



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 11/29/2021 | Report No: ESRSA01770



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Mexico	LATIN AMERICA AND CARIBBEAN	P173570	
Project Name	Mexico: Social Housing Support Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Urban, Resilience and Land	Investment Project Financing	11/30/2021	1/11/2022
Borrower(s)	Implementing Agency(ies)		
United Mexican States	National Housing Commission (CONAVI)		

Proposed Development Objective

To improve housing quality for vulnerable households in eligible municipalities.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>150.00</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

Mexico has been largely successful in improving housing affordability and increasing housing supply. Though access to housing has expanded, the poorest and most vulnerable population segment continues to lack access to safe, affordable, and adequate housing. While the allocation of federal housing subsidies in combination with a public mortgage loan has stimulated housing supply for low-income families, without access to financing, and lacking the means to buy a new unit in the formal market, most families with low and informal incomes build their homes



progressively. Due to the informal nature of their construction, most self-produced homes have high deficits related to the quality of their construction, use of inadequate materials, and lack of sufficient living space.

The proposed Project aims to support the scaling-up of the Social Housing Program (SHP) of the National Housing Commission (CONAVI) in selected municipalities. The SHP's objective is to provide vulnerable groups that have been largely excluded from the housing market with the resources they need to build or upgrade their homes and improve their quality of life. In line with CONAVI's 2021 Operational Rules, priority is given to Indigenous Peoples (IPs), female-led households, persons with disability, migrants, and displaced families in the selection of beneficiaries.

The Project also requires the incorporation of sustainability aspects in the housing design and self-production of housing units to increase the climate mitigation and adaptation potential of housing solutions in Mexico. The value of the direct support provided by CONAVI incorporates the costs for appliances and technologies that contribute to resource efficiency and emissions reductions of each housing solution. CONAVI also seeks to maximize energy and resource efficiency by promoting the use of local, sustainable materials and bioclimatic design.

The Project will have two components: Component 1: Support to vulnerable households in eligible municipalities to build, improve, or expand their homes, and Component 2: Project Management and Institutional Strengthening.

The proposed Project is aligned with the World Bank Group's Mexico Country Partnership Framework (CPF) for the period 2020–2025. In particular, the Project contributes to enabling sustainable infrastructure and climate action, especially in the south and southeast of the country, through (i) 'Objective 6: Provide more inclusive and sustainable infrastructure services', by supporting Government efforts to provide greater access to low-cost, resilient housing while supporting relevant institutions in comprehensive urban planning for equitable access to public services, and (ii) 'Objective 7: Support the government in reaching its climate change goals', by strengthening systemic measures and policies in place to reduce energy consumption and emissions in the residential housing sector. The Project is also consistent with the World Bank Group's Green, Resilient and Inclusive Development (GRID) framework, whose integrated, longer-horizon strategy aims to repair the structural damage caused by the pandemic, accelerate climate-change mitigation and adaptation, and underpin a strong and durable economic and social recovery.

The Project is also aligned to the National Development Plan that establishes a broad Government vision for 2019–2024, the National Housing Program for 2019–2024, and the Sector Program for Agrarian, Territorial and Urban Development 2020–2024. These documents formalize the shift of Mexico's housing assistance model toward prioritizing the housing needs of the most vulnerable households in underserved regions and scaling up financial and technical assistance to households for self-production and home improvement to improve the quality of Mexico's housing stock. Finally, the Project is aligned to and complements the Government's Emergency Program for the Reactivation of the Economy, through investments in both urban upgrading and home improvement to create jobs, improve living conditions, and contribute to a resilient recovery from the crisis.

#### **D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]



In Mexico, inadequate housing and poverty are geographically concentrated presenting wide regional gaps, as the housing deficit at municipal level varies from 1.4 percent to almost the entire population. The housing deficit is higher in municipalities located in the southeastern mountain regions of the country (Guerrero, Oaxaca, Chiapas), in the southeast region (Veracruz, Tabasco and Campeche), as well as in some municipalities in the north (Chihuahua, west of Sonora, and some regions of Durango). As housing deficit is one of the multiple dimensions used for official poverty measure in Mexico, regions and states with higher housing deficit have also higher poverty rates.

Only 22 percent of the Mexican population aged 18 to 70 has access to housing finance, whereby the rate among women is only 17.5 percent, and for men 26.5 percent. Among informal sector workers, where women predominate, access is even lower, with only 9.5 percent (compared to 13.5 percent of formally employed men) having access to financing – including through informal financing channels – to buy, repair, or expand their homes or to buy a plot of land. According to the 2020 Population Census, housing deficits specifically related to overcrowding affect female headed household in higher measure than male-headed households in lower-income segments (21.5 versus 16.6 percent).

The Project will support the demand-driven design of the SHP to improve housing quality for vulnerable households in eligible municipalities across urban, peri-urban and rural areas through CONAVI. It will focus on providing support to households in communities and municipalities prioritized based on severe housing deficits and high rates of poverty and marginalization in the states named above. These areas host few construction providers, and data on the housing stock are scarce. Self-production and home improvement with adequate technical assistance can play a critical role in addressing the housing deficit and providing housing solutions tailored to the needs and preferences of beneficiary families.

The Project will provide housing supports to eligible poor and vulnerable households working in the informal sector, who lack access to mortgage finance through public housing funds e.g., from the National Workers' Housing Fund Institute (INFONAVIT) or commercial banks because of their employment status or low-income levels, and who have not previously received housing support. Further, the SHP's Operational Rules establish the following prioritization sequence for vulnerable households: (a) people living in inadequate homes or in need of a new home; (b) people living in areas with a predominant indigenous population; (c) female-headed households; (d) populations living in risk-prone areas; (e) populations living in urban or rural areas with a high rate of marginalization and/or high rates of insecurity and violence, and (f) Mexican displaced families or returnees.

Given specific location of the Project activities will be determined during implementation, the Project has been prepared under a framework approach that defines the procedures, guidelines, and eligibility criteria for all technical and operational aspects, and those related to fiduciary and environmental and social (E&S) management. The framework approach is pertinent as the Project will implement a relatively standard package of small-scale investments in multiple locations selected during Project implementation. The SHP does not, and the Project will not provide supports for housing interventions in: (i) high-risk areas in which the use of land for urban development is restricted; (ii) protected environmental and/or culturally significant areas; (iii) areas without access to public services; and (iv) areas without roads or basic infrastructure.

Due to the informal nature of their construction, most self-produced homes have severe deficits related to the quality of their construction, use of inadequate materials, and lack of sufficient living space. Most poor households require technical and financial assistance to improve their homes, rather than replace them. It is estimated that only 10.5



percent of inadequate dwellings need to be replaced by new units; 89.5 percent of the deficits can be addressed through actions for improvement, expansion, or infrastructure provision. Mexico has ample experience and a robust ecosystem of technical assistance providers in place to home improvement, though the share of housing subsidies allocated to support home improvement has traditionally been very small: between 2012 and 2020, only 20 percent of CONAVI’s subsidies – or 7.1 percent of total funds allocated to low-income families – went to support home improvement. This is particularly concerning in a country like Mexico that is prone to a wide range of natural hazards: 41 percent of its territory and 31 percent of its population are exposed to hurricanes, other storms, droughts, floods, earthquakes, and volcanic eruptions.

A vulnerability analysis conducted in Mexico revealed that overcrowding was the second-most important predictor of COVID-related mortalities, confirming the experiences of other countries. Lack of access to internet or computers has made studying, learning, and working from home a rare privilege among the poor and most vulnerable, thus further increasing inequalities in education, achievement, and economic opportunity. Further, poor people living in inadequate homes, built with inadequate materials and lack of technical expertise, are particularly exposed to natural hazards and climatic events. Between 1999 and 2017, disasters caused around US\$8.7 billion in damages to 1.7 million housing units in Mexico. Between 2001 and 2018, more than 260,000 homes in Mexico were damaged because of seismic activity; the 2017 earthquake alone caused the complete destruction of 50,000 homes.

Settlements built in the absence of risk-informed land use plans further increases the vulnerability of the poor to natural hazards, such as the severe floods and storms in Tabasco and Chiapas in October and November 2020, which damaged more than 200,000 homes. Structurally safer homes can significantly reduce losses of life, especially among women and children, who have been found to be 14 times more at risk during a disaster than adult men.

#### D. 2. Borrower’s Institutional Capacity

CONAVI was established in 2007 to provide housing subsidies to the lowest income segments of the population, who require direct grant support to be able to “afford” a mortgage including from INFONAVIT, as well as to informal sector workers who are not eligible to receive financing from INFONAVIT or the Housing Fund for Government Employees (FOVISSSTE). CONAVI has extensive experience and a robust operational system in place to reach low-income families and provide technical and financial support for home improvement, expansion, and new housing. Since 2007, it has allocated around 2 million subsidies amounting to almost US\$5.6 billion in federal grants. The Project design supports the scaling-up of CONAVI’s SHP based on its Operational Rules for 2021 and builds upon lessons learned and good practice from the preceding World Bank-financed Improving Access to Affordable Housing Project (P157932; the predecessor project) that closed in August 2021. The SHP provides poor and vulnerable families living in precarious and inadequate homes with technical and financial support (subsidies) to upgrade their homes and improve their quality of life.

CONAVI has a well-functioning system in place for the prioritization of the beneficiary households, which combines consultation with municipal authorities and dedicated field visits to targeted neighborhoods with high housing deficits, where housing support will cover most of the residents. The SHP and the Project rely on a robust technical supervision system and participatory processes that have proven to be effective and adequate to monitor the implementation of housing assistance and ensure transparency, efficiency, and quality.



CONAVI draws on an extensive ecosystem of vetted home assistance providers and independent verifiers to maintain quality control and ensure compliance with regulatory requirements and Operational Rules and leads systematic efforts to provide them with continuous training, capacity building and certifications. Technical assistants, Works Executing Agencies (OEOs), and verifiers certified by CONAVI document progress and results along the entire support cycle, filing (i) a review of the housing design; (ii) a progress review, and (iii) a report at the conclusion of the work.

Technical assistants and OEOs cover issues related to the design of the housing solution, planning and implementation of the construction process, purchase of materials, and hiring of certified workers. They also estimate costs for long-term maintenance and projected future repairs and provide guidance regarding the use of energy and resource-efficient technologies, appliances, and sustainable materials and construction methods. Both CONAVI's implementing partners (technical assistants and OEOs) and verifiers monitor compliance with relevant national, state, and local laws and norms, including on civil and environmental protection, prevention of generation and integrated treatment of waste, and climate change, covering, for example, water management, noise reduction, energy efficiency of installations and appliances, and occupational health and safety (OHS). The housing supports also cover the registration of each home in the Unique Housing Registry (RUV) through a Unique Housing Code (CUV).

The Project benefits from the recent successful implementation of the predecessor project, under which support allocated to self-production was particularly effective in reaching poor and vulnerable households, predominantly in the informal sector. The SHP's operational framework in place proved robust under the predecessor project, and with close support by the World Bank team, CONAVI strengthened its capacities in monitoring and evaluation, implementation of E&S safeguards, targeting support to municipalities and states that concentrate the housing deficit, and improving housing resilience and sustainability and energy efficiency of homes. It became also evident that linking SHP subsidies to microloans may be unsuitable for the income segment the Project is trying to target due to high interests charged by some microfinance institutions for relevant housing products. Thus, the Project will support CONAVI in the design and allocation of a full subsidy modality that efficiently leverages beneficiaries' access to land and labor, without co-financing being obligatory, thus achieving greater results in terms of reaching poor and vulnerable populations that have been excluded from receiving housing support in the past.

The Project will be the first one in the housing sector in Mexico to apply the World Bank's Environmental and Social Framework (ESF). With standard training and specialized advice provided by the Bank team during preparation and as needed throughout implementation, CONAVI together with the participating entities is considered to have the necessary institutional capacity to comply with the ESF. For the Project, CONAVI has in place eight technically able staff to promote satisfactory implementation of the applicable ESF requirements, located in the General Sub-Directorate of Administration and Financing, Directorate of Citizen Service, and Directorate of Dissemination and Outreach.

During implementation, due consideration will be placed on the E&S management capacity of the CONAVI-certified technical assistants, OEOs and verifiers that provide specialized advice for the design and construction of the housing solutions and accompany, supervise, and verify the construction process under Component 1, so that they will have the know-how and mindset to secure adequate E&S risk management of the construction works. With support of the World Bank team, CONAVI will provide them and its own staff ESF-related training on how to implement the Project's Environmental and Social Management Framework (ESMF), Labor Management Procedures (LMP), Indigenous Peoples' Plan (IPP), and Stakeholder Engagement Plan (SEP), including necessary new features in the Grievance Redress Mechanism (GRM) of the SHP. Training will also be provided on (i) codes of conduct for the prevention of



cases of gender-based violence (GBV), sexual exploitation and abuse (SEA), and sexual harassment (SH) under the Project, mainstreaming of gender approaches, and the importance of the traditional knowledge of IPs.

**II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS**

**A. Environmental and Social Risk Classification (ESRC)**

Moderate

**Environmental Risk Rating**

Moderate

The proposed Project will finance housing solutions that include home improvement, home expansion, and the construction of new homes when home improvement actions are not possible. The Project supports self-production of homes, whether through financial and technical assistance for home improvement or expansion, or construction of new homes on the beneficiaries' land. Additionally, the Project will finance (i) support for the self-production of homes with consideration related to addressing climate change impacts, and (ii) several complementary support lines for targeted assistance to ensure structural integrity of homes, install universal design measures, and expand homes specifically to enable home-based productive activities. The Project's Environmental Risk continues to be rated Moderate at the Appraisal stage, as the eligible activities imply low probability of serious adverse effects to human health and/or the environment, and they will not be located in environmentally sensitive areas. The implied environmental risks and impacts are not likely to be significant, complex and/or large, but predictable, temporary, reversible, low in magnitude, and site-specific. Routine safety precautions are expected to be sufficient to prevent accidents, and negative impacts of the construction activities can be addressed with straight-forward mitigation measures and good practice. The Project will improve inadequate living conditions often combined with critical and accumulated environmental conditions such as contamination due to lack of sewage and waste management services that expose people to health and other physical risks and impacts. The SHP aims at alleviating such conditions by financing connections to the main basic service networks available in the area. Further, the Project will promote the incorporation of proven sustainable technologies in the design and construction of the housing solutions as described below under ESS3. Greenhouse gas (GHG) emissions will be reduced by systematic installation of energy efficiency measures and emphasis on bioclimatic design of homes. Key aspects to consider mitigating environmental risks and prevent negative impacts under the Project relate to careful site inspection prior to approval of the housing supports. Support won't be provided to housing subject to known environmental risks such as floods or landslides. The terrains where housing works will take place must be subject to an initial site inspection to identify presence of hazardous materials that will need to be safely removed and disposed of before initiating any construction activities. In case construction activities are not properly managed, they could lead to the following types of issues: (i) minor soil or water pollution and/or issues related with waste management particularly from residual construction materials; (ii) nuisance related to dust generation, vibration, and noise; (iii) OHS hazards due to inadequate working conditions and/or accidents; and (iv) health and safety risks affecting the surrounding community. Such impacts would in every case be site-specific and manageable through proper assistance and support strategy by the technical assistants, OEOs, and verifiers. The Project's ESMF includes an Exclusion List to screen out any housing support with potential to generate substantial or high environmental risks/impacts related with the site selection, such as harmful land use changes, including encroaching on green areas or damaging cultural resources. Due consideration will be placed on the E&S management capacity of the technical assistants and OEOs to secure they will have the necessary experience, know-how and mindset to prevent any mismanagement and, rather, secure that the Project can harness value added of its E&S risk management activities.

Public Disclosure



**Social Risk Rating**

Moderate

The proposed Project's Social Risk classification continues to be rated Moderate at the Appraisal stage, as the Project is expected to generate mainly positive social impacts through: (i) improving housing quality for vulnerable households in selected municipalities; (ii) addressing identified barriers to improve targeting strategies to benefit underserved population groups; (iii) local and community job creation to contribute to income generation; (iv) promoting savings through investing in energy efficient solutions allowing future savings for households to cover other needs; and (v) empowering beneficiaries, in particular women and vulnerable populations, to be in charge of improving and constructing their own houses. Further, the Project will contribute to greater resilience of the housing stock amongst poor and vulnerable populations. Each housing solution financed under the Project must adhere to strict resilience standards to ensure the structural integrity of homes and their location in areas suitable for construction. Households requesting assistance for home expansion and improvement also have access to additional funds to install universal access measures in the home when needed. The Project will also finance technical assistance to establish an operational mechanism for the rapid implementation of reconstruction support in case of disasters and climatic events. The Project's main social risks include: (i) possible exclusion of specific vulnerable groups or groups whose interests are traditionally underrepresented if strategies to ensure their active engagement and support throughout Project implementation are not properly implemented; (ii) risks related to high prevalence of crime and violence in Project areas; (iii) exclusion of persons with disabilities if adaptations to SHP's application channels are insufficient, and if principles of universal access are not applied in design and construction; (iv) possible exclusion of potential indigenous beneficiaries if the reach or assistance of the SHP is inadequate, and if necessary adaptations throughout the application process are not provided; and (v) not addressing constraints and impacts related to the COVID-19 pandemic. The latter includes additional caretaking burden that falls on women and impacts the ability of female-headed, single-parent households to take upon themselves home improvements or assisted self-production of homes; and potential containment measures or stay-at-home orders that may restrict mobility and impede households' ability to leave home during construction works. Due to the pandemic, the Project-related consultations will be limited to virtual formats and may thus exclude those with less access to electronic means of communication. Even though CONAVI may provide assistance to beneficiaries for land acquisition or donation of federal or state-owned land through its other programs if technical experts identify environmental risks of eligible households, neither land acquisition nor involuntary resettlement will be financed under the Project. CONAVI is finalizing the SEP for the Project to provide inputs for generating strategies to avoid, minimize or mitigate the above-mentioned risks by paying attention to engagement with IPs, women, persons with disabilities, migrants, and other relevant stakeholders. A focus is put on providing continued feedback loops and a robust, locally accessible, culturally adequate GRM that the SHP is implementing in coordination with Social Accountability Committees (CCS for "Comités de Contraloría Social"), whose involvement in the SHP is required by law. The identified social risks will be mitigated through measures and guidelines set forth in the ESMF and IPP. The ESMF will include LMP that will consider particularly Environmental, Health and Safety (ESH) Guidelines for construction works. The ESMF will also include an Exclusion List to avoid substantial or high social risks/impacts.

Public Disclosure

**B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

**B.1. General Assessment**

**ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

***Overview of the relevance of the Standard for the Project:***



ESS1 is relevant to the Project. The Bank’s due diligence on assessing the implied E&S risks and impacts is based on a review of CONAVI's Operational Rules 2020 and 2021, other relevant SHP documents, relevant national laws and regulations, and the E&S safeguards performance of the predecessor project with a directly relevant ESMF and Indigenous Peoples’ Plan (IPP).

Building upon applicable good practice and lessons learned, the Project design integrates significant elements of social inclusion and will measure the number of female-headed households, IPs, persons living with disabilities, returning Mexican migrants, and internally displaced Mexican families that will benefit from the Project activities. Lessons learned from the predecessor project, as well as guidance from the Bank Directive for “Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups” have been considered during Project preparation and development of the E&S instruments. The Project is also expected to promote job creation at the local level. Tailored and assisted home self-production and improvements allow the applicable designs to align with the lifestyle and cultural preferences of the beneficiaries, which in female-headed households promote the empowerment of women and lead to improvements that can help reduce time spent in household chores.

CONAVI will provide capacity building for contractors responsible for the design and construction of works to ensure, when applicable, inclusion of the principles of universal access, which consider unimpeded access for people of all ages and abilities in different situations and under various circumstances, as set out in Good International Industry Practice (GIIP). Such measures will be identified during consultations with local organizations or Government agencies that work with persons with disabilities and potential beneficiaries to be included in the ESMF and adopted by CONAVI during Project implementation.

Past lessons learned have highlighted the importance of better disseminating the SHP in indigenous municipalities and within municipalities with major or dispersed presence of IPs, making the application process accessible for IPs, including translating assistance and guidance through the application process. Additionally, the predecessor project worked towards strengthening capacity of OEOs to ensure housing improvements and assisted self-production are culturally and environmentally appropriate to fit the needs of IP beneficiaries. The IPP addresses these and other identified risks and impacts and propose opportunities for better targeting of indigenous beneficiaries (see more under ESS7).

Building on the ESMF of the predecessor project, CONAVI is finalizing an updated ESMF for the Project, consistent with the requirements of the applicable national laws and regulations and ESS1, including the Environmental, Health and Safety (EHS) Guidelines of the World Bank Group. Regarding compliance with relevant existing regulations, the housing interventions supported by the Project must comply with local land use regulations, licenses, and construction permits, and must follow the requirements laid out in Municipal Urban Development Plans. In this regard, the SHP does not, and the Project will not provide supports for housing interventions in: (i) high-risk areas in which the use of land for urban development is restricted; (ii) protected environmental and/or culturally significant areas; (iii) areas without access to public services; and (iv) areas without roads or basic infrastructure. Additionally, territorial ordinances require risk studies that include: (i) maps and information on the risk of flooding and landslides; (ii) delineation of areas where high risk may or may not be mitigated; and (iii) measures to establish restrictions and determine urban use regulations (i.e., urban growth, density, and city limits, among others). In cases where such risk studies do not exist or are outdated, CONAVI, through the Directorate for Risk Evaluation, and in collaboration with SEDATU as required, undertakes the relevant studies, and issues a technical opinion on the suitability of land for



human settlement. The housing support financed under the Project will increase resilience and adaptation by ensuring that investments take place in low-risk locations.

The ESMF covers the following contents:

- (i) Description of the Project and its organizational structure with focus on the role that each participating entity has in E&S risk management;
- (ii) The applicable legal framework from international to local level and the relevant ESSs and EHS Guidelines;
- (iii) An Exclusion List to screen out investments that would have substantial and high E&S risks and impacts;
- (iv) A generic impact assessment of the types of works and description of the main applicable mitigation measures/good practices, covering waste management and specific measures for handling and disposal of hazardous materials like asbestos; management of equipment and construction material; community health and safety; and a code of conduct for third parties to minimize SEA/SH;
- (v) Guidance to address tangible and intangible cultural manifestations related to preferred housing options by indigenous beneficiaries (included in the IPP), and a chance find procedure related to cultural resources based on the national law and the ESS8 requirements;
- (vi) Non-discrimination provisions and risks of GBV, SEA, and SH and the respective response framework;
- (vii) A capacity building plan for E&S risks management of the Project;
- (viii) Reporting and monitoring system for E&S risk management; and
- (ix) An estimated budget for the ESMF implementation.

CONAVI will disclose the draft ESMF, consult, finalize, and disclose the final ESMF together with the World Bank latest 30 days after the Project effectiveness. Before Appraisal, CONAVI will also prepare and CONAVI and the World Bank will disclose an Environmental and Social Commitment Plan (ESCP) to cover the necessary E&S management measures needed during implementation.

Regarding gender, the Project will support CONAVI to better target women and women-headed households through its housing subsidy programs and to relax the requirements (i) for proof of ownership and title evidence, and (ii) to access sources of co-financing to complement the housing support, both of which can be a barrier to women accessing housing support. The Project will also support CONAVI to ensure that women participate in CCSs and are properly informed about CONAVI's housing programs and how to access them. The CCSs guide all beneficiaries throughout the implementation process of a housing support and ensure that women's concerns are adequately addressed, while most of their constituents are women. Furthermore, the Project will work with CONAVI to design and deliver dedicated training modules to improve the capacity of technical assistance providers and OEOs to effectively engage women, respond to their needs, and ensure that their preferences are reflected in the design of each housing solution. The Project has two gender indicators, one to measure the number of vulnerable female-headed families receiving direct housing support and other that measures the satisfaction of female beneficiaries with their home improvements in terms of their desires and needs. These indicators will be measured through annual satisfaction surveys, and feedback received is expected to allow continued improvement of the housing solutions.

### **ESS10 Stakeholder Engagement and Information Disclosure**

The execution of social support programs in Mexico relies on robust citizen oversight mechanisms. In accordance with the provisions of the Social Development Law, CONAVI established CCSs as the key mechanism for stakeholder



participation and citizen accountability and oversight. The CCSs are constituted annually in each municipality wherein CONAVI operates, and comprise five beneficiaries of the SHP, who are nominated by their own community. Each CCS acts as a link between the beneficiaries and CONAVI and ensures that the granting of supports is transparent and that, in case of irregularities, anomalies are reported and addressed. CONAVI publishes a quarterly report on the CCSs' operations and carries out a permanent information campaign to raise awareness about their function and role and other mechanisms in place for citizen complaints.

By supporting self-production and home improvement processes, the Project is designed to encourage local ownership, community participation, and respect for local customs. Beneficiaries themselves make the decisions about the design of their housing solution, with advice from specialized technical assistance or OEO certified by CONAVI. This ensures that housing supports are adapted to the needs of each beneficiary family, the specific characteristics of the territory, and the sociocultural conditions of each vulnerable group, with particular attention to IP' customs and traditions. Moreover, the CCSs comprise beneficiaries that are entrusted with monitoring the execution of the housing supports in their local area and ensuring their quality, as well as mitigating any potential tensions that may arise in the support allocation process.

An advanced draft of the ESCP and the SEP, which includes a Project-level GRM, will be disclosed by CONAVI and the World Bank prior to Appraisal. Thereafter, CONAVI will also disclose the other draft instruments and carry out consultations with the main identified stakeholders to inform the finalizing of the instruments well in time before the start of Project implementation, when all the consulted instruments will be disclosed by CONAVI and the World Bank.

The GRM provides clear procedures and expected response times and allows provision of anonymous feedback. The SEP identifies and assesses the affected and interested parties of the Project in detail, including disadvantaged or vulnerable groups, and presents a timeline and methods for consultations and continuous engagement with them throughout the Project implementation. Given the Project targets specific vulnerable groups, such as women-led households, IPs, persons living with disabilities, and Mexican migrants, among others, the SEP includes strategies to ensure their active engagement throughout the life of the Project. All stakeholder engagement under the Project will be led by CONAVI and coordinated with the CCSs.

Results from continuous engagement through the implementation of the SEP will inform the SHP's dissemination mechanisms, communication strategies and materials produced for dissemination to ensure they are relevant to the needs of potential beneficiaries and culturally sensitive. Consultations covering prioritized municipalities will assist in finetuning the Project design and ensure barriers to target vulnerable groups are considered. Continuous stakeholder engagement at the community level during Project implementation will help ensure that community and E&S risks and impacts are properly addressed, including related to health and safety and prevention of any type of SH, crime and violence during implementation of works. Stakeholder engagement process at the individual/beneficiary level will guarantee full participation and empowerment of beneficiaries during the design of their housing solutions and implementation of works. The SEP also details the strategies to be used to facilitate meaningful participation of stakeholders with disabilities, for example in terms of the accessibility of communication formats and meeting venues.

Grievances, complaints, and any type of communication related to the Project and the SHP will be channeled to CONAVI through the CCSs and various other existing channels that CONAVI has available, including email, phone,



chat, different platforms, and correspondence. The SEP provides a detailed GRM description of the applicable channels and procedures to address grievances, complaints and other communications that can be provided anonymously when so preferred, and the means to disseminate the GRM.

The IPP will complement the SEP in providing a differentiated engagement strategy for IPs to ensure that all consultations and participatory dialogues with IPs are culturally appropriate, consider traditional systems of engagement and decision-making, and ensure representation of specific vulnerable groups within IP communities, whose interests are traditionally underrepresented, such as elders, women, and youth. CONAVI will also ensure that resources needed for the participation of IPs in dialogues, consultations and other engagement platforms are considered.

Due to the pandemic and related containment measures adopted by the government at federal and state level, consultations need to be adapted to digital and virtual formats, including electronic correspondence, written questionnaires to identified stakeholders, video-conference sessions, etc. Social media and other traditional communication channels may also be used to provide information on the Project or interact with stakeholders. Guidelines for such adaptations are considered in the SEP and follow the World Bank’s Technical Note on “Public consultations and stakeholder engagement in WB-supported operations when there are constraints on conducting public meetings”. As containment measures and social distancing guidelines relax, CONAVI will assess the level of risk and propose additional means of consultations such as small gatherings or meetings with focus groups and beneficiaries. Civil works, supervision arrangements, and other implementation and management aspects will be adapted in line with relevant World Bank and Government guidance as necessary at the moment of each action.

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

ESS2 is relevant to the Project, as in ESF terms, it will involve (i) direct Project workers that are Government civil servants working for CONAVI, who will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement; (ii) contracted workers that serve the Executing Entities (EE) and OEOs, as well as technical assistants or verifiers certified by CONAVI or third-party workers hired by the beneficiaries to implement civil works; and (iii) community workers who may participate in construction works, if requested by the beneficiary. It is to be noted that the contracted and community workers have no contractual labor relation with CONAVI. Impacts related with foreign or national labor influx are not expected, as the Project activities are small in scale and typically carried out with locally sourced workers.

CONAVI is preparing Labor Management Procedures (LMP) to be disclosed and carry out consultations well in time before the start of Project implementation. The LMP includes relevant requirements and guidelines for the referred types of workers engaged in the Project, including monitoring of compliance of the respective requirements under ESS2, and CONAVI will work with beneficiaries to ensure that contracted workers are legitimate and reliable entities.

The LMP provides for a generic contractor OHS management plan to comply with the applicable national regulations, ESS2 requirements, and relevant aspects of the EHS Guidelines of the World Bank Group. They cover the use of



adequate personal protective equipment and applicable pandemic related safety measures, adhering to World Health Organization's (WHO) guidelines and in line with the World Bank's ESF documents and guidance notes related to the pandemic. The LMP specifies the minimum age for employment or engagement in Project activities, and CONAVI will ensure that young people involved in Project activities meet the required age. Youth under 18 years of age will not be hired by the Project for risk-prone activities, and youth from 16 to 18 years can only participate in Project activities as per the requirements of the Mexican labor law that prevents them from participating in substantial or high-risk activities. The LMP provides verification mechanisms to ensure this provision is duly fulfilled for all types of workers through contractual provisions and detailed procedures in cases where under-aged workers are found to be working on Project activities. The Project will not allow any form of child labor that is dangerous or harmful to children. All forms of forced labor will be prohibited and prevented. Risks of child or forced labor in Project activities will be addressed through the Exclusion List, code of conduct, related training of the involved parties, and monitoring and verification procedures included in the LMP.

The direct Project workers will use CONAVI's labor-specific GRM for labor-related grievances. The contracted and community workers will use the different project-level GRM channels to raise their concerns, and CONAVI will direct their queries to the corresponding authority, particularly labor or child protection authorities. CONAVI will monitor and report labor-related grievances from direct, contracted and community workers to the World Bank team separately of other communications received through the Project-level GRM. The labor specific aspects of the GRM will be described in the LMP and will also allow provision of anonymous feedback.

### ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant to the Project as the planned construction works will require systematic consideration of efficient use of materials and proper handling and disposal of different types of waste, including potentially hazardous materials like asbestos. The latter is expected to present the majority, yet still small-scale environmental management challenges for the Project. Appropriate mitigation measures are included in the ESMF following the mitigation hierarchy and including the following, as minimum:

- (i) Construction material: All construction materials needed for the civil works (sand, stones, wood, etc.) will be obtained in compliance with national regulations,
- (ii) Waste management: Construction waste is expected to include mostly waste from debris and potential cases of hazardous waste like asbestos. Waste generated by the construction activities will be disposed according to the applicable national regulations. Reuse of construction waste will be the prioritized option when appropriate, and waste disposals will be carried out in sites authorized by the applicable environmental authority. The ESMF covers specific measures for the management of potentially dangerous materials like electrical wires in case of potential demolition of existing infrastructure,
- (iii) Contamination of air and noise control: Mitigation measures to be implemented as needed may include dust suppression through use of water or plastics or tarps to cover materials and vehicle maintenance to minimize the impact of air emissions. Noise may likely be generated from the use of construction machinery and vehicle movement depending on the scale and scope of construction activities. The short-term and small-scale nature of the works suggests that noise levels will not be excessive or cause longer-term nuisances. In every case, allowed working hours will be subject to adequate control of noise or other disturbance to surrounding community, and



(iv) Water: Some of the Project activities may include the installation of bathroom connections to existing water and sanitation systems, and applicable mitigation measures will be considered to ensure their proper installation.

Regarding positive impacts, the Project requires that resource and energy efficiency measures be incorporated in housing design and construction to boost the climate mitigation and adaptation potential of housing solutions. Mexico is a regional leader in the incorporation of energy-efficient design and technologies in social housing production at scale. CONAVI promotes the incorporation of energy-efficient and passive housing design measures in each housing intervention where relevant, including the use of energy-efficient lighting and heating, efficient faucets and toilets, roof insulation, and passive cooling (as per Annex 8 of CONAVI's Operational Rules 2021).

Under the partial subsidy allocation, CONAVI also offers an increased subsidy to incentivize the installation of additional energy-efficiency measures, including rainwater harvesting systems, solar water heaters, and reflective walls. CONAVI further seeks to maximize energy and resource efficiency by promoting the use of local, sustainable materials and bioclimatic design through capacity-building for technical assistance providers and awareness-raising among beneficiaries.

Together, all these efforts are expected to reduce energy use by 13.7 to 36.8 percent per housing solution, depending on the climate and potential use of air conditioning. Applying passive-cooling design measures alone can yield household savings of between US\$90 to US\$323 per year, depending on the climate. According to the World Bank team's calculations, the implementation of the mandatory energy efficiency and sustainability measures of the SHP in the housing solutions financed under the Project will lead to 378.52 Gigawatt-hours of energy savings, and the mitigation of 179,000 tons of CO<sub>2</sub> over a period of 20 years. These calculations are based on results of a recent Technical Assistance funded by the Energy Sector Management Assistance Program (ESMAP) to scale up the incorporation of energy-efficient appliances and passive design measures in CONAVI's self-production programs; an actual GHG accounting is not required for the Project due to the small sources of implied emissions. The calculation is presented to provide an expected scale of the positive GHG result of the Project.

#### ESS4 Community Health and Safety

ESS4 is relevant to the Project and the earlier referenced community health and safety risks and potential negative impacts such as generation of noise, dust, contamination or health and safety risks due to improper management of the construction works are considered in the ESMF.

To address community health and safety as well as potential issues related to security aspects, such as thefts of construction material or crimes in construction sites, the ESMF details preventive measures such as tailored delivery and storage procedures for constructions material, and safety and security adaptations while performing the small-scale civil works in Project locations. These procedures will also include recommended working hours during daylight, as well as codes of conduct for third-party workers to cover e.g., prevention of SEA/SH. Given the works will be small in scale and mainly in hands of the beneficiaries, no security personnel will be needed to protect workers.

CONAVI will provide capacity building for technical assistants and OEOs related to inclusion of the principles of universal access in the design and construction when relevant to consider unimpeded access for people of all ages and abilities in different situations and under various circumstances, as set out in GIIP.



In terms of positive community impacts, support for assisted self-production and home improvement processes ensure local ownership, community participation, and respect to local uses and customs as described in further detail in the SEP.

As part of the Project, CONAVI will improve the existing training modules for technical assistants and OEOs to enhance gender sensitivity and culturally appropriate construction methods. During the Project preparation and implementation, CONAVI enhances the existing capacity building and training modules for technical assistants and OEOs with support by the World Bank to ensure they incorporate specific modules on gender inclusion during housing improvements and reinforce the use of traditional materials and construction designs that are culturally appropriate. Similarly, CONAVI will explore the possibilities of including technical assistants and OEOs with a strong focus on gender approaches when interacting with potential beneficiaries, including promoting women as providers of technical assistance and construction workers.

#### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

ESS5 is not relevant to the Project as land acquisition activities or activities that could lead to physical or economic resettlement will not be financed under the Project.

#### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

ESS6 is not relevant to the Project. The civil works financed under the Project will take place in pre-existing housing units or on beneficiary's own land and be of limited scope. The Project is not expected to impact adversely any ecosystem services, and no Project activity will take place in legally protected areas or other areas of high biodiversity value.

#### **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

ESS7 is relevant to the Project as IPs are present in Project areas of influence and are expected to be direct beneficiaries of supports for home improvements, expansions, and self-production of homes. CONAVI has significant experience in attending to the needs of IPs in Mexico, and the Project will support CONAVI in expanding its initiatives to address them. To ensure an appropriate approach and operational model, CONAVI works closely with SEDATU, the National Institute of Indigenous Peoples (INPI), and the beneficiaries to provide the kind of housing assistance that is needed. The SHP's participatory design, which puts the beneficiary at the center of the housing solution, is a successful model amongst groups that may have specific needs and preferences in terms of housing and neighborhood design. In 2020, CONAVI allocated more than US\$15 million in subsidies to eight Pueblos Yaquis and two Pueblos Series.

The predecessor project prepared a social assessment to identify and assess possible positive and/or negative impacts of the project and an IPP to adopt mitigating strategies for beneficiary IPs and identify opportunities to improve their access to housing assistance. Per good practice identified under the predecessor project, community lands will also be eligible for Project activities. CONAVI is preparing an IPP that will be informed by the predecessor project's social assessment and IPP.



The IPP will include: (i) IPs who might benefit from Project activities in Project states; (ii) the applicable national legal and institutional framework; (iii) the types of activities financed, their potential positive impacts, risks and adverse impacts based on relevant and updated information from the predecessor project's social assessment, which must meet ESF guidelines; (iv) an outreach, communication and inclusion strategy for IPs to guarantee that engagement of IPs continues to be culturally appropriate, to improve CONAVI's strategy to target IPs as Project beneficiaries, to increase the number of IP households that receive housing supports, and to ensure meaningful consultation during Project implementation (given the types of activities to be financed under the Project, Free, Prior and Informed Consent, FPIC will not be relevant); (v) a road map for capacity building for technical assistants, OEOs and verifiers to ensure housing improvements and assisted self-production are culturally and environmentally appropriate to fit the needs of indigenous beneficiaries; (vi) other potential measures to avoid, or minimize any potential adverse impacts that were identified in the social assessment and IPP, and the steps, roles and responsibilities for implementation them; (vii) an adapted GRM that is culturally appropriate and accessible for IPs; and (viii) related monitoring and reporting mechanisms. The IPP will also report the IP-related results of the consultations to be carried out during Project preparation, while the SEP will provide a full documentation of all the consultations conducted and their results.

The Project will promote the resolution of grievances and complaints at the local level by coordinating with the CCSs and incorporating, if necessary, customary dispute settlement mechanisms that are readily accessible in the preferred language of use. The adapted GRM for IPs is included in the IPP. CONAVI will disclose the advanced draft of the IPP for consultations and finalize it, and CONAVI and the World Bank will disclose the final IPP latest 30 days after the Project effectiveness.

### **ESS8 Cultural Heritage**

ESS8 is relevant to the Project. The Project will not impact cultural heritage sites, and no home improvement, expansion or self-production of homes is eligible for SHP/Project financing in areas designated as cultural heritage sites by the National Institute of Anthropology and History (INAH) or included in the catalog of historical monuments of the INAH or the National Institute of Fine Arts.

Project's aim to benefit IPs requires consideration of the tangible and intangible cultural manifestations related to preferred housing options of indigenous beneficiaries. CONAVI's trainings for technical assistants and OEOs will cover the importance of providing beneficiaries with assistance to undertake home improvements and self-construction using traditional materials and culturally appropriate designs, which will take into consideration tangible and intangible cultural manifestations.

In case of chance finds, the ESMF provides guidance to secure correct handling of any potential chance finds of archaeological and cultural resources during Project implementation. Technical assistants, OEOs and CONAVI will take the necessary actions to avoid or mitigate risks and impacts in case any chance finds surface, including immediate communication to INAH.

### **ESS9 Financial Intermediaries**



ESS9 is not relevant to the Project as it will not involve any financial intermediary.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

**Is this project being prepared for use of Borrower Framework?** No

**Areas where “Use of Borrower Framework” is being considered:**

None.

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

Borrower: United Mexican States

**Implementing Agency(ies)**

Implementing Agency: National Housing Commission (CONAVI)

**V. FOR MORE INFORMATION CONTACT**

Public Disclosure



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## **VI. APPROVAL**

Task Team Leader(s):	Luis Miguel Triveno Chan Jan, Horacio Cristian Terraza
Practice Manager (ENR/Social)	Valerie Hickey Cleared on 29-Nov-2021 at 14:52:48 GMT-05:00