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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL LOAN AND RESTRUCTURING

IN THE AMOUNT OF US\$300 MILLION

TO THE

UNITED MEXICAN STATES

Social Protection System Project

January 5, 2017

Social Protection & Labor Global Practice

Latin America And Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective Sep 12, 2017)

Currency Unit = Mexican Pesos

MXN 17.73060 = US\$1

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing (<i>Financiamiento Adicional</i>)
BANSEFI	National Savings and Financial Services Bank (<i>Banco del Ahorro Nacional y Servicios Financieros</i>)
CDI	Indigenous Peoples National Commission (<i>Comisión Nacional para el Desarrollo de los Pueblos Indígenas</i>)
CECATI	Technological Industrial Training Centers (<i>Centros de Capacitación Tecnológica Industrial</i>)
CENEVAL	National Evaluation Center for Higher Education (<i>Centro Nacional de Evaluación para la Educación Superior</i>)
CNCH	National Crusade Against Hunger (<i>Cruzada Nacional Contra el Hambre</i>)
CNP	National Coordination of PROSPERA (<i>Coordinación Nacional de PROSPERA</i>)
CNPSS	National Commission of Social Protection in Health (<i>Comisión Nacional de Protección Social en Salud</i>)
CONAFE	National Council for Educational Development (<i>Consejo Nacional de Fomento Educativo</i>)
CONEVAL	National Council for the Evaluation of Social Development Policy (<i>Consejo Nacional de Evaluación de la Política de Desarrollo Social</i>)
CPC	Community Promotion Committees (<i>Comités de Promoción Comunitaria</i>)
CS	Conditional Support
CUIS	Unique Socio-economic Information Questionnaire (<i>Cuestionario Único de Información Socioeconómica</i>)
DGAO	General Directorate of Operations (<i>Dirección General de Atención y Operación</i>)
FAIS	Social Infrastructure Fund (<i>Fondo de Aportaciones para la Infraestructura Social</i>)
FM	Financial Management
GDP	Gross Domestic Product
GoM	Government of Mexico
GRS	Grievance Redress Service
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICAT	Job Training Institutes (<i>Institutos de Capacitación y Adiestramiento para el Trabajo</i>)
ICT	Information and Communication Technology
IEG	Independent Evaluation Group
IMSS	Mexican Social Security Institute (<i>Instituto Mexicano del Seguro Social</i>)
INALI	National Institute of Indigenous Languages (<i>Instituto Nacional de Lenguas Indígenas</i>)
IPP	Indigenous Peoples Plan
MIS	Management Information System
NAFIN	National Financing Agency (<i>Nacional Financiera, SNC IBD</i>)
NDP	National Development Plan (<i>Plan Nacional de Desarrollo</i>)
OM	Finance and Administration Unit within SEDESOL (<i>Oficialía Mayor</i>)
PAJA	Agricultural Worker Care Program (<i>Programa de Atención a Jornaleros Agrícolas</i>)

PAL	Food Support Program (<i>Programa de Apoyo Alimentario</i>)
PAM	Federal Social Pension Program (<i>Programa Pensión para Adultos Mayores</i>)
PDO	Project Development Objective (<i>Objetivo de Desarrollo de Proyecto</i>)
PEI	Child Care Program for Working Mothers (<i>Programa de Estancias Infantiles para Apoyar a Madres Trabajadoras</i>)
PESA	Strategic Project for Food Security (<i>Proyecto Estratégico de Seguridad Alimentaria</i>)
PFES	Social Economy Promotion Program (<i>Programa de Fomento de Economía Social</i>)
PP	Project Paper
RAPI	Field worker for Indigenous Population (<i>Responsable de Atención para Población Indígena</i>)
RSDS	Regional Social Development Strategy (<i>Estrategia de Atención Regional al Desarrollo Social</i>)
SAGARPA	Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (<i>Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación</i>)
SE	Ministry of Economy (<i>Secretaría de Economía</i>)
SEDESOL	Social Development Ministry (<i>Secretaría de Desarrollo Social</i>)
SEMARNAT	Ministry of Environment and Natural Resources (<i>Secretaría de Medio Ambiente y Recursos Naturales</i>)
SEP	Ministry of Public Education (<i>Secretaría de Educación Pública</i>)
SIGE	Geographic Information System (<i>Sistema de Información Geográfica</i>)
SHCP	Ministry of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)
SIS	Social Information System (<i>Sistema de Información Social</i>)
SNE	National Employment Service (<i>Servicio Nacional de Empleo</i>)
SSPDR	Viceministry of Planning, Evaluation and Regional Development (<i>Subsecretaría de Planeación, Evaluación y Desarrollo Regional</i>)
STPS	Ministry of Labor and Social Security (<i>Secretaría del Trabajo y Previsión Social</i>)
UPRI	Planning and International Relations Unit (<i>Unidad de Planeación y Relaciones Internacionales</i>)



BASIC INFORMATION – PARENT (- P147212)

Country Mexico	Product Line IBRD/IDA	Team Leader(s) Francesca Lamanna		
Project ID P147212	Financing Instrument Investment Project Financing	Resp CC GSP04 (9343)	Req CC LCC1C (447)	Practice Area (Lead) Social Protection & Labor

Implementing Agency: SEDESOL/PROSPERA

Is this a regionally tagged project? No			
<input type="checkbox"/> Situations of Urgent Need or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects	Bank/IFC Collaboration No		
Approval Date 24-Oct-2014	Closing Date 28-Jun-2019	Original Environmental Assessment Category Not Required (C)	Current EA Category Not Required (C)

Development Objective(s)

The proposed Project Development Objectives are to support the Government’s effort to: (i) increase access of PROSPERA beneficiaries to social and productive programs, and (ii) develop instruments for an integrated social protection system.

Ratings (from Parent ISR)

	Implementation	Latest ISR
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	18-Jun-2015	10-Dec-2015	24-May-2016	26-Oct-2016	24-Apr-2017	16-Oct-2017
Progress towards achievement of PDO	S	S	S	S	S	S
Overall Implementation Progress (IP)	S	MS	MS	MS	MS	MS
Overall Safeguards Rating	S	S	S	S	S	S
Overall Risk	S	S	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (MX Social Protection System Additional Financing - P164152)

Project ID P164152	Project Name MX Social Protection System Additional Financing	Additional Financing Type Restructuring, Scale Up	Urgent Need or Capacity Constraints No
Financing instrument Investment Project Financing	Product line IBRD/IDA	Approval Date 24-Jan-2018	
Closing Date 28-Jun-2019	Bank/IFC Collaboration No		
Is this a regionally tagged project? No			

- Situations of Urgent Need or Capacity Constraints
- Financial Intermediaries
- Series of Projects

PROJECT FINANCING DATA – PARENT (- P147212)

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD	350.00	311.84	38.16	<div style="width: 89%; background-color: green;"></div>	89 %
IDA				<div style="width: 0%; background-color: gray;"></div>	%
Grants				<div style="width: 0%; background-color: gray;"></div>	%

PROJECT FINANCING DATA – ADDITIONAL FINANCING (MX Social Protection System Additional Financing - P164152)**FINANCING DATA (US\$, Millions)**

<input type="checkbox"/> Counterpart Funding	<input checked="" type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
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For Loans/Credits/Others (US\$, millions)

Total Project Cost :	300.00	Financing Source	Amount
Financing Gap :	0.00	International Bank for Reconstruction and Development	300.00
Total Bank Financing :	300.00	Total	300.00
Of Which Bank Financing (IBRD/IDA):	300.00		

FINANCING SUMMARY (Parent and AF)

	Parent Project	Additional Financing	Total
Total Project Cost	350.00	300.00	650.00
Total Financing	350.00	300.00	650.00
International Bank for Reconstruction and Development	350.00	300.00	650.00
Financing Gap	0	0.00	0



COMPLIANCE

Policy

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

Yes No

Does the project require any other Policy waiver(s)?

Yes No

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Climate Change and Disaster Screening

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

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Francesca Lamanna	Team Leader (ADM Responsible)		GSP02
Gabriel Penalosa	Procurement Specialist (ADM Responsible)	Procurement	GGO04
Daniel Chalupowicz	Financial Management Specialist	Financial Management	GGO22
Arelia Jacive Lopez Castaneda	Social Safeguards Specialist		GSU04
Aylin Isik-Dikmelik	Team Member		GSP04
Carlos Alberto Molina Prieto	Social Safeguards Specialist		GSU04
Clemente Avila Parra	Team Member	Analyst in Country	GSP04
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Jose C. Janeiro	Team Member	Loan Officer	WFALA
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Maria Concepcion Steta Gandara	Team Member	Conditional Cash Transfer Programs expert	GSP04
Robert H. Montgomery	Environmental Safeguards Specialist		GEN04
Sara Francesca Giannozzi	Team Member	Territorial strategy Expert	GSP04
Ximena B. Traa-Valarezo	Social Safeguards Specialist	Indigenous People expert	GSU04

Extended Team

Name	Title	Organization	Location
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MEXICO

MX SOCIAL PROTECTION SYSTEM ADDITIONAL FINANCING

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I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional loan (Ln. 8823-MX) in the amount of US\$300 million to the Mexico Social Protection System Project (P147212). This Project Paper also presents the following revisions of the parent Project: (i) modification of the scope of current activities, including incorporation of new tasks for selected sub-components; (ii) reallocation of loan resources within components but not within categories; (iii) revision of result indicators and targets; and (iv) extension of the closing date of the original loan (Ln. 8447-MX) to align it with the June 30, 2021 closing date of the proposed additional loan (Ln. 8823-MX).
2. The flagship poverty reduction program was created in 1997 under the name of *Progresa (Program for Education, Health and Nutrition)*, was renamed *Programa de Desarrollo Humano Oportunidades* in 2002, and then in 2014 it was transformed into PROSPERA Social Inclusion Program. It provides non-reimbursable support to six million families in poverty and extreme poverty¹, conditional on compliance with co-responsibilities, such as school attendance or periodic health check-ups of young children, aimed at developing human capital. External evaluations of the program have shown significant positive impacts on consumption, education and health. (For more details on PROSPERA and key results of impact evaluations, see Annex 1 and the Project Appraisal Document-Report PAD933-MX).
3. The proposed Additional Financing (AF) would scale up the effectiveness of a well-performing Project by extending further support to PROSPERA beneficiary families, and increasing positive impacts on consumption, education, health and nutrition for the poor and vulnerable (including Indigenous Peoples), along with continued focus on the innovative aspects of the program (linking beneficiaries to complementary productive and social programs). Thus, the extended support is expected to enhance the overall development impacts of PROSPERA on poverty reduction, infant and maternal mortality, and school enrollment at different levels, particularly for the indigenous people, with potential positive effects on labor market inclusion. The proposed AF would further expand the depth and breadth of the Bank's support in the sector through various activities to boost social spending efficiency, including: a) strengthening the Social Infrastructure Fund (*Fondo de Aportaciones para la Infraestructura Social-FAIS*)² by supporting the Ministry of Social Development's (SEDESOL) overall planning, and the monitoring and evaluation system of FAIS; and b) developing SEDESOL's evidence-based planning system to continue enhancing social development programs.

¹ Approximately 25 million poor individuals. The program is targeted to poor and extreme poor families through the use of a proxy means test.

² FAIS is a \$US3.5 billion per year decentralized fund allocated to subnational governments that aims to close the social infrastructure gap and to increase access to social rights. FAIS is particularly important for small and poor municipalities; for the "very highly" marginalized municipalities the FAIS represents, on average, 47 percent of the municipal budget. For more detailed information see Annex 1.



4. The Project's development objectives (PDO), which will remain the same under the proposed AF, are to support the Government's effort to: (i) increase access of PROSPERA beneficiaries to social and productive programs;³ and (ii) develop instruments for an integrated social protection system. Institutional arrangements and overall implementation, fiduciary, and safeguards mechanisms will also remain the same. No additional safeguards policies will be triggered, there will be no changes in the environmental C category,⁴ and the Project's Indigenous Peoples Plan will continue to be implemented. No additional risks have been identified and the overall risk remains substantial.

B. Country and Sector Background

5. Mexico's growth rate is modest. From 2014 to 2016, the annual average growth rate of its Gross Domestic Product (GDP) was 2.4 percent. This is close to the annual average economic growth rate from the previous two decades, 2.6 percent from 1994 to 2013. Taking into consideration the population growth rate, the annual average growth rate of Mexico's *per capita* GDP for these two periods is below one percent.
6. Mexico's modest economic growth can be explained by both internal and external factors. The internal factors that are closely related to economic growth are low productivity and limited application of the rule of law.^{5,6} These internal factors can be explained in part by the inability to reallocate productive factors such as labor and capital from low- to high-productivity sectors of the economy, which is also related to high levels of informality, low educational attainment, and a mismatch between skills of the workforce and the skills demanded in the productive sector.⁷ External factors include unfavorable conditions such as the sharp drop in international oil prices in 2014, the international financial market volatility, the downturn in global economic activity, and, more recently, the uncertainty over the future of the U.S.-Mexico trade relations, among others.
7. The economic growth over recent years has hindered poverty reduction. From 2010 to 2014, the official multi-dimensional poverty headcount index stagnated at 46 percent, mostly explained by the lack of improvement in the income poverty rate, which in turn reflects the limited opportunities for the poor to earn an income. In the same period, the multi-dimensional extreme poverty rate fell from 11.3 to 9.5 percent. Mexico's regional and between group disparities in terms of poverty continue to be present. Sustainably raising the incomes of the poor, especially through better integration to the labor market, also remains a major challenge. In 2014, more than 40 percent of the poor were concentrated in only five of the thirty-two states: Chiapas, State of Mexico, Oaxaca, Puebla, and Veracruz. These states have the lowest average per capita income (in

³ "Social" programs refer to those that support closing gaps in access to: health, nutrition, education, housing and other social services. "Productive" programs refer to income generating programs in rural areas and labor related programs in urban areas. See Annex 2. Box A.2.2 for the list of programs.

⁴ Category C: A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts.

⁵ Gomez, Paulina. (2015). La baja productividad afecta el crecimiento: Banxico. *El economista*. México. Consultado en: <http://eleconomista.com.mx/finanzas-publicas/2015/06/16/baja-productividad-afecta-crecimiento-banxico>

⁶ Rubio, Luis. (2015). Una utopía mexicana: El Estado de derecho es posible. Woodrow Wilson International Center for Scholars. Washington, D.C.

⁷ Ros, J. (2013). *Rethinking Economic Development, Growth, and Institutions*. Oxford University Press, EE.UU.



fact the income in the State of Mexico, Oaxaca, and Veracruz did not grow from 2010 to 2014); the highest inequality; the largest indigenous population; and the highest educational gap. These states are also characterized by extreme remoteness, low productivity jobs, and high informality levels and are among the most populated.

8. The Government of Mexico (GoM) has an ambitious reform agenda to unleash productivity, increase the economic growth rate and its pro-poorness, and reduce poverty. Breaking the vicious cycle of poverty requires an integrated reform agenda focused on mutually reinforcing economic and social objectives. During the first two years of the current administration, legislative reforms were enacted in areas such as energy, telecommunications, taxation and fiscal policy, the financial sector, education, labor, and competition policy, among others. Despite progress made in the implementation of several of these legislative and policy reforms, the benefits tend to accrue gradually over time and the complexity of such reforms in a dynamic environment makes it difficult to attribute results to them.
9. One of the five pillars of Mexico's National Development Plan of 2013-2018 is "Inclusion" (*Mexico Incluyente*). This pillar is an important part of the social development agenda and aims to strengthen the social protection system and support the poor with an integrated approach. This pillar also aims to increase social inclusion and equality of opportunities with a social rights-based approach. To implement this vision, the GoM has undertaken important social policy initiatives including: (i) the implementation of a "redesigned" flagship poverty reduction program now called PROSPERA (*Programa de Inclusión Social*--previously known as *Oportunidades* and PROGRESA)⁸; (ii) the development of the Integrated Social Information System (SISI); and (iii) modifications to the legal framework for FAIS, which include revising the Fiscal Coordination Law and establishing detailed guidelines for the operation of FAIS funds, among others, to strengthen its poverty-reducing impact.
10. The World Bank has been supporting the GoM in strengthening the social protection system and the support to the poor with an integrated approach since 2009. To respond to the 2008 global financial crisis the Bank supported the predecessor of PROSPERA, *Oportunidades*, with a US\$1,504 million loan (Report No. 46821-MX/P115067), together with an AF for US\$1,250 million in 2010 (Report No. 55859-MX). Since 2014, the ongoing Social Protection System Project (Ln. 8447-MX/P147212) has supported the most innovative aspects of the redesign of PROSPERA, on linking the poor to productive activities, and added important support to the overall strengthening of the social protection system.
11. Experience has shown that Mexico's social programs have had short-term effects on multiple human development dimensions and some long-term gains.⁹ Mexico's poverty reduction programs

⁸ See parent Project Appraisal Document (Report PAD933-MX) and Annex 1 for details on the Government's reforms and the redesign of PROSPERA.

⁹ Experimental evidence shows that PROSPERA had positive long-term effects on schooling and socio-emotional skills, however evidence on other dimensions remains inconclusive (Molina-Millan et al., 2006).



like PROSPERA, Pension Program for the Elderly, and *Seguro Popular*¹⁰ have increased consumption; improved nutrition, health and educational outcomes; increased resilience against risks and negative shocks through income protection; and reduced poverty in the short term. PROSPERA's targeting is effective, with most of its beneficiaries in the first two quintiles of the income distribution¹¹ and nearly 50 percent of its beneficiaries in the five states noted earlier (Chiapas, State of Mexico, Oaxaca, Puebla, and Veracruz) that concentrate nearly 40 percent of Mexico's poor.¹² See Annex 1 for detailed information on PROSPERA's impact and results.

12. As was the case for the parent Project, the proposed AF is aligned with the World Bank Group's Country Partnership Strategy (CPS) for the United Mexican States, 2014-2019 as updated in the Performance and Learning Review of February 23, 2017 (Report No. 104752); with the World Bank Group's Social Protection and Labor Strategy;¹³ and with the World Bank Group's twin goals of eradicating extreme poverty and promoting shared prosperity. This proposed AF falls under the CPS pillar of "Increasing Social Prosperity" and covers activities in the sub-thematic areas of promoting an integrated social protection system and promoting labor markets for inclusive growth. It contributes to poverty reduction and to boosting shared prosperity by continuing to support the welfare and human capital accumulation of the poor, and continuing to link the poor to social and productive programs; and thus, is fully aligned with the "equity" and "opportunities" pillars of the Social Protection and Labor Strategy.

C. Project Background

13. The Mexico Social Protection System Project (P147212) was approved on October 24, 2014, with an IBRD Loan in the amount of US\$ 350million (Ln. 8447-MX). The Project became effective on February 17, 2015 and is scheduled to close on June 28, 2019.
14. The Project supports a significant shift in the GoM's strategy to strengthen the social protection (SP) system to better serve the poor in an integrated manner. It does so by supporting SEDESOL in the development of critical tools to establish an integrated SP system (e.g., an integrated social information system and a planning system, among others), while simultaneously helping the largest anti-poverty program in Mexico (PROSPERA) improve its core business processes through building and testing new mechanisms to link its beneficiaries with complementary social and productive programs in the larger SP system.

¹⁰ *Seguro Popular* is a public health insurance that covers a wide range of services without co-pays for its affiliates. It was established by the GoM in 2004 in an effort to expand health care to those without health insurance and reduce health inequalities.

¹¹ National Survey of Income and Expenditure – ENIGH, (2014).

¹² PROSPERA, 2017. PROSPERA coverage by localities (Nov-Dec 2016) in PROSPERA's Open Data website. Consulted in August, 2017: <https://datos.gob.mx/busca/dataset/cobertura-de-atencion-familias-beneficiarias>

¹³ World Bank (2012). The World Bank 2012-2022 Social Protection and Labor Strategy: Resilience, Equity, And Opportunity. (Report- 73235)-



15. The Project's development objectives are to support the Government's effort to: (i) increase access of PROSPERA beneficiaries to social and productive programs¹⁴; and (ii) develop instruments for an integrated social protection system. Component 1 (US\$317.5 million) aids PROSPERA in providing support for human capital investments and linkages with other social and productive programs to improve beneficiaries' social and economic well-being. At the same time, it ensures continued improvements in the Program's service delivery and its evaluation agenda. Component 2 (US\$31.6 million) aims to strengthen the overall social protection system by supporting SEDESOL in developing new technologies and policies that will allow for better planning of social and productive interventions based on the needs of the target population, while improving efficiency and effectiveness of social spending.
16. Overall implementation of the Project has been satisfactory with both Implementation Progress (IP) and Progress towards achievement of the PDO consistently rated Moderately Satisfactory or higher for the past 12 months. During 2015 and 2016, around 1.1 million PROSPERA beneficiaries successfully accessed complementary social programs and 236,625 accessed productive inclusion programs. The parent Project to date supported (i) the update of the content of the capacity building for the staff of PROSPERA with the objective of supporting effective implementation of the new linking strategy of the program; (ii) the needed technical assistance to support families to develop and implement productive inclusion projects; (iii) knowledge exchanges with other countries on best practices in linking PROSPERA beneficiaries to social and productive programs. Implementation is currently rated moderately satisfactory due to delays in executing technical assistance activities mainly related to Component 2.¹⁵ As of November 2017, approximately US\$38 million of the technical assistance portion of the loan was undisbursed.
17. The Project has adequate implementation arrangements, and it is compliant with legal covenants, social safeguards, and financial management reporting. As of November 2017, the Project had disbursed US\$311.84 million, representing 89.1 percent of the original loan amount, outpacing original disbursement estimates. There are no outstanding audits for the Project, and the last audit report had an unqualified clean opinion, which resulted in the review of an acceptable audit report, timely submitted to the Bank.

D. Rationale for Additional Financing

18. The rationale for the proposed AF in the amount of US\$300 million is to scale up the effectiveness of the well-performing Social Protection System Project by extending further support to PROSPERA beneficiaries, and increasing positive impacts on consumption, education, health and nutrition for the poor and vulnerable (including Indigenous Peoples), with continued focus on supporting the

¹⁴ "Social" programs refer to those that support closing gaps in access to: health, nutrition, education, housing and other social services. "Productive" programs refer to income generating programs in rural areas and labor related programs in urban areas. See Annex 2. Box A.2.2 for the list of programs.

¹⁵ As of November 2017, approximately 80% of the technical assistance was undisbursed due to several delays during implementation derived from: (i) cross-sectoral budget constraints that reduced and delayed budget availability; (ii) changes in administration; (iii) existence of pluri-annual contracts that will have heavier disbursements in the coming years; and (iv) dollar depreciation.



ongoing building of linkages with social and productive programs in the larger SP system. The continued support for the flagship poverty reduction program in Mexico, especially on the innovative redesign elements to connect beneficiaries to productive opportunities to enhance their social mobility and ability to generate income, is expected to contribute to the Program's long-term goal of breaking the intergenerational cycle of poverty. The proposed AF combined with the restructuring of the parent Project will maximize the development impacts of the Project, by adjusting project activities based on slight changes in government priorities, with a deeper focus on improving efficiency of social spending; applying lessons learned from the first two years of implementation; and reflecting a different economic and political environment compared to the time of parent Project's approval.

19. The proposed AF and restructuring not only provide continued support for this critical agenda, but also present an opportunity to expand and deepen the Bank's engagement and knowledge on addressing the next generation of challenges in social policy. The *Oportunidades*/PROSPERA program has been one of the main instruments of social policy for the GoM since its inception in 1997. The World Bank has been supporting the development, implementation, and redesigns of *Oportunidades*/PROSPERA for almost a decade. Ensuring sustained impacts of poverty targeted programs to break the cycle of intergenerational poverty is at the forefront of the next generation of challenges faced in social protection. The proposed AF would continue the Bank support for Mexico's flagship program for poverty reduction, PROSPERA,¹⁶ and for SEDESOL to strengthen the social protection system. In particular, continued support for the recent promising efforts for further poverty reduction through social and productive inclusion of PROSPERA beneficiaries, among the first to tackle this challenge at a large scale, is important in identifying/testing different approaches to achieve long-term sustained impacts.
20. At the same time, in the context of limited economic growth and considerable fiscal constraints, increasing social spending efficiency has become a government priority. The restructuring is expected to boost social spending efficiency through: (i) improving FAIS spending on national priorities based on local needs (i.e. improved planning, targeting, monitoring and evaluation of FAIS at the local level through capacity building); (ii) the enhancement of planning within and across SEDESOL's social programs through an overall planning system; and (iii) the successful implementation of SISI based on lessons learned from the first years of project execution. The extension of the parent Project's closing date, to be aligned with the June 30, 2021 closing date of the proposed AF, will allow continuity of support.
21. In this context, the AF was considered the appropriate mechanism to maximize the Project's development impacts. In addition, the AF was chosen given the scope of activities which fit in the context of the ongoing project. The proposed AF complies with OP10.00 Investment Project Financing to the extent that: (i) the project has been rated moderately satisfactory for Development Objectives and Implementation Progress for a minimum of 12 months; and (ii) there is substantial compliance with key loan covenants, including audit and financial reporting requirements.

¹⁶ Annex 1 shows a summary of the most important development impacts and results of PROSPERA.



II. DESCRIPTION OF ADDITIONAL FINANCING

22. Proposed changes under the AF and restructuring by component and activity are described in Table 1 below and in more detail in Annex 2.

Table 1. Summary of proposed changes by components and sub-components.

<p>Component 1: Support to the PROSPERA Program and its linkage with social and productive programs: (original US\$317.5 million; proposed US\$617.5 million)</p>
<p>Sub-Component 1.1 - Promoting the investment in human capital through the provision of Conditional Support to PROSPERA Beneficiaries (original US\$301.5 million; proposed US\$601.5 million)</p> <p>The AF will provide US\$300 million of additional resources for Sub-component 1.1. to extend further support to PROSPERA beneficiaries, over the period 2018-2020, and increasing positive impacts on consumption, education, health and nutrition for the poor and vulnerable (including Indigenous Peoples), along with continued focus on the innovative aspects of the program (linking PROSPERA beneficiaries to complementary productive and social programs). Together with original loan, the total amount of this Sub-component will be US\$601.5 million. With the additional funds, the overall allocation for Component 1 will increase to US\$617.5 million. This corresponds to approximately 2 percent of PROSPERA’s budget.¹⁷ While a relatively modest contribution to the overall PROSPERA budget, beyond the extended support to the increased investment in human capital and innovative linkages to the productive and social programs for PROSPERA beneficiaries, the proposed AF would also allow for the continued Bank engagement on the core aspects of PROSPERA program, as well as to provide technical assistance and share successful international experiences.</p>
<p>Sub-Component 1.2 – Strengthening the Program’s operational capacity to promote PROSPERA beneficiaries’ access to social and productive programs (US\$5.0 million: no change in amount, revised activities)</p> <p>This Sub-component will continue to support the strengthening of the operational capacity of PROSPERA, and its intersectoral coordination mechanisms to facilitate access of beneficiaries to productive and social programs; however, activities have been revised to incorporate the experience and lessons learned from the first two years of implementation e.g. social and productive programs face difficulties in serving vulnerable populations such as PROSPERA beneficiaries) and to strengthen operational capacity to better serve key vulnerable groups (such as children of less than 5 years of age, youth, and indigenous populations). The focus on children of less than 5 years of age, youth, and indigenous populations was agreed with the GoM and is important based on several factors including</p>

¹⁷ Based on the assumption that coverage will remain constant. If the coverage of PROSPERA further increases, the share of the corresponding loan amount in total program spending will be less than 2 percent. The remaining 98% of PROSPERA’s budget is covered by national resources, of which 2% approximately is supported by an IADB project.



return on investment, and equity and social inclusion promotion of the most marginalized populations.¹⁸

The revised activities will include the strengthening of specific communication mechanisms and tools mainly targeted to the above-mentioned vulnerable groups, capacity building activities for PROSPERA's staff and specifically for the bilingual field staff that serves indigenous populations, and supporting the development and implementation of an attention model for PROSPERA youth and interventions for their continued education and labor market inclusion.

Sub-Component 1.3. Strengthening PROSPERA's Monitoring and Evaluation (M&E) tools and strategy (US\$11.0 million: no change in amount, revised title, goal and activities)

This Sub-component will continue to support the strengthening of PROSPERA's M&E tools and strategy to develop the evidence required to inform decision makers about the reforms aimed at increasing linkages of beneficiaries with social and productive programs.¹⁹ The Sub-component's title, goal and activities will be revised to include planning as a key process to be consolidated, together with M&E. Specific changes will include:

- Changing the sub-component's **title** to "Strengthening PROSPERA's Planning, Monitoring and Evaluation tools and strategy". In the context of the recent updates to PROSPERA's organizational chart, which now includes a General Directorate of Planning, the Government agreed to include planning as a key area where the Bank will provide accompanying technical assistance activities.
- The **goal** of the Sub-component will now be to "strengthen PROSPERA's Planning, Monitoring and Evaluation tools and strategy."

Activities will be slightly changed to support studies and evaluations that will inform the continuous improvement of the program (see Annex 2 for more details).

Component 2- Strengthening the social protection system (US\$31.6 million, no change in amount, reallocation within sub-components)

Sub-Component 2.1. Developing and implementing an integrated social information system (SIS)- (original US\$25.0 million; proposed US\$24.5 million, revision of activities)

¹⁸ (1) Children of less than 5 years of age: Heckman et al (2016) finds that an early childhood program targeting disadvantaged children (younger than 5 years old) yields an overall rate of return of 13.7% per year and the cost-benefit ratio is 7.3. (2) Youth: Székely and Karver (2015) find that being out of the education system and out of work during youth lowered wages and employment opportunities throughout the individual's lifecycle, hindering overall economic growth. (3) Indigenous people: according to the 2014 National Survey on Income and Expenditure (ENIGH), the indigenous population are the sub-population group with the highest multidimensional poverty headcount index level at 78 percent. Based on PROSPERA's beneficiary registry, approximately 1.4 million indigenous families are PROSPERA beneficiaries in 2017, representing approximately 20 percent of the total number of PROSPERA beneficiaries. Improving coverage of indigenous people is therefore crucial in the strategic effort of Mexico to be more inclusive. Further details on the studies abovementioned can be found in: Heckman et al, (2016). The Life-cycle benefits of an influential early childhood program. NBER Working Paper No. 22993; Székely and Karver. (2015). "Youth Out of School and Out of Work in Latin America: A Cohort Approach." Washington, DC: World Bank. Background paper for the "Out of School, Out of Work" study.

¹⁹ Once developed, the social information system (SIS) developed in sub-component 2.1 will serve as information source for part of the activities considered in this sub-component.



This Sub-component will continue to support the design, development, and implementation of an integrated social information system (SIS).²⁰ The integrated SIS is expected to make a significant contribution to the efficiency of social spending, through improved integration of programs, reduced fragmentation after identification of duplications and complementarities, automatization of current manual processes for information exchange, streamlining processes for both internal and external users of SEDESOL's information, among others. The SIS will generate high-quality information on potential and actual beneficiaries, as well as on benefits and social programs or actions, facilitating decision-making processes. Hence the system will contribute to improve the administrative and allocative efficiency of social policy in the country.

The two new activities to be supported by this Sub-component are: (i) projects that contribute to a better use of the SIS information, and (ii) tools to orchestrate a quality improvement policy of the SIS information. It is important to stress that activities under Sub-component 2.1 will complement other IT activities under the project, to ensure that all technological platforms are well aligned and there is no duplication of IT development. Moreover, once developed, the SIS will serve as information source for other systems, such as the planning system to be developed in Sub-component 2.3.

Reallocation: A total of US\$0.5 million will be reallocated from this Sub-component to support the new Sub-component 2.3. for SEDESOL. See Annex 2 for a detailed summary of reallocations.

Sub-Component 2.2. Supporting the development and implementation of SEDESOL's Regional Social Development Strategy (RSDS)-(original US\$6.6 million; proposed US\$6.1 million, revision of title, goal and activities)

This Sub-component will undergo significant changes and will focus primarily on the overall planning, and monitoring and evaluation of the Social Infrastructure Fund (FAIS), rather than on strengthening regional operational capacity of SEDESOL through a Regional Social Development Strategy RSDS. FAIS is a key tool to improve welfare given its focus on reducing the social infrastructure gap and its large size (US\$3.5 billion in 2017). Enhancing the planning, monitoring and evaluation of FAIS, through the activities to be supported under this subcomponent (see below) will contribute to ensuring appropriate spending of FAIS at the subnational level, based on local needs but aligned to national priorities, thus this Sub-component has the potential to increase FAIS's poverty and inequality-reducing impact.²¹

The following activities will be supported under this Sub-component: (i) diagnostic to identify the challenges facing localities in the development of social interventions, and the role that SEDESOL would play in planning and coordinating; (ii) improving the targeting of the investment of FAIS funds, (iii) diagnosing SEDESOL's monitoring scheme for FAIS, and subsequent activities to improve its implementation, (iv) capacity building strategy for FAIS staff; (v) documenting best practices in

²⁰ The main elements of the SIS which are described in more detail in Annex 2 of the Project Appraisal Document of the parent Project (Report PAD933-MX) are the following: (a) the Social Registry; (b) the Unique Registry of Beneficiaries; (c) the Social Programs Catalogue; (d) the targeting mechanism; (e) a monitoring dashboard; (f) a business intelligence tool; and (g) a geographical information system.

²¹ In the study "The Effects of FAIS-Municipal on Regional Development in Mexico", Rodriguez-Castelan et al found that FAIS had a small yet positive effect on average current per capita income between 2005 and 2014. This study also found that FAIS had a positive effect on non-monetary welfare indicators (i.e. improved social infrastructure indicators). The study's title is: The Effects of FAIS-Municipal on Regional Development in Mexico.



planning, executing, monitoring, and auditing of FAIS resources; and (vi) developing the management, planning, monitoring and evaluation models to strengthen the institutional capacities of sub-national governments to execute FAIS.

Accordingly, the following changes to the Sub-component will be introduced as part of the restructuring:

- The Sub-component's **title** will be "Strengthening the planning, monitoring and evaluation of FAIS"
- The **goal** of the Sub-component will be "to support the planning, and the monitoring and evaluation system of the FAIS to reduce municipalities' social deprivations"²²

Reallocation: US\$ 0.5 million will be reallocated from this Sub-component to support the new Sub-component 2.3. See Section VII - Components for detailed summary of reallocations and Annex 1 for more information on FAIS.

Justification for the significant changes in Sub-component 2.2: In 2014, within the context of the Fiscal Coordination Law reform, with changes to the Government administration and with the launch of the National Crusade Against Hunger (CNCH),²³ SEDESOL envisaged that its limited operational capacity at the state level could hinder its ability to support and coordinate actions on the ground for the CNCH, but also for FAIS. Thus, developing and implementing a full Regional Social Development Strategy (RSDS) would help to address this issue. The activities planned under Sub-component 2.2 were meant to support the design and implementation of the RSDS.

At the end of 2014, international oil prices sharply dropped and have not yet recovered, affecting one of the main revenue sources of the GoM. This external shock affected the budget of the Federal Government across the board, including SEDESOL. This budget constraint especially affected SEDESOL interventions that required a substantial expansion of the expenditure for the implementation of a regional social development strategy that envisaged operational structures on the ground. Given this change in overall budget of SEDESOL, this Sub-component will be revised to support the priority effort of Government to strengthen the impact on poverty reduction of the Social Infrastructure Fund (FAIS).

New addition: Sub-Component 2.3. Developing an evidence-based planning system for continuous improvement of social programs (proposed US\$1.0 million)

This new Sub-component will support SEDESOL in strengthening its planning, monitoring and evaluating capacities to ultimately enhance social programs' development impact. The outcomes of this Sub-component will be key instruments not only for current policy makers, but also for the incoming administration in 2018.

²² Mexico official methodology to compute multidimensional poverty measurement allows a thorough analysis of poverty evaluating social rights deprivations (in education, health, social security, housing, basic services and feeding) and economic wellbeing. For more details on the concept of deprivation and the methodology to compute multidimensional poverty please refer to CONEVAL official website (www.coneval.gob.mx).

²³ In 2013, the GoM launched the National Crusade against Hunger (CNCH), strategy to reduce extreme poverty, which is an inter-sectorial and inter-governmental strategy that prioritizes resources for key social programs in municipalities with the highest rates of food poverty and the highest rate of social-right deprivations (including the food security indicator).



- The goal of the sub-component is now to “develop the evidence-based planning system in SEDESOL to agree with social development programs on their continuous improvements in design and implementation.”

The proposed new activities include: (i) design an integrated planning system; (ii) provide follow-up to the implementation of planning of key programs and tools of SEDESOL; (iii) reports to understand and analyze citizens’ perceptions about poverty, and how policy and social development programs work to become part of the planning and continuous improvement processes; and (iv) support to elaborate normative documents to register improvements and changes to the programs, based on the evidence obtained through diagnostics, evaluations, studies, among others.

Justification for the addition of this Sub-component: Given the persistent high social policy fragmentation across institutions and government levels, as well as the tight fiscal constraints, planning and evaluation of social spending has become a key priority for the SEDESOL. This new Sub-component will support the SEDESOL in strengthening its planning, monitoring and evaluation capacity to ultimately enhance social programs’ development impact.

23. **Results and Monitoring Framework.** Changes are proposed to the Results and Monitoring Framework to adjust existing indicators, eliminate those that are no longer relevant, and introduce new ones to account for modifications in Component 2. In addition, targets are revised to reflect current and expected progress in line with the proposed closing date. The project will also report, data permitting, gender disaggregated indicators. Detailed descriptions for some indicators are also revised. See Section VIII – Results Framework and Monitoring for details.
24. **Implementation Arrangements.** Implementation arrangements will remain as in the parent Project. The National Coordination of PROSPERA (*Coordinación Nacional PROSPERA*, CNP) will be responsible for the implementation and day-to-day oversight of Component 1; and SEDESOL will be responsible for Component 2, including for the new sub-component on planning and evaluation of social programs. Sub-component 2.1 will continue to be implemented by the General Directorate of Geo-statistics and Beneficiary Registry, Sub-component 2.2 by the General Directorate of Regional Development, and the new Sub-component 2.3 will be implemented by the Planning and International Relations Unit (UPRI), all under SEDESOL. Both CNP and SEDESOL have a good track record of implementing projects supported by the World Bank and the Inter-American Development Bank (IADB). The CNP has performed adequate supervision and no issues have been identified during the parent Project implementation. While the parent Project was the first engagement with a World Bank loan for SEDESOL, the Planning and International Relations Unit, as well as the executing departments, have quickly learned World Bank procedures and fully and adequately comply with the Bank policies and processes. The World Bank coordinates on a regular basis with the IADB for activities related to PROSPERA, and the CNP ensures that support received from different sources is allocated to separate activities to avoid duplication of efforts.
25. **Fiduciary responsibilities.** The CNP and SEDESOL would continue to manage the overall fiduciary responsibilities for the Project. Financial management and disbursement arrangements will follow the same procedures as the parent Project where the CNP and the SEDESOL are responsible for the financial management and disbursement functions, and the National Financing Agency (NAFIN) is responsible for its management (Figure 1 in Annex 1 presents the relevant flow of funds



corresponding to the proposed AF). Advances will be added as a disbursement method under the AF. The AF could recognize retroactive expenses for an amount up to twenty percent of the loan for eligible expenses incurred up to 12 months prior to the signature of the Loan Agreement for the AF. The AF will only support Sub-component 1.1 and therefore, there will be no need for procurement processes under the AF. All activities that involve procurement processes remain under the parent Project, thus the Bank's New Procurement Framework will not apply.

26. **Gender.** Despite progress made in the past decade toward greater gender equality,²⁴ there are still major issues that need to be addressed. In particular, challenges remain on education, health (i.e., access to health services and maternal mortality rates); opportunities for income generation (i.e., labor markets and occupational segregation, access to assets and financial services, use of time); poverty levels; and women's agency and gender roles (i.e., adolescent pregnancy, gender-based violence, and political participation). Estimates from the World Bank using Mexico's National Household Income and Expenditure Survey (ENIGH) in 2014 show that 52 percent of those who live in conditions of multi-dimensional poverty are women, and 48 percent are men²⁵. Women dedicate more time to unpaid activities, both in and outside of the household. Maternal mortality is also a persistent public health issue in Mexico; progress on this issue has been very slow with 60 deaths per 100,000 live births in 2002 and only down to 51 in 2010.
27. PROSPERA has the potential to partly revert these gender differences among its beneficiaries. While the program has mainly focused on breaking the intergenerational cycle of poverty, historic gender patterns drove the program to provide special attention in the three original areas of intervention (education, nutrition and health). The program also has the potential to empower women, specifically through the supplementary activities. In terms of health, studies²⁶ show that women's and children's health improved as a result of participation in the program, which in turn is expected to have positive impacts on time use and availability for women. In terms of education, the program has a proven impact on school drop-out rates and rates of failure in advancing from grade to grade. For example, in higher grades, the effect of the program on women beneficiaries in terms of years of schooling is greater than for men.²⁷
28. Through its support to PROSPERA, the proposed AF and the restructuring of the parent Project promote improved access to social and productive programs for women, that ultimately will contribute to narrow the gaps in (i) human endowments (education and health), and (ii) employment, work and financial inclusion. More specifically, the AF will continue to provide direct support to mothers in poverty to invest in their own and their children's human capital (conditional support is provided for girls to remain in school until tertiary education, and scholarships would be higher for girls than for boys to close the gap), with a focus on women living in indigenous areas. PROSPERA will also foster better financial, labor and productive inclusion for women. The project

²⁴ Mexico showed an improved average level of schooling for women, going from 7.9 to 8.9 for women and from 8.4 to 8.7 for men. Country Partnership Strategy (CPS) for the United Mexican States, 2014-2019 (Report 83496-MX).

²⁵ Based on ENIGH 2016.

²⁶ Barham, 2001; Gertler, 2004; Rivera et al., 2004; Behrman and Hoddinot, 2005; Barber & Gertler, 2006; Fernald, Gertler, and Neufeld, 2009;

²⁷ Orozco and Gammage 2017, "Cash transfer programmes, poverty reduction and women's economic empowerment: Experience from Mexico", ILO Working paper.



will track women's participation in social and productive, financial and labor inclusion programs, reporting disaggregated indicators and data on gender.

29. **Citizen Engagement.** PROSPERA is characterized by high citizen engagement through the community participation committees that supervise PROSPERA's adequate compliance with its operational rules. In particular, community participation committees ensure that the conditional support are directly delivered to beneficiaries, that the schools and health clinics serve the PROSPERA families and are verifying co-responsibilities, and that the families know their rights and obligations, among other things. The community participation committees are also the social control/comptroller (*contraloria social*), which has social inclusion, dignified treatment, and citizen engagement as its core principles. The citizen engagement and accountability measures used under PROSPERA include a free hotline,²⁸ over 5,000 locked complaint boxes (fixed and moveable), specific purpose email addresses, and citizen engagement areas²⁹ in all the Regional Attention Units (which have national coverage in all 32 states), among others. In addition, the National Technical Subcommittee for Social Control/comptroller established the technical state-level sub-committees of social control/comptroller, which is the institutional way of following up on the response to the complaints presented by the community participation committees. These technical sub-committees are formed for each state with representatives at the local level from the Ministries of Health and of Education, and from Bansefi (state owned bank responsible for paying the benefits to the program beneficiaries), and PROSPERA's state delegation, among others.

(i) KEY RISKS

30. The overall risk of the proposed AF is rated Substantial. The main risks and associated risk management measures can be summarized as follows:
- (a) *Sector Strategies and Policies:* Social protection interventions are intended to protect people at every stage of their lifecycle and therefore, by nature, they need to be integrated, coordinated and tailored to the individual characteristics. These cross-sectorial and inter-governmental coordination requirements imply that partnerships and linkages need to be developed to ensure adequacy of interventions. For instance, successful implementation of the linkages between PROSPERA and other programs will crucially depend on participation and involvement of all partners, and agreements; goodwill and coordination tools will also need to be complemented by adequate financial resources to address the needs of these population groups. The Project will closely monitor the coordination mechanisms and work with key stakeholders to promote allocation of resources based on results for the productive and social programs.
 - (b) *Technical Design of Project or Program:* Given that social and productive programs have not necessarily previously served poor and vulnerable population groups, they may face

²⁸ The PROSPERA hotline not only provides services strictly related to the operation of PROSPERA, but it also provides further reference to institutions that can handle other problems that beneficiaries may have such as domestic violence abuse, and natural disaster or emergency situations, among others.

²⁹ The citizen engagement areas are served by PROSPERA staff working in the regional PROSPERA offices that are open to the public for questions, grievances, etc. It is one way in which the program allows citizen participation.



challenges in tailoring their services to PROSPERA beneficiaries. The Bank will bring lessons learned from international experience to better advise on the key factors and mechanisms that make these linkages and interventions more successful.

- (c) *Political and Stakeholders*: In light of the upcoming elections, there is an inherent risk for shift in government priorities and vision for the sector, which may in turn result in implementation delays. Since PROSPERA has been a flagship program in Mexico for two decades, and given its broad-based support, this loss of political ownership is unlikely. Moreover, the Bank's engagement in the sector benefits from a strong-track record across several administrations. The Bank will continue to build buy-in across the political spectrum, reducing the odds of this risk materializing.
- (d) *Institutional capacity for implementation and sustainability*: Certain project activities, particularly those related to the integrated information system, require highly specialized skills to ensure continuation and sustainability of results. Considering the upcoming elections, and the fact that the contractual structure in the public sector relies heavily on short term contracts, there is a risk of losing the recently generated institutional capacity to implement Project activities. To ensure transfer of in-house knowledge and to minimize delays resulting from any staff turnover, processes will be documented and tools generated to strengthen the in-house institutional, technical and operational capacity within SEDESOL.
- (e) *Adverse macroeconomic conditions*: Changes in macroeconomic conditions in the past years have directly impacted planning, implementation and results of several of the parent Project activities, and these conditions are not expected to improve in the short run. While few mitigation measures are available, close collaboration and monitoring on the planning stage about expected budget and prioritization of activities will help the Project to continue to make progress on implementation. Budget cuts may affect other ministries' budgets thereby jeopardizing the national integrated strategy in support to the poor and most vulnerable. For instance, the Ministry of Labor experienced a more than forty percent budget cut in 2017, which affected the initially planned activities of linking PROSPERA beneficiaries with the National Employment Service. Given the circumstances and expected fiscal constraints in the years to come, the target indicators on the number of PROSPERA beneficiaries linked to social and productive programs have been revised in the Results Framework.

(ii) APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

31. **The project's expected development impacts include increased consumption and human capital investments of the poor and vulnerable.** The proposed AF is expected to extend continued support to poor and vulnerable households in Mexico to increase household consumption; and human capital investments through improvements in beneficiaries' health, nutrition, education and productivity. Expected benefits include, but are not limited to: (i) increased household consumption, (ii) increased school enrollment, attendance and completion particularly for the



indigenous people³⁰, (iii) improved health prevention/access to health, (iv) improved nutrition, and (v) improved access to services that facilitate productive inclusion in the labor market.³¹ Annex 6 of Project Appraisal Document (Report PAD933-MX) outlines the economic rationale for supporting conditional support programs, as well as the strengthening of the social protection system, with details on coverage, targeting, impact and efficiency. These considerations still apply for the proposed AF. Moreover, additional evidence on the benefits of linking social assistance beneficiaries to social and productive programs is available to provide a deeper rationale for the proposed AF.

32. Since the redesign of the program, the percentage of PROSPERA beneficiaries who accessed social and productive programs such as *Seguro Popular*, Social Pension Program (PAM), Childcare Facilities Program (PEI) and *Opciones Productivas* (Productive Opportunities) has increased. Several of these programs have shown positive effects on different outcomes for the poor and vulnerable. For instance, *Seguro Popular* is improving access to health care services and reducing the prevalence of catastrophic health expenditures, especially for the poor.³² PAM had positive effects on extreme poverty reduction of the elderly and members of its households.³³ PEI had a positive average effect of 18% on the probability of having a job and of 6 additional hours of work for the mothers that are PEI beneficiaries.³⁴ While more scarce, international evidence also sheds light on the impact of productive inclusion programs for the poor and vulnerable. An evaluation of similarly designed, yet more integrated, productive inclusion programs in six countries (Ethiopia, Ghana, Honduras, India, Pakistan and Peru) finds significant impact on indicators related to economic well-being of the poor.³⁵ Analysis of the literature and recent project experience suggests that greater coordination between PROSPERA and complementary programs would help in tailoring these programs to PROSPERA beneficiaries' profiles, to maximize their impact and ultimately support efforts to break the cycle of poverty. By further supporting the Government's efforts to link beneficiaries to other social and productive programs, the AF is expected to consolidate the effectiveness of PROSPERA in improving economic wellbeing of beneficiary households.
33. PROSPERA is a financially sustainable program and evidence is available on its cost-benefit with respect to certain dimensions, particularly education. As shown in Annex 1, since its inception, PROSPERA's budget has been increasing in line with the expansion in coverage, representing close to 0.5 percent of GDP, a share that has remained constant over recent years. The program seeks to alleviate poverty and strengthen human capital in multiple dimensions, thus, estimating cost-effectiveness across all dimensions of the multi-objective program remains a challenge.

³⁰ Agudo Sanchíz A. (2008). "How does the educational impact of Oportunidades Program can be explained? Actors, factors and processes". External evaluation of Oportunidades Program 2008. Ten years of intervention in rural areas (1997-2007). Vol. III, The challenge of the quality of services: results in education. Mexico, D.F. Ministry of Social Development, 2008

³¹ See Annex 1 for further details on the impact of PROSPERA on poverty reduction.

³² "The quest for universal health coverage: achieving social protection for all in Mexico", Knaul et al. 2012.

³³ "What Are the Effects of Expanding a Social Pension Program on Extreme Poverty and Labor Supply? Evidence from Mexico's Pension Program for the Elderly.", Avila-Parra et al. 2017.

³⁴ "Evaluación de Impacto del Programa Estancias Infantiles para Apoyar a Madres Trabajadoras", Gertler et al. 2011.

³⁵ These indicators are: consumption, food security, productive and household assets, financial inclusion, time use, income and revenues, physical health, mental health, political involvement and women's empowerment. "A multifaceted program causes lasting progress for the very poor: Evidence from six countries", Banerjee et al. 2015.



Nevertheless, evidence exists estimating the cost-benefit of human capital investments (through increased schooling) on future earnings, indicating that benefit to cost ratios range from 3 to 7 points under several plausible scenarios related to returns to education and levels of discount rates.³⁶ Compared to similar early childhood interventions, PROSPERA ranks favorably in terms of its cost-benefit ratio³⁷.

34. As for the new activities considered under the Restructuring of the parent Project, the main new Sub-component 2.3 will support the Government's efforts to strengthen the planning and evaluation capacity of the SEDESOL. This Sub-component is highly complementary to the development and implementation of the SIS and will contribute to reduce fragmentation among the 5,491 social programs and development actions³⁸ currently present in the country across the three levels of government. The expected impact in terms of savings and increased effectiveness of spending is expected to be significantly higher than the set-up cost.
35. **Rationale for Public Sector Provision.** The rationale follows the same justification as for the parent Project; that is, public sector should provide resources for the integration and consolidation of social safety nets primarily to generate equitable conditions. On the grounds of redistribution, PROSPERA was originally designed and recently redesigned to ensure public provision of goods and services to vulnerable people aiming to contribute to break the intergenerational transmission of poverty.
36. **World Bank value-added.** The value added of Bank support in the context of AF comes from two fronts. First, the Bank has extensive international experience on design and technical advice to conditional support programs, and in designing the innovative elements of a fully-fledged social protection system that protects the vulnerable and delivers services effectively, while building the elements for a competitive economy, making it the right partner to accompany these interventions. Second, the Bank has been supporting the parent Project and can now incorporate the lessons learned within the first two years of implementation to the remainder of the Project. Main lessons learned from the parent Project include:
 - a. While Bank support of the PROSPERA's conditional supports represents a small amount of the overall transfer budget in this budget category, this contribution allows the Bank to support the Government in strengthening the core PROSPERA program, beyond the innovations supported by direct World Bank technical assistance. By combining support to the core PROSPERA program and its innovations through TA, the development impact is maximized.
 - b. Macroeconomic conditions in the last two years have resulted in budgetary adjustments, which in turn affected planning, implementation and results of some of the activities. It will be necessary to harmonize and optimize both the technical and administrative timelines to ensure adequate time for activity implementation and achievement of high quality results.

³⁶ "Do conditional cash transfers for Schooling generate lasting benefits? A five-year follow-up of PROGRESA/Oportunidades", Behrman et al. 2011.

³⁷ "Conditional Cash Transfers: The Case of ProgresA/Oportunidades", Parker and Todd 2017.

³⁸ CONEVAL Inventory of social programs and actions, July 2017.



- c. Implementation of complex technical assistance requires extensive support and significant time. The extension of the closing date will be crucial to ensure full implementation of the technical support to PROSPERA and SEDESOL.
- d. Occasionally, social and productive programs available to PROSPERA beneficiaries are not of interest to them, or in some alternative cases, beneficiaries are not prepared to undertake them. PROSPERA agreed to work more closely with the social and productive programs to improve service delivery to its beneficiary population, establishing common goals and coverage indicators whenever possible.
- e. Given the important innovations currently undertaken by PROSPERA, systematization of experiences becomes a key step to convert lessons learned into positive results for PROSPERA beneficiaries.
- f. Social programs will be the first users and clients of the integrated social information system and for that reason, it is essential that they are part of the technical and operative discussion of the design and development of the system. SEDESOL is planning a common agenda to share progress made to date in the integrated SIS. This agenda will need to lead to periodic meetings to discuss improvements of the SIS.
- g. Counting on effective planning, monitoring and evaluation systems for the implementation of social programs is a crucial element of an integrated social protection strategy. The need to support the strengthening of such functions came to the fore during the first years of implementation of the parent Project.

B. Technical

37. The technical rationale for the design of this AF is informed by the parent project with continued focus towards development of an integrated social protection system, namely to promote coordination across sectors and programs to implement targeted interventions to the poor. As part of the systems' approach, the Project seeks to further improve capacities of the sector by including a Sub-component to strengthen the capacity of SEDESOL to plan and evaluate social programs and FAIS.³⁹

38. Lessons learned during implementation of the parent Project are used to adjust some of the activities. For example, implementation of the technical support has been more challenging than expected. An extension in Project closing date will ensure full implementation of the related technical assistance of the parent Project. Several activities and particularly under Sub-component 2.2 will be aligned to the current political and economic context and priorities, and will focus on the overall planning, monitoring and evaluation of the FAIS (in the sense referred to in the previous paragraph), as opposed to a whole new regional social development strategy. Synergies between Project activities, for instance those related to targeting mechanisms or information systems, are expected to be further supported over the next years.

C. Financial Management

39. Financial management and disbursement arrangements will follow the same procedures of the

³⁹ Evaluation in this context refers to analyzing perceptions/ satisfaction of the citizens on the current use of funds.



parent Project (Annex 1 includes the flow of funds corresponding to the proposed AF). The CNP and the SEDESOL will continue to be responsible for the Project's financial management and disbursement functions. SHCP requested – and obtained – in March 2017 to include advance as an additional method of disbursement, and this method will remain available until the closing date. The AF could recognize retroactive expenses for an amount up to twenty percent of the loan for eligible expenses incurred up to 12 months prior to the AF signature.⁴⁰ Audits would cover both the original and additional loan and the financial statements will be presented separately for each loan, to facilitate keeping track and accounting control. Audit reports should be presented to the Bank separately for each loan (original and additional).

D. Procurement

40. No procurement activities will take place under the AF. The remaining procurement activities under the restructuring of the parent project will follow the procurement guidelines in force when the parent Project was signed on November 19, 2014. These procurement guidelines are: "Guidelines, procurement of goods, works, and non-consulting services under IBRD loans and IDA credit and grants by World Bank Borrowers" and "Guidelines, selection and employment of consultants under IBRD loans and IDA credit and grants by World Bank Borrowers", January 2011 and revised on July 2014.

E. Social (including Safeguards)

41. The parent Project, in compliance with OP/BP 4.10, Indigenous Peoples, developed an Indigenous Peoples Plan (IPP). The IPP for the parent Project will remain valid under the AF and its implementation will continue as long as the Project is active. The parent Project IPP was developed by the CNP and consulted prior to appraisal with the Secretariat of the Consultative Board of the Indigenous Peoples National Commission (*Comisión Nacional para el Desarrollo de los Pueblos Indígenas*, CDI) to ensure wide support to its goals. The IPP was approved by the World Bank and published on PROSPERA and SEDESOL webpages on August 2014, where it continues to be available for consultation, as well as in the World Bank's website.⁴¹ The Project Information Document-Integrated Safeguards Data Sheet (PID-IDSD) for the AF was disclosed on September 29, 2017.
42. PROSPERA has made important progress in serving the indigenous population and will continue working towards the improved attention and institutionalization to better serve indigenous populations. In the implementation of the parent Project, there are several lessons learned related to the IPP. First, 68 languages and 364 dialectal variants are spoken among the current 1.4 million indigenous PROSPERA families, some of which are monolingual. This communication barrier is a threat that could perpetuate the isolation of those who need the program the most. By implementing the IPP, PROSPERA has grouped the 16,893 indigenous localities into 327 indigenous

⁴⁰ New and revised activities under the parent Project can be recognized retroactively for expenses incurred after September 12th, 2017, provided they follow Bank processes

⁴¹https://evaluacion.prospere.gob.mx/es/wersd53465sdg1/inicio/CNPDHO_Estrategia_Indigena_2014-2018.pdf
https://www.gob.mx/cms/uploads/attachment/file/430/Plan_Indigena_2014_2018_SEDESOL_Oportunidades.pdf
<https://hubs.worldbank.org/docs/ImageBank/Pages/DocProfile.aspx?nodeid=20183878>



micro-zones to improve targeting and service to the indigenous communities. Second, communication with indigenous households would not be possible (or effective) unless PROSPERA could serve them in their language. In this context, PROSPERA is promoting capacity building and language certification of its field workers to serve households in indigenous micro-zones in their own languages. To date, PROSPERA has 136 certified field workers that speak the indigenous language of the communities they serve (the so called *Responsables en Atención a Población Indígenas, RAPI*). PROSPERA will continue promoting bilingual field worker's certification in indigenous languages (RAPIs) under Sub-Component 1.2. Third, PROSPERA is committed to increasing indigenous people's wellbeing. To enjoy full program benefits, some behavior changes are encouraged among indigenous groups, mainly towards health and education customary habits. Thus, the Program has been delivering presentations to indigenous communities, through its bilingual field workers, to improve nutrition (family diet), to promote breastfeeding, to denounce domestic violence, and by providing counseling to mothers to demonstrate the benefit of secondary education for girls. Ensuring continuity of the above-mentioned PROSPERA activities is fundamental to continue improving the service provided to indigenous communities and, ultimately, to improve indigenous people's life conditions. The proposed AF is expected to institutionalize some of the above mentioned IPP best practices.

F. Environment (including Safeguards)

43. The Environmental Assessment Category for the Project will remain unchanged from Category C, and OP/BP 4.01 (Environmental Assessment) was not triggered as the nature and scope of the activities are not expected to generate adverse environmental impacts.
44. Mexico faces several natural hazards, including earthquakes, given that the country lies in one of the world's most seismological active regions, as well as hurricanes, drought, and sea level rise. Although this project is not specifically designed to address the impacts of climate change events, it has been screened for climate change risks.

G. Other Safeguard Policies (if applicable)

N/A.

(iii) WORLD BANK GRIEVANCE REDRESS

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



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



III. SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	
Change in Implementing Agency		✓
Change in Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Change in Disbursements Arrangements		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in Procurement		✓
Change in APA Reliance		✓
Other Change(s)		✓

IV. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

of PROSPERA beneficiaries that participate in social programs

Unit of Measure: Number

Indicator Type: Custom



	Baseline	Actual (Current)	End Target	Action
Value	465,842.00	1,115,894.00	1,174,811.00	Revised
Date	30-Jun-2014	31-Dec-2016	30-Jun-2021	
# of PROSPERA beneficiaries that participate in productive programs				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	14,370.00	16,704.00	236,000.00	Revised
Date	30-Jun-2014	31-Dec-2016	30-Jun-2021	
# of instruments implemented for an integrated social information system				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	3.00	9.00	Revised
Date	30-Jun-2014	31-Dec-2016	30-Jun-2021	
Direct project beneficiaries				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	25,000,000.00	25,094,590.00	25,000,000.00	Revised
Date	30-Jun-2014	31-Dec-2016	30-Jun-2021	
Female beneficiaries				
Unit of Measure: Percentage				
Indicator Type: Custom Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	52.80	53.30	52.80	No Change

Intermediate Indicators

% of PROSPERA beneficiaries in Q1 and Q2
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Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	68.50	69.10	71.00	Revised
Date	31-Dec-2010	31-Jul-2014	30-Jun-2021	
% of PROSPERA' students that transition to upper secondary Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	65.00	73.94	73.00	Revised
Date	31-Dec-2013	31-Dec-2016	30-Jun-2021	
Pilots of the PROSPERA coordination models Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	None	None	Follow up to the scale-up	Marked for Deletion
Date	31-Dec-2013	31-Dec-2016	16-May-2019	
Curriculum for PROSPERA personnel capacity building updated Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	None	Curriculum content updated	Evaluation of the new curriculum	Revised
Date	31-Dec-2013	31-Dec-2016	30-Jun-2021	
% of PROSPERA beneficiaries that are aware of complementary social and productive programs Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	56.60	80.60	Revised
Date	31-Dec-2013	31-Dec-2016	30-Jun-2021	
Number of certified bilingual promoters (promotores bilingues)				



Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	136.00		160.00	New
Date	04-Jul-2017	04-Jul-2017	30-Jun-2021	
% of citizen's demands received that are resolved within the time period established in the Protocol Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		90.00	New
Date	04-Jul-2017	04-Jul-2017	30-Jun-2021	
% beneficiaries of CNCH programs that are registered in the Unique Registry of Beneficiaries Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	100.00	80.00	Marked for Deletion
Date	31-Dec-2013	31-Dec-2016	16-May-2019	
Design and development of IT tools for the integrated Social Information System (non cumulative) Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	None	Designed tools: (a) interoperability bus; (b) data quality; (c) Master Data Management; (d) e-learning platform	Developed tools: mobile device management	Marked for Deletion
Date	31-Dec-2013	31-Dec-2016	17-May-2021	
Development of the Regional Social Development Strategy Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	None	None	Process evaluation of	Marked for



			the RSDS designed and implemented	Deletion
Date	31-Dec-2013	31-Dec-2016	16-May-2019	
Curriculum for SEDESOL Personnel capacity building on the RSD Strategy				
Unit of Measure: Text				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	None	None	Evaluation of the curriculum	Marked for Deletion
Date	31-Dec-2013	31-Dec-2016	16-May-2019	
% of municipalities that report the executed FISMDF in the integrated information system (MIDS-SFU)				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	63.00		80.00	New
Date	04-Jul-2017	04-Jul-2017	30-Jun-2021	
% of municipal FAIS liaison staff (enlaces) that completed capacity building activities				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	30.00		70.00	New
Date	04-Jul-2017	04-Jul-2017	30-Jun-2021	
Development of a planning system				
Unit of Measure: Text				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	No system in place		Consolidated system	New
Date	04-Jul-2017	04-Jul-2017	30-Jun-2021	
% of female PROSPERA beneficiaries that participate in social programs				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action



Value	0.00	55.00	New
Date	09-Nov-2017	30-Jun-2021	
% of female PROSPERA beneficiaries that participate in productive programs Unit of Measure: Percentage Indicator Type: Custom			
	Baseline	Actual (Current)	End Target
Value	0.00	50.00	New
Date	09-Nov-2017	30-Jun-2021	
Number of services provided by the Integrated Social Information System Unit of Measure: Number Indicator Type: Custom			
	Baseline	Actual (Current)	End Target
Value	0.00	9.00	New
Date	30-Dec-2016	30-Jun-2021	

COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Component 1 - Support to the PROSPERA Program and its linkage with social and productive programs	317.52	No Change	Component 1 - Support to the PROSPERA Program and its linkage with social and productive programs	617.52
Component 2 - Strengthening the Social Protection System	31.60	No Change	Component 2 - Strengthening the Social Protection System	31.60
TOTAL	349.12			649.12

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-84470	Effective	28-Jun-2019	28-Jun-2019	30-Jun-2021	30-Oct-2021



FINANCING PLAN

Summary (US\$, millions)

	Original Amount	Proposed Amount
Total Project Cost	300.00	
Total Financing		300.00
International Bank for Reconstruction and Development		300.00
Financing Gap		0.00

Details

International Bank for Reconstruction and Development (IBRD)

Source	Currency	Amount
IBRD	USD	300,000,000.00

Expected Disbursements (in US\$, millions)

Fiscal Year	2015	2016	2017	2018	2019	2020
Annual	0.00	145.00	120.00	65.00	20.00	0.00
Cumulative	0.00	145.00	265.00	330.00	350.00	350.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Moderate	● Moderate
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● High	● High
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Moderate	● Moderate
Environment and Social	● Low	● Low



Stakeholders	● Substantial	● Substantial
Other		
Overall	● Substantial	● Substantial

LEGAL COVENANTS – MX Social Protection System Additional Financing (P164152)

Sections and Description

Council, Recurrent. The Borrower, through SEDESOL (CNP) shall, under its overall coordination, maintain a council comprised of representatives of SEDESOL, SHCP, SEP, SS, SE, STPS, SAGARPA and CNP responsible of, inter alia, general guidance on the implementation of the PROSPERA Program.

Technical Committee, Recurrent. The Borrower, through SEDESOL (CNP) shall, under its overall coordination, maintain a technical committee comprised of representatives of SHCP, SEDESOL, SEP, SS, SE, STPS, SAGARPA, IMSS and CNP responsible of, inter alia, providing, supervision, transparent operation and performance review for the PROSPERA Program, including the approval of the Operational Rules.

PROSPERA Health and Education Services, Recurrent. The Borrower, through SEDESOL (CNP) shall, under its overall coordination, provide the health and education services related to the PROSPERA Program through SEP, SS, and IMSS.

State Level Committees, Recurrent. The Borrower, through SEDESOL (CNP) shall, under its overall coordination, maintain State level committees (with the participation of, inter alia, SEDESOL, SEP, Salud and IMSS), which will, inter alia, supervise and monitor the implementation of the PROSPERA Program at the State level.

Beneficiary Obligations, Recurrent. The Borrower, through SEDESOL (CNP), shall ensure that the PROSPERA Beneficiaries comply with the obligations set forth under Section 3.8 (Derechos, compromisos, corresponsabilidades, suspensiones y bajas de las familias beneficiarias), or its successor thereto satisfactory to the Bank, of the Operational Rules.

Contrato de Mandato, Recurrent. The Borrower, through SHCP and SEDESOL (CNP), shall enter into a contract (Contrato de Mandato) with NAFIN, satisfactory to the Bank.

BANSEFI Agreement, Recurrent. The Borrower, through SEDESOL (CNP), shall maintain, throughout Project implementation, the BANSEFI Agreement with contents satisfactory to the Bank, whereby BANSEFI, shall agree to distribute the PROSPERA Conditional Support to the PROSPERA Beneficiaries.

Payment Agent Agreement, Recurrent. To carry out Part 1(a) of the Project, and prior to the distribution of PROSPERA Conditional Support to the PROSPERA Beneficiaries by each Payment Agent, the Borrower, through SEDESOL (CNP), shall ensure that BANSEFI shall have entered into a separate agreement with said Payment Agent (the Payment Agent Agreement), with contents satisfactory to the Bank.

Operational Manual, Recurrent. The Borrower, through SEDESOL (CNP) shall carry out the Project in accordance with the provisions of a manual (the Operational Manual) satisfactory to the Bank.

Anti-Corruption Investigation, Recurrent. The Borrower, through SEDESOL (CNP) or any other entity as the Borrower may deem appropriate, shall, inter alia, ensure compliance with the Anti-Corruption Guidelines by requiring BANSEFI, to take appropriate measures to prevent, inform on, respond to and investigate corrupt, fraudulent, collusive, coercive and obstructive practices with respect to their payment of PROSPERA Conditional Support.



Anti-Corruption Inspection, Recurrent. The Borrower, through SEDESOL (CNP) or any other entity as the Borrower may deem appropriate, shall, inter alia, ensure compliance with the Anti-Corruption Guidelines by allowing the Bank to inspect accounts, records and other documents of BANSEFI relating to the Project upon the Bank's request and in the company of CNP representatives.

Anti-Corruption Audits, Recurrent. The Borrower, through SEDESOL (CNP) or any other entity as the Borrower may deem appropriate, shall, inter alia, ensure compliance with the Anti-Corruption Guidelines by allowing the Bank, at its request, to have such accounts, records and other documents audited by or on behalf of the Bank, using the Bank's terms of reference, with the collaboration of the Borrower, through SEDESOL (CNP).

Suspension or Termination, Recurrent. The Borrower, through SEDESOL (CNP) or any other entity the Borrower deems appropriate, shall, inter alia, ensure compliance with the Anti-Corruption Guidelines by agreeing to suspend or terminate BANSEFI's right to process proceeds derived from the Loan or from any other agreement with the Bank, if the Bank has declared BANSEFI ineligible under paragraph 11 of the Anti-Corruption Guidelines.

Restitution, Recurrent. The Borrower, through SEDESOL (CNP) or any other entity as the Borrower may deem appropriate, shall, inter alia, ensure compliance with the Anti-Corruption Guidelines by agreeing to obtain Restitution from BANSEFI of any amount of the Loan with respect to which fraud and corruption has occurred.

Anti-Corruption Guidelines. The Borrower, through SEDESOL (CNP), shall, no later than the date ten (10) business days after the date of this Agreement, issue a notice to BANSEFI (the ACG Notice) in a manner acceptable to the Bank, including a copy of the Anti-Corruption Guidelines, and exhorting BANSEFI to comply with the Anti-Corruption Guidelines when managing Loan proceeds (as disbursed in accordance with the LA).

Indigenous Peoples Plan, Recurrent. The Borrower, through SEDESOL shall carry out the Project in accordance with the IPP.



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Mexico

MX Social Protection System Additional Financing (P164152)

Project Development Objectives

Project Development Objective Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: # of PROSPERA beneficiaries that participate in social programs		Number	465,842.0 0	1,174,811.0 0	Yearly	Administrative data from social programs reported by the Ministry of Public Sector. If data is not available, the program will calculate the indicator by merging its registry with those of other social registries. Indicator will	CNP-DGCV



							include gender disaggregation in a new indicator.	
<p>Description: The social programs refer to those for which operating rules have been modified, starting from the programs for which there is available information for the baseline and for which there is greater available supply and stronger collaboration with PROSPERA that allows better tracking. Thus, social programs currently refer to the following: Program to Support Indigenous Education, Housing Support Program, Program to Support Agricultural Workers (PAJA), Social Pension Program (PAM), Childcare Facilities Program to support working mothers (PEI), and National Scholarship Program. As information improves, other social programs may be included, and the indicator description will be updated correspondingly.</p>								
Revised	Name: # of PROSPERA beneficiaries that participate in productive programs		Number	14,370.00	236,000.00	Yearly	Administrative data from productive programs reported by the Ministry of Public Sector. If data is not available, the program will calculate the indicator by merging of its registry with those of other social registries.	CN PROSPERA
<p>Description: The productive programs refer to those for which operating rules have been modified, starting from the programs for which there is available information for the baseline and for which there is greater available supply and stronger collaboration with PROSPERA that allows better tracking. Thus, productive programs currently refer the following: Program to Promote Social Economy (Programa de Fomento a la Economía Social, FONAES), National Fund Program to support promotion of handicrafts (FONART), Support to Small Producers (Apoyo a Pequeños Productores), Program</p>								



for the Improvement of Indigenous production and productivity, Support Financing Program to support micro-entrepreneurs and rural women, National Fund for Entrepreneurs, Program to Support Employment - National Employment Services, and others from the Ministry of Environment and Natural Resources (SEMARNAT) includes also Conservancy Program for Sustainable Development, Support for sustainable forest development, and Conservation and sustainable exploitation of wild life. As information improves, other productive programs may be included, and the indicator description will be updated correspondingly.

Information for the baseline is Ministry of Public Sector. Information for 2015 and 2016 is that reported by the PROSPERA delegations, and it refers exclusively to beneficiaries who have been accompanied by the program to be linked with productive programs and not to all beneficiaries who participate in productive programs. Information for 2015 and 2016 will be updated with data from the Ministry of Public Sector, to ensure consistency in reporting across time.

From 2017, PROSPERA will report this indicator the same way they report for their Results Indicator Matrix.

Revised	Name: # of instruments implemented for an integrated social information system	Number	0.00	9.00	Yearly	SEDESOL's Internal Reports; technical memoires of the installation of the tools; Report of technological audits	SEDESOL
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Description: Instruments for an integrated social protection system refer to the 8 tools that will be developed and used by SEDESOL for better targeting and producing reports. The instruments are the following: (1) the Social Registry, (2) the Unique Registry of Beneficiaries, (3) Social Program Catalogue, (4) Monitoring dashboard, (5) Data Warehouse Business Intelligence, (6) Geographic Information System, (7) Biometric engine, and (8) Science Data Lab.

Revised	Name: Direct project beneficiaries	Number	25,000,00 0.00	25,000,000. 00	Yearly	Administrative Data from the Padrón de Beneficiarios de PROSPERA.	CN PROSPERA
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							The reported number of beneficiaries will come from the active beneficiary registry in the last payment period of a calendar year.	
No Change	Female beneficiaries		Percentage	52.80	52.80	Yearly	Administrative Data from the Padrón de Beneficiarios de PROSPERA.	CN PROSPERA

Description: Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.

Intermediate Results Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: % of PROSPERA		Percentage	68.50	71.00			



	beneficiaries in Q1 and Q2							
Description: This is a measure of Program targeting and refers to the percentage of beneficiaries of PROSPERA that are in the first two quintiles of the income distribution. Computations are based on the ENIGH national survey. Baseline is for 2010.								
Revised	Name: % of PROSPERA' students that transition to upper secondary		Percentage	65.00	73.00			
Description: This percentage is computed by dividing the number of students receiving PROSPERA education support that are enrolled in upper secondary in t1 by the total number of students receiving PROSPERA education support that finished lower secondary school in t0. The indicator aims to measure progress in reducing the gap in transition rates for students receiving PROSPERA education support. Because of lack of baseline data, and to ensure consistency with the Program's National Matrix Results (MIR), the indicator does not attempt to track transition rates for all youth/students within families receiving PROSPERA support, but only for those students that are receiving the education component of PROSPERA support.								
Revised	Name: Curriculum for PROSPERA personnel capacity building updated		Text	None	Evaluation of the new curriculum			
Description: This indicator will measure the extent to which the existing curriculum for the capacity building for PROSPERA operational personnel is revised, and then evaluated. This indicator shows the dynamic that PROSPERA considers that is needed to update their capacity building plan for their staff to enhance the service provision quality to the beneficiaries.								
Revised	Name: % of PROSPERA beneficiaries that are aware of complementary social and productive programs		Percentage	0.00	80.60			



Description: This indicator will measure the awareness of the existence of complementary social and productive programs for potentially eligible PROSPERA beneficiaries.

Note: The total number of beneficiaries that responded positively (yes) to the questions about awareness of social, and productive and/or financial inclusion programs divided by the total number of beneficiaries that responded the survey Puntos Centinela.

New	Name: Number of certified bilingual promoters (promotores bilingues)		Number	136.00	160.00			
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Description: This indicator is straightforward: the number of certified bilingual field workers. The certification is currently provided by the National Institute of Indigenous Language (INALI). PROSPERA also has bilingual field workers who are not certified, and this type of worker does not affect the indicator.

New	Name: % of citizen's demands received that are resolved within the time period established in the Protocol		Percentage	0.00	90.00			
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Description: The number of citizen demands (complaints, grievance, requests, etc) received that are resolved within the time period established in the protocol is the numerator. The total number of citizen demands received, resolved or unresolved within the time period established in the protocol is the denominator. PROSPERA will provide information on the established protocol and provide the data to calculate the indicator.

New	Name: % of municipalities that report the executed FISMDF in the integrated information system (MIDS-SFU)		Percentage	63.00	80.00			
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Description: The indicator is calculated with number of municipalities that report the executed FISMD on the Integrated information system (Social Development Investment Matrix-Single Format System, MIDS-SFU) in the numerator, and the total number of municipalities in the denominator. This indicator aims to indicate the degree of progress of FAIS resources reported in the system (MIDS-SFU).

New	Name: % of municipal FAIS liaison staff (enlaces) that completed capacity building activities		Percentage	30.00	70.00			
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Description: The indicator shows the shared of FAIS municipal liaison staff (enlaces) that are trained from the total FAIS municipal liaison staff (one for each municipality)

New	Name: Development of a planning system		Text	No system in place	Consolidated system			
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Description: The planning system facilitates the planning exercise for SEDESOL internally. The system will be designed in the year 1 and will be consolidated by the end of the project in 2021. Once the system is designed, the three stages to develop and implement the system will be further clarified.

New	Name: % of female PROSPERA beneficiaries that participate in social programs		Percentage	0.00	55.00			
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Description: The numerator is the number of female PROSPERA beneficiaries that participate in social programs. The denominator is the number of all PROSPERA beneficiaries that participate in social programs (female and male).

The social programs refer to those for which operating rules have been modified, starting from the programs for which there is available information for the baseline and for which there is greater available supply and stronger collaboration with PROSPERA that allows better tracking. Thus, social programs currently refer to the following: Program to Support Indigenous Education, Housing Support Program, Program to Support Agricultural Workers (PAJA), Social Pension Program (PAM), Childcare Facilities Program to support working mothers (PEI), and National Scholarship Program.



As information improves, other social programs may be included, and the indicator description will be updated correspondingly.

New	Name: % of female PROSPERA beneficiaries that participate in productive programs		Percentage	0.00	50.00			
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Description: The numerator is the number of female PROSPERA beneficiaries that participate in productive programs. The denominator is the number of all PROSPERA beneficiaries that participate in productive programs.

The productive programs refer to those for which operating rules have been modified, starting from the programs for which there is available information for the baseline and for which there is greater available supply and stronger collaboration with PROSPERA that allows better tracking. Thus, productive programs currently refer the following: Program to Promote Social Economy (Programa de Fomento a la Economía Social, FONAES), National Fund Program to support promotion of handicrafts (FONART), Support to Small Producers (Apoyo a Pequeños Productores), Program for the Improvement of Indigenous production and productivity, Support Financing Program to support micro-entrepreneurs and rural women, National Fund for Entrepreneurs, Program to Support Employment - National Employment Services, and others from the Ministry of Environment and Natural Resources (SEMARNAT) includes also Conservancy Program for Sustainable Development, Support for sustainable forest development, and Conservation and sustainable exploitation of wild life. As information improves, other productive programs may be included, and the indicator description will be updated correspondingly.

New	Name: Number of services provided by the Integrated Social Information System		Number	0.00	9.00			
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Description: The indicator aims to measure the number of services provided by the integrated social information system. The expected services to be provided by the system are:

1. Intake of beneficiary registries.
2. Intake of Unique Questionnaire of Socioeconomic Information (CUIS).



3. Intake of administrative records.
4. Review of Matched records of beneficiary registries
5. Quantification of potential beneficiary population.
6. Thematic maps.
7. Identification of exclusion and inclusion errors.
8. Analysis of Poverty Threshold of Potential Beneficiaries.
9. Programming of the field work to collect socioeconomic information of potential beneficiaries.





Target Values

Project Development Objective Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	End Target
Revised	# of PROSPERA beneficiaries that participate in social programs	465,842.00	496,774.00	541,484.00	726,779.00	992,344.00	1,017,153.00	1,068,010.00	1,174,811.00	1,174,811.00
Revised	# of PROSPERA beneficiaries that participate in productive programs	14,370.00	15,324.00	16,704.00	236,000.00	236,000.00	236,000.00	236,000.00	236,000.00	236,000.00
Revised	# of instruments implemented for an integrated social information system	0.00	0.00	2.00	4.00	6.00	7.00	8.00	9.00	9.00
Revised	Direct project beneficiaries	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00
No Change	Female beneficiaries	52.80	52.80	52.80	52.80	52.80	52.80	52.80	52.80	52.80

Intermediate Results Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	YR7	End Target
Revised	% of PROSPERA beneficiaries in Q1 and Q2	68.50	70.00	70.00	71.00	71.00	71.00	71.00	71.00	71.00
Revised	% of PROSPERA'	65.00	68.00	68.00	68.00	68.00	73.00	73.00	73.00	73.00



	students that transition to upper secondary									
Revised	Curriculum for PROSPERA personnel capacity building updated	None	Revision and assessment of existing capacity building programs	Content (content) updated	New capacity building applied in personnel	Evaluation of the new curriculum	New capacity building activities performed according to the adjusted capacity building plan.	reviewed and updated adjusted capacity building plan	Evaluation of the adjusted capacity building plan	Evaluation of the new curriculum
Revised	% of PROSPERA beneficiaries that are aware of complementary social and productive programs	0.00	0.00	56.28	62.36	68.44	74.52	80.60	80.60	80.60
New	Number of certified bilingual promoters (promotores bilingues)	136.00			140.00	150.00	160.00	170.00	176.00	160.00
New	% of citizen's demands received that are resolved within the time period established in the Protocol	0.00			70.00	75.00	80.00	85.00	90.00	90.00
New	% of municipalities that report the executed FISMDP in the	63.00			63.00	68.00	74.00	80.00	80.00	80.00



	integrated information system (MIDS-SFU)									
New	% of municipal FAIS liaison staff (enlaces) that completed capacity building activities	30.00			30.00	40.00	50.00	60.00	70.00	70.00
New	Development of a planning system	No system in place			Designed system	Implemented system (stage 1/3)	Implemented system (stage 2/3)	Implemented system (stage 3/3)	Consolidated planning system	Consolidated system
New	% of female PROSPERA beneficiaries that participate in social programs	0.00			55.00	55.00	55.00	55.00	55.00	55.00
New	% of female PROSPERA beneficiaries that participate in productive programs	0.00			50.00	50.00	50.00	50.00	50.00	50.00
New	Number of services provided by the Integrated Social Information System	0.00			0.00	3.00	6.00	8.00	9.00	9.00



ANNEX 1: DETAILED SECTORIAL CONTEXT AND PROGRESS IN PROJECT IMPLEMENTATION

PROSPERA

1. The Conditional Support Program was created in 1997 under the name of *Progresa (Program for Education, Health and Nutrition)*, in 2002 was renamed *Programa de Desarrollo Humano Oportunidades*, and then in 2014 it was transformed into PROSPERA Social Inclusion Program. It provides non-reimbursable support to families in poverty and extreme poverty, conditional on compliance with co-responsibilities aimed at developing human capital such as school attendance or periodic health check-ups of young children. External evaluations have shown significant positive impacts on consumption, education and health. Box 1 summarizes the impact evaluations undertaken and key results (see parent

Box 1: Conditional Support Program- Impact Evaluation and Key Results

In the area of education:

- Important increases in the grades of schooling achieved for both young male and female adults (0.85 and 0.65 additional years respectively, for female and male beneficiaries between ages of 17-22).
- Significant and positive impacts on indigenous people, as high as/ or higher than for non-indigenous youth.
- Encouraging positive tendencies in achievement (10% increase in the scores on the Woodcock-Johnson exams in mathematics for men and women between 19 and 22 years) – though lag in outcomes persistent and possibly tied to quality of services.
- Quality of education services are strongly correlated with education gaps. Controlling for variables of context, there is no difference between test scores of *PROSPERA* students and other students.
- Schools attended by *PROSPERA* students are disadvantaged in their access to important inputs and services.
- The greatest impact of the program on social mobility comes through education (about 7.4% of mobility is explained by education incentivized through the Program).
- Experimental literature provides consistent evidence of positive long-term effects on schooling and on socio-emotional skills.
- Significant reduction in behavioral problems.

In the area of health:

- Increased use of health services (especially preventive).
- Increases in prenatal care, less likelihood of adolescents to engage in risky behavior, and reductions in obesity and chronic illness among Program participants.
- In the case of nutrition, reduction by 22.2 percentage points in the prevalence of stunting and by 11.8 percentage points in the prevalence of anemia in children below the age of two.
- Also, reduction by 5.4 (urban areas) and 14.2 (rural areas) percentage points in the prevalence of anemia in pregnant women between 17 and 22 years.

Overall:

- Increases in both overall and food consumption, sustained over time. This effect not only positively impacts the treated households, but also the ineligible households in the treated villages through local economy wide effects.
- Greatest changes in health and education could be observed in women and indigenous population.
- Longer permanence in the Program was associated with better health and education outcomes.
- Program has reduced child labor and increased registration and school attendance.
- Original beneficiary households in Mexico's *Progresa* made investments that led to continued consumption gains more than five years after the start of the program, beyond those associated with ongoing CCT benefits.
- The Program still faces significant challenges in reaching its objective of breaking with the intergenerational cycle of poverty. Nutrition, health, education and job insertion indicators for the target population still lag significantly behind.
- Program implementation and services have improved over time despite the significant expansion in coverage, largely through operational innovations that improved knowledge of the Program among beneficiaries.
- Upward social mobility is higher for migrants demonstrating the challenges of breaking the inter-generational transmission of poverty when the resident localities are economically depressed.



Project, for more information).⁴²

- Since the Government first introduced PROSPERA, the program has experienced a gradual increase in coverage according to budgetary availability. Budget has also increased in line with social assistance expenditure over recent years. The largest share of program costs goes to the non-reimbursable contributions to the beneficiaries.

Table A1.1. Program budget, US Billions (2009-2015)

PROSPERA Budget	2009	2010	2011	2012	2013	2014	2015
Total	2.56	3.21	3.31	3.73	3.61	3.85	4.06
Conditional Support Budget*	2.39	2.99	3.09	3.54	3.43	3.66	3.87

*Excludes Operational Expenditure

Source: CONEVAL

Table A1.2. Coverage of PROSPERA, Millions (2009-2015)

	2009	2010	2011	2012	2013	2014	2015
Families	5.21	5.82	5.83	5.85	5.92	6.13	6.17
Individuals	23.57	26.01	25.70	25.63	25.72	26.35	26.01

- To strengthen the social protection system and support individuals in poverty in an integrated manner, the current administration redefined its Social Policy and made “Inclusion” one of the five pillars of the 2013-2018 National Development Plan (NDP).** The Inclusive Mexico (*Mexico Incluyente*) pillar, aims to achieve social inclusion and equality of opportunities by improving access to basic social services for the poorest and most marginalized people and by guaranteeing human and social rights for all. The Ministry of Social Development (SEDESOL), in collaboration with key ministries, is leading this effort with a special emphasis on organizing and integrating interventions at the local level.
- The PROSPERA Program, with its broad coverage and territorial presence, was redesigned to strengthen an effective fulfillment of social rights by the population living in poverty, through actions to broaden their nutrition, health and education capabilities, as well as others to improve their access to new wellbeing dimensions (financial, productive, labor and social inclusions).** With this goal in mind, the Government launched a new phase for the conditional support Program in 2014. As part of the coordination effort, twenty-nine social and productive federal programs modified their operating rules and formally agreed to provide preferential access to PROSPERA beneficiaries.

Progress to date: During 2015 and 2016, 1,115,894 million PROSPERA beneficiaries were able to successfully access complementary social programs and 236,625 to productive inclusion programs. The parent Project to date supported (i) the update of the content of the capacity building for the staff of PROSPERA with the objective of supporting to implement effectively the new linking strategy of the

⁴² Documento compilatorio Evaluaciones Externas 2008



program; (ii) the needed technical assistance to support families to develop and implement productive inclusion projects; (iii) knowledge exchanges with other countries on best practices in linking PROSPERA beneficiaries to social and productive programs. Moreover, the project is undergoing the contracting of the data collection for the long-term impact evaluation of PROSPERA. Meanwhile, the project is also contracting a perception study, to inform the implementation of the linking strategy.

INTEGRATED SOCIAL INFORMATION SYSTEM

5. SEDESOL integrated SIS is a technological platform that will integrate, manage and exploit two types of information: (a) socioeconomic data for the demand of social programs (potential and actual beneficiaries); and (b) administrative data on the supply of social programs, allowing for better planning, coordination and targeting of social policy. This platform seeks to resolve issues related to: multiplicity of systems and information sources; diversity of methods to estimate poverty; duplication of benefits due lack of unique identification of individuals; deficiencies in monitoring program coverage; vague alignment of programs and policies to Government strategic plans; as well as the miscoordination between institutions.
6. Currently, the General Directorate of Geostatistics and Beneficiary Registries (DGGPB – *Dirección General de Geoestadística y Padrones de Beneficiarios*, within SEDESOL) manages three main tools: (i) the SIFODE (*Sistema de Focalización para el Desarrollo*), as the national mechanism for targeting potential beneficiaries of all social programs; (ii) the PUB (*Padrón Único de Beneficiarios*), as the Unique Registry of Beneficiaries; and, (iii) the SIGE (*Sistema de Información Geográfica*), to exploit georeferenced and geospatial information. Initially these tools were considered to support the implementation and decision making processes of the National Crusade against Hunger (CNCH), an inter-sectorial and inter-governmental strategy that prioritizes resources for key social programs in municipalities with the highest rates of food poverty. Today, these tools work independently and in a manual fashion, in which results in important deficiencies in terms of time and resources and inconsistencies across databases.
7. In this context, the integrated SIS is expected to integrate the three tools and other technological platforms to ensure availability of social information data that is unique, updated, and consistent at the level of the individual, household and other social actors. The SIS is expected to: standardize processes (data collection, program operation rules, methodologies, systems, platforms); provide a unified approach for identification and classification of households; integrate information into one unique source; interoperability of systems; and in-depth exploitation of social data.
8. **Progress to date:** Over the past two years, SEDESOL has worked intensively on the design and implementation of the integrated SIS. Specifically, the conceptualization for integration has been formed and several tools have been installed, namely: (i) an interoperability tool to guarantee adequate sharing, exchange and updating of information among platforms; (ii) a data quality component to ensure that information complies with quality, cleaning, standardization and homologation tools; (iii) a master data management tool for ensuring uniqueness of registries; (iv) an e-learning platform for training users of the SISI; (v) a data warehouse business intelligence tool for consultation of the SISI project; and (vi) a user's management system, and webpage for representation of the integrated SIS. Despite the progress, the SISI still lacks the appropriate legal framework to become the main source of social information for



executing social policy, could face significant resistance to change if adequate buy-in is not in place, and other actors may be lagging in Information, Communications and Technology (ICT) that could reinforce the abovementioned resistance to change. Only through a coherent normative framework, buy-in from the actors involved, and adequate interoperability among platforms the SISI will turn into a trustworthy platform that will integrate quality data at the individual, households and other social actor levels.

SOCIAL INFRASTRUCTURE FUND (*Fondo de Aportaciones para la Infraestructura Social, FAIS*)

9. FAIS was created at the end of 1997 as part of the reform to the Fiscal Coordination Law. This fund aims to reduce coverage gaps in basic social infrastructure such as access to drinking water, sewage, and electricity of the most marginalized localities and of the extreme poor. In 2017, FAIS' allocated budget was 67 billion pesos (approximately 3.5 billion US dollars), which is equivalent to approximately 75 percent of total PROSPERA's budget. FAIS is a relatively large de-centralized fund from the federal government to the state and municipal governments, which is allocated for investment in social infrastructure. FAIS is also the only source of federal fiscal resources that the municipalities receive labeled to improve the social conditions of the population at the local level. The five states (and its municipalities) that receive most FAIS resources are: Chiapas, Veracruz, Oaxaca, Guerrero y Puebla. The sum of the resources of these five states represents over 50 percent of FAIS resources in 2015.⁴³
10. Since its inception, FAIS has been distributed from the federal government to state and municipal governments using mathematical formulas. However, the fund was criticized for the criteria used in the formula to distribute the resources until 2013 and, most importantly, for the lack of and unclear operative guidelines. The lack of or unclear operative guidelines left the state and municipal governments with the opportunity to "interpret" the Fiscal Coordination Law and to spend FAIS resources on projects that were not necessarily improving welfare at the local level. This has been confirmed in informal discussions with policy makers where one would often hear that these resources were sometimes used for expenses not clearly related to the FAIS' objectives. With the reform to the Fiscal Coordination Law in 2013 (which became effective in 2014), the subnational governments were required to report on the use of the funds to both SEDESOL and the SHCP. The SHCP plays a key role, following up on the use of resources and sharing (via their website) the infrastructure works of each municipality to increase transparency and accountability. While FAIS is not executed by the federal government, in the 2013 reform to the Fiscal Coordination Law, SEDESOL became responsible, inter alia, for establishing FAIS' operational guidelines and for providing guidance to the sub-national governments on the use of FAIS' resources.
11. With the proposed activities, the World Bank aims to contribute to support the planning, monitoring system and evaluation of the fund to diminish the social deprivation of municipalities.

⁴³ Silva-Mendez, Jorge. (2017). *Características del Fondo de Aportaciones para la Infraestructura Social y Experiencia Internacional Relevante*. World Bank.



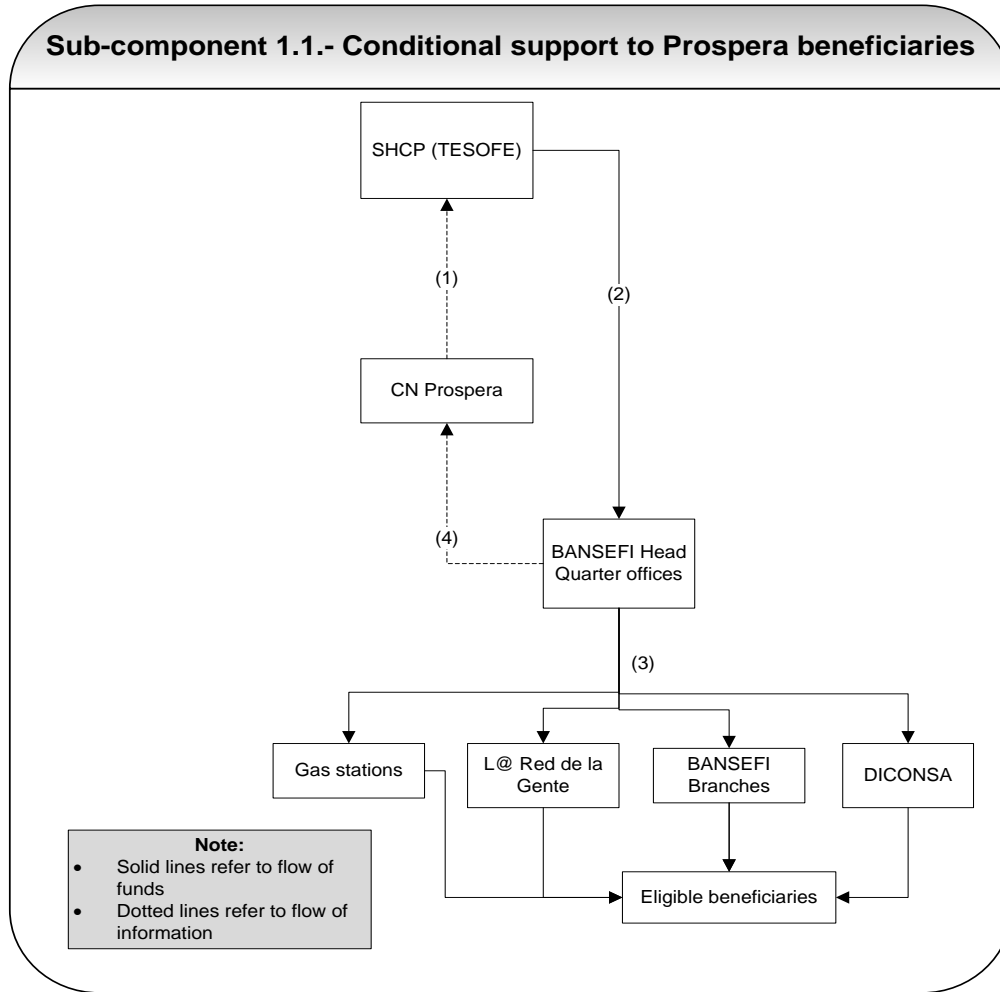
FLOW OF FUNDS

1. The CNP and SEDESOL would continue to manage the overall fiduciary responsibilities for the Project. Financial management and disbursement arrangements will follow the same procedures as the parent Project where the CNP and the SEDESOL are responsible for the financial management and disbursement functions, and the NAFIN is responsible for its management as outlined in Annex 3 of the Project Appraisal Document of the Project (PAD933-MX). The flow of funds as they pertain to the proposed AF are summarized here for reference.
2. The non-reimbursable contributions to PROSPERA beneficiaries are paid nationally through a number of entities, entailing a complex process of flow of funds and flow of information. These entities are CNP, including its central offices and state-level coordination offices, and BANSEFI as financial intermediary in charge of delivering contributions to beneficiaries with the support of subcontracted services from other institutions such as Diconsa (a system of public retail outlets for basic commodities), the L@ Red de la Gente⁴⁴ network and selected gas stations.
3. **Flow of funds.** The flow of funds arrangements that correspond to the proposed AF are described in the following charts and explained below for reference. Due to its complexity, it has been subdivided in 2 figures: Figure 1 describes the flow of funds for the Conditional Support to PROSPERA Beneficiaries component supported under the proposed AF. Figure 2 describes the flow of funds concerning the reimbursement of eligible expenditures pre-financed by the Government.

⁴⁴ *L@ Red de la Gente* is an alliance between BANSEFI and over 200 entities, mainly to offer selected banking services to customers that traditionally do not have access to formal financial services.



Figure 1



- Based on the budget approved annually by the Congress CNP ⁴⁵ will instruct the Federal Treasury (TESOFE by its acronym in Spanish) to transfer funds by issuing payment instructions (*Cuentas por Liquidar Certificadas*- CLCs) under the Single Treasury Account system (STA).
- For payments under the Conditional Support to Prospera Beneficiaries (subsidies under the PROSPERA program), TESOFE will transfer resources to BANSEFI central office.
- BANSEFI will be the financial intermediary (*agencia liquidadora*) for the Program, exactly the same financial arrangement currently in place for Loan 8447 MX, and a relevant amount of the payments will flow through its own branches; however, in order to reach out a broader geographical area, it has subcontracted different payment channels such as gas stations, *R@d de la Gente* branches, and Diconsa stores, which together will make payments to the PROSPERA program beneficiaries.
- After making payments BANSEFI will present the data bases with the related information to the

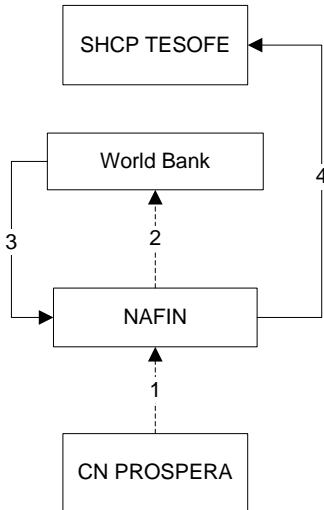
⁴⁵ For the CS related to education the budget will be contributed by the Ministry of Education (*Secretaria de Educación Pública* by its name in Spanish).



PROSPERA central offices who will conduct the reconciliatory process as described earlier.

The general flow of funds under the reimbursement method is as follows:

Figure 2



Note:

- Solid lines refer to flow of funds
- Dotted lines refer to flow of information

- a) The FM Project Unit within CNP PROSPERA will prepare the financial and disbursement reports reflecting the execution of the Conditional Support to Prospera Beneficiaries component, and will prepare the financial and disbursement reports, which will be submitted to NAFIN.
- b) NAFIN will review and submit the Statement of Expenditures (SOEs) to the Bank through the client connection system.
- c) The Bank will reimburse the eligible expenditures into the Project account designated by NAFIN.
- d) NAFIN will reimburse the program funds to TESOFE.



ANNEX 2: DETAILED DESCRIPTION OF PROJECT CHANGES

Components				
Change to Components, Costs and reallocations:				
The following table presents the summary of changes in name and estimated costs associated, as well as the actions undertaken for each sub-component of the parent Project. Under Component 2 a new subcomponent has been added and resources reallocated for 1 million dollars equally from Sub-components 2.1. and 2.2.				
Current Sub-Component Name	Proposed Sub-Component Name	Original Cost (US\$M)	Proposed Cost (US\$M)	Action
Sub-Component 1.1. Promoting the investment in human capital through the provision of Conditional Support to PROSPERA Beneficiaries	No Change	301.5	601.5	Increased amount
Sub-Component 1.2. Strengthening PROSPERA’s operational capacity to promote beneficiaries’ access to social and productive programs	No change	5.0	5.0	Revised activities
Sub-Component 1.3. Strengthening PROSPERA’s Monitoring and Evaluation tools and strategy	Sub-Component 1.3. Strengthening PROSPERA’s Planning, Monitoring and Evaluation tools and strategy	11.0	11.0	Revised activities
Sub-Component 2.1. Developing and implementing an integrated social information system (SIS)	No change	25.0	24.5	Revised activities and reduced amount



Sub-Component 2.2. Supporting the development and implementation of SEDESOL’s Regional Social Development Strategy (RSDS)	Sub-Component 2.2. Strengthening the planning, monitoring and evaluation of the FAIS	6.6	6.1	Revised activities and reduced amount
	Sub-Component 2.3. Developing the evidence-based planning system for continuous improvement of social programs		1.00	Added sub-component
	Total:	350.00⁴⁶	650.00	

Component 1: Support to the PROSPERA Program and its linkage with social and productive programs:

Sub-Component 1.1 - Promoting the investment in human capital through the provision of Conditional Support to PROSPERA Beneficiaries (original US\$301.5 million; proposed US\$601.5 million)

The AF will provide US\$300 million of additional resources for Sub-component 1.1. to extend further support to PROSPERA beneficiaries, with continued focus on the innovative aspects of the program, such as linking PROSPERA beneficiaries to complementary productive and social programs, as well as supporting the investments in human capital (schooling, nutrition etc.) for the poor and vulnerable (including. Indigenous population) over the period 2018-2020. Together with original loan, the total amount of this Sub-component will be US\$601.5 million. With the additional funds, the overall allocation for Component 1 will increase to US\$617.5 million. This corresponds to approximately 2 percent of PROSPERA’s budget.⁴⁷ While a relatively modest contribution to the overall PROSPERA budget, beyond the extended support to the investment in human capital (which in turn contribute to the PROSPERA’s impact on decreasing poverty levels, child labor, and infant and maternal mortality, and increasing school enrollment and completion) and innovative linkages to the productive and social programs for PROSPERA beneficiaries; the proposed AF would also allow for the continued Bank engagement on the core aspects of PROSPERA program, as well as to provide technical assistance and share successful international experiences. These investments will in turn contribute to the PROSPERA’s impact on decreasing poverty levels, child labor, and infant and maternal mortality, and increasing school enrollment and completion.

Sub-Component 1.2 – Strengthening the Program’s operational capacity to promote PROSPERA beneficiaries’ access to social and productive programs (US\$5.0 million)

This Sub-component will continue to support strengthening of the operational capacity of PROSPERA,

⁴⁶ This will include the front-end fee to add up to the 350 \$US million. The same apply for the proposed cost of parent Project and AF.

⁴⁷ Based on the assumption that coverage will remain constant. If the coverage of PROSPERA further increases, the share of the corresponding loan amount in total program spending will be less than 2 percent. The remaining 98% of PROSPERA’s budget is covered by national resources, of which 2% approximately is supported by an IADB project.



and the intersectoral coordination mechanisms to facilitate access of beneficiaries to productive and social programs. Activities have been slightly revised to incorporate the experience and lessons learned from the first two years of implementation of the project and to prioritize key vulnerable groups in Program operational support: children 0 to 5, youth and indigenous population. The choice of focus on these two specific population targets, is well justified by the evidence on return on investment in early years, and for the latter on the need to further foster impact of PROSPERA on the poorest and most marginalized population.

As stated previously in the PP, indigenous people face higher levels of poverty, inequality and marginalization.⁴⁸ According to the 2014 National Survey on Income and Expenditure (ENIGH, for its acronym in Spanish), 75 percent of the population that reported speaking an indigenous language reported being PROSPERA beneficiaries. Based on PROSPERA’s beneficiary registry, approximately 1.4 million indigenous families are PROSPERA beneficiaries in 2017, representing approximately 20 percent of the total PROSPERA beneficiaries. Improving the attention of PROSPERA to indigenous people is therefore crucial in the strategic effort of Mexico to be more inclusive.

Activity	Progress/Action	Justification
(i) define roles and responsibilities of PROSPERA staff working in the implementation of the Program to support the coordination with social and productive programs	Ongoing, no change	N/A
(ii) design capacity building activities to strengthen the implementation of PROSPERA Program, and align Program operation with the new objectives of promoting greater linkages with complementary social and productive programs	Ongoing, no change	N/A
(iii) strengthen the Program’s communication strategy towards beneficiaries to update the content and tailor the approach to specific groups (e.g., youth and indigenous populations), increasing its effectiveness	Change to “strengthening service and communication mechanisms and tools towards specific groups, prioritizing children 0 to 5, youth and indigenous peoples”	PROSPERA program over time has been investing in improving the human capital of the new generations. The challenge now is to ensure that the youth fully utilizes this investment. The program will therefore invest in better supporting the youth to remain in school or for the transition to the labor market. Investment in better

⁴⁸ Indigenous people, defined as those reporting speaking an indigenous language, has the highest multi-dimensional poverty headcount index at 78 percent in 2014.



		communicating with indigenous people remains a key priority, given the expansion in coverage of the program to indigenous areas. However, identified language and cultural barriers for indigenous people still exist
(iv) design and pilot coordination models for the inclusion of PROSPERA beneficiaries in social and productive programs	Cancelled	The pilot coordination models for the inclusion of PROSPERA beneficiaries in social and productive programs were not implemented as originally defined in the parent Project design to be evaluated. However, PROSPERA implemented several models that influence the participation of PROSPERA beneficiaries in productive and social inclusion, which were financed through national budget. Therefore, this activity and the corresponding indicator were eliminated. In agreement with PROSPERA, the program will inform about the progress and results of the application of these models to continue learning about this new dimension of the program.
Design and implement the strategy to institutionalize the process for capacity building of PROSPERA staff. Based on the evaluation, develop a restructuring plan for the capacity building areas in the state delegations, among others	New activity (v)	The process of capacity building is key to ensure effective delivery of the program.
Consolidate the model to serve indigenous populations, including the process to build capacities and certification of staff (previously <i>Promotores Bilingues</i>), as well as a forum of best practices to serve this population.	New activity (vi)	To ensure adequate support to indigenous people the program has been investing, under the indigenous people plan, in capacity building and certifying RAPI. Given the large coverage of the program in indigenous areas and the turnover of personnel, it will be critical to ensure that such



		capacity building and certification process is continued and institutionalized.
Support the model to serve PROSPERA youth to continue education and strengthen their insertion to the labor market	New activity (vii)	To ensure an effective social and economic inclusion of the youth, the Project will invest in developing interventions in support to the youth. Those interventions will be done in coordination with key development partners such as Ministry of Education, Ministry of Labor, and Ministry of Finance ⁴⁹
<p>Sub-Component 1.3. Strengthening PROSPERA’s Monitoring and Evaluation tools and strategy (US\$11.0 million)</p> <p>This Sub-component will continue to support the strengthening of M&E tools and strategy of the program to develop the evidence base required to evaluate the reforms undertaken to increase linkages with social and productive programs. The Sub-component’s title, goal and activities will be revised to include planning as a key process to be consolidated, together with M&E. Specific changes are as follows:</p> <ul style="list-style-type: none"> - Change in Sub-component title to add the word “planning”. The Sub-component full title will be modified to “Strengthening PROSPERA’s Planning, Monitoring and Evaluation tools and strategy”. The change is due to the changes in the organigram of National Coordination of PROSPERA that now includes a Directorate of Planning. - The goal of the Sub-component will now be to “support the strengthening of PROSPERA’s Planning, Monitoring and Evaluation tools and strategy”. 		
Activity	Progress/Action	Justification
(i) update Program targeting and recertification methodology through inter alia: revising the targeting methodology and the monitoring of PROSPERA beneficiaries that have concluded their participation in the Program	Change to “review and update of PROSPERA’s targeting and beneficiary permanence methodology”	
(ii) develop a digital platform containing information on PROSPERA beneficiaries and social and productive programs supply to support and monitor the implementation of the	Cancelled	Deleted due to overlapping products of the social information system, being supported through Sub-component 2.1, which will allow for information exchanges and use about PROSPERA

⁴⁹ The ongoing World Bank pilot project on Economic Inclusion of the poor will inform the development of future interventions for the youth.



coordination models designed under Component 1.2		beneficiaries in productive and social programs
(iii) support the linkages and coordination between PROSPERA and the social and productive programs through, inter alia: the carrying out of studies and the production of evaluation reports, and data collection on the PROSPERA beneficiaries' perception of the coordination between PROSPERA Program and social and productive programs	Change to "Support the program's evaluation, including data collection on PROSPERA beneficiaries' perceptions". Also, it could include, among others, data gathering related to: (a) early childhood development strategy; (b) reasons why the youth in PROSPERA families do not use the educational support or why they desert school; (c) labor insertion of PROSPERA youth.	Given the new focus under Sub-component 1.2. of the youth and early years, the evaluation agenda will need to be adjusted accordingly
(iv) carry out the evaluation of the long-term impact of the Program	Ongoing, no change	The long-term evaluation agenda remains a priority of the program and for the World Bank and will be informative also for other countries around the globe

Component 2- Strengthening the social protection system (US\$31.6 million)

Sub-Component 2.1. Developing and implementing an integrated social information system (SIS)- (US\$25.0 million)

This Sub-component will continue to support the design, development and implementation of an integrated social information system (SIS)⁵⁰.

Reallocation: A total of US\$0.5 million will be reallocated from this Sub-component to support the new Sub-component 2.3. for SEDESOL. See Section VII - Components for detailed summary of reallocations.

Activity	Progress/Action	Justification
(i) carrying out an assessment of the current ICT infrastructure needs for the development of the SIS	Ongoing, no change	N/A
(ii) development of the SIS	Ongoing, no change	N/A
(iii) support the implementation of the SIS through, inter alia, the acquisition of software and the provision of ICT services	Ongoing, no change	N/A
(iv) development of an	Ongoing, no change	N/A

⁵⁰ The main elements of the SIS which are described in more detail in Annex 2 of the Original Project are the following: (a) the Social Registry; (b) the Unique Registry of Beneficiaries; (c) the Social Program Catalogue; (d) the targeting mechanism; (e) a monitoring dashboard; (f) a business intelligence tool; and (g) a geographical information system.



operational manual documenting the processes involved in the operation of the SIS		
(v) development of capacity building mechanisms for the use of the SIS including, inter alia, the development of capacity building software	Ongoing, no change	N/A
(vi) review of the existing legal framework and development of protocols for the exchange of information through the SIS among the Borrower’s ministries and agencies responsible for the implementation of social and productive programs	Ongoing, no change	N/A
Develop projects that contribute to a better use of the SIS information	New activity (vii)	During design and implementation of the SIS, the GoM recognized the need to collect data, elaborate diagnostics, among others, that would inform the decision-making processes around the SIS and its elements
Development of the tools to orchestrate a quality improvement policy of the information integrated in the SIS, including, a supervision and monitoring system of the data collection process, IT tools for data collection, data certification audits and tools for interoperability and exchange of administrative registries, among others	New activity (viii)	Given the potential and actual multiple sources for the SIS, quality of information was identified as a key challenge. For that purpose, this new activity seeks to provide support on strengthening quality assurance in the data collection processes

Sub-Component 2.2. Supporting the development and implementation of SEDESOL’s Regional Social Development Strategy (RSDS)-(US\$6.6 million)

This Sub-component will undergo significant changes.

Justification: At the end of 2013, Congress passed a reform to the Fiscal Coordination Law to align the Social Infrastructure Fund (FAIS, as per its acronym in Spanish) to the official welfare measures of multidimensional poverty and assigned new responsibilities to SEDESOL. The most important responsibilities assigned to SEDESOL were to establish FAIS’ operational guidelines and provide guidance to the sub-national governments on the use of FAIS’ resources to strengthen its impact on poverty



reduction⁵¹. In 2014, in the context of the Fiscal Coordination Law reform, with the new Government administration and the launching of the National Crusade Against Hunger (CNCH), SEDESOL envisaged that their limited operational capacity at the state level could hinder their ability to support and coordinate actions on the ground for FAIS, but mainly for the CNCH. Thus, developing and implementing a full Regional Social Development Strategy (RSDS) would help to address this issue. The activities planned under Sub-component 2.2 were meant to support the design and implementation of the RSDS.

At the end of 2014, the international oil prices sharply dropped and have not yet recovered, affecting one of the main revenue sources of the GoM. This external shock affected the budget of the Federal Government across the board, including SEDESOL. The budget constraint especially affected Ministry interventions that required a substantial expansion of the current expenditure such as the implementation of a regional social development strategy that envisaged operational structures on the ground. While program benefits were not directly affected by the budget cut in SEDESOL, operational budgets were tightened significantly. The budget constraint and the high-level changes in SEDESOL, forced SEDESOL to re-think and adjust the CNCH, which is now mostly operating through the national coordination strategy at the local level that has been established with the National Strategy for Social Inclusion (ENI).

In this complex environment, the Government has requested that this Sub-component re-focuses primarily on the planning, monitoring and evaluation of FAIS, rather than on strengthening regional operational capacity of SEDESOL through a RSDS. As mentioned above, while FAIS is not executed by the federal government, SEDESOL is responsible for establishing FAIS’ operational guidelines and for providing guidance to the sub-national governments on the use of FAIS’ resources. FAIS is a key tool to improve welfare given its focus on reducing the social infrastructure gap and its large size (3.5 billion dollars in 2017). Enhancing the planning, monitoring and evaluation of FAIS has the potential to increase its poverty- and inequality-reducing impact. Accordingly, the following changes to the sub-component will be introduced as part of the restructuring:

- The **title** of the Sub-component will be: “Strengthening the planning, monitoring and evaluation of the FAIS”
- The **goal** of the Sub-component is now to “support the planning, and the monitoring and evaluation system of the FAIS to diminish municipalities social deprivations”

Reallocation: US\$ 0.5 million will be reallocated from this Sub-component to finance the new Sub-component 2.3.

Activity	Progress/Action	Justification
(i) carrying out diagnostic studies in Mexico, in order to identify the challenges facing localities in the development of social	Change to “carrying out diagnostics in selected localities and regions to identify the challenges facing localities in	The RSDS will no longer be included as part of the Project, due to changes in government priorities and budget constraints.

⁵¹ The Social Infrastructure Fund has 67,000 million pesos in 2017, nearly US\$3.4 billion dollars. This fund is almost as large as PROSPERA in terms of budget, and larger than any other social program including the Social Pension Program for the Elderly. For the municipalities in the lowest quintile of the own-revenue raised distribution, FAIS alone represents over 30% of its total revenue. Further information on FAIS can be found in Annex 1.



interventions and the role that SEDESOL could play, as input to the RSDS, and develop the RSDS based on the recommendations of the diagnostic studies	the development of social interventions and the role that SEDESOL would play in planning and coordinating based on the recommendations of the diagnostic studies”	This activity will however remain to cover for previously financed activities and upcoming ones, that will contribute to better planning and execution of FAIS funds
(ii) definition of SEDESOL’s organizational structure needs to implement the RSDS	Cancelled	The RSDS will no longer be included as part of the Project, due to changes in government priorities and budget constraints
(iii) development of institutional capacity to support SEDESOL’s implementation of the RSDS including, inter alia, the development of capacity building modules and related software	Cancelled	The RSDS will no longer be included as part of the Project, due to changes in government priorities and budget constraints
(iv) development of the technological infrastructure required to obtain and analyze information on the supply of social programs and the social needs of the population at the local and regional levels	Cancelled	The RSDS will no longer be included as part of the Project, due to changes in government priorities and budget constraints. However, the information on the supply of social programs and the social needs of the population at the local and regional levels will be extracted from the SIS to input activities under sub-component 2.3.
(v) development and implementation of a monitoring and evaluation system for the RSDS including, inter alia, the acquisition of software and hardware and the provision of ICT services	Cancelled	The RSDS will no longer be included as part of the Project, due to changes in government priorities and budget constraints
Improve the targeting of investment of FAIS funds through the development of a social infrastructure indicator and the elaboration of a registry of infrastructure and beneficiaries of these works.	New activity (ii)	Policy makers agree that, in the past, FAIS was not particularly well-targeted; though it recently improved with the use of geographic and poverty-based targeting. However, there is still room for improvement. For instance, a social infrastructure indicator based on needs and that can be frequently updated does not exist. Therefore, it is crucial



		that SEDESOL has an objective measure that could contribute to guide the targeting efforts of the investment fund, to ensure investments go where they are really needed.
Diagnosis of the monitoring scheme for FAIS (Social Development Investment Matrix MIDS – Unique Format System, SFU), to support the implementation of activities, including the updating of the monitoring system and indicators, among others	New activity (iii)	The monitoring system for FAIS will be developed to inform at its best the planning process for the use of the resources
Design and implementation of the capacity building strategy for FAIS staff	New activity (iv)	Design and implement a well-defined and structured capacity building scheme for local authorities, and personnel of SEDESOL and State delegation, will be needed to ensure that FAIS resources are well planned and implemented
Document good practices in planning, executing, monitoring and auditing of FAIS resources, through seminars and studies, among others	New activity (v)	Knowledge sharing and best practices are crucial for ensuring continue improvement in poverty reduction strategies like use of FAIS
Development of the management, planning, monitoring and evaluation models to strengthen the institutional capacities of municipalities and states for the execution of FAIS	New activity (vi)	Institutional capacity does not only mean having trained officials (which is extremely important), but it also means having effective procedures and organizations. In this context, SEDESOL will implement activities to develop and enhance procedures, including software development and software update for monitoring and evaluation of local investment projects financed with FAIS resources, consultant(s) to closely follow up with local actors (<i>Agentes de Desarrollo Local – ADL</i>) to enhance FAIS follow-up on SEDESOL side, among others.



New addition: Sub-Component 2.3. Developing an evidence-based planning system for continuous improvement of social programs for a total of US\$1.0 million (proposed)

Justification: Given the persistent high social policy fragmentation across institutions and government levels, as well as the fiscal constraints, planning and evaluation of social spending has become a key priority for the SEDESOL. This new Sub-component will support the SEDESOL in strengthening its planning, monitoring and evaluation capacity to ultimately enhance social programs’ development impact. The outcomes of this sub-component will be key instruments not only for current policy makers, but also for the incoming administration in 2018. Together with the information from the SIS, the planning system will take full advantage of existing inputs (evaluations, audits, diagnostics, registries, etc.) to better inform decision-making processes.

- The goal of the sub-component is now to “develop the evidence-based planning system in SEDESOL to agree with social development programs for their continuous improvements in design and implementation”.

The proposed new activities will support the following: (i) design an integrated planning system that will allow to look up relevant information about the design and operation of programs for its continuous improvements; (ii) provide follow-up to the planning implementation of key programs and tools of SEDESOL (e.g. *Cartilla Social*); (iii) reports to understand and analyze citizens’ perceptions about poverty and how policy and social development programs incorporate lessons to the processes of planning and continuous improvement; and (iv) support to elaborate normative documents to register improvements and changes to the programs, based on the evidence obtained through diagnostics, evaluations, studies, among others.

Risk	
Risk Category	Rating -changes and justification
1. Political and Governance	Rating revised to Moderate from Substantial. The former rating reflected the governance risk resulting primarily from potential limited coordination across implementation agencies hindering timely decision making and implementation progress. The upcoming national elections also present an additional risk of potential implementation delays and/or change in priorities. Considering the ongoing effective coordination across SEDESOL and PROSPERA, along with the broad-based support of PROSPERA and Bank’s strong track record of engagement in the sector across transitions in administrations, this risk has been assessed as moderate.



2. Macroeconomic	Moderate. This rating was not a self-standing category for the parent Project. Given the budget constraints and moderate economic growth, the proposed rating as reported in ISR for this category is Moderate. Close collaboration and monitoring on the planning stage about expected budget; and prioritization of activities will be utilized to manage this risk and for continued implementation progress.
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	High
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate. This rating was not a self-standing category for the parent Project. From the operational perspective, the Program poses considerable implementation challenges due to the complex implementation arrangements which involve a number of actors. However, experience implementing the ongoing Project (Ln. 8447-MX) shows adequate CNP PROSPERA monitoring processes over transfers to beneficiaries. The three layers of mitigation measures (country, program and entity level) continue to be implemented along with annual audits conducted by an acceptable audit firm in accordance of with terms of reference acceptable to the Bank.
7. Environmental and social	Low
8. Stakeholders	Substantial
9. Other	-
OVERALL	Substantial
Other Change(s)	
Change in Implementation Schedule	
The implementation period would be extended through June 30, 2021 to ensure that all ongoing and planned activities can be satisfactorily completed.	





Annex 3. Detailed Information about some Indicator Descriptions

1. The Integrated Social Information System (SIS) will integrate, manage and utilize information on the actual and potential beneficiaries of social programs from the three levels of government, in order to: (i) identify nominally the population living in poor conditions and their main socioeconomic characteristics; (ii) align the supply of social services to the demands of the population in vulnerable and poor situations, and (iii) mitigate the inclusion and exclusion errors of social programs, among other functionalities. As intermediate steps to achieve these outcomes, the Project will monitor the services provided to social programs by the integrated SIS, including:
 - a. Registries Intake. Currently, the reception of beneficiary registries at SEDESOL is done manually and in a manner prone to various errors of validation. The integrated SIS through a Mapping and Intake System of Beneficiary Registries (SMIP) will allow for the incorporation of beneficiary registries to the SIS in an automatized manner, ensuring just-in-time validation and security of beneficiaries' information.
 - b. Intake of Unique Questionnaire of Socioeconomic Information (CUIS). Currently CUIS questionnaires are gathered separately by different programs. The integrated SIS through the CUIS Intake System will allow for the incorporation of socioeconomic information to the SIS, in an automatized manner, cross-checking the national identification number with the National Registry of Population (RENAPO), updating previous CUIS questionnaires gathered by other programs for the same household, and generally allowing for the intake of new CUIS.
 - c. Intake of administrative records. Currently, SEDESOL does not undertake cross-checks with administrative records potentially available in other agencies. The goal is to advance in the interoperability with other agencies' systems to integrate administrative records to the SIS that would verify and complement the current self-reported information provided through the CUIS.
 - d. Comparison between beneficiary registries. The integrated SIS incorporates a Data Warehouse tool that will allow any person to compare registries of program beneficiaries, among other analysis, turning the processing of current information requests into a more dynamic one. These functions will contribute to increase the efficiency, reducing the response time.
 - e. Conformation of targeting population for social programs. Social programs of the different levels of government will define through the Catalogue of Programs tool, the demographic, socioeconomic, and territorial criteria that will identify the universe of potentially eligible beneficiaries. This service will allow SEDESOL to identify groups of potentially eligible beneficiaries for social programs, ensuring homogenous targeting and contributing to minimizing inclusion and exclusion errors.
 - f. Thematic maps. This service will take advantage of the information in the integrated SIS, as well as information from the National Statistics Office (INEGI) and other geographical and administrative sources, to map multiple layers of information facilitating planning, decision-making and evaluation of programs and social policy overall.
 - g. Identification of inclusion and exclusion errors of social programs. The integrated SIS will allow to identify those people who are eligible for social support but are not receiving it,



and those who are currently benefiting but are not eligible any more. While this information is only an input to the decision-making process of social planning, it will increase transparency and accountability for the sector.

- h. Analysis of Poverty Thresholds. This tool will allow to prioritize potentially eligible beneficiaries based on how programs could impact directly or indirectly their poverty condition. The goal is to align the institutional supply to the incidence of the different deprivations that the household or individual is facing, particularly for those in extreme poverty.
- i. Programming of the field work to collect socioeconomic information of potentially eligible beneficiaries. This service aims to optimize the use of resources to collect socioeconomic information. This would be possible by avoiding duplication in collecting information of the same household or avoiding to send multiple field workers from various programs to the same localities or areas. This service will be the basis for a planning exercise.