Public Disclosure Authorized

Public Disclosure Authorized

Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 30-Oct-2017 | Report No: PIDISDSC22898

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Mexico	P164389		Water Security and Resilience for the Valley of Mexico (P164389)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	Nov 27, 2017	Mar 30, 2018	Water
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Secretaria de Hacienda y Credito Publico	CONAGUA	

Proposed Development Objective(s)

Improve the reliability of the Cutzamala System, the management of water resources and water services in its sub-basins.

Financing (in USD Million)

Financing Source	Amount
Borrowing Agency	166.00
Borrower	25.00
International Bank for Reconstruction and Development	200.00
Total Project Cost	**391.00**

Environmental Assessment Category	Concept Review Decision
B-Partial Assessment	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Mexico's economy continues to expand at a steady though moderate rate of growth.** The increase in Mexico's gross domestic product (GDP) over the past three years, 2014-2016, at an annual average of 2.4 percent was slightly below the annual average growth posted during the previous two decades, 1994-2013, of 2.6 percent. The non-oil economy expanded between 2014 and 2016 at the same average annual rate of 2.8 percent as observed over the previous two decades. Growth is expected to moderate to about 2.2 percent in 2017 and strengthen in the medium term to about 2.5 percent by 2019 as uncertainty with respect to NAFTA and the presidential elections (of July 2018) dissipate and gross fixed investment growth resumes. Yet, these rates of growth are only about half of the average growth observed in emerging market economies (5.3 percent between 1994 and 2016).

2. **Economic performance has been resilient in view of external shocks experienced in the past few years.** Mexico's economy endured several external shocks in the last few years including a sharp drop in oil prices with average oil prices down by 50-60 percent, an additional reduction in the volume of oil and gas production by 6 percent annually, international financial market volatility related to a normalization of monetary policy in advanced economies, and, more recently, uncertainty over the future of the U.S.-Mexico trade relation. Sensible monetary and fiscal policy responses to these shocks within an overall sound macroeconomic policy framework including a flexible exchange rate, an inflation-targeting monetary policy framework and a fiscal rule that ensures moderate public sector deficits, maintained macroeconomic stability in recent years.

3. **Heightened fiscal consolidation efforts focus on expenditure cuts as the tool to stabilize public debt.** Modest economic growth and persistent fiscal deficits contributed to a steady increase in the (net) public debt burden over the past decade to an estimated 50.5 percent by the end of 2016. In managing the decline in oil revenue over the past two years, the government benefitted from a tax reform implemented in 2014 that substantially raised non-oil revenue and started to cut expenditures in 2015 and 2016 thereby meeting its overall fiscal deficit targets. Additional fiscal pressures and further fiscal consolidation, needed to stabilize the debt-to-GDP ratio in the short term, will require more spending cuts as the government committed not to raise taxes during the remainder of its term.

4. **The central bank aggressively hiked the monetary policy rate to mitigate the pass-through from exchange rate depreciation to inflation.** Aggressive monetary tightening took place in response to a normalization of US monetary policy and, more importantly, to mitigate pass-through from currency weakness to inflation. The currency depreciated by an accumulated 35 percent with respect to the US dollar as of the second half of 2014 and has been quite volatile since the US presidential elections. The increase in domestic fuel prices and some pass-through of past currency depreciation lifted annual inflation to 6.7 percent in August 2017 from levels in 2015 and 2016 much closer to the central bank medium term target of 3 plus/minus 1 percent. A return to the medium target is expected by 2018 or 2019.

5. **Moderate economic growth over recent years has limited significant poverty reduction and improvements in shared prosperity.** The most recent estimation of official poverty -based on a combination of monetary and non-monetary dimensions of welfare- shows a decline in the percentage of people considered poor from 46.2 percent to 43.6 percent and extreme poor from 9.5 percent to 7.6 percent between 2014 and 2016. Access to health services, access to social security and food security were the non-monetary components that improved the most. Monetary poverty also declined as poverty rates at the well-being poverty line dropped from 53.2 percent to 50.6 percent while the rates at the minimum well-being poverty line dropped from 20.6 percent to 17.5 percent. Such a decline in monetary poverty has been driven by higher growth of incomes at the bottom of the income distribution.

Sectoral and Institutional Context

6. **An estimated 38 percent of Mexico's GDP is generated within the Valley of México Metropolitan Area (VMMA) and Toluca Metropolitan Area (TMA).** These two metropolitan areas account for a population of almost 23.4 million people, hosting a diverse range of economic activities, from manufacturing to agricultural farmland, that require water for their economic development. Nevertheless, deficient water services, compounded by unreliable bulk water supply, impose economic costs on individuals and firms equivalent to an estimated 1 percent of the GDP of the VMMA.[1] The VMMA, considered the most populated urban center in Latin America, with an estimated population of 21.5 million people, currently demands a mean water supply of 63 cubic meters per second (m^3/s)[2] for human consumption and industrial needs. Additionally, mean irrigation used in the VMMA are estimated at 11 m^3/s. On the other hand, TMA with a population of approximately 1.9 million people demands 4.7 m^3/s.[3]

7. **The supply of bulk water for these two areas constitutes a major challenge**. Urban water demands for the VMMA are currently being met through three principal sources: groundwater aquifers, which account for approximately 68 percent of the total supply and two water transfer schemes, the Lerma System (8 percent), and the Cutzamala System (24 percent). Water demands on the TMA are being met through ground water supply (84.6 percent) and the Cutzamala System (15.4 percent).

8. **The Cutzamala System plays a central role in the supply of water for the VMMA and TMA.** This integrated water system, one of the most significant engineering works of the country, was originally designed in 1930 for hydropower generation and then transformed into an inter-basin water transfer system from the late 1960s to 1993 to reduce the dependence on groundwater resources for the VMMA and TMA. Furthermore the Cutzamala System improves water pressure in the water distribution system in the VMMA. The Cutzamala System sources water from a multitude of rivers and springs from six sub-basins[4] in the States of Mexico and Michoacán and provides an average of 15 m^3/s to VMMA and TMA with a current reliability of 82 percent. For this, the system uses eight main reservoirs, six main pumping plants, 322 kilometers of canals (none of which are navigable) and tunnels, and the large Los Berros potable water treatment plant.

9. **The VMMA and TMA are not the only users of the water resources available in the six sub-basins of the Cutzamala System.** The population living in the six sub-basins of the Cutzamala System increased by approximately 97 percent between 1970 and 2010, and is expected to increase another 24 percent by 2030. This population growth has resulted in additional water demand, and in the deterioration of water quality in the sub-basins due to deficient sanitation infrastructure and the direct discharge of untreated wastewater into watercourses. This is particularly relevant in the Valle de Bravo and El Bosque reservoirs, where booming urbanization and tourism have contributed to the eutrophication and pollution of the water sources.[5] Agricultural activities have also expanded: from 1980 to 2011, irrigated surface increased by 45 percent, reaching a total of 34,500 ha of irrigated land that depend on water supplied

[1] World Bank, 2013, *Agua urbana en el Valle de México – ¿un camino verde para mañana?*
[2] CONAGUA-World Bank, 2015, Cutzamala Integral Diagnostic.
[3] Idém
[4] More than 10,500 km^2
[5] The Valle de Bravo and El Bosque dams are affected by untreated water discharge from the towns of Valle de Bravo and Zitacuaro, respectively. Particularly, in the Valle de Bravo dam water quality was assessed as slightly toxic. Ico index. DQO= 10 mg/l; SST = 20 mg/l; NT = 1 mg/l; y CF= 103 NMP/100ml.

from the sub-basins of the Cutzamala System.[6] Water withdrawals for irrigation, including illegal abstractions from Cutzamala System infrastructure, are estimated at 7 m^3/s per year. The balance between existing water resources and current water demands is tight and there is little slack to meet additional water demands.[7]

10. **Moreover, access to water supply and sanitation services is lagging behind for residents of the sub-basins that feed the system.** The six sub-basins of the Cutzamala System are home to some 723,000 residents, 34,500 of which are indigenous people. Approximately, 42.1 percent of residents live in poverty or extreme poverty, and the Secretariat of Social Development considers 13 of the 14 municipalities in the sub-basins to have medium to very high levels of marginalization (a measure of multidimensional poverty). Water and sanitation services coverage within the sub-basins is low. Only 68.8 and 81.9 percent of households within the sub-basins in the States of Mexico and Michoacán, respectively, have access to potable water. Only 27 percent of wastewater generated by communities in the sub-basins is treated, which presents a risk to human health and degrades water quality in the Cutzamala System.[8]

11. **In addition to competing water demands, environmental degradation and climate change put the reliability of the Cutzamala System and the provision of water services in the sub-basins at risk.** Soil degradation and water pollution have been exacerbated by an increase in rain-fed agriculture, which has expanded to cover 39 percent of the total area of the six sub-basins and is primarily devoted to the production of guava and strawberries. The Mexican Institute for Water Technology (IMTA) estimates that nearly 50 percent of the sub-basin area has a high to extreme degradation level, which impacts biodiversity and water quality. This environmental degradation can lead to a loss of biodiversity including in the Monarch Butterfly Biosphere Reserve, which protects key overwintering sites for a billion monarch butterflies in 80 percent of the area of the sub-basins. Regarding the impacts of climate change, a recent study concluded that the climate change can negatively impact the reliability of the Cutzamala System by altering precipitation patterns.[9] An ensemble of General Circulation Models (GCMs) concludes that by the year 2050, temperature may increase between 1 and 4 degrees Celsius and precipitation changes are in the order of +20 and -40 percent, with a large number of GCMs agreeing that the average annual precipitation of 978 mm in the six sub-basins may decrease rather than increase.

12. **The Cutzamala System is facing growing water allocation challenges.** Economic development, new activities in the sub-basins and a lack of an information system to monitor water use and water quality, have resulted in growing tension over the allocation of water resources between different regions and user groups. Stakeholders within the sub-basins increasingly express concerns over the transfer of water resources to the VMMA and TMA, particularly irrigation users from the State of Michoacán. Other challenges relate to water quality and aquaculture activities.

13. **Multiple federal and local entities are involved in the management of the Cutzamala System and its sub-basins.** The Basin Agency for the Valley of Mexico (OCAVM) has a mandate to operate and maintain the Cutzamala System's infrastructure, and is responsible for the delivery of bulk water to the VMMA and TMA. The Balsas River-Basin Organization (OCB), together with the local Directorates of the National Water Commission (CONAGUA) in the States of Mexico and Michoacán, are responsible for water resource management, soil protection, deforestation control, the issuance and enforcement of water rights and for the inspection and sanction of wastewater discharges. Municipalities are responsible for the provision of water supply and sanitation services. The GoM recognizes the need to account for this institutional structure in addressing the existing challenges of the Cutzamala System and its sub-basins. Accordingly,

[6] 26,500 ha within the six sub-basins and some additional 8,000 ha outside of the sub-basins that withdraw water from two of the sub-basins of the Cutzamala System.
[7] Available water resources and current total demands (i.e. water transfer to VMMA, TMA, irrigation and water supply within the basin) are estimated at 25 m3/s. CONAGUA-World Bank, 2015, Cutzamala Integral Diagnostic.
[8] CONAGUA-World Bank, 2015, Cutzamala Integral Diagnostic.
[9] Analysis forthcoming based on the World Bank's Decision Tree Framework for Climate Resilience, carried out with WPP support.

the GoM, through CONAGUA, has agreed to support OCAVM, the OCB and the municipalities and reinforce their limited capacity (financial and human resources) to fulfill their mandate. This situation is particularly critical in the case of OCAVM, which has established a 4-year, US$1.6 billion Rehabilitation and Infrastructure Maintenance Program (*Programa de Conservación y Mantenimiento de la Infraestructura*, PROCYMI) to address both operation and maintenance (O&M) and infrastructure improvement needs (including US$325 million in estimated O&M costs).

14. **OCAVM is working to implement the PROCYMI and other urgent measures to ensure the System's ongoing performance.** These include both water quality control measures (e.g. the application of activated charcoal to control anthropogenic algal blooms that adversely impact the environment and the operation of water treatment plants) and structural investments, such as the construction of a third distribution line to reduce service interruptions. Due to OCAVM's limited legal mandate outside the Cutzamala System, few measures for improving the conditions of the sub-basins and their populations have been included in the PROCYMI. Current conditions will allow the System to operate, with difficulty, over the next 10 years.

15. **To complement these efforts OCAVM, led a technical cooperation program in 2013 to establish a framework for an integrated basin management plan for the Cutzamala System and its sub-basins in collaboration with the National University of Mexico (UNAM), IMTA, and the World Bank.** This effort identified a comprehensive set of institutional actions and investments for the Cutzamala System and its sub-basins. These activities were carried out as a series of Reimbursable Advisory Services, which produced an integrated assessment of the Cutzamala System and its sub-basins[10] informed the design of a stakeholder communication platform for the development of the plan and future investments and its dissemination with the community. These advisory services supported the GoM's preparation of a draft integrated investment program based on four pillars: improvement of (i) existing Cutzamala System infrastructure; (ii) water supply and sanitation services; (iii) irrigation services; and (iv) soil and environmental conservation. The RASs were expanded through a technical assistance in 2017 to apply the World Bank's Decision Tree Framework for Climate Resilience and to incorporate water security and resilience in the integrated basin plan. This last exercise prioritized the investments required to achieve water security of the sub-basins and ensure resilience and reliability of the Cutzamala System. In 2017, the GoM requested World Bank support for the development of an investment project that will complement Federal Investment Programs and launch implementation of these four pillars. This investment is envisioned as the first stage of a 20-year plan and continues the World Bank's longstanding support of Mexico's water agenda.

Relationship to CPF

16. **The proposed Project is well aligned with the most recent Country Partnership Strategy 2014–2019[11] and the Performance and Learning Review finalized in 2017.[12]** In particular, the Project will support Pillar IV, Promoting Green and Inclusive Growth, by supporting the efficient use of water resources and that demands from the VMMA, TMA and the different users of the basin area are met. The Project will also contribute to Pillar I, Unleashing Productivity by improving the reliability of water as an input for firms in the VMMA and TMA, as well as Pillar III, Strengthening Public Finances and Government, through institutional strengthening of water and irrigation service provision. The Project likewise contributes to the World Bank's Twin Goals. The Project aims to secure water supply for the users of the Cutzamala System and its sub-basins. This will benefit an estimated 42 percent of the population of the Project area

[10] CONAGUA-World Bank, 2015, Cutzamala Integral Diagnostic.
http://documentos.bancomundial.org/curated/es/309801468189248037/pdf/99219-P150092-SPANISH-WP-PUBLIC-Box393194B.pdf
[11] Report No 80800-MX, endorsed by the Board of Executive Directors on December 12, 2013.
[12] Report No 104752.

living below the poverty line, including small communities outside of Mexico City that have been overlooked in previous Cutzamala investment programs.

C. Proposed Development Objective(s)

Improve the reliability of the Cutzamala system, the management of water resources and water services in its sub-basins.

Key Results (From PCN)

17. Expected results include:

i. Improved reliability of the Cutzamala System for the delivery of water to the VMMA and the TMA (agreed volumes to be transferred are met[13] 95% of the time);
ii. People provided with access to improved water sources (Corporate results indicator) [male/female breakdown will be considered];
iii. People provided with access to improved sanitation services (Corporate results indicator) [male/female breakdown will be considered];
iv. Area provided with new/improved irrigation or drainage services (hectare) (Corporate results indicator);
v. Decision Support System established and in use.

D. Concept Description

18. **Component 1:** ***Improvement in water resources management and infrastructure of the Cutzamala basins (US$320 million, of which US$155 million IBRD and US$165 GoM).*** The objectives are: i) to improve the reliability of the infrastructure of the Cutzamala System for the delivery of water to the VMMA and the TMA and ii) to implement effective environmental monitoring and control tools that will contribute to preservation of water resources in terms of quality and quantity**.**

19. **Component 2:** ***Improvement of potable water, sanitation, and irrigation services (US$65 million, of which US$40 million IBRD and US$25 GoM).*** The objectives of this component are: i) to improve the water supply and sanitation services in the prioritized urban and rural communities of the sub-basins of the Cutzamala System and ii) to control the expansion of water demands for agricultural purposes and improve water use efficiency in the three main agricultural areas of the sub-basins.[14]

20. **Component 3:** ***Institutional strengthening and project management (US$6 million, of which US$5 million IBRD and US$1 GoM).*** The objective of this component is to strengthen the capacity of the institutions involved in project implementation and ensure financing of the Project Implementation Unit (PIU). This includes: i) Institutional assessment of the OCAVM, definition of a strengthening program and its implementation; ii) strengthening of the institutional capacity for the delivery of water supply and sanitation services, including the definition of new institutional arrangements to improve service delivery; iii) capacity building for water use organizations in the existing irrigation areas; iv) strengthening River Basin Councils for conflict resolution and; v) the financing of the PIU to carry out project management and application of safeguards policies.

[13] Current reliability level is estimated at 82 percent (World Bank Decision Tree report 2017).
[14] Irrigation District 045 and the two irrigation units of La Mora-La Florida and Susupato de Guerrero.

SAFEGUARDS

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

The Project is located in the Cutzamala System and its sub-basins, in the States of Mexico and Michoacán.
The Cutzamala System is the set of sub-basins, dams, canals, river sections, aqueducts, pumping plants, water treatment plants and tanks that together capture, treat and conduct water to supply Valley of México Metropolitan Area (VMMA) and Toluca Metropolitan Area (TMA).
The predominant relief in the area of the sub-basins presents irregular areas, with hills, erect mountain formations, deep ravines and relatively extensive valleys. In these topographic conditions, and, as a result of deforestation, the material of the cover of the mountainous area is prone to erosion toward rivers. Predominant soils in the sub-basins (andosols) are characterized by very low bulk density and, being devoid of vegetation and located on slopes and hills, are very vulnerable to water and wind erosion processes. The main channels and tributaries do not have extensive vegetal cover that is common to many riverside ecosystems and that contributes to the retention of sediments and nutrients.
Land use. The basins are occupied by forest (46 percent of the total area), rain-fed agriculture (39 percent of the total area) and irrigated agriculture (8 percent of the total area). The area of grassland and induced vegetation is lower (3 percent of the total area). Irrigated agriculture is not significant in the six sub-basins, while organized forest activity is important in the upper part of the Valle de Bravo sub-basin. In the wooded areas of the sub-basins, oyamel, oak-pine and mesophyll mountain forests predominate with a primary and secondary vegetation type (arboreal and shrub), as well as medium sub-deciduous forest.
In this area, soil degradation and water pollution have been exacerbated by an increase in rain-fed agriculture. The Mexican Institute for Water Technology (IMTA) estimates that nearly 50 percent of the sub-basin area has a high to extreme degradation level, which impacts biodiversity and water quality.

B. Borrower's Institutional Capacity for Safeguard Policies

CONAGUA has knowledge and experience in applying the social and environmental safeguards policies of the Bank through a number of Bank-financed projects. CONAGUA has various tools and methodologies with social criteria to integrate action, measures to mitigate, counteract circumstances that put at risk or alter social or economic activities. Additionally, CONAGUA will develop a Social Assessment, a Resettlement Policy Framework, and an Environmental and Social Management Framework that reflects relevant national bylaws and regulations and the provisions for complying with Bank standards. This Social Assessment will establish baseline social conditions in the Project area and identify social risks and appropriate measures to avoid, minimize, mitigate, or contain potential impacts, and report accordingly. The findings of the SA will indicate the appropriate social safeguards instruments to be developed during preparation and applied throughout Project implementation.

C. Environmental and Social Safeguards Specialists on the Team

Carlos Alberto Molina Prieto, Social Safeguards Specialist
Arelia Jacive Lopez Castaneda, Social Safeguards Specialist
Diacono Raul Vera Hernandez, Environmental Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)

Environmental Assessment OP/BP 4.01	Yes	The Project is proposed to be classified as Category B. The expected environmental and social impacts are of relatively limited scope and it is possible to apply standard mitigation measures. Potential negative impacts are associated with project activities to be carried out in areas that have been highly impacted by humans. The works involve (i) rehabilitation of existing infrastructure, (ii) drinking water and sanitation activities, (iii) modernization of irrigation systems and (iv) water pollution and erosion control activities. All these works and activities also have positive environmental impacts and support efficient use of water resources in the area. As the specific activities and locations to be implemented are not currently known, an Environmental and Social Management Framework (ESMF) will be prepared. The ESMF will include an exclusion, selection and evaluation procedure to identify, assess and manage potential environmental and social impacts and risks under contracts. The ESMF will address both CONAGUA and the contractors performing the works. The ESMF will identify the environmental and social requirements for the contractors executing the works, which will be included in the bidding process and in the contracts. The draft ESMF as well as all other safeguards instruments (e.g., Indigenous Peoples Planning Framework (IPPF) and the Resettlement Policy Framework) will be consulted and disclosed (on both the Bank's and the Borrower's external websites) before appraisal. The preparation and application of the ESMF will seek to avoid and mitigate possible environmental impacts due to the execution of works to be performed, such as the following: Environmental: Impact in the atmosphere by generation of dust, gases and noises derived from the movement of materials and operation of machinery and equipment; Impact on soil and water due to improper handling of chemicals, construction debris and hazardous waste (storage, transportation and final disposal). Occupational health and safety: Damage to health and physical integrity derived from improper handling of

		chemicals and waste; To accidents due to lack of road signs and safety signs on the site; And the lack of personal protective equipment and the lack of training in the use of tools and equipment. The ESMF shall include references to works contracts for the contractors performing the works, and shall define the responsibilities in execution and supervision related to those contracts. The ESMF will include references to the World Bank Group's Environmental, Health, and Safety Guidelines on Water and Sanitation. The ESMF will also include relevant aspects such as a sub-project selection procedures and the allocation of environmental obligations in accordance with the applicable national legislation on environment, health and safety at work. It will also propose a set of good environmental and safety and hygiene practices to be applied in all cases. It will also include the establishment of efficient mechanisms for the reception and attention of complaints during the development of the works.
Natural Habitats OP/BP 4.04	Yes	The environmental degradation of Cutzamala System can lead to a loss of biodiversity in the Monarch Butterfly Biosphere Reserve, which protects key overwintering sites for a billion monarch butterflies in 80 percent of the area of the sub-basins. The works and activities of the project will help to curb the degradation process of the Cutzamala System, and as part of the ESMF to be developed, the works to be carried out near the natural reserve areas should propose additional monitoring actions to avoid impacts in those areas. The project does not include activities and works within the Monarch Butterfly Biosphere Reserve, but may be carried out in its vicinity. The ESMF will have appropriate screening criteria to ensure that impacts on natural and critical natural habitats are properly evaluated. The ESMF will also indicate that no sub-projects which involve the significant conversion of natural habitats will be financed.
Forests OP/BP 4.36	Yes	As part of the soil conservation and erosion control

		program, the transformation of farmland into forest will be encouraged. Conservation practices will also be promoted on land with important slopes. Screening mechanisms will be incorporated into the ESMF to ensure that no sub-projects which affect the management of forests or the welfare of forest dependent communities be eligible.
Pest Management OP 4.09	Yes	The modernization of irrigation systems will have positive impacts on agriculture productivity by increase yields and improving consistency of crops. This may also involve, with adequate training, regulation and reduction in the use of agrochemicals (pesticides and fertilizers). The ESMF will include specific requirements for the management of agrochemicals related supervision. Similarly, a Pest Management Plan will be developed and included as part of the ESMF.
Physical Cultural Resources OP/BP 4.11	Yes	This safeguard is only triggered in a preventive manner. Based on a preliminary assessment it is unlikely that physical cultural resources would be found in the areas directly affected by the Project sub-projects. As a precaution, the ESMF will include measures for chance finds.
Indigenous Peoples OP/BP 4.10	Yes	This Policy is triggered given that indigenous people are present in the Project's area of influence, and could benefit from Project activities. During Project preparation, several activities will be carried out to assess potential social impacts and strengthen the Project's performance under the modalities that are more likely to affect indigenous people. A general Indigenous Peoples Planning Framework (IPPF) will be developed by the client in coordination with the Bank, to review the eligibility rules, and identify eventual barriers of access to Project activities by indigenous people, and propose corrective measures. During preparation, the Bank will agree on a work schedule with CONAGUA for the preparation of the IPPF. A social assessment will initially be developed to identify potential negative and positive impacts on indigenous groups. The social assessment and the IPPF will also provide guidelines to improve outreach and consultation with indigenous beneficiaries, particularly

		under the Potable Water and Sanitation and Irrigation Services Pillar. (e.g. language provisions, participatory approaches, design and construction techniques). The team will consult the World Bank Toolkit "Achieving Sustainable Outcomes with Indigenous Peoples in Latin America and the Caribbean" as a resource when developing the IPPF.
Involuntary Resettlement OP/BP 4.12	Yes	No land acquisition or involuntarily resettlement is anticipated, however, OP/BP4.12, Involuntary Resettlement, is triggered as a precautionary measure for potential land acquisition and resettlement needs. Project activities may potentially cause adverse impacts related to restrictions on land use and access to natural resources by traditional communities with customary tenure or recognizable usage rights in special under the Pillar 4: Soil and Environmental Conservation (Payment for environmental services). A Process Framework will be developed to manage those impacts. A Resettlement Policy Framework will be prepared based on the findings in the Social Assessment. The RPF will establish the criteria and guidelines for development of a Resettlement Plan, which would be developed in the event that land acquisition or resettlement becomes necessary.
Safety of Dams OP/BP 4.37	Yes	Cutzamala System involves the operation of eight dams, and several of the activities to be developed are directly related to them. There is a National Dam Safety Plan. CONAGUA has procedures in place for monitoring the physical status of the dams, with defined mechanisms applicable to the dams involved in the Cutzamala System, based on Mexican NMX reference standards. The task team is currently evaluating the Government's safety procedures to determine if they are sufficient to meet Bank requirements and, if not, will propose actions to be taken to ensure compliance with Bank policy. Based on its own criteria and procedures, CONAGUA considers that Cutzamala System dams are of low risk and its supervision is carried out less frequently than in dams with risk (not existing in the project area). CONAGUA will present to the WB a summary of the existing procedures for the assessment of the safety of dams, and the most reports on the evaluations carried

		out in each of the eight dams of the Cutzamala System.
Projects on International Waterways OP/BP 7.50	No	OP 7.50 is not triggered as the proposed project will not finance activities involving the use or potential pollution of international waterways.
Projects in Disputed Areas OP/BP 7.60	No	OP 7.60 is not triggered as the proposed project will not finance activities in disputed areas as defined in the policy.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Nov 10, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Confirmation of triggered safeguards policies should happen during September after PCN. Safeguards related studies would be launched by the end of September.

CONTACT POINT

World Bank

Luiz Claudio Martins Tavares, Diego Juan Rodriguez
Lead Water and Sanitation Specialist

Borrower/Client/Recipient

Secretaria de Hacienda y Credito Publico
Isabel Lozano Santín
Directora de Organismos Financieros Internacionales
isabel_lozano@hacienda.gob.mx

Implementing Agencies

CONAGUA
Griselda Medina
Subgerente de gestion y evaluacion proyectos con credito
griselda.medina@conagua.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):	Luiz Claudio Martins Tavares, Diego Juan Rodriguez

Approved By

Practice Manager/Manager:	Rita E. Cestti	31-Oct-2017
Country Director:	Gerardo M. Corrochano	01-Nov-2017