

MEXICO

**MULTIPHASE PROGRAM:
ADDRESSING URBAN POVERTY - PHASE I**

(ME-0255)

LOAN PROPOSAL

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Annex I Logical framework

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

INFORMATION AVAILABLE IN THE RE2/SO2 TECHNICAL FILES

Preparation:

1. Operating Rules for the Habitat program 2003
2. Procurement plan

Execution:

1. Federal expenditure budget
2. Operating Rules for the Habitat program 2003 and following years

ABBREVIATIONS

AWP	Annual work plan
CAIs	Centros de Atención Infantil [childcare centers]
CDCs	Community Development Centers
CDP	Community Development Plan
CONAPO	National Population Council
COPLADE	Comité de Planificación y Desarrollo Estatal [State Development Planning Committee]
CSO	Civil society organization
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
GDP	Gross domestic product
IT	Information technology
MR	Metropolitan Region
NAFIN	Nacional Financiera, S.N.C.
NGO	Nongovernmental organizations
OC	Ordinary Capital
OP	Operational Policy (IDB)
PSO	Private service operator
SDUOT	Subsecretaría de Desarrollo Urbano y Ordenación del Territorio [Urban Development and Land-Use Planning Branch]
SEDESOL	Department of Social Development
SHCP	Department of Finance and Public Credit
SNGs	Subnational governments
SUN	Sistema Urbano Nacional [National Urban System]
UBN	Unmet basic needs
ZAPs	Zonas de atención prioritaria [priority focus areas]

MEXICO

IDB LOANS APPROVED AS OF AUGUST 31, 2004

	US\$Thousand	Percent
TOTAL APPROVED	17,051,247	
DISBURSED	15,349,791	90.02 %
UNDISBURSED BALANCE	1,701,456	9.97 %
CANCELATIONS	1,274,962	7.47 %
PRINCIPAL COLLECTED	7,950,650	46.62 %
APPROVED BY FUND		
ORDINARY CAPITAL	16,436,180	96.39 %
FUND FOR SPECIAL OPERATIONS	558,986	3.27 %
OTHER FUNDS	56,081	0.32 %
OUTSTANDING DEBT BALANCE	7,399,141	
ORDINARY CAPITAL	7,357,397	99.43 %
FUND FOR SPECIAL OPERATIONS	24,864	0.33 %
OTHER FUNDS	16,881	0.22 %
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	4,241,113	24.87 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	2,354,928	13.81 %
ENERGY	761,131	4.46 %
TRANSPORTATION AND COMMUNICATIONS	736,907	4.32 %
EDUCATION	644,803	3.78 %
HEALTH AND SANITATION	1,684,701	9.88 %
ENVIRONMENT	80,171	0.47 %
URBAN DEVELOPMENT	958,930	5.62 %
SOCIAL INVESTMENT AND MICROENTERPRISE	2,242,668	13.15 %
REFORM AND PUBLIC SECTOR MODERNIZATION	2,661,502	15.60 %
EXPORT FINANCING	0	0.00 %
PREINVESTMENT AND OTHER	0	0.00 %

* Net of cancellations with monetary adjustments and export financing loan collections.



Inter-American Development Bank
Regional Operations Support Office
Operational Information Unit

Mexico

Tentative Lending Program

2004

Project Number	Project Name	IDB US\$ Millions	Status
ME0253	Demonstrative management models potable water and sanitation	10.0	APPROVED
* ME1003	Hipotecaria Nacional- Mortgages Asset Backed Security	75.0	APPROVED
ME0250	Multiphase skills-based human resources development program	50.4	APPROVED
ME0255	Multiphase program for urban poverty reduction	350.0	
ME0259	Public Financial System Consolidation	300.0	
ME1002	Technology to Support Education (ENCYCLOMEDIA)	40.0	
Total - A : 6 Projects		825.4	
TOTAL 2004 : 6 Projects		825.4	

2005

Project Number	Project Name	IDB US\$ Millions	Status
ME1007	Oportunidades Human Development Program	800.0	
ME0212	Potable Water and Sanitation in Rural Areas II	200.0	
Total - A : 2 Projects		1,000.0	
ME0240	Small Exporters Finance Program	300.0	
ME0245	Health and Pension for Government Workers	300.0	
ME0257	Irrigation District Technification	80.0	
ME0251	Modernization and Reform Water Sector	200.0	
ME1004	Training and Employment Support Program Phase II	300.0	
Total - B : 5 Projects		1,180.0	
TOTAL - 2005 : 7 Projects		2,180.0	

Total Private Sector 2004 - 2005 **75.0**
Total Regular Program 2004 - 2005 **2,930.4**

* Private Sector Project



MEXICO

STATUS OF LOANS IN EXECUTION AS OF AUGUST 31, 2004

(Amount in US\$ thousands)

APPROVAL PERIOD	NUMBER OF LOANS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<u>REGULAR PROGRAM</u>				
Before 1998	2	388,400	25,874	6.66 %
1998 - 1999	2	691,600	586,025	84.73 %
2000 - 2001	4	1,605,000	872,156	54.34 %
2002 - 2003	3	1,510,000	1,087,193	72.00 %
2004	1	10,000	0	0.00 %
<u>PRIVATE SECTOR</u>				
1998 - 1999	1	75,000	62,827	83.77 %
TOTAL	13	\$4,280,000	\$2,634,075	61.54 %

* Net of cancellations. Excludes export financing loans.

MULTIPHASE PROGRAM: ADDRESSING URBAN POVERTY - PHASE I

(ME-0255)

EXECUTIVE SUMMARY

Borrower: United Mexican States

Financial agent: Nacional Financiera, S.N.C. (NAFIN)

Executing agency: Department of Social Development (SEDESOL)

	Phase I (3 years)	Phase II (3 years)
Amount and source:	IDB (OC): US\$350 million	US\$350 million
	Local: <u>US\$150 million</u>	<u>US\$150 million</u>
	Total: US\$500 million	US\$500 million

Financial terms and conditions: The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the Finance Department's semiannual recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1%, of the loan amount.*

Amortization period:	25 years
Grace period:	3 years
Disbursement period:	3 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75% on undisbursed balance
Currency:	U.S. dollars from the Single Currency Facility

* In no case will the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% of the loan amount divided by the number of six-month periods in the original disbursement period.

Objectives: The principal objective is to support the Mexican government's efforts to address poverty in the country and improve the living conditions of the marginalized urban population.

The specific objectives are to: (i) expand households' access to social services that will make them less vulnerable, with emphasis on specific groups (children, young people, the elderly, women heads of household); and (ii) increase infrastructure, equipment, and basic service coverage in the peri-urban areas and enhance the value of the target households' assets.

Rationale for a multiphase program:

The proposed program will be executed over a six-year period, in two three-year phases, and will involve an estimated US\$1 billion, of which the Bank will finance US\$350 million and the Government of Mexico, US\$150 million, for each phase. This document proposes approval of the multiphase program concept and of a loan for Phase I. This modality, already proven satisfactory in various earlier operations financed by the Bank in different social sectors in Mexico (loans 983/OC-ME, 1256/OC-ME, 1383/OC-ME, 1384/OC-ME, and 1388/OC-ME), is considered the most appropriate mechanism for this type of program and is justified on the basis of the scope and complexity of the spontaneous settlement problem and given the need for an ongoing effort of targeted interventions to have significant impact on urban poverty reduction.

During Phase I, a comprehensive intervention model for barrio improvement that includes social development dimensions will be implemented and disseminated. Activities under Phase II will focus on consolidating and expanding the coverage of the initiatives included in Phase I, after incorporating the adjustments stemming from the analysis of data produced by the monitoring and operational and impact evaluation system under Phase I. Processing and approval of Phase II will be conditional upon completion of the activities detailed in chapter III, Program Execution (see paragraph 3.22).

Description:

To meet its objectives, the project will support **Habitat** (US\$500 million). Comprehensive multisector actions will be financed that aim to support poor families in the marginal barrios of the country's main cities. Such actions include building basic infrastructure works to bring the barrios up to a minimum standard of urbanization, as well as providing selected social services sized to address the priority needs of the families living in those barrios. The package of physical and social investments seeks to improve the families' health and safety, increase the value of their assets, and have an impact on quality of life in the targeted barrios. It also aims to consolidate a national model of comprehensive action in peri-urban areas that manages to target government efforts on effective and sustainable actions. The program impact evaluation round will also be financed.

The barrios or priority focus areas [zonas de atención prioritaria, or ZAPs] in these cities that are eligible under the first phase of the program are those in which over 50% of the population is poor.

The Bank's country and sector strategy:

The proposed program will focus on modernizing the social sector and reducing poverty, to which end the Bank has supported the development and implementation of programs that subsidize social demand and programs to reduce poverty. This strategy is consistent with the 2001-2006 National Development Plan, the basic strategic document that encompasses Mexico's social policy and gave rise to the 2001-2006 National Urban Development and Land Use Planning Program (PNDUOT) and the country's social development strategy for reducing poverty, better known as the "*Contigo*" ["With You"] strategy.

Environmental and social review:

At its meeting 36-03 of 3 October 2003, the Committee on Environment and Social Impact (CESI) recommended making explicit reference to the Bank's Operational Policies OP-710 and OP-745, the relationship between the program and the federative entities, and the connection between the Operating Rules for the Habitat program and the Mexican government's Ecological Balance and Environmental Protection Act (paragraphs 4.33-4.35).

Benefits:

During Phase I, Habitat will benefit at least 200,000 households directly and 400,000 households indirectly, located in poor barrios in all the states, with water, sewerage, and drainage services, road access, trash pickup, public squares and recreation areas, etc. This will improve both their asset base and their chances of gaining access to credit and improving their quality of life in general. The program will also contribute through specific social programs to reduce the risks associated with poverty, in the most vulnerable families and among children, adolescents, and women heads of household.

The targeting system through the Community Development-Habitat activities will ensure that the beneficiaries of the interventions are urban households located in urban polygons with a high incidence of poverty. The comprehensive actions in the areas of urban infrastructure and social services will generate improvements in the living conditions of this population segment, including: (i) a drop in the deficit of access to basic urban services; (ii) improved environmental sanitation conditions; and (iii) strengthening of the community.

Risks:	<p>Coordination of actions for execution of Habitat. This initiative stems from the combination of various operational modalities already in use at SEDESOL. Coordinating these modalities in a single project with a comprehensive approach is a challenge since it will require adapting its systems and previously used methodologies. The Bank, through a technical cooperation operation entitled “Consolidation of Habitat’s Activities” (ATN/NS-8386-ME), is supporting the design of new operating procedures and the implementation of a management system that will facilitate this internal integration.</p> <p>Coordination among the three levels of government (federal, state, and municipal). Program execution will require close collaboration among the three levels of government. This could be a risk factor in terms of the program running smoothly. To mitigate this risk, SEDESOL and the local governments have signed coordination agreements for social and human development that clearly stipulate the roles and responsibilities of all the parties.</p> <p>Community participation. Another risk factor is the fact that the smooth progress of the interventions depends on the community’s response. To mitigate this risk, the community organization subcomponent will finance specific activities to ensure that the interventions address the beneficiaries’ objectives and priorities and contribute to keeping the community organized and involved—directly or indirectly—in the upkeep of investments and services.</p>
Special contractual clauses:	<p>The first disbursement of funds under the program will be subject to fulfillment, and the Bank’s approval, of the following condition:</p> <p>(i) The executing agency will present evidence to the Bank’s satisfaction that the coordination unit responsible for execution of program activities has been set up (paragraph 3.2).</p>
Poverty-targeting and social sector classification:	<p>This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank’s Eighth Replenishment (document AB-1704). It also qualifies as a poverty targeted investment (PTI) (see paragraphs 4.31 and 4.32). This PTI classification is automatic for barrio improvement projects</p>
Coordination with other official development institutions:	<p>The Bank has supported the development and implementation of programs that subsidize social demand and programs to reduce poverty. In this respect, the Bank is coordinating and complementing its activities with those of the World Bank, which has been financing programs for the supply of education and health services.</p>

Exceptions to Bank policy:

See Procurement.

Procurement:

The Bank's policies and procedures will be used in the procurement of goods, services, and works.

International competitive bidding will be used for goods and related services where the value is US\$350,000 or more, and for works valued at US\$5 million or more. International competitive bidding or international open calls for proposals will be used for consulting services where the estimated value is US\$200,000 or more.

The contracting of consulting services valued at US\$100,000 or less will be governed, in principle, by national legislation, which is compatible with the Bank's policies (see paragraph 3.14).

Recognition of expenses:

Eligible expenditures incurred during the 12 months prior to program approval will be recognized against program resources (see paragraph 3.16).

I. BACKGROUND

A. Poverty over the last decade

- 1.1 Thanks to stable economic growth, Mexico has recovered from the negative impact that the 1994-95 crisis had on the incidence of poverty. In fact, poverty trends over the last decade have followed the economic cycle very closely (see Table I-1).¹ Changes in the incidence of poverty in rural and urban areas reflect national patterns. Experience from the latter years of the 1990s indicates, then, that Mexico's economic growth has helped to reduce poverty: for every 1% of GDP growth, poverty declined by two percentage points, and extreme poverty by nearly four percentage points.
- 1.2 Over the same period, however, despite the decline in the incidence of poverty, high demographic growth swelled the absolute number of individuals and families living in extreme poverty or poverty. In urban areas, for example, the absolute number of persons living in poverty and extreme poverty rose by approximately 5.4 million and 1.1 million, respectively, between 1990 and 2000. It is estimated that more than 27 million urban dwellers are currently in a situation of poverty, a figure representing more than half of all poor people in the country.

Table I-1					
Percentage of poor households and absolute numbers of poor people 1992-2000					
Indicator	1992	1994	1996	1998	2000
Average per capita GDP growth rate (%)	3.3 (<i>'91-'93</i>)	-2.4 (<i>'94-'96</i>)		5.6 (<i>'97-'00</i>)	
Urban areas					
Extreme poverty ² (% of households)	10.2	7.2	20.1	16.4	9.8
Extreme poverty (millions of people)	6.8				7.9
Poverty ³ (% of households)	35.6	35.6	53.2	47.7	37.4
Poverty (millions of people)	22.3				27.7

Source: *Evolución y características de la Pobreza en México en la última década del siglo XX*. Research papers. August 2002. SEDESOL and IDB calculations based on CONAPO population data.

¹ SEDESOL 2002. "Evolución y características de la pobreza en México de la última década del siglo XX" [Trends and Characteristics of Poverty in Mexico in the Final Decade of the 20th Century]. Research papers.

² *Extreme poverty*: defined as households with incomes insufficient to meet minimum nutritional needs, equivalent to US\$2.49 and US\$3.38 per person per day—in terms of purchasing power parity (PPP) at the August 2000 nominal exchange rate—in rural and urban areas, respectively.

³ *Poverty*: defined as households with incomes insufficient to meet food, health, education, clothing, footwear, housing and public transportation needs, equivalent to US\$4.54 and US\$6.76 per person per day—in terms of purchasing power parity (PPP) at the August 2000 nominal exchange rate—in rural and urban areas, respectively.

B. Demographic pressure in cities and metropolitan regions

- 1.3 Cities and metropolitan regions (MRs), particularly those of medium size, are experiencing sharp demographic pressure. The population in the 364 cities and MRs of the National Urban System (SUN) grew during the five-year period 1995-2000 at an annual rate of 1.9%, or 0.3 percentage points faster than the national average. That growth rate is nearly double the rate of growth of the country's rural population during the same period.⁴ According to ECLAC (2000), if this pattern persists, 85% of population growth in the next 25 years will occur in the cities and MRs. Accordingly, 80% of the population will be living in urban areas in 2015.
- 1.4 Urban growth is due primarily to heavy migration from rural areas, because the cities are home to the most dynamic sectors of the economy and offer better employment opportunities. Migration has been flowing primarily to cities and urban agglomerations with a population of between 100,000 and 3 million. In fact, the country's megalopolises and metropolises, such as the MRs of Mexico City and Guadalajara, which had more than 3 million inhabitants in 2000, showed an growth rate 1.4% below the average for medium-sized cities and MRs during this time. Those areas account for nearly a third of the Mexican population, and almost half of the urban population. At the same time, the relative weight of the smaller cities in the total urban population has declined substantially in the last decade, with the exception of the southern state capitals.
- 1.5 Population has grown fastest in the cities: (i) on the northern border and central regions, where much of the country's manufacturing industry is concentrated; (ii) on the southern border; and (iii) experiencing high tourism growth, such as Cancun and Puerto Vallarta.
- 1.6 While the rapid growth of many of these cities, particularly in the northern and central region and in the tourist areas, reflects the local job creation potential, the pace of that growth has produced expanded pockets of urban poverty. The capacity of local governments to provide infrastructure and basic services has been overwhelmed by the growth in demand for such services. These cities now face severe problems with spontaneous settlement proliferation, which frequently spring up in areas that are unsuitable for urban development and are exposed to environmental hazards.

⁴ These figures refer to the "social" growth rate, which is the natural growth rate after netting out the migration balance. Since the migration balance is positive in urban areas, the "social" growth rate is higher than the natural growth rate. Data from the National Population Council (CONAPO), Department of Government.

- 1.7 In urban settings, poor families tend to concentrate on the periphery and in intra-urban pockets. Of the 690,000 city blocks⁵ for which there is information that comprise the 364 cities in the SUN, the incidence of poverty is predominantly concentrated in about 194,000 blocks. Blocks with these characteristics (where 50% or more of the households live in poverty) form urban clusters or polygons (approximately 1,600 in cities of 100,000 inhabitants or more and close to 900 in the smaller cities)⁶ that are home to hundreds of thousands of families. This spatial concentration represents both a problem and an opportunity, since it is easier to identify and locate the urban population with the greatest social and infrastructure needs.

C. The social exclusion of the urban “poverty polygons”

- 1.8 The spatial and geographic segregation of poverty pockets within the MRs is associated with marked characteristics of social exclusion and vulnerability for the families living in them. As Table I-2 shows, poor urban households consist typically of young families, for the most part nuclear (parents and children living together), with indexes of economic and demographic dependence and crowding that are sharply higher than those for nonpoor urban households.⁷ More than one third of the heads of poor households and one half of the heads of extremely poor households have not completed primary school. Nearly one fifth of poor households are headed by women. Those women are the principal, and in many cases the only, provider for their dependents. For them, the burden of domestic chores and caring for their children limits their ability to earn incomes and thus extract themselves from poverty. Yet childcare services in the poverty polygons are virtually nonexistent.

⁵ A typical block (*manzana*) is more or less rectangular in shape, and holds between 20 and 50 dwellings. Nevertheless, blocks can vary considerably in terms of size and number of dwellings.

⁶ The Mexican government defines a polygon as a conglomeration of blocks. Polygons grow around a “core” block that has a high concentration of poor households through the selection of adjacent blocks within a predetermined radius, until a concentration of at least 300 poor households is reached.

⁷ The “economic dependency index” measures the average number of people who do not work for every person who does. The “demographic dependency index” measures the average number of non-working-age to working-age persons per household. The “crowding index” measures the average number of persons per room.

Table I.2 Characteristics of poor and nonpoor urban households			
Household characteristics	Extremely poor	Poor	Nonpoor
Persons in the home (average)	5.1	4.5	3.4
Economic dependency index (average)	2.8	2.2	1.3
Demographic dependency index (average)	1.2	0.9	0.5
Crowding index (average)	2.8	2.1	1.1
Children under 12 years (average)	1.9	1.3	0.6
Persons 15 years and older with incomplete primary schooling (%)	42.3	25.9	11.5
Headed by women (%)	14.9	17.5	21.7
Education of household head			
None or incomplete primary (%)	51.1	34.5	14.0
Age of household head			
Under 20 years (%)	1.3	1.2	1.3
Between 21 and 40 years (%)	53.0	47.8	36.6
Housing characteristics			
Dwellings w/o electricity (%)	2.2	0.5	0.2
Dwellings w/o piped water (%)	14.1	6.2	1.0
With water on the property (%)	60.6	57.1	29.1
With water in the dwelling (%)	7.5	19.9	62.7
Dwellings w/o sewer connections (%)	40.1	25.3	7.7

Source: SEDESOL based on data from the Twelfth General Population and Housing Census, 2000

- 1.9 The social exclusion reflected in the sociodemographic characteristics of poor urban households is compounded by their limited access to basic infrastructure and services. In all, 14.1% of extremely poor households and 6.2% of poor households, representing 1.5 million people, have no piped water, and only 19.9% of poor households and 7.5% of the extremely poor have access to water within their dwellings. The drainage shortfall is even worse, affecting more than 25% of poor urban households. As well, more than 50% of poor urban households are located in unpaved districts and barrios. Lastly, the polygons containing the pockets of poverty are underserved in terms of street lighting, garbage collection, and sewage disposal systems.
- 1.10 The low level of basic infrastructure implies high social costs (such as environmental degradation, pollution, the spread of disease) and private costs (associated with, among others, the incidence of illness, lack of safety, lack of legal status, the cost of water supply) for people living in spontaneous settlements, as well as negative externalities for neighboring areas.
- 1.11 The multisectoral nature of the problem of urban poverty requires coordinated interventions to improve the physical, social, and economic integration of spontaneous settlements into the city. Reducing the deficit in basic services within

the “poverty polygons” will require investments in infrastructure and social services, which would result in a jump in the quality of life in these barrios. The social services for which there is the greatest need are those targeted at more vulnerable groups such as preschool children, adolescents, the elderly, and households headed by women.

- 1.12 The Mexican government's Habitat activities, which this program will support, are a response to these challenges. Habitat is one of the cornerstones of the Mexican government's efforts to reduce urban poverty (see paragraph 1.21). Investment under the first phase of the program represents approximately 4% of SEDESOL's budget resources (including those of its deconcentrated and decentralized agencies), and about 0.6% of annual federal transfers to states and municipios. With this funding, approximately 200,000 poor households are expected to benefit directly and 400,000 indirectly over three years, representing about 3.3% of poor urban households. If the model proves successful, SEDESOL plans to expand it both locally and nationally.

D. The Bank's experience in the sector: achievements and lessons learned

- 1.13 The program's design reflects a range of Bank experiences in several countries of the region,⁸ which have served to establish a new paradigm for social interventions to address urban poverty. The philosophy common to these programs is to use transparent targeting criteria to promote comprehensive multisectoral interventions, with adequate cost control, using a single works contractor in each barrio or settlement, to ensure their effectiveness and impact in reducing poverty. Experience also shows that these programs are more likely to succeed and be sustainable if their execution is decentralized, so as to involve the municipal governments in urban issues within their responsibility and encourage their participation at all stages of the project. Lastly, experience has shown that community participation in all phases of project development and execution not only ensures that interventions are consistent with community desires but also facilitates the process of performing the works by minimizing conflicts and helping to consolidate the benefits. This approach also gives communities a sense of ownership over infrastructure and social projects, thereby giving them a greater interest in seeking solutions for their maintenance. The Bank has worked with Mexico on a number of highly successful programs for financing local government activities with community participation, such as the municipal development program (837/OC-ME), the operational approach for which will be adapted to this operation. The project had a high degree of community

⁸ For example: (i) Rio de Janeiro urban upgrading program *Favela-Bairro* stages I and II (898/OC-BR and 1241/OC-BR); (ii) Program for the integration of irregular settlements in Uruguay (1186/OC-UR); (iii) “Habitar Brasil” low-income neighborhood improvement program (1126/OC-BR); and (iv) PROMEBA-Barrio improvement in Argentina, among others.

participation in the identification, execution, and maintenance of small infrastructure works (water, street paving, classroom construction, etc.). Even more important, the Bank was able to observe for the first time the work performed by SEDESOL's local offices and the support of the latter for the State Development Planning Committees (COPLADEs) on all issues relating to municipal development. Similarly, experience and impact evaluations have been compiled on projects financed through the Social Investment Funds, especially in the water and sanitation area.

- 1.14 The Bank has played a decisive role in supporting the government's "federalist" approach, by financing two operations for strengthening states and municipios (1214 and 1383/OC-ME), with the objectives of: (i) introducing best practices to strengthen management of public resources by subnational governments (SNGs); (ii) strengthening their financial situation; and (iii) financing socially important investment projects and technical assistance. SNGs are required to undergo a financial and institutional assessment as the basis for an action plan to address weaknesses detected. They can gain access to Bank funding, in the form of loans, to finance those plans, including investments and technical assistance. Consistent with its commitment to support Mexican federalism, the Bank is also seeking new alternatives for financing and execution and recently approved a water and sanitation demonstration project (1540/OC-ME) to address SNG needs in that area. These initiatives have served as a benchmark in the conceptual overview and design of the proposed program.

E. Bank and country strategy in the sector

- 1.15 The Bank's strategy has four basic pillars consistent with the challenges of structural change facing the country: (i) social sector modernization and poverty reduction; (ii) integration; (ii) modernization of the State; and (iv) improvement of private sector productivity. The proposed program addresses the first pillar. The Bank has been supporting the development and implementation of programs to subsidize social demand and poverty reduction programs. In this respect, the Bank is coordinating its activities with, and complementing those of, the World Bank, which has structured its portfolio to finance programs for the supply of education and health services.
- 1.16 Although this operation was not included in the country paper (document GN-2181-1), it was included in the report on the mission to update the operations program (document CP-1305-12), at the request of the Department of Finance and Public Credit (SHCP). The proposed program is one of the pillars of the Bank's activities in the new country strategy currently under discussion with Mexico. Two particularly important aspects of the program are that: (i) it is an excellent example of the combination of physical and social investment actions in support of development; and (ii) it involves participation by civil society. On the latter point, the Civil Society Advisory Committee of the Bank's Country Office in

Mexico has already been working with the project team, and its recommendations and observations, as a reflection of the views of society and of potential beneficiaries, were very useful for preparing this document.

- 1.17 With respect to the government's strategy, the 2001-2006 National Development Plan establishes the basic strategy for Mexican social policy and provides the basis for the 2001-2006 National Urban Development and Land-use Planning Program (PNDUOT). The country's social development strategy for reducing poverty is based on the new strategy known as "*Contigo*" ["With You"], which calls for developing the capacities of beneficiary groups, and linking existing social programs to make them more effective. The *Contigo* strategy coordinates the activities of all the social departments and agencies, and is based on four pillars: (i) expanding capabilities by ensuring the population's access to quality health and education services and adequate nutrition; (ii) providing people with income generating opportunities so that they can translate their capabilities into higher levels of wellbeing; (iii) enabling adults and their families to accumulate assets and thereby ensure a minimum level of creditworthiness; and (iv) expanding social protection systems. The three documents referred to above have served as the basis for preparing and implementing the program.
- 1.18 Habitat and the *Oportunidades* program are two of the most important initiatives under the *Contigo* strategy for the comprehensive social development of the urban poor, not only in terms of their budgets but also because of the synergies between the two interventions. The targeting of the two initiatives is highly complementary. Thus, Habitat involves multisectoral interventions at the barrio level to strengthen the supply of infrastructure and basic social services, while the *Oportunidades* program (1388/OC-ME), for which SEDESOL is also the executing agency, promotes the accumulation of human capital among poor families through incentives to boost the demand for services, that is, by subsidizing the private costs of access to primary, secondary, and postsecondary education and to health services.

II. THE PROGRAM

A. Objectives and description

- 2.1 The principal objective is to support the Mexican government's efforts to address poverty in the country and improve the living conditions of the marginalized urban population.
- 2.2 The specific objectives are to: (i) expand households' access to social services that will reduce their vulnerability, with emphasis on specific groups (children, young people, older adults, female heads of household); and (ii) expand the coverage of infrastructure, equipment, and basic services in peri-urban areas and enhance the value of beneficiary families' assets. Table II-1 summarizes some of the preliminary outcome indicators that the proposed program is expected to meet during Phase I.

Table II-1
Preliminary indicators of expected outcomes

In program-targeted barrios:

- A 10% improvement in the unmet basic needs (UBN) component of the CONAPO marginalization index, over the base year (situation without the intervention).
- A 15% increase in property values over the base year, upon completion of the investments in the barrios.
- An increase of at least 15% over the base year in the coverage of services for children under six years of age.
- An increase of at least 15% in the coverage of social services aimed at vulnerable groups (at-risk adolescents, older adults, people with disabilities).
- An increase of 15% over the base year in the number of dwellings with piped water.
- An increase of 20% over the base year in the number of dwellings with sewage disposal systems and garbage collection services.
- A reduction of 5% (in comparison with the no-intervention control group and the base year) in the incidence of water-borne gastrointestinal diseases.

B. Program structure

- 2.3 The program will be executed in two phases, in the amount of US\$500 million each. The total execution period will be approximately six years, with two

successive phases of three years each. The multiphase approach is justified by the magnitude and complexity of the problem of informal settlements, where continuous, targeted interventions are required to achieve significant impacts in reducing urban poverty.

- 2.4 During Phase I, a comprehensive barrio improvement model will be implemented, which includes social development features, something that is new to SEDESOL and the country. Activities under Phase II will focus on consolidating and expanding the coverage of the initiatives included in Phase I, suitably adjusted in light of Phase I data from the monitoring and operational and impact evaluation system. Processing and approval of Phase II will be conditional upon achievement of the performance indicators detailed in paragraph 3.22.

C. Habitat program (US\$500 million)

- 2.5 The federal contribution to the Habitat activities that SEDESOL has been implementing since 2003 will be partially financed. The activities include a comprehensive set of multisector actions designed to support poor families living in the marginal barrios of the country's main cities, such as basic infrastructure works to bring the barrios up to a minimum standard of urbanization, together with selected social services scaled to meet the priority needs of families living in those barrios. The package of physical and social investments is intended to improve families' health and safety conditions and increase the value of their assets, with a resulting impact on quality of life in the beneficiary barrios. It is also intended to consolidate a national model of comprehensive action in peri-urban areas as a means of targeting government efforts on effective and sustainable activities.

1. Allocation of resources

- 2.6 Program resources will be allocated annually in two stages: distribution by federative entity and then by city. The resources earmarked in the national budget for Habitat are initially distributed among the 31 states and the Federal District according to a formula based on need (poverty index by city, services deficit, and level of urbanization). The resources assigned and the performance of the state in the execution of the program during the previous year are also factored in. The resources assigned specifically to the border regions dimension are distributed among the respective states, based on the same criteria. For the general dimension, the allocation of the state's allotment per city is done based on the number of poor residents in the cities with over 15,000 inhabitants, with priority being given to the cities with the highest proportion of poor residents. The cities that received support from the program in the preceding year will have priority in the allocation for a three-year period, provided the resources are applied to projects already under way in those cities.

- 2.7 Barrios or priority focus areas [zonas de atención prioritaria, or ZAPs] located in these cities that meet the basic condition of having over 50% of the households living in poverty will be eligible to receive program support. In cities or metropolitan regions where it is not possible to identify polygons meeting these characteristics (or where the number of such polygons is small), polygons in which at least 30% of the households are poor may be selected, subject to prior authorization from SEDESOL. However, projects involving the introduction of basic urban infrastructure networks will only be carried out in areas where at least 50% of the households are poor. In selecting ZAPs within each city, preference will be given to those with: (i) the highest deficit in terms of access to potable water, drainage, street lighting, paving, and collection and disposal of domestic solid waste; (ii) the highest population density; (iii) the highest environmental vulnerability; and (iv) the most complete and advanced community development plans. The additional factors shown in Table II-2 will also be taken into account for purposes of technical eligibility of these barrios. Areas providing access to the above-described districts and polygons, in which are located the infrastructure, services, and equipment whose main beneficiaries are poor people and households, will also be considered ZAPs. The cities and historical sites on UNESCO's World Heritage list are eligible to receive funds allocated under the program's historical centers dimension.
- 2.8 The application of the above-mentioned criteria led to the selection of slightly over 750 ZAPs in 170 cities in 2004 (including almost all those with over 100,000 inhabitants). This represents an increase over 2003 during which 400 ZAPs in 60 cities received assistance.

Table II-2	
Selection criteria for cities and MRs and technical criteria for barrio eligibility	
Selection criteria for cities and MRs	
i.	Higher percentage of poor urban households
ii.	Higher deficit in basic urban services
iii.	Resources allocated and spent in the previous fiscal year
Technical eligibility criteria for selecting polygons	
a. Socioeconomic	
i.	At least 50% of households are poor.
ii.	Lot occupancy rate (at least 80% of the lots are occupied) and population density (at least 35 dwellings per hectare). Preferably 500 dwellings or more.
iii.	Higher basic infrastructure deficit (water, drainage, street lighting, paving, sewage, electricity, and collection and disposal of domestic solid waste).
b. Technical feasibility	
iv.	Proximity to water, sewage and electricity networks or, where this is not the case, the possibility of local water and sewage solutions at reasonable cost.
v.	Existing road access, or the feasibility of providing road from the polygon's barrios to nearby urban areas, at a cost compatible with program investment limits.
c. Legal and urban planning considerations	
vi.	The constructions are not located within areas of: (1) private or disputed property; (2) restricted use.
vii.	The polygon must be within city limits or figure in the municipal urban master plan.
d. Environmental considerations	
viii.	the polygon must not be located in areas at high risk of natural disaster (landslides, flooding, etc.) or, where such risks are present, the cost of mitigation or correction must be compatible with program investment limits.

2. Programming of interventions

- 2.9 Projects to be executed within each barrio or ZAP must preferably respect the priorities established in a Community Development Plan (CDP), prepared with a horizon of up to three years. The CDP will be prepared in a participatory way and will contain: (i) a socioeconomic profile of local families and of the barrio's infrastructure needs, prepared with participation by the stakeholder communities; (ii) an infrastructure and social services investment plan; (iii) the budget and execution plan for those investments; and (iv) indicators of expected outcomes. The plans will be discussed and approved by the beneficiary communities and will serve as the main tool for programming the activities and monitoring the program.

3. Eligible investments

2.10 The comprehensive projects to be financed in the ZAPs are divided into three groups of actions: (i) social and community development; (ii) urban development and risk prevention; and (iii) urban planning. The first two actions will be focused locally in the selected areas and the latter will apply to the cities as a whole.

a. Community and social development (US\$100 million)

2.11 The social services detailed in Table II-3 will be financed, among others, and will be provided by civil society organizations (CSOs), service provider organizations, and state and municipal government agencies. Program execution will rely heavily on local community participation at each stage, from project preparation until after the works are completed and the services are operating. The social subcomponent will finance efforts to mobilize communities and organize their participation. The participatory process will involve: (i) a community self-assessment to identify and prioritize infrastructure, equipment, and social services needs; (ii) input into the design of infrastructure and equipment as well as responsibilities to be assumed with regard to the payment of fees for purposes of cost recovery and maintenance; and (iii) preparation for monitoring works and implementing social services, including health and environmental education campaigns.

Table II-3 Menu of social services by age group					
Menu of services	Age of potential beneficiaries				
	Under 6 years	6 to 12 years	12 to 18 years	Over 18 years	Seniors
Childcare services					
After-school services (recreational and academic reinforcement programs)					
IT and computer training					
Technical assistance in microenterprise startup and management					
Health awareness campaigns, covering reproductive health, hygiene and nutrition, addiction prevention					
Prevention of domestic violence, (including legal services) and parent training					
Assistance for the disabled					
Encouragement for the participation and employment of seniors in providing services to the community					

2.12 With respect to specific social services, emphasis will be placed on those intended to address the needs of female heads of household and enhance the capabilities of the most vulnerable groups so that they can lift themselves out of poverty. This component will finance services and, as required, the construction and repair of buildings and facilities, as well as provision of the equipment needed for their proper operation. The communities themselves will establish priorities for meeting the needs of the most vulnerable groups such as children, female heads of household, adolescents and young people, and seniors. The priorities thus identified are to be included in the CDP prepared by each ZAP.

(i) Childcare services

2.13 Services will be financed for children under the age of six. Such services will be provided through home daycares or daycare centers (CAIs). Other childcare services will be provided in the multiuse Community Development Centers (CDCs), the construction and equipment of which is being financed by the program. The daycare centers may share the physical premises of the Habitat CDCs.

2.14 Beyond the infrastructure, equipment, and teaching materials, the program may also finance, in decreasing amounts and for a maximum term of three years, the provision of childcare services by private providers or specialized CSOs. At the end of this time, operating expenses will have to be assumed by the municipios and the community. The balance of operating costs for the CAIs will be covered by the beneficiaries through monthly fees, and by local governments. Priority will be given to children from families headed by women.

(ii) After-school activities for children and adolescents, and youth services

2.15 Depending on the specific age group, these activities will include: (i) academic reinforcement; (ii) IT and computer training; and (iii) dissemination of information on and awareness building about issues of reproductive health, hygiene and nutrition, addiction prevention, etc. Efforts will also be coordinated to help barrio residents, especially young people, to gain access to existing adult education and job training and intermediation programs. Services will be provided in the existing Habitat CDCs financed by the program, which will include the necessary equipment for carrying out activities prioritized by the communities.

(iii) Services for vulnerable groups

2.16 The program will finance services to at-risk families and groups (women victims of domestic violence, the disabled, youth, and older adults, among others). These activities will focus primarily on: (i) prevention of domestic violence, including legal advisory services and addiction counseling; (ii) reproductive health,

nutrition, hygiene, among others; (iii) assistance for the disabled; and (iv) encouragement for involving and employing seniors in the community services provided by public agencies or CSOs.

b. Urban development and risk prevention (US\$365 million)

- 2.17 Infrastructure works will be financed to provide selected barrios with minimum urban equipment, including: (i) basic urban services (drinking water, sanitary and storm sewers, roads, electricity and street lighting); (ii) asphaltting or other pavement for streets, delimitation of vehicular traffic zones and the construction of sidewalks and curbs; (iii) urban and community facilities, including the construction or rehabilitation of CDCs; (iv) adaptation of buildings and public spaces to be wheelchair accessible; (v) garbage collection systems; (vi) public squares and green spaces, playgrounds and sports fields; (vii) improvement of the urban image, signage and street naming; (viii) actions to support property regularization. Environmental conservation and risk mitigation activities will also be financed, including waterway rescue, tree planting and forestation, and relocation of families exposed to environmental risks. These actions may be developed in the ZAPs or in depressed areas of cities with proven environmental problems.

c. Urban planning (US\$24 million)

- 2.18 These activities will complement barrio interventions and are designed to provide technical support for actions therein or to prevent the problems associated with informal settlements. They will include: (i) preparation of comprehensive barrio improvement plans or community development plans and of detailed designs to implement the program actions in eligible cities; (ii) analysis, guidelines and plans for overcoming poverty, as well as land-use planning and risk mapping for these cities; (iii) establishment of Habitat development agencies set up as public-private consortiums focused on defining and implementing urban and economic development guidelines; and (iv) actions to preserve historical centers (in the context of the historical centers dimension of the Habitat program. These activities may be conducted by the municipalities or by the legally recognized Habitat development agencies.

d. Management support and evaluations (US\$10 million)

- 2.19 The program will also finance training activities, including workshops, seminars, virtual courses, etc., so that the staff involved in the promotion, dissemination, execution, and monitoring of each activity is properly informed of the program's philosophy and operations. Funds may also be used to purchase computers and software in support of these functions. In addition, funds may be used to contract specific services as needed to support program management and supervision.

Lastly, the evaluations envisaged in the program will also be financed (see paragraphs 3.24 and 3.25).

D. Cost and financing

2.20 The total cost of the proposed operation under Phase I is estimated at US\$500 million, divided into: (i) US\$350 million from the Bank's Ordinary Capital (Single Currency Facility); and (ii) US\$150 million as the Mexican government's counterpart. Table II-4 provides a breakdown of program costs by source of financing and category of investment.

Table II-4 Cost of the Program to Address Urban Poverty (ME-0255) (in million of U.S. dollars)				
Categories	IDB	Local	Total	%
1. Community and social development	70	30	100	20.0
2. Urban development and risk prevention	255	110	365	73.0
3. Urban planning	17	7	24	4.8
4. Program management and evaluation	8	2	10	2.0
5. Audits	0	1	1	0.2
Total	350	150	500	100.0%
Percentage	70%	30%	100%	

E. Financial costs

2.21 The United Mexican States will pay the interest and the credit fee directly to the Bank.

F. Terms and conditions of the Bank's loan

2.22 The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the Finance Department's semiannual recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1%, of the loan amount. In no case will the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% of the loan amount divided by the number of six-month periods in the original disbursement period.

2.23 The terms and conditions for Phase I of the loan will be as follows:

Amortization period:	25 years
Grace period:	3 years
Disbursement period:	3 years
Interest rate:	variable
Credit fee:	0.75% on the undisbursed balance
Currency:	United States dollars from the Single Currency Facility

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower will be the United Mexican States, which will use Nacional Financiera, S.N.C (NAFIN) as its financial agent. The central executing agency will be the Department of Social Development (SEDESOL). As borrower, the United Mexican States will assume responsibility for servicing the loan.

B. Overall project execution and administration

- 3.2 SEDESOL will be responsible for coordination, administration, and execution of the project. For these purposes, SEDESOL will establish a coordination unit within the Urban Development and Land-Use Planning Branch (SDUOT) responsible for monitoring execution and the budget and financial programming aspects. Given SEDESOL's broad experience with other internationally financed projects, it should be able to constitute this coordination unit from its current structure and personnel.

C. Habitat program

- 3.3 The SDUOT will be responsible for execution, and will function essentially as a financing window for eligible projects proposed and prepared by eligible state and municipal governments, with technical and financial support from the state offices of SEDESOL. Once the city and ZAP investment plans have been examined by the regional and central authorities, they will be approved for execution. Projects must be approved by the respective State Development Planning Committees (COPLADEs), advisory bodies at the state level that include representatives of federal, state, and municipal agencies and that, among other responsibilities, examine the proposals of all municipios in their respective states, recommend the appropriate state financial contribution, and coordinate state and federal entities in their support of the program.
- 3.4 The COPLADE is now the most appropriate and practical mechanism for monitoring all the technical, social, financial, and environmental aspects of projects at the subnational level. Once state and municipal participation is agreed, specific contracts are signed between SEDESOL and the executing entities (municipios, states, or eligible CSOs) for execution and maintenance of the approved projects. SEDESOL's head office will transfer funds to its local offices, which in turn will pass them on to the executing entities for making payments. The local SEDESOL office assigns personnel to manage project finances at the local level and to monitor the projects, making sure to keep all supporting documentation needed for processing disbursements through SEDESOL's head office, such as evidence of transfers, statements of account, list of projects being

executed or already completed, and a cumulative report of investments. The basic original documentation to provide evidence of expenditures to the Bank will remain with the executing entities.

- 3.5 The central coordination unit will be responsible for consolidating the program's financial information and for interactions with the Bank, through NAFIN, for purposes of financial management, technical supervision, external auditing, and overall program monitoring. If necessary, short-term consulting services may be contracted to support and strengthen this coordination unit.

D. Operating rules

- 3.6 The program will be governed by the operating rules of the Habitat program, which will be published in the Official Gazette and updated annually. National legislation requires the annual approval and publication of operating rules for all programs funded by the federal government. SEDESOL will prepare the rules and review them each year in consultation with the Bank. These operating rules contain specific guidelines for complying with technical, financial, environmental, and internal control requirements criteria.

E. Disbursement procedures

- 3.7 The central coordination unit, through NAFIN, S.N.C., will submit the request for consolidated disbursements from the executing entities relating to eligible expenses to the Bank's Country Office in Mexico. The basic original documentation in support of disbursements will remain in the hands of the executing entities. The Bank will disburse loan proceeds against a simplified expenditure report consolidated by investment category (clusters of projects by program modality distributed by investment categories included in the cost table), to which a breakdown by investment category, executing entity, and project will be attached. This type and range of accounting-financial information (or "budget execution" as SEDESOL terms it) is used for processing disbursements and will also serve as the basis for audits. Given the nature of the program, which involves multiple payments scattered geographically, the average monthly exchange rate based on data from the Bank of Mexico will be used and applied to cumulative investments in the projects and investment categories based on monthly transfers made as of the disbursement date, provided its use does not distort project costs.
- 3.8 The SEDESOL state offices, in coordination with the COPLADEs and executing entities, identify and prioritize the projects. They will send the SEDESOL head office project information that can be used for budget control and the start and execution of the project, ensuring that the executing entity maintains all the support information on file and available for review by the Bank, NAFIN, or external auditors. The executing entity will open a special account in a

commercial bank to receive project resources and for financial monitoring of the federal resources.

- 3.9 The original documentation supporting expenditures and related to the procurement processes will remain in the offices of the project executing entities (states and municipalities, primarily, as well as CSOs) for review by authorized staff from the Bank, NAFIN, and external auditors. The Bank's inspection visits will be coordinated with SEDESOL and will allow the Bank to review the physical and financial progress and supporting documentation for project expenditures directly in the states, municipalities, and CSOs executing the projects. In this regard, it was agreed that such visits would be conducted jointly by the Bank, NAFIN, and SEDESOL, pursuant to the responsibilities that SEDESOL's internal regulations, approved on 19 July 2004, and the specific guidelines for the Habitat program operation confer on SEDESOL delegates for purposes of reviewing the use of resources by executing entities.
- 3.10 In addition, SEDESOL state offices will keep the following supporting documentation on file, which may be reviewed at any time: (a) coordination agreements; (b) Habitat agreements and related authorizing technical annexes; (c) a copy of the technical file for each project; (d) official receipts from executing entities that support the delivery of subsidies by SEDESOL; and (e) a list of expenditures in a format that includes the project number, polygon identification, date and number of invoice or receipt, provider, description of expenditure, unit price, total amount, and list of payments to staff, if applicable.
- 3.11 The initial disbursement schedule for Phase I of the program (Table III-2) is consistent with the execution capacity and the availability of local counterpart funds.

Table III-2 Preliminary disbursements schedule (in millions of U.S. dollars)				
Source	Year 1	Year 2	Year 3	Total
IDB/OC	100	100	150	350
Local	50	50	50	150
Total	150	150	200	500
%	30%	30%	40%	100%

F. Procurement of goods and services

- 3.12 Bank policies and procedures will be followed in the procurement of goods, services, and works. Where the estimated value of goods and related services is

US\$350,000 or more, and in the case of works worth US\$5 million or more, international competitive bidding will be required. Procurement for amounts below those limits will be handled in accordance with domestic legislation.

- 3.13 The preliminary schedule for year one of execution (works, training, etc.) under the Habitat program has been estimated based on Habitat's record of past work (see project files). The programs for subsequent years will be agreed upon during the annual supervision and monitoring meetings.
- 3.14 International open calls for proposals or competitive bidding will be required for consulting services where the estimated value is US\$200,000 or more. Consulting services for less than this amount will be contracted pursuant to Bank policies and procedures (see document GN-1679-3 and GN-1679-4). Consulting services involving amounts equal to or below US\$100,000 will be contracted pursuant to Mexican legislation on the subject, which is compatible with Bank policies. This is justified given the nature of the program—a large part of the resources are aimed at giving communities the opportunity to participate, promoting local economic development, or assisting areas that, by their nature, are not attractive to investors or service providers—and the atomization of most interventions.
- 3.15 It has been agreed with the Bank's Country Office in Mexico that all inspections and controls by the Bank will be done on a sampling and ex post basis, when amounts involved fall below the thresholds for international bidding.

G. Retroactive financing

- 3.16 Expenses incurred up to 12 months prior to the date of the program's approval will be recognized against the program resources. Similarly, expenses incurred up to 18 months prior to program approval will be recognized as part of the local contribution.

H. Program supervision, control, and monitoring

- 3.17 As noted earlier and because this is a multiphase program, continuous monitoring and evaluation will be required to validate and verify the effectiveness of the mechanisms proposed for the project and to support SEDESOL's efforts to provide optimal services to participating marginalized barrios.
- 3.18 A system of ex post reviews of projects by sampling has been agreed upon. During its technical and financial inspection visits, the Country Office will also review disbursements on an ex post and sampling basis, and will make sure that proper files are kept in support of disbursement requests, and that funds have been used in accordance with the loan contract.
- 3.19 At least once a year, SEDESOL, NAFIN, and the Bank will hold supervision and evaluation meetings to examine progress with program execution. The annual

work plan (AWP) will be presented at those meetings, together with a report on activities under the previous year's AWP and the AWP for the following year, which will include elements agreed with the Bank such as: (i) execution status; (ii) performance against objectives and goals; (iii) problems identified; and (iv) solutions adopted.

- 3.20 The annual meetings will examine: (i) progress in program execution; (ii) the efficiency and effectiveness of each activity; (iii) experience and any difficulties encountered during program execution; (iv) the targets set and indicators relating to specific program activities; and (v) any other issues relating to program execution, to determine the extent to which program objectives are being achieved.

I. Program supervision

- 3.21 The Bank's Country Office in Mexico, with technical support from the project team, will be responsible for supervising the program's performance.

J. Activation of Phase II

- 3.22 According to the operating guidelines for multiphase programs, and after 50% of the funds from the first phase has been disbursed, and 75% has been committed, submission of Phase II for consideration by the Board of Executive Directors will also be conditional on the following goals and indicators: (i) successful implementation of the Habitat component in at least 1,000 priority focus areas (ZAPs) in 200 cities, with a consequent increase in vulnerable groups' access to targeted social services, and improvements in the coverage of infrastructure, facilities, and basic services in marginalized urban areas; (ii) external midterm evaluation completed on the Habitat program's impact and its operational management; and (iii) review of the audited financial statements, and compliance with any recommendations of the external auditors or the Bank.

K. Evaluations

- 3.23 For purposes of program monitoring and evaluation, SEDESOL will use the monitoring and supervision system reflected in the Operating Rules of the Habitat program for 2003. In this regard, the SDUOT has the staff and resources necessary to conduct these activities. Moreover, domestic legislation requires that every program receiving federal funds be evaluated annually by an independent entity. This short-term annual evaluation, which must include an operational and management evaluation, will serve as a continuous feedback mechanism during program execution, and will serve as input for the midterm and final external evaluations. The midterm evaluation will be conducted approximately 18 months after the loan contract goes into effect and will be based on the monitoring and outcome targets and indicators agreed with the Bank.

- 3.24 The midterm evaluation will also take into account: (i) the results of the first round of external evaluation of Habitat's qualitative and quantitative impact, to be conducted approximately 18 months after the loan contract goes into effect; and (ii) information from the Habitat monitoring system. The first round of external impact evaluation will measure the Habitat program's impact in beneficiary zones, against the initial baseline, and in relation to a control group of urban polygons not included in the program. This evaluation will provide input for preparation of Phase II.
- 3.25 At about the end of the third year of execution of Phase I, an external final impact evaluation will be financed, which will be structured in the same way as the midterm evaluation detailed in the previous paragraph.
- 3.26 The midterm and final evaluations will be conducted by external institutions coordinated with the executing agency's Evaluation and Monitoring Directorate, based on terms of reference previously agreed upon with the Bank. It is worth highlighting that the basic information required for the external evaluations will be collected through evaluation surveys, which include specific initial diagnostic surveys of the ZAPs. Such surveys will be complemented with data provided by the program's management and monitoring system, whose geographic information system is accessible to the general public via Internet (www.sedesol.gob.mx). It should be noted that the Government of Mexico has authorized the creation of a National Council for the Evaluation of Social Development Policy which, among other agencies, would be expected to evaluate all social programs, including the Habitat program, in the future.

L. Auditing

- 3.27 SEDESOL will hire an external auditing firm designated by the Department of Public Administration (SFP) and acceptable to the Bank to conduct an audit based on the Bank's terms of reference during the program execution period. The minimum information required will include technical annexes and original technical files, final designs, specific agreements to undertake actions, and contracts awarded or signed with providers and contractors. The supporting documentation will be comprised of original receipts for project expenditures.
- 3.28 The files will contain, *inter alia*, supporting documentation to prove that the resources were spent in accordance with the amounts envisaged for execution of the works or, where applicable, the budget savings obtained and reported. The original documents supporting the expense must be kept by the executing entities (states and/or municipalities, and CSOs). Since the execution process falls under the full responsibility of the executing entity, the latter must compile a final file for each work or action, which may be audited at any time and must contain the following documents:

- Copy of the Habitat agreement;
- Certificate of acceptance for works carried out or final report on actions undertaken;
- Supporting documents: approved proposal, technical annex (form PH-01), final design, official letter of approval, and amending annexes where applicable;
- Supporting documentation will include the originals of invoices, receipts, payrolls, paid contracts and work estimates, payment policy, etc.;
- Duly completed list summarizing supporting expense vouchers;
- Technical documentation, including a basic information form for each project (form PH-06), the final design or technical file, the supervision reports, photographic or audiovisual records (before, during, and after pictures of the works), and works logbook; analogous documents in the case of projects or actions; and
- List of beneficiaries (beneficiary household reports, and/or training provided).

3.29 The certificates of acceptance will specify that the works were completed and that the community undertakes to maintain them and ensure their proper operation. These certificates must be signed by the executing entity and a representative of the entity receiving the work or action, COPLADE, and the local office. The community benefiting from the program's activities may participate in the preparation of certificates of acceptance. In the case of actions other than works, a final report will be prepared, to be signed by the executing entity, a representative of the local office, and three representatives of the beneficiaries.

3.30 It is recommended that the coordination unit present the following information to the Bank:

- a. Annual audit reports for the program, within 120 days after the end of each fiscal year, and a final audit report within 120 days after the last disbursement.

3.31 The audit will be conducted by the same firm of independent auditors acceptable to the Bank and the same firm may be used for subsequent years, on the basis of terms of reference previously approved by the Bank (AF-400 and AF-500).

IV. FEASIBILITY AND RISKS

A. Technical feasibility

- 4.1 The technical feasibility of the investments to be financed by the program has been determined by analyzing a sample of projects in the selected polygons. That sample was prepared by the Urban Development and Land Use Planning Branch of SEDESOL. The most important shortfalls in the barrios (polygons) of the selected metropolitan regions relate to: (i) sanitary sewer systems; (ii) storm sewer systems; (iii) drinking water systems; (iv) street paving and other road infrastructure; (v) street lighting; (vi) recreational and green spaces; (vii) social facilities, primarily childcare centers; and (viii) garbage collection. Table IV-1 presents these deficits for a sample of 31 barrios in 31 separate cities.

Table IV-1 Infrastructure and services deficits in 31 sample barrios			
Coverage indicators	Average values in the 10 barrios with the lowest deficits*	Average values for the sample	Average values in the 10 barrios with the greatest deficits*
% of families with children under six years without access to childcare services	94.6	97.7	99.4
% of dwellings without piped water indoors or on the property	2.6	15.3	56.5
% of dwellings without sanitary and storm sewer connections	5.1	21.2	62.3
% of dwellings located on unpaved streets	16.0	32.3	84.2
% of dwellings located on streets without public lighting	9.2	14.9	41.5
% of dwellings without garbage collection services	3.0	27.1	53.3

Source: SEDESOL and Colegio de la Frontera Norte, Household surveys in 31 barrios of Mexican cities

* The deficit is defined in terms of each coverage indicator for basic services and infrastructure.

- 4.2 The analysis of these projects revealed: the types of investments in physical infrastructure and services that would be most appropriate to the needs of barrios selected by the program; the amount of investment per dwelling needed to provide a minimum level of basic services (water, sewage, roads, storm drainage, street lighting, social services); technical problems and their solutions; the potential environmental and social impact of works; and the cost structure of the program.

- 4.3 From the technical viewpoint, there are two feasible options for delivering social services: (i) contracting the services of CSOs or private service operators (PSOs); and (ii) expanding existing municipal services, such as the CAIs. The regional offices of SEDESOL and municipal governments share lists of CSOs and PSOs with proven capacity to provide effective services in key program areas: childcare services and services for vulnerable groups and people with disabilities. All the beneficiary cities in which the program will operate in its first phase have the technical capacity to contract and supervise the construction of works and the provision of social services called for in the program.

B. Socioeconomic feasibility

- 4.4 The economic analysis focused on: (i) developing cost-effectiveness criteria for the projects that will form part of the comprehensive barrio development plans; and (ii) verifying the sustainability of investments.

1. Development of cost-effectiveness criteria

- 4.5 The investments proposed under the program are intended to overcome deficits in infrastructure and basic services identified in the target barrios through least-cost solutions that are suitable to the topography of the settlements. The analysis of the sample of projects offers an indispensable frame of reference for defining cost-effectiveness indexes to determine the eligibility of projects for financing under the program. Those projects meet the minimum technical standards established for public services and infrastructure works.
- 4.6 For the supply of drinking water, the program calls for connection to the existing public system, or the drilling of wells. Sewage solutions will rely on “condominial” [joint-water hookup] systems and treatment in collective septic tanks; road works are designed to ensure the settlement’s access to basic services such as garbage collection and access to the dwellings; public lighting systems and domestic electrical connections meet the minimum standards of the service provider; and open or cleared areas are to be reforested as a means of preventing future invasions.
- 4.7 Although the program is national in scope, the population density of all the selected polygons meets the minimum threshold, and the differences on this score between the polygons are not such as to have any material influence on the technical alternatives adopted. On the contrary, however, topographical variations between settlements can have a major impact on average costs. Table IV-2, based on the analysis of the sample, shows the average cost per dwelling for each type of investment programmed.

Table IV-2	
Average cost of interventions in projects from the sample	
(US\$ per dwelling)	
Intervention	Average cost
Drinking water	
Construction, expansion or improvement	221
Sanitary and storm sewers	
Construction, expansion, or improvement	386
Roads and paving	
Access routes	180
Streets, sidewalks and curbs	480
Electrification	
Installation of networks, transformers, connections	180
Environmental conservation and upgrades/resettlement	225
Solid waste management	82
Urban image	
Public squares/ green spaces/ signage	57
Total	1,811

- 4.8 Considering the variation in the topographical features of the polygons, the maximum cost of infrastructure per dwelling was increased by 20% over the average cost for planning purposes, to a total of US\$2,173. That figure covers investment costs per dwelling for sanitary and storm sewers and sewage treatment (US\$463); drinking water (US\$266); planting of trees along roads and reforestation of protected and resettlement areas (US\$270); solid waste management (US\$98); electricity, including installation of networks and transformers (US\$216); road construction and paving (US\$792); and urban image (US\$68). These values represent benchmark costs for each component. It is recognized that not all barrios are in need of all services (in particular, water and electricity, for which coverage is very high in Mexico), and some will therefore require lesser amounts of investment. Any savings will be used to expand coverage of the program in each city.
- 4.9 The community and social development subcomponent calls for investments in: (i) multiple-use centers—Habitat-CDCs—for the after-school programs and services for vulnerable groups; and (ii) childcare services in two forms: childcare centers—involving investments in infrastructure and equipment—and home daycares—with investments in equipment and training for the mothers who run them. The design of the Habitat-CDCs could also provide for physical space to accommodate childcare services.
- 4.10 The childcare services have been sized to meet only a portion of the demand in the communities. Wherever possible, existing services will be upgraded by

expanding and improving their facilities and purchasing additional equipment and furnishings to meet local demand.

- 4.11 In determining the childcare project eligibility, cost-effectiveness indexes were calculated, based on the sample of projects for the program. The home daycares will have an equipment ceiling of US\$200 per child, and a maximum operating cost of US\$410 per child per year. The childcare centers will have a rehabilitation and equipment ceiling of US\$95 per dwelling and a maximum operating cost of US\$542 per student per year. These costs are considered the minimum necessary to provide a decent standard of service. Lastly, maximum expenditure per dwelling in the community and social development subcomponent was set at US\$700.
- 4.12 From the analysis of the sample, a maximum cost per dwelling was set at US\$2,983, to be used as the socioeconomic eligibility criterion for the remaining projects under the program. This is considered a reasonable limit for the kinds of projects contemplated, in comparison with similar programs that the Bank has financed.
- 4.13 From the viewpoint of the counterpart contribution expected from local governments (state and municipal), the program's financial feasibility is demonstrated by the funds that they have budgeted for local actions under the Habitat program in 2004. Those contributions have reached, and in some cases exceeded, the provisions in the program's Operating Rules (50% of program costs). Preliminary data show that Habitat has committed some US\$200 million in federal funding, to which must be added local government contributions of an equivalent amount. Moreover, with signature of the Coordination Agreements with the federal government, the states and municipios commit to these contributions. Signature of such agreements is a condition precedent for the implementation of Habitat activities in each state and municipio.

2. Sustainability

- 4.14 In terms of the sustainability of works and services financed by the program, most of which are public services already provided by local utility companies (water, electricity), those companies will be responsible for approving the technical designs of projects, the technical supervision of works, and their operation and maintenance, with community participation.
- 4.15 In exceptional cases (especially for stand-alone water and sewage treatment systems), community maintenance will be required, for which purpose barrio councils will be set up and trained to be responsible for maintaining and operating the systems, with technical support from water companies or municipal departments. When it comes to social services, once financing from the program

has wound down, operating expenses will have to be assumed entirely by the municipios and the community.

- 4.16 Nevertheless, the most important factor for the program's sustainability is that beneficiary communities should have a sense of ownership over it. To this end, organizational and participatory methodologies will be adopted and communities will be consulted at key stages in the design and definition of social services, and will help supervise, or will participate directly in, the execution of works. Communities will be given training for assuming responsibilities for payment of the resulting charges that will be needed to finance the operation and administration of services. This training will also cover maintenance of the systems and sanitary and environmental education.

C. Institutional feasibility

- 4.17 During the first two years of the SDUOT's execution of Habitat, the program's institutional feasibility was observed. That feasibility is based on: (i) the SDUOT's capacity to exercise strategic and intersectoral coordination of Habitat, negotiate Social and Human Development Coordination Agreements with local governments, and function as a project finance window; (ii) the capacity of the SEDESOL regional offices to support execution of the projects and their monitoring and supervision; and (iii) the capacity of eligible municipios (with technical and financial support from state governments) to promote projects, execute them, and guarantee the operation and maintenance of works and social programs in conjunction with CSOs.

1. SEDESOL and its regional offices

- 4.18 SEDESOL has ample experience in executing programs financed by international agencies, and it will therefore not be necessary to set up a special execution unit. Moreover, the SDUOT's central structure has sufficiently qualified technical personnel and the necessary equipment to establish the coordination and supervision mechanisms for Habitat.
- 4.19 Although the SDUOT has extensive experience with capital projects, that experience has had a sectoral focus. The lines of action that are today an integral part of Habitat were in the past regarded as separate activities. To reinforce synergies and to ensure a comprehensive approach to planning interventions, the institutional scheme adopted by the program calls for the operation of a program coordination unit attached to the SDUOT. The institutional feasibility of this structure was tested successfully during the first two years of execution of the Habitat strategy. That scheme is now being strengthened through the nonreimbursable technical-cooperation project ATN/NS-8386-ME, "Consolidating the Management of Habitat", which includes the methodology for preparing community development plans.

- 4.20 Given the program's multisectoral nature, its institutional feasibility depends on close coordination by SEDESOL with the various federal departments, state and municipal entities and service companies, to ensure that program activities are consistent with the projects financed by other agencies. To this end, the State Development Planning Committee (COPLADE) or its state equivalent is expected to support all activities involved in promotion, integration, selection, and validation of proposals.

2. State and municipal governments

- 4.21 The responsibility for executing the specific projects will fall primarily to the state and municipal governments, as appropriate, in accordance with the guidelines established in the Coordination Agreements for Habitat Allocations and Operations. On the basis of experience to date, it is expected that municipal governments will primarily be responsible for the contracting of physical works and the provision of services.
- 4.22 Most of the participating cities have technical staff with suitable training for the promotion, contracting, and supervision of physical works and social services, and for the operation and maintenance of infrastructure. Nevertheless, in order to strengthen the comprehensive planning approach, the program will provide training for local governments, CSOs, and PSOs in the promotion, management, and administration of comprehensive barrio improvement and social development projects.

D. Benefits

- 4.23 The targeting mechanism of the Habitat-Community Development component will ensure that benefits flow to urban households located in "polygons" where the poverty rate is high. Comprehensive interventions in urban infrastructure and social services will improve living conditions for this segment of the population, by: (i) reducing the deficit in basic urban services; (ii) improving environmental sanitation conditions; and (iii) strengthening the community fabric.
- 4.24 Community promotion and participation activities will play an important role in the program's social viability and at the same time will give communities the chance to assume responsibilities and articulate their rights throughout the process of project identification and preparation.
- 4.25 Investments in marginal barrios will help to integrate them socially and physically into the formal city, diminishing the existing inequity within cities in the distribution of public services. As well, the specific attention paid to vulnerable groups (for example the provision of childcare services) will not only contribute to the human development of direct beneficiaries but will also expand families' income generating opportunities, particularly for women, who will also benefit

from measures in the area of reproductive health and the prevention of domestic violence.

- 4.26 With the introduction of urban amenities, the solution of sanitation problems, the mitigation of environmental problems, and the improvement of social relationships, the value of households' assets, especially their immovable assets, should be increased.
- 4.27 In 2004 the program will provide benefits to at least 200,000 households directly and 400,000 households indirectly, located in poor barrios in every state of the country, by giving them access to water, sanitary and storm sewers, roads, garbage collection, parks and recreation spaces, among others. The program will also help to reduce the hazards associated with poverty among the most vulnerable families in those settlements, and in particular for children, adolescents, female heads of household and ethno-cultural groups targeted by the program.

E. Risks

1. Continuity of program financing

- 4.28 Current legislation places a US\$500 cap on spending per poor family under the Habitat component. This means that the program horizon for each barrio must run as long as three years in order to achieve the minimum infrastructure targets and ensure continuity of social services. This implies a risk that the flow of funding for a given barrio could be interrupted, because of budgetary or other problems, leaving the coverage targets unmet. To minimize the risk, it has been agreed that all physical works to be financed must be completed in the same fiscal year in which they are begun or, if necessary, that they be executed in modular form. When it comes to social services, the strategy is to cover operating costs from the local (municipal) counterpart contribution, so as not to depend on federal transfers for continuity.

2. Coordination among the three levels of government (federal, state, municipal)

- 4.29 Execution of the program will require close collaboration among the three levels of government. This could pose a risk to the proper functioning of the program. To mitigate this risk, SEDESOL has signed Coordination Agreements for Social and Human Development with local governments, clearly setting out the roles and responsibilities of each party.

3. Community participation

- 4.30 Another element of risk to the program is its dependence on the community's response for the success of its interventions. To mitigate this aspect, the

community organization subcomponent will finance specific activities to ensure that interventions meet the objectives and priorities of the beneficiaries and that they contribute to keeping the community organized and involved, directly or indirectly, in the upkeep of investments and services.

F. Social considerations

1. Poverty-targeting and social sector classification.

- 4.31 This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). As a barrio improvement project, it also qualifies automatically as a poverty-targeted investment (PTI).
- 4.32 In its effort to link social policy objectives to those of urban and spatial development policies, SEDESOL has designed the Habitat program, as an expression of the importance of overcoming the social deficits and the profound social contrasts in the country's cities and metropolitan regions, and in this way to help them more secure, orderly, and livable. Habitat is designed to address the challenges of poverty and urban development through an approach that combines, among other aspects, the upgrading of infrastructure and facilities in peri-urban barrios through the targeted delivery of social services and community development support. In this respect, the Habitat program is highly sensitive to the needs of female heads of family, vulnerable groups, people with disabilities, children, adolescents, youth, and seniors.

G. Environmental impact

- 4.33 Initiatives such as the proposed program give the Bank the opportunity to support government environmental efforts. Nevertheless, the fact that financing will be provided for social services, infrastructure and preventive activities in 32 federative entities means that the potential for minor environmental impacts is quite large. To guarantee sound environmental procedures, the project team reviewed the procedures adopted by SEDESOL in similar programs, and the provisions of existing national legislation (the Ecological Balance and Environmental Protection Act, and the regulations thereto), concluding that this legislation is compatible with the Bank's objectives and that SEDESOL has the necessary means to implement it. Article 28 of that Act requires that any federal, state or municipal activity must have an environmental impact statement.

1. Legal and regulatory compliance

- 4.34 To guarantee such compliance, Chapter II of the Act, on "Distribution of Powers and Coordination", requires that the Federation, the States, the Federal District and the Municipios exercise their powers to preserve and restore the ecological balance and protect the environment in ways consistent with the distribution of

responsibilities stipulated in this Act and other legislation. The Bank will review the way the environment and natural resources are managed in the course of infrastructure works in the participating cities. Also, pursuant to the Environment Act, the Operating Rules of the Habitat program approved by the Department of Finance and Public Credit (SHCP), published in the Official Gazette of 23 March 2004, emphasize that, as part of the environmental management strategy, the SEDESOL local offices, during compilation of the projects' technical files, will verify compliance with this law. In addition to these considerations, special attention will be paid to sanitation issues (OP-745) and involuntary resettlement (OP-710).

- 4.35 The proposed program will be implemented in accordance with the aforementioned Act, which will be reflected in the Operating Rules of the Habitat program, to be observed by all participating States, municipios and cities. As indicated in the preceding paragraph, these rules call for compliance with the environmental provisions of the Act. In the case of participating States, Chapter II (Article 7) clearly defines the responsibilities delegated by the Department of Environment and Natural Resources (SEMARNAT) and the duty to fulfill them. In the case of participating municipios, Chapter II again applies, via Article 8 (the act does not discriminate among States or municipios by number of inhabitants). As well, States and municipios must comply with the Environmental Regulations for Human Settlements set forth in Article 23 of the Act, which requires, among other things, that water development must incorporate treatment costs, reflecting the impact on water quality and the quantity used.”

LOGICAL FRAMEWORK
MULTIPHASE PROGRAM: ADDRESSING URBAN POVERTY - PHASE I
(ME-0255)

Narrative Summary	Indicators	Means of Verification	Assumptions
<p>Goal</p> <p>To support the Mexican government's efforts to address poverty in the country, by improving living conditions for the marginalized urban population.</p>	<p>A 10% improvement over the base year (no intervention situation) in the UBN component of the CONAPO marginalization index for urban polygons.</p>	<p>Habitat impact evaluation surveys and monitoring system.</p>	<p>Economic growth improves and fiscal revenues remain at least stable.</p>
<p>Purposes</p> <p>To expand the coverage of basic services in marginalized urban areas and enhance the value of household assets; reduce the vulnerability of residents in those areas.</p>	<p><i>Approximately three years after program startup in beneficiary polygons:</i></p> <p>A 15% increase in property values (in comparison with the no-intervention control group and the base year).</p> <p>An increase of 15 percentage points over the base year in the number of dwellings with piped water.</p> <p>An increase of 20 percentage points over the base year in the number of dwellings with sewage disposal and garbage collection services.</p> <p>An increase of 15 percentage points (in comparison with the no-intervention control group and the base year) in the childcare coverage for children under six years of age.</p> <p>An increase of at least 15% in social service coverage for vulnerable groups (at-risk adolescents, older adults, persons with disabilities).</p> <p>A reduction of 5 percentage points (in comparison with the no-intervention control group and the base year) in the incidence of certain water-borne gastrointestinal diseases.</p>	<p>Impact evaluation surveys for the Habitat program.</p> <p>Impact evaluation and Habitat monitoring system.</p> <p>Impact evaluation and Habitat monitoring system.</p> <p>Impact evaluation surveys and information from Habitat monitoring system.</p> <p>Impact evaluation surveys for the Habitat program.</p> <p>Impact evaluation surveys for the Habitat program.</p>	<p>The three levels of government (federal, state and municipal) maintain their commitment to addressing urban marginalization and to working together.</p> <p>There is a continuing high degree of intra- and inter-agency (federal, state, municipal) integration in executing the component.</p>

Narrative Summary	Indicators	Means of Verification	Assumptions
	<p>Targeted inhabitants of the selected focus areas show a high level of satisfaction with Habitat’s investments in the infrastructure and basic services and consider that local living conditions have improved over the base year in terms of safety, violence, and drug addiction, among other issues.</p>	<p>Surveys of Habitat's qualitative and quantitative impact, community satisfaction, and initial barrio self-assessments.</p>	
<p>Components <i>Component 1. Habitat program</i> Environmental and sanitation conditions and access to basic social services in the barrios improve. Community and social development. High levels of community participation in the project cycle are achieved. Access to social services for vulnerable groups (children, youth and adolescents, female heads of household, seniors) improves.</p>	<p>At least 300 community development plans (CDPs) per year financed and 3.3% of poor urban families benefited by the end of Phase I.</p> <p>Starting in year one of execution, at least 50% of eligible families in each selected focus area participate in planning and self-assessment activities of the CDPs.</p> <p>In at least 80% of focus areas in which childcare services are needed, home daycares have been equipped and daycare centers have been built or rehabilitated and equipped.</p> <p>100% of childcare services providers are offering appropriate nutritional and psychosocial care for children by the second year of execution.</p> <p>By the third year, in at least 50% of the focus areas that give priority to building or rehabilitating a Habitat community development center, such a center is in operation, offering at least three of the following services: (i) reproductive health, nutrition and hygiene education for parents; (ii) prevention of domestic violence and legal advisory services; (iii) recreational activities and academic reinforcement; (iv) addiction prevention; (v) IT and computer training; (vi) preschool assistance; (vii) assistance for people with disabilities.</p> <p>At least 50% of the demand for services for at-risk families and individuals (domestic violence and abuse, and drug addiction, alcoholism etc.) and to people with disabilities has been met after three years.</p>	<p>Habitat monitoring and management system</p> <p>Attendance records at community meetings to prepare and monitor execution</p> <p>Habitat monitoring system</p> <p>Habitat monitoring and management system</p> <p>Habitat monitoring and management system and records of home daycares and daycare centers. Qualitative impact evaluation surveys of Habitat</p> <p>Habitat Impact evaluation and monitoring system</p>	<p>Communities participate actively in training and in project preparation and execution.</p>

Narrative Summary	Indicators	Means of Verification	Assumptions
<p>Urban development and risk prevention. Coverage for basic services (drinking water, sewage treatment, storm sewers, roads, electricity and street lighting, garbage collection) improves. Measures for prevention of risks and informal settlements, environmental protection, and resettlement implemented.</p> <p>Urban planning. Urban development plans prepared. The quality of urban space in the historical centers is improved.</p>	<p>3% of seniors in the selected focus areas are participating in community services after 2 years, and 6% after 3 years.</p> <p>At least 80% of residents in each focus area targeted have access to water and sewage systems by the end of the program.</p> <p>60% of dwellings in the focus areas are located on streets with pavement by the end of the program.</p> <p>90% of dwellings in the focus areas have garbage collection after three years of the program</p> <p>By the end of execution, 5% of the families in situations of serious environmental risk families in cities targeted by the program have their risk reduced either through relocation or mitigation measures (3% after two years of execution).</p> <p>By the end of execution, environmental risk maps prepared in all cities with over 100,000 inhabitants targeted by the program (in 50% of the cities after two years of execution).</p> <p>After two years of execution, 60% of Habitat cities have urban development plans and have installed Habitat agencies, and 100% by the end of the program.</p> <p>The use of urban space in the historical centers by the population and tourism flows increase.</p>	<p>Habitat Impact evaluation and monitoring system</p> <p>Habitat monitoring system</p> <p>Habitat Impact evaluation and monitoring system</p>	