COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)
CONCEPT STAGE

Report No.: PIDISDSC17581

Date Prepared/Updated: 23-Sep-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Mexico	**Project ID:**	P157932
		Parent Project ID (if any):	
Project Name:	Mexico Inner City Affordable Housing Project (P157932)		
Region:	LATIN AMERICA AND CARIBBEAN		
Estimated Appraisal Date:	06-Mar-2017	**Estimated Board Date:**	15-Jun-2017
Practice Area (Lead):	Social, Urban, Rural and Resilience Global Practice	**Lending Instrument:**	Investment Project Financing
Borrower(s):	United Mexican States		
Implementing Agency:	CONAVI, Nacional Financiera S.N.C. I.B.D. (NAFIN)		
Financing (in USD Million)			
Financing Source			**Amount**
International Bank for Reconstruction and Development			100.00
Financing Gap			0.00
Total Project Cost			100.00
Environmental Category:	B - Partial Assessment		
Concept Review Decision:	Track II - The review did authorize the preparation to continue		
Is this a Repeater project?	No		
Other Decision (as needed):			

B. Introduction and Context

Country Context

Mexico is experiencing moderate economic growth rates amid of a global economic slowdown.

In spite of a decline in oil production and a significant drop in the oil price, public sector revenue showed a solid performance due to higher income tax collection. A gradual recovery of economic activity based on private consumption and investment is expected to continue with GDP growth strengthening from 2.3 percent in 2015 to 3.0 percent in 2017.

Poverty reduction has been uneven . Monetary poverty in Mexico has not improved for the last 20 years. Non-monetary poverty, on the other hand, has shown an improvement due to a reduction in social deprivations in recent years. Today, 46 percent of the population (55.3 million persons), is considered poor (below the minimum income line and with at least one deprivation) and 9.5 percent in extreme poverty (with income below the minimum monetary well-being line and with three or more non-income deprivations).

The housing sector is key for economic growth and poverty reduction. In 2012, the housing sector accounted for 5.9% of GDP (14.1% if imputed rents are considered) and generated 3 million jobs (7.3% of total) . Increasing access to housing (or improving housing conditions) in urban areas can contribute to reducing multidimensional poverty, which is highly concentrated in cities (in 2010 two thirds of Mexico's 52 million poor people lived in urban areas). Specifically, two of the six non-monetary poverty dimensions are related to housing: "Quality and Spaces of the Dwelling" (assessed by dwelling materials and quality and overcrowding) and "Access to basic services in the dwelling" (improved water and sanitation, electricity access, clean fuel cooking source). Housing is also indirectly related to poverty in terms of its effect on the household's ability to generate income (through rental or self-employment which increase disposable income); its impact on infant's health (impact evaluations show direct benefits of improved housing on prevalence of respiratory diseases in young children); and on access to health care and social services (determined by location).

Sectoral and Institutional Context

The housing deficit remains high despite substantial increases in housing supply in recent years . From 2000 to 2014, the housing stock grew 43 percent (from 22 to 31 million units) to accommodate the increase in the number of households (from 24 to 33 million) resulting from population growth and a decrease in household size (from 4.3 to 3.8). Despite the 9 million additional housing units built during the period, the similarly large increase in the number of households means that the housing deficit in absolute numbers, as defined by the "rezago habitacional", remained stable over this period, at an estimated 9.7 million units (2014). The combination of an increasing housing stock and a stable housing deficit resulted in a decline in the housing deficit as a share of the total stock from 37 to 29 percent during the same period. While this figure remains high, its trend indicates that the housing deficit is being gradually addressed. Moving forward, an expected slowing trend in household formation will provide some breathing space, but the current level of formal annual production will still need to increase by 70% to meet new demand and eliminate the quantitative deficit by 2030.

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The diversity of housing sector needs will require different solutions in different parts of the country. Of the units considered to be in deficit, 5.5 million do not meet formal construction standards mostly due to lack of access to basic services (qualitative deficit). The other 4.2 million units are characterized by the presence of more than one household per house, are located in a high risk areas or are in such poor conditions that require full replacement (quantitative deficit), indicating an unmet need for additional housing units. The qualitative deficit is increasing both in number and relative share, while the quantitative deficit has shown a decreasing trend between 2010 and 2012 . The decrease in the quantitative component reflects the strong bias of the existing housing programs of development of new finished housing. In terms of geographical dispersion, six states concentrate 47% most of the housing deficit (in absolute terms); including Veracruz, Chiapas, Estado de Mexico, Oaxaca, Baja California and Guerrero although they represent only 34 percent of total population.

Affordability is the key constraint to increase access to formal housing for half of the population. The cheapest formal housing unit in Mexico (known as "vivienda economica") costs around MX$ 225,230 (about US$17,000) and is affordable for households earning around 3 Minimum Wages (MW) per month or more . Unfortunately, high land costs in urban areas means that this typology represents only 13% of total units formally produced (9% of the housing loans). The next category, "popular", represents a more common typology for affordable housing and accounts for more than half of the units produced in the formal sector (around 60% of the total housing loans). "Vivienda Popular" has an average price of MX$301,946 (about US$23,000), and is only affordable to households earning more than 4.1 MW, which represents population on the fifth income decile or above. In sum, without some type of support, half of the population in Mexico is not able to afford the typical social housing unit that the formal market can produce.

The Government's "Programa de Acceso al Financiamiento para Soluciones Habitacionales" (the Program) improves affordability for low income households. The Program is the main housing subsidy program of the Government of Mexico. Launched in 2007 and implemented by the National Housing Commission (CONAVI), its main objective is to improve access to housing by providing a demand side subsidy linked to a mortgage loan to households with incomes below 5 MW. In general, demand side subsidies aim to make access to housing feasible for low and moderate income households who would not be able otherwise to afford the units because of low savings capacity (for a down-payment) or because their maximum loan amount is insufficient. The Program allows beneficiaries to select amongst different housing solutions, including: (i) acquisition of new or existing units, (ii) improvement or expansion of an existing unit, (iii) self-construction, or (iv) rental. Households have to meet certain eligibility criteria, such as minimum savings, maximum house price and have to qualify for a loan from a financial institution. Beneficiaries can match the up-front subsidy with loans from the national provident funds (INFONAVIT, FOVISSTE) private banks or other public or private financial institutions. The exact subsidy amount depends on income level and characteristics and location of the unit. The maximum subsidy amount per income and per modality is presented in table 1. For example, in 2016 the maximum subsidy amount for purchase was US$4,519 and eligible units could cost up to US$24,425. Subsidies for new housing purchase have constituted the largest share program expenditures, comprising up to seventy percent of the total amount disbursed between 2007 and 2014.

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The Program is well targeted, leverages private sector participation, and is fiscally sustainable. The World Bank recently completed an analysis of the efficiency of the Program under the Housing Policy and Housing Finance RAS (P150380). Amongst its key findings are:
- The Program has successfully stimulated housing supply. A total of 1.5 million subsidies have been disbursed (since 2007), which have supported around 20% of the formal units built between 2007 and 2014.
- The program is well targeted. It has enabled access to housing for low and very low income households: 77.8 percent of subsidies for home purchases and 75.7 percent of subsidies for home improvements went to households earning less than 3 MW for the period 2007-2014.
- Strong institutional coordination between CONAVI and other housing sector stakeholders

(INFONAVIT in particular), as well as credibility, consistency and reliability of the policies in more than a decade have attracted (and maintained) strong private sector participation into the housing sector and have been key to the success of the Program.
- The depth of the upfront subsidy is modest relative to house prices and has remained stable at an average of around 20 percent of the total price and 40 percent for improvements.

The Program successfully incentivized housing production, however, most of the new units were built in the outskirts of cities with minimal urban services and infrastructure leading to an un-sustainable leap-frog urban expansion. Between 2000 and 2010, urban expansion and population density dynamics within Mexican cities changed considerably. Most Mexican cities experienced a significant drop in the number of people living in central areas accompanied by increasing population densities in patches of urban peripheries . This peri-urban development has been mostly of large single use developments for residential purpose. At the same time, economic activities and jobs remain in the city centers. This model of urban expansion has substantially increased transportation expenditures for low-income households as well as the cost of infrastructure provision for governments; thereby reducing the capacity of municipalities to support economic productivity outside the construction sector. For example, the analysis for the Mexico Urbanization Review shows that municipalities with the lowest density had nearly 1.5 times as much municipal spending on public works and infrastructure per capita in 2010. In sum, unplanned urban sprawl has led to a large proportion of vacant housing units (and corresponding high non-performing loan ratios), reduced the accessibility of households to jobs and markets and limited the ability of people to connect with one another. Importantly, the latter has increased spatial segregation in urban areas.

In 2013, as the Pena Nieto administration launched a new Housing and Urban Policy promoting compact and sustainable cities, CONAVI introduced location criteria into the Program eligibility criteria to reduce the incentives for sprawl and leap-frog development. To address the low density urban expansion (within the strong decentralized framework that exists for urban planning) CONAVI revised the subsidy allocation criteria to introduce incentives for better located housing. The 2013 rules differentiated the subsidy amounts by location; with higher subsidies for more accessible/better located housing. It also made units located more than 900m from an existing infrastructure network ineligible for support from the Program . These changes aimed to encourage renovation and re-densification of Mexican cities and also curb a related problem of depreciation and growing vacancy rates in relatively new development. The changes, while necessary and strongly justified, introduced a tension with the original affordability objective of the Program, since typically, at the moment of purchase, better located housing is relatively more expensive in all urban areas.

CONAVI has already incorporated several recommendations from the RAS review into the Program; however challenges remain to improve its sustainability and meet its main objective to increase access to well-located housing. One of the key recommendations of the analysis carried out under the RAS was to adjust program parameters (subsidy amount, maximum house price) to sharpen allocation to the highest need groups and to recognize the heterogeneity of prices and incomes in different urban areas. In March 2016, CONAVI launched a pilot program with adjusted subsidy amounts (higher for central city areas) to calibrate the subsidy amounts in the medium term. The analysis also recommended to intensify and prioritize the housing solutions beyond finished housing (rental and self-production) as these tend to favor the informally employed and traditionally excluded population (60% of the self-production subsidies go to women) who can struggle to obtain (and pay-back) a long-term loan. To this end, CONAVI started two new pilots for subsidy for rental housing and is in the process of developing a proposal for a new regulatory framework for small landowners that target low-income tenants.

Importantly, the main objective of the new location criteria remains unmet as construction of new qualifying units in central areas is very low. In 2014, only 3.2 percent of subsidies were allocated to units in core central areas (as defined by job density) and 17.9 percent to areas already fully serviced by infrastructure networks. The remaining 80 percent of subsidies were allocated to peri-urban areas (within the eligible expansion area of cities) with limited services and amenities. In other words, the subsidy differential between locations (more subsidy for better located units) fails to compensate for the higher land-price in the city center and hence to incentivize the construction of affordable units in the inner city. Rather than increasing the differentiated amount (although this might be necessary in the medium term), is the analysis conducted under the RAS recommended first to unlock the supply constraints that exist at local level in the form of urban regulation that restricts densities and limits urban renovation, prohibits mixed-use developments or discourages inclusionary zoning. Removing these constraints can enable the supply of affordable housing in well-located areas without the need to deepen the subsidy in the very short term.

Unlocking land supply at the right location is a critical step to meet the housing challenge. Land cost often is the single biggest factor in improving the economics of affordable housing development . It is no uncommon for land costs to exceed 40 percent of total property prices . Urban land markets do not always respond to normal supply and demand forces for several reasons, including regulations and zoning laws that discourage development, fragmented ownership, or poor land and property records. Addressing urban regulatory factors that limit the supply of affordable housing in Mexican cities is therefore key to enable well located affordable housing.

The Bank is well positioned to support the GoM to strengthen the housing sector and in particular access to well-located affordable housing. The Bank has had a two-decade long-standing engagement in the housing and urban sectors in Mexico, including an array of lending, analytical and convening services. Most recently, through the Programmatic Approach for Urban and Housing Policy (P147899) the Bank finalized the Mexico Urbanization Review Report (P133243), which offered recommendations to support a more sustainable spatial development, while making Mexican cities more productive and inclusive; and the Housing Policy and Financing RAS (P150380). As part of the RAS, the Bank conducted a thorough analysis of the "Programa de Financiamiento a Soluciones Habitacionales" including efficiency, targeting and identification of opportunities for the strengthening. The Bank is currently supporting several countries in various regions in the design, implementation or reform of demand-side housing subsidies with sustainable spatial outcomes, including Indonesia, Argentina, South Africa, and Egypt, and is therefore well positioned to foster knowledge exchanges and lessons learned sharing from international experiences on housing and urban management.

Relationship to CAS/CPS/CPF

The proposed activity aligns with Country Partnership Strategy (CPS) objective of "Promoting green and Inclusive Growth" for the period of FY2014-2019: According to the CPS, urban development has been steadfast and inefficient, with low-density patterns that are not conducive to generating economies of scale in: production; movements of labor and capital; and resource consumption. As a result, cities generate 75 percent of the country's GHG emissions. The Project would foster greener, more inclusive and sustainable development through the support of housing projects that are included within approved urban development areas and redevelopment projects that promote cultural heritage preservation, higher residential densities, mixed-use zoning, flexible land assembly and development standards.

It also aligns with the CPS objective of "Increasing Social Prosperity". Mexican cities also concentrate most of the country's poor and, despite improvements, inequality remains relatively high compared to developed countries. Through the provision of conditional transfers for affordable housing, the Project would promote inclusiveness in cities, while impacting directly the country➢(s multi-dimensional poverty indicator, which holds housing among its key elements.

C. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The Project's development objective is to increase access to affordable housing in eligible locations for low and middle income households.

Key Results (From PCN)

The proposed Project Development Indicators are:
- Number of subsidies allocated for housing units in eligible locations
- Percentage of subsidies allocated for housing solutions other than acquisition of new finished units (including acquisition of existing units, rental, self-production, and housing improvement)
- Percentage of subsidies allocated for beneficiaries below 3 MW
- Number of housing units started as a result of the urban instruments supported under Component 3
- Number of beneficiaries under the Project (of which female)

D. Concept Description

The Inner-city Affordable Housing Program (the Project) will aim at increasing access to housing for low income households (below 5 MW) while improving the enabling conditions at local level to ensure that affordable housing is located in well serviced areas with adequate access to infrastructure and services. The project will comprise of the following components:

Component 1: Increased access to housing for lower income segments (US$70 Million) - This component would finance up-front subsidies granted under the Program for eligible lower income households (earning less than 5 minimum wages), in the well-located, serviced urban areas. As per the Program operational rules, subsidies can be used for: (i) acquisition of new or existing finished housing units within eligible urban areas; (ii) rental of housing units (up to the maximum subsidy amount). This component will promote a diversification of housing solutions, through the financing of a larger proportion of subsidies for solutions other than acquisition of new housing (existing housing purchase, rental, improvement and expansion).

Component 2: Support for self-production of basic housing units (US$25 Million) - This component would finance up-front subsidies to eligible low-income households for housing self-production. Under this component and as per the Program's operational rules, households receive (in addition to financial support from the Program) technical assistance on construction techniques, contract management and basic financial literacy.

Component 3: Development and strengthening of urban planning instruments for sustainable housing sector expansion (US$ 5 Million) - This component would co-finance (in partnership with municipal governments) preparation of urban planning and urban management instruments in medium and large cities (> 100,00 inhabitants) that directly enable the expansion of affordable housing supply in inner city areas through re-densification, inclusionary zoning, urban renovation and compact city development projects. Municipalities will be selected on the basis of a set of criteria to be developed in the project's operational manual, including housing needs and housing deficit, urban population growth, existence of approved municipal development plans consistent with the expansion of affordable housing and availability of counterpart funding. Preliminarily, four typologies of instruments have been identified which could be financed under the Project: (i) urban redevelopment/renewal ("redensificacion") partial plans ; (ii) urban expansion ("crecimiento") partial plans ; (iii) project finance structuring of high density affordable housing projects, and (iv) territorial guidelines for risk prevention and resilience for urban areas.

Despite its small amount, Component 3 will be critical to enable the Program to achieve its sustainability objective. Through this component, CONAVI will work closely with selected municipalities to address critical regulatory constraints that can unlock well located urban land. This component will seek to develop the urban planning and management instruments to spur smart transit-oriented development, unlock vacant serviced land, and allow inclusionary zoning and densities in well serviced areas. As such, it is expected to foster the necessary conditions (and serve as demonstrative examples) at local level that will allow for a more successful Program in the medium term.

Implementation Arrangements. The Project will be implemented by CONAVI with Nacional Financiera (NAFIN) as financial agent. CONAVI is a de-concentrated unit of the Secretariat for Agrarian, Territorial and Urban Development (SEDATU), which is charged with developing and implementing territorial development and housing policies. To streamline implementation for Component 3, since municipalities have yet to be selected and the number of plans to be financed can be significant, an Output-Based Aid (OBA) approach is proposed. Through the OBA approach, once a municipality is selected to benefit from Project support CONAVI and the municipality would sign an administrative agreement specifying the terms and conditions of the support and the expected output. The municipality would be responsible for the preparation (contracting) of the plan/instruments with guidance from CONAVI and SEDATU. The Project would disburse against finished and approved plans/instruments. Using an OBA approach for component 3 can greatly simplify project implementation by reducing fiduciary transaction costs.

Procurement. No procurement activities have been identified under Components 1 and 2. Under Component 3, the instruments will be procured by the local governments with the support of CONAVI, using national procurement arrangement satisfactory to the Bank. The preparation of these instruments will need close support and supervision by CONAVI and the Bank. As part of preparation, the team will arrange with CONAVI the inclusion of the basic Bank procurement principles into the administrative agreement to be signed between CONAVI and the municipalities and the compliance with Bank's Anti-Corruption Guidelines.

Financial Management. CONAVI, as implementing agency, will coordinate all relevant FM arrangements for the Project, together with the National Financing development bank ("Nacional Financiera", NAFIN), which will operate as financial agent. The project will use primarily the reimbursement method to disburse to the beneficiaries' eligible expenditures (pre-financed by the

Government) into a project account in US dollars opened by NAFIN. For Component 3, the funds will be transferred from CONAVI to local governments in the form of an output-based reimbursement, upon completion of the agreed plans to be developed by the local governments (provided that they are found acceptable to CONAVI and the Bank). Reference values will be established for each one of the four instruments typologies to be reimbursed.

II. SAFEGUARDS

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

The Project will support a demand-driven Program that has nationwide coverage and is implemented in urban and rural areas in consistency with Program rules on suitability for housing development. The Project is expected to yield some environmental benefits, as the results are expected to improve the efficiency of the urban areas by promoting access to housing in urban areas close to services and jobs. This will minimize the negative environmental effects that would otherwise occur from the development of new vacant or agricultural land for housing, as well as reduce commuting times and congestion to reach urban areas.

Component 1, has not been preliminary identified as having adverse social or environmental impacts or risks. The Project will be financing subsidies for the acquisition or rental of finished housing units, and as such no construction-related activities are included under this component. The Program has extensive mechanisms in place to ensure that the housing units selected by beneficiaries conform with the environmental and social standards applicable. The Program requires that the units purchased with support from a subsidy are located on private land, are outside of hazard zones, and comply with construction quality and standards (particularly regarding access to basic services). The verification is carried out by a third party (a certified agent), it is documented through a technical report (Dictamen Tecnico Unico, DTU) and registered within an independent entity, the Housing Registry (Registro Unico de Vivienda, RUV). As part of preparation, the Bank will conduct a due diligence review and document how compliance with regulations under environmental legislation is ensured and monitored.

Component 2 will finance subsidies for the self-production of housing solutions. Under this component, impacts of small magnitude can be generated on vegetation, soil, surface water and on the health of workers, resulting from site preparation and inadequate management of construction waste and chemicals such as paints, solvents and fuels. Additional risks may arise job security by the lack of personal protective equipment and lack of safety signs. Mitigation measures for this component include:

a. As per the Program's operational rules, beneficiaries of the subsidies for self-production need to work in partnership with an OEO or an APV who is responsible for demand management (, provides technical assistance on design and construction, and is responsible for supervision of the works. Prior to engaging with communities, OEO/APVs should register with SHF or CONAVI (who run background checks) and sign implementation agreements with CONAVI where roles are responsibilities are specified;

b. the construction process and overall quality and adequacy of the final solution is verified by third-party certified agents who issue interim and final technical reports;

c. typical self-production projects are very small scale, mostly construction of 40-50 m2 units; and

d. self-production projects are implemented on the beneficiaries' private land (this is a requirement of the Program).

As an additional mitigation measure, during project preparation, the Bank will develop environmental and occupational safety guidelines to be distributed to the OEOs and beneficiaries, which will include good practices for site selection, waste and chemicals management during construction, as well as the proper use of personal protection equipment.

Component 3 is also not expected to yield any environmental or social risk, and is expected to bring environmental and social benefits in the selected cities by designing urban planning instruments to enable the development of inner-city well located affordable housing solutions. Under this component the Project will finance studies and consultancies, such as: market assessments to evaluate demand for social housing; partial urban plans; economic or financial analysis of proposed urban projects; or territorial guidelines for risk prevention and resilience in urban areas. Given the nature of the studies to be financed, no environmental or social risks have been identified. Possible downstream environmental and resettlement-related impacts are not expected, but could arise from the implementation of the recommendations provided by the studies and plans financed under the Project. To mitigate this risk, specific requirements will be included in all Terms of References (TOR) for the studies financed under this component, to provide that the scope of work includes: (i) an analysis of the potential downstream effects; (ii) the identification of existing risks, if any; and (iii) the inclusion of proposed mitigation measures in the studies produced, based on the Mexican legislation, and in accordance with the principles of Bank safeguards.

As part of Project preparation the team will prepare an Environmental and Social Management Framework (ESMF), a Social Assessment (SA), and an Indigenous People's Plan (IPP). For the development of the SA and the IPP, the Bank and CONAVI will meet with actors specialized in the subject, such as the National Commission for the Development of Indigenous People (Comision Nacional para el Desarrollo de los Pueblos Indigenas, CDI) to validate the consultation process, and review their experience. Three consultations will be carried out in States to be defined, between September and October 2016. The ESMF will be consulted at the beginning of September, and will be published in Infoshop and CONAVI's website by the end of September, 2016.

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B. Borrower’s Institutional Capacity for Safeguard Policies

CONAVI has a solid track record of around 16 years operating the Program for affordable housing, with good operational and impact results. CONAVI has also strengthened its capacity over the years to promote social integration, support disadvantaged groups, and to promote gender equality through the Program, and has sufficient institutional capacity to implement the indigenous safeguard and environmental assessment policies.

During Project preparation, the Bank will further assess the needs and capacities of CONAVI and other relevant entities to manage environmental and social safeguards and to effectively engage Indigenous Peoples under the Project. The Bank and CONAVI will meet with key representatives of indigenous groups to discuss how the Program serving indigenous beneficiaries in the self-construction modality under Component 2 may be able to better accommodate language needs, participatory approaches and construction preferences of these groups. The Project team will also support the client with safeguards training and capacity building.

C. Environmental and Social Safeguards Specialists on the Team

Arelia Jacive Lopez Castaneda (GSU04)

Fabio Pittaluga (GSU04)

Michael J. Darr (GEN04)

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This policy is triggered given that the Project is expected to have an impact on the environment. The Project has an environmental risk Category B, as it is unlikely to result in significant negative impacts. As part of Project preparation, an ESMF will be prepared and implemented. The ESMF will include a review of the Program's measures in place to ensure the safety and habitability of the housing solutions financed, and strengthen existing ones if needed. Policy 4.01 does not apply to Component 1, which will finance subsidies for the acquisition and rental of housing, not for the construction, and hence will not result in negative environmental impacts. Component 2, self-production, might result in small magnitude adverse environmental impacts, caused by preparation and construction activities. The ESMF will assess the acceptability of the Program's mitigation measures in place, and develop acceptable ones prior to appraisal if needed, along with a set of best environmental, health and safety practices for OEOs and APVs to utilize during construction. Component 3 will finance the preparation of urban studies and plans (rather than their implementation), and as such it is not expected to result in adverse environmental impacts. Potential downstream environmental effects might arise from the implementation of the recommendations provided by the studies financed under the Project. To mitigate these, specific requirements will be included in all TORs for the studies financed, to provide that the scope of work includes: (i) an analysis of the potential downstream effects; (ii) the identification of existing risks, if any; and (iii) the inclusion of proposed mitigation measures in the studies produced, based on the Mexican legislation, and in accordance with the principles of Bank safeguards. A detailed description of the provisions to mitigate downstream effects under Component 3 will be included as part of the ESMF.
Natural Habitats OP/ BP 4.04	No	This policy is not triggered as no Project activities will be supported in natural habitats.
Forests OP/BP 4.36	No	This policy is not triggered as no Project activities will be supported in forests.
Pest Management OP 4.09	No	This policy is not triggered since the Project does not involve the purchase or use of pesticides.

Physical Cultural Resources OP/BP 4.11	No	This policy is not triggered he Project does not contemplate activities that could potentially affect physical cultural resources.
Indigenous Peoples OP/BP 4.10	Yes	This Policy is triggered given that indigenous people are present in the Project's area of influence, and could benefit from Project activities. During Project preparation, several activities will be carried out to assess potential impacts and strengthen the Program's performance under the modalities that are more likely to affect indigenous people, such as Self-production. A general Indigenous Peoples Plan (IPP) will be developed by the client in coordination with the Bank, to review the eligibility rules, and identify eventual barriers of access to the Program by indigenous people, and propose corrective measures. During preparation the Bank will agree on a work schedule with CONAVI for the preparation of the IPP. A social assessment will initially be developed to identify potential negative, as well as positive impacts on indigenous groups. The social assessment and the IPP will also provide guidelines to improve outreach and consultation with indigenous beneficiaries, particularly under the Self production modality (e.g. language provisions, participatory approaches, design and construction techniques). The IPP prepared for the national level conditional cash transfer program, Prospera (P147212), will serve as a useful model.
Involuntary Resettlement OP/BP 4.12	No	The policy is not triggered as beneficiaries must use the subsidy to obtain or improve housing on privately owned land. The land must also be registered under RENARET as suitable for residential use and subsidy eligibility. For the self-construction modality, the beneficiary must provide proof of land possession or title. Component 3 (urban planning instruments) will finance the preparation of economic and financial studies, market assessments, diagnostics and urban plans (rather than their implementation), and as such will not result in direct economic or social impacts from the involuntary taking of land. This means that OP 4.12 is not triggered, but rather that the terms of reference for the preparation of the urban plans (and the plans themselves) will be subjected to due-diligence by the task team social development specialist, in order to mitigate the possibility of downstream resettlement impacts. In the unlikely event that such impacts are identified further assessment will be undertaken to understand the potential impacts, and propose mitigation measures that would be in line with the principles OP 4.12, as per the guidance of the interim guidance note on land use planning.
Safety of Dams OP/ BP 4.37	No	The Project will neither support the construction or

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		rehabilitation of dams nor will it support other investments which rely on services of existing dams.
Projects on International Waterways OP/BP 7.50	No	The Project will not finance activities involving the use or potential pollution of international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The Project will not finance activities in disputed areas as defined in the policy.

E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS

28-Nov-2016

2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

It is expected that the social assessment will be completed by August 30, 2016. Consultations will take place in September, and the finalization of the IPP is tentatively scheduled for September 30, 2016.
It is expected that the ESMF will be ready for public consultation by the beginning of September 2016, and published in Infoshop and CONAVI by the end of September.

III. Contact point

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V. Approval

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1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.