



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
Social Protection System Project
APPROVED ON OCTOBER 24, 2014
TO THE
UNITED MEXICAN STATES

SOCIAL PROTECTION & JOBS

LATIN AMERICA AND CARIBBEAN

Regional Vice President (Acting):	Humberto J. Lopez
Country Director:	Pablo Saavedra
Regional Director:	Luis Benveniste
Practice Manager/Manager:	Pablo Gottret
Task Team Leader:	Aylin Isik-Dikmelik



ABBREVIATIONS AND ACRONYMS

ACG	Anti-Corruption Guidelines (<i>Guías Anticorrupción</i>)
AF	Additional Financing (<i>Financiamiento Adicional</i>)
BANSEFI	National Savings and Financial Services Bank (<i>Banco del Ahorro Nacional y Servicios Financieros</i>)
BANXICO	Central Bank of Mexico
BIENESTAR	Secretariat of Welfare (<i>Secretaría de Bienestar</i>)
CGPD	General Coordination of Programs for Development (<i>Coordinación General de Programas para el Desarrollo</i>)
CNP	National Coordination of PROSPERA (<i>Coordinación Nacional de PROSPERA</i>)
CPS	Country Partnership Strategy
ENIGH	National Survey of Income and Expenditure (<i>Encuesta Nacional de Ingresos y Gastos de los Hogares</i>)
FAIS	Social Infrastructure Fund (<i>Fondo de Aportaciones para la Infraestructura Social</i>)
FISMDF	Fund for Municipal Social Infrastructure (<i>Fondo para la Infraestructura Social Municipal y de las Demarcaciones Territoriales del Distrito Federal</i>)
GoM	Government of Mexico
IBRD	International Bank for Reconstruction and Development
ICD	Integrative Centers of Development (<i>Centros Integradores de Desarrollo</i>)
ICR	Implementation Completion and Results Report
ICT	Information and Communication Technologies
IMSS	Mexican Social Security Institute (<i>Instituto Mexicano del Seguro Social</i>)
INPI	National Institute of Indigenous Peoples (<i>Instituto Nacional de Pueblos Indígenas</i>)
IP	Implementation Progress
IPP	Indigenous Peoples Plan
ISR	Information System for Regional Development
MIDS-SFU	Investment Matrix for Social Development- Single Format System (<i>Matriz de Inversión para el Desarrollo Social-Sistema de Formato Único</i>)
NAFIN	National Financing Agency (<i>Nacional Financiera, SNC IBD</i>)
OM	Finance and Administration Unit (<i>Oficialía Mayor</i>)
PDO	Project Development Objective (<i>Objetivo de Desarrollo de Proyecto</i>)
RCT	Randomized Controlled Trial
RSDS	Regional Social Development Strategy (<i>Estrategia De Atención Regional al Desarrollo Social</i>)
SAGARPA	Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (<i>Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación</i>)
SE	Secretariat of Economy (<i>Secretaría de Economía</i>)
SEDESOL	Secretariat of Social Development (<i>Secretaría de Desarrollo Social</i>)
SEP	Secretariat of Public Education (<i>Secretaría de Educación Pública</i>)
SHCP	Secretariat of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)
SIS	Social Information System (<i>Sistema de Información Social</i>)
SISI	Integrated Social Information System (<i>Sistema de Información Social Integral</i>)
SS	Secretariat of Health (<i>Secretaría de Salud</i>)
SSPEDR	ViceSecretariat of Planning, Evaluation and Regional Development (<i>Subsecretaría de Planeación, Evaluación y Desarrollo Regional</i>)
STPS	Secretariat of Labor and Social Security (<i>Secretaría del Trabajo y Previsión Social</i>)
TA	Technical Assistance
TOR	Terms of Reference



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA

Product Information

Project ID P147212	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 24-Oct-2014	Current Closing Date 30-Jun-2021

Organizations

Borrower UNITED MEXICAN STATES (represented by Secretariat of Finance and Public Credit)	Responsible Agency PROSPERA,SEDESOL/BIENESTAR
---	--

Project Development Objective (PDO)

Original PDO

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.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IBRD-88230	29-Jan-2018	26-Mar-2018	30-Apr-2018	30-Jun-2021	300.00	300.00	0
IBRD-84470	24-Oct-2014	19-Nov-2014	17-Feb-2015	30-Jun-2021	350.00	321.82	28.18



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Social Protection System Project was approved by the Board on October 24, 2014 with an International Bank for Reconstruction and Development (IBRD) Loan in the amount of US\$350 million (Ln. 8447-MX). The Project became effective on February 17, 2015 and was originally scheduled to close on June 28, 2019. The closing date was extended to June 30, 2021 as part of the Additional Financing (AF) and concurrent restructuring. The AF and restructuring were requested by the Government of Mexico in July 2017 to scale up the effectiveness of a well-performing Project and were approved by the Board on January 29, 2018 with an IBRD Loan in the amount of US\$300 million (Ln. 8823-MX). The AF and restructuring became effective on April 30, 2018 and March 28, 2018, respectively. The AF was fully disbursed as of September 2018.

2. The overall status of the Project is satisfactory. This is reflected in the PDO indicators, where four out of the five PDO indicators were achieved already, with component 1 achieving or surpassing its objectives; and the fifth PDO indicator is very close to its final target. A description of the main results achieved under component 1 is provided in Annex 1. Overall implementation progress (IP) is currently rated as moderately satisfactory, reflecting reasonable implementation with only slight delays in the execution of the technical assistance activities. The key Project ratings have never been less than satisfactory or moderately satisfactory, reflecting the overall adequate implementation of the Project throughout its life. As of August 31, 2019, the Project (Loan 8447-MX) has disbursed US\$321.8 million (91.9%) and has 28.2 million (8.1%) undisbursed funds.

3. The project's main results to date include, increased access of the population in poverty and vulnerability to multiple relevant interventions, and development of tools that contribute to an integrated social protection system. The integral approach under the Project allowed the linkage of the poor and vulnerable to multiple social and productive interventions, as reflected in the achievement of the established targets for the PDO indicators, with around 1.8 million and 318 thousand beneficiaries participating in social and productive programs respectively, well above the final targets for the project. In addition, all gender disaggregated indicators and the indicator that reflects the attention paid to indigenous peoples exceeded their targets; where approximately two thirds or more of the beneficiaries participating in social and productive programs were female (63% and 79% respectively, surpassing their respective targets of 55% and 50%) and the 200 certified bilingual promoters/social workers (for which the final target was 160) helped serve the beneficiary families from indigenous population in their native indigenous language. Other important achievements of the Project in contributing to build an integral social protection system are the tools that were designed and developed as part of the social information system such as the spatial data infrastructure system and the virtual e-learning platform. The utilization of these tools facilitates the delivery of benefits in an integrated manner, with a territorial and a beneficiary-focused approach.

4. In the context of the recent change in federal government, new policy priorities have emerged that are relevant for the Project. The federal administration changed at the end of 2018, established social policy as one of the three pillars in the National Development Plan 2019-2024, and has undertaken multiple changes and started initiatives to strengthen the policy interventions to help the poor and vulnerable populations. One of the main social policy changes was the transformation of the Conditional Cash Transfer Program, PROSPERA, into an education scholarship program called Benito Juarez National Program of Scholarships for Welfare that aims to strengthen inclusive and equitable education. Additional to this, three further policy initiatives stand out: (i) Programs for Development¹ (sometimes also referred to as Integral Programs for Development), which are the flagship

¹ As per the guidelines that regulate the functions of the Federal Delegations of Programs for Development, the Programs for Development are: "the programs that



programs from multiple sectors including welfare, labor, and education, among others (including Benito Juarez Scholarship Program); (ii) the financial inclusion initiative, which aim to reach the poor and vulnerable, especially those in rural areas, marginalized municipalities and semi-urban areas, that are not fully covered by the private banking system;² (iii) the implementation strategy of the Programs for Development and the financial inclusion initiative, which includes the integrated service (local) modules that will serve the potential and actual beneficiaries of Programs for Development such as Integrative Centers of Development (Centros Integradores de Desarrollo, CID).³ Annex 2 provides an overview of the sectorial and institutional context and explains in further detail these three main priority policies. In this context, in June 2019, the Government of Mexico requested the realignment of the Project to reflect the new policy priorities.

5. The proposed restructuring of the Project will support Government's new policy priorities and is aligned with the Bank's strategy in Mexico. The proposed modifications of the Project will assist the Government of Mexico through: (i) support to the financial inclusion strategy, and the service modules including Integrative Centers of Development to enhance payment mechanisms, to increase financial literacy of the beneficiaries of the Programs for Development, to increase social participation and social cohesion, and to move towards the delivery of social protection benefits in an integrated manner with a beneficiary-focused approach; (ii) support for the planning, and monitoring and evaluation of the social policies and programs, to enhance operational efficiency of such policies and programs with potential positive impacts on the beneficiaries. The proposed modifications to the subcomponents and activities of the Project will contribute to an integrated social protection system, as established in the PDO. As such, the proposed changes are also 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); the upcoming Country Partnership Framework 2020-25, and with the World Bank Group's Social Protection and Labor Strategy.⁴

II. DESCRIPTION OF PROPOSED CHANGES

6. Based on the Government's request and the technical discussions, the proposed changes to the project are as follows: (i) reallocation of resources from Component 1 to 2 (without reallocation across expenditure categories), and the Secretariat of Welfare as the only actual implementing agency, reflecting its role as the head of social policy and following the changes in PROSPERA Social Inclusion Program; (ii) elimination of Subcomponent 2(c) "Developing an evidence-based planning system for continuous improvement of social programs", noting that the evidence base for planning will be supported through the revised sub-component 2(b); and (iii) addition of the new Subcomponent to fully replace the Subcomponent 2(c). The new subcomponent 2(c) "Supporting the strategies of financial inclusion and the service modules" will support implementation of the policies to improve financial inclusion of the poor and vulnerable and their access to integrated services. The proposed changes also include revision of activities within subcomponents in Component 2; reallocation of resources across components and subcomponents, without reallocation of resources across expenditure categories; and revision of the results framework to reflect the abovementioned changes. The proposed changes were discussed and agreed with the Government of Mexico during the implementation support and restructuring mission held from August 19-22, 2019 and were reflected in the corresponding Aide Memoire.

7. Details of proposed changes by components and subcomponents are described in Table 1.

Table 1. Summary of proposed changes by component and subcomponents (Loan 8447-MX).

are related to the integral development of the people; the ones that provide some service to the people, as well as those that provide direct benefits (...) and the rest that are established by accord of the Federal Executive to this end."

²Press release by the Central Bank (Banxico) and the Secretariat of Finance and Public Credit dated January 8, 2019. Available at: <http://www.banxico.org.mx/publicaciones-y-prensa/miscelaneos/%7B6BF669C1-AD4F-6FED-B16B-651F1D2F759E%7D.pdf>

³ Service modules are established in the guidelines that regulate the functions of the Federal Delegations of Programs for Development, as service windows to serve the Programs for Development, to also strengthen social cohesion and social participation ; and include Integrative Centers of Development. In these centers, the beneficiaries will have access to financial inclusion to directly receive their payments, to receive basic financial literacy interventions, among others.

⁴ World Bank (2012). The World Bank 2012-2022 Social Protection and Labor Strategy: Resilience, Equity, And Opportunity. (Report- 73235)-



Component 1: Support to the PROSPERA Program and its linkage with social and productive programs (currently US\$317.52 million; disbursed: US\$305.48 million; proposed: US\$305.48 million; no further activities will be implemented in Component 1)

Subcomponent 1(a) – Promoting the investment in human capital through the provision of Conditional Support to PROSPERA beneficiaries (currently US\$301.52 million; disbursed US\$301.52 million; no changes)

All funds of this subcomponent have been disbursed. In addition, the corresponding development objective for component 1 as a whole, has been achieved as evidenced by the achievement and surpassing of the established targets. Please see Annex 1 for a brief description of component 1's main results.

Subcomponent 1(b) – Strengthening the Program's Operational capacity to promote PROSPERA beneficiaries' access to social and productive programs (currently US\$5.00 million; disbursed US\$0.95 million; proposed US\$0.95 million)

Reallocation of funds: A total of US\$4.05 million will be reallocated from this subcomponent to the new subcomponent 2(c) to be executed by the Secretariat of Welfare

With this reallocation of funds, there will be no resources left to implement additional activities as part of this subcomponent.

Subcomponent 1(c) – Strengthening PROSPERA's planning, monitoring, and evaluation tools and strategy (currently US\$11.00 million; disbursed US\$3.01; proposed US\$3.01 million)

Reallocation of funds: A total of US\$7.99 million will be reallocated from this subcomponent to the new subcomponent 2(c) to be executed by the Secretariat of Welfare. With this reallocation of funds, there will be no resources left to implement additional activities as part of this subcomponent.

It should be noted that activities to strengthen the planning, monitoring and evaluation of welfare policies and programs will be integrated and undertaken under the revised subcomponent 2(b).

Component 2: Strengthening the social protection system (currently US\$31.60 million; disbursed US\$15.45 million; proposed US\$43.64 million)

Subcomponent 2(a): Developing and implementing an integrated social information system (SIS) (US\$24.50 million; disbursed US\$14.33 million; no change in the amount; revised title and activities)

New proposed title (2(a)(2)): Support the strengthening of the social information system (SIS)⁵

The goal of the Social Information system (SIS)⁶ is to support the implementation of the CID strategy in the framework of service modules, as a mechanism to serve potential and actual beneficiaries of social programs. In this context, subcomponent 2(a) would support the design, development, and implementation of the SIS, as well as its modules, materials and inputs required for its implementation and maintenance.

Revised activities: In particular, this sub-Component would support the following activities: (i) development and updates of the SIS and the conforming modules; (ii) support the implementation of the SIS, through, *inter alia*, the acquisition of software and the provision of Information and Communication Technologies (ICT) services;⁷ (iii) development of operational manuals documenting the operative processes of SIS; (iv) development of mechanisms for capacity building for the use of SIS; (v) development of mechanisms and analysis that allow SIS to provide timely information to federal government; and (vi) development of modules and tools that implement mechanisms to ensure quality and veracity of the information included in SIS, through, *inter alia*, technological data collection tools as well as other mechanisms to generate and store the required documental evidence.

⁵ A notation of 2(a)(1) is utilized to refer to previous activities implemented for SISI under the current 2(a), and 2(a)(2) is utilized to refer to the proposed activities to strengthen the newly adapted system of the Secretariat of Welfare namely SIS, which is different from but informed by the previous system (SISI). This allows to delineate clearly and maintain an accurate record of the previous activities implemented for SISI, and the proposed new activities to strengthen SIS.

⁶ Currently, the SIS is comprised of the following modules: (i) Information System for Regional Development (SIDER), including socioeconomic information of people and their households; (ii) the payments system, to distribute benefits and register payslips; and (iii) the Social Registry, a database including information on potential and actual beneficiaries of social programs (PUB).

⁷ ICT services include software and hardware.



Justification for the changes: Given the change in the social policy context, an adaptation of the Secretariat's information system, namely is envisioned, reflecting the territorial approach and provision of benefits in an integrated manner. This system, namely SIS, will be informed by, but is different from the system that was previously supported under this sub-component, namely SISI; considering the territorial approach envisioned in the provision of benefits. This includes support through different modules to update the information of the potential and current beneficiaries of social programs, and to provide information on benefits and services of the federal government, among other features.

Subcomponent 2(b): Strengthening the planning, monitoring and evaluation of Social Infrastructure Fund (FAIS) (US\$6.10 million; disbursed US\$1.12 million; proposed US\$2.14 million; revised title, goal and activities)

New proposed title: Strengthening the planning, monitoring and evaluation of Programs for Development, Welfare Policies and Programs, and FAIS

Revised activities: (i) carry out, studies and evaluations to generate evidence of the welfare policies, programs and FAIS on the design, planning, implementation, results and impacts, or others that could be relevant to inform the decision makers; (ii) strengthen the results framework of the welfare policies and programs; and (iii) communicate and disseminate the methodologies and results of the studies, evaluations, and other technical activities undertaken to inform evidence-based policies.

Justification for the in subcomponent 2(b): Considering the substantial changes to the policies and programs that are implemented by the Secretariat of Welfare, it was agreed that it was strategic to work on providing technical inputs to strengthen the positive impacts of the welfare policies and programs.

Current Subcomponent 2(c): Developing an evidence-based planning system for continuous improvement of social programs (currently US\$1.00 million; disbursed US\$0.00; proposed US\$0.00 million, and elimination of subcomponent, to be fully replaced by the new subcomponent, as presented below).

Justification for the elimination of this subcomponent: Planning continues to be a key activity in the Secretariat of Welfare given its importance for the implementation of welfare policies and programs. With the proposed focus in the previous subcomponent (2(b)), on activities for generation of evidence for welfare policies and programs, the evidence base required for planning will now be supported under subcomponent 2(b). In this context, and given that there were no expenses incurred, this subcomponent will be eliminated, and resources reallocated.

New Subcomponent 2(c): Supporting the strategies of financial inclusion and the Service modules (proposed US\$17 million)

This new subcomponent will support the development, implementation, monitoring and evaluation of the strategies to increase the financial inclusion of the poor and vulnerable (i.e. prioritizing the beneficiaries of Programs for Development and Welfare Programs) and the service modules, including the Integrative Centers of Development. This subcomponent aims to enhance the efficiency of the operation of the Programs for Development and Welfare Programs to improve the living conditions of the beneficiaries through access to financial inclusion.

The proposed activities include: (i) to develop, implement, monitor and evaluate the strategies to increase the financial inclusion mainly of the beneficiaries of Programs for Development and Welfare Programs; and (ii) to develop, implement, monitor and evaluate the implementation strategy of the service modules.

Justification of the addition of this subcomponent: Improving financial inclusion, prioritizing the beneficiaries of Programs for Development and Welfare Programs, is an important priority of the Government of Mexico, particularly in the hardest to reach and most remote communities that have been left out so far. This focus on financial inclusion, combined with the implementation of service modules, such as the Integrative Centers of Development, reflect the Government of Mexico's vision to move towards a more integrated benefit and service provision through a territorial approach. This would allow to maximize the potential synergies of the convergence of the supply of public interventions (i.e. welfare programs) and the demand for such programs, to improve the living conditions of the beneficiaries. The subcomponent would support an initial phase for the implementation of the strategies of financial inclusion and of service modules, in particular the Integrative Centers of Development, prioritizing areas with no to limited coverage by the banking system, while having the minimum infrastructure and security established for successful implementation. Multiple countries are moving towards integrated benefit and service provision, with a beneficiary-focused approach to reduce



time and costs for both program administrators, and potential and actual beneficiaries (Robalino, Rawlings, and Walker 2012). International experience has shown that this has the potential to increase the effectiveness and efficiency for both the administrators and the beneficiaries (World Bank, 2012).

8. The Results Framework. While the PDO remains unchanged, the Results and Monitoring Framework was revised to adjust existing indicators, eliminate those that are no longer relevant, and introduce new ones to account for modifications in Component 2. Specifically, it is proposed to: (i) include one PDO Indicator, “Number of Integrative Centers of Development that enable electronic means of payments,” to reflect and better measure the contribution of the new activities on the achievement of PDO; (ii) include three intermediate indicators to measure the implementation of the new activities proposed under Component 2; and (iii) drop intermediate indicators that measure activities no longer financed by the Project. The project will continue reporting gender disaggregated data as data allows. The details of the proposed revisions are presented in Results Framework.

9. Implementation arrangements. Considering the sectorial and institutional changes as outlined above (and presented in more detail in Annex 2), the Secretariat of Welfare will be the only actual implementing agency for this Project. The Secretariat of Welfare has been a co-implementing agency of the project from its inception, and its strong institutional capacity has allowed to adequately comply with Bank policies and processes. The Secretariat of Welfare will manage the overall fiduciary responsibilities for the Project, including financial management and disbursement functions, and the National Financing Agency (NAFIN) will continue with its current role in the project as financial agency of the Government of Mexico.

10. Legal Covenants: In light of the modifications in activities and the implementing agency (with Secretariat of Welfare proposed to remain as the only actual implementing agency), the covenants stating corresponding requirements of the National Coordination of PROSPERA no longer apply and are proposed to be eliminated. Several other covenants are proposed to be revised, reflecting the modification in implementing agency and related to the update of operation manual. In addition, one new legal covenant is proposed to be included to reflect the obligation of Secretariat of Welfare to maintain a project team with adequate capacity (as reflected in the Operations Manual) to implement the project. The details of proposed changes are presented in Section IV.

11. Safeguards. The Project’s Safeguards Performance has been rated as Satisfactory during implementation. For the restructuring, no additional safeguards policies will be triggered, and there will be no changes in the environmental category C. No additional risks have been identified and the overall risks remain low. The Project’s Indigenous People Plan will continue to be implemented, with an addition to reflect changes in component 2. A collaboration with National Institute of Indigenous Peoples (*Instituto Nacional de Pueblos Indígenas*- INPI) will support bilingual communication strategies and coordination. The Annex to the Indigenous People Plan, reflecting the changes in component 2 was published and disclosed in country on August 30, 2019 and by the Bank on September 2, 2019.⁸

12. Economic and Financial Analysis: Update to the Economic and Financial Analysis is not considered to be necessary at this time, particularly given its recent update (at the time of the approval of AF), reflecting a continued focus on transfers, which constituted bulk of the project and have been fully disbursed since then. A possible update will be considered at the Implementation Completion Report (ICR) stage drawing on additional potential impacts.

13. Risks. No additional risks have been identified and the overall risk remains Substantial. Table 2 includes the current risk ratings.

Table 2. Current risk ratings.

Risk Categories	Rating (H, S, M or L)
-----------------	-----------------------

⁸ Available at the following link on the Secretariat of Welfare’s website: <https://www.gob.mx/bienestar/es/articulos/anexo-al-plan-de-pueblos-indigenas-del-proyecto-sistema-de-proteccion-social-215542?idiom=es>; and on the World Bank’s website: <http://documents.worldbank.org/curated/en/824611567145472084/pdf/Anexo.pdf>



Risk Categories	Rating (H, S, M or L)
1. Political and governance	Moderate
2. Macroeconomic	Moderate
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
7. Environment and social	Low
8. Stakeholders	Substantial
9. Other	-
Overall	Substantial

Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Implementing Agency	✓	
Results Framework	✓	
Components and Cost	✓	
Legal Covenants	✓	
Institutional Arrangements	✓	
DDO Status		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓



Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
PROSPERA	Implementing Agency	Marked for Deletion
SEDESOL/BIENESTAR	Implementing Agency	No Change

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1 - Support to the PROSPERA Program and its linkage with social and productive programs	317.52	Revised	Component 1 - Support to the PROSPERA Program and its linkage with social and productive programs	305.48
Component 2 - Strengthening the Social Protection System	31.60	Revised	Component 2 - Strengthening the Social Protection System	43.64
TOTAL	349.12			349.12

LEGAL COVENANTS

Loan/Credit/TF	Description	Status	Action
----------------	-------------	--------	--------



IBRD-84470	Finance Agreement :Council - Schedule 2. Section I.A.1(a) Description :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.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :Technical Committee - Schedule 2. Section I.A.1(b) Description :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.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :PROSPERA Health and Education Services - Schedule 2. Section I.A.1(c) Description :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.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :State Level Committees - Schedule 2. Section I.A.1(d) Description :The Borrower, through SEDESOL (CNP) shall, under its overall coordination, maintain State level committees (with the participation of, inter alia, SEDESOL, SEP, SS and IMSS), which will, inter alia, supervise and monitor the implementation of the PROSPERA Program at the State level.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :Beneficiary Obligations - Schedule 2. Section I.A.2 Description :The Borrower, through SEDESOL (CNP), shall ensure that the PROSPERA Beneficiaries comply with the obligations set forth under Section 3.6 (Derechos, responsabilidades, compromisos y suspensiones de las familias	Complied with	Marked for Deletion



	beneficiarias), or its successor thereto satisfactory to the Bank, of the Operational Rules.		
IBRD-84470	Finance Agreement :Contrato de Mandato – Schedule 2. Section I.B.1 Description :The Borrower, through SHCP and SEDESOL (through SSPEDR, OM, and CNP), shall enter into a contract (Contrato de Mandato) with NAFIN, satisfactory to the Bank.	Complied with	Revised
Proposed	Finance Agreement :Contrato de Mandato – Schedule 2. Section I.B.1 Description :No later than 10 days after the countersignature of the Amendment Letter, the Borrower, through SHCP and BIENESTAR, shall enter into a contract (Contrato de Mandato) with NAFIN, satisfactory to the Bank.	Not yet due	
IBRD-84470	Finance Agreement :BANSEFI Agreement - Schedule 2. Section I.C.1(a) Description :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.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :Payment Agent Agreement - Schedule 2. Section I.C.2(a) Description :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.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :Operational Manual - Schedule 2. Section I.D.1 Description :The Borrower, through SEDESOL (through SSPEDR, OM and CNP) shall carry out the Project in accordance with the provisions of a manual (the Operational Manual) satisfactory to the Bank.	Complied with	Revised
Proposed	Finance Agreement :Operational Manual - Schedule 2. Section I.D.1 Description :The Borrower, through	Not yet due	



	<p>BIENESTAR, shall update, adopt and thereafter carry out the Project in accordance with the provisions of a manual (the Operational Manual) satisfactory to the Bank.</p>		
IBRD-84470	<p>Finance Agreement :Anti-Corruption Investigation - Schedule 2. Section I.E.1(a) Description :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.</p>	Complied with	Revised
Proposed	<p>Finance Agreement :Anti-Corruption Guidelines- Schedule 2. Section I.E.1(a) Description: The Borrower, through BIENESTAR, shall ensure that the Project activities with goods, works and services procured as set forth in Section III.A of Schedule 2 to this Agreement and financed out of the proceeds of the Loan are carried out in accordance with the provisions of the Anti-Corruption Guidelines</p>	Not yet due	
IBRD-84470	<p>Finance Agreement :Anti-Corruption Audits - Schedule 2. Section I.E.1(c) Description :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 auditedby or on behalf of the Bank, using the Bank’s terms of reference, with the collaboration of the Borrower, through SEDESOL (CNP).</p>	Complied with	Marked for Deletion
IBRD-84470	<p>Finance Agreement :Anti-Corruption Inspection - Schedule 2. Section I.E.1(b) Description :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 theProject upon the Bank’s request and in the company of CNP representatives.</p>	Complied with	Marked for Deletion



IBRD-84470	Finance Agreement :Suspension or Termination - Schedule 2. Section I.E.1(d) Description :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.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :Restitution - Schedule 2. Section I.E.1(e) Description :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.	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :Anti-Corruption Guidelines - Schedule 2. Section I.E.2 Description :The Borrower, through SEDESOL (CNP), shall, no later than the date ten (10) business days after the date of signature of the LA, 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). Due Date :12-Dec-2014	Complied with	Marked for Deletion
IBRD-84470	Finance Agreement :Indigenous Peoples Plan - Schedule 2. Section I.F.1 Description :The Borrower, through SEDESOL shall carry out the Project in accordance with the IPP.	Complied with	No Change
IBRD-84470	Finance Agreement :Terms of Reference - Schedule 2. Section I.F.2 Description :The Borrower, through SEDESOL shall ensure that the terms of reference for any consultancy in respect to Parts 1(c)(iii)(1) and 2(b)(i)	Complied with	Revised



	<p>of the Project shall be satisfactory to the Bank following its review thereof and shall duly incorporate the requirements of the Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.</p>		
Proposed	<p>Finance Agreement :TOR- Schedule 2. Section I.F.2 Description: The Borrower, through BIENESTAR shall ensure that the terms of reference for any consultancy in respect to Part 2 of the Project, shall be satisfactory to the Bank following its review thereof and shall duly incorporate the requirements of the Bank Safeguards Policies then in force, as applied to the advice conveyed through such TA.</p>	Not yet due	
IBRD-84470	<p>Finance Agreement :Project team- Schedule 2. Section I.A.1 Description: The Borrower, through BIENESTAR, shall operate and maintain throughout the implementation of the Project, a Project team with composition, terms of reference, structure and functions and responsibilities acceptable to the Bank and as set forth in the Operational Manual.</p>	Not yet due	New



Results framework

COUNTRY: Mexico

Mexico Social Protection System Project

Project Development Objectives(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.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
1. Support Govt efforts to increase access of PROSPERA beneficiaries to social & productive programs										
# of PROSPERA beneficiaries that participate in social programs (Number)		465,842.00	496,774.00	541,484.00	726,779.00	992,344.00	1,107,153.00			1,174,811.00
Action: This indicator has been Revised	Rationale: The indicator did not change and has already achieved its end target. Given the sectorial changes, the indicator will not be measured going forward.									
% of female PROSPERA beneficiaries that participate in social programs (Percentage) (Percentage)		0.00			55.00	55.00	55.00			55.00



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator is New			Rationale: <i>This indicator was reported as part of the intermediate results indicators and is now being reported as gender breakdown of the corresponding PDO Indicator. The indicator already achieved its final target and will not be measured going forward.</i>							
# of PROSPERA beneficiaries that participate in productive programs (Number)		14,370.00	15,324.00	16,704.00	236,000.00	236,000.00	236,000.00			236,000.00
Action: This indicator has been Revised			Rationale: <i>The indicator did not change and has already achieved its end target. Given the sectorial changes, the indicator will not be measured going forward.</i>							
% of female PROSPERA beneficiaries that participate in productive programs (Percentage)		0.00			50.00	50.00	50.00			50.00
Action: This indicator is New			Rationale: <i>This indicator was reported as part of the intermediate results indicators and is now being reported as gender breakdown of the corresponding PDO Indicator. The indicator already achieved its final target and will not be measured going forward.</i>							
Direct project beneficiaries (Number)		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
Action: This indicator has been Revised			Rationale: <i>The indicator did not change and has already achieved its end target. Given the sectorial changes, the indicator will not be measured going forward.</i>							



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Female beneficiaries (Percentage)		52.80	52.80	52.80	52.80	52.80	52.80			52.80
Action: This indicator has been Revised	Rationale: The indicator did not change and has already achieved its end target. Given the sectorial changes, the indicator will not be measured going forward.									
2. Support Government's efforts to develop instruments for an integrated social protection system										
# of instruments for an integrated social information system implemented (Number)		0.00	0.00	2.00	4.00	6.00	7.00	8.00	8.00	8.00
Action: This indicator has been Revised	Rationale: The indicator was not modified. A typo was identified and adjusted.									
Number of Integrative Centers of Development that enable electronic means of payment (Number)		0.00					100.00	500.00	600.00	600.00
Action: This indicator is New										



Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets							End Target	
			1	2	3	4	5	6	7		
Component 1 - Support to the PROSPERA Program and its linkage with social and productive programs											
% of PROSPERA beneficiaries in Q1 and Q2 (Percentage)		68.50	70.00	70.00	71.00	71.00	71.00				71.00
Action: This indicator has been Revised	Rationale: <i>The indicator did not change. Using data from the 2018 National Household Expenditure and Income Survey published in July 2019, the value corresponding to the end of 2018 will be reported in the next ISR. Considering the sectorial changes, the indicator will not be measured after that.</i>										
% of PROSPERA' students that transition to upper secondary (Percentage)		65.00	68.00	68.00	68.00	68.00	73.00				73.00
Action: This indicator has been Revised	Rationale: <i>The indicator did not change. Given the sectorial changes, the indicator will not be measured going forward.</i>										
Curriculum for PROSPERA personnel capacity building updated (Text)		None	Revision and assessment of existing capacity building programs	Content (contenido) updated	New capacity building applied in personnel	Evaluation of the new curriculum	New capacity building activities performed according to the adjusted capacity building plan.				Evaluation of the new curriculum
Action: This indicator has been Revised	Rationale: <i>The indicator did not change. Given the sectorial changes, the indicator will not be measured going forward.</i>										



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
participate in social programs (Percentage)										
Action: This indicator has been Marked for Deletion	Rationale: <i>This indicator was reported as part of the intermediate results indicators and is now being reported as gender breakdown of the corresponding PDO Indicator. The indicator already achieved its final target and will not be measured going forward.</i>									
% of female PROSPERA beneficiaries that participate in productive programs (Percentage)		0.00			50.00	50.00	50.00	50.00	50.00	50.00
Action: This indicator has been Marked for Deletion	Rationale: <i>This indicator was reported as part of the intermediate results indicators and is now being reported as gender breakdown of the corresponding PDO Indicator. The indicator already achieved its final target and will not be measured going forward.</i>									
Component 2 - Strengthening the Social Protection System										
% of municipalities that report the executed FISMDF in the integrated information system (MIDS-SFU) (Percentage)		63.00			63.00	68.00	74.00	80.00	80.00	80.00
Action: This indicator has been Marked for Deletion	Rationale: <i>Given the recent changes in policy priorities, the indicator is no longer relevant for achievement towards PDO and will not be measured going forward.</i>									
% of municipal FAIS liaison (enlaces) that		30.00			30.00	40.00	50.00	60.00	70.00	70.00



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
completed capacity building activities (Percentage)										
Action: This indicator has been Marked for Deletion	Rationale: <i>Given the recent changes in policy priorities, the indicator is no longer relevant for achievement towards PDO and will not be measured going forward.</i>									
Development of a planning system (Text)		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
Action: This indicator has been Marked for Deletion	Rationale: <i>Given the recent changes in policy priorities, the indicator is no longer relevant for achievement towards PDO and will not be measured going forward.</i>									
Number of services provided by the Integrated Social Information System (Number)		0.00			0.00	3.00	6.00	8.00	9.00	9.00
Number of Integrative Centers of Development connected to the Social Information System (Number)		0.00					0.00	500.00	600.00	600.00
Action: This indicator is New	Rationale: <i>This indicator was added to reflect the new activities included in the Project as part of the subcomponent "Supporting the strategies of financial inclusion and the Service modules."</i>									



Indicator Name	DLI	Baseline	Intermediate Targets							End Target	
			1	2	3	4	5	6	7		
Number of Integrative Centers of Development installed in municipalities with high indigenous populations (Number)		0.00						0.00	150.00	300.00	300.00
<p>Rationale: Action: This indicator is New This indicator was added to reflect the new activities included in the Project as part of the subcomponent "Supporting the strategies of financial inclusion and the Service modules."</p>											
Number of Integrative Centers of Development that performed financial education actions (Number)		0.00						0.00	225.00	450.00	450.00
<p>Rationale: Action: This indicator is New This indicator was added to reflect the new activities included in the Project as part of the subcomponent "Supporting the strategies of financial inclusion and the Service modules."</p>											
Number of Integrative Centers of Development that receive and attend to citizen's demands (Number)		0.00						0.00	150.00	300.00	300.00
<p>Action: This indicator is New Rationale:</p>											



Indicator Name	DLI	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
<i>This indicator was added to reflect the new activities included in the Project as part of the subcomponent "Supporting the strategies of financial inclusion and the Service modules."</i>										



ANNEX 1. MAIN RESULTS ACHIEVED FOR COMPONENT 1.

- 1. Under Component 1, all the results established in the framework of the project were achieved. In particular, the project effectively and efficiently supported the access of PROSPERA beneficiaries to social and productive programs.** The results indicators of Component 1 are the number of PROSPERA beneficiaries that participate in social programs and the number of PROSPERA beneficiaries that participate in productive programs, as well as the Core Social Protection Indicators for the project that corresponded to the number of PROSPERA beneficiaries and the percentage of PROSPERA beneficiaries that are female. The results indicators of the PDO related to Component 1 exceeded its targets, ahead of schedule. While results cannot be exclusively attributed to the Bank Project, it is likely that the Bank financing and technical assistance to the Government of Mexico contributed to promoting investments in human capital; strengthened the National Coordination of PROSPERA's operational capacity to promote access of PROSPERA beneficiaries to social and productive programs; and strengthened PROSPERA's planning, monitoring and evaluation tools and strategy.
- 2. Moreover, all gender disaggregated indicators and the indicator that reflects the close attention paid to indigenous populations exceeded their end targets.** The percentage of PROSPERA beneficiaries that are female, and the shares of PROSPERA beneficiaries that participate in social and in productive programs that are female exceeded the final targets established under the project, which reflects the gender-sensitive approach PROSPERA had since its design/inception. Additionally, special attention was given to families living in indigenous areas, including more than 1.4 million PROSPERA families that were living in such areas. Many of these beneficiary families were served in their native indigenous language by the certified bilingual promoters/social workers, of which 200 existed by the end of 2018 already, also exceeding the established final target under the Project.
- 3. While some intermediate indicators did not achieve their end goals, all made substantial progress towards the achievement of their corresponding targets.** The percentage of PROSPERA students that transition to upper secondary reached 98 percent of its end goal; percentage of PROSPERA beneficiaries that are aware of complementary social and productive programs was nearly 80 percent of the final planned goal; and while the nature of the indicator "updated Curriculum for PROSPERA personnel capacity building" is qualitative, it achieved all of its goals until 2018, when it was not possible to evaluate the revised curriculum due to budget constraints. The percentage of PROSPERA beneficiaries in quintiles 1 and 2 will be calculated over the next few months, considering that the data source, the 2018 National Survey of Income and Expenditure (ENIGH), became available in July 2019.
- 4. While poverty in Mexico remains high (with 41.9 percent of the population living in poverty), PROSPERA demonstrated positive impacts in multiple human capital measures for families living in conditions of (extreme) poverty.** PROSPERA is perhaps the most evaluated program in a developing country and multiple rigorous impact evaluations have demonstrated positive impacts in health, education, and welfare, among others (Parker and Todd, 2017)⁹. The Studies on PROSPERA's long-term results (forthcoming WB Policy Research Working Papers, 2019), use recent data collected under the Project and suggest that PROSPERA had a positive effects on intergenerational mobility in health (as measured by height); increased educational attainment and learning outcomes; increased occupational mobility, with higher rates for women and migrants; and increased welfare as measured by possession of durable assets, larger consumption expenditures and lower food vulnerability than their control counterparts and also with respect to their parents, which suggest that PROSPERA beneficiaries are climbing the welfare ladder.

⁹ There's a large body of literature on PROSPERA, with over one hundred articles in economics and health journals, propelled by the Randomized Controlled Trial (RCT) design at its inception allowing rigorous evaluation of its impacts. Parker and Todd (2017) provide a comprehensive review of this large literature focusing on the documented impacts of PROSPERA in all dimensions.

ANNEX 2. SECTORIAL AND INSTITUTIONAL CONTEXT.

1. **Since the end of 2018, multiple sectorial and institutional reforms have been approved by the Government of Mexico and its Congress to reflect the renovated vision for the country.** Mexico's Organic Law of the Federal Public Administration was reformed at the end of 2018 to include two substantial changes in the sector. First, the establishment of the Secretariat of Welfare in lieu of the Secretariat of Social Development (SEDESOL for its acronym in Spanish), with the objective of strengthening the institution that is in charge of fighting poverty, protecting the most vulnerable groups of society and safeguarding (primarily) the rights of children, youth, elderly, disabled and indigenous populations. Second, the establishment of the General Coordination of Programs for Development (CGPD), directly reporting to the President of Mexico. These two agencies, namely Secretariat of Welfare and CGPD, coordinate the Programs for Development through the Federal Delegations of Programs for Development which are now the only Federal Government Offices in each State.
2. **The Government of Mexico has established social policy as one of its top priorities in the National Development Plan (NDP) 2019-2024.** To execute on the Social Policy priority, the Government of Mexico has undertaken three main policy initiatives and strategies: Program for Development, the financial inclusion initiative, and the service modules such as the Integrative Centers of Development (Centros Integradores del Desarrollo, CID). Each of the three initiatives and strategies are further explained in the following paragraphs.
3. **First, the establishment of Programs for Development.** This policy aims to increase the wellbeing of the population, especially of the poor and most vulnerable through multiple instruments, including the establishment of new social programs, and the expansion and transformation of existing interventions. Some of the main new social programs that constitute the Programs for Development are: (1) Pension for the Disabled; (2) Rural productive inclusion program (Sembrando Vida); (3) Youth apprenticeship program (Jovenes Construyendo el Futuro); and, (4) National Reconstruction Program. The main existing program that was expanded is the Pension Program for the Elderly, with a budget increase of over 100 percent (compared to 2018) to increase the coverage and benefit levels. The transformation of the Conditional Cash Transfer Program, PROSPERA, into an education scholarship program called Benito Juarez National Program of Scholarships for Welfare aims to strengthen inclusive and equitable education. The Benito Juarez National Program of Scholarships for Welfare includes two budgetary programs: (i) Scholarships for initial and basic education, targeted to poor and vulnerable students enrolled in public basic education centers and schools (initial, pre-school, primary, and lower secondary education), providing a benefit of US\$40 per month per family. This budgetary program is what used to be PROSPERA; and (ii) Universal scholarships for high school students in public schools, which provides a scholarship of US\$40 per month per student to all students in public high schools. These programs are implemented by the Benito Juarez National Coordination of Scholarships for Welfare, which replaced the National Coordination of PROSPERA and is now mapped to the Public Education Sector. While the design of PROSPERA and the design of the Benito Juarez National Program of Scholarships for Welfare are quite different, the objective of bolstering human capital development of the poor and vulnerable to break the intergenerational transmission of poverty is at the heart of both interventions. Box 1 provides a brief description of the main Programs for Development.

Box A1. Description of Programs for Development

No.	Name of Program	Government Agency	Description
1	Pension Welfare for Older Adults	Secretariat of Welfare	This is a program that grants a universal non-contributory pension (e.g. pillar zero) to: (i) indigenous people 65 years old or older; (ii) adults 68 years old or older; and, (iii) adults between 65 and 67 years old incorporated into the Registry of Beneficiaries of the Pension Program for Older Adults who were active as of December 2018. The pension amount is for \$1,275 MXN per month, with bimonthly payments.
2	Welfare Pension for People with	Secretariat of Welfare	This program provides financial support to people with permanent disability, in order of preference to: (i) girls, boys, and young people from



No.	Name of Program	Government Agency	Description
	Permanent Disabilities		0 to 29 years old; (ii) indigenous people from 30 to 64 years old; and, (iii) adults from 30 to 67 years old. The support amount is for \$1,275 MXN per month, with bimonthly payments.
3	Rural Productive Inclusion Program (Sembrando Vida)	Secretariat of Welfare	This is a productive program aimed at individuals from the agrarian sector with the following requirements: (i) 18 years old or older (legal age); (ii) from rural localities; (iii) with an income below the rural welfare line; and, (iv) that own or hold 2.5 hectares available to implement an agroforestry project. Individuals from 8 states in the Southeast, Northwest, and East part of Mexico are considered priority. The support can be: (a) economic, with installments of \$5,000 MXN per month, based on the fulfillment of the program's work plan from the production unit; and, (b) in kind (e.g. plants, supplies, tools, etc.)
4	Benito Juarez Scholarship Program for Basic Education	Secretariat of Education	This is a scholarship program aimed at girls, boys, and young people of less than 18 years old, in extreme poverty, studying at public schools (i.e. formal -on site- educational system). The education levels covered are initial education, pre-school, primary and lower secondary education. The benefit is \$800 MXN per household per month, with bimonthly payments.
5	Benito Juarez Scholarship Program for High School Students	Secretariat of Education	This is a universal scholarship program aimed at young people studying at public high schools (i.e. formal -on site- educational system). The benefit is \$800 MXN per student per month, with bimonthly payments.
6	Higher Education Scholarship Program (Jóvenes Escribiendo el Futuro)	Secretariat of Education	This program is aimed at students with socioeconomic needs and who are enrolled in a public institution of school modality. Priority is given to students enrolled in institutions located in areas with: (i) an indigenous and Afro-descendant majority population; (ii) a higher rate of marginalization; and, (iii) high rate of violence. The scholarship amount is of \$2,400 MXN per month, with bimonthly payments.
7	Youth Apprenticeship Program (Jóvenes Construyendo el Futuro)	Secretariat of Labor and Social Welfare	This is an apprenticeship program with training at work, aimed at young people between 18 and 29 years old not working nor studying. Priority is given to those living in the following localities: (i) indigenous; (ii) of high marginalization; and, (iii) with a high violence rate. The support consists of: (a) training at the workplace; (b) scholarships of \$3,600 MXN per month, with bimonthly payments; (c) medical insurance; and, (d) a training certificate.
6	Microcredit Program for Welfare (Group Savings / Credit Scheme for Welfare)	Secretariat of Economy	This is a financing, counseling, and training program, aimed at a population between 30 and 64 years old, with a micro-business in operation not in the agriculture or livestock sector, living in municipalities with medium, high, and very high rates of marginalization and high rates of violence. The financing support/credit is interest-free for \$6,000 MXN, with an option of a second and third interest-free financing for \$10,000 MXN and \$15,000 MXN respectively; provided they have fully reimbursed the original amounts.
7	Production Welfare Program	Secretariat of Agriculture and Rural Development	This is an economic incentive program aimed at small and medium producers, with properties of up to 20 eligible hectares, that grow beans per agricultural cycle, coffee and sugarcane producers, regardless the cultivated area. The support amounts vary by multiple factors such as, cultivated area, type of crop, cultivation method (temporary or irrigation), among others. This program includes two subprograms called <i>Proagro</i> and <i>PIMAF</i> .



No.	Name of Program	Government Agency	Description
8	Livestock Credit Program Without Guaranty	Secretariat of Agriculture and Rural Development	This is a support program in kind and productive capitalization actions, aimed at small livestock producers (natural or legal person), considering different species. This is a national coverage program, but priority will be given to those living in 13 states in the Southeast, Southwest, West, East, Central-North, and Northeast regions of the country. The support consists of: (i) repopulation of cattle herd; (ii) equipment and livestock infrastructure work; (iii) food supplements; and, (iv) technical services. This is a revolving scheme where the beneficiary repays the credit received, reintegrating the first offspring, which will be granted to subsequent recipients.
9	Price Guarantee Program for Basic Food Products	Secretariat of Agriculture and Rural Development	This program is aimed at small and medium producers of: (i) corn, up to 5 rainfed hectares; (ii) beans, up to 20 rainfed hectares and 5 irrigation hectares; (iii) rice and bread wheat, up to 120 and 100 tons respectively; and, (iv) milk, up to 100 cows. The support is for: (i) \$5,610 MXN per ton of corn; (ii) \$14,500 MXN per ton of beans; (iii) \$6,120 MXN per ton of rice; (iv) \$5,790 MXN per ton of bread wheat; and, (v) \$8.20 MXN per liter of milk.
10	National Reconstruction Program	Secretariat of Agricultural, Territorial, and Urban Development; Secretariat of Education; Secretariat of Health; Secretariat of Culture; and, National Housing Commission	This program operates through a set of budgetary and regulatory instruments for reconstruction projects and actions, aimed at the population affected by the September 2017 and February 2018 earthquakes and located in 11 states in the Southwest, Central-South, East, and West regions of the country. Priority is given to the population living in zones with: (i) greater marginalization degree; (ii) an indigenous population; (iii) high rates of violence; and, (iv) higher concentration of material damage.

Source: Multiple legal documents such as Operational Rules and guidelines of the programs. Federal Official Gazette, 2019.

4. Second, the Government of Mexico has established that financial inclusion of the poor and vulnerable populations is a priority. The National Development Plan 2019-2024 highlights that most of the poor lack access to the financial or banking system, emphasizing that, in most of the municipalities where the poor live, there is not even an ATM available.¹⁰ The Government of Mexico has made a priority the elimination of cash payments of social programs' benefits (including the Programs for Development), aiming to increase the efficiency of the implementation of the programs and reduce the chances of error, fraud, and corruption (EFC). Moreover, in January 2019, the Central Bank and the Secretariat of Finance and Public Credit announced a set of specific actions to boost the financial sector. These actions include eliminating legal barriers for the youth to participate in the financial sector and strengthening the National Development Banks. The latter with the ultimate objective of promoting financial inclusion of the poor and vulnerable, especially the people that lives in rural areas, marginalized municipalities, and semi-urban areas that are not covered by the private banking system. Many people living in these conditions and in these areas are potential and actual beneficiaries of the Programs for Development, which allows a potential synergy between these two government priorities. Furthermore, there is a growing body of rigorous evidence that suggests that financial inclusion services have positive impacts on multiple relevant indicators such as wellbeing, household consumption, and even self-employment business activities (Cull et al, 2014).

¹⁰ The World Bank has been supporting the agenda to increase financial inclusion in Mexico and in other countries, and on June 18, 2019 the Board of the World Bank approved a Development Policy Financing Operation to support the government's efforts to increase financial inclusion.



5. **Third, the service modules such as the Integrative Centers of Development (Centros Integradores del Desarrollo) are not only an instrument to increase the efficacy and efficiency of Programs for Development and the financial inclusion initiative, but also are a means to increase social participation, operationalize the territorial approach, and deliver benefits in an integrated manner, with a beneficiary-focused approach.** The service modules, such as Integrative Centers of Development are envisioned by the GoM as the convergence point of multiple communities that already share geographical proximity, culture, and public and productive infrastructure, among other characteristics. The inclusion of social participation, territorial, and integrated benefit delivery approaches aims to contribute to the vision of a government that is close to its people, economically prudent (or frugal) in its operation, and that has the communities and the beneficiaries at the center. Based on the operation guidelines of the Federal Delegations of Programs for Development, the main objectives of the service modules such as Integrative Centers of Development are service provision and to increase social cohesion and participation. These Centers are the space where the social policy strategies converge providing the delivery of benefits of the Programs for Development and Financial Inclusion public interventions (supply), and information and enrollment for potentially eligible population (demand).



ANNEX 3. ADDITIONAL INFORMATION ON THE PROPOSED CHANGES.

Components				
Change to Components, Costs and reallocations:				
The following table represents the summary of changes in name and estimated costs associated, as well as the actions undertaken for each sub-component of the Project. Resources have been reallocated across components and subcomponents. Under Component 2 a new subcomponent has been added.				
Current (Sub) Component Name	Proposed (Sub) Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Component 1 Support to the PROSPERA Program and its linkage with social and productive programs.	No change	317.52	305.48	Reduced amount (i.e. reallocation of undisbursed resources to new subcomponent 2(c)). No further implementation.
Sub-Component 1 (a) – Promoting the investment in human capital through the provision of PROSPERA Conditional Support to PROSPERA Beneficiaries	No Change	301.5	301.5	No change. No further implementation
Sub-Component 1 (b) – Strengthening the CNP’s operational capacity to promote the PROSPERA Beneficiaries’ access to Social and Productive Programs	No Change	5.0	0.95	Reduced amount (i.e. reallocation of undisbursed resources to new subcomponent 2(c)). No further implementation.
Sub-Component 1 (c) – Strengthening CNP’s Planning, Monitoring and Evaluation tools and strategy	No Change	11.0	3.0	Reduced amount. (i.e. reallocation of undisbursed resources to new subcomponent 2(c)). No further implementation.



Current (Sub) Component Name	Proposed (Sub) Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Component 2 Strengthening the social protection system	No change	31.60	43.64	Increased amount. New subcomponent and revised activities.
Sub-Component 2 (a) Developing and implementing an integrated social information system (SIS)	Sub-Component 2 (a)(1) – Developing and implementing an integrated social information system (SIS) Sub-Component 2 (a)(2) – Strengthen the Social Information System (SIS) ¹¹	24.5	24.5	No change in amount. Revised activities.
Sub-Component 2 (b) – Strengthening the planning, monitoring and evaluation of FAIS	Sub-Component 2 (b) – Strengthening the planning, monitoring and evaluation of Programs for Development, Welfare Policies and Programs, and FAIS	6.10	2.14	Reduced amount (i.e. reallocation of some resources to new subcomponent 2(c)).Revised activities.
Sub-Component 2 (c) – Developing the evidence-based planning system for continuous improvement of social programs	Eliminated subcomponent to be replaced by the new subcomponent	1.0	0.0	Elimination of subcomponent (allocation of the amount to new subcomponent 2(c))
	Sub-Component 2 (c) – Supporting strategies for financial inclusion and the service modules (new subcomponent)	N/A	17.0	Added subcomponent.

Note: The sum of the sub-totals may not match due to rounding errors.

¹¹ A notation of 2(a)(1) is utilized to refer to previous activities implemented for SISI under the current 2(a), and 2(a)(2) is utilized to refer to the proposed activities to strengthen the newly adapted system of the Secretariat of Welfare namely SIS, which is different from but informed by the previous system (SISI). This allows to delineate clearly and maintain an accurate record of the previous activities implemented for SISI, and the proposed new activities to strengthen SIS.



REFERENCES

- Banxico and Secretariat of Finance and Public Credit (2019). Press release about actions to foster the financial sector, dated January 8, 2019. Available at: <http://www.banxico.org.mx/publicaciones-y-prensa/miscelaneos/%7B6BF669C1-AD4F-6FED-B16B-651F1D2F759E%7D.pdf>.
- Cull, Robert, Tilman Ehrbeck, and Nina Holle. 2014. "Financial Inclusion and Development: Recent Impact Evidence." Focus Note 92. Washington, D.C.: CGAP.
- Federal Official Gazette (2019). Guidelines that regulate the functions of the Federal Delegations of Programs for Development.
- Parker, Susan and Todd, Petra (2017). "Conditional Cash Transfers: The Case of Progresa/Oportunidades." *Journal of Economic Literature* 55, no. 3 (2017): 866–915.
- Robalino, David A., Laura Rawlings and Ian Walker (2012). "Building Social Protection and Labor Systems: Concepts and Operational Implications". Background Paper prepared for the Social Protection and Labor Strategy 2012-2022. Washington, DC: World Bank.
- Secretariat of Welfare, 2019. Annex to the Indigenous Peoples Plan for the Social Protection System Project. Available at: <https://www.gob.mx/bienestar/es/articulos/anexo-al-plan-de-pueblos-indigenas-del-proyecto-sistema-de-proteccion-social-215542?idiom=es>.
- World Bank (2012). *The World Bank 2012-2022 Social Protection and Labor Strategy: Resilience, Equity, And Opportunity*. (Report- 73235).