



Mexico Credit Enhancement Platform for Sustainable and Resilient Transport (P181737)

Environmental and Social Review Summary Concept Stage

(ESRS Concept Stage)

World Bank Performance Standards (OP 4.03)



BASIC INFORMATION

A. Basic Project Data

Project ID	Financing Instrument	Environmental Assessment Category	Team Leaders
P181737	Guarantee	[FI-1]	Abel Lopez Dodero, Bettina Bettina Christina Barbara Winstel, Joanna Charlotte Moody
Approval Date	Bank / IFC Collaboration	Estimated Closing Date	Estimated Guarantee Expiry Date
10-July-2025	No	31-July-2031	30-Jun-2039
Practice Manager/Manager	Global Practice Director	Country Director	Regional Vice President
Bianca Bianchi Alves	Nicolas Peltier-Thiberge	Mark Roland Thomas	Carlos Felipe Jaramillo

Proposed Development Objective(s): The Project Development Objective (PDO) is to reduce market barriers and increase access to sustainable and resilient transport infrastructure in Mexico.	
Financing (in USD Million)	Amount
IBRD Payment/Security Guarantee	1,000.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

NO



C. Summary Description of Proposed Project [including Project structure, components, activities, technical design, flow of funds, etc.]

The proposed Project consists of a single component that supports the establishment of a Credit Enhancement Platform (Plataforma de Mejora Crediticia, PMC) within FONADIN. IBRD's support would be structured and made effective conditional, amongst others, on the: (a) establishment of a PMC Manager within FONADIN; (b) development of a project pipeline with predefined risk profiles; (c) adoption by the PMC Manager of an environmental and social management system that adheres to the World Bank Performance Standards for Private Sector Activities (OP 4.03); and (d) approval of a Project Operations Manual detailing the institutional and governance arrangements between the different stakeholders as well as FONADIN's reporting obligations to IBRD.

Implementation arrangements. BANOBRAS would establish the "PMC Manager" under FONADIN that would be responsible for the implementation of the Project. The PMC Manager would ensure Sub-Project compliance with Bank guidelines and policies including standards for environmental, social, and governance (ESG) practices. This would also include all processes and procedures from project selection, due diligence, implementation and monitoring arrangements including reporting on project indicators related to eligible sub-projects. This would be defined in the Project's Operations Manual that would be developed in consultation with SHCP.

D. Scope of application of Performance Standards (PSs) [and Environmental and Social Standards (ESSs), if relevant]

Please indicate if both Performance Standards (PSs) and Environmental and Social Standards (ESSs) apply to the project. If so, indicate which components/activities/aspects of the project and the timing of private sector and public sector engagement.

The Project will fully apply World Bank Performance Standards, Operational Policy 4.03 – Performance Standards for Private Sector Activities – given that the financial intermediary activities to be financed by the intermediary and supported by the Bank are to be implemented by Private Entities operating either wholly on commercial terms or under public-private partnership (PPP) arrangements. Given that the project design provides guarantees in order to attract private finance to infrastructure investments through concession agreements nationally, the beneficiaries of the guarantees will be private lenders, who in turn are supporting private companies. As such, all activities to be supported through the project are expected to be private sector led, and therefore the PSs apply in full.

As an FI and guarantee platform, the Project will utilize the existing environmental and social risk management system within the Apex FI (FONADIN/BANOBRAS), known as the System for Administration of Environmental and Social Risks (SARAS, in Spanish). The SARAS will serve as the Project's Environmental and Social Management System (ESMS) and during Project preparation will be subject to a due diligence assessment to ensure adequacy in its ability to identify, assess, manage and monitor environmental and social risks and impacts of FI subprojects in a manner consistent with the WB PS. Where gaps exist in the existing system vis a vis the WB PS, the SARAS will be strengthened to bridge these gaps.

E. Environmental and Social Overview

E.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The primary objective of the FGF is provide guarantees to FONADIN/BANOBRAS to facilitate capital mobilization to support its mission to financially support private activities in the form of concessions under one of the three options outlined above. It is important to note that the final specific FI and PFI subprojects in different sectors (expected to be



mainly transport and energy) are not known at this time, and they are only expected to be finalized during the implementation stage of World Bank guarantee support. Similarly, eventual PFIs who will act as subproject financiers are currently not known.

The projected FI subprojects will be implemented across Mexico, likely mainly in urban and peri-urban areas. The FGF is expected to support subprojects through PFIs in different sectors at the subnational level. Financing of diverse civil works is planned, although their sectoral focus, size and implied risk and impact will be determined at a later stage during project implementation.

E. 2. Client's Organizational Capacity/Borrower's Institutional Capacity

The National Trust Fund for Infrastructure (FONADIN) is a trust fund within Mexico's National Bank for Public Works and Services (BANOBRAS, in Spanish) with the purpose of financially supporting infrastructure concessions. FONADIN performs its functions through BANOBRAS, which serves as the trustee. BANOBRAS-FONADIN has previously implemented a Bank-financed project "MX Urban Transport Transformation Project" (UTTP; P107159) from 2010-2019. Since its creation in 2008, FONADIN has built capacity on environmental and social risk management and implementation of the Bank safeguard policies: under UTTP, FONADIN adopted an Environmental and Social Management Framework (ESMF; *Marco de Ambiental y Social para el Transporte Urbano*, MASTU in Spanish), which was endorsed by the Bank and applied to projects within FONADIN's portfolio, regardless of whether they received UTTP financing or were supported by non-reimbursable resources from a FONADIN subprogram called PROTRAM.

Since 2021, BANOBRAS has rolled out its Environmental and Social Risk Management System (SARAS), a set of policies, procedures and methodologies, based on compliance with the current legal framework on environmental and social issues and international best practices, to identify, assess, mitigate and reduce environmental and social risks associated with BANOBRAS-financed projects or activities. Within BANOBRAS, the Environmental and Social Management Unit (UGAS) is the area responsible for the operation of the SARAS.

As part of the Bank's due diligence during project preparation once implementation arrangements have been confirmed, a full assessment of SARAS as well as UGAS' institutional capacity for proper E&S management will be conducted. The assessment will identify needs for capacity building, staffing, equipment and training to operate the ESMS measures and actions and ensure supervision of and reporting on the ESMS implementation. The assessment will consider the: (i) gaps between Mexican law, the SARAS, and Performance Standards; (ii) ability of the BANOBRAS-FONADIN technical team to effectively manage and operate the SARAS in line with the relevant PS objectives, and (iii) SARAS capacity to monitor and report on the preparation and implementation of management instruments throughout the FI subproject cycle and across the BANOBRAS-FONADIN portfolio. Any necessary capacity strengthening measures will be set out in a time-bound Environmental and Social Action Plan (ESAP) forming part of the Project's Legal Agreement.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

Environmental and Social Categorization - CATEGORY A, B, C; FI-1, FI-2 and FI-3

The Project has been categorized as "FI-1" (equivalent to "High" under the WB's Environmental and Social Framework or Category A under the previous Operational Policies). This categorization is based on information available to date regarding Project scope, which indicates that (depending on final Project options listed above) the proposed portfolio for Project is expected include guarantees primarily for infrastructure projects that could have significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented. During Project



preparation, the Bank will assess the SARAS and identify any required strengthening measures to ensure adequate risk assessment and management in a manner consistent with the WB PS. This assessment will include eligibility criteria outlining projects or activities that will be excluded from guarantee eligibility and a mechanism to review and categorize all potential sub-projects based on their potential environmental and social (E&S) risks and impacts. Final environmental and social risk categorization will be made in the Appraisal-stage Environmental and Social Review Summary, taking into account all available information regarding Project design (Options 1, 2, or 3), priority sectors, eligibility criteria for supported FI investments in those sectors, as well as institutional capacity to identify, assess, manage and monitor risks and impacts in a manner consistent with WB PS.

III. APPLICABLE STANDARDS

A. Performance Standards

PS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of application of PS1:

PS1 is relevant for the project. The subprojects subject to FGF guarantees will only start to be defined during project implementation, and they are expected to cover both rehabilitation of existing infrastructure and construction of new infrastructure across a range of sectors, principally transport and energy.

The E&S screening during Concept stage has identified that key risks and potential impacts during the project cycle are likely to include diverse construction related risks and impacts associated with infrastructure development and operation. At the same time, based on current knowledge of Project parameters, a number of positive E&S impacts are also expected. These include potential (i) increased resource efficiency and GHG emission reductions particularly in transport and energy, as the road systems get better maintained and infrastructure in Mexico improves; (ii) improved public transport systems (trains, BRT, etc.); (iii) more inclusive infrastructure (e.g., disability inclusive); as well as (iv) increased job creation and improvements of public infrastructure such as public transport that will benefit the poorer parts of the population who traditionally rely more heavily to public transport services.

In order to address key risks and impacts identified during Project preparation, FONADIN through BANOBRAS will be required to apply its ESMS (SARAS) and to strengthen this system by filling any gaps identified during the due diligence assessment to be carried out by the Bank team. This assessment aims to ensure the SARAS adequately identify, assess, manage, and monitor the E&S risks and impacts of subprojects benefitting from FGF guarantees on an ongoing basis throughout identification and implementation of the subprojects. The ESMS will be commensurate to the nature and magnitude of the potential risks and impacts, types of financing, and the overall risk aggregated at the portfolio level.

FONADIN, through BANOBRAS, will need to have at least a minimum criteria ESMS (based on its SARAS) in place and described in a disclosed Appraisal Stage ESRS prior to Appraisal, accompanied by a strong Environmental and Social Action Plan (ESAP) that describes the necessary SARAS strengthening measures including human and budget resources that must be operational before concession agreements benefitting from the guarantee can be awarded. If the due diligence of SARAS reveals that BANOBRAS-FONADIN lacks the capacity to manage the environmental and social aspects of all the subprojects to be benefited by the guarantee through its SARAS, the team will explore alternative options during preparation, including requirements for PFIs to have ESMSs that align with the PS, keeping in mind efficiency considerations that determine which Project design option will be selected. In these scenarios, ESMSs would undergo due diligence assessment before the concession is awarded, and only PFIs with acceptable ESMSs will be eligible to benefit from the FGF guarantee. Furthermore, during project preparation, the roles and responsibilities for environmental and social due diligence as well as ongoing supervision/monitoring of subprojects will be fleshed out, including the role of BANOBRAS-FONADIN as well as the roles of the PFIs who may, in turn, be required to demonstrate



appropriate E&S Management Systems and capacity to carry out their respective E&S functions in accordance with the WB PSs and depending on final Project design

BANOBRAS-FONADIN will prepare, as part of the ESMS, guidelines that outline general principles for the identification of affected communities and other relevant stakeholders and for conducting consultations with them at the subproject level. Critical stakeholders might include Indigenous Peoples, Afrodescendant communities, women of all ethnicities, and other vulnerable groups. The ESMS will also include a plan for a stakeholder engagement process compatible with PS1. Similarly, the ESMS will also include procedures for external communications on E&S matters proportionate to the potential risks and impacts of the FGF portfolio and a Grievance Redress Mechanism (GRM) through which feedback will be solicited, recorded and monitored. Primary stakeholders of the Project beyond BANOBRAS-FONADIN are private sector entities, including private banks serving as PFIs as well as project developers or SMEs who would be guarantee beneficiaries under the Project. Other potential stakeholders could include subnational governments, labor representation and unions, and other civil society organizations (CSO) involved in representation of enterprises and employees. Affected Communities and populations are other critical stakeholders once subprojects have been defined.

PS 2 Labor and Working Conditions

Overview of the relevance of PS2 for the project:

PS2 is relevant, since the Project will likely guarantee financing of infrastructure rehabilitation or construction across various sectors. SARAS provisions related to labor management and Labor Management Procedures (LMP) will be assessed for their consistency with the requirements of PS2 and Mexican labor laws and regulations. Such LMP should include: (1) labor management requirements for employees of FONADIN, including aspects related to working conditions and terms of employment, non-discrimination and equal opportunity, a workers' GRM and occupational health and safety; (2) similar requirements for participating FIs to incorporate labor provisions consistent with PS2 into their ESMSs; and (3) labor management requirements of subproject developers and contractors involved in the FI subprojects participating in the guarantee platform, including procedures relating to working conditions and terms of employment, nondiscrimination and equal opportunity, ethics code, foreign labor influx, gender based violence, workers' GRM, and occupational health and safety requirements.

PS 3 Resource Efficiency and Pollution Prevention and Management

Overview of the relevance of PS3 for the project:

PS3 is relevant, since the Project is likely to guarantee financing of infrastructure rehabilitation or construction, principally in transport and energy. Sectoral application will be reassessed during Project appraisal, although subprojects subject to guarantee are not expected to be known until Project implementation. Based on current information on assumed sectoral focus as well as the eligibility of potentially large-scale subprojects, infrastructure construction and operation processes may present risks of environmental contamination and degradation of natural resources (soil, water, air, biodiversity or ecosystem services) and generate potentially significant impacts if they are not adequately identified and mitigated. Such impacts may include, for example, air pollution during excavations and earthworks; generation of greenhouse gases; soil degradation due to inadequate management of machinery, equipment, fuel and construction waste; wind and water erosion; water pollution due to sedimentation, fuel and waste carryover impact on the topography of the terrain due to the exploitation of borrow pits; degradation of river and stream channels due to resources extraction; generation and inadequate handling and disposal of waste materials including hazardous wastes, among others.



The SARAS will be assessed to ensure it considers the expected types of risks and impacts at a sectoral level and establishes the applicable general requirements for impact assessment and mitigation as appropriate, considering country context and legislation, international good practice, as well as capacities at different levels of stakeholders and contributing agencies. The SARAS should also include specific measures to prevent and mitigate pollution or degradation of natural resources when handling hydrocarbons (oil and gas) for equipment in construction activities. The use of water, energy and raw materials should be assessed in light of the mitigation hierarchy to ensure efficient use and management of all types of material, including waste. The SARAS should also reflect the quantification and reporting requirements for greenhouse gas emissions.

PS 4 Community Health and Safety

Overview of the relevance of PS4 for the project:

PS4 is relevant at concept stage. Potential subprojects will include civil works, including rehabilitation or construction of new infrastructure, which may result in negative impacts on community health and safety. Some risks could relate to labor influx, including conflict between workers and communities and the spread of transmissible diseases; work-related health risks; road safety issues; community exposure to excessive noise and dust levels, lack of awareness of site safety and access restrictions; Gender Based Violence (GBV)/sexual exploitation and abuse (SEA); and harassment risks. All these risks/impacts will be managed through the ESMS in FONADIN/BANOBRAS and to be verified during preparation.

The private sector developers of the projects will be required to employ measures to control labor influx risks in line with PS4, as well as the related IFC/IBRD Good Practice Note. Furthermore, infrastructure shall be designed and built with due considerations to safety, universal access, seismic and natural disaster considerations, among other relevant considerations in light of PS 4 requirements.

PS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Overview of the relevance of PS5 for the project:

PS5 is relevant for the project as guaranteed subprojects may include construction or rehabilitation of infrastructure, thus, they may cause physical and economic displacement to formal or informal occupants. To mitigate social risks and impacts, the SARAS will provide an Exclusion List that will be used to screen projects for particular PS5-related large scale risks and impacts. Projects in areas with potential land disputes (present and historical, including communities displaced by conflict with legitimate land claims in their places of origin) and projects causing adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation by Indigenous Peoples will be excluded.

In case resettlement occurs or economic assets are lost temporarily or permanently, the SARAS will be assessed for their procedures to provide for a process of stakeholder engagement timely and in an inclusive manner. However, there could be cases where for some parts of the population these arrangements might be involuntary. In those cases, the applicable provisions will include requirements for compensation for physical resettlement and economic loss consistent with PS5. It will also describe the process for resolving disputes that may arise in relation to the land acquisition/resettlement or adverse impacts and corresponding mitigation measures in coordination with the corresponding Government agency responsible for handling involuntary resettlement and paying compensations.

PS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Overview of the relevance of PS6 for the project:



The standard is relevant. Based on current information, it is foreseeable that some FI subprojects could (i) be located in or near natural or critical habitats; or (ii) potentially impact on biological diversity and ecosystem services over which the private partner under the supported concession agreements has direct management control or significant influence. The Exclusion List will exclude subprojects that would lead to potentially significant impacts to biodiversity, critical habitats or ecosystem services, to be more precisely articulated during the course of Project preparation.

The SARAS' procedures related to PS6 will be assessed to ensure they provide a process for identification of relevant risks and impacts in line with PS1 and PS6 to consider direct and indirect project-related impacts on biodiversity and ecosystem services and identify any significant residual impacts. The process will consider relevant threats to biodiversity and ecosystem services, especially focusing on habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, and pollution. It will also take into account the differing values attached to biodiversity and ecosystem services by Affected Communities and other stakeholders as appropriate.

PS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

Overview of the relevance of PS7 for the project:

PS7 is currently relevant. Although it is expected that subprojects will be implemented mainly in urban areas, where Indigenous Peoples as defined by PS7 are commonly not present, eventual subproject sites are not known at this stage. Therefore, they could occur in IP areas. In order to mitigate adverse social impacts on IP groups, the Exclusion List will ensure that projects do not build in areas with potential land disputes (present and historical, including communities displaced by conflict with legitimate land claims in their places or origin), and that projects avoid adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation by Indigenous Peoples. Furthermore, the SARAS will provide guidance for the development of Indigenous Peoples Plans (IPPs) at subproject levels (where applicable) to mitigate risks and impacts, provide culturally appropriate benefits and inclusive consultations with project affected communities and IP groups before construction.

PS 8 Cultural Heritage

Overview of the relevance of PS8 for the project:

PS8 is relevant. Based on current information regarding Project scope, eventual construction or rehabilitation works may affect known cultural resources or uncover tangible cultural resources. To mitigate and manage risks and impacts to cultural heritage, the ESMS will include management measures to avoid impacts on known cultural resources and damage or loss of any related chance finds, for which procedures commensurate with the requirements of PS8 will be set out.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
<i>Explanation: Not relevant</i>	
OP 7.60 Projects in Disputed Areas	No
<i>Explanation: Not relevant</i>	



III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

Other Relevant Project Risks

Overview of all potential risks of relevance for the project that may impact the environmental and social assessment:

A. Is a common approach being considered?

No

n/a

B. Proposed Measures, Actions and Timing (Borrower's commitments)

Actions to be completed prior to Project Appraisal:

- Complete due diligence of the BANOBRAS/FONADIN ESMS, identifying gaps and defining a time-bound Environmental and Social Action Plan for gap closure to be described in the Appraisal Stage ESRS and set out in the negotiated ESAP.
- Disclose a summary of the BANOBRAS/FONADIN ESMS.
- Establish list of/criteria for activities to be excluded from guarantee financing by the FGF.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS is May 20, 2025.

IV. WORLD BANK ES OVERSIGHT

Corporate advice/oversight will be provided by an Environmental and Social Standards Adviser (ESSA) during project preparation

No – Oversight will be provided by MIGA in accordance with the revised guidelines for IBRD Guarantees.

V. CONTACT POINTS

World Bank

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VI. FOR MORE INFORMATION CONTACT

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VII. APPROVAL

Task Team Leader(s)	Abel Lopez Dodero, Joanno Moody, Bettina Winstel
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MIGA Sector Manager, Sustainability	Yasser Mohamed Ibrahim (May 20, 2025)