

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

MEXICO

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS
(ME-X1007)**

**STRENGTHENING THE *OPORTUNIDADES* HUMAN DEVELOPMENT
PROGRAM
(ME-L1052)**

LOAN PROPOSAL

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ABBREVIATIONS

CCLIP	Conditional credit line for investment projects
CIESAS	Centro de Investigaciones y Estudios Superiores en Antropología Social [Social Anthropology Research and Advanced Studies Center]
CNO	National <i>Oportunidades</i> Coordination Board
CONAFE	Consejo Nacional de Fomento Educativo [National Council on Educational Development]
CONEVAL	National Evaluation Council
DGPL	Directorate General of Registration and Payment (<i>Oportunidades</i> Program)
GDP	Gross domestic product
ICAS	Institutional Capacity Assessment (System)
IMSS	Mexican Social Security Institute
INSP	Instituto Nacional de Salud Pública [National Institute of Public Health]
LIBOR	London Interbank Offered Rate
NAFIN	Nacional Financiera
PEF	Federal Expenditures Budget
SEDESOL	Department of Social Development
SEP	Department of Public Education
SIIOP	Institutional Information System for Program Operation
SIS	Health Department's Health Information System
SISPA	IMSS- <i>Oportunidades</i> Open Population Health Information System
SSA	Department of Health

PROJECT SUMMARY

CCLIP – STRENGTHENING THE *OPORTUNIDADES* HUMAN DEVELOPMENT PROGRAM (ME-X1007) AND FIRST PROGRAM (ME-L1052)

Financial Terms and Conditions				
Borrower: United Mexican States			Amortization period:	25 years
Executing agency: Department of Social Development (SEDESOL) through the National <i>Oportunidades</i> Coordination Board			Grace period:	2 years
			Disbursement period:	2 years (first project)
Source	Amount (US\$ millions)		Interest rate:	LIBOR
	CCLIP	Project	Inspection and supervision fee:	*
IDB (Ordinary Capital)	2,000,000,000	200,000,000	Credit fee:	*
Local	0	0	Currency:	U.S. dollars from the Single Currency Facility
Total	2,000,000,000	200,000,000		
Project at a glance				
Goal and objective of the credit line (CCLIP)				
The goal of the CCLIP is to contribute to stopping the intergenerational transmission of poverty through the development of basic capacities in education, health, and nutrition among the poor. The program's expected outcomes, to be measured using rigorous evaluation methods, are an increase in the difference in schooling between parents and children of beneficiary families, an increase in the primary and secondary education completion rates among beneficiary youth, and a reduction in the prevalence of chronic child malnutrition in the beneficiary population, among others specified in the program's results framework.				
Goal and objective of the first program under the CCLIP				
This project's objective is to contribute to achieving the CCLIP's expected outcomes by supporting the design, implementation, and evaluation of a pilot project to make adjustments to the program in order to boost its impact on the accumulation of human capital in urban areas.				
Special contractual conditions: (a) condition precedent to the first disbursement: (i) signature and entry into force of the trust agreement between the borrower, the executing agency, and Nacional Financiera (NAFIN); (b) during execution: (i) reimbursement of expenditures as of 20 August 2008; (ii) submission of annual work plans; and (iii) completion of the external program evaluations and presentation of the final report.				
Exceptions to Bank policy: For the reasons described in paragraph 4.8, a waiver is requested to the policy on the audit of projects and entities (AF-100) so that when the disbursement period is equal to or less than 18 months, a final audited financial statement prepared by external auditors, is required. For loan operations under the CCLIP with longer disbursement periods, annual audits will be required, starting in the second year of execution, in keeping with the policy.				
Program consistent with country strategy: Yes [X] No []				
Program qualifies as: SEQ [X] PTI [X] Sector [X]				

- (*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. PROPOSAL FOR THE CONDITIONAL CREDIT LINE

- 1.1 *Oportunidades* is a social welfare program that contributes to the accumulation of human capital (health, nutrition, and education) of poor families. Launched in 1997, the program makes the delivery of cash transfers contingent on the adoption of specific behavior patterns by beneficiary families: school attendance, use of preventive healthcare services, and attending self-care workshops. This multisector model, coupled with a transparent, objective beneficiary selection mechanism, the performance of continuous, rigorous impact and process evaluations, and the delivery of transfers directly to the beneficiaries has achieved significant results. *Oportunidades* now covers five million families, representing 24% of the Mexican population, and—assuming perfect targeting—all homes living in extreme poverty. It operates in 92,000 rural and urban localities in all states, with a budget of US\$3.8 billion in 2008.
- 1.2 The Bank started supporting *Oportunidades* in 2002 through a two-phase program for US\$5.227 billion, of which it financed US\$2.2 billion. The performance triggers for phase one (loan 1388/OC-ME) were met and phase two (loan 1618/OC-ME) was authorized by the Board of Executive Directors in 2005. Execution of this second phase is nearly complete (96.4% as of 30 September 2008).
- 1.3 It is proposed to channel this new phase of support to the *Oportunidades* program through a conditional credit line for investment projects (CCLIP),¹ which is planned to finance three operations totaling US\$2 billion (a first operation for US\$200 million, a second operation for approximately US\$800 million, and a third for approximately US\$1 billion).
- 1.4 The CCLIP will provide continuity to the previous program and will allow the government to respond quickly to the changing economic situation and its effects on vulnerable populations. Moreover, *Oportunidades* meets the requirements for this loan instrument. Impact assessments (1998-2008) have highlighted the program's outcomes and impacts with respect to its objectives, a high degree of targeting on the poorest populations, and beneficiary satisfaction. The program is an example of best practices in conditional cash transfer programs both regionally and internationally. The executing agency has complied with the conditions of the loan contract and Bank policies. The auditors' reports include opinions without comments on the financial statements, fulfillment of contractual clauses, and ex post review of procurement and disbursements. Program procurement was undertaken under standards consistent with Bank policies. An institutional capacity assessment (ICAS) done for this project shows that satisfactory performance has been maintained, and current internal control systems suggest that this will continue in the future. Lastly, the proposed financing components are priorities in the Bank's social sector strategy and country program.

¹ The features and requirements of a CCLIP are described in documents GN-2246-1 and GN-2246-4.

- 1.5 The goal of the CCLIP is to stop the intergenerational transmission of poverty through the development of basic capacities in education, health, and nutrition among the poor. The specific objective of the Bank's support is to improve the program's efficiency in pursuit of its objectives, and it is expected to achieve the following outcomes: (i) improved program efficiency in urban areas and among indigenous populations; (ii) an increase in the difference in schooling between parents and children of beneficiary families; (iii) an increase in the primary and secondary education completion rates among beneficiary youth; and (iv) a reduction in the prevalence of chronic child malnutrition (children under 5), understood as low height-for-age, among others specified in the results framework.

II. PROPOSAL FOR THE FIRST PROGRAM UNDER THE CCLIP

A. Background, challenges, and rationale

- 2.1 This section summarizes the poverty situation and the program's achievements in the accumulation of human capital among its beneficiaries, as well as pending challenges. It also identifies the institutional framework in which the program operates, the actions necessary to consolidate and protect these gains.
- 2.2 **Poverty situation.** Extreme poverty² fell by nearly one third between 2000 and 2006, from 32% to 21% of the national population, and the poverty gap was reduced by 3 percentage points. This poverty reduction is associated with increases in employment (although not in compensation) and in unearned income such as transfers—including *Oportunidades*—and remittances. In the absence of the program, it is estimated that the poverty rate would increase by 1.3 percentage points. The differences between geographic areas are significant: poverty levels are 2.5 times higher in rural areas than in urban ones. Urban poverty—which largely depends on earned income—is also very dynamic, posing challenges for the identification of the structurally poor in these areas. Based on panel data, it is estimated that only 7.5% of the poor in 2002 were still poor in 2005.³

² In this document, the terms “extreme poverty” and “poverty” refer to the lack of capabilities, an official definition of poverty that defines the poor as all those households lacking sufficient income to purchase the basic food basket and incur minimum expenses in education and healthcare (see www.coneval.gob.mx for further details).

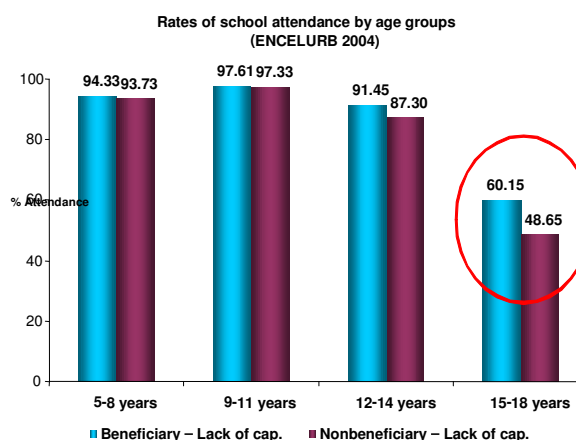
³ IDB/Research Department analysis based on the National Survey on Household Standards of Living in Mexico in 2002 and 2005 (ENNVIH).

2.3 Program achievements.

Oportunidades has had a major impact on schooling, nutrition, morbidity, cognitive development, and high-risk behavior, among other results. The gaps in the accumulation of human capital have closed significantly for program beneficiaries, as confirmed by a decade of impact assessments.⁴ In education, the program has managed to increase the years of schooling for people ages 19 to 20

by nearly one year for those who have been in the program for at least a decade in rural areas.⁵ In nutrition, the prevalence of low height—associated in the literature with lower academic achievement and work productivity—among beneficiary children ages 0 to 2 has fallen from 44% in 1998 to 17% in 2005 in rural areas, with the majority of localities showing levels below 10%, which is considered a moderate prevalence.⁶ In urban areas, the short-term effects are also positive, although less so than in rural areas. An increase of between 6 and 10 percentage points was achieved in students enrolled at age 6; in nutrition, anemia decreased by 54% among children ages 6 to 23 months; and the number of examinations for children ages 0 to 5 in a six-month period increased by 16%.⁷

2.4 **Pending challenges.** Despite these gains, the accumulation of human capital continues to be quite unequal, which has a significant impact on the likelihood of rising out of poverty. In the school attendance variable illustrated in Figure 1, for example, despite a significant program impact in urban areas,⁸ there are still low attendance levels starting at age 14, related to a mismatch between the relatively high direct and opportunity costs compared to the number of program scholarships and the low quality and lack of relevance of the educational offering. A simulation of an increase in scholarship amounts for secondary school students suggests that program efficiency could be substantially improved with respect to this objective.



⁴ Available online at www.oportunidades.gob.mx

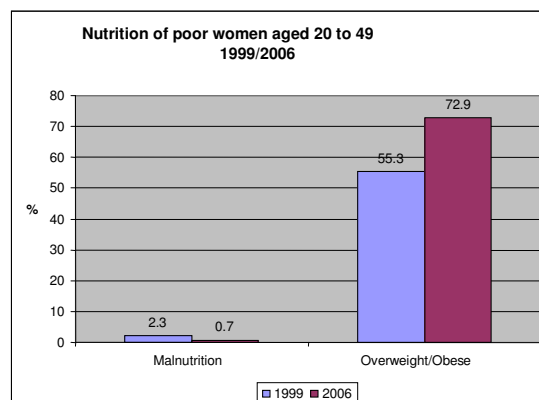
⁵ Parker and Behrman, 2008.

⁶ Neufeld, 2008.

⁷ See Hernández et al eds. *Evaluación externa de impacto del Programa Oportunidades 2006* [External impact evaluation of the *Oportunidades* program 2006], Volumes I-III. Cuernavaca, Morelos, Mexico: National Institute of Public Health, 2006.

⁸ The situation is similar in rural areas.

- 2.5 In health and nutrition, the inequality has assumed a new guise, expressing itself not only through the traditional indicators associated with infectious diseases, childbirth and newborns, but new problems have also arisen, such as the high and growing prevalence of overweight and obese persons, and chronic illnesses associated with this condition, such as diabetes and high blood pressure. Using national data from household surveys, Figure 2 shows that while malnutrition affects very few poor women, and has been reduced over time, almost 70% of poor women are overweight or obese, and this percentage has increased over time.



- 2.6 Improving the quality of health services and education is a pending challenge. Evaluation studies conducted in 2007-2008 show a disturbing outlook.⁹ In the health sector in rural areas, although there is a high degree of heterogeneity among units and solid performance in vaccination and management of diarrheal diseases, in general, providers are not taking the actions necessary to care for the health of the users, and a low percentage of providers are capable of making appropriate diagnoses and indicating proper treatment, particularly for the chronic diseases that are quite prevalent among the population. Qualitative research has also detected units that are saturated, with long wait times, appointments for beneficiaries at the provider's convenience, but not that of the patient, and self-care workshops with limited effectiveness in changing behaviors. In the education sector, the results of standardized tests in the sixth grade show below average performance levels for 67% of *Oportunidades* scholarship holders, which shows that major challenges remain to close academic achievement gaps. This fact is reinforced by the regressive distribution of nonwage public spending among educational units.
- 2.7 **Institutional framework.** The program's design requires work among multiple sectors to meet its objectives. The health and education sectors are responsible for providing services with joint responsibility, according to quality standards established by the respective sector and the certification of joint responsibility. Health sector institutions are also responsible for providing the educational communications actions to promote self-care. To support the health sector in fulfilling its responsibilities, part of the budget for serving beneficiary families is earmarked in the Department of Health (SSA) budget to cover the marginal expenses associated with the increased demand generated by the program. Moreover, in coordination with the Consejo Nacional de Fomento Educativo [National Council on Educational Development] (CONAFE), the program transfers monetary support to schools for the purchase of school supply kits.

⁹ For health: Gutiérrez et al, 2008; for education: Mancera et al, 2008.

- 2.8 The program is responsible for selecting the localities to be served, identifying eligible families, incorporating beneficiary families, managing the roster of beneficiary families, recertifying the eligibility of families, monitoring fulfillment of joint responsibilities, delivering the support to the beneficiary families, procuring food supplements, serving and providing information to beneficiary families, managing and disseminating information from its databases, and training and orienting staff from the program and sectors, among other things. Notwithstanding the rules for coordination established in the Operating Regulations,¹⁰ having multiple institutional stakeholders creates challenges for the program's effectiveness (illustrated in Table 2.1).

Table 2.1: Actions, joint responsibilities, and entities involved in the *Oportunidades* program

Component ¹¹	Program actions	Joint responsibilities for beneficiary families	Responsible institutional entities
Health	<ul style="list-style-type: none"> Providing the basic guaranteed health package free of charge Promoting better nutrition Developing and improving self-care through educational communications Strengthening the health services offering in primary care health units where the program operates 	<ul style="list-style-type: none"> Registering in the assigned health unit Beneficiary family members attend appointments as scheduled by the health services 	SSA at the federal and state levels, state program coordination office Mexican Social Security Institute (IMSS <i>Oportunidades</i>)
Diet	<ul style="list-style-type: none"> Provide monthly cash support to continue having beneficiary families improve the quantity, quality, and diversity of their diet Provide a nutritional supplement 	<ul style="list-style-type: none"> Participation in the educational communications actions for self-care 	The SSA purchases supplements, contracted institutions distribute them to the health units (state SSA), responsible for delivering them
Education	<ul style="list-style-type: none"> Support enrollment, staying in school, and regular attendance at school through educational scholarships and support for the purchase of school supplies 	<ul style="list-style-type: none"> Enrollment of people under age 18 in school School attendance 	Department of Public Education (SEP), state SEP offices, Departments of Education and/or their counterparts in the states and federal district, CONAFE, state program coordination office, National <i>Oportunidades</i> Coordination Board
Energy	<ul style="list-style-type: none"> Provide monthly cash support to offset expenses for energy consumption 	<ul style="list-style-type: none"> Completing secondary education 	National <i>Oportunidades</i> Coordination Board

¹⁰ http://www.oportunidades.gob.mx/htmls/reglas_2008.html

¹¹ The amounts transferred under each component are equal in urban and rural areas, and are specified year for year in the program's Operating Regulations.

Component ¹¹	Program actions	Joint responsibilities for beneficiary families	Responsible institutional entities
“Vivir Mejor” [Live Better] food support	<ul style="list-style-type: none"> Provide monthly cash support to offset the impact of the price of food on family consumption (on the value of the routine benchmark) 	<ul style="list-style-type: none"> None 	National <i>Oportunidades</i> Coordination Board

- 2.9 **Adjustment agenda.** After more than 11 years of operation and evaluation, and with the Bank’s monitoring over the last six years, the program has identified an agenda of adjustments to further enhance its recognized efficiency and effectiveness. The adjustments seek to strengthen the current program model in the accumulation of human capital.
- 2.10 The adjustments address all of the program’s components. Targeting of beneficiary families will be improved to align it with the program’s target population—the extremely poor—using a multidimensional targeting methodology. Moreover, although the program’s impact on school attendance is substantial and significant, the effectiveness of the academic scholarships could be improved, by increasing their total amount for young people ages 14 to 18. In the nutrition component, given the current levels of anemia among pregnant women and young children, low height-for-weight among children under 5, and overweight and obesity among school-age children and adults, the phasing out of nutritional supplements is recommended as is the adoption of new strategies to combat nutritional deficiencies and to communicate healthy practices. In health, the evaluation results show significant impacts on the use of preventive services among children, but the coverage of key preventive services for adults remains below expectations and the quality of the services demands a swift response.¹² Some innovations are that beneficiary families would be assigned to units based on their requests, service hours would be extended, and appointments would be made at the convenience of the beneficiary family.
- 2.11 Differentiated effects of the program have been identified between indigenous and nonindigenous populations, suggesting potential adjustments to the program’s model to improve its relevance. Apart from the significant progress in terms of access to basic education services, there are still major ethnic gaps in academic achievement and repeater rates, and there is less educational mobility between indigenous parents and children than between their nonindigenous peers in urban areas.¹³ Only 62% of poor indigenous women have turned to trained personnel (a

¹² For coverage, see the National Health and Nutrition Survey (ENSANUT) 2006; for quality, see Barber 2007 for quality of prenatal care in urban areas, Barber, Bertozzi, and Gertler 2007 for quality of prenatal care in rural areas, and Prado et al 2005 for quality and coverage of reproductive health services.

¹³ For an analysis of this issue, see Nopo and Winder 2008.

- doctor or nurse) to attend their births in urban areas. The situation is even more critical in rural areas.
- 2.12 There are also new opportunities to increase human capital among the eligible population through the extension of the transfers through banks and providing additional financial services (savings accounts, debit cards), the harmonization of geographic targeting criteria among poverty relief programs, and the coordination of program graduates with intermediaries and work training services, among others to be explored.
- 2.13 Although most of these adjustments are relevant in both rural and urban areas, due to their impacts on human capital, which are lower, and the higher rates of program dropout in urban areas,¹⁴ it is proposed that the adjustments be piloted first in urban areas. The pilot project would cover 50,000 new urban families to be incorporated under the new management and care system defined based on the adjustment proposals that are being worked on jointly between the program and the Bank. Three localities have been identified using the following criteria: (i) according to official data, locations where there is a high backlog of care for poor households by the program; (ii) where budgetary resources are ensured; and (iii) which are cities of more than 500,000 inhabitants. The successful elements of the pilot project will be expanded to the entire beneficiary population in urban areas in 2010.
- 2.14 **Value added by the Bank.** The Bank supported the expansion of the program to 720,000 urban households and has had value added in the technical design and in providing continuity in evaluation during periods of transition between administrations, and now, during fiscal constraints. Through the two phases of the previous program, the Bank has provided direct technical assistance for: (i) the design of the framework for incorporating beneficiaries in urban areas; (ii) the reformulation of the nutritional supplements in order to enhance their potential impact on the nutrition of the beneficiaries; (iii) the analysis of the program's targeting model; and (iv) the definition and supervision of the evaluation and the academic review of the program's evaluation and operational efficiency documents. In 2006, the Bank supported the new government's transition team with a policy memorandum and presentations on the role of the program in the social welfare and social security policies, and it is supporting the design of adjustments in urban areas with technical-cooperation financing of US\$1 million (ATN/OC-11067-ME).

III. THE PROGRAM

A. Objective

- 3.1 The objective of the first operation is to contribute to the program's goal and expected outcomes through: (i) the design, implementation, and evaluation of a

¹⁴ According to IDB analysis of a representative sample of beneficiary families in urban areas, 43% of families that entered the program in urban areas dropped out, twice the rate in rural areas (Mario González).

pilot project to make adjustments to the program in order to boost its impact on the accumulation of human capital among the poor in urban areas; (ii) the strengthening of the health and education services involving joint responsibility; and (iii) the program's transfers and evaluation.

B. Components

3.2 Component 1: Pilot project for adjustments to the program in urban areas:

This component's objective is to design, pilot, and evaluate a new program care and management model to enhance its impact on the accumulation of human capital. The proposed adjustments¹⁵ include: (i) the adoption of a multidimensional targeting model; (ii) the implementation of two variations of new educational scholarship structures for primary and secondary schools; (iii) the adjustment of the healthcare and nutrition model to the epidemiological and living context in urban areas, including education and health communications actions; and (iv) integrating beneficiary transfers into the banking system. Under this component, financing will be provided to evaluate the innovations and direct costs associated with introducing new elements, such as increasing scholarships in primary and secondary schools.

3.3 Component 2: Strengthening the effectiveness of services associated with joint responsibility under the program:

This component aims to support the health and education sectors to improve the effectiveness of the care provided to beneficiaries. In this first phase of the CCLIP, support will be provided for implementation of the new comprehensive nutrition care strategy that would transition towards determining and delivering more effective supplements without having adverse impacts on the nutritional status of the beneficiary population. Financing will be provided for the purchase of nutritional supplements (for example, tablets for women and Sprinkles, drops, or syrup for children) and food supplements for the nutritional component. In a subsequent phase, inclusion of actions aimed at improving the availability of inputs for educational units with concentrations of *Oportunidades* scholarship holders will be negotiated.

3.4 Component 3: Direct support for cash transfers:

The aim of this component is to provide direct support for the cash transfers associated with the food, education, energy, and Vivir Mejor support, as well as the distribution cost of the transfers in subsequent operations.

3.5 Component 4: Support for external evaluation:

This component is aimed at providing the necessary resources for the program's external evaluations under the guidelines issued by the Consejo Nacional de Evaluación [National Evaluation Council] (CONEVAL). Financing will be provided for consulting services to conduct the evaluations.

¹⁵ The details of the proposed adjustments for the pilot project are in the program's technical files. For the targeting and its simulated impact, see Robles et al 2008. For the scholarship adjustment and its simulated impact, see Attanasio et al 2008. For the health and nutrition adjustment, see Glassman et al 2008.

C. Costs and financing

- 3.6 The cost of the first program under the CCLIP is US\$200 million, financed by the Bank with resources from the Ordinary Capital. The execution period is two years.

Table 3.1: Program cost summary (US\$ millions)*

Categories	Financing	Local contribution	Total
Component 1: Urban pilot project	5.0	0	5.0
Component 2: Strengthening the offering	7.0	0	7.0
2.1 Nutritional supplements	0.5		
2.2 Food supplements	6.5		
Component 3: Cash transfers	185.5	0	185.5
3.1 Food	55.5		
3.2 Scholarships and school supplies	83.8		
3.3 Energy	27.7		
3.4 Vivir Mejor	14.8		
3.5 Cost of cash transfers	3.7		
Component 4: Evaluation	2.5	0	2.5
Total	200.0	0	200.0
%	100%	0	100%

(*) The financial costs, interest, credit fee, and inspection and supervision fee will be paid outside the program.

D. Results framework and key indicators

- 3.7 The Mexican government established the National Evaluation Council for Social Development Policy under the Social Development Act in order to regulate and coordinate social development policies and programs executed by public agencies. For such purposes, social programs invariably have indicators of outcomes, management, and services to measure their coverage, quality, and impact, using the logical framework methodology. The logical frameworks are reviewed by the Department of Finance (SHCP), Congress, and the Office of the Auditor General. To reduce complexity and align efforts with the national government, this project proposes using the official logical framework and its indicators of outcomes, management, and services as the results framework for this program, given that it is not necessary or desirable to isolate the effects of the IDB's financing. There are also complementary plans to evaluate the urban pilot project, as is described preliminarily in electronic link 2.

IV. PROGRAM EXECUTION

A. Borrower and executing agency

- 4.1 The borrower is the United Mexican States, through the Department of Finance. The executing agency is the Department of Social Development (SEDESOL) through the National *Oportunidades* Coordination Board. The coexecuting unit will be the Department of Health (SSA), which will manage program resources under component 2. The program will have a technical committee in the National Program Coordination Board. Nacional Financiera (NAFIN) will serve as the borrower's financial agent to manage loan proceeds. A special condition precedent to the first disbursement will be the signature and entry into force of a trust agreement between the borrower, the executing agency, and NAFIN to execute and administer the loan.

B. Program execution and administration

- 4.2 In its capacity as executing agency, the National *Oportunidades* Coordination Board is responsible for the program's general execution and administration of the loan proceeds, and must undertake the interinstitutional coordination and the measures necessary for the program to be executed within the expected periods, under the agreed upon budget, and in accordance with contractual standards and conditions. The interventions supported by the project will be governed by the current rules and provisions defined in the program's Operating Regulations.
- 4.3 The National Program Coordination Board's technical committee will be responsible for monitoring the project, reviewing fulfillment of the responsibilities of each participating entity, decision-making on program characteristics, approval of the program's Operating Regulations, and monitoring the recommendations for the program made in the external evaluations. This committee is made up of representatives of: (i) SEDESOL, (ii) the National Program Coordination Board; (iii) the Department of Finance; (iv) SEP; (v) SSA; (vi) the Mexican Social Security Institute (IMSS); and (vii) the Department of Public Affairs.

C. Procurement

- 4.4 Goods and services will be procured in accordance with the Bank's policies (document GN-2349-7). Consulting services will be selected and hired in accordance with the Bank's policies (document GN-2350-7). International competitive bidding will be used to procure all goods and/or services whose value is greater than or equal to US\$5 million, and national competitive bidding will be used for goods valued at between US\$100,000 and US\$3 million. Goods and services costing less than US\$100,000 may be procured using price comparison. For consulting services valued at under US\$500,000, the shortlist may comprise entirely national consultants. Ex ante and ex post reviews have been agreed upon with the country and included in the Procurement Plan (Annex II).

- 4.5 In accordance with the provisions of paragraphs 3.6 and 3.7 of the procurement policies, direct contracting will be allowed for: (i) the purchase of nutritional supplements from Liconsa, S.A. de C.V., for up to US\$6.5 million; (ii) delivery of the cash transfers by Telecomunicaciones de México and Banco del Ahorro Nacional y Servicios Financieros, for up to US\$3.7 million, since these institutions have worked from the start of the program as delivery channels for the transfers to beneficiaries and have become an effective means of monitoring execution of those resources; and (iii) implementation of some activities related to the external evaluation by the Instituto Nacional de Salud Pública (INSP), the Centro de Investigaciones y Estudios Superiores en Antropología Social (CIESAS), and the Colegio de México, for up to US\$2.5 million. The INSP and CIESAS have been the academic institutions coordinating the external evaluation since 2001. To carry out these activities, both institutions have brought together researchers from prestigious academic institutions to form the advisory group for the external evaluation of the program.¹⁶

D. Revolving fund and audit

- 4.6 **Revolving fund.** A revolving fund will be established, which, for purposes of Article 4.07 of the General Conditions, will not exceed 5% of the amount of the financing.
- 4.7 **Reimbursement of expenditures.** The Mexican government has asked the Bank to reimburse expenditures incurred prior to approval of the loan and after approval of the Project Profile (20 August 2008) out of the financing, for execution of direct investments of up to US\$100 million. The reimbursement of these expenditures is recommended, provided it is demonstrated that they followed procedures substantially analogous to those of the Bank.
- 4.8 **Audit.** Based on: (i) the institutional capacity assessment (ICAS), which had satisfactory results with a low level of risk; (ii) unqualified opinions from the external auditors in the last six years; and (iii) considering that each loan under the CCLIP will have a maximum execution period of 18 months (in line with the historical behavior of program disbursements—an average of US\$300 million per year), the project team proposes that when the disbursement period is 18 months or less, final audited financial statements be required. For those CCLIP loan operations with longer disbursement periods, annual audits will be required, starting in the second year of execution, to be submitted 120 days following the close of the

¹⁶ The main tasks this group has performed have been: determining the evaluation methodology; establishing the indicators to be evaluated in accordance with the research questions the program has posited; the tools for compiling information; and the impact analysis models. Both academic institutions have also prepared and coordinated the program impact assessment documents. With respect to the Colegio de México, its Centro de Estudios Sociológicos has provided significant support to the *Oportunidades* program for specific studies related to identifying households for the program and keeping them in the program. This has provided it with extensive knowledge of the program, particularly processes and results in the socioeconomic track record of the families after several years of intervention.

fiscal year. The executing agency must maintain accounting systems, as well as adequate, complete, updated files of all supporting documentation for expenditures charged to the program, including financial and accounting management. The final audited financial statements related to program expenditures made with Bank and local contributions will be submitted to the Bank within 120 days following the last disbursement of each loan. The audits will be conducted by external auditing firms in accordance with the Bank's terms of reference, agreed upon with the Department of Public Affairs.

E. Monitoring and evaluation

- 4.9 **Monitoring.** The program has had a sophisticated monitoring and evaluation system since its creation to identify and quantify operational management and the magnitude of the program's impacts using rigorous quantitative and qualitative methodologies. The Institutional Information System for Program Operation (SIIOP) manages monitoring indicators to ensure their ongoing relevance and their implementation in the service areas, allowing for the immediate correction of operational problems. The system's objectives are to: (i) contribute to the programming of investments through the annual work plan (AWP) and the procurement plan; (ii) allow the monitoring of program execution through the results framework and the cost and financing table; (iii) systematize baseline and risk monitoring data, and support the midterm and final evaluations; (iv) monitor procurement and control compliance with procedures; and (v) maintain program accounting and issue documentation on disbursements, among others.
- 4.10 **Evaluation.** The impact assessment has been entrusted to prestigious academic and research institutions to achieve a reliable, objective evaluation. For this operation, it will be based on the annual evaluation programs issued by CONEVAL and will follow the established practice of agreeing to an evaluation agenda for a two-year period, with the participation of an advisory group of international experts and researchers.
- 4.11 The executing agency will submit a final report to the Bank that will be used as input for the project completion report (PCR). That report will review the physical gains and program outcomes in accordance with the results framework, as well as the lessons learned during design and implementation of the pilot project.
- 4.12 Bank supervision of the delivery of the cash support planned under the project will be carried out on an ex post basis, according to the methodology used during prior stages.

V. PROGRAM VIABILITY

- 5.1 **Environmental and social viability.** This project does not include any activity that could cause negative environmental and/or social impacts. It is classified as a category C operation. It is aligned with the Poverty Reduction and Promotion of

Social Equity Strategy, which describes conditional transfer programs as essential elements for combating extreme poverty and inequality.

- 5.2 **Institutional viability.** A risk evaluation and the ICAS¹⁷ rated as low and very low the risks in the areas of fiduciary and operational performance, development effectiveness, and quality safeguards.
- 5.3 **Fiscal viability.** Annual spending on *Oportunidades* represents 0.43% of GDP for 2007, which, even considering other public spending on social welfare, represents spending below the regional average¹⁸ and is easily financed by the government. In any case, the proposed adjustments have the potential not only to increase the program's effectiveness with respect to its objectives, but also to generate fiscal savings. The replacement of the current high-calorie content nutritional supplements with a micronutrient powder for children in urban areas and micronutrient tablets for women throughout the country represents a potential savings of US\$13.6 million. The planned increases in scholarships will have a neutral impact on the current budget, and the possibility of linking these increases to scholarship holders' academic performance will be explored.
- 5.4 **Economic viability.** Determining a summary cost-benefit ratio for the program is difficult given its multiple objectives and components. To illustrate the potential benefits of the additional schooling generated by the program, for example, using the program evaluation panel surveys, Parker and Behrman (2008) compare the benefits that the individuals would receive in additional earned income related to the increase in income resulting from the additional schooling. Table 5.1 presents these estimates under three assumptions of a rate of return on schooling (6%, 8%, and 10%) and three potential discount rates (3%, 5%, and 10%). The program's benefits are several times higher than costs in all scenarios except one. Even in the most pessimistic scenario (high discount rate with low return), if we consider the presence of the other program benefits related to risk behavior, health, and nutrition, benefits seem to far outweigh the costs.

¹⁷ ICAS – Institutional capacity assessment system for executing agencies of Bank projects.

¹⁸ See Lindert et al 2007 for comparative data.

Table 5.1: Costs and benefits of the <i>Oportunidades</i> program in US\$* (Parker and Behrman 2008)									
Impact = 1 year of additional schooling									
Discount rate	Initial income		Costs	6%		8%		10%	
	Without the program	With the program		Benefits	B/C ratio	Benefits	B/C ratio	Benefits	B/C ratio
3	1,855	1,966	500	1,801	3.6	2,679	5.36	3,557	7.11
5	1,855	2,003	390	664	1.7	1,082	2.77	1,499	3.84
10	1,855	2,040	215	27	0.13	233	1.08	438	2.04
<p>Assuming young people participate in the program for six years, starting at age 10 and ending at 16.</p> <p>** A return on experience is included.</p> <p>Costs include the distorting costs of mobilizing resources and administering the program, as well as private costs associated with participation, including the household's expenses for transportation and school supplies.</p> <p>Benefits are net of opportunity cost (later entry into the job market).</p> <p>Conversion factor: 11 Mexican pesos per US\$1.</p>									

VI. SPECIAL CONSIDERATIONS AND RISKS

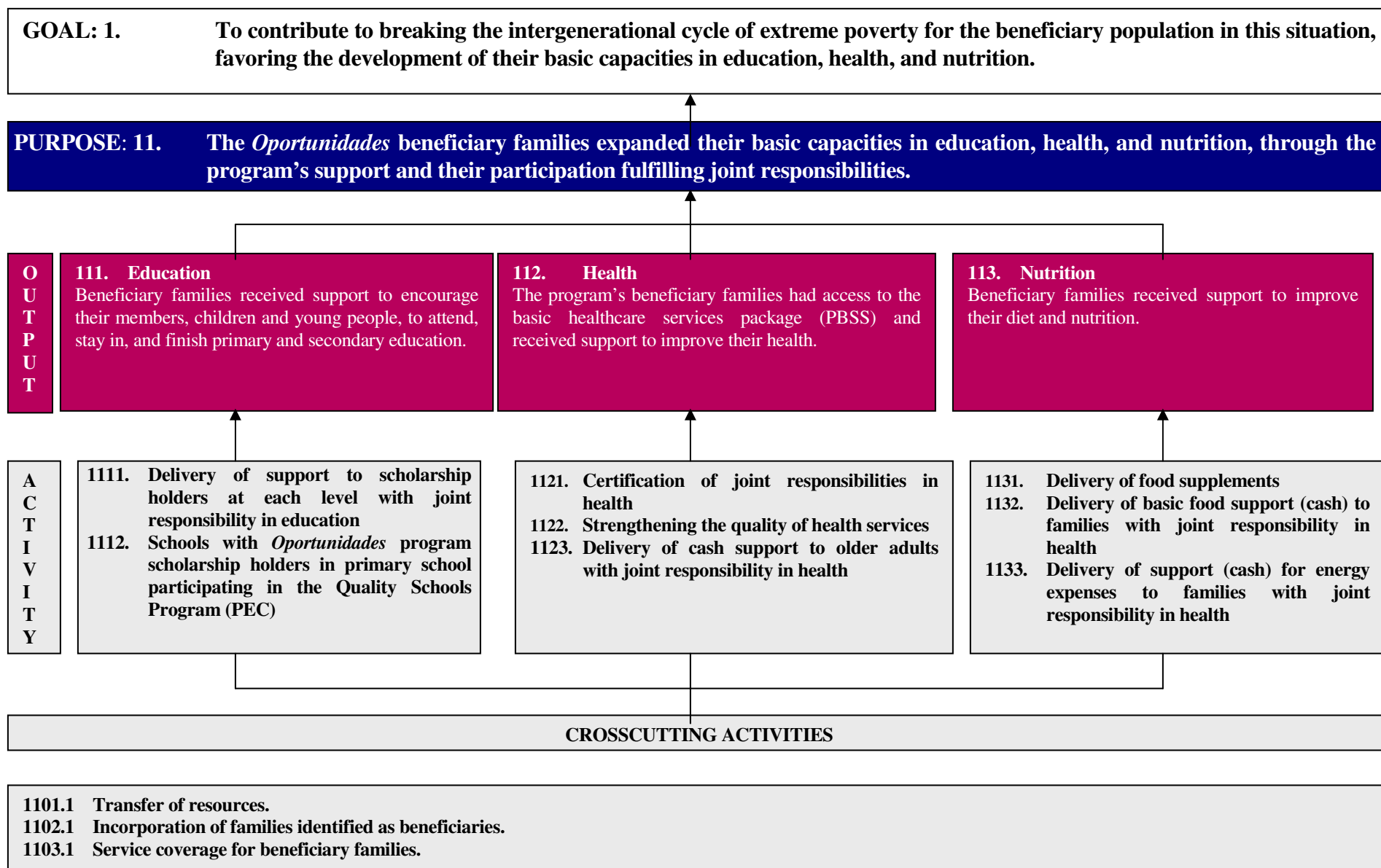
- 6.1 **Impact of the global economic situation.** Due to the international credit crisis, growth projections for the Mexican economy have been revised downward to 1.8% in 2009. The slowdown in economic activity could have an adverse impact on the wellbeing of the population, especially low-income persons. Combined with this, a weak construction industry in the United States has caused a drastic contraction in the flows of family remittances in the last year. Since remittances to Mexico have had a positive impact on the wellbeing of the population, the drop in transfers from migrants could adversely affect vulnerable groups. This situation could also impact the fiscal position. To mitigate these risks, this project is presented as a CCLIP that would allow the use of the amount of financing needed to increase or extend transfers when necessary through the preparation of a new project.
- 6.2 **Impact of the rise in food prices.** Although they have fallen, food prices in recent months remain higher than the trend for recent years, which has a greater impact on low-income households that are spending a higher percentage of their incomes on food. The program includes an automatic biannual adjustment mechanism for the transfers based on the price index for the basic food basket, which has allowed it to mitigate part of the impact of the price increase. Moreover, the government has started an additional transfer of 120 pesos for 13 months beginning in July 2008 ("Vivir Mejor"), which will cover 25% of the loss in purchasing power, considering the current inflation rate in food prices. Nevertheless, given the products affected and the characteristics of poor households, as well as the program's shortfall in coverage in urban areas, there is a risk that poverty may increase in the absence of other targeted offsetting measures. The Bank has conducted a preliminary analysis of this risk jointly with the program and will monitor the situation with the national authorities.

- 6.3 **Quality in the health and education offering.** The program aims to support its partner agencies with modest support to respond to the increased demand associated with the joint responsibilities. Moreover, the adjustments for the pilot project in urban areas include the expansion of service hours, the introduction of a new appointment system, and other adjustments that would improve the quality of service. Nevertheless, it is important to recognize that the problems found in the quality of the offering in the program evaluations require a structural response by the SSA and SEP at the federal level and particularly at the level of each state that goes beyond *Oportunidades*. Both the SSA and SEP have launched benchmarking initiatives for performance among states, and the SEP has begun the difficult process of eliminating inherited positions and the establishment of merit-based competitions. The Bank has sought out opportunities to support the sectors in this endeavor. With the SSA, the Bank has started a dialogue aimed at piloting new payment methods to clinics to create incentives for quality service (ME-N1055). With the SEP, two technical-cooperation projects are in preparation that would pilot and evaluate new scholarship systems to create incentives for achievement (ME-T1114, ME-T1115).
- 6.4 **Incompatibility of incentives between *Oportunidades* and other social security and welfare programs.**¹⁹ Although the program has increased the human capital of its beneficiaries, the long-term impact of the program (rising out of poverty) could be limited by the incentives that operate on the job market, including the rules of eligibility and the costs of other social security and welfare programs linked to payroll. The program's limited impact on the earned income of graduates to date supports this hypothesis, and a major reform of the social security system and job market regulation is urgently needed. The Bank is in the process of dialogue with the government on these issues. Nevertheless, it should be noted that the impact assessments have not found that the existence of the program has a statistically significant effect on the job supply for beneficiary families.²⁰

¹⁹ See Levy 2008 for a detailed discussion.

²⁰ Skoufias and Di Maro 2008.

1. Narrative Summary of the Matrix of Indicators



2. Matrix of Indicators for the *Oportunidades* Human Development Program

Narrative summary	Indicators			Means of verification	Assumptions
	Name of indicator	Calculation method	Frequency of measurement		
Goal	Efficacy				
1. To contribute to breaking the intergenerational cycle of extreme poverty for the beneficiary population in this situation, favoring the development of their basic capacities in education, health, and nutrition	1.1 Comparison of the difference in schooling between parents and children in beneficiary families and in the national population.	1.1 = (Average level of schooling of 20-year-old children in <i>Oportunidades</i> families – Average level of schooling of parents with 20-year-old children who are <i>Oportunidades</i> beneficiaries) in year t – [(Average level of schooling of 20-year-olds) – (sum of the product of the proportion of the population of the age <i>a</i> and included in the parents’ age group multiplied by the proportion of the population of each age <i>a</i> and contained in the parents’ age group, for males or females) * (average level of schooling of mothers or fathers of age <i>a</i> and included in the parents’ age group)]] in year <i>t</i>	Every five years	Survey Intermediate and general census data	Stable macroeconomic conditions Formal job markets with capacity to absorb the young population completing the program
Purpose	Efficacy				
11. <i>Oportunidades</i> beneficiary families expanded their basic capacities in education, health, and nutrition with support from the program and their participation with joint responsibility.	11.1 Primary education completion rate for young <i>Oportunidades</i> beneficiaries.	11.1 = (<i>Oportunidades</i> program secondary school graduates/ <i>Oportunidades</i> program 15-year-old beneficiary population) *100	Annual	SIHOP SEP	There is an accessible offering of higher education.
	11.2 Prevalence of chronic child malnutrition (children under 5), understood as low height-for-age, for the <i>Oportunidades</i> program beneficiary population.	11.2 = (Children ages 0 to 59 months with a Z-score of height-for-age less than two standard deviations under the reference average / Total number of children ages 0 to 59 months) *100	Every five years	<i>Oportunidades</i> component of the National Health and Nutrition Survey	There is the political will to target actions on regions and the population suffering the greatest levels of poverty. People continue to take actions that were part of their joint responsibility, even when they are no longer program beneficiaries.

Narrative summary	Indicators			Means of verification	Assumptions
	Name of indicator	Calculation method	Frequency of measurement		
Components: Products or services					
Education	Efficacy				
Beneficiary families received support to encourage their young members and children to go to, stay in, and complete primary and secondary education.	111.1 Primary school scholarship holders who are promoted to secondary school.	111.1 = (Primary school scholarship holders enrolled in the next level / Primary school scholarship holders enrolled in sixth grade at the end of the previous cycle)*100	Annual	SIOP	Parents recognize the importance of their sons and daughters getting more education.
	111.2 Primary school scholarship holders with respect to the gender mix of national enrollment.	111.2 = [(Female primary school scholarship holders registered in <i>Oportunidades</i> / Primary school scholarship holders registered in <i>Oportunidades</i>) / (Female students enrolled in primary education nationally / Total national primary education population)]-1]*100	Annual	SIOP SEP	
	111.3 Secondary school scholarship holders with respect to the gender mix of national enrollment.	111.3 = [(Female secondary school scholarship holders registered in <i>Oportunidades</i> / Secondary school scholarship holders registered in <i>Oportunidades</i>) / (Female students enrolled in secondary education nationally / Total national secondary education population)]-1] *100	Annual	SIOP SEP	
	111.4 Former scholarship holders who received support from “Jóvenes con Oportunidades.”	111.4 = (Number of young people who received support from Jóvenes con Oportunidades / Number of former scholarship holders who met eligibility criteria)*100	Annual	Operation monitoring system for the Jóvenes con Oportunidades component	

Narrative summary	Indicators			Means of verification	Assumptions
	Name of indicator	Calculation method	Frequency of measurement		
Health	Efficacy				
Program beneficiary families had access to the Basic Health Services Package (PBSS) and received support to improve their health	112.1 Beneficiary families who are under care in health services.	112.1 = (Beneficiary families under care / Registered beneficiary families) *100	Every two months	S1 forms The Health Department's Health Information System (SIS) IMSS- <i>Oportunidades</i> Open Population Health Information System (SISPA)	The population is willing to follow health personnel recommendations.
	112.2 Pregnant beneficiary women who are under prenatal care.	112.2 = (Total pregnant beneficiary women registered as under care / Registered pregnant beneficiary women)*100	Every two months	SIS SISPA	
Nutrition	Efficacy				
Beneficiary families received support to improve their nutrition.	113.1 Beneficiary children receiving nutritional care.	113.1 = (Total beneficiary children under age 5 registered as under care / Registered beneficiary children under 5)*100	Every two months	SIS SISPA	The population is willing to follow health personnel recommendations to improve their nutrition Food is available. Specific beneficiaries consume the nutritional supplements.
	113.2 Program beneficiary children who received food supplements.	113.2 = [((Total children ages 6 to 24 months + children ages 2 to 4 who are malnourished + children ages 2 to 4 who are recovering) who received food supplements) / (Total children ages 6 to 24 months + children ages 2 to 4 who are malnourished + children ages 2 to 4 who are recovering)] *100	Every two months	SIS SISPA	
	113.3 Pregnant beneficiary women who received food supplements.	113.3 = (Total pregnant beneficiary women who received food supplements / Total pregnant beneficiary women) *100	Every two months	SIS SISPA	

Narrative summary	Indicators			Means of verification	Assumptions
	Name of indicator	Calculation method	Frequency of measurement		
Activities					
Education					
1111. Delivery of support to scholarship holders at each level with joint responsibility in education.	1111.1 Primary school scholarship holders who were issued cash transfers for educational scholarships.	1111.1 = [((Primary school scholarship holders who received cash transfers for scholarships in month 1 + Primary school scholarship holders who received cash transfers for scholarships in month 2) *1/2) / (Active scholarship holders in the two-month period)]*100	Annual	SIOP	In the current Federal Expenditures Budget (PEF) the <i>Oportunidades</i> program coverage target is established and the program budget is authorized. The Department of Finance releases resources for execution of activities in a timely manner.
	1111.2 Secondary school scholarship holders who received cash transfers for educational scholarships.	1111.2 = [((Secondary school scholarship holders who received cash transfers for scholarships in month 1 + Secondary school scholarship holders who received cash transfers for scholarships in month 2) *1/2) / (Active scholarship holders in the two-month period)]*100	Annual	SIOP	
1112. Schools with primary school scholarship holders from the <i>Oportunidades</i> program that participate in the Quality Schools Program (PEC)	1112.1 Schools with primary school scholarship holders from the <i>Oportunidades</i> program that participate in the Quality Schools Program (PEC).	1112.1 = (Primary schools with <i>Oportunidades</i> program beneficiaries that also participate in the PEC / Total primary schools with <i>Oportunidades</i> beneficiaries)*100	School cycle	SEP Undersecretariat of Primary Education National <i>Oportunidades</i> Coordination Board (CNO)	
Health					
1121. Certification of joint responsibilities in health.	1121.1 Beneficiary families for whom the report was received in a timely manner and who fulfilled their joint responsibility in health.	1121.1 = (Families fulfilling joint responsibility in health / Families for whom the health certification was received in a timely manner)	Semiannual	SIOP	Health services are delivered with quality and security to the entire beneficiary population.
1122. Strengthening the quality of health services.	1122.1 Program medical units that have medications to provide medical care.	1122.1 = (Total medical units that received medications / Total medical units)*100	Semiannual	Applicable sentinel sites from the survey	

Narrative summary	Indicators			Means of verification	Assumptions
	Name of indicator	Calculation method	Frequency of measurement		
1123. Delivery of cash support to older adults with joint responsibility in health.	1123.1 Older adult beneficiaries who received cash support.	1123.1 = (Older adults who received cash food support / Older adults)*100	Semiannual	SIOP	In the current Federal Expenditures Budget (PEF) the <i>Oportunidades</i> program coverage target is established and the program budget is authorized. The Department of Finance releases resources for execution of activities in a timely manner.
Nutrition					
1131. Delivery of food supplements.	1131.1 Food supplement packets delivered to beneficiary children.	1131.1 = (Total children's packets delivered / (Total children ages 6 to 24 months + 2 to 4-year-olds malnourished + 2 to 4-year-olds in recovery) who received food supplements)	Every two months	SIS SISPA	In the current Federal Expenditures Budget (PEF) the <i>Oportunidades</i> program coverage target is established and the program budget is authorized. The Department of Finance releases resources for execution of activities in a timely manner.
	1131.2 Food supplement packets delivered to beneficiary women.	1131.2 = Total women's packets delivered / (Total pregnant women + total women breastfeeding) who received food supplements	Every two months	SIS SISPA	
1132. Delivery of basic food support (cash) to families with joint responsibility in health.	1132.1 Beneficiary families who received cash support for food.	1132.1 = (Beneficiary families who received cash support for food / Beneficiary families)*100	Semiannual	SIOP	
1133. Delivery of support (cash) for energy expenses of families with joint responsibility in health.	1133.1 Beneficiary families who received cash support for the energy component.	1133.1 = (Beneficiary families receiving transfers for energy / Beneficiary families)*100	Semiannual	SIOP	

Narrative summary	Indicators			Means of verification	Assumptions
	Name of indicator	Calculation method	Frequency of measurement		
Crosscutting activities					
1101. Transfer of resources	1101.1 Resources delivered for direct costs of cash transfers.	1101.1 = (Direct costs of delivery of cash support / Total amount of support transferred)	Annual	DGPL administrative records	In the current Federal Expenditures Budget (PEF) the <i>Oportunidades</i> program coverage target is established and the program budget is authorized. The Department of Finance releases resources for execution of activities in a timely manner.
1102. Incorporation of families identified as beneficiaries.	1102.1 Coverage of families identified as eligible who are incorporated into the program.	1102.1 = (Total families incorporated / total families included in the basic registry for incorporation) *100	Annual	SINCAR	
1103. Coverage of care for beneficiary families	1103.1 Coverage for <i>Oportunidades</i> program beneficiary families	1103.1= (Total number of active program beneficiaries / Number of families established as a target at the start of the fiscal year) * 100	Quarterly	SIOP PEF	

4. Glossary

Program support: May be in cash or in kind.

Basic capacities: Health (primary level care), nutrition, and education (primary and secondary schooling).

Beneficiary population: Families incorporated into the *Oportunidades* program who receive program benefits for fulfilling their joint responsibilities.

Beneficiary families: The term “family” is used as a synonym for “household,” and should be understood in all cases as a set of individuals who make their lives together in a home, whether kin or not, who share support expenses and prepare meals in the same kitchen.

5. Clarifying notes

- Due to the fact that the approved version of the Matrix of Indicators will be posted on the internet, the titles Goal, Purpose, and Components highlight what is detailed in the level immediately below them. This is to make the different levels of the Matrix of Indicators more self-explanatory.
- Some variables/indicators in the Matrix of Indicators who source (means of verification) is the sentinel sites survey, may be modified slightly, since this data collection instrument is currently being revised.

**FIRST OPERATION FOR THE STRENGTHENING THE *OPORTUNIDADES* HUMAN DEVELOPMENT PROGRAM
(ME-L1052)**

PROCUREMENT PLAN TABLE

Description of contract and estimated contract cost	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)	Comments
			IDB %	Local / Other %		Publication of specific procurement notice	Completion of contract		
1. Goods									
▪ Good 01 Nutritional supplements (e.g. tablets for women and Sprinkles, drops, or syrup for children) (US\$500,000)	PC	EX ANTE	100%	-	NO	1 st half 2009	1 st half 2010	Pending	
▪ Good 02 Food supplements (US\$6,500,000)	DC	EX ANTE	100%	-	NO	1 st half 2009	1 st half 2010	Pending	Licons S.A.
2. Consulting projects									
▪ Consulting project 01 Training and operation of a new model for self-care workshops (between US\$10,000–US\$499,999 up to US\$1,000,000)	CQS (less than or equal to US\$100,000) CQBS (over US\$100,000)	EX ANTE	100%	-	NO	1 st half 2009	2 nd half 2009	Pending	
▪ Consulting project 02 Surveys and analysis for the evaluation of the urban pilot project and the program as a whole (between US\$10,000–US\$499,999 up to US\$2,500,000)	CQS (less than or equal to US\$100,000) CQBS (over US\$100,000) DC (INSP, CIESAS, Colegio de México)	EX ANTE	100%	-	NO	2 nd half 2009	2 nd half 2011	Pending	

Goods and works: ICB: International Competitive Bidding; LIB: Limited International Bidding; NCB: National Competitive Bidding; PC: Price Comparison; DC: Direct Contracting; FA: Force Account; PSA: Procurement through Specialized Agencies; PA: Procurement Agencies; IA: Inspection Agencies; PLFI: Procurement on Loans to Financial Intermediaries; BOO/BOT/BOOT: Build, Own, Operate / Build, Operate, Transfer / Build, Own, Operate, Transfer; PBP: Performance-based Procurement; PLGB: Procurement with Loans Guaranteed by the Bank; CPP: Community Participation in Procurement. **Consulting firms:** QCBS: Quality- and Cost-based Selection; QBS: Quality- based Selection; FBS: Selection under a Fixed Budget; LCS: Least-cost Selection; CQS: Selection based on the Consultants' Qualifications; SSS: Single-source Selection. **Individual consultants:** NCQ: Comparison of Qualifications (National Individual Consultants); ICQ: Comparison of Qualifications (International Individual Consultants).

Applicable for the case of new policies only for goods and works. In the case of old policies, it applies to goods, works, and consulting services.

The "Status" column will be used for retroactive procurement and updates to the procurement plan.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE- ____/____

Mexico. ME-X1007. Conditional Credit Line for Investment Projects (CCLIP)
Strengthening of the Oportunidades Human Development Program

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank to enter into such agreement or agreements as may be necessary with the United Mexican States, as Borrower, to establish a Conditional Credit Line for investment projects (CCLIP) for the strengthening of the Oportunidades human development program (the "Credit Line") for up to the sum of US\$2,000,000,000, chargeable to the resources of the Single Currency Facility of the Bank's Ordinary Capital.

2. That the establishment and utilization of resources under the Credit Line shall be carried out in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects established by Resolution DE-58/03 of July 16, 2003 as amended by Resolution DE-10/07 of January 31, 2007; and (b) the specific provisions set forth in document GN-2246-4 and the Loan Proposal Executive Summary.

3. That the amounts authorized to finance individual operations chargeable to the Credit Line shall be granted as individual operations subject to the usual financial terms and conditions applicable to financing from the resources of the Single Currency Facility of the Bank's Ordinary Capital, in force at the time that each individual operation is approved. Such terms and conditions shall be specified in the executive summary of the corresponding loan proposal.

4. That the effectiveness of the agreement or agreements executed by the Bank with the United Mexican States to grant financing for each individual operation shall be subject to the effectiveness and validity of the cooperation agreement for the establishment of the Credit Line.

(Adopted on ____)

LEG/SGO/CID/IDBDOCS#1725171
ME-X1007

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Mexico. Loan ___/OC-ME to the United Mexican States. First Program to Strengthen the Oportunidades Human Development Program, under the Conditional Credit Line for Investment Projects (CCLIP) for the Strengthening of the Oportunidades Human Development Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the United Mexican States, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the first program to strengthen the Oportunidades human development program, under the Conditional Credit Line for Investment Projects (CCLIP) for the strengthening of the Oportunidades human development program, approved by Resolution DE-___/___ . Such financing will be for the amount of up to US\$200,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Executive Summary of the Loan Proposal.

Conditional provision: This resolution will enter into force on January 1, 2009.

(Adopted on ___ _____ 2008)

LEG/SGO/CID/IDBDOCS#1725184
ME-L1052