

**INTEGRATED SAFEGUARDS DATA SHEET  
APPRAISAL STAGE**

**Report No.: ISDSA14774**

**Date ISDS Prepared/Updated:** 05-Oct-2015

**Date ISDS Approved/Disclosed:** 07-Oct-2015

**I. BASIC INFORMATION**

**1. Basic Project Data**

<b>Country:</b>	Mexico	<b>Project ID:</b>	P149872
<b>Project Name:</b>	Mexico Municipal Energy Efficiency Project (P149872)		
<b>Task Team Leader(s):</b>	Janina Andrea Franco Salazar, Karen Bazex		
<b>Estimated Appraisal Date:</b>	13-Oct-2015	<b>Estimated Board Date:</b>	20-Jan-2016
<b>Managing Unit:</b>	GEE04	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Energy efficiency in Heat and Power (100%)		
<b>Theme(s):</b>	City-wide Infrastructure and Service Delivery (50%), Climate change (50%)		
<b>Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?</b>			No
<b>Financing (In USD Million)</b>			
Total Project Cost:	163.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			9.00
International Bank for Reconstruction and Development			100.00
Local Govts. (Prov., District, City) of Borrowing Country			54.00
Total			163.00
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

**2. Project Development Objective(s)**

The development objective of the proposed project is to promote the efficient use of energy in municipalities by financing energy efficiency investments in selected municipal sectors and strengthening the enabling environment.

**3. Project Description**

SENER has requested Bank support to design and implement a pilot for a national municipal energy efficiency program in 32 municipalities in the country. The proposed operation would seek to reduce energy consumption in municipalities by increasing their capacity to prepare, finance, and implement energy efficiency investments, and piloting energy efficiency investments in selected municipalities. The operation would focus on sectors with cost-effective energy efficiency potential. The proposed US\$100 million IBRD investment operation would be implemented by SENER over a six-year period and would comprise two components.

#### Component 1: Policy development and institutional strengthening

It would strengthen the enabling environment for energy efficiency at the municipal level, and contribute to the identification of potential subprojects that could feed into a pipeline beyond the Project's life. It would support raising awareness of the multiple benefits of energy efficiency and enhancing capacities at both the national and subnational levels, as well as developing and adapting tools and systems to encourage better integration of energy considerations into subnational planning and management efforts. It would finance: i) capacity building on municipal energy efficiency; ii) sector-wide policy support, including plans to scale-up activities piloted under this operation with a view to transition to more commercial and (iii) project monitoring and management activities.

#### Component 2: Municipal energy efficiency investments

It would support cost-effective energy efficiency investments in municipal street lighting, water and wastewater, and building sectors – drawing from the results of the diagnostics conducted by SENER. These activities are expected to demonstrate the value of energy efficiency investments in municipal sectors as a means of reducing energy consumption and carbon dioxide (CO<sub>2</sub>) emissions while maintaining or enhancing quality of service. Investments are anticipated to have a positive demonstration impact from an operational, economic, financial and environmental standpoint. By developing and testing revolving financing schemes and implementation models, those that are successful could be replicative, thereby creating a sustainable framework beyond the Project's lifespan.

#### **4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The Project will be implemented in cities across the 31 States of Mexico and the Federal District and within existing municipal infrastructure. No land acquisition will be required for project activities.

#### **5. Environmental and Social Safeguards Specialists**

Alonso Zarzar Casis (GSURR)

Jose Luis Calderon Bartheuneuf (GEN04)

<b>6. Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	Environmental Assessment OP/BP 4.01 Yes This project has an environmental risk Category B as it is unlikely to result in significant negative impacts; its adverse impacts are identifiable, mostly temporary and easily mitigated with known management techniques. As the sites, types and scale of the subprojects to be financed are not known, an ESMF was prepared by SENER/FIDE

		<p>that was discussed with key stakeholders on August 4, 2015 and was disclosed on September 4, 2015. Both SENER and FIDE have designated personnel responsible for ensuring compliance with the Banks safeguard policies.</p> <p>The ESMF determines, if any, the legal, environmental, social and cultural resources protection requirements that may apply to the activities in Component 1 and to the subprojects in Component 2, and compliance actions, if any, that would be mandatory for project funding. The ESMF includes an exclusion list for subprojects and no Category A subprojects would be supported. Potential subprojects under Component 2 and activities under Component 1 would fall into either B or C categories. The typical types of subprojects to be financed under Component 2 are: public lightning, energy efficiency in water supply and wastewater processes and energy efficiency measures in public buildings, like efficient lightning and air conditioners.</p> <p>All subprojects would be subject to screening by SENER and the ESMF would support the screening process. The ESMF will be applied by proponents when they submit their subprojects to SENER for evaluation and possible funding. The ESMF also provides guidance for preparing subproject-specific and simplified Environmental and Social Impact Assessments and Management Plans which will include mechanisms to attend and resolve claims and grievances. The team's environmental and social specialists will supervise the proper application of the Project's ESMF.</p>
Natural Habitats OP/BP 4.04	No	The project activities to be financed would not affect natural habitants as defined in Annex A of OP 4.04
Forests OP/BP 4.36	No	The project has not foreseen activities that would affect forests.
Pest Management OP 4.09	No	No activities would include pest use or procurement of pesticides.
Physical Cultural Resources OP/BP 4.11	Yes	This policy is triggered because some of the public buildings where actions would be implemented might be in a "historic" or "artistic" protection status by federal or local authorities and specific authorizations might be necessary. The ESMF considers this issue in its screening process.
Indigenous Peoples OP/BP 4.10	No	This policy is not triggered because subprojects would only be implemented in urban municipalities where there are no indigenous peoples that meet the requirements of

		OP 4.10, in particular a collective attachment to a distinct habitat or ancestral territory. Furthermore, the project would focus in public infrastructure such as municipal buildings, public lighting and water infrastructure.
Involuntary Resettlement OP/BP 4.12	No	<p>The Project would not finance any activities that would require the involuntary taking of land that result in physical displacement, loss of assets or access to assets or economic displacement.</p> <p>Subprojects to be supported under the Project would be in already existing infrastructure such as public lighting, existing water and wastewater infrastructure and existing municipal buildings. If for any circumstance there is need to use land this will only be done under a voluntary donation to the project. The project's ESMF includes criteria to ensure that any necessary transaction is carried out voluntarily.</p>
Safety of Dams OP/BP 4.37	No	The project would not support the construction or rehabilitation of dams, nor would support other investments which rely on the services of existing dams.
Projects on International Waterways OP/BP 7.50	Yes	<p>The Policy regarding Projects on International Waterways has been triggered. Several of the subprojects being considered for funding may use water from international waterways or their tributaries. In particular, eight municipalities (Tijuana, Monclova, Tuxtla Gutiérrez, Ciudad Juárez, Monterrey, Hermosillo, Centro, and Reynosa) are located near the borders of Mexico, and/or may extract water from international waterways whether surface or ground water (shared with Guatemala and the United States of America) to meet the water supply needs of the Project. Given the Project's framework approach, some of the Project investments could involve water utilities in these municipalities.</p> <p>However, the operation would not finance any works and/or activities in municipalities or water and wastewater utilities located in any trans-boundary basin which exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear a new or different scheme. As such, the Project team has assessed and concluded that, while OP 7.50 is triggered, the exception included in Paragraph 7(a) of OP 7.50 to the riparian notification requirements under the policy would apply.</p> <p>The exception to the notification requirement has been cleared with the Legal Department, and the memo to the RVP prepared, sent and approved on September 28, 2015.</p>

Projects in Disputed Areas OP/BP 7.60	No	The project would not affect disputed areas as defined under the policy.
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## II. Key Safeguard Policy Issues and Their Management

### A. Summary of Key Safeguard Issues

<p><b>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b></p> <p>The project is not expected to have significant negative environmental and social impacts or issues. The ESMF focuses on prevention and contains a detailed mechanism for screening as well as instruments to qualify and manage risks in subprojects, while recommended good practices will help creating awareness among producers.</p>
<p><b>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</b></p> <p>The project will not result in any indirect or long term environmental or social impacts in communities, neither resettlement or land acquisition. This is due to the small scale nature of the activities to be financed under this funding.</p>
<p><b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b></p> <p>N/A</p>
<p><b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b></p> <p>In Mexico, the Environmental and Natural Resources Secretariat (SEMARNAT for its acronym in Spanish), the National Water Commission (CONAGUA), the National Forest Commission (CONAFOR), the Natural Protected Areas Commission (CONANP) and the Federal Environmental Protection Attorney Office (PROFEPA), amongst others, are all federal level institutions that have the responsibility for guaranteeing the adequate application of Mexican law regarding environmental impact and pollution control.</p> <p>Concerning environmental legislation, Mexico has accumulated a great number of laws, regulations and statutes that span every single aspect of environmental management. Amongst these, the General Ecological Balance and Environmental Protection Law is the one that will regulate the expected subprojects to be supported by this project.</p> <p>Since 1986 the General Ecological Equilibrium and Environmental Protection Law has established a mandatory Environmental Impact Assessment for every project, whether privately or publicly financed. The procedure is detailed and explained in the Rulebook for such Law concerning Environmental Impact and its correlation with the wide existing regulations, and the guidelines for the development of environmental impact assessment carried out in Mexico, are consistent with World Bank operational directives for Environmental Assessment (Safeguard 4.01).</p> <p>The monitoring of the prerequisites on environmental impacts resolutions are guaranteed by the Federal Environmental Protection Agency (PROFEPA) which depends directly upon the SEMARNAT and enforces the environmental legislation for which it has specialized offices in every state. PROFEPA is a 20-year-old organization with a noble and effective entrustment, but with very limited resources for operation. There is however, a risk of non-compliance with local legislation and/or Bank 4.01 safeguard policy, due to lack of knowledge of applicable legislation</p>

by the beneficiaries. This risk will be mitigated with the use of the instruments the project is developing (an ESMF including a screening process of subprojects).

The implementing agency, SENER, has capacity to manage the Bank's social and environmental safeguards issues, as it is currently implementing a large number of infrastructure-intensive Projects in the energy sector, such as solar farms for remote communities, as well as wind farms. In addition, FIDE (that will execute Component 2) also has extensive experience with environmental safeguards policies, as it has been developing energy efficiency actions since its creation, including the Bank-financed Efficient Lighting and Appliances Project, (P106424), which included replacing and proper environmental management of more than 2 million refrigerators and air conditioning equipment.

The Bank will provide training to key personnel at SENER and FIDE, in the proper application of the safeguards instruments. Additional environmental and/or social consultants - whose qualifications should be acceptable to the Bank - will be hired as needed for the Project.

Personnel would be required to fulfill the following tasks:

- screen potential subprojects for environmental and social risks and impacts;
- ensure that subprojects proponents (municipalities, utilities) carry out an environmental and social assessment for their respective subproject; and
- verify that subprojects comply with local laws and are consistent with Bank Safeguards Policies.

The safeguards instrument is an Environmental and Social Management Framework (ESMF). The ESMF has been prepared by SENER, with support from World Bank environmental and social specialists. In practical terms, the ESMF is a screening tool to help key personnel to identify which projects to exclude, and for those to be approved with some perceived environmental and or social risks, the know how to manage them according to national legislation and World Bank Safeguards.

**5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.**

Key stakeholders with responsibility for implementing environmental and social safeguards include SENER, FIDE, the municipalities and water utilities receiving support from the project, the National Water Commission, and the Federal Commission of Electricity (CFE). Consultations related to the ESMF were held in August 2015.

**B. Disclosure Requirements**

<b>Environmental Assessment/Audit/Management Plan/Other</b>	
Date of receipt by the Bank	04-Sep-2015
Date of submission to InfoShop	17-Sep-2015
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	04-Aug-2015
<b>"In country" Disclosure</b>	
Mexico	04-Sep-2015
<i>Comments:</i>	
<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>	

<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>
It is included in the ESMF.

### ***C. Compliance Monitoring Indicators at the Corporate Level***

<b>OP/BP/GP 4.01 - Environment Assessment</b>			
Does the project require a stand-alone EA (including EMP) report?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
<b>OP/BP 4.11 - Physical Cultural Resources</b>			
Does the EA include adequate measures related to cultural property?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
<b>OP 7.50 - Projects on International Waterways</b>			
Have the other riparians been notified of the project?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Has the RVP approved such an exception?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
<b>The World Bank Policy on Disclosure of Information</b>			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]

### **III. APPROVALS**

Task Team Leader(s):	Name: Janina Andrea Franco Salazar, Karen Bazex	
<b><i>Approved By</i></b>		
Practice Manager/ Manager:	Name: Antonio Alexandre Rodrigues Barbalho (PMGR)	Date: 07-Oct-2015