

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC2188

Project Name	MX Social Protection System (P147212)
Region	LATIN AMERICA AND CARIBBEAN
Country	Mexico
Sector(s)	Other social services (100%)
Theme(s)	Nutrition and food security (20%), Other human development (20%), Social safety nets (60%)
Lending Instrument	Investment Project Financing
Project ID	P147212
Borrower(s)	Ministry of Finance
Implementing Agency	SEDESOL/OPORTUNIDADES, SEDESOL
Environmental Category	C-Not Required
Date PID Prepared/ Updated	23-Dec-2013
Date PID Approved/ Disclosed	13-Jan-2014
Estimated Date of Appraisal Completion	15-May-2014
Estimated Date of Board Approval	31-Jul-2014
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Mexico is an upper middle-income country, member of the OECD and of the G20, with a GDP per capita of US\$9,747 in 2012. The country has enjoyed macroeconomic stability over the last two decades and prudent policies have prevented the occurrence of major fiscal and financial disruptions. Even after the 2008-2009 global crises, Mexico's economy rebounded quickly, reaching an average growth rate of 4.4 percent between 2010 and 2012. A cyclical downturn has led the country to adjust its growth forecast for 2013 from 3.1 percent to 1.7 percent. Nonetheless, Mexico's new federal government is undertaking crucial structural reforms in education, labor, social security, fiscal, financial sector, energy, telecommunications, and competition policy to unleash growth and raise productivity levels. If the approval and implementation of these reforms is adequately undertaken, it is expected that growth could be increased up to 3 percent.

While the country's middle class grew by 4 percentage points from 2000 to 2010, reaching 42.4

percent of Mexican homes, the numbers show that there is very little social mobility. Additionally, the National Evaluation Council's (CONEVAL, in Spanish) multidimensional measurement of poverty reported that 53.3 million were living under the poverty line in Mexico and 11.3 million were living in extreme poverty, in 2012. There are also wide disparities among and within states: 74.7 percent of Chiapas population is poor, while only 23.2 percent of Nuevo León's population lives in this condition. Moreover, poverty is more prevalent by gender and ethnicity: over 300,000 more women than men live in extreme poverty, and 8.2 million indigenous live in poverty, with more than a third of them being considered the extreme poor.

Sectoral and Institutional Context

The Mexican Government has placed strong emphasis on strengthening social programs by making them more inclusive and enabling them to provide greater opportunities for all. The Government has made "Inclusion" one of the five pillars of the 2013-2018 National Development Plan (PND, in Spanish) with the objective of reducing poverty and inequality by guaranteeing the exercise of social rights to all and expanding opportunities for all, including through greater access to employment and productivity-generating alternatives. President Peña Nieto has established the National Crusade Against Hunger (Cruzada Nacional Contra el Hambre, CNCH), an integrated territorial approach prioritizing the poorest and most marginalized municipalities with highest poverty levels and that face the most severe gaps in access to basic services and productive opportunities with an multi-sectorial and multi-level intense strategy that will reach 7.4 million people. In order to fulfill all of these ambitious objectives, key social programs, including Oportunidades, are undergoing a redesign process to better align their interventions to the new focus of the PND and the CNCH and to ensure the delivery of results in terms of poverty alleviation and productive inclusion.

Over the last two decades Mexico has made great strides in the coverage and effectiveness of its social safety nets. Today, it is widely recognized internationally for its innovation in social programs, particularly the conditional cash transfer (CCT) program Programa de Desarrollo Humano Oportunidades which has had significant impact in poverty reduction and generation of human capital. Since its creation in 1997 Oportunidades, a cash transfer program which disburses grants to extremely poor families conditional on compliance with certain requirements aiming at developing human capital, has achieved major advances in coverage of its targeted population, and now reaches 5.8 million poor families, with very high levels of compliance of its co-responsibilities in education and health. External evaluations show significant positive impacts on consumption, education and health (Parker and Behrman, 2008, CONEVAL, 2012).

Despite this significant success, however, the social protection system as a whole remains fragmented, and even a well-functioning program like Oportunidades faces challenges that need to be addressed to make it a more effective vehicle for the poor to escape poverty and increase shared prosperity. Among the most pressing of these challenges for Oportunidades are further refining targeting of the Program, a more frequent recertification process of its beneficiaries, the expansion of the terms of co-responsibilities beyond school attendance, and the establishment of graduation strategies (to leave the program) for beneficiaries via inter-institutional linkages with post-secondary school education and productive services such as training, employment services, active labor market policies (ALMP), and productive and entrepreneurship programs. Moreover, the success of the new social and productive policy approach set out by the Mexican Government requires an integrated, efficient and effective social protection system that articulates all the existing components (contributory social security, social assistance and labor market programs) to ensure

sustainable and universal social security coverage to all regardless the source of financing. Such a system would need to address the current fragmentation, duplication and users under-utilization of these individual components. As a cornerstone for the harmonization of existing social programs, a first essential step is the establishment of a social information system that, for each Mexican citizen, records all the social programs (managed by the Ministry of Social Development (Secretaría de Desarrollo Social, SEDESOL)) that the beneficiary participates in. This system would facilitate the identification of gaps in the provision of support to eligible populations as well as program overlaps.

Relationship to CAS

The World Bank's new 2014-2019 Country Partnership Strategy (CPS) aims to eradicate poverty and promote shared prosperity. The proposed Project responds to Mexico's demands and needs, and it is fully aligned to the country's National Development Plan (Plan Nacional de Desarrollo, PND) as well as to the World Bank mandate to eradicate extreme poverty, and increase shared prosperity. Specifically, the CPS' theme of Increasing Social Prosperity seeks to ensure that the poorest and most vulnerable population enjoys basic social benefits and is able to contribute to productivity and economic growth, which echoes the PNDs' Inclusion objectives. The components of this investment Project are part of the theme of Increasing Social Prosperity and cover activities in the sub-thematic areas of promoting an integrated social protection system and promoting labor markets for inclusive growth.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed Project would support the Government of Mexico's effort to strengthen its social protection system to support the poor by improving the effectiveness and articulation of the flagship social assistance program Oportunidades with other social and selected productive programs.

Within this broader goal the Project would have the following development objectives: (i) increase access to health, nutrition and education of Oportunidades beneficiaries by promoting compliance with co-responsibilities; (ii) increase access of Oportunidades beneficiaries to selected social and productive programs to improve employability and productive opportunities for beneficiaries; and (iii) promote greater harmonization of social protection programs through the establishment of a national unified beneficiary registry and a social information system.

Key Results (From PCN)

The expected key results are outlined below.

- % of families who comply with the revised health co-responsibilities
- % of beneficiaries who transition from secondary to upper secondary
- % of Oportunidades beneficiaries participating in selected social and productive programs
- Number of programs with whom there is an agreement for beneficiary referral clearly specified in the program's operational rules
- Set up of a Unified Beneficiary Registry and Social Information System

III. Preliminary Description

Concept Description

The proposed Project would have three components.

Component 1, Support to the Financing of the Cash Grants in Oportunidades, will finance the bi-

monthly cash payments to Oportunidades beneficiaries for selected cash grants to be defined during Project preparation (i.e. amongst those for early childhood development, nutrition, education transition and completion, and enrollment in technical secondary schools). As was the case under the previous operation in support of Oportunidades, in order to simplify the administration of external financing from both the Inter-American Development Bank (IADB) and the World Bank, a geographical division might be adopted. Therefore, under the Project, the Program would submit for disbursement payments made to beneficiary families and individuals who comply with conditions and live in selected states. The criteria for this selection will be decided during preparation.

Component 2, Improving Effectiveness of Oportunidades, aims at supporting the improvement of program effectiveness and its articulation with the supply of other social and productive services. The component would finance activities in three core areas:

- (i) Further strengthening and improving the operationalization of the Program,
- (ii) Strengthening the coordination and articulation with other programs,
- (iii) Supporting the monitoring and evaluation of the Program

Sub-component 2.1. Operational Improvements. The first sub-component will support further improvements in the operations of Oportunidades, including in areas of human resources capacity at all levels and the implementation of the Indigenous Peoples Plan (IPP). More specifically, this component will finance consulting services to assess operations and provide recommendations for revision and adaptation of Oportunidades staff curriculum and training for personnel. At the local level, TA will support activities to strengthen Oportunidades staff capacity to provide additional support and guidance to beneficiaries regarding access to different programs and follow up to families once referrals have been made, as part of the strengthening of Oportunidades' articulation with other programs, as described in sub-component 2.2. All of these activities aim to ensure higher quality and more effective support for Oportunidades families. The sub-component will also finance activities related to ensuring better inclusion of indigenous people in the program by financing consultancy services required to support the implementation of the Indigenous Peoples Plan.

Sub-component 2.2. Strengthening of coordination and program articulation. The second sub-component will support activities that will improve access to key complementary programs for Oportunidades beneficiaries, including health, education, employment, and productive services. More specifically, under this sub-component technical assistance would be provided to: (i) support the establishment of a framework for collaboration between Oportunidades and selected complementary social and productive programs that will be defined during preparation, (ii) improve the pertinence of these other programs for the Oportunidades beneficiaries by making programs more relevant (adjusting program rules as appropriate and improving information available to beneficiaries to access these programs), and (iii) support the diagnosis of the requirements to facilitate better coordination with other social programs (for example the development of clearly defined standards for sharing data, need for changes in the operating rules of various programs, etc.), including the piloting of these coordination/articulation mechanisms.

Sub-component 2.3. Monitoring and Evaluation. This sub-component will finance the strengthening of the monitoring and evaluation of the Program, including impact and process evaluations as identified in the evaluation agenda of Oportunidades. In particular, it will also support the evaluation of pilots identified under sub-component 2.2.

Component 3. Towards an Integrated Social Protection System. This component will strengthen the

capacity of SEDESOL and finance measures that will promote the harmonization of social programs it manages, of which the largest is Oportunidades. More specifically this component will finance the development of a beneficiary registry and a social information system which will capture data on beneficiaries (and potential beneficiaries) and programs received, including Oportunidades, as the cornerstone of an integrated social protection system that will facilitate the harmonization of social protection programs. This component will also finance studies on the systematization of best practices and experiences in implementing programs, and ensuring effective integrated support for the poor and most vulnerable population.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	6300.00	Total Bank Financing:	300.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			6000.00
International Bank for Reconstruction and Development			300.00
Total			6300.00

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