

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB5802

Project Name	Water Utilities Efficiency Improvement Project (PROME)
Region	LATIN AMERICA AND CARIBBEAN
Sector	Water supply (50%); Sewerage (25%); Central government administration (25%)
Project ID	P121195
Borrower(s)	GOVERNMENT OF MEXICO
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1. Country and Sector Background

1. The Mexican economy is starting to recover from a deep contraction of economic activity following the global economic and financial crisis. As a relatively open economy, Mexico was hard hit by the collapse of international trade during the last quarter of 2008 and the first quarter of 2009. As a result, annual economic growth in 2008 was down to a meager 1.3 percent and Gross Domestic Product (GDP) actually fell by 6.5 percent in 2009. In line with a global recovery in production and trade, and responding positively to the government counter-cyclical fiscal and monetary policies, economic activity in Mexico picked up in the second half of 2009 and is off to a strong start this year. The recovery is led by resurgence in the demand for exports.

The Challenges

2. **Mexico faces an acute water crisis due to accelerated population growth and suboptimal management of its water resources.** Severe regional disparity within the country in terms of water availability¹ persists², despite steady improvements in access to water over the

¹ The semi-arid and arid North, Northwest, and central regions account for 85 percent of the gross domestic product (GDP) and contain 92 percent of irrigated areas, but they receive only 28 percent of the total runoff. Access to water is still a factor of poverty and marginalization, especially in rural and indigenous communities that rely almost

past years, testifying to the government's effort to reach a sustainable and more equitable water resources management. The overexploitation is especially dramatic in groundwater resources, and water quality is deteriorating due to the lack of adequate wastewater treatment³. Surface and groundwater in the country suffer heavily from overexploitation and contamination, due to an inefficient use of water in the context of water scarcity. In 1955, water availability in Mexico was 11,500 cubic meters (m³) per person per year. By 2005, this amount decreased to 4,288 m³⁴.

3. The water supply and sanitation sector is characterized by significant physical and commercial inefficiencies and low level of financial cost recovery. Compounding the water scarcity challenge is the fact that many of the water supply and sanitation utilities do not make efficient use of water resources. According to the most recent sector report published by CONAGUA⁵, the weighted average rate of Non-Revenue Water for water utilities (*organismos operadores*) in communities with a population of over 50,000 inhabitants is 38 percent, while the average tariff collection rate is 79 percent in a sample of utilities in municipalities with more than 50,000 inhabitants. In the same sample, the overall efficiency (an indicator used in Mexico to measure both operational and commercial losses) amounts to 44 percent. In addition, according to a 2005 Bank Report, the sector as a whole falls far short of generating sufficient revenues to cover full costs⁶. In the sample cited earlier, for example, only 79 percent of operation and maintenance costs were recovered.

The institutional response

4. The Federal Government considers water and sanitation a priority sector, and it is promoting significant investments in water, sanitation and urban drainage infrastructure projects, in part under private sector participation schemes. Upon starting its mandate, the Calderon administration launched a series of ambitious initiatives aimed at building a comprehensive national strategy in key sectors⁷. Among others, the PNH (National Water Program) sets out to invest close to US\$10 billion in the water and sanitation sector up to 2012 through large-scale so-called emblematic projects in addition to on-going investment programs. In order to achieve the goals set out in the PNH, the Plan also considers the need to strengthen the operational and commercial efficiency of water utilities, setting a goal of increasing the sector utilities' overall efficiency by 8 percent to 44 percent by 2012.

totally on groundwater for their activities. In Mexico, 10.6 million people do not have access to drinking water, and only 37.9 percent of the rural population has a proper sewage system.

² Water Resources – averting a water crisis in Mexico; Douglas Olson and Gustavo Saltiel, in: Mexico 2006-2012: Creating the Foundations for Equitable Growth; World Bank, 2006

³ *Agua, Medio Ambiente, y Sociedad: Hacia la Gestión Integral de los Recursos Hídricos en México*, Carabias and Landa; Universidad Autónoma de México, El Colegio de México, y Fundación Río Arronte (2005).

⁴ *Estadísticas del Agua en México*, CONAGUA, edición 2010.

⁵ *Situación del Subsector Agua Potable, Alcantarillado y Saneamiento*, CONAGUA, Edición 2009

⁶ Mexico Infrastructure Public Expenditure Review (IPER), Report No. 33483-MX, World Bank, 2005

⁷ The National Development Plan 2007-2012 (PND) establishes objectives and strategies (to be fulfilled by the end of the current Administration in 2012), which are implemented by means of a set of Sectoral Programs 2007-2012. The water sector commitments of the PND are thus in line with the Environmental and Natural Resources Sectoral Program (Programa de Medio Ambiente y Recursos Naturales), implemented by SEMARNAT; the National Infrastructure Plan (PNI) implemented by the federal government through CONAGUA in agreement with the Mexican Chamber for Construction; the PNH implemented by CONAGUA; and the Special Program for Climate Change (PECC) implemented by the Inter-Ministerial Commission on Climate Change (CICC).

5. **To implement this strategy, CONAGUA - the institution responsible for the implementation of the water sector policy framework - can rely on a number of federal investment programs.** CONAGUA, the National Commission for Water, is the apex institution of the sector. Its mission is to “manage the nation’s water resources with participation by the society, aiming at the sustainable use of resources”. CONAGUA has the mandate to implement the PNH through a number of federal investment subsidy programs, several of which also finance efficiency improvement activities⁸. In fact, overall federal funding for efficiency improvement, for example, has increased from about MX\$ 290 million (US\$ 23 million or 8 percent of overall federal WSS (Water Supply and Sanitation) sector spending) in 2002 to more than MX\$ 4000 million in 2008 (US\$ 315 million or 14 percent of overall federal WSS sector spending)⁹. However, these programs are not always fully coordinated in purpose and geographical focus; due to lack of harmonization among them, they consist mainly in financing mechanisms, rather than comprehensive sector modernization instruments.

The PATME project: a pilot response to address efficiency improvements

6. **In order to explore the feasibility of a dedicated instrument to promote water utility efficiencies, CONAGUA launched in 2006 the PATME project.** The Modernization of the Water and Sanitation Sector Technical Assistance Project (*Programa de Asistencia Técnica para el Mejoramiento de Eficiencia*, PATME), which was partly financed through a US\$ 25 million technical assistance loan from the Bank¹⁰, was designed as a pilot technical assistance project to explore ways to significantly modernize participating water utilities. PATME supported the Government of Mexico (GOM)’s efforts to develop the tools and instruments to support local authorities in improving the financial sustainability and efficiency of water supply and sanitation service provision. CONAGUA has developed new standards and manuals in the field of efficiency improvements and has started collecting utility performance indicators. The project also supported the improvement of commercial and operational efficiency in a group of selected utilities.

7. **PATME, which closed in March 2010, has shown encouraging results and CONAGUA is interested in learning from it and scaling it up.** The Implementation Completion Report of the project is currently being prepared, but first results are already available from an in-depth evaluation conducted through independent consultants with PATME financing¹¹ as well as further data provided by CONAGUA. In the first three years of PATME, the global efficiency of participating utilities was increased by over 5 percentage points from 37.3 to 42.4 percent due to actions financed by PATME and other programs¹². At the same time the PATME evaluation revealed the need for stronger supervision, more solid technical assistance especially to the weakest utilities, and greater flexibility in terms of fiduciary constraints for the most advanced utilities.

⁸ Programs financing efficiency improvement activities were APAZU, PRODDER, G.I.C. RAMO33 and F.I.S.M.

⁹ Pesos figures in nominal terms; *Situación del Subsector Agua potable, Alcantarillado y Saneamiento*, CONAGUA, Edición 2009

¹⁰ P091695, approved by the Board in August 2005 and closed on March 30, 2010.

¹¹ *Estudio de Evaluación de Resultados actuales y Presentación de experiencias del programa PATME*, CONAGUA, 2009

¹² The collection efficiency index rose from 69.8 to 76.6 percent between 2006 and 2009 while the operational efficiency for the same period increased in a very moderate manner (from 53.4 to 55.3 percent).

2. Objectives

Project Development Objective (PDO)

8. The PDO is to improve the efficiency of participating water utilities through technical assistance and financing.

Project Beneficiaries

9. The main beneficiaries of the project will be decentralized water utilities located in urban communities with more than 20,000 inhabitants, which will have increased capacity with regards to efficiency improvement. Eligible water utilities will also benefit from a better management of knowledge and information and will be able to provide efficient, reliable water and sanitation services to their users, who will be the ultimate beneficiaries from the project.

PDO Level Results Indicators

10. The progress towards achieving the PDO will be monitored through the following indicators:

- Number of water utilities whose collected revenues in Mexican pesos per cubic meter produced increases by 5 percent in real terms.
- Number of water utilities whose energy consumption in kWh per cubic meter produced decreases by 5 percent.
- Number of water utilities showing a commercial efficiency improvement of 5 percent or more.
- Average absolute increase in global efficiency in water utilities that participated in the Project for at least 2 years.

3. Rationale for Bank Involvement

11. **Mexico has had a longstanding partnership with the World Bank Group encompassing the delivery of the full menu of financial, knowledge, and coordination and convening services, and the on-going Country Partnership Strategy (CPS) for Mexico¹³ built on the Mexican authorities' desire to maintain such relationship.** The CPS recognizes in its February 2010 progress report *Developing Infrastructure and Assuring [...] Environmental Sustainability* as a key theme. The Bank is also a key player in leveraging international experience to support innovative approaches to the challenges facing the WSS sector in Mexico, including for example large-scale efficiency improvement programs in a number of utilities in countries large and small throughout Latin America and the World.

12. **The proposed investment lending operation is part of a comprehensive engagement in the water sector, including a Development Policy Loan (DPL) recently approved and a**

¹³ Report No. 42846-MX, March 4, 2008 endorsed by the Board in April 2008.

non –lending Technical Assistance Program (TAP) currently under implementation, as well as a number of trust fund activities. The DPL (P120134 - Adaptation to Climate Change in the Water Sector Development Policy Loan) was approved on June 10, 2010 and is meant to support the Country’s adaptation agenda in the water sector. The TAP was launched during a recent high level meeting between the Bank and CONAGUA, with representation from the Ministries of Environment and Finance. Several activities under this umbrella have already started implementation, such as supporting CONAGUA in development of the long term vision for the sector as well as working on a series of activities and preparation of papers to position adaptation to climate change in the water sector for the COP 16. Other trust fund-financed activities will support further engagement at federal, state and municipal level on water scarcity and efficiency issues.

13. **Finally this project is also aligned with the Country Management Unit’s new results-based approach.** LCR (Latin America and the Caribbean Region) has recently decided to establish a few pilots in the region - including Mexico - which aim is to structure the work programs around a limited series of results to monitor the implementation of the Country Partnership Strategy (CPS) in each sector. One of the three results selected for the Sustainable Development program in Mexico is to “Increase Efficiency and Improve Management of the Water Sector”; by focusing on efficiency improvement of participating water utilities, the proposed project is fully aligned with and contributes significantly to this result.

4. Description

Component 1: WSS sector information and knowledge management improvement (estimated cost: 5M USD, International Bank for Reconstruction and Development (IBRD) funding: 100 percent)

14. This Component would continue information and knowledge management activities undertaken under the PATME project and generally support CONAGUA’s work in improving the WSS sector actors’ capacity with regards to efficiency improvement. To achieve this, the Component will include two main lines of action.

15. **Management of information.** CONAGUA will seek to develop a body of information that will improve analysis and decision making processes within CONAGUA and in the sector generally. Some of the activities contemplated include:

- *Continuation of work on the development of standardized indicators to be used to measure Water Supply and Sanitation Utility (WSSU)’s performance.* Under PATME, work on such standards was initiated, however the resulting draft standards are not currently being implemented and a number of conflicting indicators are being used. Under PROME, the Component will finance consultancies to continue this work.
- *Harmonization activities on existing WSSU information system.* CONAGUA currently operates three different information systems, with different geographical scopes, purposes, periodicity and indicators. While these systems – which are maintained by different departments within CONAGUA – would be initially maintained, the project would seek to link and cross-reference the data they contain and move towards a

harmonization of indicators and definitions. As such, under PROMÉ, consultancies as well as the development of information systems will be financed.

- *Internal and external benchmarking.* In addition, CONAGUA is also seeking to make this data more public and more user-friendly. An annual compendium of data from hundreds of WSSU is already being published in paper form, but it does not allow for easy benchmarking and comparison between WSSU or over time. CONAGUA is interested in providing a more processed version of this information, either through an analytical report or through an interactive website offering benchmarking tools. To achieve this, PROMÉ will finance consultancies and possibly the development of a web-based platform for performance benchmarking.

16. **Management of knowledge.** Within CONAGUA, the unit that would implement the PROMÉ project is generally responsible for capacity building activities and would continue and strengthen its efforts to improve the sector's capacity to provide efficient, reliable water and sanitation services. In particular, some of the activities contemplated include:

- *Development of norms and standards.* Over the course of the PATME project, several sets of norms and standards were developed, in part to support the establishment of a clear framework for sector performance monitoring. Work on this normative framework would be continued under the PROMÉ project, through the financing of studies to develop and finalize the needed norms and standards.
- *Development of manuals.* CONAGUA also developed several well-received manuals during the PATME project, such as one on physical and energy efficiency improvements. Under PROMÉ CONAGUA will continue such activities, starting with the financing of the finalization of a pending manual on commercial efficiency which preparation was initiated under PATME.
- *Training.* CONAGUA also organized the training of hundreds of representatives of WSSU staff on topics related to efficiency improvement and this Component will continue to finance such training under PROMÉ.
- *Documentation.* Finally, CONAGUA will also use financing from this Component to document the experience and review the lessons learned under the project – generally and in particular under the output-based disbursement window (Component 2C).

17. All of the activities under this Component would be implemented by CONAGUA's WSSU Institutional Strengthening Unit itself.

Component 2: Modernization of the services of participating water utilities (estimated cost: USD 157M USD, IBRD funding: 100 percent of federal contribution, estimated to USD 95M)

18. This Component, implemented by the water utilities themselves, would finance physical and commercial efficiency improvement measures. Under PATME, less than 20 water utilities participated in the project, and these were mostly hand-picked to create a representative sample of pilot models. No specific criteria, types of investments or investment ceilings were established and there was limited supervision and focus on results. Given the scale-up that PROMÉ entails,

and the vision of creating a self-standing federal program, a much larger number of utilities will participate in PROMÉ.

19. Aside from the utilities already involved under PATME, CONAGUA seeks to focus this program initially on a number of utilities in the Mexico Valley (*Valle de Mexico*), which includes close to 40 water utilities with variable, but generally low efficiency, and where a large investment program is underway, potentially requiring utilities to cover higher operations and maintenance costs. Other utilities that might participate include those with particularly low levels of efficiency. CONAGUA expects that a total of 70 to 80 utilities will participate in PROMÉ overall.

20. To cater to the different needs and modernization levels of the participating utilities, this Component would entail three different windows targeted at supporting utilities wherever they are in their strengthening process. Those three windows are described in the following paragraphs.

21. **Component 2A: Technical Assistance (total cost: 7M):** all participating utilities would have access to a technical assistance window throughout the project. Initially, this window would finance a diagnostic and investment plan that would prioritize investments to be conducted under PROMÉ and other federal programs; later in the process, the window could finance studies on a case-by-case basis, for example on tariff and subsidies, governance structure, or specific operational or commercial efficiency issues. CONAGUA would finance 75 percent of the cost of diagnostics and 60 percent of the cost of other technical assistance activities under this window, while the WSSU would finance the rest.

22. **Component 2B: Classical Efficiency Investments (total cost: 145M):** utilities that have completed an initial assessment study or already had one, could enter the classical efficiency investments window, which would operate under rules very similar to the previous PATME project. This window would finance typical operational and commercial improvements similar to those financed under PATME, such as establishment of District Metering Areas, active leakage control, source and consumer water meter installation, supply and installation or upgrade of billing system, etc. This window would represent the core of PROMÉ's investment. All investment measures would have to be based on a diagnostic study that would establish financing priorities together with a specific baseline and an easily measurable target for each action. The project would finance 60 percent of the cost of efficiency improvements, with the WSSU financing the rest. No formal ceiling would be established (under PATME, availability of counterpart financing has proven an effective mechanism to control the amount being assigned to a given WSSU); however, utilities that do not use the funds assigned to them in previous years or fail to show overall efficiency improvements would see their assignation decrease.

23. **Component 2C: Pilot Output-based Efficiency Investments (total cost: 5M):** Among existing and potential participating utilities, some are much more advanced than others in the implementation of efficiency improvement measures; this window would cater to their higher level of sophistication, generally financing similar activities as the classical investment window but using outputs, rather than inputs, as the basis for disbursement. Given the challenges presented by the design of such a mechanism, CONAGUA and the Bank have agreed to design this window as a pilot limited to a few indicators, activities and utilities, at least initially. In addition, this window will only become operational once an operating manual acceptable to the

Bank has been completed. CONAGUA would finance 60 percent of the cost of the activities under this window, while the WSSU would finance the rest. No formal ceiling would be used and the same principles as in the Classical Efficiency Investments window apply.

All of the windows under this Component would be implemented by the WSSU themselves, under the technical and fiduciary supervision of CONAGUA's regional branches and River Basin Agencies.

5. Financing

24. The proposed loan in the amount of US\$100 million is designed as a Specific Investment Loan (SIL), combining investments and technical assistance financing. This amount will cover 100 percent of the federal contribution to the PROME, while the counterpart financing of US\$62 million will be provided by participating WSSU and municipal and State institutions, as was the case under PATME.

Project Financing Table

Components	IBRD	WSSU	TOTAL
<i>Component 1:</i> WSS sector information and knowledge management improvement	5.0 M	0.0 M	5.0 M
<i>Component 2:</i> Modernization of the services of participating water utilities	95.0 M	62.0 M	157.0 M
2A: <i>Technical Assistance</i>	5.0 M	2.0 M	7.0 M
2B: <i>Classical Efficiency Investments</i>	87.0 M	58.0 M	145.0 M
2C: <i>Pilot Output-Based Efficiency Investments</i>	3.0 M	2.0 M	5.0 M
Total	100.0 M	62.0 M	162.0 M

6. Implementation

Institutional and Implementation Arrangements

25. **The proposed implementation arrangements would mirror those of the recently closed PATME.** The project will be implemented by CONAGUA and, more specifically, by the WSSU Institutional Strengthening Unit (*Gerencia de Fortalecimiento de los Organismos Operadores*), which was also implementing the PATME project. As was the case in the PATME project, *Banco del Ahorro Nacional y Servicios Financieros* - BANSEFI is expected to act as a financial agent, and will continue supervising project fiduciary aspects, including procurement implementation. In addition, implementation of Component 2 will be largely decentralized to participating utilities, similarly to the case of PATME.

26. **The implementing agency has a solid track record in implementing Bank-financed projects.** The latest Implementation Status and Results Report (ISR) of the PATME project rates overall implementation progress, Project Management, Financial Management, Counterpart Funding, Procurement and Monitoring & Evaluation as satisfactory. The recently closed

Integrated Irrigation Modernization Project's Implementation Completion and Results Report (ICR) ¹⁴ also rates CONAGUA's performance as the implementing agency as satisfactory, noting in particular its experience in Bank-financed projects and the continuity of the team responsible for implementation.

27. **Given the large size of the new loan in comparison with PATME, accompanying measures are considered.** The proposed project's amount – US\$ 162 million – represents a three-fold increase over PATME and the number of participating water utilities is expected to increase in the same proportion. CONAGUA recognizes this challenge and is considering several complementary measures:

- CONAGUA is considering strengthening the capacity of the WSSU Institutional Strengthening Unit by hiring a reduced number of new staff to support the team, which would be probably done through an outsourcing contract.
- CONAGUA's regional branches and River Basin Agencies will be responsible for technical supervision of efficiency actions implemented by the WSSU located in their region.
- WSSU will be responsible for contracting and supervising efficiency improvement actions, all of which will be verified by CONAGUA.

28. **The Role of the States.** CONAGUA will work together with relevant States and their Water Commissions. Given the great diversity of potential scenarios, no formal arrangements are defined between CONAGUA and the States. Rather, based on the States' capacity and availability, different models will be followed.

29. **The project will be implemented at federal and sub-national levels, including a flow fund to the States and procurement processes to be carried out by state water utilities.** However, most Financial Management (FM) and procurement activities, including information system, budgeting, accounting and financial reporting, will be coordinated by the CONAGUA's central office, which has a strong system of FM internal and external controls in place. The project will also make large use of the country FM systems, including accounting, budgeting, treasury, internal control and auditing.

Results Monitoring and Evaluation

30. The project-level monitoring and evaluation framework will allow for the tracking of progress in implementation, measuring intermediate results and evaluating project outcomes. All the project indicators will be monitored and updated on an annual basis. In order to update the PDO Level Results Indicators, CONAGUA will need to collect the data from the participating Water Utilities, while for Components 1 and 2 (intermediate results indicators), the core information will be provided by CONAGUA itself.

31. Progress Reports will be produced by CONAGUA's monitoring and evaluation system – elaborated under PATME - to describe the main achievements of the Project on a semi-annual basis. They will include complete information on contracts, procurements, disbursements,

¹⁴ Report No: ICR00001133 of March 26, 2010.

detailed information on the Project's financial status, inputs, number of beneficiaries and other outputs, and a range of additional operational output and outcome indicators to track project status. The WSSU Institutional Strengthening Unit will be in charge of producing the reports, relying on data provided by CONAGUA's regional branches and River Basin Agencies as well as the WSSU. These reports will be used by the Bank and CONAGUA.

7. Sustainability

32. **Financially: Ensuring investments are made on a solid financial and technical basis.** A financial evaluation of a sample of the activities financed under the previous PATME project has shown that these generally yield positive financial outcomes. Activities under PROME will be similar to those under PATME; these activities will be based on assessment study and investment plans that would include a financial model of the corresponding WSSU and allow the WSSUs to base their investment priorities on technical grounds. The financing amount that each utility will receive will depend upon their successfully implemented activities and their focus on the activities recommended by their diagnostic, which ensures that only sustainable actions will be encouraged by the project.

33. **Environmentally: Improving efficiency and managing water demand.** In many of the participating utilities, water is currently scarce. The project is expected to decrease the overall water demand from the participating utilities through more efficient systems as well as better demand control through systematic metering and collection revenues. In addition, the project will also support the improvement of energy efficiency in participating WSSU, allowing those to produce the same amount of water with lower energy consumption. Works contemplated under the project will not generate significant impacts, and an environmental framework has been prepared.

34. **Socially: providing improved services to the population.** Although the direct focus of the project is to improve efficiency rather than the quality of services, a WSSU that is operating in a more efficient manner is more likely to be able to provide long-lasting, good quality services to its customers. More water will be available for actual paying customers, and overall costs will be lower. In addition, some of the measures supported under Component 1 – especially those focused on information and benchmarking - will also ensure greater transparency and accountability of participating WSSU, which in turn will contribute to make service more sustainable.

8. Safeguard Policies (including public consultation)

Social

35. **Based on PATME experience, only 4 percent of all projects involved infrastructure civil works and it is expected that this percentage will remain on a similar level for PROME.** The project does not foresee large adverse environmental or social impacts, so simplified frameworks have been agreed with the Bank's team to provide guidance on safeguards policies. No environmental and social risks or issues that go beyond the coverage of the safeguards policies are expected.

36. **PROME triggers OP 4.12. on Involuntary Resettlement.** CONAGUA has extensive experience implementing projects with Bank safeguards. However, since PATME did not trigger any safeguards policies and was categorized as C type, the implementing team has limited experience on safeguards compliance and the Bank's team will work with CONAGUA to ensure full alignment with Bank's policies and national norms when the need arises. It should be noted that this safeguard is only triggered preventively as no resettlement (or land expropriation) took place under the PATME project and no resettlement is currently expected under the PROME project either. In order to comply with the policy, a resettlement framework including an adequate screening process for works proposals has been prepared and disclosed in country and on the InfoShop on July 2st, 2010.

Environment

37. **PROME is classified as a category B project and triggers OP 4.01 due to the nature of the works proposed.** CONAGUA has the institutional capacity and specific procedures in place (formalized in manuals) needed to guarantee that the federal environmental legislation in relation with Environmental Impact Assessments is fully complied; nevertheless, the type of activities to be supported with PROME fall mainly in a local, non federal, regulation that applies to the water companies at the municipalities. The proposed activities seek to improve efficiency related infrastructure (mainly electromechanical equipment and a reduced number of minor construction works), which in essence imply low environmental impacts that can be addressed through the use of a simplified framework as an integral part of construction contracts. The Bank team has supported CONAGUA in the preparation of an Environmental Framework that describes and evaluates the possible environmental impacts generated by the project's activities and determines mitigation measures to be applied in each construction contract with a simple monitoring system based on legal obligations established in the Federal, State, and Municipal environmental legislations. The Environmental Framework has been disclosed in country and on the InfoShop on July 2st, 2010.

38. **Additionally, Safeguard 4.11 Physical Cultural Resources is triggered,** since the construction works involve excavations and earth movements and some of these construction works might be located near physical cultural resources. Thus, it is necessary to guarantee that the Bank safeguard and the ample local legislation in this matter (INAH *Instituto Nacional de Antropologia e Historia*) is fully complied by construction companies in a similar manner as the environmental issues.

9. Contact point

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