

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**MEXICO**

**GROWING UP HEALTHY: IMPROVING THE HEALTH  
OF MEXICAN CHILDREN**

**(ME-L1128)**

**LOAN PROPOSAL**

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ELECTRONIC LINKS	
<b>REQUIRED</b>	
1.	Annual work plan (Plan of activities for the first disbursement and first 18 months of implementation) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37063344">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37063344</a>
2.	Monitoring and evaluation plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37057419">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37057419</a>
<b>OPTIONAL</b>	
1.	Ex ante economic evaluation <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37054395">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37054395</a>
2.	Application of the Institutional Capacity Assessment System (ICAS) to Comisión Nacional de Protección Social en Salud <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37115288">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37115288</a>
3.	CNPSS Organization Manual <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37063528">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37063528</a>
4.	SMNG Operating Rules <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37063535">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37063535</a>
5.	FPGC Operating Rules <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37105188">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37105188</a>
6.	By-laws of Comisión Nacional de Protección Social en Salud <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37110250">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37110250</a>
7.	CNPSS organization chart <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37111684">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37111684</a>
8.	Safeguard Screening Form for classification of projects (SSF) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37107772">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37107772</a>

## ABBREVIATIONS

CAUSES	Universal List of Medical Services
CNPSS	Comisión Nacional de Protección Social en Salud [National Commission for Social Protection in Health]
FPGC	Fund for Protection against Catastrophic Health Expenditure
ICAS	Institutional Capacity Assessment System
IFMS	Federal Integrated Financial Management System
NAFIN	Nacional Financiera
NICU	Neonatal Intensive Care Unit
SAP	Roster Management System
SEED	Sistema Estadístico Epidemiológico de Defunciones [Mortality Statistics and Epidemiology System]
SESA	State Health Service
SFP	Ministry of Public Administration
SMNG	“Health Insurance for a New Generation” program
SPSS	Social Protection in Health System

## PROJECT SUMMARY

### MEXICO GROWING UP HEALTHY: IMPROVING THE HEALTH OF MEXICAN CHILDREN (ME-L1128)

Financial Terms and Conditions			
Borrower: United Mexican States  Executing agency: Ministry of Health, through Comisión Nacional de Protección Social en Salud [National Commission for Social Protection in Health] (CNPSS)		<b>Flexible Financing Facility*</b>	
		Amortization period:	Single payment on 15 July 2023
		Original WAL:	10.65 years***
		Disbursement period:	4.0 years
<b>Source</b>	<b>Amount</b>	Grace period:	Single payment on 15 July 2023
IDB (Ordinary Capital)	US\$350 million	Interest rate:	LIBOR-based
Local	US\$465 million	Inspection and supervision fee:	**
Total	US\$815 million	Credit fee:	**
		Currency:	United States dollars
Project at a Glance			
<b>Program objective:</b> The program's objective is to help accelerate the decline in neonatal and postneonatal mortality, by ensuring financing and effective access to quality health services, and strengthening the stewardship and financing role of the Ministry of Health through CNPSS, its deconcentrated agency, in order to improve the health status of children under five without access to social security health services.			
<b>Special condition precedent to the first disbursement of the loan:</b> Signing and entry into effect of the Mandate and Execution Agreement for this program between the borrower, CNPSS, and Nacional Financiera (NAFIN) (paragraph 3.1).			
<b>Special execution conditions:</b> Within six months following the eligibility date, appointment or contracting by CNPSS of: (i) the program's Technical Coordinator (paragraph 3.2) and (ii) a professional to assist in the financial and accounting management of the program (paragraph 3.8).			
<b>Exceptions to Bank policies:</b> None.			
<b>Project consistent with country strategy:</b> Yes [X]    No [ ]			
<b>Project qualifies as:</b> SEQ <input checked="" type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input checked="" type="checkbox"/>			

- (\*) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions, subject in all cases to the final amortization date and the original weighted average life (WAL). When considering such requests, the Bank will take market conditions into account, along with operational and risk management considerations.
- (\*\*) 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 policies. 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.
- (\*\*\*) This WAL is calculated based on a tentative contract signing date of 23 November 2012 and the single amortization date of 15 July 2023. The definitive original WAL will be calculated based on the actual date the loan contract is signed. Therefore, this initial WAL of 10.65 years may vary up or down.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problems addressed, and rationale

- 1.1 **Magnitude of neonatal and infant mortality in Mexico and risk factors.** Latin America's neonatal mortality rate of 15 deaths per 1,000 live births accounts for 60% of all deaths in infancy. Between 1980 and 2008 the neonatal mortality rate in Mexico dropped from 15.7 per 1,000 live births to 9.6. Half of all neonatal deaths occur during labor, delivery, and the first 24 hours after birth. The leading causes of neonatal deaths are prematurity (28%), infections (26%), asphyxia (23%), and congenital abnormalities (8%).
- 1.2 Though neonatal and infant mortality rates have come down, there are disparities from one part of the country to another. Between 1990 and 2012, the infant mortality rate dropped from 39.2 per 1,000 live births to 12.9, but in Guerrero and Chiapas the rates are 18.6 and 18.2, well above Nuevo Leon's 9.4 per 1,000 live births.<sup>1</sup>
- 1.3 The risk factors for neonatal mortality are the community environment, maternal characteristics, and characteristics of health services. One salient statistic in the community-environment dimension is the high infant mortality rate (32.5 per 1,000 live births) in municipalities with the lowest human development indexes—more than double the 15.1 national average. As for maternal characteristics, neonatal deaths occur most frequently in low-income families, where the mother has health problems and does not seek medical care early in the pregnancy. On the health-services side, the degree of access to high quality medical care and referral systems across levels of care determines the mortality risk.
- 1.4 **Social Protection in Health System (SPSS) services for newborns and children under five.** Mexico is pursuing a set of policies for care delivery to newborns and children in their first year. The Mexican government has pledged to improve the health status of children and meet the fourth Millennium Development Goal target, which is to reduce the under-five mortality rate by two-thirds between 1990 and 2015, from 24.6 deaths per 1,000 live births to 7.4. The 2007-2012 National Health Plan states that as many as 79% of infant deaths are avoidable and 60% of neonatal deaths are attributable to respiratory distress, infections, and prematurity. These figures indicate that infant and neonatal mortality could be sharply reduced.
- 1.5 Mexico's health policies have focused on services for the low-income population, with strategies to increase health service funding and enhance and modernize health promotion and prevention programs targeting children under five. The following paragraphs outline the core components of public health financing in Mexico.
- 1.6 When the overhauled Health Act took effect on 1 January 2004, the federal government introduced the Social Protection in Health System (SPSS), known as the *Seguro Popular*, in which the government funds health services for people

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<sup>1</sup> Consejo Nacional de Población (CONAPO), *Indicadores demográficos básicos 1999-2030* [National Population Council. Basic demographic indicators 1999-2030]. [www.conapo.gob.mx](http://www.conapo.gob.mx).

without social security and protects the poorest households against health-related financial hardship. Households' contributions to *Seguro Popular*-funded care depend on their income decile. Health services are free for families up to Decile IV, and the majority of *Seguro Popular* enrollees fit in that category. In the "Health Insurance for a New Generation" (SMNG) program described below, households up to Decile VII do not have to pay for care. The SMNG is funded by the federal government with supplementary financing from the states, which ensures that the program will be sustainable.<sup>2</sup> The objectives of the SPSS are to: (i) increase public health expenditure; (ii) encourage efficient allocation of health funding; (iii) protect households from financial hardship by reducing their out-of-pocket and catastrophic health expenditures; and (iv) shift the system's incentives from the supply side to the demand side.

- 1.7 Currently the *Seguro Popular* program rests on five pillars:
- a. The Universal List of Medical Services (CAUSES), which funds primary and secondary healthcare for *Seguro Popular* enrollees. It covers 1,400 diagnostics and preventive, diagnostic, treatment, palliative, and rehabilitation services. Medicines and lab tests are covered as well.
  - b. The SMNG program provides comprehensive healthcare coverage for children under five suffering from conditions not explicitly covered either in CAUSES or under the Fund for Protection against Catastrophic Health Expenditure (FPGC).
  - c. The FPGC finances highly specialized care for low-prevalence, high-cost conditions and disorders such as neonatal intensive care, prematurity, sepsis, respiratory distress syndrome, and surgically treatable congenital and acquired disorders and abnormalities (such as congenital heart malformation).
  - d. The Budget Fund for Medical Infrastructure (FPP) provides funding for new infrastructure and equipping of health facilities, and unforeseen healthcare demand.
  - e. The health component of the *Oportunidades* conditional cash transfer program, funded and operated by *Seguro Popular*.
- 1.8 **The SMNG and programs to lower neonatal and child mortality.** Launched on 1 December 2006, the SMNG's main objective, like the *Seguro Popular* system, is to help reduce health-related impoverishment by insuring children under five born after the SMNG inception date who do not have social security health coverage.
- 1.9 The SMNG pursues strategy 7 of the 2007-2012 National Health Plan: "Solidify the financial reform to provide effective healthcare access for all" and specifically action 7.1, "Institute the 'Health Insurance for a New Generation' program to

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<sup>2</sup> *Sistema de Protección Social en Salud. Informe de resultados Enero-Junio 2012.* [Social Protection in Health System. Performance report January-June 2012]. CNPSS, Mexico City, 2012. <http://www.seguro-popular.gob.mx/images/pdf/informes/inforres2012.pdf>.

provide health insurance, under the SPSS (*Seguro Popular*), for all children who do not have social security health coverage.”

- 1.10 The SMNG finances high-cost medical care not covered by the FPGC, rotavirus and pneumococcal vaccinations, auditory screening, cochlear implants, metabolic screening (phenylketonuria, galactosemia, and congenital adrenal hyperplasia), and community workshops on self healthcare.
- 1.11 The prospective SMNG universe is 54% of the approximately two million children born each year in Mexico, or 1,080,000 newborns. According to its April 2012 report the SMNG had some 6.1 million children on its rolls, with a 2012 budget of Mex\$2.653 billion (US\$204 million).
- 1.12 The Ministry of Health also runs a number of programs to reduce neonatal and infant mortality.<sup>3</sup> The Newborn Health Services program operated by the National Center for Child and Adolescent Health (CENSIA) includes neonatal resuscitation, immediate neonatal care (administration of vitamin K, vitamin A, and chloramphenicol), physical examinations, breastfeeding support, early stimulation, immunization of newborns, safe-sleeping education, newborn care in the home, accident prevention, parent education, and well-baby checkups of infants 7 and 28 days old. The well-baby program includes immunization (13 biologics) in the first year of life and preventive checkups at primary care facilities. The National Center for Gender Equity and Reproductive Health does neonatal metabolic screening.
- 1.13 **Assessments of the SMNG and quality of neonatal care and recommendations for reducing mortality.** Mexico has made strides in easing access to healthcare during the prenatal, childbirth, and postpartum stages. Though these advances could explain the progressive decline in neonatal and infant mortality rates, they also show that both those mortality rates could be reduced more quickly by bolstering strategies that address the avoidable causes of death.
- 1.14 Assessments of policies and programs that address the healthcare needs of newborns and children in their first year have focused on such items as: (i) health and catastrophic health expenditure for SMNG-insured children;<sup>4</sup> (ii) analysis of birth and death certificates of newborns; (iii) the use of primary care services and neonatal intensive care unit quality;<sup>5</sup> and (iv) cost-effectiveness studies.<sup>6</sup>

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<sup>3</sup> Mexican Ministry of Health, *Programa de Acción Específico 2007-2012. Prevención de la mortalidad infantil* [2007-2012 Action Plan. Preventing child mortality]. Mexico City, 2006.

<sup>4</sup> Rodríguez-Ortega, E. E. and E. M. Pasillas-Torres, “Family healthcare expenditure on children affiliated to the Medical Insurance for a New Generation.” Mexico: *Salud Pública* 2012, 54, Suppl. 1:S65-S72.

<sup>5</sup> Jasso-Gutiérrez, L., L. Durán-Arenas, S. Flores-Huerta, and G. Cortés-Gallo, “Recommendations to improve healthcare of neonates with respiratory insufficiency beneficiaries of Seguro Popular.” Mexico: *Salud Pública* 2012, 54, Suppl. 1:S57-S64.



- 1.15 According to the assessment of health and catastrophic health expenditure for SMNG-affiliated children, 63% of families had paid out of pocket for care and between 4.3% and 11.1% had incurred catastrophic expenses, as defined in the review. Moreover, 15% of households had put off seeking medical care and 10% had not sought care at all, because they could not afford it. There are no previous assessments of out-of-pocket spending on children's healthcare. Between 2003 and 2010, the household out-of-pocket share in total health expenditure reportedly edged down from 52.9% to 49%.
- 1.16 The analysis of 2008-2010 birth certificates showed that about two million children are born each year in Mexico. Half of them are born at a Health Ministry facility; 7% of births are preterm, 8.4% of newborns have low birth weight, and 97% of births are physician-attended. The findings for maternal characteristics are that 95% of mothers had received prenatal care, 70% had had at least one checkup in the first trimester and, on average, expectant mothers had undergone seven prenatal checkups. Over the period reviewed the percentage of SPSS-insured mothers rose from 23% to 41%, and 99% of mothers survived delivery.
- 1.17 The mortality analysis found that 75% of deaths occurred within 24 hours after birth; 20% of babies weighed less than 2,500 grams at birth; 94% received medical care and half were cared for in a Health Ministry facility. Mortality rates were highest (9.8 to 13.7 deaths per 1,000 live births) in Chihuahua, Puebla, Veracruz, Oaxaca, Chiapas, state of Mexico, Guerrero, and Federal District. Coahuila, Nayarit, and Aguascalientes had the lowest rates (4.2 to 5.2 per 1,000 live births). These differences in neonatal mortality from one state to another could be attributable to differences in availability/quality of health services and in health conditions at birth.
- 1.18 The assessment of neonatal care quality, which looked at 45 hospitals in 15 states, found wide disparities in quality of care, tending toward suboptimal, and pointed to the need for training for health personnel. For example, though Neonatal Intensive Care Units (NICUs) have equipment management protocols, just 78% of doctors were trained in their use. Admitting a newborn to an NICU within 24 hours after birth lessens the likelihood of death and of neurological sequelae. According to the assessment, 50% of neonate admissions to NICUs occurred after that critical period.
- 1.19 **Priorities and recommendations for lowering neonatal and under-1 mortality.** The assessments of the SMNG identified priorities and made recommendations for reducing neonatal and under-1 mortality.<sup>7</sup> The recommendations encompass the

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<sup>6</sup> Salinas, E., L. Reyes, J. Garduño, M. Villasis, S. Martínez, and O. Muñoz, "Economic evaluation of the use of exogenous pulmonary surfactants in preterm newborns in a Mexican Population." Mexico: *Salud Pública* 2012, 54, Suppl.1:S73-S81.

<sup>7</sup> Informe de la Evaluación de la morbilidad y mortalidad neonatales en recién nacidos afiliados al Sistema de Protección Social en Salud. Seguro Médico para una Nueva Generación 2011 [Report on the assessment of morbidity and mortality in neonates insured under the Social Protection in Health System. Health Insurance for a New Generation 2011]. [http://www.seguro-popular.gob.mx/index.php?option=com\\_content&view=article&id=376&Itemid=425](http://www.seguro-popular.gob.mx/index.php?option=com_content&view=article&id=376&Itemid=425).

preconception, pregnancy, delivery, and 28-day postpartum stages. It is estimated that implementing the recommendations outlined below could sharply reduce neonatal mortality.

- 1.20 Preconception-stage recommendations include scaling up existing activities under health promotion and prevention strategies, such as addressing risk factors that can harm the health of women of reproductive age (for instance, avoiding smoking and excessive alcohol intake, spacing pregnancies, and nutrition care).
- 1.21 The aim of the recommended actions during pregnancy is to facilitate expectant mothers' access to high-quality prenatal care. They should include folic acid and iron supplements early in the pregnancy, preventive actions, and identification and prompt treatment of complications (urinary infections, hypertensive disease during pregnancy). These actions should be accompanied by incentives for prenatal checkups. The *Oportunidades* conditional cash transfer program is a good model of an incentives approach that has encouraged more expectant mothers to seek prenatal care.<sup>8</sup>
- 1.22 Recommendations for the delivery stage focus on access to high-quality healthcare, use of clinical practice guidelines, and availability of supplies, equipment, and specially trained health personnel.<sup>9</sup> For example, training health personnel in neonatal resuscitation cuts down on inappropriate and potentially risky practices and has shown its potential to improve health conditions and prognoses.
- 1.23 Recommended actions and approaches postpartum and in a child's first year include: (i) instructing mothers in neonatal care; (ii) immediate, exclusive breastfeeding during an infant's first six months; and (iii) preventive checkups for vaccinations and growth and development tracking, including early stimulation.
- 1.24 The program proposed here aims to assure financing and access to high-quality health services for newborns and children under one, with a focus on high-impact interventions. A parallel activity will be the strengthening of the stewardship role of the Ministry of Health, through the CNPSS, in healthcare policies targeted to that age group, with the goal of accelerating the decline in neonatal and infant mortality.
- 1.25 **Alignment with the Bank's country strategy, GCI-9, and Bank strategies.** The program pursues the strategy objective of the Bank's 2010-2012 country strategy with Mexico (document GN-2595-1) to "improve the design and efficiency of social protection targeting the poor," particularly newborn care delivered under the *Seguro Popular* and SMNG-insured preterm birth care as indicated in the [Results Matrix](#). The operation also is consistent with the institutional priorities of the Ninth

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<sup>8</sup> Mexican Ministry of Social Development (2008), *Evaluación Externa del Programa Oportunidades 2008. A diez años de intervenciones en zonas rurales (1997-2007)*, Vol. II. El reto de la calidad de los servicios: resultados en salud y nutrición [External Evaluation of the Oportunidades Program, 2008. Ten years of rural interventions (1997-2007), Vol. II. The quality-of-care challenge: health and nutrition outcomes].

<sup>9</sup> UNICEF/WHO/UNFPA, *Guidelines for Monitoring the Availability and Use of Obstetric Services*. New York: UNICEF, 1997.

General Increase in Resources of the Inter-American Development Bank (document AB-2764) and the Strategy on Social Policy for Equity and Productivity (document GN-2588-4), as it will give children under five greater access to health services and will help reduce infant mortality.

- 1.26 The [ex ante economic evaluation](#) estimates that the present value of the future social benefits that would come out of the program (in fewer disability-adjusted life years lost) would be similar in magnitude to its costs (US\$815 million). In other words, the investment would be recouped and at the end of the four years the program would have provided coverage for 237,000 more newborns and lowered the infant mortality rate from 12.9 per 1,000 live births to 12.0—the equivalent of 1,609 child deaths avoided. This result is financially sustainable: the SMNG budget makes up 0.6% of the nation's total health budget and is 0.03% of its gross domestic product. From a technical viewpoint, the program's additionality in terms of increasing the coverage of children under five without access to social security, the improved quality of medical services through clinical guidelines and operational technical evaluations, plus the emphasis on monitoring specific outcomes for reducing neonatal and infant mortality and the corresponding impact evaluation, also contribute to its future sustainability.

**B. Objectives, components, and cost**

- 1.27 The program's objective is to help accelerate the decline in neonatal and postneonatal mortality, by ensuring financing and effective access to quality health services, and strengthening the stewardship and financing role of the Ministry of Health through CNPSS, its deconcentrated agency, in order to improve the health status of children under five without access to social security health services. The program is structured around the following components:

**1. Component 1. Improving the health status of children under five (US\$811 million)**

- 1.28 **Subcomponent 1.1. Financing of high-impact interventions.** This subcomponent's objective is to ensure continuity of comprehensive healthcare for children under five without access to social security. To that end, financing will be provided for a package of actions to help accelerate the decline in neonatal and postneonatal mortality and enhance the health status of young children, ensuring effective coverage of specialized, highly complex care for childbirth complications.
- 1.29 Funding will be provided for a package of interventions specified in the SMNG Operating Rules, understood as a set of clinical, diagnostic, and treatment actions explicitly covered by the SMNG for children under five. The interventions are aimed at preventing neonatal and postneonatal deaths, and thus helping to enhance health status. One special focus will be a list of 15 interventions (the 10 most frequent and costly, plus the five next-highest causes of death) which currently account for close to 65% of all SMNG spending on interventions. Among the selected interventions are transient tachypnea in newborns, birth asphyxia, delayed fetal growth, neonatal jaundice, premature membrane rupture, necrotizing

- enterocolitis, fetus or newborn affected by preeclampsia, transitory disorders of carbohydrate metabolism specific to fetus and newborn, meconium aspiration syndrome, and hemolytic disease of the fetus and newborn. With the loan proceeds, the treatment of an estimated 131,860 cases of neonates with these complications would be financed.
- 1.30 In operational terms, the Bank's loan will be used for reimbursements of SMNG transfers to the state (including Federal District) Finance Departments, state and federal decentralized public units, and social security agencies, for services provided to program-eligible SMNG enrollees (see paragraphs 1.28 and 1.29). Rates for services will be those set out in the schedule of interventions appended to service contracts with public entities or contracts with private providers, as described in the [SMNG Operating Rules](#). Supporting documents for such transfers will be identifiable record-level data on the medical-care recipients and a description of the care delivered, identifying the service providers that delivered the care, and the receipt for the respective payment.
- 1.31 Under the terms of agreements with the states, State Health Service (SESA) healthcare facilities input into the SMNG information systems all requests for reimbursement of costs for health services provided to children under five, grouping them by case and using the amounts on the list of SMNG-covered medical interventions. The CNPSS Directorates review these reimbursement requests to verify that the services were effectively delivered to SMNG enrollees in accordance with agreed quality-of-care protocols. After the requests are reviewed payments are processed for the cases in accordance with the current schedule of interventions, and the monies are transferred. The same procedure will apply for direct reimbursements to decentralized public facilities and social security institutions in parts of the country not covered by the SESAs.
- 1.32 Local counterpart funds for the program will finance the package of interventions covered by the Fund for Protection against Catastrophic Health Expenditure (FPGC) to treat neonatal complications (for example, respiratory distress syndrome, prematurity, neonatal sepsis, and congenital malformations of the digestive system) and congenital malformations of the heart in children under five. Care for an estimated 122,492 neonates and children under five with these complications will be funded through the FPGC. The Bank will recognize reimbursements of FPGC transfers as local counterpart resources, following the same procedure described for SMNG-funded interventions and in accordance with the [FPGC Operating Rules](#).
- 1.33 **Subcomponent 1.2. Family education workshops to promote development in the first year of life.** The aims of this subcomponent are to promote exclusive maternal breastfeeding during a child's first six months and breastfeeding supplementation up to age two, prevent crib deaths in infants under one year of age, stimulate cognitive development of children in the early years, and thus enhance health status. To that end, local counterpart funds will finance 720 training workshops for a total of 22,000 trainers who will train SESA health center personnel to deliver family workshops, along with 960 workshops to train some

29,000 hospital and health center employees who provide direct patient care to mothers and newborns.

- 1.34 Funds from the SMNG's earmarked financing facility for those purposes will be used to pay service contracts with academic and research institutions with experience in delivering this family-workshop format, to train facilitators and direct-care hospital and health center personnel. Incentives for participants include development opportunities in an appropriate educational environment, with a participatory model and a certificate from the participating university and the SMNG. All associated expenses are will be borne by SMNG.

## **2. Component 2. Strengthening the stewardship and financing role of CNPSS (US\$2.5 million)**

- 1.35 This component's objective is to ensure health services funding to guarantee health-insurance coverage, homogenize the application of healthcare protocols in care delivery for the enrolled population, and assure quality of care. To that end, using local counterpart funds, the program will finance assistance and training to: (i) strengthen the enrollment and operational system to ensure that all children under five without social security health coverage receive SMNG interventions; (ii) promote quality of care through care protocol reviews and improvements and management of a concurrent review audit system to check that protocols are being adhered to; and (iii) improve management of the flow of SMNG monies to pay for health interventions so they are received promptly, in due time and form, by care providers attached to the states and Federal District. Under its current rules the SMNG can expend 2% of its annual budget on these institution-strengthening activities.
- 1.36 The costs of the impact evaluation, annual financial audits, and those relating to the appointment or contracting of the program's technical coordinator and its financial and accounting officer may also be recognized as part of the local counterpart.

### **C. Key results indicators**

- 1.37 The program's ultimate impact will be a lowering of infant mortality in Mexico by reducing neonatal and postneonatal deaths due to childbirth complications and teaching mothers how to care for children in their first year of life. The neonatal mortality-reducing actions will be brought about through two effects: (i) increasing SMNG and FPGC coverage for birth complications, and (ii) reducing morality rates within the SMNG and FPGC through improvements in medical care quality. To help lower postneonatal mortality, training workshops will be delivered to health personnel to upgrade their knowledge so they can educate mothers.
- 1.38 The expansion of coverage is expected to help lower the neonatal mortality rate in births in currently uninsured families from 9.8 per 1,000 live births to 8.1. Reducing mortality in the FPGC should bring the neonatal mortality rate down from 113 per 1,000 live births to 90. The estimated neonatal mortality decline in the SMNG would be from 40 to 30 deaths per 1,000 live births. These reductions are expected

to cut nationwide neonatal mortality from 8.1 per 1,000 live births to 7.4 and, with the planned workshops for mothers, the countrywide infant mortality rate is projected to come down from 12.9 per 1,000 live births to 12.0.

## II. FINANCING STRUCTURE AND RISKS

### A. Financing instruments

- 2.1 The program's total estimated cost of US\$815 million will be funded by means of an investment loan of up to US\$350 million from the Bank's Ordinary Capital and up to US\$465 million in local counterpart resources. Table II-1 below gives a cost breakdown by component.

Table II-1. Program costs (US\$ millions)				
Component	IDB	Counterpart	Total	%
<b>1. Improving the health status of children under five</b>	<b>350.0</b>	<b>461.0</b>	<b>811.0</b>	<b>99.51%</b>
1.1. Subcomponent: Financing of high-impact interventions	350.0	442.0	792.0	97.18%
1.2. Subcomponent: Family education workshops for development during the first year of life	0.0	19.0	19.0	2.33%
<b>2. Strengthening the stewardship and financing role of the CNPSS</b>	<b>0.0</b>	<b>2.5</b>	<b>2.5</b>	<b>0.31%</b>
Management of concurrent review audits	0.0	1.0	1.0	0.12%
Enrollment management for coverage expansion	0.0	0.8	0.8	0.10%
Management of flow of SMNG funding to hospitals	0.0	0.7	0.7	0.09%
<b>Administration</b>	<b>0.0</b>	<b>0.5</b>	<b>0.5</b>	<b>0.06%</b>
<b>Impact evaluation</b>	<b>0.0</b>	<b>0.75</b>	<b>0.75</b>	<b>0.09%</b>
<b>Financial audit</b>	<b>0.0</b>	<b>0.25</b>	<b>0.25</b>	<b>0.03%</b>
<b>TOTAL</b>	<b>350.0</b>	<b>465.0</b>	<b>815.0</b>	<b>100.0%</b>

### B. Environmental and social risks

- 2.2 Since the proposed project entails no physical construction of any kind, this operation will have no adverse environmental or social impacts. In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703) this program is classified as a category "C" operation.

### C. Fiduciary risks

- 2.3 The application of the Institutional Capacity Assessment System (ICAS) to the CNPSS produced an overall score of 99.06, indicating that the executing agency has the structure, experience, and conditions to administer Bank-funded projects. Consequently, the fiduciary risk rating for this project's execution is "low." Nevertheless, considering potential personnel changes, the Bank will conduct training workshops on fiduciary topics (financial management and procurement) for all personnel directly involved in these facets of the project's execution.



#### **D. Other risks**

- 2.4 In the public management and governance dimension the operation was rated “medium” risk for the eventuality of discontinuity of the SMNG in light of other government priorities, in the context of the political transition to a new administration. To mitigate the political transition risk there will be awareness-raising and advocacy activities with the new decision-makers to preserve healthcare for children under five as government policy in pursuit of the Millennium Development Goals. In addition, as part of the policy dialogue with the new authorities and preparation of the Bank’s new country strategy, discussions about and inclusion of the topic of early child development will be considered a priority for the Bank’s work with Mexico.
- 2.5 With regard to the monitoring and accountability dimension, the chief risk identified is that the autonomous state might not manage or expend the resources in accordance with SMNG operating rules regarding enrollment and funds management. The mitigating action in that respect will be the strengthening of the coordination agreements between the states and the SMNG for accountability and enhanced transparency. A further risk rated “medium” is the potential for delays in state transfers of funds to health facilities. The planned mitigating measure here is improved management of the routing of SMNG funds to pay for the healthcare interventions.

### **III. IMPLEMENTATION AND PLAN OF ACTION**

#### **A. Summary of implementation arrangements**

- 3.1 The borrower will be the United Mexican States. The executing agency will be the Ministry of Health acting through the CNPSS, a deconcentrated agency of that ministry with technical, administrative, and operational autonomy.<sup>10</sup> The CNPSS’s mandate is, inter alia, to deliver the social protection in health policy, administer funding, regulate and manage health services for system enrollees, and carry out actions needed to assess performance and impact. The CNPSS is to coordinate activities with its Directorates and with the states to implement the program and fulfill its objectives. The Mexican government will appoint Nacional Financiera (NAFIN) as fiscal agent, accountable to the IDB for the project’s financial and administrative management. **A special condition precedent to the first disbursement of the loan will be the signing and entry into effect of the Mandate and Execution Contract for this program between the borrower, the CNPSS, and NAFIN.**
- 3.2 The CNPSS will appoint or contract a Technical Coordinator reporting directly to its Commissioner, with responsibility for coordinating the program’s execution

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<sup>10</sup> The CNPSS was created by Article 77 bis 35 of the Mexican Health Act, added when that statute was amended and introduced the “Social Protection in Health” System (SPSS), effective on 1 January 2004. See also the CNPSS [organization chart](#) and [By-laws](#), Section 3.

- with the CNPSS Directorates. The Technical Coordinator's main functions will include: (i) planning, organizing, and supervising delivery of the program actions with the Directorates of Enrollment and Operations, Financing, Health Services Management, Coordination with States and the Federal District, and Processes and Technologies; (ii) managing funding for the family education workshops and coordinating delivery of actions to strengthen the CNPSS's stewardship and financing role with its directly involved Directorates (Enrollment and Operations, Health Services Management, and Financing, respectively); and (iii) in coordination with the financial and accounting management officer mentioned in paragraph 3.8, managing, supervising, and tracking program funds. A special execution condition will be the appointment or contracting by CNPSS of the program's Technical Coordinator within the first six months following the eligibility date.
- 3.3 For purposes of program execution, the Directorate of Enrollment and Operations has responsibility for beneficiary enrollment and administration of the enrollee roster. The Finance Directorate's chief responsibility is to manage, record, and track SMNG and FPGC transfers of funds to state Finance Departments, state and federal decentralized public units, and social security agencies for services delivered to their respective beneficiaries.
- 3.4 The Health Services Management Directorate will support, in coordination with the National Health System's regulatory bodies, the development and implementation of processes and strategies to achieve the coverage and access to services, and improve the quality of comprehensive healthcare for children under five. It will also establish criteria and mechanisms for supervision, and performance assessment of services and will collaborate in the promotion and protection of enrollees' rights. The Directorate for Coordination with the States and Federal District is responsible for promoting protection of enrollees' rights and publicizing ways to access the SMNG program. Lastly, the Processes and Technologies Directorate will define and implement the technology platform and information systems.
- 3.5 The role of the state and Federal District governments through SESA health units is to ensure that all the planned SMNG and FPGC services are duly delivered, promote healthcare facility accreditation, and apply the requisite tools and procedures for performance assessments in their sphere, adhering to the methodology and at the intervals prescribed by the CNPSS.
- 3.6 Mexico's social security institutions, such as the Mexican Social Security Administration (IMSS) and Public Employees' Social Security Administration (ISSTE), as well as private healthcare providers, will be able to provide health services to SMNG and FPGC enrollees in locations not served by a SESA, provided that the respective care delivery agreements are signed with the state/Federal District governments. Agreements with public facilities and contracts with private providers are regulated and must be performed in strict compliance with the law.



- 3.7 The most detailed description of functions appears in the [CNPSS Organization Manual](#) and in the current [SMNG Operating Rules](#) and [FPGC Operating Rules](#). The Bank is to be notified before the approval of any material update of the aforesaid manual and operating rules that could affect the program's objectives or implementation, to review the proposed changes.
- 3.8 **Administrative and financial coordination.** For coordination of the program's administrative and financial elements the CNPSS will appoint or contract a person to coordinate financial and accounting management information on the project. That officer's main functions will be: (i) financial management of the program, including disbursement management, submittal of details of expenditure or supporting documents, arranging the external auditor's hiring, and submittal of audit and other reports; (ii) assisting in the administration of resources to finance actions in the component to strengthen the CNPSS's stewardship and financing role; and (iii) preparing and implementing the annual work plan (AWP). All the aforementioned reports and requests are to be sent to NAFIN for submittal to the Bank. A special execution condition will be the appointment or contracting by CNPSS of the professional to assist in the financial and accounting management of the program within the first six months following the eligibility date.
- 3.9 **External audits.** Pursuant to the Financial Management Policy for IDB-financed Projects (document OP-273-2) approved by the Operations Policy Committee, projects' audited financial statements must be submitted to the Bank within 120 days after the fiscal year end or the date of the final disbursement. For this program, however, taking account of the review process for CNPSS reimbursements of payments to the states and the need to consolidate financial items, including expenditures in process at year-end, it is proposed that the executing agency provide the audited annual financial statements to the Bank within 180 days after each fiscal year end and that the program's final audited financial statements be submitted within 180 days after the stipulated date for the last disbursement. Audits will be performed by independent auditors acceptable to the Bank, in accordance with terms of reference agreed upon by the Bank and the Ministry of Public Administration (SFP).
- 3.10 **Procurement.** The operation does not include procurement.
- 3.11 **Retroactive financing and recognition of expenditures.** The operation provides for retroactive financing and recognition of eligible program expenditures incurred during the 18 months preceding the loan's approval but after 3 August 2012 (Project Profile approval date) in an amount not to exceed 20% of the loan proceeds and local counterpart resources, respectively.

**B. Summary of arrangements for monitoring results**

- 3.12 Results will be monitored against midterm output and outcome targets and with the evaluation of the program's ultimate outcome, the reduction in neonatal and postneonatal mortality through an expansion of FPGC and SMNG insurance coverage and the planned life skills workshops. The core monitoring tools will be

the Mortality Statistics and Epidemiology System (SEED), Birth Certificate Registry, FPGC Information System, SMNG Information System, Roster Management System (SAP), Federal Integrated Financial Management System (IFMS), and document deliverables under the agreements with universities. These systems collect, systematize, and report economic and health data. The SEED, Birth Certificate Registry, and university deliverables are updated semiannually. As government records databases, the FPGC and SMNG information systems, the SAP, and the IFMS are updated daily and continually. Monitoring reports will be produced every six months. The CNPSS will be in charge of the program's monitoring and evaluation, and the Bank will track the monitoring, verifying CNPSS data and activity reporting.

- 3.13 The evaluation of the program's neonatal mortality-reducing impact comprises two studies, to measure the impact of: (i) the expansion of health insurance coverage and (ii) the use of protocols and implementation of concurrent review audits. The first study will run a data panel model with fixed effects to associate changes in neonatal and infant mortality to changes in SMNG coverage. The second will compare a sample of hospitals that take SMNG patients and thus should be using protocols and undergoing concurrent review audits (the intervention group) with hospitals that do not take SMNG-insured children and do not use protocols or undergo concurrent review audits. A complementary study will assess delivery of the sought outputs and midterm and final outcomes and achievement of objectives, to draw conclusions, lessons, and recommendations for future operations.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending for poverty reduction and equity enhancement.		
Regional Development Goals	Infant mortality ratio.		
Bank Output Contribution (as defined in Results Framework of IDB-9)			
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2595-1	Improve the design and efficiency of social protection programs targetted to the poor.	
Country Program Results Matrix	GN-2661-4	The intervention is not included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.4		10
3. Evidence-based Assessment & Solution	10.0	25%	10
4. Ex ante Economic Analysis	10.0	25%	10
5. Monitoring and Evaluation	7.8	25%	10
6. Risks & Mitigation Monitoring Matrix	10.0	25%	10
Overall risks rate = magnitude of risks*likelihood	Low		
Environmental & social risk classification	C		
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	The project uses the following country systems: Financial Management (Budget, Treasury, Accounting and Reporting, External Control, Internal Audit). Procurement (Information System).	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.			

The program supports medical interventions covered by the Medical Insurance for a New Generation (SMNG) for the 15 neonatal and post-natal conditions with highest frequency (10 conditions) and cost (5 conditions). The program also finances training workshops for health personnel and institutional strengthening of the National Commission of Social Protection in Health (CNPSS). The program presents a clear diagnostic of the problem, objective population and proposed solution. Support to the SMNG is based on empirical evidence from existing evaluations and a robust cost-benefit analysis. The results matrix outlines indicators with baselines and targets for output, outcome and impact levels.

The program proposes generation of evidence through impact evaluations of the effects of increased coverage and application of protocols and concurrent technical evaluations. Monitoring of results is done by the program's Technical Coordinator. Program monitoring uses a variety of data sources including the Epidemiological Statistical System of Deaths (SEED), the Birth Certificate Registry, The FPGC and SMNG Information Systems, SAP and SIAFI.

The project has a risk matrix that identifies potential risks and mitigation measures.

## RESULTS MATRIX

<b>Project objective</b>	The program's objective is to help accelerate the decline in neonatal and postneonatal mortality, by ensuring financing and effective access to quality health services, and strengthening the stewardship and financing role of the Ministry of Health through the National Commission for Social Protection in Health (CNPSS), its deconcentrated agency, in order to improve the health status of children under five without access to social security health services.					
<b>Impact indicators</b>	<b>Baseline (2012)</b>	<b>Target</b>	<b>Comments</b>			
Infant mortality rate (per 1,000 live births)	12.9	12.0	Re-estimate of Mexican mortality rates based on estimated mortality reduction from expanding insurance coverage and lowering mortality rates under the Fund for Protection against Catastrophic Health Expenditure (FPGC) and the "Health Insurance for a New Generation" (SMNG) program. Verification source: Mortality Statistics and Epidemiology System (SEED); Birth Certificate Registry (Ministry of Health).			
Neonatal mortality rate (per 1,000 live births)	8.1	7.4				
<b>Final outcome indicators</b>	<b>Baseline (2012)</b>	<b>Target</b>				
Neonatal mortality rate in currently uninsured population (per 1,000 uninsured live births)	9.8	8.1	Expanding health insurance coverage would reduce mortality because mortality rates are higher in uninsured neonates (9.8 per 1,000 live births) than in insured neonates (6.5 per 1,000 live births). Verification source: SEED; Birth Certificate Registry (Ministry of Health).			
FPGC neonatal mortality rate (per 1,000 FPGC-financed neonates)	113	90	A case-by-case analysis of 2011 care-delivery cases identified mortality-reducing actions and reducible cases and expressed these as rates. Verification source: Catastrophic Health Expenditure Information System (CNPSS).			
SMNG neonatal mortality rate (per 1,000 SMNG-financed neonates)	40	30	The methodology indicated above for the FPGC was used also for the SMNG. Verification source: SMNG Information System (CNPSS).			
<b>Midterm outcome indicators</b>	<b>Baseline (2012)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Comments</b>
Percent of newborns with <i>Seguro Popular</i> coverage	45.4%	48.5%	51.6%	54.7%	57.7%	Verification source: Birth Certificate Registry (Ministry of Health) and Roster Management System (SAP).
Percent of <i>Seguro Popular</i> -insured preterm births covered under FPGC and SMNG	63%	63%	63%	63%	63%	The proportion remains constant because expanded coverage means more covered births, hence more covered preterm births. Verification source: Catastrophic Health Expenditure and SMNG information systems; Birth Certificate Registry.

<b>Component 1.</b> Improving the health status of children under five	<b>Baseline (2012)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Total</b>	<b>Comments</b>
<b>Output</b>							
<b>Subcomponent 1.1.</b> Financing of high-impact interventions							
Number of neonatal birth complications financed under the FPGC (persons)	26,595	28,206	29,817	31,429	33,040	122,492	Number of complication cases rises because more births are covered. Verification source: Catastrophic Health Expenditure Information System.
Number of neonatal birth complications financed under the SMNG (insured care) (persons)	28,629	30,363	32,098	33,832	35,567	131,860	Number of complication cases rises because more births are covered and currently unbilled care delivery is billed. Verification source: SMNG Information System.
<b>Subcomponent 1.2.</b> Family education workshops to promote development in the first year of life							
Trainers trained (persons per year)	5,000	5,500	5,500	5,500	5,500	22,000	240 workshops per year/30 people per workshop. Verification source: Document deliverables under agreements with universities.
Hospital and health center personnel trained (persons per year)	7,000	7,250	7,250	7,250	7,250	29,000	320 workshops per year/30 people per workshop. Verification source: Document deliverables under agreements with universities.
<b>Component 2.</b> Strengthening the stewardship and financing role of the CNPSS	<b>Baseline (2012)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Total</b>	<b>Comments</b>
Inspection visits in states and Federal District (number per year)	0	64	64	64	64	256	Technical inspection visits in states/ Federal District are planned for training and operational technical evaluations. Verification source: CNPSS Administration and Finance Directorate records.

<b>Component 2.</b> Strengthening the stewardship and financing role of the CNPSS	<b>Baseline (2012)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Total</b>	<b>Comments</b>
Enrolled newborns of uninsured families (thousands of children)	0	59	59	59	59	236	A campaign to enroll uninsured newborns (462,000) is planned. Uninsured births in state hospitals (which are 236,000 of the 462,000) are being taken for the target. Verification source: Roster Management System (SAP).
Inspection visits in states and Federal District (number per year)	0	64	64	64	64	256	Inspections in states/Federal District will verify that health facilities are receiving the funds. Verification source: CNPSS Administration and Finance Directorate records.

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**Country:** Mexico

**Project number:** ME-L1128

**Title:** Growing Up Healthy: Improving the Health of Mexican Children

**Executing agency:** Ministry of Health, through Comisión Nacional de Protección Social en Salud

**Prepared by:** Gloria Coronel, Financial Fiduciary Specialist, Víctor Hugo Escala, Procurement Fiduciary Specialist, and Miriam Garza, Operations Analyst

### **I. EXECUTIVE SUMMARY**

The Comisión Nacional de Protección Social en Salud [National Commission for Social Protection in Health] (CNPSS) is a deconcentrated agency of Mexico's Ministry of Health, with technical, administrative, and operational autonomy. Its mandate is health care delivery to Social Protection in Health System enrollees.

For program execution, the Mexican government has appointed Nacional Financiera (NAFIN) as fiscal agent accountable to the IDB for the loan's administration. With years of experience in this role, NAFIN monitors adherence to IDB policies and rules to help ensure transparency and verify expenditure eligibility and disbursement requests.

The program's objective is to help improve the health status of Mexican children under five without access to social security health services (see paragraph 1.27 of the Loan Proposal). This being the IDB's first operation with the CNPSS, an assessment was done using the Institutional Capacity Assessment System (ICAS) tool. The CNPSS scored 99.06%, indicating satisfactory institutional development and low project execution risk.

### **II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY**

Under the Budget Act the CNPSS is required to report semiannually to the Mexican House of Representatives on budget execution and performance. The CNPSS has approximately 170 staff in its seven Directorates plus contract employees for administrative support, with a total of more than 400 professionals.

The CNPSS has experience in operations with multilaterals, and is currently closing out an operation with the World Bank. To bolster this knowledge a technical coordinator and financial officer are to be appointed or contracted as a special execution condition.

### **III. FIDUCIARY RISK EVALUATION AND MITIGATING MEASURES**

According to the ICAS exercise, the CNPSS is at a satisfactory level of institutional development and represents a low risk for program execution. The weighted average ICAS score was 99.06%; the numbers by area were: programming and organizational capacity 100.00, execution capacity 97.92, and control capacity 100.00. Given these scores, ex post review of disbursements is recommended.

In the event of consulting services procurement financed out of the loan proceeds, these would be eligible for ex post procurement review, unless otherwise expressly stated in the applicable procurement plan.

### **IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE LOAN CONTRACT**

1. Conditions precedent to the first disbursement: Signing of the mandate agreement with NAFIN appointing it “fiscal agent” for this loan.
2. The reporting exchange rate will be the rate on the last business day of the month preceding the payment date.
3. Audited annual financial statements of the project are to be produced in accordance with terms of reference harmonized with the Ministry of Public Administration (SFP), by auditors acceptable to the IDB. The annual statements must be submitted within 180 days after the fiscal year-end and the final audited financial statements, 180 days after the date of the last disbursement.
4. If consulting firms and individual consultants are to be financed out of the loan proceeds, they will be engaged following the Bank’s procurement policies (document GN-2350-9, March 2011).
5. In selecting and contracting consulting firms and individual consultants, if applicable, the executing agency must use the bidding document and contract formats agreed upon by the SFP and the Bank, which are posted on the Web page [www.funcionpublica.gob.mx/unaopspf/credito/normace.htm](http://www.funcionpublica.gob.mx/unaopspf/credito/normace.htm).
6. In the event of any need for procurement using the loan proceeds, before calling for proposals or awarding a contract the executing agency must submit the procurement plan to the Bank for review and approval, in accordance with the Bank’s procurement policies. The procurement plan must be updated every 12 months throughout program execution, submitting each update to the Bank for review and approval. The plan and updates thereof will specify which contract awards are subject to ex ante and ex post review.

### **V. PROCUREMENT AGREEMENTS AND REQUIREMENTS**

As of the date of this document, no procurement needs have been identified for goods, works, or consulting services financed out of the loan proceeds. Therefore, no procurement plan has been included. Nonetheless, in the future, procurement of consulting services



financed using the loan proceeds may be necessary. In this case, the applicable selection and contracting processes will be carried out in accordance with document GN-2350-9 as follows:

- a. **Selection and contracting of consultants:** Contracts with consulting firms will be executed using the Ministry of Public Administration/IDB harmonized Standard Request for Proposals, which can be accessed at <http://www.funcionpublica.gob.mx/unaopspf/credito/normace.htm>. Shortlists for consulting firm contracts may be made up of national consultants when the contract cost does not exceed the equivalent of US\$500,000. However, contracts exceeding US\$200,000 must be advertised in *Development Business*.

Selection of individual consultants: Individual consultant contracts will be awarded taking into account the candidates' qualifications to perform the work, after comparing the qualifications of at least three candidates. Contracts will be executed using the model individual consultant contract agreed upon with the Bank, which can be accessed at <http://www.funcionpublica.gob.mx/unaopspf/credito/normace.htm>.

In this operation the bulk of the loan proceeds will be used to reimburse transfers made by the "Health Insurance for a New Generation" (SMNG) program to state and federal health services for medical care provided to children up to age five.

#### Thresholds

Consulting services	
International advertising Consulting services	Shortlist 100% national
= > US\$200,000	< US\$500,000

### 1. Procurement

At the time this document was drafted, no procurement processes to be financed using the loan proceeds had been identified.

### 2. Procurement supervision

The selection of consulting firms and individual consultants for contracts worth, respectively, US\$500,000 and up and US\$100,000 and up will be subject to ex ante review. Ex ante review will also be mandatory for single-source selection, if any. Other procurements below the indicated thresholds will be subject to ex post review unless otherwise specified in the procurement plan.

Ex post reviews of procurement awards will be conducted by an external auditing firm which will present a special logbook with the procurement report, in accordance with terms of reference agreed upon between the Bank and the Ministry of Public Administration.

### 3. Records and files

Records must be available for any procurement reviews the Bank may consider appropriate.

## **VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS**

### **1. Programming and budget**

Programming is the responsibility of the CNPSS Administration and Finance Directorate (DGAF), tasked with operational planning at the organization level (programmatic structure and resource allocation). The DGAF incorporates programmatic and budgetary elements into the annual work plan for budget operation purposes, using the Budget Management System (SIAP) that is connected to the Finance Ministry's Integrated Accounting and Budget System.

Targets are incorporated into a performance evaluation system that is based on each program's Logical Framework Matrix. The three current programs are the Health-*Oportunidades* Transfers Program; *Seguro Popular* (health insurance), and Health Insurance for a New Generation.

### **2. Accounting and information systems**

Accounting records are entered both in the Finance Ministry's Accounting and Budget System (SICOP) and in a CNPSS internal accounting system (COI), as a tool for monitoring and tracking transfers to the states as well as travel advances and other items. Currently there are no plans on the Finance Ministry's or CNPSS's part to integrate these two systems, but it would be possible to capture SICOP data electronically to integrate them into the COI.

The Administration and Finance Directorate is responsible for all CNPSS financial reporting to audit and compliance bodies. This work is done across the budget cycle, and data are consolidated. This Directorate will coordinate preparation of the program's financial statements and will coordinate external audits. The CNPSS Financing Directorate is in charge of financial relations with the states and Federal District.

### **3. Disbursements and cash flow**

In IDB operations in Mexico, there typically are no advances of funds, and loan disbursements are used to reimburse expenditures incurred. Expending of budgeted funding is decentralized, at state level. The CNPSS processes payments for the 131 priority actions as reimbursements after the state has provided details of the interventions. It also effects transfers or payments for services provided by public hospitals that operate as decentralized public units, such as the various National Institutes, and, in remote areas, by private hospitals (there being only one such case at present).

Payment is made for interventions upon receipt from the service provider of particulars of the care delivered to a child under five, which are input into the Financial Management System (SIGEFI). Payments are made at the rates stipulated in the Schedule of Medical Services. The state gives the CNPSS a receipt for the transfer monies received.

Funds for the institution-strengthening and prenatal education workshops will be advanced to the states which, after expending the funds, must account for them by item of expenditure. They will be recorded and tracked at CNPSS headquarters using a list of invoices; the originals will be kept by the state ministries.

#### **4. Internal control and internal audit**

The CNPSS has an Internal Audit Office regulated by the Ministry of Public Administration (SFP) and governed by federal government legislation and rules. In its work it adheres to generally accepted auditing standards and its work plan is approved by the SFP. The Internal Audit Office is involved in coordinating external audits and following up on the auditors' internal control recommendations.

The Internal Control System policies and rules that CNPSS management and supervisors are required to apply comprise five components: (1) control environment, (2) risk management, (3) control activities, (4) information and communication, and (5) oversight and continuous improvement. The system applies across the three tiers of the CNPSS hierarchy: strategic, executive, and operations.

The CNPSS produces an annual report titled "Self-assessment of the State of the CNPSS Internal Control System," based on a review of compliance with the above-mentioned five components. The Internal Audit Office, for its part, produces a "Review of the Annual Assessment of the State of the Internal Control System" in which it assesses the Internal Control System's maturity from documentary evidence provided by the CNPSS and makes recommendations for improving the level of maturity of the internal controls.

#### **5. External control and reports**

The CNPSS is audited by the National Audit Office and by a firm of external auditors appointed by the SFP. The program's audited annual financial statements are to be prepared in accordance with the World Bank/SFP/IDB harmonized terms of reference and audited by firms acceptable to the Bank. The SFP's External Audit Branch appoints the audit firm; the CNPSS will be in charge of hiring the auditor and coordinating delivery of the audited financial statements with NAFIN, the fiscal agent. Audit costs are initially planned to be defrayed using local counterpart funds, but may be financed out of the loan proceeds at the request of the executing agency, if deemed necessary.

The program's financial audit will focus on a review of the original documents justifying the payments made by the SMNG to the states, Federal District, and decentralized public units, which will be submitted to the Bank for recognition. The auditor will not be required to verify the expenses incurred by the service providers or the monitoring of what the states and Federal District do with the resources received from the SMNG as reimbursement for their payments.

According to the Financial Management Policy for IDB-financed Projects (document OP-273-2) approved by the Operations Policy Committee, audited financial statements must be submitted to the Bank within 120 days after the fiscal year-end or the date of the last disbursement. For this program, however, taking account of the review process for CNPSS reimbursements of payments to the states and the necessary consolidation of financial items, including expenditures in process at year-end, it is proposed that the executing agency provide the audited annual financial statements to the Bank within 180 days after each fiscal year-end and that the program's final audited financial statements be submitted within 180 days after the stipulated date for the last disbursement.

In accordance with the harmonized terms of reference, the external auditor is to present its recommendations to the CNPSS Internal Audit Office for follow-up and to address any issues. The SFP has a system for the use of Internal Audit Offices in following up on such recommendations. NAFIN will be responsible for coordinating work for timely financial reporting to the IDB.

## 6. Financial supervision plan

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsibility	
			IDB	Third party
FINANCIAL	Ex post review of disbursement requests	Periodic	Financial-fiduciary team	
	Inspection visits / Analysis of internal controls and control environment, with PTL participating	Annual	Financial-fiduciary and technical team	
	Annual budget allocation needed to implement the project	Annual	Financial-fiduciary team	Executing agency
COMPLIANCE	Submittal of financial statements	Annual	Fiduciary and technical team	External auditor
	Conditions precedent to the first disbursement	Once	Fiduciary and technical team	

## 7. Execution arrangements

The CNPSS will be responsible for making payments to the states for services provided. Generally the payments will be made using own resources, with a subsequent request to the IDB for reimbursement out of the loan.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/12

Mexico. Loan \_\_\_\_/OC-ME to the United Mexican States  
Growing Up Healthy: Improving the Health of Mexican Children

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 a project named “Growing Up Healthy: Improving the Health of Mexican Children”. Such financing will be for the amount of up to US\$350,000,000, from the resources of the Bank’s Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_\_ 2012)