation also supports policies needed to help in the construction of a robust and unique identification system that can help in the dispersion of social support payments which is critical in the current context.
E. Implementation

Institutional and Implementation Arrangements

6. **The preparation of this operation is being led by the SHCP.** The SHCP, in close coordination with Banxico, CNBV and other supervisory authorities, will take the lead in monitoring progress and implementation of this operation, with ongoing support from the World Bank. The operation’s outcomes will be monitored through the measurement of the indicators included in the policy matrix. The indicators seek to assess progress towards the implementation of the reforms supported by the proposed DPF and will be evaluated one year following the approval of the Loan.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

7. **The prior actions supported by this operation are not likely to have any negative poverty, social or distributional effects in the short term, but rather contribute to positive effects in these areas over the short and medium term.** Information from several surveys on financial inclusion and the use of technology in Mexico was gathered to inform this analysis. In addition, a literature review of the empirical evidence on potential impacts of the reforms has been gathered, including academic research papers and previous evaluations by the World Bank and other multilateral organizations.

Environmental, Forests, and Other Natural Resource Aspects

8. **The prior actions supported under this operation are not expected to cause significant effects on the environment, forests and other natural resources.** Indirect positive environmental effects are associated with reduced need for travel due to increasing opportunities for the use of electronic payments.

G. Risks and Mitigation

9. **The overall level of risk for the proposed operation is assessed as Substantial.** Mexico faces significant external and domestic risks. There is a high degree of uncertainty as to the duration of the COVID-19 pandemic in Mexico, and the specific long-term impact on economic, social, and health ramifications.

CONTACT POINT

**World Bank**

Patricia Caraballo
Senior Financial Sector Specialist
Borrower/Client/Recipient

United Mexican States
Jose de Luna Martinez
Titular Crédito Público
jose_deluna@hacienda.gob.mx

Implementing Agencies

Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público)
Jose de Luna Martínez
Titular Crédito Público
jose_deluna@hacienda.gob.mx

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s): Patricia Caraballo

Approved By

Country Director: Pablo Saavedra
30-Mar-2020