

PROJECT IMPLEMENTATION REPORT (PIR) FY 2022

GEF - IDB

IMPORTANT: The reporting period is GEF Fiscal Year 2022 (July 1st, 2021, to June 30th, 2022)

of PIR: 4rd

PROJECT GENERAL INFORMATION

Project Name:	GEF Program for the Implementation of Prioritized ESC Projects in Three Mexican Cities		
Project's GEF ID:	9649	Project's IDB ID:	ME-G1012; GRT/FM-16409-ME
Country/ies	Mexico		
GEF Focal Area/s	Climate Change		
Executing Agency	BANCO NACIONAL DE OBRAS Y SERVICIOS PUBLICOS, S.N.C.		
Project Finance and Disbursements:	GEF Trust Fund	\$ 13,761,468.00	
	Co-finance at CEO Endors./Approv.	\$ 98,300,000	
	TOTAL Project Cost (GEF Grant + co-finance)	\$112,061,468	
	Total disbursements of GEF Grant resources as of end of June 30 th , 2022 (cumulative)	\$ 2,172,408	
Project Dates:	Date of First Disbursement	07/24/2019	
	Agency Approval Date	10/18/2017	
	Effectiveness (Start) Date	12/07/2017	
	Original Last Disbursement Expiration Date ¹ (OED)	12/07/2022	
	Current OED	12/07/2022	
	Estimated Operational Close Date ² (EOC)	03/07/2023	

¹ For the GEF, this is equivalent to the project's "Expected Completion Date".

² For the GEF, this is equivalent to the project's "Expected Financial Closure Date".

	Actual Date of EOC, if applicable	Click here to enter text.
Project Evaluation:	Mid-term Date (Expected or Actual)	12/07/2020
	Terminal evaluation Date (Expected)	06/07/2023

DEVELOPMENT OBJECTIVE RATING (DO) & ASSESSMENT

The objective is to enhance the mitigation and adaptation capacities in three Mexican cities (Xalapa, la Paz and Campeche), through the preparation and implementation of ESC prioritized projects for clean energy, solid waste management and sanitation sectors. Furthermore, it will also establish guidelines to incentivize the replication of the projects in other Mexican cities.

Make an overall assessment and provide a rating³ of “likelihood of achieving project objective” during the period (2021-2022). Describe any significant environmental or other changes attributable to project implementation.

OVERALL (DO) ASSESSMENT	PREVIOUS RATING	NEW RATING
<p>As the Project is designed to enhance the climate change mitigation and adaptation capacities of three Mexican cities, through the preparation and implementation of projects identified under the Emerging Sustainable Cities program for clean energy, solid waste management and sanitation, it is expected that most of the global environmental objectives will be achieved by the end of the project. During the period (2021-2022) there was a relevant progress in two of the three cities, since there was a significant advancement in the installation of the photovoltaic systems in public buildings of La Paz, and most of the analyses for the Bay of Campeche are being developed.</p> <p>In the case of Xalapa, due to changes in the administration of its municipality, the city has not been able to advance with the preparation of a new bidding process for the construction of the Biodigester. The last bidding process (done by the end of 2021) for the construction of the Biodigester was declared void in response to the lack of proposals that met all the requirements stipulated in the bidding document, in part due to prices changing markets, and technology importation risks related with the shortage of containers, the high oil prices and Covid-19 restrictions worldwide. A new bidding process will be prepared by the new municipal government for the construction of the biodigester. However, stakeholders (BID, BANOBRAS and Cities Governments) foresee the need of a contract extension in order to continue with the second phase of energy efficiency activities in La Paz, complete all the studies in course in Campeche, and execute the construction of a biodigester for solid waste management in Xalapa.</p> <p>Considering the afore mentioned points, the rating of the overall (DO) assessment for this period is considered Satisfactory.</p>	S	S

³ See Annex 1: Definition of Ratings.

IMPLEMENTATION PROGRESS RATING (IP) & ASSESSMENT

Make an assessment and provide ratings⁴ of overall Implementation Progress, including information on progress, challenges and outcomes on project implementation activities from July 1st 2021 until June 30th, 2022. As applicable, please include **information on issues and solutions related to COVID-19.**

OVERALL (IP) ASSESSMENT	PREVIOUS RATING	NEW RATING
<p>During this period, Project stakeholders and executing agencies have learned to deal with the Covid-19 pandemic related challenges; however, the low economic growth and political changes have posed additional challenges to the development of the Program.</p> <p><u>Component 1.</u> Biodigester for Xalapa's solid waste management system: all the design products and authorization processes for the construction have been completed. However, the public tender had been declared void twice (June and December 2021) mainly because market volatility due to Covid-19 and rising oil prices which increase technology importation prices. Banobras and BID have offered to the municipality to integrate counterpart founding to increase the availability of funds for the construction of the Biodigester; however, a new government arrived at the municipality (January 2022), which is analyzing the scope and continuity of the Project. Committed amount and for bidding: US\$6,627,593.00.</p> <p><u>Component 2.</u> Solar photovoltaic power plants in public buildings and schools in La Paz: The project has been planned in two phases. The first phase is almost concluded, since all the photovoltaic systems have been installed and the interconnection to the CFE matrix have been approved. The photovoltaic plants in nine buildings are expected to be operational by the end of August 2022. The Government of the State of B.C.S. is structuring the second phase of the Project, which will consist of the installation of photovoltaic systems and/or energy co-generators in La Paz Wastewater Treatment Plant (PTAR). The PTAR produces a large amount of methane, but only a minor proportion is used for sludge heating. Committed amount: US\$4,294,000</p> <p><u>Component 3.</u> Comprehensive executive study for the clean-up of the Bay of Campeche: The three main consultancies of this component were awarded in May 2022 and are being executed (a census of potable water users; an analysis for the adaptation of the sanitary drainage system and the design of a wastewater treatment plant; and an improvement of storm-water drainage systems). The products of these consultancies will provide decision support information and planning tools, necessary to agree on an infrastructure project in Campeche that allows reducing emissions derived from untreated wastewater. The consultancies have a duration of 180 days (December 2022). Amount in execution: US\$940,000</p>	S	S

⁴ See Annex 1: Definition of Ratings.

<p>The three components have provided lessons learned that are being integrated for the replication and escalation of the Program. The rating of the Implementation Progress for this period is considered Satisfactory (S).</p>		
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RISK RATING & ASSESSMENT

For fiscal year 2022, make any adjustments necessary to the assessment ratings⁵ of overall Project Risk⁶ that you provided in the last PIR (2020-2021). Please include details and remedial measures for High and Substantial Risks, specifying who will be responsible for these measures.

OVERALL RATING FOR PROJECT RISK	PREVIOUS RATING	NEW RATING
<p>During the previous assessment period, risks related to changes in the governments of the three cities participating as sub executors were detected. However, there is a significant progress in project execution with the Governments of Baja California and Campeche, in consequence Project Risk have lowered from moderate risk to low risk for those states.</p> <p>In the case of Xalapa, there is still a modest risk that the new local government may have different priorities than the previous ones in terms of policies and projects. In response to that situation a working mission to the project site was carried out in May 2022 to strengthen the collaboration between stakeholders and facilitate the execution of the activities. IDB and BANOBRAS are working together to help the Xalapa Government to understand the project and prioritize its execution during 2022.</p> <p>Considering the progress of the implementation during fiscal year 2022 of Components 2 and 3, and the delay of the execution of component 1, the Project Risk is classified as Modest (M).</p>	M	M

⁵ See Annex 1: Definition of Ratings.

⁶ These should include risks identified at CEO Endorsement AND any new risks identified during implementation.

STAKEHOLDER ENGAGEMENT

Please add information on any progress, challenges and outcomes with regards to stakeholder engagement, based on the project's activities during its implementation through the 2010-2022 GEF Fiscal Year. As applicable, please include **information on issues and solutions related to COVID-19.**

The sub-execution agencies have reported that the multidisciplinary and integrated management approach, the continuous technical assistance, and the capacity building inputs of the Program have had a spin-off effect of improving stakeholders' engagement and have reduced bureaucracy among the institutions.

GENDER

Please add information on any progress, challenges and outcomes with regards to any and all gender-responsive measures that were undertaken in the project's activities during the 2021-2022 GEF Fiscal Year.

Also: Were indicators on gender equality and women's empowerment incorporated in the project's results framework? (Yes/No). If applicable, include the indicator with its baseline, target and current value (2021-2022).

A gender-equality and women's-empowerment analysis was conducted during project preparation that found no potential gender issues and, therefore, the project does not have a gender-responsive results framework or sex-disaggregated indicators. At approval, the operation complied with national laws and regulations regarding women's rights, gender, the environment, and indigenous peoples. The executing units monitor gender-equity issues throughout project implementation and have reported the following:

City of Xalapa. The technical committee for evaluating procurement, the interdisciplinary municipal work groups (legal, treasury, audit, etc.) and the consulting firms all encourage equitable gender participation.

City of Campeche. The State of Campeche and its various dependencies are governed under the principles of gender equality and equity, as established in the 2019-2021 State Development Plan, aligned with the National Development Plan. Because integrated water resource management covers the entire population of the State of Campeche, the project ensures gender equity.

City of La Paz. The State of Baja California Sur has a regulatory framework aligned to national and international good practice to advance equality between men and women. State planning instruments incorporate the gender perspective. The project coordination unit maintains gender parity.

KNOWLEDGE

Please add information on knowledge activities and products developed in relation to the project (with GEF or non-GEF resources), with special emphasis on activities carried out during the 2021-2022 GEF Fiscal Year. As applicable, please include **information on issues and solutions related to COVID-19.**

During this period, a roadmap was prepared for the creation and consolidation of the capacities of the executing agency and sub-executing agencies of the Program. The main activities include:

- 1) Workshop on the identification and channeling of reimbursable and non-reimbursable resources for infrastructure projects resilient to climate change: the objective is to present concepts and tools that can be applied in the structuring and management of bankable infrastructure projects aimed at mitigating and adapting to climate change (energy efficiency, solid waste, water and sanitation sectors) with the aim of promoting the training of project leaders in the Mexican development banks and in subnational governments.
- 2) Climate change course for financial institutions: the objective is to review the risks and opportunities that climate change represents for financial institutions, what responses governments have given, how carbon markets work, and low-carbon investment opportunities in the region.
- 3) Workshop on the evaluation of environmental and social risks in infrastructure projects: the objective is to strengthen capabilities for managing environmental and social risks in a timely manner, considering factors such as the environment and working conditions, health, hygiene and safety, involuntary resettlement, communities indigenous and gender approach.
- 4) Training in acquisitions that have international resources: review of legislation, regulations, applicable procedures, case studies and advice for adaptation of internal regulations (manuals).

CHANGES TO PROJECT DESIGN AND IMPLEMENTATION

IDB's policies apply throughout the execution of GEF projects. Most changes considered "minor amendments" by GEF would, according to IDB's regulations, norms, and policies, require EITHER no contractual adjustment at all [e.g., small changes in outputs or parallel co-financing] OR a contractual adjustment that does not require Board approval [e.g., extension of date of last disbursement]. These changes should be reported in the PIR for the Fiscal Year during which the changes took effect.

Please indicate in the table below (with an 'x' under Yes or No) which aspects of the project were affected by the changes and provide a short description, as well as a reference to any supporting material uploaded into the Bank's systems:

In the Reporting Year, were any changes made that affected:	YES	NO	If YES, please briefly describe changes made:	Link to supporting material
Results Matrix/ Outputs: P(a) EOP values, wording of outputs, or addition of outputs?		X		
Component Cost: funding allocated per component (vs. originally approved)?		X		
GEF Co-financing: changes in sources and/or amounts expected?		X		
Dates reported to GEF (e.g., effectiveness, first/ extension of last disbursement, midterm evaluation)?		X		
Executing mechanism (e.g., change of Executing Agency or function of advisory committee)?		X		
Other implementation arrangements (e.g., coordination with other GEF projects)?		X		
Financial [risk] management (e.g., waiver for annual audit or change in % to be justified)?		X		
Management of E&S risks and impacts (e.g., changes to ESMP)?		X		
Management of other risks (e.g., changes due to health/ Covid-19 or security concerns)?		X		

Please note: Should the request or need for any changes arise that, by IDB's regulations, norms and policies, require authorization at the Manager level or above [see OA-420, OA-421, OA-430 and OA-431], project teams should invariably get in touch with the IDB-GEF Coordination team, preferably prior to discussing such changes with counterparts to ensure proper coordination with and reporting to the GEF.

Examples include, but are not limited to: (i) All substantial and fundamental changes covered by the OA-430; (ii) Changes to the general or specific project objective(s) or to the project's area of intervention; (iii) Results Matrix/ Outcomes & Impacts: P(a) value, wording of existing or addition of Outcomes, Outcome Indicators, Impacts and/or Impact Indicators; (iv) Components: changes in types of activities that may be financed with project funding (eligibility of expenses); (v) Total Amount of Project Financing (above originally approved amount).

LESSONS LEARNED / BEST PRACTICES

*If the project generated any lessons learned or best practices during the 2021-2022 GEF Fiscal Year, please provide a short description. **As applicable, please include information on issues and solutions related to COVID-19.***

TOPIC/THEME	LESSONS
Transparency and Continuity	The high visibility of the program increases transparency to the hiring process and supports continuity when government authorities change.
Commitment of executing agency	The commitment and stability of the executing agency have helped to overcome challenges related to governmental changes in sub-executing agencies. Since the personnel in charge of the project has not changed, the knowledge and comprehension of the Program objectives and activities have been kept within the institution and have helped to transfer them to the municipalities.
Monitoring and Supervision	Personnel changes or absences and a lack of enough personnel have affected the progress of the Program. Regular monitoring and supervision missions from the IDB and BANOBRAS support the prioritization of Program activities in political agendas.

LESSONS LEARNED FROM THE MTR

1. Due to the increasing capacity and decreasing cost of photovoltaic solar power technology, the tendering process emphasized acquisition of cutting-edge technology, as opposed to establishing predetermined technical specification. This change in approach will increase efficiency, reduce costs and therefore, expanded beneficiaries covered in this component.
2. Although the knowledge management, dissemination and communication component has not begun, the delay may have a positive effect. Rather than developing generic information on the whole program, once the components have matured, the documentation and education can reflect their individual achievements.

3. The local government's lack of knowledge about IDB procurement policies and procedures was identified during project preparation and foreseen as a medium risk, nevertheless it was not effectively addressed until it began to impede implementation progress. This experience shows the importance of periodically reviewing risks and mitigation strategies.
4. The city of Xalapa reports that the multidisciplinary, integrated management approach and the capacity building inputs of the project have had a spin-off effect of improving communication and reduced bureaucracy among the key functional areas in the municipal government.
5. Adapting to the delays, disruptions and personnel absences caused by the covid-19 pandemic has resulted in coping strategies that include new work processes and protocols, mandating the use of digital tools that previously were optional, and adjusting to loss of capacity. The experience and lessons learned kept the process on track and will continue to help in scheduling and executing subsequent work.
6. The high visibility of the program increases transparency to the hiring process and supports continuity when government authorities change.

ANNEX 1. DEFINITION OF RATINGS

Development Objective Ratings

1. **Highly Satisfactory (HS):** Project is expected to achieve or exceed **all** its major global environmental objectives, and yield substantial global environmental benefits, without major shortcomings. The project can be presented as “good practice”.
2. **Satisfactory (S):** Project is expected to achieve **most** of its major global environmental objectives, and yield satisfactory global environmental benefits, with only minor shortcomings.
3. **Marginally Satisfactory (MS):** Project is expected to achieve **most** of its major relevant objectives but with either significant shortcomings or modest overall relevance. Project is expected not to achieve **some** of its major global environmental objectives or yield some of the expected global environment benefits.
4. **Marginally Unsatisfactory (MU):** Project is expected to achieve **some** of its major global environmental objectives with major shortcomings or is expected to achieve only **some** of its major global environmental objectives.
5. **Unsatisfactory (U):** Project is expected **not** to achieve **most** of its major global environment objectives or to yield any satisfactory global environmental benefits.
6. **Highly Unsatisfactory (HU):** The project has failed to achieve, and is not expected to achieve, **any** of its major global environment objectives with no worthwhile benefits.

Implementation Progress Ratings

1. **Highly Satisfactory (HS):** Implementation of **all** components is in substantial compliance with the original/formally revised implementation plan for the project. The project can be presented as “good practice”.
2. **Satisfactory (S):** Implementation of **most** components is in substantial compliance with the original/formally revised plan except for only a few that are subject to remedial action.
3. **Marginally Satisfactory (MS):** Implementation of **some** components is in substantial compliance with the original/formally revised plan with **some** components requiring remedial action.
4. **Marginally Unsatisfactory (MU):** Implementation of **some** components is not in substantial compliance with the original/formally revised plan with **most** components requiring remedial action.
5. **Unsatisfactory (U):** Implementation of **most** components is not in substantial compliance with the original/formally revised plan.
6. **Highly Unsatisfactory (HU):** Implementation of **none** of the components is in substantial compliance with the original/formally revised plan.

Risk ratings

Risk ratings will assess the overall risk of factors internal or external to the project which may affect implementation or prospects for achieving project objectives. Risks of projects should be rated on the following scale:

1. **High Risk (H):** There is a probability of greater than 75% that assumptions may fail to hold or materialize, and/or the project may face high risks.

2. **Substantial Risk (S):** There is a probability of between 51% and 75% that assumptions may fail to hold and/or the project may face substantial risks.
3. **Modest Risk (M):** There is a probability of between 26% and 50% that assumptions may fail to hold or materialize, and/ or the project may face only modest risks.
4. **Low Risk (L):** There is a probability of up to 25% that assumptions may fail to hold or materialize, and/ or the project may face only modest risks.