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Report No: PAD4044

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$ 225 MILLION

TO THE

UNITED MEXICAN STATES

FOR A

MEXICO NATIONAL DIGITAL IDENTITY SYSTEM TO FACILITATE INCLUSION

December 18, 2020

Governance Global Practice  
Latin America And Caribbean Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective Dec 11, 2020)

Currency Unit = MXN

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MXN 20.13 = US\$1  
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## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

CBA	Cost-Benefit Analysis
CDD	Customer Due Diligence
CONAFREC	National Council of Civil Registry Officials ( <i>Consejo Nacional de Funcionarios del Registro Civil</i> )
CONAPO	National Population Council ( <i>Consejo Nacional de Población</i> )
CONDUSEF	National Commission for the Protection and Defense of Financial Services Users
CONEVAL	National Council for the Evaluation of Social Development Policy
CONSAR	National Commission of the Pension Saving System
CPF	Country Partnership Framework
CURP	Unique Population Registry Code ( <i>Clave Única de Registro de Población</i> )
ESS	Environmental and Social Standard
FIGI	World Bank's Financial Inclusion Global Initiative
GDP	Gross Domestic Product
GoM	Government of Mexico
GRM	Grievance Redress Mechanism
ICT	Information and Communications Technologies
ID4D	Identification for Development
IDPs	Identity Providers
IMSS	Mexican Institute of Social Security
INAI	National Institute for Transparency, Access to Information and Personal Data Protection
INE	National Electoral Institute
INPI	National Indigenous Peoples Institute
IPF	Investment Project Financing
IPPF+VP	Indigenous Peoples and other Vulnerable Populations Framework
IPs	indigenous peoples
ISR	Implementation Status and Results
KYC	Know Your Customer
LAC	Latin America and the Caribbean
LGBTQI	Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, and Intersex
LMP	Labor Management Procedures
MSMEs	Micro, small and medium enterprises
NAFIN	National Financial ( <i>Nacional Financiera, S.N.C., I.B.D</i> )
PDO	Project Development Objective
PIA	Privacy Impact Assessment
PIU	Project Implementation Unit
POM	Project Operations Manual
PPP	Public Private Partnership
RAs	Registration Agencies
RENAPO	General Directorate of the National Registry of Population and Personal Identification ( <i>Dirección General del Registro Nacional de Población</i> )
SAT	Tax Administration Service
SDGs	Sustainable Development Goals
SEGOB	Ministry of the Interior ( <i>Secretaría de Gobernación</i> )
SEP	Stakeholder Engagement Plan

SFP	Ministry of Public Administration ( <i>Secretaría de la Función Pública</i> )
SHCP	Ministry of Finance and Public Credit ( <i>Secretaría de Hacienda y Crédito Público</i> )
SID	National Registry and Identity System ( <i>Sistema Nacional de Registro e Identidad</i> )
SNIP	National Personal Identification Service ( <i>Servicio Nacional de Identificación Personal</i> )
SOGI	Sexual orientation and gender identity
SRE	Ministry of Foreign Affairs ( <i>Secretaría de Relaciones Exteriores</i> )
STEP	Systematic Tracking of Exchanges in Procurement system
UAs	User Agencies
US\$	US dollars
WB	World Bank



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DATASHEET

**BASIC INFORMATION**

Country(ies)	Project Name	
Mexico	Mexico National Digital Identity System to Facilitate Inclusion	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P172647	Investment Project Financing	Moderate

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
21-Jan-2021	30-Jun-2026

Bank/IFC Collaboration

No

**Proposed Development Objective(s)**

The proposed Project Development Objective (PDO) is to strengthen Mexico’s foundational ID system to ensure a unique identity for all Mexicans and foreign residents to facilitate ID verification and authentication for services and benefits.



**Components**

Component Name	Cost (US\$, millions)
Improving the quality and coverage of civil registration services	137.00
Designing and implementing the foundational system and verification services	61.00
Institutional strengthening of RENAPO and project management	27.00

**Organizations**

Borrower:	United Mexican States
Implementing Agency:	Ministry of the Interior (SEGOB)

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	225.00
<b>Total Financing</b>	225.00
<b>of which IBRD/IDA</b>	225.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	225.00
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**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2022	2023	2024	2025	2026
<b>Annual</b>	19.74	44.93	50.01	53.74	56.57
<b>Cumulative</b>	19.74	64.67	114.68	168.42	225.00



**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Governance

**Contributing Practice Areas**

Finance, Competitiveness and Innovation, Social Protection & Jobs

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	● Substantial
10. Overall	● Moderate

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No





**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

**Legal Covenants**

Sections and Description

The Borrower, through SEGOB (through RENAPO), shall adopt and thereafter carry out the Project in accordance with the provisions of a manual (the Operational Manual) satisfactory to the Bank. (Schedule 2. Section I.C.1)

Sections and Description

The Borrower, through SEGOB (through RENAPO), shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank. (Schedule 2. Section I.D.1)

Sections and Description

The Borrower, through SEGOB (through RENAPO), shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank (Schedule 2. Section I.D.2)



**Sections and Description**

The Borrower, through SEGOB (through RENAPO), shall furnish to the Bank each Project Report not later 45 days after the end of each calendar semester, covering the calendar semester. Except as may otherwise be explicitly required or permitted under the Loan Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Borrower, through SEGOB (through RENAPO), shall ensure that such information, report or document does not include Personal Data. (Schedule 2. Section II.1)

**Conditions**

Type	Description
Effectiveness	That the Contrato de Mandato has been duly executed by its parties: the Borrower (through SHCP and SEGOB); and NAFIN (Article V. 5.01(a))
Effectiveness	The Operational Manual has been adopted in form and substance acceptable to the Bank. (Article V. 5.01(b))
Effectiveness	That appropriate Legal Opinions satisfactory to the Bank, by counsel acceptable to the Bank are issued by (a) the Borrower with respect to the Loan Agreement, and by (a) the Borrower (through SHCP), (b) SEGOB (through RENAPO), and (c) NAFIN with respect to the Contrato de Mandato.(Article V. 5.01)



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Mexico is an upper-middle income country with a diversified economy, but economic growth has been low over the last decades, and the country's income per capita has not converged to that of higher-income economies, enabling only limited progress in poverty reduction.** Growth averaged about 2 percent between 1980 and 2018, or close to 1 percent on a per capita basis. Yet the country's per capita income stands at 34 percent of U.S. per capita Gross Domestic Product (GDP), compared with 49 percent in 1980. The official poverty rate fell from 46.1 to 41.9 percent of the population between 2010-18 due to increased labor income and a reduction in social deprivations. Monetary poverty amounted to 23 percent in 2018 using the upper middle-income poverty line (US\$5.5 a day, 2011 purchasing power parity (PPPs)). After a decline between 2010-14, the annualized growth rate of the median per capita income<sup>1</sup> reached 1.8 percent in 2016–18, still well-below the regional average.<sup>2</sup> Mexico's median per capita income in 2018 was US\$3,295 (in 2011 PPP terms) equivalent to US\$1,990 in nominal U.S. dollars.

2. **The expected drop of economic activity during 2020 will have a negative impact on households' income through the labor income effect as well as on poverty rates.** The per capita GDP and GNI are expected to drop significantly, further hindering Mexico's convergence to higher income countries. The COVID-19 pandemic is taking a heavy toll on the Mexican economy as economic activity contracted by 1.3 and 18.6 percent year on year, in the first and second quarters of 2020, respectively. The combination of the global recession (including a drop in U.S. output, Mexico's main trading partner), disruptions in global and domestic supply chains, measures to flatten the contagion curve, financial disruptions and investment risk aversion, among other, are affecting heavily key components of aggregate demand. Despite a strong recovery in economic activity in the third quarter, growth is projected to contract by around 9 percent in 2020.

3. **The COVID-19 pandemic has had significant human, poverty, and employment costs.** The official statistics as of mid-November 2020 show that close to 1 million people contracted the virus and over 95,000 died. Since mid-March the government implemented measures to control the spread of the virus, including the suspension of all non-essential economic activities, move to at-home work and schooling nationwide, and a broad social distancing initiative. The government established a "traffic light" system for a gradual activity reactivation, which commenced in mid-May, but significant uncertainties remain ahead until the availability of a vaccine. The overall impact of the crisis has been significant on jobs. Total employment fell drastically in the early months of the pandemic. The contraction in economic activity will likely lead to a large impact in monetary poverty as well.

4. **The authorities have implemented measures to face the crisis.** Aside from the health response, the authorities have launched a set of monetary, financial, fiscal, economic and social measures to mitigate the impact of the crisis. On the monetary-financial side, currency swap lines, liquidity facilities, a regulatory forbearance, and other important measures were adopted. The fiscal response has been more limited. The authorities' expressed rationale is that they are trying to strike a balance between short-term larger fiscal imbalances and a sustainable fiscal framework over the medium term, considering that risks remain high and fiscal space for further action may be needed in the months ahead. The support applied was targeted to support vulnerable households, workers, and Micro, Small and Medium Enterprises (MSMEs).

5. **The COVID-19 response measures have been paired with the adoption and implementation of medium-term reforms to support the economic recovery.** The current juncture and the recovery period ahead also present a good

<sup>1</sup> The median is the 50th percentile of per capita household income, which implies that half the population is above the median, and half is below the median.

<sup>2</sup> The average growth of the median per capita income for 13 LAC countries was 2.6 percent.



opportunity to re-think policies conducive to growth, inclusion and sustainability. In this context, policies that enable access to finance, economic opportunities, and social programs to citizens, particularly youth and vulnerable populations, are critical to the aim of having a more inclusive and resilient recovery.

## B. Sectoral and Institutional Context

6. **ID systems are critical to enable access to key public and private services for vulnerable populations.** GoM is committed to develop a universal and reliable digital ID system that will facilitate enhanced access to health, education, social protection and finance services for the population, as stated in the National Development Plan 2019-2024.

7. **The absence of a national ID system has hampered the effective exercise of the right to an identity acknowledged by the Mexican Constitution.** A constitutional reform in 2014 introduced identity<sup>3</sup> as a basic human right that enables individuals to exercise a range of civil, economic and social rights. This right is recognized as universal and an entitlement for all the population in the country, regardless of nationality or legal migratory status, and to Mexican citizens residing abroad. It is critical to enable access to economic opportunities and improve individuals' welfare, including through financial access, direct payments of social programs, education, and employment.

8. **The 1974 General Population Law assigned the mandate to register and certify the identity of all residents of Mexico to the Ministry of Interior (*Secretaría de Gobernación*) through the National Population Registry (*Registro Nacional de Población-RENAPO*) working with civil registries managed by each of Mexico's 32 states.** Under the Mexican decentralized federal framework, state-managed civil registries are responsible for the registration of all life events: births, marriages and deaths. While states are required by law to provide information on vital events to RENAPO, the enrollment<sup>4</sup> processes and data capture practices are not streamlined. Up to 2015, each state had different birth certificate forms and formats which hindered data consolidation. While the civil registration system has improved in recent years, challenges remain owing to the absence of management tools at the state level that can avoid duplication and ensure nation-wide coverage. Citizens that move between states often prefer to obtain new birth certificates at their state of residence rather than request them from their state of birth. This leads to a duplication of birth registries. In addition, there are significant gaps in coverage. The World Bank's Identification for Development (ID4D) program estimates that nearly 3.7 million people in Mexico were still unregistered in 2018, amounting to nearly 3 percent of the country's population, significantly higher than regional peers such as Argentina (0.1 percent), Colombia (0.4) or Chile (1.5).<sup>5</sup> Women represent 51.4 percent of the unregistered population, explained by the slightly larger population of women and a social gender gap. According to the General Law of Rights of Girls, Boys and Adolescents, registration of birth should take place within the first sixty days of life. In 2015 only 54 percent of all newborns were registered within this timeframe.<sup>6</sup> Moreover, there is also a high degree of heterogeneity across the country, with lower registration levels and delays in birth registration in lower income and lower capacity states such as Chiapas, Guerrero, and Oaxaca.<sup>7</sup> There are also significant deficiencies in death registration. While there are 40 million deaths registered since 1930, only 26 million have been captured electronically and only 15 million have met the quality requirement to be included in the national population database.

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<sup>3</sup> Identity is defined as a set of attributes that *uniquely* describes an individual (or entity), while identification is the "proof of identity" (World Bank. 2018. *Principles on Identification for Sustainable Development: Towards the Digital Age*. Washington, DC, World Bank Group).

<sup>4</sup> The process of collecting a biometric and biographic sample from an end user, converting it into a reference, and storing it in a system's database for later comparison (adapted from Harbitz & Kentala 2013)

<sup>5</sup> Identification for Development (ID4D) Global Dataset, World Bank, Washington, D.C. (accessed on February 28, 2020), <https://datacatalog.worldbank.org/dataset/identification-development-global-dataset>.

<sup>6</sup> UNICEF. 2019. *Derecho a la Identidad. La cobertura del registro de nacimiento en México en 1999 y 2009*. México City, Mexico: UNICEF Mexico /INEGI.

<sup>7</sup> These states also have the highest poverty rates and are among the states most exposed to and vulnerable to natural disasters.



9. **The General Population Law mandated that a Unique Population Registry Code (*Clave Única de Registro de Población* - CURP) be assigned to each person but deficiencies in registration and data management have led to the fragmentation of the identification system.** The CURP was established in 1996 to ensure that each person had one unique identifier. However, CURP enrollment is entered manually based on the birth certificate, without a validation or deduplication system. Consequently, multiple CURPs have been issued to the same person and, occasionally, the same CURP has been assigned to a different person with the same name. In 2018 there were more than 180 million CURPs, more than the population of Mexico (127 million) and the Mexicans living abroad (approximately 11.8 million). According to RENAPO's estimates, between 1 and 2 percent of the population could have two or more different and legal birth certificates with the corresponding CURPs. As a result, CURP does not reliably identify individuals. In the absence of a single trusted identification system, various agencies – the National Electoral Institute (INE), Mexican Institute of Social Security (IMSS), National Commission of the Pension Saving System (CONSAR), Tax Administration Service (SAT) and the Ministry of Foreign Affairs (SRE) among others – have developed their own identification biographic<sup>8</sup> and biometric<sup>9</sup> databases to serve specific functions. These systems use different means to identify their users, covering various population subgroups that often overlap. INE's registry covers an estimated 86 million persons registered as voters, whereas the SAT covers 56.8 million taxpayers and IMSS covers 56 million persons, including workers with formal jobs and other beneficiaries of government assistance, while SRE covers approximately 21 million persons in its passport database. The voter credential issued by the INE has emerged as the *de facto* ID card. However, its coverage is incomplete because it excludes minors (0 to 17 years old), a sizeable share of Mexicans living abroad and foreigners residing in Mexico, and a small share of the population 18 years of age or older (approximately 2 percent). The various isolated functional databases have divergent levels of data quality and consistency.

10. **Deficiencies in life event registration, in the accuracy of the CURP as a unique identifier and the fragmented ID ecosystem<sup>10</sup> have contributed to identity theft and fraud, low financial inclusion, and inefficient social spending.** According to the Central Bank, Mexico has the second highest number of identity thefts in Latin America and the Caribbean and ranks eight worldwide. In 2018, Mexico's National Commission for the Protection and Defense of Financial Services Users (CONDUSEF) reported 67,401 frauds related to identity theft cases that amounted to over US\$110 million in a single year. Similarly, Mexico continues to have low financial inclusion relative to peer countries, partially caused by the lack of needed documentation to open a bank account. According to 2017 data from Global Findex, only 37 percent of Mexicans older than 15 years have an account with a financial institution, and 19 percent report not having the necessary documents to open an account, with the majority being women. Financial institutions in Mexico face regulatory and compliance challenges when establishing their customer due diligence (CDD) processes due to the lack of a robust ID verification service.<sup>11</sup> Inadequate identification of social protection beneficiaries hinders effective targeting of social spending. Mexico's Audit Agency concluded that 11 percent of the beneficiaries of the federal social pension program for the elderly had an unverifiable or duplicate identity in 2016. Similar issues have been identified for other programs.

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<sup>8</sup> Biographic data refers to attributes about a person or their life, that are not biometric (i.e., biological or behavioral). In foundational or legal ID systems, this often includes information such as name, sex, age, nationality, etc.

<sup>9</sup> A biological (fingerprint, face, iris) or behavioral (gait, handwriting, signature, keystrokes) attribute of an individual that can be used for biometric recognition (adapted from ISO/IEC 2382-37).

<sup>10</sup> The set of identification systems—including databases, credentials, laws, processes, protocols, etc.— and their interconnections within a jurisdiction, geographic area, or particular sector (adapted from ID4D Public-Private Cooperation paper).

<sup>11</sup> The Credit Institutions Law establishes that the requirements for CDD (i.e. name and date of birth) must be obtained from an official document and the National Banking and Security Commission (CNBV) requires CURP verification. Currently, financial institutions rely on physical credentials presented by their clients and verification of some data attributes included in the credentials (e.g. name and date of birth) against the voter database maintained by the National Electoral Institute (INE), which also allows partial verification of fingerprints. Unlike the CURP, INE is a separate ID system which only covers the population 18 years old or older who have actively enrolled to vote.



11. **To address these challenges, RENAPO developed the National Registry and Identity System (SID-Sistema Nacional de Registro e Identidad), which seeks to standardize practices and harmonize quality requirements for data capture.** Systems development began in 2015 with an agreement with State governments to have a minimum set of standard fields in birth certificates. To achieve this, RENAPO signed agreements (*Convenio de Coordinación para el Programa de Registro e Identificación de Población*) with 29 of the 32 states, with a further 3 under review. In parallel, RENAPO took steps to consolidate the information provided by the states in a central repository to improve accessibility to records. This system has been piloted in 981 civil registry offices across 11 states.<sup>12</sup> Mass rollout to the federal entities and more than 5,000 civil registry offices will require substantial resources and depends to a great extent on the capacity of RENAPO to provide incentives to subnational governments given the decentralized operation of civil registry offices. This requires significant inter-governmental coordination and collaboration. At the federal level, the Inter-Ministerial Commission for the Adoption and Use of the CURP (*Comisión Intersecretarial para la Adopción y Uso de la Clave Única de Registro de Población*) has been an effective platform for dialogue to agree on regulations, procedures, and guidelines fostering the use of the CURP as identifier across public databases and to engage agencies in the implementation of the SID. This encompasses the Ministries of Finance, Interior and Foreign Affairs, the Central Bank and Social Security Agency. At the state level, RENAPO coordinates actions with Civil Registries from all 32 states through the National Council of Civil Registry Officials (*Consejo Nacional de Funcionarios del Registro Civil - CONAFREC*) to agree on action plans for the enrollment, the strengthening of civil registry offices for SID implementation, and the deployment of mobile campaigns in remote areas.

12. **The Establishment of the National Personal Identification Service (Servicio Nacional de Identificación Personal - SNIP) is the critical next step to further strengthen the ID ecosystem and ensure uniqueness.** While most historical records for individuals are already in RENAPO's database, there are significant problems in terms of the accuracy and duplication of records. Implementation of the SNIP entails the consolidation of an identity database and the provision of verification<sup>13</sup> and authentication<sup>14</sup> services for third parties. The database is critical to ensure uniqueness as it will enable the linkage of biometric and biographic data to the CURP using modern deduplication<sup>15</sup> methods. The database will include biographic and biometric data already stored by RENAPO, as well as new data captured by civil registry offices across the country during enrollment, and data from public sector partner entities authorized to capture information at different registration points. The database will also incorporate legacy data from other federal agencies in a harmonized way and will thus enable RENAPO to ensure the uniqueness of the records. Table 1 below outlines the data that will be used by age group. Mexico's legal and institutional framework protects personal data in a comprehensive manner. Box 1 presents Mexico's data protection and privacy safeguards for digital ID. The identity database will provide the cornerstone to reliable verification and authentication for third parties to facilitate access to, among others, financial, health, social protection and education benefits and services.

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<sup>12</sup> Baja California, Baja California, Campeche, Hidalgo, Jalisco, Morelos, Nayarit, Nuevo León, Quintana Roo, Sonora and Tabasco.

<sup>13</sup> For the purpose of this document, verification is defined as the process of verifying specific identity attributes or determining the authenticity of credentials in order to facilitate authorization for a particular service.

<sup>14</sup> The process of establishing confidence that a person is who they claim to be. Digital authentication generally involves a person electronically presenting one or more "factors" to "assert" their identity-that is, to prove that they are the same person to

<sup>15</sup> In the context of identification systems, deduplication is a technique to detect duplicate identity records, identify inconsistent identity claims, and establish the uniqueness of people within a system. Biometric recognition is commonly used to perform this function; biographic data can also be used for deduplication but generally not with the same level of efficiency nor accuracy (adapted from ISO/IEC 2382-37 and ID4D Technology Landscape report).





Table 1. Data to be included in the foundational database by age group

Age group	0 – 4 years old	5 – 15 years old	16 years and older
<b>Legal document</b>	Live birth certificate or birth certificate	Birth certificate	Birth certificate
<b>Unique identifier</b>	CURP	CURP	CURP
<b>Biometric data</b>	Picture + data of parents or guardian (1 or 2)	Picture + Iris + (optionally) 4 fingerprints	Picture + Iris + 10 fingerprints

13. **The Government of Mexico is committed to strengthen the ID ecosystem and develop an inclusive national digital ID system.** RENAPO has developed a comprehensive strategy to improve registration and ensure ID uniqueness guided by the principles of inclusion, accessibility, and privacy by design.<sup>16</sup> RENAPO plans to link CURPs with biometric information using modern deduplication methods and establish a reliable mechanism to provide verification and authentication services for third parties. The use of digital technologies to verify the identity of the population is critical to, among others, advance the deployment of safe and efficient access to financial services. The strategy envisions the modernization of civil registries and the strengthening of RENAPO’s capabilities to provide cutting-edge verification and authentication for benefits and services, while safeguarding personal data.

**Box 1. Data Protection and Privacy Safeguards for Digital ID in Mexico.**

**Mexico’s legal framework has effective privacy-by-design and data protection principles.** These principles include lawful data processing, purpose limitation, proportionality, data quality, accountability and transparency, among others. The legal framework in Mexico supports access, rectification, cancellation and opposition (ARCO) rights, allowing data subjects to request and obtain access to their personal data; request changes if the information is inaccurate or incomplete; request deletion of information when applicable; and oppose processing of personal data for legitimate reasons. The framework is consistent with international standards and best practices in data protection.

**Mexico has a comprehensive legal framework for personal data processing.** The Mexican Constitution recognizes privacy and personal data protection as human rights under articles 6 and 16, respectively. Data protection rights can only be preempted by national security, public health or to protect third party rights. Confidentiality of personal data is covered by the Law on Transparency and Access to Public Information and the General Population Law. The Law on Transparency limits the processing of data sets to those that are adequate, relevant and non-excessive according to the permissible purposes for data collection. This law establishes that authorities should also ensure data security and prevent data from any misuse, corruption, loss, non-authorized transfer or data access. Moreover, personal information included in government databases cannot be further distributed, disclosed or commercially exploited unless there is individual’s express consent. Similarly, the General Population Law includes provisions to ensure the confidentiality of data. This law foresees that information included in the National Population Registry is confidential and can only be shared with INE and relevant public entities that require this information to fulfill their legal mandate.

**Personal data is considered sensitive information and subject to high safeguard levels.** Mexico’s Data Protection Law for Public Sector entities protects personal identification information. This law states that information related to racial, ethnic, genetic information, health, religious, philosophical and political beliefs, and sexual orientation is considered sensitive data. The Data Protection Authority (INAI) has determined that biometric information is also sensitive data, considering that the law anticipates that any data that belongs to the most private sphere of the individual should be considered sensitive. Sensitive information is subject to a higher level of safeguards than non-sensitive information.

<sup>16</sup> Privacy-by-design principle means that individuals do not need to take actions to ensure that their data is protected from improper use.



14. **The development of an inclusive and reliable ID system will, inter alia, facilitate access to services and enhance efficiency in benefit and service provision.** An enhanced ID system is not only a goal in and of itself to fulfill the human right to an identity. It facilitates access to financial services, economic opportunities, social services, and social protection, and thus directly benefits the poor and vulnerable. A solid and trusted national ID system will also have gender-transformative effects through enhanced opportunities and agency for women. In the social protection space, the improved ID system will help expand access to social programs, and will enable cost-effective, secure and convenient digital payments to beneficiaries currently receiving cash payments. Enhanced ID will support financial inclusion through increased availability of the necessary documentation to open a bank account and by facilitating providers' Know-Your-Customer (KYC) requirements. It will reduce identity theft, fraud and corruption through enhanced verification and authentication protocols. In the health sector, a sophisticated civil registration and ID system will increase accuracy of vital statistics, which will help to better monitor health targets and track provision of care, potentially including vaccinations among others. While the current ID system has limitations, the existing legal and institutional framework, ID coverage, the widespread use of CURP, and RENAPO's existing CURP verification services, will all be leveraged to reap the benefits in a short period of time, faster than it would have been possible in the absence of these enabling factors.

15. **Furthermore, the development of a robust and reliable ID system will also strengthen Mexico's capacity to better respond to multiple natural disasters<sup>17</sup> and other hazards.** Mexico is exposed to natural hazards such as seismic events and climate change impacts, including flooding, heat waves, and cyclones, all of which are expected to increase in frequency, intensity, and impact. Climate change and shocks such as pandemics, disproportionately impact the wellbeing of the poor and vulnerable, undermine environmental determinants of health and place additional stress on health systems.<sup>18</sup> Communities in remote areas in Mexico, which are specially targeted for inclusion in the national digital ID system, are particularly vulnerable to climate change and poorer than in urban areas.<sup>19</sup> Within these communities, elderly,<sup>20</sup> indigenous,<sup>21</sup> and disabled people<sup>22</sup> are among those that are more vulnerable to climate change given existing health, nutrition, water access, and poverty conditions. Climate change is also expected to drive internal migration.<sup>23</sup> Climate migration is expected to occur between coastal and arid areas mainly to the central plateau near Mexico City and east of Puebla. The development of a national digital ID system will contribute to the secure and cost-effective identification of beneficiaries, including migrants (many of which migrate due to the economic and social costs stemmed from climate change). It will also facilitate the delivery of relief aid in the event of disasters, enabling continuity in the provision of public and private services to vulnerable populations. The government aims to ensure that the digital identification infrastructure<sup>24</sup> is resilient and maintains a minimum functionality in times of climate-induced shocks and natural disasters. The provision of verification and authentication services will be critical to achieve this, as such services

<sup>17</sup> In this document, the term natural disaster is used to describe a natural hazard that has notable negative impacts on people. Such natural disasters are not purely natural events; they are caused by the interaction between a natural event—such as heavy rainfall or an earthquake—and socioeconomic vulnerability. For example, a massive flood is not enough to cause a disaster; a disaster occurs only if the flood takes place where people live and are vulnerable to an inundation. (Hallegatte, Stephane, Adrien Vogt-Schilb, Mook Bangalore, and Julie Rozenberg. 2017. *Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters*. Climate Change and Development Series. Washington, DC: World Bank.)

<sup>18</sup> World Health Organization, <https://who.int>

<sup>19</sup> Paloma Villagómez Ornelas, Rural poverty in Mexico: prevalence and challenges (2019). <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2019/03/RURAL-POVERTY-IN-MEXICO.-CONEVAL.-Expert-Meeting.-15022019.pdf>

<sup>20</sup> Leyva, E et al., Health Impact of Climate Change in Older People: An Integrative Review and Implications for Nursing (2017). <https://sigmapubs.onlinelibrary.wiley.com/doi/pdfdirect/10.1111/jnu.12346>

<sup>21</sup> IUCN, Indigenous and Traditional Peoples and Climate Change (2008). [https://www.iucn.org/downloads/indigenous\\_peoples\\_climate\\_change.pdf](https://www.iucn.org/downloads/indigenous_peoples_climate_change.pdf)

<sup>22</sup> United Nations General Assembly, A/HRC/44/30 (2020). <https://undocs.org/A/HRC/44/30>

<sup>23</sup> Kumari Rigaud, Kanta, Alex de Sherbinin, Bryan Jones, Jonas Bergmann, Viviane Clement, Kayly Ober, Jacob Schewe, Susana Adamo, Brent McCusker, Silke Heuser, and Amelia Midgley. 2018. *Groundswell: Preparing for Internal Climate Migration*. Washington, DC: The World Bank.

<sup>24</sup> The technological infrastructure that is part of the project is considered critical and essential.





are needed to verify the identity of individuals that have lost their physical ID cards or other identification means during a natural disaster or emergency.

### C. Relevance to Higher Level Objectives

16. **Despite the crisis, the objectives of the FY20-25 World Bank Group’s Country Partnership Framework (CPF)<sup>25</sup> remain relevant.** The CPF for Mexico is focused on three broad areas: supporting more rapid and more inclusive growth; strengthening institutions for public finance, service delivery, and economic inclusion; and enabling sustainable infrastructure and climate action. The CPF has seven specific objectives under those broad areas, to: 1 - foster financial intermediation and inclusion; 2 - reduce regulatory and competition barriers to economic growth; 3 - enhance the management of public resources; 4 - strengthen the institutional capacity to deliver inclusive social services; 5 - strengthen the capacity of the social protection system for economic inclusion; 6 - provide more inclusive and sustainable infrastructure services; and 7 - support the government in reaching its goals on climate change. Reforms and projects conducive to these CPF objectives not only remain relevant but are essential to strengthen the country through the crisis and to support a strong recovery.

17. **The pipeline and portfolio of projects under the CPF has experienced some adjustments.** The pipeline in FY 2021 has strengthened support for policy and institutional reforms to advance key objectives of the CPF that are also important to dealing with the current situation. At the same time, and to enable margin for action, the balance of some slower disbursing non-priority projects was cancelled (see annex 4).

18. **The proposed operation is fully aligned with the CPF** and with the National Development Plan 2019-2024. This operation contributes directly to Objectives 1, 3 and 4 of the CPF. The proposed operation is also aligned with the WBG’s COVID-19 crisis response outlined in the Approach Paper (AP), particularly with pillars 2 and 3. Moreover, the operation supports the goals of the World Bank Group Climate Action Plan by improving disaster response capacity and the climate resilience of technological infrastructure, connectivity of networks and provision of benefits and services.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

19. The proposed Project Development Objective (PDO) is to strengthen Mexico’s foundational ID system to ensure a unique identity for all Mexicans and foreign residents to facilitate ID verification and authentication for services and benefits.

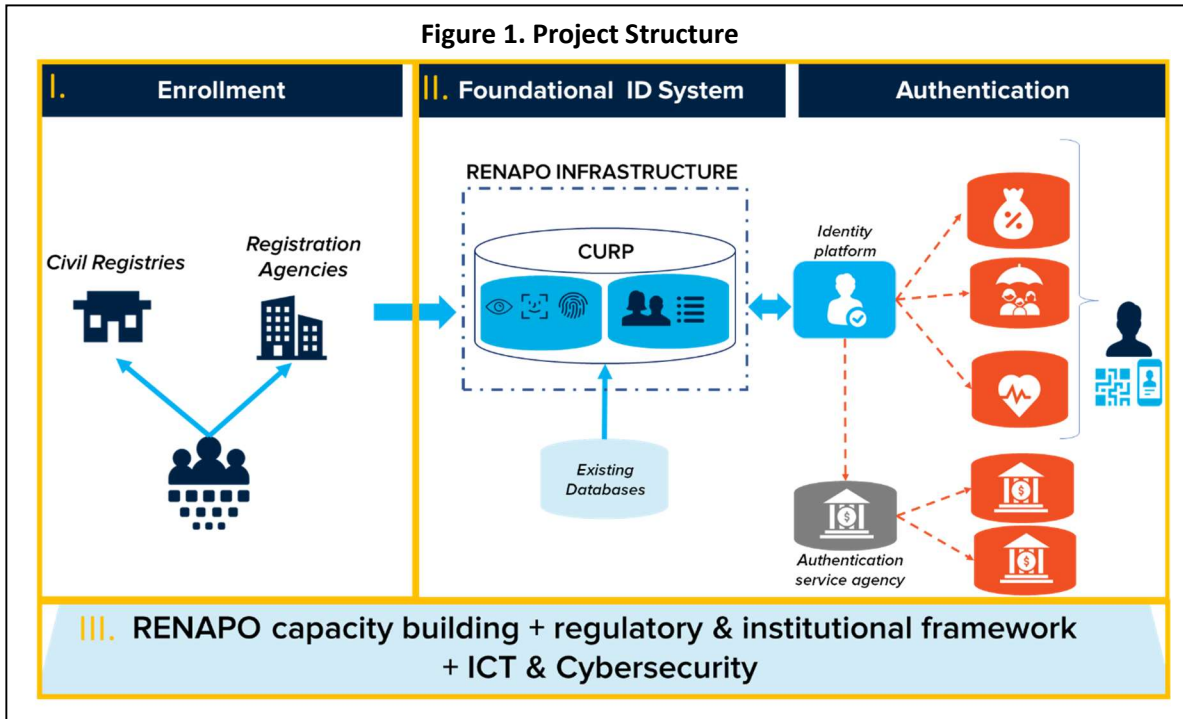
#### PDO Level Indicators

1. Civil registry offices with standardized practices for the registry of biographical data and biometric enrollment (number)
2. Population with a unique registry in the foundational database (percentage)
  - a. Of which are women (percentage)
3. ID verification and authentication services provided to public and private agencies and persons (percentage)

<sup>25</sup> Report No. 137429-MX, discussed by the Board on February 27, 2020



- a. To persons (percentage)
- b. To public sector agencies (percentage)
- c. To private sector agencies (percentage)



## B. Project Components

20. The project comprises three components: improvement of the quality and coverage of civil registration services; design and implementation of the foundational system and verification and authentication services for third parties; and institutional strengthening of RENAPO and project management. Figure 1 on page 12 depicts the project structure.

### Component 1: Improving the quality and coverage of civil registration services (US\$ 137 million)

21. **This component will improve the quality and coverage of civil registry services.** The component supports the roll-out of SID at the state level to improve data quality and strengthening of the CURP through the linkage of biographic and biometric data. The component supports strategies to collect biometric information and expand the coverage of civil registry services with a focus on vulnerable populations including those that are vulnerable to climate impacts and other external shocks. The activities will be implemented by RENAPO in close coordination with the state-level civil registry offices.

22. **Subcomponent 1.1: Support for the implementation of the Registration and Identity System (SID) and of the enrollment.** This subcomponent will strengthen the capacity of civil registry services through, *inter alia*, the implementation of the SID in the federal entities and the expansion of biometric enrollment capacity, including the following activities: (i) Development of the SID subsystem for biometric data registry using common standards and interfaces to link biometric and biographic data to the CURP; (ii) Upgrading technological infrastructure to implement the SID in the federal entities to reach national coverage; (iii) Supporting the development and implementation of the biometric registration strategies to ensure that a critical mass of the population in Mexico is uniquely identified (i.e. with linked biographic and biometric information to the CURP) and to safeguard the inclusion of vulnerable populations (e.g.



indigenous peoples, people with disabilities, climate migrants), especially in areas with limited infrastructure of civil registry services (e.g. remote areas), including service centers; and (iv) Monitoring and evaluation of the biometric registration strategies.<sup>26</sup>

23. **Subcomponent 1.2: Implementation of communication strategies in the states.** This subcomponent supports the design and implementation of a communication framework to increase awareness on the importance of enrollment, including for continuity of social services during natural disasters or other events, such as pandemics; and to promote timely registry of vital events. The subcomponent supports the following activities: (i) Design and implementation of awareness campaigns to highlight the importance of registering vital events and the need to register biometric data to ensure uniqueness; (ii) Design and implementation of an enrollment communication strategy with a focus on vulnerable populations, including those particularly vulnerable to climate change impacts, taking into account cultural appropriateness for indigenous peoples and Afro-Mexicans, gender aspects to avoid gender-biases and stereotypes, and using indigenous radio stations or other means to better reach vulnerable groups; (iii) Design and implementation of a two-way communication strategy with the public (citizens and non-citizens) to hold consultations and provide feedback to RENAPO regarding the SID roll-out; and (iv) Design and implementation of a change management strategy for SID roll-out in the federal entities. These activities will be implemented by RENAPO in close coordination with CONAFREC and the state-level civil registries.

## **Component 2: Designing and implementing the foundational system and verification services (US\$ 61 million)**

24. **This component will support the establishment of the National Personal Identification Service (*Servicio Nacional de Identificación Personal - SNIP*).** The implementation of the SNIP entails the consolidation of the foundational identity database and the provision of verification and authentication services for third parties. Implementation of the identity database is critical to enable the consolidation of data and the linkage of biometric and biographic data to the CURP to ensure uniqueness. The database will include biographic and biometric data already stored by RENAPO, and new data captured by civil registry offices across the country during enrollment, together with data from public sector partner entities authorized to capture data. The foundational identity database will thereby incorporate legacy data from other federal agencies in a harmonized way and will enable RENAPO to ensure the uniqueness of the records. The database will serve as the foundation for reliable verification and authentication services to individuals, and public and private entities securely and effectively. The SNIP service will be available to provide verification services during emergencies, in response to disasters caused by extreme weather events and other hazards.

25. **Subcomponent 2.1: Technology for the receipt and enrollment of biometric data.** This subcomponent supports the enhancement of technological capacity for enrollment, including the reception of biometric data and integration with existing biographic data, assistance for the deduplication and validation processes and to ensure data security. The subcomponent supports the following activities: (i) Implementation of an automated biometric identification subsystem, including the provision, installation and configuration of biometric search engines; (ii) Design and implementation of a biometric identity database including the data update and deduplication processes; (iii) Definition and implementation of standards for biometric data registration; (iv) Development of interface systems for biometric data capture, including from legacy databases, and standardization and validation processes; and (v) Development and implementation of arrangements for biometric data registration by actors involved in the enrollment, including civil registry offices and federal government agencies.

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<sup>26</sup> The SID will collect biographical information such as age (year of birth) and indigenous and disability status which are useful indicators for climate vulnerability. As reflected in the project's Results Framework and to further strengthen the national capacity to respond with relief aid, RENAPO will prompt the use of the SID by social registries and disaster risk management offices at different administrative levels so that they can deliver relief aid more efficiently in event of impactful climate events and other natural disasters.



26. **Subcomponent 2.2: Design and implementation of an identity platform.** This subcomponent supports the design and implementation of an identity platform for biometric data registration and the provision of identity verification services. The subcomponent supports the following activities: (i) Creation of an Identity platform based on international standards to enlist and certify partners, including Registration Agencies (RAs), Identity Providers (IDPs) and User Agencies (UAs); (ii) Analysis of alternatives for the design of the identity platform and definition of the roles of each participant (RAs, IDPs and UAs); and (iii) Implementation of a certification process for all RAs based on standardized processes and requirements.

27. **Subcomponent 2.3: Establishment of the National Personal Identification Service (SNIP).** This subcomponent provides institutional strengthening for the design and implementation of the SNIP, which will enable the provision of verification and authentication services for third parties, including private and public sector agencies, as well as individuals. The subcomponent supports the following activities: (i) Set-up, configuration and roll-out of identity verification and authentication services; (ii) Development of delivery channels for online identity authentication, including among others a portal and mobile applications; (iii) Development and implementation of remote verification and authentication services, considering different mechanisms and levels of trust; (iv) Establishment of a grievance and redress mechanism to answer queries or complaints regarding identity data and error correction; (v) Improvement of specialized technological infrastructure to be resilient to climate-induced shocks and natural disasters; and (vi) Development of digital services to improve the efficiency and continuity of disaster response management to climate-induced shocks and natural disasters, including mechanisms to authenticate the identity of individuals that do not have means prove it.

28. **Subcomponent 2.4: Communication campaigns, alliances and consensus.** This subcomponent provides assistance for the design and implementation of communication strategies to ensure the understanding of the national digital ID system to different actors, including those from the identity platform, public and private entities, and the general public. The subcomponent supports the following activities: (i) Establishment of working groups with each of the sectors that participate in the identity platform;<sup>27</sup> and (ii) Design of outreach and communication campaigns to member agencies of the identity platform, public agencies and private entities, and the general public, including focus groups and service satisfaction surveys.<sup>28</sup>

### **Component 3: Institutional strengthening of RENAPO and project management (US\$ 27 million)**

29. **This component supports institutional capacity development to strengthen the ID ecosystem and ensure the right to an identity.** Successful establishment of the digital ID database, the expansion of SID coverage and the development of the SNIP require addressing the institutional capacity limitations of RENAPO and strengthening the regulatory and SNIP governance framework. The component provides technical assistance to improve and strengthen RENAPO's performance through reengineering of processes, and upgrade of the technological architecture and infrastructure, including security. Component 3 also includes the improvement of project management capacity within RENAPO, leveraging its existing resources and institutional structure. Any equipment procured or infrastructure supported will utilize energy efficient and low-carbon technologies. These improvements will also increase the system's resilience to climate change through the development of procedures to both prioritize registration of vulnerable populations and manage continuity of the SID during natural disasters and other shocks.

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<sup>27</sup> The base for the establishment of the working groups will be the Inter-Ministerial Commission for the Adoption and Use of the CURP, which includes, among others, the Ministries of Welfare; Agriculture; Health; Education; Urban, Territorial and Agrarian Development. It also includes, as permanent observers, the Ministries of Environment; Energy; Communications and Transport; among others.

<sup>28</sup> Incorporating the contents listed under Subcomponent 1.3



30. **Subcomponent 3.1: Strengthening the regulatory framework for SID implementation and verification and authentication services.** This subcomponent seeks to strengthen the overarching legal and regulatory framework for the SID and SNIP and the establishment of an identity platform. The subcomponent supports the following activities: (i) Design of operations guidelines and governance framework, including roles, functions and institutional arrangements required, as well as procedures to target priority vulnerable populations, and procedures to continue and adapt operations during a natural disaster or other shocks such as pandemics; (ii) Internal manuals to regulate the provision of verification and authentication services; (iii) Strengthening of the security and data privacy protocols to handle personal data, including the implementation of technological, organizational and physical data protection measures to ensure the integrity of the database, as well as mechanisms to obtain the users' consent for operations involving personal data; and (iv) Development of procedures and manuals to mitigate the risk of exclusion in the SID and SNIP, including procedures to allow alternative registration methods, exception handling procedures and enhancements to the current grievance and redress mechanisms, complementing the implementation of these procedures in the systems described above (SID and SNIP).

31. **Subcomponent 3.2: Strengthen RENAPO's institutional capacity to manage the digital ID ecosystem.** This subcomponent seeks to improve the capabilities of RENAPO to fulfill the new functions derived from the implementation of the SNIP and the provision of verification and authentication services. The subcomponent supports the following activities: (i) Design of the functions and reengineering of processes to provide verification and authentication services; and (ii) Design and implementation of a capacity development strategy.

32. **Subcomponent 3.3: Update of RENAPO's technological infrastructure.** This subcomponent will support the modernization of RENAPO's technological infrastructure, to ensure the effective provision of the SNIP, the operation of the national digital ID system and SID and improve system resilience, against threats ranging from cyber-attacks, natural hazards and climate change impacts. The subcomponent supports the following activities: (i) Strengthening of ICT planning and project management capacity; (ii) Update of RENAPO's technological and telecommunications infrastructure maximizing energy efficiency; (iii) Strengthening of cybersecurity capabilities including the implementation and institutionalization of data audits; and (iv) Renovation and equipping main data and disaster recovery centers.

33. **Subcomponent 3.4: Project management capacity.** This subcomponent supports the rollout of SNIP and SID and ensures successful project implementation. The subcomponent supports the following activities: (i) Project planning, monitoring and evaluation mechanisms; (ii) Change management; and (iii) Project administration.

34. **The table below outlines an indicative timeline for the implementation of some of the key project activities described above.**

**Table 2. Indicative implementation and disbursement (US million) schedule**

Key Activities	Year 1 (19.7m)	Year 2 (44.9m)	Year 3 (50.0m)	Year 4 (53.8m)	Year 5 (56.6m)
Development of the SID subsystem for biometric data registry					
Upgrade technological infrastructure to implement the SID in all federal entities to reach national coverage					
Development and implementation of the biometric registration strategies					
Design and implementation of an enrollment communication strategy					
Definition and implementation of standards for biometric data registration					
Development of interfaces systems for biometric data capture					
Development and implementation of arrangements for biometric data registration by actors					



Key Activities	Year 1 (19.7m)	Year 2 (44.9m)	Year 3 (50.0m)	Year 4 (53.8m)	Year 5 (56.6m)
Design and implementation of a biometric identity database					
Creation of an Identity platform based on international standards					
Implementation of a certification process for all Registration Agencies					
Development and implementation of remote verification and authentication services					
Establishment of a grievance and redress mechanism					
Design and implementation of outreach and communication campaigns					
Strengthening of the security and data privacy protocols					
Update of processes to provide verification and authentication services					
Update of RENAPO's technological and telecommunications infrastructure					

### C. Project Beneficiaries

35. **Given the nature of identity as a basic enabling right to effectively wield civil, social and economic rights, the project will directly benefit all persons residing in Mexico, both Mexican citizens and foreign nationals, and Mexican citizens living abroad.** As a foundational system, the project will be instrumental to expand coverage to groups currently excluded from other functional registries and will enable digital verification and authentication services for the population covered by the national digital ID system. In particular, project interventions will benefit women who are currently 51.4 percent of the unregistered population in Mexico.

36. **The project will target vulnerable groups, including those vulnerable to climate change impacts – indigenous peoples, Afro-Mexicans, people with disabilities, elderly, minors, women, Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, and Intersex (LGBTQI), people inhabiting the most marginalized and remote communities and migrants – who are typically the poorest and most exposed and vulnerable to natural disasters.** The national digital ID system will allow the provision of temporary or permanent CURP to migrants, facilitating social and economic inclusion of those displaced by violence and climate change impacts. The project will support mobile enrollment strategies, targeted communication campaigns, and capacity building activities, to make sure these vulnerable groups are included in the national digital ID system. Establishment of an interoperable digital ID system that allows biometric authentication will increase resilience and facilitate preparedness and response to natural disasters by providing the means to validate and prove the identity of individuals who lost their physical ID cards.

37. **The private sector will also benefit from a strengthened ID ecosystem.** The linkage of biometric and biographical data and the establishment of SNIP will ensure uniqueness and lower verification and authentication transaction costs. The impacts of this reform will be economy-wide, enabling access to a broader array of financial services, leveraging the national digital ID system and the modernized verification and authentication services, and expanding the use of technology across all sectors. Banks and financial service providers will be able to strengthen Customer Due Diligence (CDD) processes, expand access to a wider range of clients and reduce the risk of fraud.

38. **The project will also benefit government agencies that require ID verification and authentication to deliver benefits and services.** A trusted ID and the availability of reliable verification and authentication services through SNIP will lower transaction costs and improve efficiency for a wide range of public services, including tax administration, passport issuance, payment of social benefits and provision of social services. The project will also benefit subnational governments by improving coverage and performance of state civil registry offices, reducing transaction costs and improving efficiency in the services they provide and setting the foundations to provide online public services at the state level.



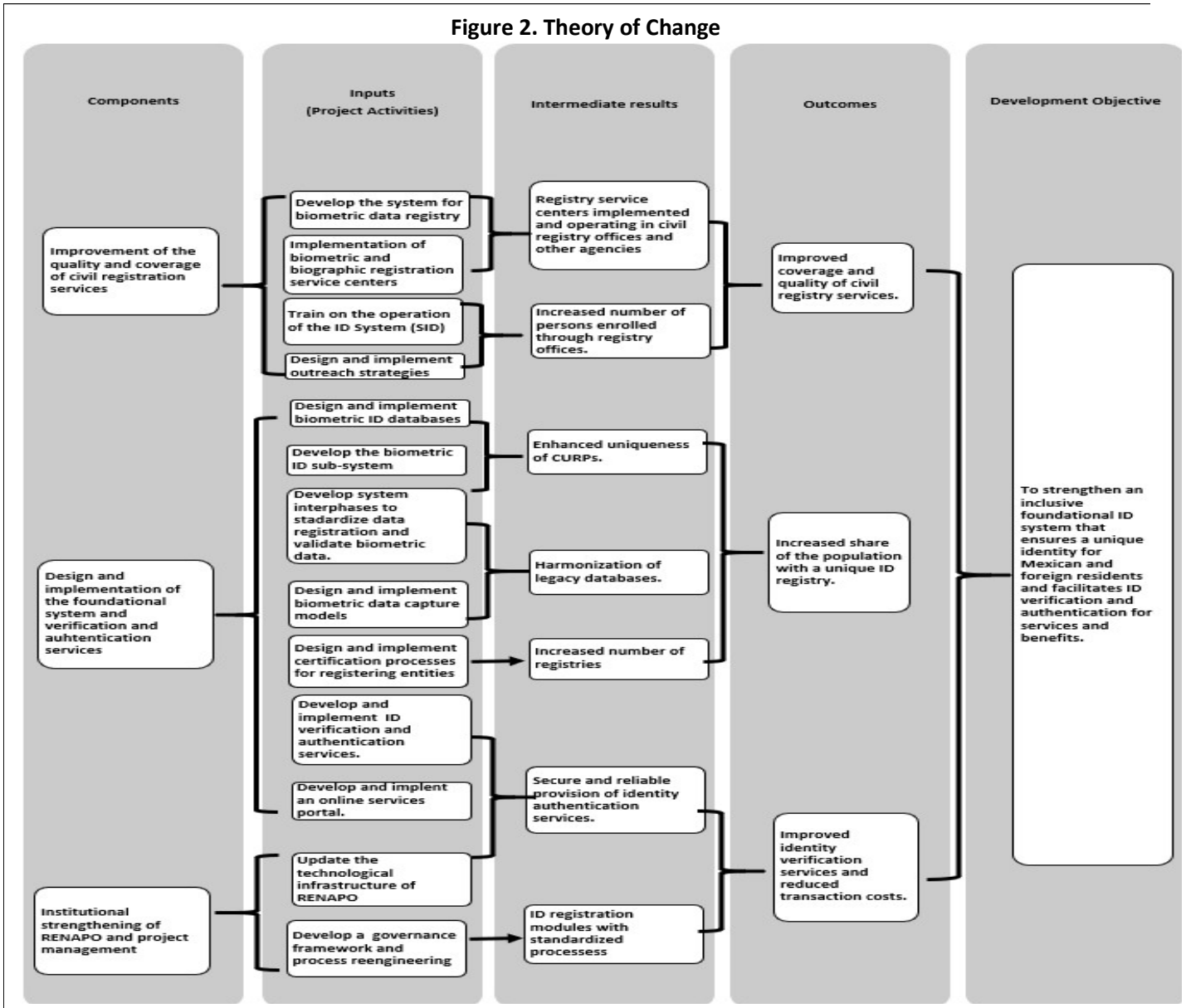


#### **D. Results Chain**

39. **The project seeks to bring a significant improvement in the identity ecosystem and the uniqueness of ID through the establishment of a digital ID database that links biometric and biographic data to the CURP, as well as the creation of an identity platform and the provision of verification and authentication services for third parties.** Figure 2 below presents the project theory of change. The project will support the development of the SID subsystem for the registration of biometric data and its roll-out across the federal entities. Biometric enrollment strategies and communications activities will help increase coverage by reaching out population in general and vulnerable population in particular. A national digital ID system will harmonize biometric and biographic records from RENAPO and those registered by the civil registry offices at the state level as well as legacy data already registered in functional registries from other agencies such as the IMSS and SRE. This will require the design and implementation of biometric data registration models together with standardized requirements, processes and system interfaces. The database will allow RENAPO to deduplicate records and link the biometric and biographical information to the CURP to ensure uniqueness. The database will be the foundation for verification and authentication services for public and private sector agencies and the general public. The provision of verification and authentication services will be structured around an identity platform that will group trusted partners for the registration process, provision and management of identity data based on a certification process. The services will be operationalized through the development of an online portal and other delivery channels. The update of RENAPO's technological infrastructure and capacity will provide an umbrella and the operational underpinnings for the successful implementation of both SID and SNIP. Through this approach, the project will increase the coverage and quality of civil registry, ensure the uniqueness of identity and reduce transaction costs for identity verification and authentication. The results chain rests on a number of assumptions: timely acquisition of project inputs, including consultancies, capacity building, goods and IT infrastructure; successful implementation of capacity building programs; timely development and roll-out of SID and SNIP; successful implementation of change management activities to overcome resistance to change; and collaboration across states and the entities responsible for the management and use of identity verification and authentication.



Figure 2. Theory of Change



E. Rationale for Bank Involvement and Role of Partners

40. **ID systems are a public good with a clear rationale for public sector provision.** Access to identity is a basic human right recognized by the Mexican Constitution and international agreements such as the Universal Declaration of Human Rights. The Mexican Constitution mandates the public sector to provide identity services. Access to proof of identity is a key enabler for financial and economic inclusion, social protection, healthcare, education, gender equality, good governance and safe and orderly migration. Ensuring access to an inclusive, trusted and sustainable national digital ID system contributes to sustainable development, including the World Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity. Strengthening the digital ID system will reduce identity theft and increase financial inclusion, complementing recent regulations that require banks to request customers to authenticate biometrically. It





will also allow social protection programs to authenticate the identity of beneficiaries, reducing inclusion errors arising from ghost, dead, and duplicate beneficiaries, and the exclusion of those eligible for social benefits and services owing to lack of appropriate ID.

41. **The World Bank has a comparative advantage to support the government leveraging its ample world-wide technical experience in the design and implementation of digital ID systems.** In addition to financing, the World Bank can add substantial value to underpin the design and implementation of critical project activities such as the database harmonization and SNIP drawing on its global knowledge, technical expertise and lessons learned in the implementation of similar systems across the world. The World Bank can mobilize senior technical experts to support critical areas such as the definition of technical standards and data privacy and contribute a multisectoral perspective to ensure the comprehensive development of the identity ecosystem. The World Bank can also facilitate cross-sectoral dialogue and cooperation with key stakeholders of the identity ecosystem across the federal and subnational governments that is key for project success. No engagement with other development partners is foreseen in the implementation of this project.

#### **F. Lessons Learned and Reflected in the Project Design**

42. **Lessons learned draw on the World Bank's engagement in ID reforms around the globe.** Lessons learned draw in particular on the experience of active and closed projects: Morocco Identity and Targeting for Social Protection Project (P155198), West Africa Unique Identification for Regional Integration and Inclusion Project (P169594), Nigeria Digital Identification for Development Project (P167183), and Philippines: Padayon - ID4D Technical Assistance Phase 2 (P174217). Global experience and best practices are presented in the WB ID4D Practitioner's Guide published in 2019.

43. **Implementation of ID projects requires high-level political commitment and strong coordination mechanisms to avoid duplicative efforts and to exploit synergies.** This is particularly true where digital ID systems build on existing systems with multiple stakeholders. Coordination will be critical for leveraging existing databases of functional registries from various agencies, for the enrollment process that will largely build on the existing subnational capacity of civil registries and for the upgraded verification and authentication mechanisms where agencies will interact with RENAPO's systems. RENAPO has actively led the dialogue and is currently engaged with other agencies at the federal and state level to promote coordination and align efforts.

44. **Awareness raising and communication campaigns are needed to promote registration.** Campaigns should disseminate information on how to register and the benefits from registration. Campaigns should also explain how the identity data will be used, individual's rights and the grievance and redress mechanisms in place to exercise them.

45. **Provision of on-site benefits to individuals at the registry point can increase registration.** Where mobile and fixed service centers allow services users to access other services – registration for social programs, opening a bank account or obtaining health check-ups – they can reduce their transaction costs and so have additional incentives for registration. This requires close coordination between registration services, local authorities and other public and private sector service providers.

46. **Special measures for hard to reach populations are critical to ensure inclusion.** This requires targeted communication and engagement strategies to reach out to the vulnerable groups and mobile centers for the hardest to reach groups. Additional incentives may be needed to offset the costs of registration.



### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

47. **The project will be implemented over a five-year period by the Ministry of the Interior (SEGOB) through RENAPO.** RENAPO will perform the Project Implementation Unit (PIU) function within its internal organizational structure and staff, with support of consultants as needed. RENAPO has the human resources, specific roles and responsibilities, knowledge and skills, and established procedures needed to satisfactorily perform the PIU function. RENAPO's capabilities will be strengthened to support the project's fiduciary, environmental and social risk management, administrative, and monitoring tasks, including the preparation of technical and financial monitoring reports required by the World Bank. RENAPO will oversee implementation in coordination with civil registry offices at the state level and other federal level agencies.

48. **The financial administration of the loan will be overseen by *Nacional Financiera, S.N.C., I.B.D (NAFIN)* acting as the financial agent appointed by the GoM.** NAFIN will manage loan disbursement processes and provide implementation support and oversight. While SEGOB does not have previous experience working with the World Bank, NAFIN has longstanding experience with World Bank financed projects, supervising fiduciary aspects, including financial management and procurement.

49. **The Project Operations Manual (POM) will detail the processes and procedures to be followed by RENAPO (as PIU) and NAFIN.** The POM will lay out: specific provisions on detailed arrangements for project implementation; roles and responsibilities of RENAPO as PIU; the procurement, financial management and disbursement requirements thereof; the performance indicators; processes to operationalize and comply with relevant Environmental and Social Standard (ESS) requirements; and the Anti-Corruption Guidelines.

#### B. Results Monitoring and Evaluation Arrangements

50. **RENAPO, as PIU, will monitor and report on progress towards the achievement of results in semi-annual reports.** RENAPO will submit semi-annual progress reports, which will include updates on the PDO, and intermediate results indicators set out in the results framework presented in Section VII. The reports will include an overview of key outputs delivered within the period, performance indicators, and updated project execution estimates and disbursement projections. The World Bank will conduct in-person and virtual supervision missions at least on a semi-annual basis to assess progress in the achievement of results and agree on adjustment or corrective measures when necessary. Missions will be documented in Implementation Status and Results (ISR) reports and Aide Memoires.

51. **The monitoring framework includes indicators to track inclusion in the registry of women, minors, and indigenous populations.** Information on women and minors is already included in RENAPO's database. RENAPO will complement the indicators with evaluations to deepen the understanding of potential gaps so that corrective action can be adopted, and strategies adjusted to improve inclusion. The National Population Registry will include information on indigenous populations self-affiliation, recognizing the right of indigenous peoples to self-identify, as agreed with the National Indigenous Peoples Institute (INPI) during project consultations. There is a risk that the inclusion of indigenous self-identification information will lead to discrimination. The World Bank team assesses this risk as low to moderate taking into consideration that Mexico has a strong legal framework, including a provision for ID users to select whether to include indigenous self-identification information in their identity document. RENAPO has a record of safeguarding sensitive information. Consultations have been conducted with, *inter alia*, the National Council to Prevent Discrimination (CONAPRED) and the INPI to incorporate their viewpoints in project design throughout the identity lifecycle.



### C. Sustainability

52. **There is high level of political commitment to the strengthening of Mexico's ID system and the project supports an on-going reform process with strong participation from federal and state governments.** The General Population Law provides the legal mandate to RENAPO to establish and operate a National Population Registry to reliably certify a person's identity and will also help to institutionalize the reform agenda within the government. The project will also consolidate and streamline efforts already undertaken by several actors through an identity platform for data registration and identification verification and authentication services. An active outreach and dissemination campaign will explain the reform to stakeholders and the general public to build broad stakeholder support for the reforms.

53. **The project is not expected to significantly increase the operating costs of the ID system and operating costs will be covered from the budgets of RENAPO.** Project implementation requires large initial investments, but afterwards the operation of SID and SNIP become part of the entity's regular budget allocations. Once the project has been rolled-out in the states, the operation of the civil registries will be the responsibility of state and municipal governments.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis

#### Technical Analysis

54. **The technical design is informed by a comprehensive diagnostic of the ID ecosystem in 2017<sup>29</sup>.** The diagnostic highlighted challenges and the registration gap, especially for vulnerable groups, lack of uniqueness of the CURP and the fragmentation of the ID ecosystem. These insights were included in project design, which includes: activities to improve coverage through supply side interventions such as development and implementation of biometric enrollment strategies in remote areas; a grievance redress mechanism and a comprehensive outreach strategy to ensure inclusiveness and provide a transparent mechanism to handle, among others, queries, errors or potential barriers during the enrollment; deduplication processes using biometric and biographic data to ensure uniqueness of the CURP; and privacy-by-design<sup>30</sup> features such as back-end tokenization<sup>31</sup> of the CURP, data minimization, user consent, and privacy-by-default.

55. **The project design is flexible so that it can adapt to potential changes in areas such as the scope and sequencing of the enrollment, the verification and authentication mechanisms, inclusion of additional actors in the identity platform, and the design of the foundational database.** While the project envisions a centralized structure, it can potentially transit to a federated scheme with various identity providers. The entities that will participate in the identity platform can be expanded based on the identification of additional needs and demand growth as SNIP becomes operational.

56. **The project's technical design addresses the harmonization of legacy ID systems.** The design has considered the possibility of migrating data from legacy ID systems into the RENAPO foundational database and identified the data quality procedures that need to be in place. World Bank technical assistance provided RENAPO with an overview of the existing front- and back-end legacy IT systems and advice on procedures for enrollment and credential issuance at

<sup>29</sup> World Bank (2017). ID4D Country Diagnostic: Mexico, Washington, DC: World Bank. Available at <http://documents1.worldbank.org/curated/en/886301524689452577/ID4D-Country-Diagnostic-Mexico.pdf>

<sup>30</sup> The privacy-by-design approach embodies a number of global standards and principles on privacy and data protection that have been developed over the past few decades.

<sup>31</sup> The substitution of a sensitive identifier (e.g., a unique ID number or other PII) with a non-sensitive equivalent (i.e., a "token") that has no extrinsic or exploitable meaning or value.



RENAPO. Enrollment, grievance redress, and communication activities were also considered. All legacy systems will be evaluated against international technical standards related to ID, privacy, and data security.

57. **The project design takes an integrated approach to ensure adequate privacy and security for personal data.** Misuse of data or unauthorized access to personal data is a concern in digital ID systems, especially with sensitive information such as biometric data. One concern is that biographical and biometric data could be used for profiling and unauthorized purposes by the government and/or third parties. Mexico's legal and institutional framework is consistent with international standards and best practices and adequately addresses this risk. The Law on Transparency and Access to Public Information establishes that processing of data to be limited to those datasets that are adequate, relevant and non-excessive, according to the permissible purposes for data collection. The law includes provisions to ensure data security, prevent data misuse and explicitly prohibits disclosure or commercial use of information without an individual's consent. Personal data is considered confidential and only data subjects, authorized representatives and authorized agencies (with individual's consent) can access such information. The Law further specifies that the exceptions to the previous consideration include, among others, issuance of a court order requesting access to information and for national security and public health specific purposes. The General Population Law also includes provisions to safeguard personal data. The World Bank's Financial Inclusion Global Initiative (FIGI) is conducting a Privacy Impact Assessment (PIA) that covers potential impacts on privacy of biometric data collection. This PIA is coordinated with the Data Protection Authority (INAI) and will inform RENAPO's privacy-by-design implementation in systems and procedures.

### **Economic and Financial Analysis**

58. **A trusted and inclusive digital ID system in Mexico can generate direct savings in public expenditure, reduce financial fraud stemming from identity theft and promote social and financial inclusion.** The project's 10-year Net Present Value is estimated at US\$ 357.6 million with an Internal Rate of Return of 38.5 percent. The cost-benefit analysis estimated: savings in social assistance and labor market programs from a reduction of inclusion errors; savings in contributory and non-contributory pension spending due to a more accurate and timely report of deaths; savings to the financial sector derived from an estimated reduction of identity theft fraud. Benefits that are not quantified include greater access to basic financial services for the financially excluded, higher penetration of digital financial services for individuals already participating in the financial system, as well as improving the country resilience to exogenous shocks. A sensitivity analysis indicates that the project remains financially viable under a range of scenarios. Annex 2 presents the economic analysis in detail as well as the underlying assumptions and scenarios.

### **B. Fiduciary**

#### **(i) Financial Management**

59. **Overall FM systems in place are considered adequate to provide reasonable assurance on the proper use of funds for project activities.** The project will be implemented by SEGOB through RENAPO. The implementing entity has no previous experience in implementing World Bank financed Projects. RENAPO will assign staff with technical and fiduciary (FM and procurement) capacity to support implementation and compliance with FM requirements and the project will also support activities to strengthen RENAPO's institutional capacities, including overall project management. NAFIN will be appointed as financial agent for this project to provide fiduciary and overall implementation support and oversight. The POM will include further details on FM arrangements and requirements for accounting, budgeting, financial reporting, internal control and audit.

#### **(ii) Procurement**

60. **Procurement will be conducted per the World Bank Procurement "Regulations for Borrowers under Investment Project Financing" dated July 1, 2016, revised on November 2017 and August 2018 for the supply of civil works, goods,**



**consultants, and non-consultant services.** Procurement activities under all three components will be undertaken by RENAPO. A procurement capacity assessment was carried out for RENAPO. The analysis concluded that there is a lack of experience in dealing with procurement activities under World Bank Procurement Regulations and procedures, and there are some complex goods, non-consultancy, and consultancy contracts to be implemented since the beginning of the project. A mitigation plan has been prepared and close follow-up will be provided by the World Bank to make sure that RENAPO is able to develop procurement activities from the start of project implementation.

61. **RENAPO prepared a Project Procurement Strategy for Development (PPSD).** The PPSD identifies procurement objectives, implementation risks, the appropriate selection methods, market analysis, market approach and type of review by the World Bank.

62. **The Borrower prepared the Procurement Plan to be included in the new Systematic Tracking of Exchanges in Procurement system (STEP) covering at least the first 18 months of project implementation.** Most project activities will be carried out via Request for Bids or similar methods for the purchase of goods and non-consulting services. The contracting of Consulting Services for firms will be carried out via the following methods: Quality- and Cost-Based Selection Method (QCBS), Selection under a Fixed Budget (SFB), Least- Cost Selection (LCS), Quality-Based Selection (QBS), Consultants’ Qualifications (CQS), and for individuals via comparing CVs. The World Bank’s Standard Procurement Documents will govern the procurement of World Bank financed Open International Competitive Procurement. For procurement involving National Competitive Procurement, the harmonized procedures and documents agreed with the Ministry of Public Administration (SFP) and the InterAmerican Development Bank (IDB) will be used or any other document agreed with the Bank through the Procurement Plan. Risks and mitigation actions are described in Annex 1 and the PPSD summary and other procurement related information.

**C. Legal Operational Policies**

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

**D. Environmental and Social**

63. **The project will have important positive social impacts on the Mexican population and foreigners residing in Mexico, including vulnerable groups.** Positive social impacts expected from the project include: opportunities for all Mexicans and foreigners in Mexico to exercise their identity rights by making the process of accessing an ID easier and more straightforward; better access to social and economic services, including health, education, social safety nets, social security and financial services for all Mexicans and in particular vulnerable populations; increased protection from discrimination related to changes in gender identity; establishment of disability as one of the characteristics in the database that can serve as a Disability Certificate through verification services; establishment of indigenous self-identification as one of the characteristics in the database; provision of safety and data protection to individuals' data (biometric and biographic); and changes in registration procedures to capture and process biometric data and engage and communicate with users with special needs in terms of language, physical disabilities, and non-binary gender identities.

64. **Vulnerable populations in Mexico.** Vulnerable populations include: elderly (65+ years old), and within this group female elders; children between 0 and 5 years old; Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, and



Intersex (LGBTQI) minorities; migrants and returnees; persons with disabilities; indigenous peoples and Afro-Mexicans; and those living in extreme poverty. These populations face geographical, economic, cultural, administrative, language and social norm related barriers when exercising their identity rights and accessing services and benefits. According to the National Population Council (CONAPO, *Consejo Nacional de Población*), by 2017, most of the municipalities with more than two percent of the population without birth registration were municipalities with high levels of extreme poverty, notably in the states of Chiapas, Oaxaca, Chihuahua, and Puebla. Almost five percent of persons without civil registration speak an indigenous language. Women represent 51.4 percent of the unregistered population. Barriers can be more significant if intersectionality aspects are considered. For example, indigenous elders are more likely to lack any form of identification and have fewer incentives to exercise their identity rights owing to economic and language barriers – indigenous elders are most likely to speak indigenous languages and not Spanish – educational and literacy barriers, and barriers associated with numerous administrative requirements to access any proof of identity or correct past errors in birth registries. These barriers can impact indigenous elders' access to social programs and financial services. Children may be unable exercise their identity rights if parents or guardians did not register them in the first few months of life. These barriers are mostly economic and administrative and can impact children's access to education and health services.

65. **The overall environmental and social risks of the project are considered Moderate under the Environmental and Social Standards (ESS).** Potential for negative social impacts from project activities are mainly related to: exclusion issues that can reinforce existing barriers faced by vulnerable populations when exercising identity rights; data protection issues; among others. RENAPO is working on comprehensive mitigation strategies to address these risks. The project's Environmental Risk is assessed as Low as no infrastructure works are envisioned. While the project entails the upgrade of RENAPO's data center, the planned activities are limited to the installation of air conditioning, electrical system, false floor and electrical and communications connections. All old hardware equipment will be disposed of in compliance with the national e-waste regulations, and new electronic equipment and biometric devices to be purchased will be energy efficient. The project does not entail issuing of plastic ID cards and will thus not create plastic waste.

66. **The project has made relevant environmental and social standards including: ESS1 (Assessment and Management of Environmental and Social Risks and Impacts), ESS2 (Labor and Working Conditions), ESS3 (Resource Efficiency and Pollution Prevention and Management), ESS4 (Community Health and Safety), ESS7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities) and ESS10 (Stakeholder Engagement and Information Disclosure).** As such, the mentioned identified risks will be mitigated through measures detailed in the environmental and social management instruments prepared by the borrower, namely: Labor Management Procedures (LMP), Indigenous Peoples and Other Vulnerable Groups Planning Framework (IPPF+VG), and, the Stakeholder Engagement Plan (SEP) including a Grievance Redress Mechanism (GRM). All these mentioned instruments along with the Environmental and Social Commitment Plan have been disclosed by both the borrower and the World Bank<sup>32</sup>.

67. **Mitigation measures are included in the project design and many are already being implemented by RENAPO.** The project will implement measures to ensure inclusion of vulnerable populations and facilitate their exercising of identity rights. The project will undertake outreach and communication campaigns targeting vulnerable groups in addition to implementation of biometric enrollment strategies and tailoring of service delivery channels based on public feedback (citizens and non-citizens). Outreach and enrollment campaigns will be tailored to indigenous peoples in a culturally appropriate way and will consider strategies to meet the needs of the identified vulnerable populations while

<sup>32</sup> The mentioned instruments and ESCP were disclosed by RENAPO on November 3, 2020 and are accessible at <https://www.gob.mx/segob/renapo/acciones-y-programas/derecho-a-la-identidad-la-puerta-de-acceso-a-tus-derechos>. The World Bank disclosed the mentioned instruments on Nov 5, 2020 and area accessible at <https://projects.worldbank.org/en/projects-operations/document-detail/P172647>. A revised version of the ESCP was redisclosed on Nov 17, 2020.





considering issues of intersectionality, the multiple identities (race, age group and gender) that apply to individuals and can exacerbate degrees of vulnerability and exclusion. The project aims to follow the practice on Sexual Orientation and Gender Issues (SOGI) of not registering binary sex categories as already implemented in other countries in Latin America and Caribbean. The project will also aim to establish disability as one of the categories in the SID to make accessing services easier for persons with disabilities. The disability marker will only be displayed in the ID documents if the interested person decides to include it and the systems will allow this feature. The World Bank team will conduct a qualitative study to identify the barriers that vulnerable populations and non-covered populations face to exercise identity rights in Mexico and find the best mechanisms and strategies to address their needs. The Indigenous Peoples and other Vulnerable Populations Framework (IPPF+VP) and Stakeholder Engagement Plan (SEP) developed for the project will inform outreach campaigns and engage local communities and vulnerable segments of the population. Special emphasis will be given to accessibility and the development of a culturally adequate Grievance Redress Mechanism (GRM) that can leverage relevant existing GRMs at federal and state levels. RENAPO has prepared Labor Management Procedures (LMP) that as part of the POM to detail compliance with obligations with and by project workers, including a separate GRM for labor issues. The LMP requires the application of codes of conduct under the project to prevent sexual exploitation, abuse and harassment for consultants and personnel involved in the communication and outreach campaigns and any other activities that require direct contact with community members. Annex 5 provides more details on the barriers faced by the mentioned populations and corresponding project actions to address them.

**68. RENAPO has conducted extensive and iterative consultations with representative groups of populations considered vulnerable regarding identity rights.** RENAPO conducted virtual consultations during July 2020 to ensure adequate representation and consultations with vulnerable populations to identify their needs, potential related risks, corresponding mitigation measures and key features to include in the project design. RENAPO consulted with representatives of the National Institute for Indigenous Peoples (INPI), Commission for the Development of Indigenous Peoples (CDPIM), Commission for Refugee Support (COMAR), National Council for Supporting and Including Persons with Disabilities (CONADIS), National Institute for the Elderly (INAPAM), National Institute for Women (INMUJERES), National Council to Prevent Discrimination (CONAPRED), Civil Society Organizations concerning sexual orientation and gender identity (SOGI) issues in Mexico, and organizations representing children and minors. Consultations were undertaken to both share information and gather feedback on the project design. Further consultations were carried out to gather feedback from the above-mentioned agencies on the social management instruments, namely the IPPF+VP and SEP.

**69. Risks related to the protection and integrity of individual identity data will be addressed through project's technical features and the robust legal and regulatory framework for personal data in Mexico.** The project will draw on a Privacy Impact Assessment (PIA) to identify and address potential risks arising from the processing of personal data. The PIA will cover the establishment of the SID and services for third parties as a part of the SNIP that involves verification of data and authentication of individuals. The project includes activities to support registry offices at the state level with equipment and technical assistance to adopt the new systems and protocols to capture biometric and biographical data, including from vulnerable populations in an inclusive and culturally appropriate manner.

### **Strategic priorities**

**70. Gender.** A gender gap in the current ID system is reflected in higher birth under-registration, especially for elderly females, and lower timely registration of births of girls according to UNICEF (2018). This gap is more significant when intersectional issues are considered. Women who live in rural areas and who are indigenous face greater barriers to exercise their identity rights, mostly associated with childcare and family responsibilities, which represent barriers when accessing ID. The lack of proof of identity limits women's access to services and benefits for them or their children. The project will contribute to close the gender gap through the enrollment of women in SID and outreach campaigns that will carefully consider the barriers women face when exercising their identity rights and the importance of intersectional



factors. Enrollment will reduce the number of people without proof of identity such as birth certificate and/or without registered biometric information. Biometric enrollment strategies will bring the enrollment services closer to vulnerable groups and remote communities, including women as one of the key target audiences, and enrollment will be carried out in a gender-sensitive way. Outreach campaigns will inform the population about the benefits of registration and provide relevant information to facilitate registration. The project aims to avoid the registration of binary sex categories. Capacity building will be provided at the registry offices to ensure that data is captured in a gender sensitive manner and prevent sexual exploitation, abuse and harassment. The results framework of the project includes specific indicators to measure progress made in closing the gender gap identified in unregistered populations.

71. **Climate change.** The project will increase resilience and improve capacity to respond to climate-induced shocks and natural disasters by ensuring interoperability of the ID system with the relevant social and beneficiary registries, allowing the government to quickly roll-out disaster response programs and validate the identity of beneficiaries to ensure efficient delivery of benefits, including those that have lost their physical ID cards during a natural disaster or emergency. The project targets vulnerable populations that are particularly vulnerable to climate change due to geographic and socioeconomic conditions, such as those living in remote areas, the elderly, indigenous populations, migrants, and people with disabilities. The digital ID system will reduce barriers to financial inclusion facilitating access to insurance and credit and thus improving resilience and recovery capacity in the aftermath of extreme climate events and disasters. It will support business continuity by allowing public and private providers to deliver digital services accelerating recovery from natural disasters and climate-induced shocks. The project will apply environmental management standards to ensure that equipment purchased and any renovations to infrastructure use energy-efficient technologies.

72. **Citizen engagement.** The project incorporates a citizen-oriented design and includes public feedback (citizens and non-citizens) and grievance and redress mechanisms. Throughout project implementation, the beneficiary feedback and GRMs will be reviewed and revised to ensure they are adequate and user-friendly. The project will monitor the percentage of enquiries and complaints that are received and responded by RENAPO, according to the established protocols and time periods. Feedback will be incorporated into the project as appropriate during project implementation. The project ensures adequate stakeholder engagement and information disclosure taking into consideration a wide range of stakeholders such as indigenous populations and Afro-Mexicans, persons with disabilities, children, elderly, and women, among others. By doing so, the project will incorporate the views of and inform communities, civil society, and public and private sector stakeholders to ensure the project and the accompanying changes will fully benefit vulnerable and traditionally excluded groups.

## V. GRIEVANCE REDRESS SERVICES

73. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel<sup>33</sup> which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit

<sup>33</sup> For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).





<http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

74. **The Project Grievance and Redress Mechanism will provide a formal channel to record and respond to complaints based on existing framework at the federal level.** The framework includes the Internal control body (*Órgano Interno de Control*), which receives complaints and reports against public servants for failure to fulfill their obligations and the INAI. The GRM procedures will be strengthened as part of the Project activities in Subcomponent 3.1.

## VI. KEY RISKS

75. **The overall risk rating is Moderate.** The risks assessed as substantial are related to macroeconomic, stakeholders, and others stemming from the health side of the current crisis, as discussed below.

76. **Substantial macroeconomic risks.** There is uncertainty about when the transmission channels of the crisis – trade, finance, commodity prices – and domestic supply side measures will fully normalize and stabilize globally. Capital markets may increase their volatility, hampering access to emerging economies at reasonable rates, including Mexico. The impact of the economic crisis on employment and labor incomes, formal and especially informal, could further undermine the economy through tamed consumption and the high costs of formal job re-matching may hamper the recovery through lower productivity. The authorities will have to maneuver the short-term larger fiscal imbalances in the context of the crisis, with a sustainable fiscal framework over the medium term. Looking toward 2021, the recovery expected may be slowed if private investment, particularly stemming from the energy sector, is not boosted.

77. **There are also important mitigation factors.** The flexible exchange rate will continue to be the first line of defense against external shocks. Moreover, the independent Central Bank of Mexico still has monetary policy and balance-sheet space to respond in the context of the volatile global capital markets. The financial sector entered the crisis well-capitalized, the authorities have enabled financial stability and timely liquidity measures and continue to monitor closely. Mexico has a strong track record of responsible fiscal policy which has been maintained under the current administration. The USMCA agreement that started on July 1, 2020, will reduce one source of uncertainty and help support future investment and export demand over the medium term. On the upside, the USMCA agreement (that started on July 1, 2020) will reduce one source of uncertainty and help support future investment and export demand, which could further strengthen Mexico's recovery if the U.S rebound in 2021 remains strong.

78. **Stakeholder risk is Substantial.** There are strong incentives for some institutions to maintain the current overlap of sub-systems. SEGOB chairs two commissions for high-level coordination integrating twenty institutions – the Inter-ministerial Commission on the Adoption and Use of the CURP (*Comisión Intersecretarial para la Adopción y Uso de la Clave Única de Registro de Población*) and the Commission for the implementation of the program of the National Population Registry (*Comisión Intersecretarial para la Instrumentación del Programa de Integración del Registro Nacional de Población*) – with the objective of carrying forward the constitutional mandate for the National Population Registry. While both commissions hold regular meetings, there continues to be resistance to change from some key stakeholders. To mitigate this risk, RENAPO has signed collaboration agreements with key institutions such as the SRE, IMSS and COMAR, as well as with several states to facilitate the implementation of SID and SNIP. There is a strong existing legal and institutional framework to support the implementation of activities envisioned under the project, and the government is committed to strengthening RENAPO's institutional capacity to effectively coordinate stakeholders, including through the high-level forums such as the CONAFREC and the Commission on the CURP.



79. **Other risks stemming from the health side of the crisis are also Substantial.** There is a high degree of uncertainty as to the duration of the pandemic in different countries, including in Mexico, and to the lasting economic, social, and health ramifications that it will have. The vaccination process, domestic constraints, and early opening of the social and economic activity could translate into a longer period of social distancing policies needed, with stubbornly high infection rates, further social and economic effects, and increases in out-of-pocket health expenditures for COVID-19-affected households. One risk mitigating factor is that Mexico was able to rapidly scale up its hospital capacity, intensive care (with ventilators beds), and other required treatment equipment. This has kept hospital occupation at manageable levels.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Mexico

Mexico National Digital Identity System to Facilitate Inclusion

Project Development Objectives(s)

The proposed Project Development Objective (PDO) is to strengthen Mexico’s foundational ID system to ensure a unique identity for all Mexicans and foreign residents to facilitate ID verification and authentication for services and benefits.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Increased government capacity for the registration of biographical data and biometric enrollment</b>							
Civil registry offices with standardized practices for the registry of biographical data and biometric enrollment (Number)		0.00	0.00	1,400.00	1,800.00	2,000.00	2,000.00
<b>Population with a unique registry in the foundational database</b>							
Population with a unique registry in the foundational database (Percentage)		0.00	7.00	21.00	43.00	71.00	85.00
Of which are women (Percentage)		0.00	51.00	51.00	51.00	51.00	51.00
<b>Verification and authentication services provided</b>							



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
ID verification and authentication services provided to public and private agencies and persons (Number)		1,566,485,523.00	1,800,000,000.00	2,100,000,000.00	2,500,000,000.00	2,800,000,000.00	3,000,000,000.00
To persons (Percentage)		0.00	36.00	36.00	30.00	30.00	25.00
To public sector agencies (Percentage)		0.00	52.00	52.00	52.00	50.00	50.00
To private sector agencies (Percentage)		0.00	11.00	11.00	18.00	20.00	25.00

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Improvement of the quality and coverage of civil registration services</b>							
New civil registry service centers installed and operational (Number)		0.00	250.00	1,500.00	2,250.00	2,500.00	2,500.00
Of which are mobile registration units (Number)		0.00	32.00	125.00	125.00	125.00	125.00
Rehabilitated enrollment kits (Number)		0.00	0.00	1,166.00			1,166.00
Persons enrolled through the project (Number)		0.00	0.00	13,750,000.00	27,500,000.00	46,750,000.00	55,000,000.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Of which are women (Percentage)		0.00	0.00	50.00	50.00	50.00	50.00
Of which belong to Indigenous Peoples (Percentage)		0.00	0.00	21.00	21.00	21.00	21.00
Minors enrolled through the project (Number)		0.00	0.00	5,250,000.00	10,500,000.00	15,750,000.00	21,000,000.00
Of which are women (Percentage)		0.00	0.00	50.00	50.00	50.00	50.00
Death certificates with an associated CURP (Percentage)		34.00	41.00	46.00			58.00
Cumulative communication campaigns carried out in the states (Number)		0.00	0.00	16.00	24.00	28.00	32.00
<b>Design and implementation of the foundational system and verification services</b>							
Agencies authorized to capture biometric data (Number)		0.00	4.00	24.00	36.00	40.00	40.00
Agencies using SNIP verification and authentication services (Number)		0.00	5.00	24.00	34.00	48.00	48.00
Of which belong to the private sector (Percentage)		0.00		20.00	30.00	40.00	40.00
Of which belong to the public sector (Percentage)		0.00				40.00	40.00
Social programs that employ SNIP for identity verifications services (Number)		0.00	0.00	5.00	9.00	13.00	13.00
Identification mechanisms available in the SNIP (Number)		0.00	0.00	2.00	7.00	10.00	10.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Awareness and training campaigns for partner agencies in the identity platform and the general public (Number)		0.00	0.00	20.00	30.00	35.00	40.00
<b>Institutional strengthening of RENAPO and project management</b>							
Systems, database and security audits carried out (Number)		0.00	1.00	2.00	3.00	4.00	5.00
Implementation rate of the capacity development strategy to manage the foundational identity system (Percentage)		0.00	40.00	60.00	80.00	90.00	100.00
Implementation rate of the change management strategy (Percentage)		0.00	40.00	60.00	80.00	90.00	100.00
Grievances that were responded and addressed according to the protocol within the defined response time (Percentage)		0.00	100.00	100.00	100.00	100.00	100.00

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Civil registry offices with standardized practices for the registry of biographical	Number of civil registry offices that use SID and	Semi-annual	SID	Count of civil registry offices operating the	RENAPO



data and biometric enrollment	operate an interconnected manner with RENAPO			SID online. Cumulative	
Population with a unique registry in the foundational database	Percentage of the population with a unique registry in the foundational database	Semi-annual	Database of the National Population Registry and the national census	Population with a unique registry in the foundational database divided by the total population of Mexico	RENAPO
Of which are women	Percentage of women in the database of the National Population Registry with a unique ID record	Semi-annual	Database of the National Population Registry and the national census	Women with a unique registry in the foundational database divided by the total number of persons with a unique registry in the foundational database	RENAPO
ID verification and authentication services provided to public and private agencies and persons	Number of ID verifications and authentications provided annually to public and private agencies and persons	Semi-annual	SID	Count of ID verifications and authentications performed semi-annually	RENAPO
To persons	Percentage of ID verifications and authentications provided to persons	Semi-annual	SID	Count of ID verifications and authentications provided to persons divided by the total number of ID verifications and authentications	RENAPO



				provided	
To public sector agencies	Percentage of ID verifications and authentications provided to public sector agencies	Semi-annual	SID	Count of ID verifications and authentications provided to public sector agencies divided by the total number of ID verifications and authentications provided	RENAPO
To private sector agencies	Percentage of ID verifications and authentications services provided to private sector agencies	Semi-annual	SID	Count of ID verifications and authentications provided to private sector agencies divided by the total number of ID verifications and authentications provided	RENAPO

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
New civil registry service centers installed and operational	Number of new service centers that have been installed in civil registry	Semi-annual	SID	Count of new service centers in operation	RENAPO





	offices and are operational				
Of which are mobile registration units	Number of mobile registration units that are operational	Annual	SID	Count of number of mobile registration units that are operational	RENAPO
Rehabilitated enrollment kits	Number of existing enrollment kits that were rehabilitated and refurbished to operate	Measured once during project implementation. The target is year 2.	Completion reports	Count of enrollment kits rehabilitated	RENAPO
Persons enrolled through the project	Number of people who have been enrolled through the service centers in the civil registries, mobiles registration units, and registration agencies.	Semi-annual	SID	Count of people enrolled through the service centers in the civil registries, mobiles registration units, and registration agencies. Enrollment refers to the capture of biographic and biometric information as required for the respective age group	RENAPO
Of which are women	Percentage of women who have been enrolled through	Semi-annual	SID	Count of women enrolled through the	RENAPO



	the service centers in the civil registries			service centers in the civil registries divided by the count of people enrolled through the service centers in the civil registries. Enrollment refers to the capture of biographic and biometric information as required for the respective age group	
Of which belong to Indigenous Peoples	Persons enrolled through civil registry service centers which belong to Indigenous Peoples	Semi-annual	SID	Count of people enrolled through the service centers in the civil registries which self-identify as indigenous. Enrollment refers to the capture of biographic and biometric information as required for the respective age group	RENAPO
Minors enrolled through the project	Number of girls, boys, and adolescents under 18 years enrolled by the service centers in the civil registries, mobiles registration units, and registration agencies.	Semi-annual	SID	Count of persons under 18 years old enrolled by the service centers in the civil registries, mobiles registration units, and registration	RENAPO



				agencies. Enrollment refers to the capture of biographic and biometric information as required for the respective age group	
Of which are women	Number of girls and adolescents under 18 years enrolled by civil registry service centers	Semi-annual	SID	Count of girls and adolescents under 18 years old enrolled by civil registry service centers divided by the total count of persons under 18 years old enrolled by civil registry service centers. Enrollment refers to the capture of biographic and biometric information as required for the respective age group	RENAPO
Death certificates with an associated CURP	Percentage of death certificates with an associated CURP	Three times during project implementation: year 1,3 and 5.	SID	Count of death certificates with an associated CURP divided by the total number of death certificates issued in years 1, 3, and 5 of project implementation	RENAPO



Cumulative communication campaigns carried out in the states	Number of communication and dissemination campaigns carried out in the states to collect feedback to improve SID implementation. Reports that will be submitted semi-annually will include information on whether the beneficiaries who participate in the communication campaigns have found them effective, what they thought worked well and what could be improved.	Semi-annual	Campaign reports	Count of communication and dissemination campaigns	RENAPO
Agencies authorized to capture biometric data	Number of agencies that have been authorized and certified by RENAPO to capture biometric data	Annual	Reports on legal documents	Count of agencies that have been authorized and certified by RENAPO to capture biometric data	RENAPO
Agencies using SNIP verification and authentication services	Number of agencies that use the SNIP verification and authentication services, including public and private sector entities	Annual	Reports on legal documents	Count of user entities in the public and private sector with a legal agreement with RENAPO to use the SNIPservice	RENAPO



Of which belong to the private sector	Number of private sector entities that employ the SNIP for identity verification services	Annual, starting in year 2	Reports on legal documents	Count of private sector entities with a legal agreement with RENAPO to use the service	RENAPO
Of which belong to the public sector	Number of public sector entities that employ the SNIP for identity verification and authentication services	Annual, starting in year 2	Reports on legal documents	Count of public sector entities with a legal with agreement with RENAPO to use the SNIP service	RENAPO
Social programs that employ SNIP for identity verifications services	Social programs that employ SNIP for identity verifications services	Annual	SNIP	Count of social programs with legal agreements for this purpose	RENAPO
Identification mechanisms available in the SNIP	Number of identification mechanisms released from production and available in the SNIP	Semi-annual	System reports	Number of ID verification mechanism developed and available in SNIP	RENAPO
Awareness and training campaigns for partner agencies in the identity platform and the general public	Number of campaigns carried out each year for public sector agencies in the identity platform and the public in general	Semi-annual	Campaign reports	Count of campaigns	RENAPO
Systems, database and security audits carried out	Number of cumulative audits carried out to RENAPO systems, database, and security infrastructure	Annual	Audit reports	Count of cumulative system and database audits	RENAPO - DGAT



	to ensure data integrity				
Implementation rate of the capacity development strategy to manage the foundational identity system	Percentage of processes implemented as part of the strategy to strengthen the institutional capacities of RENAPO to facilitate the implementation of the SNIP, including the design and reengineering of functions and processes to provide ID services	Annual	Progress reports	Number of processes implemented divided by the total number of processes upgrades identified by the strategy	RENAPO
Implementation rate of the change management strategy	Share of change management actions implemented	Annual	Progress reports	Number of management actions implemented divided by the total number of actions identified by the strategy	RENAPO
Grievances that were responded and addressed according to the protocol within the defined response time	Percentage of grievances that were responded and addressed according to the protocol and within the defined response time, as specified in the Operations Manual	Annual	GRM reports	Number of grievances that meet the conditions divided by the total number of grievances received each year	RENAPO





## ANNEX 1: Implementation Arrangements and Support Plan

### Implementation arrangements

- 1. The project will be implemented over a five-year period by the Ministry of the Interior (SEGOB) through the General Directorate of the National Registry of Population and Identity (RENAPO), which will undertake the role of Project Implementation Unit (PIU).** RENAPO will perform the Project Implementation Unit (PIU) function within its internal organizational structure and staff. RENAPO's capabilities will be strengthened to support the project's fiduciary, environmental and social risk management, administrative, and monitoring tasks, including the preparation of technical and financial monitoring reports required by the World Bank. RENAPO will oversee implementation in coordination with civil registry offices at the state level and other federal level agencies.
- 2. The financial administration of the loan will be overseen by the *Nacional Financiera, S.N.C., I.B.D (NAFIN)* acting as the financial agent appointed by the GoM.** NAFIN will manage loan disbursement process and provide implementation support and oversight. While SEGOB does not have previous experience working with the World Bank, NAFIN has longstanding experience with World Bank financed projects, supervising fiduciary aspects, including financial management and procurement.
- 3. The Project Operations Manual (POM) will detail the processes and procedures to be followed by RENAPO as the PIU and NAFIN.** The POM will lay out at least: specific provisions on detailed arrangements for the carrying out of the Project; roles and responsibilities of the PIU; the procurement, financial management and disbursement requirements thereof; the performance indicators; processes to operationalize and comply with relevant Environmental and Social Standard (ESS) requirements; and the Anti-Corruption Guidelines.
- 4. Implementation.** During Project implementation, the World Bank will provide implementation support to the team members of the PIU to prepare, update, and use the project management tools, including the OM, annual work plan, procurement plan, and disbursement projections. The task team will track the progress of the Project's indicators, monitor the implementation progress of Project components.
- 5. Monitoring and evaluation.** The World Bank team will provide support to the SHCP in collecting and analyzing the information needed to monitor the Project's result framework.

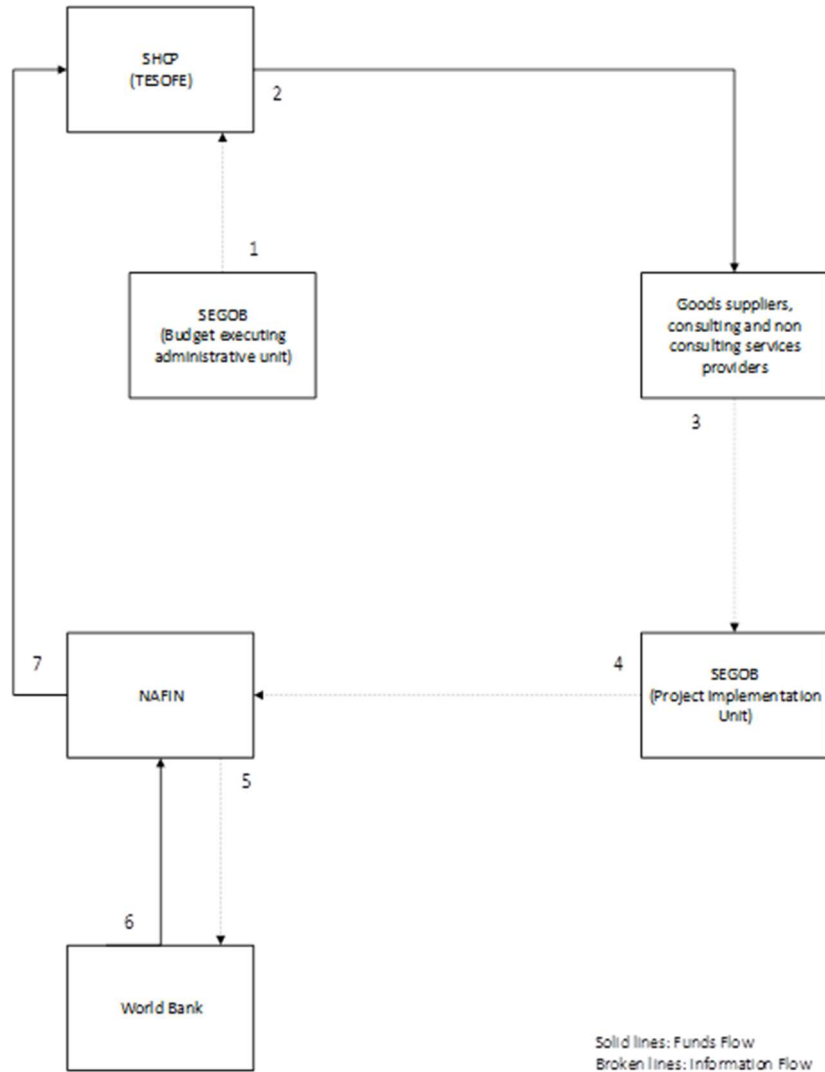
### Financial Management

- 6. Accounting and Budgeting arrangements.** Project budget will be allocated through the federal yearly budget (*Presupuesto de Egresos de la Federación, PEF*) and execution and control will be subject to provisions of the annual PEF Law, the Federal Budget and Fiscal Responsibility Law and the Government Accounting Law. Project transactions and budget control will be incorporated and managed through the accounting and budgetary institutional systems in place.
- 7. Accounting and budget systems.** The '*Sistema de Contabilidad y Presupuesto*' (SICOP, for its acronym in Spanish) is used for institutional accounting records. Project's financial reports will be prepared based on the standard model agreed by the Bank with the Ministry of Public Administration (SFP) for the Mexico portfolio, the information to prepare these reports will be retrieved from the institutional accounting and budget systems. As part of its mandate, NAFIN will provide support in the preparation of project's financial reports and ensure they meet required quality standards. The Bank will require that SEGOB, through RENAPO, submits semi-annual interim unaudited financial reports (IFR) covering each calendar semester, within 45 days after each reporting period.
- 8. Internal control and internal auditing.** In addition to strict regulatory provisions under the federal budget framework, SEGOB is subject to the Federal Public Administration Internal Control Standards issued by the SFP, which





as a whole provide for sound internal control arrangements for the project. The internal audit function is carried out by SEGOB's Internal Control Unit (*Órgano Interno de Control*) which reports to the SFP and must follow Public Audit Standards and guidelines issued by SFP. SFP approves the Internal Control Unit's annual work program, oversees its operation and receives its audit reports. SEGOB is also within the scope of the Supreme Audit Institution (*Auditoría Superior de la Federación*), which is independent from the three levels of Government in Mexico.



9. **Flow of funds.** Description of flow of funds as presented in the figure above is as follows:
1. Based on the budget approved annually by the Congress, SEGOB (budget administrative unit) will request to the Federal Treasury (TESOFE), the transfer of funds (payments), pre-financing with treasury funds, payments to the goods suppliers and the consulting and non-consulting services providers, by issuing a payment instruction (*'Cuenta por Liquidar Certificada'* – CLC).
  2. After receiving the CLC, TESOFE will transfer funds (payment) to the goods suppliers and the consulting and non-consulting services providers.
  3. Goods suppliers and the consulting and non-consulting services providers will send to SEGOB (Project Implementation Unit) the documentation supporting paid expenses (invoices).



4. SEGOB (Project Implementation Unit) will prepare and submit the reimbursement applications to NAFIN.
5. NAFIN will receive and review the reimbursement application and request to the World Bank the loan account withdrawal for repayment.
6. World Bank will reimburse loan proceeds to NAFIN.
7. NAFIN will transfer disbursed loan proceeds to the TESOFE.

10. **External Audit.** Annual audits on project financial statements and eligibility of expenditures will be performed in accordance with Bank policy, as reflected in the Audit Terms of Reference and Memorandum of Understanding agreed between the Bank and SFP. An independent auditor appointed by SFP and acceptable to the Bank will conduct the project audits. Audit terms of reference for the annual financial audit will require independent auditors to report on the actual use of funds and the scope of the audit will cover all project funds, ensuring that loan proceeds are used for the intended purposes, annual audit reports will be submitted to the Bank within a 6-month period after the end of each fiscal year.

### **Procurement**

11. **Project Institutional and Implementation Arrangements.** SEGOB through RENAPO will be responsible for the implementation of procurement activities to all three components of this project. Procurement activities for the proposed project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers - July 2016, revised November 2017 and August 2018 ("Procurement Regulations"), and the provisions stipulated in the Loan Agreement. Each contract to be financed will be agreed between the Borrower and the Bank in the Procurement Plan, including activity description; different procurement methods; estimated costs; procurement review requirements (prior or post) and time frame for every phase of the planned activity. The Procurement Plan will be updated in the Systematic Tracking of Exchanges in Procurement system (STEP) whenever required, to reflect the actual project implementation needs. A Project Procurement Strategy for development (PPSD) was prepared to identify procurement objectives, risks and mitigation measures. Overall procurement risk is Moderate.

12. **Assessment of the Implementing Agency Capacity to Implement Procurement.** A procurement capacity assessment was carried out in 2020. The assessment reviewed the organizational structure, the staff responsible for procurement and the systems used for supervising and controlling. The analysis concluded that SEGOB is an entity that operates under a clearly defined legal framework with clear internal procedures. However, SEGOB has no previous experience working with Bank financed projects. A Procurement Specialist and, if needed, other assistant(s), will support the PIU from the start of project implementation. NAFIN, appointed as the financial agent for Project implementation will reinforce the quality of procurement procedures.

#### *Project Procurement Strategy for Development (PPSD)*

13. **Project Procurement Strategy for Development (PPSD).** The PPSD was prepared to: identify the procurement objectives for the project; assess the experience of the implementing agency in carrying out procurement activities and project implementation; prepare a market analysis for the main planned purchases of the project; and identify and mitigate the procurement risks. Supply Positioning was used to categorize specific procurements based on their relative supply risk and value, determining where to focus research and analysis. The PPSD also defines the procurement selection and evaluation methods and required Bank supervision.

14. **The strategy builds on an initial procurement plan that includes all the procurement activities planned for the duration of the project.** This plan includes several high-cost multi-year contracts.

15. **Procurement of Works.** No civil works carried out by RENAPO will be financed under this project.



16. **Procurement of Goods and Non-Consulting services.** Most of the project’s procurement activities refer to goods and non-consulting services. Goods to be procured under this project include the acquisition of software and hardware. In addition, the project will finance non-consulting services, such as capacity building, communication and outreach. Purchases of goods and non-consulting services for individual contracts costing less than US\$100,000 will be procured by RENAPO through shopping procedures. Purchases over this amount should be procured by RFB (Open-National/International). Direct contracting could be used on an exceptional basis, under the circumstances explained in paragraphs 6.8 to 6.10 of the Regulations.

17. **Procurement of Consultancy services (firms).** Most contracts for firms carried out by RENAPO are expected to be selected using the Quality- and Cost-Based Selection Method (QCBS). Consultant assignments of specific types, as agreed previously with the Bank in the Procurement Plan, may be selected using the following selection methods: (i) Quality-Based Selection (QBS); (ii) Selection under a Fixed Budget (SFB); (iii) Least- Cost Selection (LCS); (iv) Selection Based on Consultants’ Qualifications (CQS); and exceptionally (v) Direct Contract Selection (DC), under the circumstances explained in paragraph 7.13 to 7.15 of the Regulations.

18. **Procurement for Individual Consultancy services.** Individual consultants will be hired to provide technical advisory and project support services and will be selected in accordance with the comparison of at least three CVs.

19. **Risk Mitigation Plan.** The following table summarizes the mitigation actions proposed for the procurement-related risk identified below.

Risks	Mitigation Actions	Agency Responsible	When
Significant amounts in contracts for integral services.	The WB will closely follow up with RENAPO on bidding documents and services specification, to make sure the process will be implemented following appropriate procedures as scheduled.	RENAPO/WB	During project preparation and project implementation
Procurement of technology and licenses for biometric systems are procured separately from maintenance per the federal budget rules of operation.	Before no objection to the process in STEP, the possibility of carrying out a competitive selection for the maintenance of the biometric systems should be analyzed.	RENAPO/WB	During project preparation and project implementation
Lack of necessary experience on implementing this kind of project	RENAPO, as the PIU, will hire a Procurement Specialist with experience working with international development entity and, if necessary, an assistant to give support on several activities. The WB team will be available for any necessary support and will provide specific training as necessary.	RENAPO	During project implementation
Pending documents such as final Procurement Plan, Project Procurement Strategy for Development and Operations Manual.	Close follow up with RENAPO during appraisal to make sure that the procurement part of the OM, the PP and PPSD are finalized and approved before negotiations.	RENAPO/WB	During project appraisal and before negotiations.



20. **Procurement Plan.** The Procurement Plan was finalized by RENAPO and will be uploaded in the Systematic Tracking of Exchanges in Procurement (STEP), providing the basis for the procurement methods. The procurement plan will be updated as necessary and required to reflect actual project implementation needs and improvements in institutional capacity.
21. **Project Operational Manual (POM).** The POM will cover the relevant procurement procedures, including detailed institutional processes, accountability, composition of technical and administrative evaluation committees, time frames for documents preparation and approvals. The POM also covers topics related to conflicts of interest, fraud and corruption.
22. **Notification of Business Opportunities.** A General Procurement Notice will be published in the United Nations Development Business (UNDB). Specific Notices and Request for Expressions of Interest will be published following the Regulations and the Harmonized procedures agreed with the SFP and the IDB.
23. **Bank supervision.** Bank procurement staff will undertake at least two missions in the first two years after the project has been declared effective to monitor and review compliance with procurement policies. The Bank's supervision of RENAPO will consist of joining official WB team missions and procurement post reviews (analysis of procurement documents and field visits). These reviews are done according to procedures acceptable to the Bank and should be done in addition to technical and financial reviews and audits.



**Implementation Support Plan and Resource Requirements**

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate</b>	<b>Role</b>
First 12 months	Task management	Task team leader/ Public sector specialist	20 Staff Weeks (SW)	Task Leadership
	Task management	Task team leader/ Social protection specialist	20 Staff Weeks	Task Leadership
	Procurement	Procurement specialist	6 SWs	Training and Preparation
	Financial Management	FM specialist	6 SWs	Training and Preparation
	Social Standards	Social Specialist	2 SWs	ESCP Support and Monitoring
	Environmental Standards	Environmental Specialist	2 SWs	ESCP Support and Monitoring
	Operations support	Operations officer	2 SWs	Revision of documentation
	Technical support	Digital specialist	10 SWs	Technical support
	Technical support	FCI specialist	10 SWs	Technical support
12-48 months	Task management	Task team leader/ Public sector specialist	60 SWs	Task Leadership
	Task management	Task team leader/ Social protection specialist	60 SWs	Task Leadership
	Procurement	Procurement specialist	12 SWs	Training and Supervision
	Financial Management	FM specialist	12 SWs	Training and Supervision
	Social Standards	Social Specialist	6 SWs	ESCP Support and Monitoring
	Environmental Standards	Environmental Specialist	6 SWs	ESCP Support and Monitoring
	Operations support	Operations officer	3 SWs	Revision of documentation
	Technical support	Digital specialist	10 SWs	Technical support
	Technical support	FCI specialist	10 SWs	Technical support



## ANNEX 2: Economic Analysis

1. **The project's efforts to establish a reliable digital ID system are expected to have important positive economic benefits.** The results of the cost-benefit analysis show a significant and positive Internal Rate of Return (IRR) even under conservative assumptions. Under the baseline scenario (described in detail below), the estimated 10-year IRR is 38.5 percent, with benefits from investments having a net present value of US\$357.6 million. The main monetized benefits arise from: (i) a reduction in financial fraud associated with identity theft; (ii) a reduction of inclusion errors in social assistance and labor programs; and (iii) increased efficiency in public spending on pensions thanks to a timelier integration and greater accuracy of death reports. The estimation of the associated benefits is presented below, including a discussion of the impact channels and key assumptions. Other complementary and not-easily quantifiable or indirect benefits are also discussed. The project's costs contemplate investments financed through the World Bank, and the analysis assumes that these costs are evenly distributed across the duration of the project. Potential new costs for RENAPO are expected to be offset by savings generated through the project's investment in technology, process streamlining, and capacity building. Table 1 shows the results of the baseline scenario. Table 2 presents the results of the sensitivity analysis and shows that the estimated net present value is consistently positive even under highly conservative scenarios with reduced cost-saving parameters and benefits.

2. **Reduction in financial fraud associated with identity theft and increased financial inclusion.** In 2018, financial services users made 67,401 fraud claims attributable to identity theft, amounting to US\$119 million, with 49.1 percent of claims reimbursed to the claimants by the banks (CONDUSEF, 2018). To prevent financial fraud, Mexico's Financial Regulatory Authority (*Comisión Nacional Bancaria y de Valores*) recently mandated that financial institutions establish biometric authentication processes.<sup>34</sup> The project's support to the establishment of a reliable digital ID system will allow for the provision of authentication services to financial institutions. This is expected to generate savings for both users of the financial system and financial institutions through a reduction in fraud associated with identity theft.<sup>35</sup> The project is expected to reduce financial fraud associated with identity theft by 20 to 50 percent by the end of the 10-year period considered, as shown in the sensitivity analysis detailed below. In addition to these quantifiable estimated savings, the digital ID system is expected to tackle one of the main barriers to financial inclusion – the provision of the proof of identity required to open a bank account<sup>36</sup> – and improve the penetration of digital financial services, which are underutilized even by the financially included.<sup>37</sup> Benefits (not quantified here) associated with greater financial inclusion include the accumulation of interest for new account holders with funds in interest-bearing accounts, as well as savings to financial services users stemming from less exposure to informal predatory lending practices, among others.

3. **Reduction of inclusion errors in social assistance and labor programs and improved inclusiveness.** All social protection and labor systems have inclusion and exclusion errors. International experience from multiple countries in the Latin America and Caribbean region shows that such errors typically represent 5 percent or more of the total value

<sup>34</sup> [https://www.gob.mx/cnbv/articulos/regulacion-para-prevenir-el-robo-de-identidad-en-el-sector-bancario?idiom=es;](https://www.gob.mx/cnbv/articulos/regulacion-para-prevenir-el-robo-de-identidad-en-el-sector-bancario?idiom=es)

[https://www.gob.mx/cms/uploads/attachment/file/544735/Comunicado\\_de\\_Prensa\\_018\\_Biometricos\\_Final.pdf](https://www.gob.mx/cms/uploads/attachment/file/544735/Comunicado_de_Prensa_018_Biometricos_Final.pdf)

<sup>35</sup> In the absence of the Project, the counterfactual value of financial fraud attributable to identity theft is expected to grow at an annual inflation rate of 3.5 percent according to Banco de Mexico's survey on economic expectations:

<https://www.banxico.org.mx/publicaciones-y-prensa/encuestas-sobre-las-expectativas-de-los-especialis/%7B43511618-8E05-CODF-7CC8-FA32D3073E4A%7D.pdf>

This assumption is more moderate than using the compound annual growth rate of financial fraud attributable to identity theft between 2015 and 2018, particularly since the methodology to identify financial fraud attributable to identity theft might have changed between 2016 and 2017.

<sup>36</sup> According to the 2017 Global Findex Survey, 57 million people aged 15 and above do not have a bank account in Mexico, among which 15 million reported not having the necessary documentation to open one. While account ownership is low for both women and men, women are particularly affected with 67 percent of women not having an account compared to 59 percent of men. The Project expects to contribute to closing this gender gap through inclusion campaigns with a gender-sensitive approach, for instance, during the enrollment process.

<sup>37</sup> Only 13 percent of the financially included used the internet to buy goods and services or pay bills.



of benefits delivered. In 2016, Mexico's Federal Audit Agency concluded that nearly 11 percent of the beneficiaries of the federal social pension program for the elderly had an unverifiable or duplicate identity. By ensuring that all of the population has access to a verifiable identity and by providing authentication services to social protection programs, the project will contribute to a reduction of inclusion errors and improve the efficiency of social protection expenditures by generating savings that can be reallocated to cover currently excluded populations. The cost-benefit analysis takes into consideration the most important social programs based on coverage and budget size.<sup>38</sup> The baseline scenario assumes that inclusion errors represent 3 percent of the total value of benefits delivered and estimates that the project will reduce these errors by 35 percent in 2030. This is a conservative assumption based on previous evidence and considering that similar analyses for India<sup>39</sup> and Morocco (P155198) assume inclusion error rates of 5 to 12 percent and a 100 percent reduction.

4. **Increased efficiency of pension's spending by improving timeliness and accuracy of death reports.** When a death occurs, medical personnel generate a death certificate that is handed to the civil registry and then integrated into RENAPO's database. However, over 60 percent of death certificates do not have a CURP to authenticate the identity of the deceased person. Moreover, it currently takes up to 3 months to integrate death certificates into RENAPO's database and social security agencies (such as IMSS, ISSSTE and others) perform proof of life verifications semi-annually (due to operational constraints). This implies that social security agencies do not necessarily receive timely and accurate notifications of their pensioners' deaths and thus continue disbursing monthly pensions after death. The project will support RENAPO's efforts to improve the quality and timeliness of death certificates through legal, administrative and operational measures. In particular, RENAPO advocates for the CURP to become compulsory in the filling of death certificates through its participation in CONAFREC sessions. RENAPO is currently rolling out the SID to streamline data transmission from local civil registries to the centrally administered databases (expected to reach all states in 2022). Using official demographic projections from the CONAPO<sup>40</sup> and assuming that the three-month delay in integrating death certificates into RENAPO's database is eliminated, substantial savings in the public expenditure of contributory and non-contributory pension schemes are expected.<sup>41</sup>

5. **The estimated impact of the project on identity theft fraud and social protection spending is distributed over the 10-year period using an integration scale which assumes that a small fraction of the estimated benefits accrue at the beginning of the project period and then increase towards the end of the period in 2030.** The integration scale assumes no impact during the first year of implementation (2021) and an initial 2 percent impact during the second year (2022) to reflect the effect of actions currently being taken by RENAPO such as the initial implementation of SID in some states and the signing of legal agreements to receive biometric data from other institutions such as the Ministry of Foreign Affairs.<sup>42</sup> The integration scale grows to a maximum impact value in the tenth year (2030), with the maximum value varying according to three main scenarios: 20 percent (conservative), 35 percent (baseline) and 50 percent

<sup>38</sup> The social programs considered for the analysis are: *Pensión para el Bienestar de las Personas Adultas Mayores*, *Pensión para el Bienestar de las Personas con Discapacidad Permanente*, *Sembrando Vida*, *Apoyos para el Bienestar de Niñas y Niños de Madres Trabajadoras* from Secretariat of Welfare, *Beca Universal para Estudiantes de Educación Media Superior Benito Juárez*, *Becas para el Bienestar Benito Juárez de Educación Básica y Media Superior*, *Jóvenes Escribiendo el Futuro* from Secretariat of Public Education and *Jóvenes Construyendo el Futuro* from Secretariat of Labor and Social Prevision. For all programs except *Pensión para el Bienestar de las Personas Adultas Mayores*, the number of beneficiaries and total value of delivered benefits remain constant between 2021 and 2030. For *Pensión para el Bienestar de las Personas Adultas Mayores* the number of beneficiaries grows at the same rate as the population aged 65 and above and the benefits are adjusted for inflation. Previous inflation adjustments for this program have been observed between 2019 and 2020.

<sup>39</sup> A cost-benefit analysis of Aadhaar, National Institute of Public Finance and Policy, 2012.

<sup>40</sup> Proyecciones de la Población de México y de las Entidades Federativas 2016-2050, Consejo Nacional de Población

<sup>41</sup> This estimation does not overlap with the inclusion error reduction of social protection programs, particularly for *Pensión para el Bienestar de las Personas Adultas Mayores*. As previously mentioned, inclusion errors include duplicate and non-identifiable beneficiaries. The savings estimated for pension spending stem from more timely and accurate death reports.

<sup>42</sup> [http://dof.gob.mx/nota\\_detalle.php?codigo=5593625&fecha=21/05/2020](http://dof.gob.mx/nota_detalle.php?codigo=5593625&fecha=21/05/2020)





(optimistic). The cost-benefit analysis for India’s Aadhaar ID project uses a similar integration scale that yields a maximum impact value of 100 percent at the end of the 10-year period. In this case, much more conservative maximum impact values are used. For the social discount rate, a 10 percent rate is used to discount the annual flows of costs and benefits, adequately reflecting the economic opportunity cost of capital in Mexico (IMF, 2013).<sup>43</sup> Table 1 reflects the baseline scenario:

**Table 2.1. Baseline scenario of the cost-benefit analysis.**

BASELINE SCENARIO											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
<b>BENEFITS</b>											
1. SAVINGS IN IDENTITY THEFT AND FRAUD	\$ -	\$ 2,259,197	\$ 3,944,062	\$ 4,949,877	\$ 7,326,803	\$ 10,845,126	\$ 16,052,945	\$ 23,761,553	\$ 35,171,827	\$ 52,061,303	
2. SAVINGS IN CONTRIBUTORY AND NON-CONTRIBUTORY PENSIONS	\$ -	\$ 4,331,906	\$ 6,628,286	\$ 10,126,605	\$ 15,454,570	\$ 23,565,518	\$ 35,930,334	\$ 53,574,957	\$ 81,485,917	\$ 123,868,473	
3. SAVINGS IN INCLUSION ERRORS OF SOCIAL PROTECTION PROGRAMS	\$ -	\$ 7,713,168	\$ 11,459,069	\$ 17,048,853	\$ 25,398,742	\$ 37,882,581	\$ 56,561,000	\$ 84,526,568	\$ 126,424,334	\$ 189,235,661	
<b>TOTAL BENEFITS</b>	<b>\$ -</b>	<b>\$ 14,304,272</b>	<b>\$ 21,431,417</b>	<b>\$ 32,125,335</b>	<b>\$ 48,180,115</b>	<b>\$ 72,293,225</b>	<b>\$ 108,544,279</b>	<b>\$ 161,863,078</b>	<b>\$ 243,082,078</b>	<b>\$ 365,165,438</b>	
<b>COSTS</b>											
4. PROJECT INVESTMENT	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>TOTAL COSTS</b>	<b>\$ 45,000,000</b>	<b>\$ 45,000,000</b>	<b>\$ 45,000,000</b>	<b>\$ 45,000,000</b>	<b>\$ 45,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>NET CASH FLOW</b>	<b>\$ (45,000,000)</b>	<b>\$ (30,695,728)</b>	<b>\$ (23,568,583)</b>	<b>\$ (12,874,665)</b>	<b>\$ 3,180,115</b>	<b>\$ 72,293,225</b>	<b>\$ 108,544,279</b>	<b>\$ 161,863,078</b>	<b>\$ 243,082,078</b>	<b>\$ 365,165,438</b>	
<b>NET PRESENT VALUE</b>	<b>\$ 357,601,308</b>			<b>INTERNAL RATE OF RETURN</b>			<b>38.53%</b>		<b>BENEFIT-COST RATIO</b>		<b>2.906</b>

6. Results of the sensitivity analysis demonstrate that the project has a positive net present value under a range of different scenarios, including under conservative assumptions. The analysis shows that even when using a maximum impact value of 20 percent, a conservative 1 percent inclusion error rate, and a higher social discount rate of 12 percent (which reduces the net present value), the project remains viable and has a positive IRR. (See Table 2 for details.)

**Table 2.2. Sensitivity analysis of the cost-benefit analysis.**

CONSERVATIVE SCENARIO: MAX INTEGRATION SCALE 20%						
	Inclusion Error Rate	Social Discount Rate	Inclusion Error Rate	Social Discount Rate	Inclusion Error Rate	Social Discount Rate
	1%	12%	3%	10%	5%	8%
<b>NET PRESENT VALUE</b>	\$31,094,796		\$158,389,166		\$363,684,522	
<b>INTERNAL RATE OF RETURN</b>	15.95%		24.95%		38.55%	
<b>BENEFIT-COST RATIO</b>	1.171		1.760		2.874	

BASELINE SCENARIO: MAX INTEGRATION SCALE 35%						
	Inclusion Error Rate	Social Discount Rate	Inclusion Error Rate	Social Discount Rate	Inclusion Error Rate	Social Discount Rate
	1%	12%	3%	10%	5%	8%
<b>NET PRESENT VALUE</b>	\$132,761,625		\$357,601,308		\$639,795,774	
<b>INTERNAL RATE OF RETURN</b>	25.56%		38.53%		49.46%	
<b>BENEFIT-COST RATIO</b>	1.731		2.906		4.297	

OPTIMISTIC SCENARIO: MAX INTEGRATION SCALE 50%						
	Inclusion Error Rate	Social Discount Rate	Inclusion Error Rate	Social Discount Rate	Inclusion Error Rate	Social Discount Rate
	1%	12%	3%	10%	5%	8%
<b>NET PRESENT VALUE</b>	\$226,724,027		\$522,815,419		\$896,146,525	
<b>INTERNAL RATE OF RETURN</b>	31.93%		45.36%		56.66%	
<b>BENEFIT-COST RATIO</b>	2.248		3.786		5.618	

<sup>43</sup> The Economic Opportunity Cost of Capital for Mexico – A Revised Empirical Update, Sergio L. Rodriguez, IMF, 2013





### ANNEX 3: Glossary

Authentication	The process of establishing confidence that a person is who they claim to be. Digital authentication generally involves a person electronically presenting one or more “factors” to “assert” their identity—that is, to prove that they are the same person to whom the identity or credential was originally issued. These factors can include something a person knows (e.g., a password or PIN), has (e.g., an ID card, token, or mobile SIM card), or is (e.g., their fingerprints) (adapted from <i>NIST 800-63:2017</i> and <i>OWI 2017</i> ).
Biographic data	Biographic data refers to attributes about a person or their life, that are not biometric (i.e., biological or behavioral). In foundational or legal ID systems, this often includes information such as name, sex, age, nationality, etc.
Biometric characteristic	A biological (fingerprint, face, iris) or behavioral (gait, handwriting, signature, keystrokes) attribute of an individual that can be used for biometric recognition (adapted from <i>ISO/IEC 2382-37</i> ).
Civil registration	The continuous, permanent, compulsory and universal recording of the occurrence and characteristics of vital events pertaining to the population, as provided through decree or regulation in accordance with the legal requirements of each country ( <i>UNDESA 2014</i> ). Vital events concern the life, death and civil status of individuals, including live birth, death, fetal death, marriage, divorce, separation, annulment, adoption, legitimation, and recognition (of paternity).
Deduplication	In the context of identification systems, deduplication is a technique to detect duplicate identity records, identify inconsistent identity claims, and establish the uniqueness of people within a system. Biometric recognition is commonly used to perform this function; biographic data can also be used for deduplication but generally not with the same level of efficiency nor accuracy (adapted from <i>ISO/IEC 2382-37</i> and <i>ID4D Technology Landscape report</i> ).
Digital identity	A set of electronically captured and stored attributes and/or credentials that uniquely identify a person (adapted from <i>Harbitz &amp; Kentala 2013</i> and <i>ID4D Technology Landscape report</i> ).
Digital identification (ID) system	An identification system that uses digital technology throughout the identity lifecycle, including for data capture, validation, storage, and transfer; credential management; and identity verification and authentication (adapted from <i>ID4D Public-Private Cooperation report</i> ).
Enrollment	The process of collecting a biometric and biographic sample from an end user, converting it into a reference, and storing it in a system’s database for later comparison (adapted from <i>Harbitz &amp; Kentala 2013</i> )
Foundational identification (ID) system	An identification system primarily created to manage identity information for the general population and provide credentials that serve as proof of identity for a wide variety of public and private sector transactions and services. Common types of foundational ID systems include civil registries, universal resident or national ID systems, and population registers (adapted from <i>Gelb &amp; Clark 2013a</i> and various ID4D publications).



ID	<ul style="list-style-type: none"><li>• Identity document.</li><li>• See identification.</li></ul>
Identification	The process of establishing, determining, or recognizing a person’s identity (adapted from <i>ISO/IEC 24760-1:2011</i> and <i>ITU-T X.1252</i> )
Identification (ID) system	The databases, processes, technology, infrastructure, credentials, and legal frameworks associated with the capture, management, and use of personal identity data for a general or specific purpose (adapted from the <i>Principles on Identification</i> ).
Identity	A set of attributes that uniquely describe a person within a given context (adapted from <i>NIST 800-63:2017</i> ).
Identity ecosystem	The set of identification systems—including databases, credentials, laws, processes, protocols, etc.— and their interconnections within a jurisdiction, geographic area, or particular sector (adapted from ID4D Public-Private Cooperation paper).
Population register	A database of every individual that has the right to reside in the country, including citizens and non-citizens, children and adults. Population registers typically contain demographic data and life-event information that is the basis of or exchanged with other identification systems and databases such as national ID systems, civil registers, and others (adapted from <i>Harbitz &amp; Kentala 2013</i> ).
Privacy-by-design	This approach embodies a number of global standards and principles on privacy and data protection that have been developed over the past few decades.
Tokenization	The substitution of a sensitive identifier (e.g., a unique ID number or other PII) with a non-sensitive equivalent (i.e., a “token”) that has no extrinsic or exploitable meaning or value.
Verification	For the purpose of this document, verification is defined as the process of verifying specific identity attributes or determining the authenticity of credentials in order to facilitate authorization for a particular service.

**Source:** Based on World Bank. 2019. ID4D Practitioner’ Guide: Version 1.0 (October 2019). Washington, DC: World Bank. License: Creative Commons Attribution 3.0 IGO (CC BY 3.0 IGO). <https://id4d.worldbank.org/guide/glossary>



## ANNEX 4: Adjustments to the Country Program in Response to COVID-19<sup>44</sup>

### Impact of the COVID-19 pandemic on the country and government response

- Beyond the health consequences and loss of lives, the COVID-19 pandemic brought demand and supply shocks to the Mexican economy with deep impacts on firms, employment, and households.** Through the channels of trade (including the U.S output drop and oil prices collapse), finance (flight to liquidity in U.S dollars and other FOREX denominated securities), investment (high uncertainty), and coupled with massive disruptions on the supply side to flatten the contagion curve domestically, it is expected that Mexico's output will drop significantly in 2020 (by 9 percent).
- The COVID-19 pandemic has had significant human, poverty, and employment costs.** The official statistics as of late-November 2020 show that more than 1 million people have contracted the virus and over 100,000 have died. Since mid-March, the government implemented measures to control the spread of the virus, including the suspension of all non-essential economic activities, move to at-home work and schooling nationwide, and launch a broad social distancing initiative. The government established a "traffic light" system for a gradual activity reactivation, which commenced in mid-May, but significant uncertainties remain ahead until the availability of a vaccine. The overall impact of the crisis has been significant on jobs. Total employment fell drastically in the early months of the pandemic. Since then, it recovered gradually, but with 5 million fewer jobs by July 2020 compared to the previous year, more than 1 million of them lost in the formal sector. The contraction in economic activity will likely lead to a large impact in monetary poverty, increasing the (US\$5.5 line) poverty rate from 21 percent in 2019 to at least 27 percent in 2020 (or close to 8 million of new poor by this measure), with only a gradual reduction in 2021-2.
- The authorities have implemented measures to face the crisis.** Aside from the health response, the authorities have launched a set of monetary, financial, fiscal, economic and social measures to mitigate the impact of the crisis. On the monetary-financial side, currency swap lines, liquidity facilities, a regulatory forbearance, and other important measures were adopted. The fiscal response has been more limited for the large shock received by the economy and households. The authorities' expressed rationale is that they are trying to strike a balance between short-term larger fiscal imbalances and a sustainable fiscal framework over the medium term, considering that risks remain high and fiscal space for further action may be needed in the months ahead. The support applied was targeted to support vulnerable households, workers, and Micro, Small and Medium Enterprises (MSMEs). While implementing its broad package of emergency measures, Mexico has also prioritized efforts to foster a gradual economic reactivation to catalyze a strong, inclusive and resilient recovery over the medium term.

### WBG support for responding to the crisis

- The pipeline under the CPF<sup>45</sup> has experienced some strategic adjustments in alignment with the pillars of WBG's COVID-19 crisis response outlined in the Approach Paper (AP).** With the objective of dealing with the current situation and the need for a strong and better recovery, while at the same time, advancing some key objectives of the CPF (see below), the pipelines of FY 2020 (4th quarter) and FY 2021 have been prioritizing operations that support needed policy and institutional reforms. ***In support of pillar II (Protecting the poor and vulnerable)***, the Financial Access DPF (P172863) was approved by the Board of Executive Directors on the 4th quarter of FY20, and was focused on a number of emergency measures, including liquidity provisions while also fostering financial inclusion and improved digital delivery. The National Digital Identity System (P172647) also supports more efficiency in the access of vulnerable households to social programs. ***In support of pillar III (Ensuring sustainable business growth and job creation)***, the operation Strengthening Economic Sustainability DPF (P174150) was prepared, focusing reducing regulatory barriers hampering firms' growth, financial

<sup>44</sup> This annex is standard in all World Bank projects approved by the Board starting January 2021 and it is not related specifically to the financing of this Project. This annex is for informative purposes.

<sup>45</sup> Discussed by the Board on February 2020. Report No. 137429-MX.



access to boost the recovery, and management of fiscal resources. The operation includes inputs from the International Finance Corporation (IFC) on private sector issues. The DPF on Financial Access (P172863) highlighted under pillar II (above) also had a component on access to finance and fintech in support of this pillar III. The National Digital Identity System (P172647) also supports this pillar by lifting bottlenecks to citizens, particularly the most vulnerable, to have access to finance, economic opportunities, and social programs. ***In support of pillar IV (Strengthening policies, institutions, and investments for re-building better)***, the operation Environmental Sustainability and Urban Resilience DPF (P174000) was prepared, focusing on measures to combat climate change, enhance air quality, and improve social housing and urban infrastructure resilience. The DPF on Strengthening Economic Sustainability (P174150) highlighted under pillar III (above) also had a component with policies to face climate change from the fiscal management perspective in support of this pillar IV.

5. **Despite the crisis, the objectives of the WBG's CPF for FY20-25 remain as relevant as ever, allowing flexible and strategic adjustments.** The CPF is focused on three broad areas: supporting more rapid and more inclusive growth; strengthening institutions for public finance, service delivery, and economic inclusion; and enabling sustainable infrastructure and climate action. The CPF has seven specific objectives under those broad areas, as follows: (1) foster financial intermediation and inclusion; (2) reduce regulatory and competition barriers to economic growth; (3) enhance the management of public resources; (4) strengthen the institutional capacity to deliver inclusive social services; (5) strengthen the capacity of the social protection system for economic inclusion; (6) provide more inclusive and sustainable infrastructure services; and (7) support the government in reaching its goals on climate change. Despite the shock of the COVID-19 pandemic, these CPF objectives not only remain relevant, but even more essential to strengthen the country through the crisis and to support a strong recovery.

6. **In this context, the operations in the pipeline for FY21 are also fully aligned with the CPF.** The Strengthening Economic Sustainability DPF (P174150) tackles policies to help address selected pre-existing constraints to growth, inclusion, and sustainability identified in the SCD, including on regulatory barriers, financial access, management of resources for fiscal sustainability, and climate change challenges. These same constraints have also become critical bottlenecks in enabling a better recovery. Thus, they are fully aligned with key objectives set in the CPF, specifically objectives 1, 2, 3 and 7 of the CPF (listed above). In the same way, the Environmental Sustainability and Urban Resilience DPF (P174000) contributes directly to Objectives 6 and 7 of the CPF on infrastructure resilience and climate change. The National Digital Identity System (P172647) contributes directly to Objectives 1, 3 and 4 of the CPF by enabling financial and economic opportunities, particularly for vulnerable groups, to participate in the economic recovery.

7. **Some projects in the pipeline and portfolio were reprioritized for late FY2021 and FY2022.** They are mostly on the social infrastructure and transport sectors. At the same time, and to enable margin for action and a buffer in the exposure envelope, the undisbursed balances of selected slow-disbursing non-priority projects were cancelled in agreement with the authorities. These projects were mostly in the legacy portfolio at the sub-national level in infrastructure areas, but they had their development objectives well-advanced or fulfilled.

8. **The ASA program was also reprioritized.** The key pieces with priority focus on the short-and-medium-term economic recovery agenda, including on higher productivity (productivity report), fiscal reforms post crisis (e.g., PFR, tax and pensions), female labor force participation, and a CEM in the Southern States. ASA was also focused on just-in-time pieces focused on the impact on the crisis and policies on the recovery efforts.

9. **There are also adjustments to the IFC and MIGA programs.** IFC will increase its focus on credit lines for SMEs and attracting private investors to infrastructure, well-aligned with upstream policies of DPFs. MIGA has one project in Mexico, a political risk insurance guarantee in the energy sector, and is working with NAFIN/Bancomext, the government's export credit agency, to support SMEs and firms in the most affected sectors by the crisis.



### **Selectivity, Complementarity, Partnerships**

10. The priority operations for FY21 complement (and are coordinated with the efforts) of other development partners. The Strengthening Economic Sustainability DPF (P174150) complements efforts of the IADB, CAF, and several bilateral development partners across issues. Together with the Inter-American Development Bank (IADB) and Development Bank of Latin America (CAF), the World Bank supports reforms aimed at reducing barriers, red tape, and the cost of regulations. Together with the Foreign, Commonwealth & Development Office of the United Kingdom (FCDO), the World Bank supports reforms to reduce regulatory costs for firms and to foster more competition at the subnational level. Together with the French Development Agency (AFD), the World Bank supports Mexico's efforts on climate change and green finance. On the Environmental Sustainability and Urban Resilience DPF (P174000) actions on climate, forest and environmental management are coordinated with development partners, including agencies from the governments of United Kingdom (BEIS, DEFRA), France (AFD), United States (DOS) and Germany (BMZ, BMU, GIZ and KfW), among others. The World Bank and IMF also maintain close collaboration on macroeconomic and structural issues, which has been further intensified—the IMF has an FCL for US\$61B with Mexico approved on November 22, 2019 and recently reviewed on November 18, 2020.



ANNEX 5: Table of barriers faced by vulnerable groups

Barriers faced by vulnerable groups when exercising identity rights and project activities to address such barriers		
Identified Vulnerable Group	Barrier	Activities to mitigate barriers
Women	<ul style="list-style-type: none"> <li>Geographical: Registration centers are far from some IPs communities which also add economic and time costs. This is particularly important as women are usually in charge of household responsibilities and taking care of children.</li> <li>Economic: Economic costs related to transportation costs and the opportunity cost of not using that time to work.</li> <li>Language: Particularly relevant for indigenous women as they are more often monolingual than indigenous men.</li> <li>Registration offices are not conditioned to meet the needs of women with small children.</li> </ul>	<ul style="list-style-type: none"> <li>Mobile registration campaigns scheduled at times that are convenient to women (for example, do not clash with childcare and household responsibilities).</li> <li>Communication campaigns that meet women needs, including relevant communication channels and avoiding gender stereotypes and biases.</li> <li>Measures included in the Indigenous Peoples Framework and other Vulnerable Populations, for example, registration offices that promote having accommodations for women with small children.</li> <li>Have personnel that speak indigenous languages in relevant registration offices to support registration processes.</li> <li>The project will implement an ID system than includes the provision of digital ID credentials and verification services, which can enable users to log in and verify their identity remotely.</li> </ul>
Indigenous Peoples	<ul style="list-style-type: none"> <li>Geographical: Registration centers are far from IPs communities which also add economic and time costs for indigenous peoples.</li> <li>Economic: Fees related to late registration. Economic costs are also related to transportation costs to reach registration offices when located in main towns and cities.</li> <li>Language: Indigenous women and elders are particularly affected because they are less likely to speak Spanish.</li> <li>Administrative Requirements: administrative requirements to access any proof of identification or correct past errors in birth registries.</li> </ul>	<ul style="list-style-type: none"> <li>Mobile registration campaigns in municipalities with high IP population, leveraging on the efforts already made by RENAPO.</li> <li>Communication campaigns under component 1 that are designed and implemented in a culturally appropriated manner.</li> <li>Measures included in the Indigenous Peoples Framework and other Vulnerable Populations, for example to include personnel who speaks indigenous languages in registration offices and in coordination with traditional authorities.</li> <li>The project will implement an identity system that includes the provision of digital ID credentials and verification services, which can enable users to log in and verify their identity remotely. This will include the option to self-identify as an indigenous person in RENAPO's systems.</li> </ul>
Afro-	<ul style="list-style-type: none"> <li>Geographical: Registration centers are far from Afro Mexican</li> </ul>	<ul style="list-style-type: none"> <li>Mobile registration campaigns</li> <li>Communication campaigns under component 1</li> </ul>



<b>Barriers faced by vulnerable groups when exercising identity rights and project activities to address such barriers</b>		
<b>Identified Vulnerable Group</b>	<b>Barrier</b>	<b>Activities to mitigate barriers</b>
Mexicans	<p>communities which also add economic and time costs.</p> <ul style="list-style-type: none"> <li>Economic: Fees related to late registration. Economic costs are also related to transportation costs to reach registration offices when located in main towns and cities.</li> <li>Administrative Requirements: administrative requirements to access any proof of identification or correct past errors in birth registries.</li> </ul>	<p>that are designed and implemented in a culturally appropriated manner.</p> <ul style="list-style-type: none"> <li>The project will implement an ID system than includes the provision of digital identity credentials and verification and authentication mechanisms, which can enable users to log in and verify their identity remotely.</li> </ul>
Persons with Disabilities	<ul style="list-style-type: none"> <li>Universal Access: Barriers to access registration offices (lack of ramps for example) and identity documents produced in an accessible manner.</li> <li>-Stigma and discrimination: Negative and discriminatory attitudes from services providers and personnel in registration offices.</li> <li>-Recognition as person with disability in identification systems which limits access to services and benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Establish disability as one of the categories in the National Population Registry, as mandated in the current GPL, to make it easier for persons with disabilities to access benefits and services. The marker of disability in ID documents will be optional and will be included only if the person decides to have it in his/her documents.</li> <li>Leverage on efforts already made by RENAPO to reinforce universal access to identity proof by persons with disabilities, for example, producing birth registrations in braille as in the case of Yucatan.</li> <li>Technical assistance for registration offices to collect identity data from persons with disabilities.</li> <li>The project will implement an ID system that includes the provision of digital ID credentials and verification services, which can enable users to log in and verify their identity remotely.</li> </ul>
Mexicans abroad and returnees	<ul style="list-style-type: none"> <li>Administrative Requirements: Particularly for U.S born children of Mexican migrants and returnees who will need a birth registration issued in the U.S to process a Mexican ID.</li> <li>Economic: Fees associated to translating documents or accessing documents in other countries required to process a Mexican ID.</li> <li>Language: Indigenous women and</li> </ul>	<ul style="list-style-type: none"> <li>The project will implement an ID system than includes the provision of digital ID credentials and verification services, which can enable users to log in and verify their identity remotely.</li> <li>RENAPO coordinates closely with the Ministry of Foreign Affairs to provide information and register ID to Mexicans abroad.</li> </ul>





<b>Barriers faced by vulnerable groups when exercising identity rights and project activities to address such barriers</b>		
<b>Identified Vulnerable Group</b>	<b>Barrier</b>	<b>Activities to mitigate barriers</b>
	elders are particularly affected because they are less likely speak Spanish.	
Elders	<ul style="list-style-type: none"> <li>• Geographical: Registration centers are far from IPs communities which also add economic and time costs for indigenous peoples.</li> <li>• Economic: Fees related to late registration or rectifying errors in original birth registrations.</li> <li>• Language: Indigenous elders are particularly affected as some of them don't speak Spanish.</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile registration campaigns scheduled in places that are convenient for elders such as payment modules of the social pension for the elderly.</li> <li>• Communication campaigns under component 1 that meet the needs of elders.</li> <li>• The project will implement an ID system than includes the provision of digital ID credentials and verification services, which can enable users to log in and verify their identity remotely.</li> </ul>
Children	<ul style="list-style-type: none"> <li>• Economic: If parents or guardians did not register children in the first few months of life, this can result in economic barriers as a result of late fees.</li> <li>• Cultural: In some communities it is customary to delay the registration of newborn children, which result in economic barriers.</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile registration campaigns scheduled in places that are convenient.</li> <li>• Communication campaigns designed and implemented in a culturally appropriated manner, targeting indigenous parents.</li> <li>• The project will implement an identity system that includes the provision of digital ID credentials and verification services, which can enable users to log in and verify their identity remotely.</li> </ul>
LGTBQI	<ul style="list-style-type: none"> <li>• Stigma and discrimination: Negative and discriminatory attitudes from service providers and personnel in registration offices that leads to difficulties to change their gender information on birth registries and other functional IDs.</li> <li>• Administrative and Economic: Gender changes on birth registries and functional IDs are usually expensive, administratively complex and lengthy (with differing procedures across states).</li> </ul>	<ul style="list-style-type: none"> <li>• Information is currently recorded on binary sex categories and the information is public in the CURP. The project will depart from recording of binary sex categories exclusively and will ensure that this information is not public to protect privacy of individuals. The project will implement an identity system than includes the provision of digital ID credentials and verification services, which can enable users to log in and verify their identity remotely.</li> </ul>