

**Document of
The World Bank**

Report No: 17535-ME

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$115 MILLION

TO

NACIONAL FINANCIERA (NAFIN)

WITH THE GUARANTEE OF

THE UNITED MEXICAN STATES

FOR A

BASIC EDUCATION DEVELOPMENT (PAREIB) PROJECT

MAY 7, 1998

CURRENCY EQUIVALENTS

(Exchange Rate Effective April 1998)

Currency Unit = Nuevo Pesos (\$)

US\$1 = NP\$8.40

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

APL	Adaptable Program Loan
CAS	Country Assistance Strategy
CONAFE	<i>Consejo Nacional de Fomento Educativo</i>
CPU	Compensatory Programs Unit
DGE	General Directorate of Evaluation of SEP
DGEI	General Directorate of Indigenous Education of SEP
DGPPP	General Directorate of Program and Planning of SEP
FDI	<i>Fondo de Desarrollo Institucional</i>
GIS	Geographic Information System
GTC	<i>Grupo Técnico Central</i>
IDB	Inter-American Development Bank
INEGI	National Statistics and Geographic Information Institute
NAFIN	<i>Nacional Financiera, S.N.C.</i>
PARE	Basic Education I Project
PAREB	Basic Education II Project
PAREIB	Basic Education Development Project
PDE	Education Development Program
PIARE	Basic Education Project (IDB-financed)
PRODEI	Initial Education Project
PDE	Education Development Program
RA	Rapid Appraisal
SEP	Ministry of Education
SEPEs	State-level Secretariats of Education
SHCP	Ministry of Finance
SNEE	National System of Education Evaluation
SNTE	National Union of Workers in Education

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Mexico
BASIC EDUCATION DEVELOPMENT

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Mexico
BASIC EDUCATION DEVELOPMENT

Project Appraisal Document

Latin America and the Caribbean Regional Office
Mexico Country Department

Date: May 7, 1998	Task Team Leader/Task Manager: Madalena Dos Santos
Country Manager/Director: Olivier Lafourcade	Sector Manager/Director: Xavier Coll
Project ID: 40199 Sector: Education	Program Objective Category: Poverty Reduction
Lending Instrument: Adaptable Program Loan	Program of Targeted Intervention: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Program Financing Data				Estimated Implementation Period		Borrower	
APL	Indicative Financing Plan			(Bank FY)			
	IBRD		Government	Total	Commitment Date		Closing Date
	US\$ million	%	US\$ million	US\$ million			
Phase I Loan	115.0		35.0	150.0	June 1998	December 2000	NAFIN
Phase II Loan	300.0		70.0	370.0	January 2001	December 2003	NAFIN
Phase III Loan	210.0		50.0	260.0	January 2004	December 2006	NAFIN
Total	625.0		155.0	780.0			

Project Financing Data	<input checked="" type="checkbox"/> Loan	<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	<input type="checkbox"/> Other [Specify]
Amount : US\$115 million (Phase I)				
Proposed terms:				
Grace period (years): 3	<input type="checkbox"/> Multicurrency	<input checked="" type="checkbox"/> Single currency, US dollars		
Years to maturity: 15	<input type="checkbox"/> Standard Variable	<input checked="" type="checkbox"/> Fixed	<input type="checkbox"/> LIBOR-based	
Commitment fee: standard				
Service charge: standard				
Financing plan, Phase I (US\$m):				
Source	Local		Foreign	
Government	35.0		0.0	
IBRD	112.2		2.8	
Total	147.2		2.8	
Borrower: <i>Nacional Financiera</i> (NAFIN)				
Guarantor: United Mexican States				
Responsible agencies: Ministry of Education (SEP), <i>Consejo Nacional de Fomento Educativo</i> (CONAFE), and state-level Secretariats of Education (SEPEs)				
Estimated disbursements (Bank FY/US\$M):	FY99	FY00	FY01	
Annual	20.0	42.0	53.0	
Cumulative	20.0	62.0	115.0	
Project implementation period: 3 years Expected effectiveness date: September 1998 Expected closing date: June 2001				

A: Program Purpose and Project Development Objective

1. Program purpose and program phasing:

Phase I of the proposed Adaptable Program Loan (APL) of US\$115 million supports the Government's compensatory education programs, as outlined in its Education Development Program (*Programa de Desarrollo Educativo*, PDE), through CONAFE (*Consejo Nacional Fomento Educativo*), working exclusively with under-served (i.e., rural, poor, indigenous, and marginalized urban areas) communities. The APL may have three phases of three years each, starting in 1998, with the end of Phase I corresponding to the end of the current Administration. The Phase I loan will be for US\$115 million, and the predicted Phase II and Phase III loans, if approved, for US\$300 million and US\$210 million, respectively. At the end of Phase III, the education sector program will have the effect of bringing Mexico substantially closer to OECD education indicators.

The PDE is organized along five broad strategic areas: (a) the organization of basic education¹; (b) the methods, contents and resources of the teaching and learning process; (c) the formation, retraining and improvement of teachers; (d) the promotion of equity; and (e) the use of alternative mechanisms to reach the population.

The PDE stresses the importance of *decentralization* and the need to foster communication between federal and state education authorities to implement normative practices according to national priorities and which reflect the country's diverse communities. It also calls for a higher degree of integration among communities, teachers and principals, in favor of actions that suit the local environment. The PDE reemphasizes the *Government's commitment to provide important educational inputs* such as free textbooks (including special versions for indigenous children) and other didactic materials, as well as continuous evaluation and reformulation of curricula and other pedagogical strategies to improve the teaching-learning process, such as the development not only of formal knowledge in the classrooms but also to the generation of self-esteem, respect, and citizenship values. The PDE also recognizes the importance of *teacher training* through reformulation of teacher training programs (both pre- and in-service), creation of incentives to update teacher skills, increased professionalization of the teaching career, and growing recognition for teachers' social role. The strategy to *promote equity* rests on a large part with CONAFE, which is in charge of the Government's compensatory educational programs. CONAFE supplements the regular educational programs with activities targeted to the most underserved populations, i.e., the rural, poor, and indigenous populations, using complementary mechanisms to meet their special needs. A more complete discussion of the sector and of the PDE can be found in Annex 4, while the box on the next page provides an overview of the PDE's coverage and efficiency goals.

For the period 1998-2006, the Government has requested a three-phase APL with the following program objectives: (a) to expand educational opportunities in initial and basic education for students in the poorest communities, including indigenous and migrant children; (b) to improve the quality of basic education for students to achieve better learning outcomes; (c) to support school and community participation in decision-making processes at the school level; and (d) to support the decentralization process by developing management and delivery capacity at the federal, state and municipal levels. The Government strategy is spelled out in a Letter of Sector Development Strategy, a draft of which was presented at negotiations (Annex 2).

The Bank has supported the Government's compensatory educational programs through three loans, one of which is still ongoing (also see section B on the CAS). The Bank's eight-year involvement in the sector is relatively short compared to its experiences in other large client countries, and has afforded only limited opportunities to engage in a broad dialogue of the sector. Its education portfolio comprises projects supporting the compensatory education program, labor market projects, and an upcoming project

¹ Basic education covers grades 1-9 (6 years of primary and 3 of lower secondary), which are mandatory. The program supports both basic education and initial education (ages 0-3) and preschool (ages 4-6).

on higher education financing. Economic and sector work on education finance and decentralization, to be delivered in 1998, will provide additional input into the evolving policy dialogue. The Bank's current involvement in basic education rests on the sound principle, agreed with the Government, of supporting compensatory programs to aid the neediest population sections (many of whom are indigenous) in a country where primary enrollment, at the aggregate level, is close to universal. The PDE, which contains both intermediate and long-term goals, provides a good basis for continued growth in the relationship and dialogue between the Bank and the Government. It articulates well thought out principles on which to design policies and instruments, and its compensatory activities (including indigenous education) component is particularly well-developed. The existence of a federal program managed by CONAFE has helped in this regard and has provided the Bank with a convenient single entry point into the compensatory education program.

The APL would provide the Government with the opportunity to seek support for the further improvement in quality of its compensatory programs, the continuation of its policies to redress inequities in the sector, the ongoing process of decentralization, and for a smooth transition across presidential Administrations. The APL would help the Bank better respond to client needs, provide more continuity and better focus on long-term development goals, enhance its ability to engage in more extensive policy dialogue, and preserve flexibility in program design, implementation, and financing.

Many elements of the program are particularly well-suited to the more flexible APL approach, such as increased decentralization of authority to the states within a fast-evolving Mexican context, the introduction of innovative self-management programs at the school level and of pilot programs to attend to the needs of special population groups, and the strengthening of the evaluation system within the Ministry of Education (SEP) and its state-level partners (SEPEs) to become more action- and results-oriented. The APL, in particular during Phases II and III, would, if approved, also make use of economic and sector work on education finance, public expenditure, and decentralization currently underway and scheduled for delivery in 1998. Another benefit has been to open up the dialogue to consider a more integrated approach to financing and organization in the sector.

- (a) Phase I (1998-2000) covers implementation of the program in schools and communities ranked in the bottom half of the marginality index adopted by CONAFE and not currently covered under other projects. It also covers pilots of new models for rural secondary education (e.g., *posprimaria*), migrant children education, children in urban marginal areas, and inter-cultural school interventions; a fund will be made available to states to request support for education development initiatives.
- (b) Phase II (2001-2003) would, if approved, continue and expand on activities under Phase I, covering additional targeted schools and communities and expanding the innovative programs successfully piloted in the first phase. Phase II would also pick up where the existing loan ("PAREB", Ln. 3722-ME) leaves off, continuing support for initial, pre-school, and primary education in addition to the activities covered under Phase I. More importantly, Phase II would provide the opportunity to rationalize and integrate the various compensatory programs both in terms of organization (i.e., within a presumably more decentralized environment) and financing.²
- (c) Phase III (2004-2006) if approved, would support the continued implementation of the Government's compensatory program, based on (i) a full review of the targeting mechanism to

² At present, both the Bank and IDB are supporting various levels of education in separate states. For example, the Bank is supporting highly targeted initial, preschool, and primary education in up to 14 states. IDB finances a similar programs in the balance of the states, plus most of the *telesecundaria* secondary education program. This complicated structure, mainly the result of changes in policy and targeting criteria, has created unnecessary implementation and coordination obstacles for CONAFE, the executing agency (see Annex 3, Appendix A).

ensure that program activities continue reaching the neediest populations and (ii) an adaptation of executing mechanisms to reflect the decentralization experience and increased institutional capacity of the states developed under the previous phases.

2. Program development objectives and key performance indicators:

The Phase I objectives reflect the program goals and aim at: (a) providing quality improvements in initial and basic education and non-traditional modalities of post-primary education; (b) improving the school supervision system; (c) establishing and implementing school-based school management improvement strategies; (d) designing and piloting new education modalities to better meet the needs of migrant children, children aged 9-14 in urban marginal areas, and indigenous children in general primary schools; and (e) strengthening institutional capacity for planning, evaluation and program and system management and execution at the federal and state levels.

Compliance with key performance indicators under the Phase I loan would function as “triggers” for consideration of second-phase Bank support (see section G, Main Loan Conditions). They include (a) physical implementation indicators, to demonstrate tangible progress in project-related outputs, and (b) satisfactory progress under a set of policy-oriented activities aimed at improving efficiency and equity in the delivery of education services and at strengthening the decentralization process.

Phase II objectives would include the expansion of pilots and of state-based institutional development activities under Phase I and the consolidation and continued financing of compensatory programs in a more integrated context. Phase III objectives would focus on the finetuning of delivery mechanisms based on a more fully developed decentralization model.

B: Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the program (see Annex 1):

CAS document number: 16135-ME Date of latest CAS discussion: December 17, 1996
Progress Report: March 26, 1998.

The project meets three major criteria in the CAS. *First*, it addresses the following CAS education priorities: (a) raising the quality and efficiency of basic education particularly in the poorest states with high drop-out and repetition rates; (b) raising the quality of school entrants through improvement of pre-school education, mainly targeting poor communities; (c) upgrading primary education through investments in cost-effective inputs including teacher training and didactic materials; and (d) increasing the quality of lower secondary education in under-served rural areas. *Second*, the project's emphasis on promoting access for marginalized groups (i.e., low-income and/or indigenous people living in remote rural areas) to the current education system coincides with the goal of focusing on quality and targeting basic human resource development. *Third*, this project addresses the strategy of modernizing public administration by supporting ongoing government initiatives to strengthen the ability of states to deliver educational services.

The Bank has recently supported several projects in the sector, targeting underserved areas in the poorest states—Lns. 3407-ME (“PARE”, 1991); 3518-ME (“PRODEI”, 1992); and 3722-ME (“PAREB”, 1994)—which have been instrumental in supporting the Government's compensatory strategy. The state-by-state targeting mechanism under these projects has now evolved into a better-integrated program of national scope and coverage, which the proposed APL will support.

2. Main sector issues and Government strategy:

In the last decades, Mexico has made important progress in providing primary education access to most children. Today, practically all primary school-aged children enroll in school and 80 percent of them complete this level (1996). In secondary education, approximately 75 percent of students enrolled complete this level. Despite the recent progress, and the efforts to increase access to basic education, universal coverage remains a challenge and the quality of education needs to be improved to support the

country's economic and social development efforts.

In 1992, the Federal Government, the state Governors, and the Teachers' Union signed an agreement proclaiming bold policy reforms, the "*Acuerdo Nacional para la Modernización de la Educación Básica*", which was subsequently ratified by a new general education law in 1993. These reforms extended basic compulsory education from six to nine years and integrated pre-school into basic education (making it free but not compulsory). Furthermore, the Government transferred basic education managerial responsibilities to each of the 31 federal states, approved a new curriculum, allocated more resources to education, and put greater emphasis on compensatory programs which go beyond traditional interventions in basic education and focus on providing extraordinary support to specific disadvantaged groups.

Today, the Government's main priorities are to provide basic education to all citizens and to improve basic skills of all graduates. The Government hopes to achieve this goal by improving quality to achieve better learning outcomes, developing innovative approaches to reach marginalized groups, and providing better educational opportunities to those students not progressing at the expected rate under the current system. The Government's PDE emphasizes the need to attend to students living in rural and marginal urban areas, handicapped children, migrant children and indigenous children.

The main issues facing the Government's compensatory education programs are as follows:

- (a) **Children's low learning readiness, especially the poor.** The vicious cycle of poverty perpetuates itself in the lack of cognitive and social stimulation for many poor children in the early years. Although research shows that investments in early childhood and the skills built upon during the years of primary schooling have substantial impact on learning outcomes in the later years, formal pre-school participation for the poor remains very low. In addition, in 1990-91, repetition rates were estimated at close to 32 percent for the first grade, partly as a result of low school readiness. Despite the results of several evaluations that show the beneficial impact of initial and preschool programs in increasing school readiness, only 5 percent of children below the age of 4 benefit from formal or informal early childhood education. One-third of children age 4 to 5 years do not participate in preschool programs.
- (b) **Inadequate training for teachers working with at-risk students.** Teacher pre-service and in-service training programs to deal with at-risk children barely exist. The majority of teachers graduating from pre-service training institutions are not willing to accept teaching positions in remote rural or indigenous schools. Therefore, the Government has to rely on untrained teachers to provide educational services in remote rural areas. To minimize the lack of adequate teacher preparation, SEP/CONAFE has had to permanently offer in-service training programs.
- (c) **Poor fit between education programs and the needs of students and of the community.** As part of the reform of school management, SEP is encouraging schools and communities to develop pedagogical strategies that are better adapted to local conditions. Previously, only limited opportunities have existed for this to happen, particularly for more remote areas, due to lack of capacity. Under the program, training and supervision will be provided to principals, teachers and parents to develop adaptive school-based initiatives to meet the specific needs of their children.
- (d) **Deficient supervisory practices.** Supervisory practices have been fragmented and centered on monitoring administrative compliance to norms and regulations and not on learning/ teaching activities and pedagogical support to teachers and to schools. There is a need to place supervision at the core of the pedagogical support to teachers, mainly due to the low preparation of school personnel to deal with children from disadvantaged or different backgrounds.
- (e) **Low secondary education coverage.** Approximately 38 percent of students who complete primary education do not progress in their studies either because there are no places available or because the programs offered do not fit their need to work. This is especially critical for

migrant students who represent a significant percentage of the out-of-school children population (at both primary and lower secondary levels).

- (f) **Weak managerial and administrative capacity at the state level.** States have uneven institutional capacity to provide basic education services and to monitor, evaluate and consolidate ongoing compensatory programs. These weaknesses hamper the states' basic ability to translate national education policies and strategies into concrete programmatic actions, to target resources to areas of greatest need, and to monitor student achievements.

These issues have been and continue to be addressed under Bank-supported projects. For the period 1998-2006, the Government will continue with the Education Development Program, in line with its overall development and decentralization plan. More specifically, the SEP/CONAFE strategy will focus on improving the quality of education for students in the poorest areas. This will be accomplished, in part, by offering minimum operational standards for all the targeted schools, developing innovative programs to address the needs of students, involving schools and communities in the decision-making process at the school level, and by developing the institutional capacity of states to design and implement education policies and compensatory programs.

3. Sector issues to be addressed by the program and strategic choices:

Through this program the Government aims at addressing, at the national level, the long-term development goal of reducing education inequities, improving the human capital formation in the country, and alleviating poverty. In shaping the program, the Government has carefully taken into consideration the following strategic choices:

- (a) it recognizes that a targeted approach is more likely to address the specific needs of the poorest children and of minority groups and communities, thus addressing the problem of equity of education in quality of services;
- (b) it recognizes that investment in early childhood and the skills to be acquired during the first years of schooling have substantial impact on learning outcomes in later years by emphasizing these programs;
- (c) it emphasizes positive discrimination to overcome inequities in the education system;
- (d) it places emphasis on increasing years of schooling—as an important determinant of individual achievement and economic growth—among low-income populations by providing various secondary education alternatives to meet different needs;
- (e) it recognizes the need to provide a package of minimum operation inputs for both students and teachers (i.e., textbooks and teaching/learning materials), appropriately targeted to the population (e.g., by providing bilingual materials to indigenous schools);
- (f) it recognizes the need to design, test, and implement different approaches to solve problems of low school readiness, work problems, and special needs of students from different cultural backgrounds and low-income areas;
- (g) it recognizes the need to provide better training programs for teachers dealing with children with special pedagogical needs and problems, as well as to provide adequate supervision to raise school performance;
- (h) it promotes participation of schools and communities through the establishment of mechanisms to strengthen the decision-making process at the school level, thereby laying the groundwork for the development of partnership and local ownership in the provision of the education services;
- (i) it strengthens the federalization process in the sector by adopting mechanisms to improve the states' capacity to implement national basic education policies and compensatory programs; and

- (j) it recognizes and strengthens the role of the central level in establishing general direction, setting goals and priorities, establishing quality standards and pedagogical/administrative legal norms and regulations, working in conjunction with states to design and implement regular and compensatory programs in accordance with national norms and reflecting local needs.

C: Program Description Summary

1. Phase I Program components (see Annex 3 for a detailed description and Annex 7 for a detailed cost breakdown):

Component 1 — Quality Improvements in Initial and Basic Education

The objective of this component is to improve quality in the delivery of initial and basic education for children in the more disadvantaged rural and marginal urban communities, indigenous communities, and migrant worker populations. This would be accomplished by: (a) expanding compensatory activities and providing quality inputs to (i) increase internal efficiency and (ii) improve student achievement; and (b) improving school management and efficiency through (i) developing school projects (*Proyectos Escolares*), (ii) enhancing community and parent participation, and (ii) modernizing the organization and implementation of the supervision system.

This component will finance, *inter alia*, the following: (a) educational materials and equipment for students, teachers, and schools; (b) training for teachers, supervisors and principals; (c) support to community or school associations for school-based management activities; (d) improvement of the school supervision function; and (e) construction or rehabilitation of school infrastructure.

Component 2 — Strengthening Institutional Capacity at Federal and State Levels

This component aims to strengthen the management capacity of key sector entities at both federal and state levels. The activities supported include: (a) at the *federal level*, (i) strengthening the national evaluation system and (ii) designing and piloting appropriate basic education models for migrant children, children aged 9-14 in urban marginal areas, and indigenous children in regular schools; and (b) at the *state level*, strengthening the role of the state-level Secretariats of Education (SEPEs) in the provision of education services by reinforcing their capability for management (i.e., planning, programming, budgeting, monitoring and evaluation) through the development and implementation of state-specific Strategic Development Plans (*Planes Estrategicos Rectores*) and delivery of basic education services through support for state-generated institutional development proposals.

This component will finance: (a) technical assistance to develop the national assessment and evaluation system; (b) studies and pilots for innovative programs; (c) a fund to support the states in implementing their institutional development proposals and other state-generated initiatives (*Fondo de Desarrollo Institucional*, FDI); and (d) incremental operational costs.

<u>Component/ Subcomponent Phase I</u>	<u>Category</u>	<u>Cost Incl. Contin- gencies (US\$M)</u>	<u>% of Total</u>	<u>Bank- financing (US\$M)</u>	<u>% of Bank- financing</u>
1. Quality Improvements in Initial and Basic Education		126.5	84.3%	95.0	82.6%
1.1 Carry out in-service training of teachers, principals, supervisors, and other administrative staff	Institution building	27.2	18.1%	24.5	21.3%
1.2 Strengthen school management at local and school levels (<i>proyectos escolares</i>)	Institution building	1.4	0.9%	1.0	0.9%
1.3 Strengthen supervision	Institution building	8.6	5.8%	6.3	5.4%
1.4 Build/rehabilitate infrastructure, provide equipment, didactic materials	Physical	89.3	59.5	62.3	55.0%
2. Strengthening Institutional Capacity at Federal and State Levels		23.5	15.7%	20.0	17.4%
2.1 Activities at the Federal Level					
2.1.1 Strengthen national evaluation system	Institution building	1.4	0.9%	1.4	1.2%
2.1.2 Implement regional planning exercise	...	1.6	1.1%	1.6	1.4%
2.1.3 Pilot program for migrant children	...	1.3	0.7%	1.3	1.1%
2.1.4 Pilot program for children 9-14 in urban marginal areas	...	0.4	0.3%	0.4	0.3%
2.1.5 Pilot inter-cultural program for indigenous children in regular schools	...	1.0	0.7%	1.0	0.9%
2.2 Activities at the State Level - FDI	...	9.0	6.0%	8.1	7.0%
2.3 Project administration	Project management	8.8	5.9%	6.2	5.4%
Total		150.0	100%	115.0	100%

2. Key policy and institutional reforms supported by the program:

The program will support consolidation of the following key policies:

- (a) Gradual decentralization in the operation of the compensatory programs through (i) strengthening the states' institutional capability to plan and operate the education system and (ii) increasing the participation of communities and school associations in school management.
- (b) Improving the quality of education for low-income students in the most remote rural areas.
- (c) Better quality of education through improvements in teacher training, provision of minimum operational standards for targeted schools, and national evaluation as a tool to increase accountability at all levels.

3. Benefits and target population:

The direct beneficiaries of the 1998-2006 program include all children who will be reached by inputs and through training of their teachers and principals under the program. More broadly, all children in preschool and basic education will benefit indirectly from more efficient education services as the result of institutional strengthening and decentralization activities supported under component 2. Currently, about 3.2 million students are enrolled in preschool education (gross enrollment of 71 percent), 14.6 million in primary education, and 4.7 million in secondary education.

The program will target children in rural and marginalized urban areas with the highest incidence of poverty, seeking to ensure successful completion of basic education schooling for these children. In

broad terms, out of the potential beneficiaries of the compensatory programs, the program seeks to reach 100 percent of all initial education and preschool indigenous children, the poorest 50 percent of rural preschool and lower secondary students, and the poorest 25 percent of children in urban marginal areas. Target populations under Component 1 by level and type of program and by school year across the two phases are as follows:

APL Coverage Targets — Component 1, 1998-2006

Program	Level	Group	Baseline	End Phase I	End Phase II*	End Phase III*
			1997-98	1999-00	2001-03	2004-06
Non-indigenous	Preschool	Students	342,000	349,500	251,000	255,000
		Schools	12,750	13,500	10,000	10,500
	General Secondary	Students	50,000	51,500	37,000	37,500
		Schools	471	500	510	515
	Technical Secondary	Students	58,500	60,500	44,000	44,500
		Schools	470	500	520	530
	Telesecundaria	Students	217,000	231,000	171,000	173,500
		Schools	5,600	6,200	4,700	4,900
Indigenous	Initial	Families	32,500	41,000	38,500	39,000
		Bilingual Instr.	214	680	970	990
		Communities	1,350	1,800	1,800	1,820
	Preschool	Students	285,000	307,000	240,000	243,000
		Bilingual Educ.	494	1,500	2,100	2,100
		Schools	8,000	8,600	6,700	6,800
Primary (both non-indigenous & Indigenous)***		Students	3,400,000	N/A**	3,400,000	3,400,000
		Schools	25,700	N/A**	25,700	25,700

* Phases II and III of the APL are projected to provide support to some, but not all, of the states.

** Not part of the Phase I project.

*** According to demographic projections, primary population is projected not to change.

During Phase I, the **short-term benefits** of the program include quality improvements in education for approximately (a) 52,000 children at the initial education level (through 41,000 indigenous parents), (b) 349,500 preschool children, and (c) 343,000 children in rural areas at the lower secondary level, under various modalities (i.e., general lower secondary, technical lower secondary, *telesecundaria*, *posprimaria*).

Indirect, **medium-term benefits** of the program will accrue from improved efficiency and equity in the management and delivery of educational services at both federal and state levels. Through technical assistance provided under the program, the capacity for policy analysis and strategic planning will be strengthened at the federal level, while at the state level, the capacity of the SEPEs to plan, implement, monitor and evaluate regular and compensatory programs will similarly improve.

Long-term benefits of the program are derived from the projected increase in schooling years as a result of a better program of basic education. This will imply a reduction in the absolute level of poverty for those who can participate more productively in the economy (see Annex 6 for an economic analysis of the program).

4. Institutional and implementation arrangements:

CONAFE will be the main executing agency and will coordinate all implementation activities on behalf of SEP. CONAFE has extensive experience implementing Bank- and IDB-financed projects. CONAFE will exercise its project coordination responsibilities through a Compensatory Programs Unit (CPU), with participation of SEP's normative units. The CPU will be adequately organized and staffed to

perform the required administrative, supervisory and financial management functions; in particular, its financial management unit has been recently strengthened with skilled staff. Its responsibilities include:

- project execution activities;
- yearly work plan review consolidation and program execution;
- procurement;
- annual implementation review information preparation;
- liaison with state-level offices; and
- monitoring of project objectives, goals, processes, and deadlines in coordination with SEP and SEPEs

The states, through their SEPEs, will have greater autonomy in planning and executing compensatory education activities according to a set of national guidelines which specify the targeted schools and communities, menu of supported activities, educational norms to be met, and procedures for obtaining program approval and financial support. The SEPEs will prepare annual work plans for the compensatory programs, including procurement plans for the coming year. Procurement will be carried out by CONAFE either at the central level (e.g., under ICB or NCB) or by state-level CONAFE delegations in SEPEs or at the municipal or school level in the case of smaller contracts. These delegations would be the same units currently implementing the PAREB and PIARE projects, supplemented by 4-5 new staff; for the eight “new” states not currently supported under either project, new units will be organized. The institutional capacity of CONAFE was deemed satisfactory as part of the financial management review (see section E on institutional financial analysis below).

Construction and/or rehabilitation of infrastructure by municipalities will follow the same planning and financial transfer mechanisms used under the ongoing PAREB project: investment planning is carried out at the state level and aggregated by CONAFE for submittal to the Ministry of Finance. Authorized funds are channeled through the Borrower, NAFIN, which will subsequently transfer allocations to each state on a quarterly basis through commercial banks. Communities will receive 60 percent as an advance to purchase all materials, and the balance will be disbursed as civil works progress.

Proyectos Escolares. School Projects will be submitted by the school council of each school to the state project office for financing. School councils will need to have been formally established and to have acquired legal status (*personería jurídica*) in order to be eligible to receive project funds for their school projects. In addition to this, the SEPE will provide training to school council officers in management and accounting skills, and each council will open a bank or other account to deposit the funds received from the state. The account may also hold other resources of the school council. Once the school project is approved, the state will deposit the authorized amount in the account of the council. The council will then authorize the necessary expenditures to implement the project, and will submit a report of expenditures to the state using the existing official forms for this purpose.

State-generated proposals for institutional development under the FDI will be collected and screened by the SEPEs and sent to SEP/CONAFE for review by a joint CONAFE/SEP committee composed of technical specialists in basic education, institutional development, sector planning and budgeting, and evaluation. This committee will evaluate proposals based on general criteria established for both funds and on specific criteria applicable only to the Competitive Fund. Once approved, these initiatives will be funded through the same mechanisms used by NAFIN for the other project components. More details on the operation of the FDI can be found in Annex 3.

Nacional Financiera (NAFIN) will be the Borrower, with the guarantee of the United Mexican States. NAFIN will be responsible for submitting withdrawal applications and would (along with CONAFE) maintain separate records and accounts for all transactions under the loan and will have the deposit accounts audited in accordance with standard Bank requirements.

D: Project Rationale

1. Project alternatives considered and reasons for rejection:

In discussing options to address the objective of providing quality basic education to all in Mexico, a number of alternatives were considered. The following section summarizes the reasons why certain alternatives were rejected in favor of the approach adopted in the project:

- (a) **APL vs. traditional investment loan.** The team discussed with the Government the pros and cons of a series of traditional investment loans as opposed to an APL. The Government strongly favored an APL for the following reasons: (a) the APL folds all relevant basic education issues and activities into one program; (b) the program is long enough to fulfill a vision of major accomplishments, while still allowing enough flexibility to adjust to political cycles which is crucial as the program straddles two Presidential Administrations.
- (b) **National project vs. focus on the poorer states.** Prior Bank-financed projects elected to focus on the states with higher levels of poverty. Experience with these projects showed that while giving priority attention to the poorer states was justified as a matter of relative priority, there were disadvantaged schools and students in every state. Relying on an integrated database which combines school efficiency indicators with indicators of poverty at the community level, the proposed program will reach the schools and communities most in need of assistance in all 31 states.
- (c) **Emphasis on improving preschool education.** An evaluation done in 1987 indicated that the non-formal initial education programs were equally effective—and in some case more effective—than formal programs in improving child school readiness and eventual primary school performance. The evaluation further indicated that these programs would require additional quality improvements to have a significant impact.
- (d) **Improving quality of secondary education in rural areas.** The emphasis on improving quality in lower secondary—rather than primary—education in rural areas is due to the fact that primary education improvement is being supported by a Bank-financed project (Ln. 3722-ME, PAREB) in 14 states as well as an IDB-financed project in nine other states. With 99 percent of the 6-12 population enrolled in school, Mexico has practically reached the objective of universal primary education. The success of primary-level activities has generated significant demand to increase the quality of, and expand opportunities for, lower secondary education, mainly for students in rural areas. With the launch of a Government program of direct subsidies to families linked to school attendance (PROGRESSA), the demand for better-quality education will only increase.
- (e) **Strengthening basic education for indigenous children.** While basic education for non-indigenous students has reached significant levels of expansion, basic education for indigenous students requires special emphasis to diminish the still existing inequities affecting this student population. Bilingual education, the use of appropriate learning/teaching materials and programs, and adequate pedagogical supervision are needed to improve the performance of indigenous teachers and students.
- (f) **Supply vs. demand side financing.** While it is unquestionable that demand side factors influence educational opportunity, there are also sound reasons to improve the quality of the education which most children already receive. Since almost all children begin primary education and most of them complete it; the challenge is to ensure that they learn meaningful skills and abilities in the process. This will be a function of enriching the educational environment, training teachers, providing adequate materials, developing supportive supervisors, and establishing incentives for school based initiatives to find local solutions to local educational problems.
- (g) **Emphasis on innovation at the decentralized level vs. a traditional approach.** Prior Bank-financed interventions relied on the provision of a basic package of inputs to improve the quality of basic education in the targeted states. While this is a fruitful strategy to establish minimum

operational standards, it is insufficient to ensure equitable and lasting educational outcomes. Equity in outcomes requires differentiated strategies, suited to the particular conditions of the children in each specific context. Local teachers, principals and parents are better equipped to identify these types of contextual factors than administrators at the federal level. This program relies on a mixed strategy. It retains some elements of the traditional approach through activities associated with the minimum standard operational inputs (e.g., infrastructure, textbooks, didactic materials, training, etc.), but also seeks to (a) strengthen the capacity of SEPEs to take more active ownership of compensatory programs (without a central Project Coordinating Unit as in prior projects) and (b) foster innovation (i) in SEPEs, through the funding of state-generated institutional development initiatives using the FDI, and (ii) within each school, through the *Proyectos Escolares*, which combine training opportunities with assistance to schools in formulating local action plans.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned):

Sector issue	Project	Latest Supervision Ratings (Bank-financed projects only)	
		IP	DO
Bank-financed			
Equity in basic education	"PARE", Ln. 3407-ME, to improve the quality and efficiency of primary education in the four states with the highest incidence of poverty. A recent restructuring of all ongoing education sector projects led to a cancellation of the undisbursed portion of this loan. "PRODEI" and "PAREB", Lns. 3518-ME & 3722-ME. Both were recently restructured into one project. Objectives include preparing children of low-income families for school, educating parents in child-rearing practices, and strengthening institutional capacity to formulate and evaluate policies in initial education while improving the quality of primary education in the 14 states with the highest incidence of poverty. "PROSSE", Ln. 3912-ME, seeks to protect essential social services to the poor, strengthen existing social safety nets, and lay the foundation for measuring & implementing efficiency gains in the social sector.	HS	HS
Equity in initial and basic education		S	S
Protection of social services directed to the poor as a result of 1995 peso crisis		S	S
Other development agencies			
Equity in basic education	"PIARE", IDB-funded parallel project to PAREB, with similar objectives, covering 17 other states	NA	NA
Low quality in secondary education	Distance Education project, IDB-funded, to increase access for students at the lower-secondary level using various modalities	NA	NA

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

This proposal incorporates previous experiences gained from the implementation of other Bank projects with similar objectives in Mexico and Latin America:

- (a) **The need to establish a broad policy framework.** Those projects that successfully amalgamate their intervention goals with government policy frameworks have the best implementation records. Program preparation activities were aimed at mutually reinforcing bonds between program objectives and policies, and thus ensure systematic changes in selected program areas (e.g., teacher training, community participation, pedagogical and administrative innovations, etc.), while benefiting from new policy framework opportunities. This approach provides the proposed APL with potential to support systemic changes beyond programmed goals.
- (b) **Develop ownership and participation during project design and implementation.** Lessons learned from previous projects stress the importance of incorporating all key players (in this case,

SEP, CONAFE, SEPEs, and other stakeholders) involved in the program. Several units of SEP and CONAFE took leading roles in the preparation of the program, making ample use of sector-wide experience and lessons learned from prior Bank-financed projects.

- (c) **Better targeting mechanisms.** Lessons learned from PARE reveal the importance of using more specific criteria to target than state-level poverty, since excessive aggregation may hide important areas of poverty within states or inadvertently average conditions of wealthier communities with those of poorer ones. This program is making use of more precise targeting mechanisms.
- (d) **Maintaining effective incentives and inputs.** An evaluation of PARE singled out the positive contribution of: (i) teacher incentives in reducing teacher absenteeism; (ii) adequate supervision; (iii) training programs; and (iv) textbook and material provision. International literature on education also highlights the cost-effectiveness of: (i) learning materials (in the Mexican context, the national policy of providing free textbooks); (ii) teacher training in classroom methodologies; (iii) initial education; and (iv) effective supervision. Available evidence also supports the development of bilingual education programs with adequate teacher training and learning materials in indigenous languages, based on previous learning in the maternal tongue. This approach allows indigenous children to both learn their own language and to make a smooth transition to the official language.³
- (e) **Importance of assessing factors which contribute to student learning.** While prior projects established student assessment systems, this information provided limited insights in defining policies and relevant sector interventions. Moreover, the education authorities seldom utilized this information for broad policy reform dialogue. Consequently, a need exists to expand efforts to develop the policy design capacity at central and state levels. This program intends to advance the diagnostic capabilities of states and central units in determining, *inter alia*, causes for educational disparity.
- (f) **The need to allow flexibility and adaptability.** Experience from previous education projects identified as significant shortcomings a rigid approach applied to diverse contexts, i.e., the inflexibility of a project to adjust approaches to fit the particular needs of local contexts. The proposed program introduces flexibility at both the macro level—by adopting the APL approach—and the implementation level—by, *inter alia*, encouraging states to utilize diverse intervention approaches in improving the quality of basic education and accommodating decentralized efforts with adaptable standard procedures.

4. Indications of borrower commitment and ownership:

Very early on, the Government established the GTC to prepare this program. The GTC includes representatives from key sector agencies at several levels, including various SEP technical departments. Presently, the strategic level includes advisors to the Secretary of Education, the Under-Secretaries of Basic Education and of Planning and Coordination, and the Director of CONAFE. The GTC has contacted state governments at various stages of program preparation and has promoted the establishment of state-level working groups to help prepare the program. From the beginning, the GTC and SEP/CONAFE senior management have been keen to learn from Bank and international experience, e.g., through training in developing the program's logical framework and study tours to Brazil, El Salvador, Australia and New Zealand to exchange experiences with education officials in those countries.

³ See Lockheed, M. and A. Verspoor. 1991. *Improving Primary Education in Developing Countries*. New York. Oxford University Press.)

5. Value added of Bank support in this project:

- The Bank has eight years of education lending experience in Mexico, with a focus on correcting basic education inequities. This new program incorporates many lessons learned from the two previous projects with similar objectives.
- Several of the innovations proposed under this program draw on lessons learned through Bank projects elsewhere in Latin America and throughout the world. For example, the Education Development Fund was designed using experience from similar funds in other Bank-financed projects. Similarly, the involvement of communities and parent associations in school-generated improvements (the *Proyectos Escolares*) will benefit from the Bank's experience in Argentina, Brazil, Chile, El Salvador and Uruguay.
- The Bank's collaborative approach to the design of the program with SEP/CONAFE and SEPEs has resulted in increased dialogue and cooperation at many institutional levels.

E: Summary Project Analysis (Detailed assessments are in the project file)

1. Economic (supported by Annex 6):

[X] Cost-Benefit Analysis : $ERR = >17.5\%$

A cost-benefit analysis was carried out following the goals and targets set out by the Government in the PDE in its base-case scenario and extrapolated to later years. Data for opportunity cost and potential earnings were obtained from the 1994 household survey. In addition to Government-determined targets, in the base case scenario, maintenance costs were set at 2 percent per year, labor force participation rate of secondary school students at 50 percent, and unemployment rate at 10 percent. A model comprising costs and benefits of the program was built under these assumptions, and the resulting economic rate of return (ERR) to the PDE was estimated at 18.2 percent (private) and 17.5 percent (social, or rather, "net-private"). These are lower bound results, as we have not taken into consideration the usual externalities expected from basic education.

We have tested the sensitivity of the ERR with respect to two key variables:

- terminal efficiency, and
- labor force participation of secondary students

The switching value for terminal efficiency for primary (lower secondary) education is 0.84 (0.79). Based on the trend in terminal efficiency to-date, it is fair to assume that this minimal level could be achieved. In fact, the probability that terminal efficiency for primary (lower secondary) will be lower than 0.84 (0.79)—and that the ERR will be lower than 10 percent—is 4.8 percent and 9.2 percent, respectively. The participation rate utilized in the base-case scenario was based on available data from other Latin American countries. Even a 50 percent increase in the participation rate would still yield an ERR above 10 percent.

2. Financial: NPV = Not applicable; FRR = Not applicable

Previous Bank experience with CONAFE indicates that generally acceptable systems are in place. An assessment of the financial management capacity of CONAFE was completed, and the recommendations of the assessment have been incorporated into the design of the program.

Fiscal impact:

Based on the projections of GDP growth and federal total expenditures, the table below depicts the evolution of the share of spending in basic education (they were evaluated considering the beginning of the school year relative to the corresponding fiscal year).

Expenditures in Education as a Share of GDP and Federal Expenditures
(billions of pesos and %)

<i>Fiscal Year</i>	<i>Expenditures in Basic Education</i>	<i>Total Federal Expenditures</i>	<i>Share of Basic Education</i>	<i>GDP</i>	<i>Share of Basic Education</i>
1998	47.5	460	10.3	2040	2.33
1999	48.2	480	10.0	2150	2.24
2000	48.8	500	9.8	2260	2.16
2001	48.5	520	9.3	2380	2.04
2002	48.5	540	9.0	2500	1.94

The burden that expenditure in basic education poses on federal spending declines with time. This is so for two reasons. First, particularly for the primary level, the coverage is already large. Second, the demographic pressure is decreasing, and the population in the reference age group for basic schooling is virtually stagnated and will start shrinking in the very beginning of the next century.

3. Technical:

The technical issues that may affect the success of the program concern the application of the criteria for the selection of FDI proposals at the central level, given their complexity. While the Bank has significant experience with demand-driven investment funds in the social sector, this will be a new program for the SEPEs. During program preparation, care has been taken to draw in the participation of the states in shaping the FDI and consultants were brought in to help CONAFE design appropriate screening and approval criteria as well as set up the administrative arrangements for the management of the FDI. During 1998, CONAFE will undertake a dissemination campaign to alert SEPEs of the availability of funds and to help them prepare proposals and meet qualification requirements, and disbursements will start in 1999.

4. Institutional:

- a. Executing agencies: SEP/CONAFE/SEPEs
- b. Project management: CONAFE

CONAFE has extensive experience with Bank- and IDB-financed projects and, through its delegations in all 31 states, will assist SEPEs with the preparation of annual work plans and with procurement. Keeping in mind that one of the program's objectives is the support of decentralization, the program will provide through the FDI the opportunity for states to improve their ability to plan, implement, monitor and evaluate educational activities. During program preparation, several states were consulted and preliminary state-submitted proposals for funding by the FDI were presented. Rather than adopting a traditional, centrally-driven institutional strengthening, the APL will use a demand-side approach to institutional development initiatives to build the proper incentives program (see section on program alternatives above). Under the program, states will develop yearly Strategic Plans which will be discussed with SEP/CONAFE, thus providing an opportunity to review and strengthen their capacity to manage and implement compensatory programs.

A recent management assessment of CONAFE was carried out by independent consultants. The assessment found CONAFE's current management system satisfactory and that CONAFE financial management unit possessed adequate skills and functional organization. CONAFE's performance under the ongoing PAREB project has been satisfactory. Nevertheless, improvements in financial management are recommended in order to modernize the system and integrate CONAFE and NAFIN project management functions in a single automated system. Specifically, agreement was reached whereby: (a) CONAFE would present, as a condition of effectiveness, an Action Plan to strengthen CONAFE's financial management; (b) Bank technical assistance will be provided for system development; and (c) a financial management review will be carried out at the end of Phase I of the Program and the satisfactory

evaluation of this review on the part of the Bank will be one of the triggers for Phase II.

5. Social:

With support from both the Bank and the Government, a social assessment was carried out by a team of five social scientists (Annex 5). The social assessment relied heavily on interviews with communities and other stakeholders in states having a high proportion of indigenous peoples. The Government's plan for strengthening indigenous education, *Fortalecimiento de la Educación Inicial Y Básica Intercultural Bilingüe Para Niñas y Niños Indígenas*, was reviewed, along with the program's proposed implementation of the policies therein. The conclusion of the social assessment is that there is congruence between activities proposed under the program, the Government's policy for compensatory programs for the indigenous, and the identified needs of these populations.

6. Environmental assessment: Environmental Category ☐ A ☐ B ☒ C

The program will fund expansion and rehabilitation of classrooms (but not new schools) and auxiliary facilities such as latrines and meeting rooms, using mainly community participation as the source of labor. Civil works under this program will be conducted according to the same operational procedures used under the ongoing PAREB project, which were reviewed and approved by the Bank and will take into consideration issues such as clear title to land, proper location and construction of latrines, disposal of waste, etc. The program is proposed to receive an environmental rating of "C".

7. Participatory approach:

a. Primary beneficiaries and other affected groups:

During program preparation, surveys were conducted to assess in specific terms the needs of program beneficiaries. This led directly to the design of the pilot programs for migrant children, children aged 9-14 in urban marginal areas, and indigenous children in general schools. The *Proyectos Escolares* subcomponent represents the expansion (and experiences garnered) of a pilot program conducted in 100 schools. The community participation model for school infrastructure is a continuation of the approach used in the ongoing project, PAREB, and should ensure greater involvement and ownership in the quality of education at the local level. A Beneficiary Assessment will be conducted and its results reviewed at the end of Phase I.

At the institutional level, the GTC is an excellent example of the degree of participation and collaboration among SEP's various departments and CONAFE with the common objective of improving the compensatory programs. *Inter alia*, this dialogue has allowed SEP/CONAFE to develop a more comprehensive program addressing compensatory education needs at all levels of initial and basic education, helped improve the targeting mechanism, involved the states in the design of the Strategic Plans, and elevated the role of the evaluation subcomponent. To help guide the implementation of Phase II based on lessons gathered under Phase I, a beneficiary assessment will be conducted, and its results reviewed as part of the triggers for Phase II.

b. Other key stakeholders:

A large cross-section of stakeholders were also consulted under the social assessment, and their inputs were considered in the design of the program. They include, *inter alia*, (a) CONAFE staff, supervisors and teachers, (b) staff of SEPEs, (c) principals, teachers and supervisors of the system of Indigenous education of SEP, (d) parents and students under both CONAFE and SEP systems, (e) representatives of the teacher union, (f) specialists and experts on indigenous and bilingual education, (g) members (teachers, linguists, medical doctors, anthropologists, etc.) of community-based-organizations of various indigenous groups, (h) representatives of local education NGOs, and (i) the only elected indigenous Senator in Mexico.

F: Sustainability and Risks

1. Sustainability:

The program seeks to enhance sustainability of investments through the involvement of stakeholders, to the extent possible, in all activities. At the school level, communities will be asked to contribute labor and local materials to the construction and rehabilitation of classrooms; parents associations will have a greater say in the management of schools through the *Proyectos Escolares*, thus increasing ownership and enhancing sustainability. The same demand-side approach will be applied to the FDI, whereby SEPEs will have greater incentive to design and sustain institutional strengthening and investment activities with longer-lasting effects. At the federal level, SEP/CONAFE have been very active in the design and preparation of the program and, thanks to the long-term dialogue under the APL, have articulated a medium-term compensatory education strategy which all parties hope would still prevail under the next Administration.

2. Critical Risks (reflecting assumptions in the fourth column of Annex 1):

<u>Risk</u>	<u>Risk Rating</u>	<u>Risk Minimization Measure</u>
Annex 1, cell "from Outputs to Objective"		
Policy framework for compensatory programs maintained	N	Close supervision; APL affords flexibility and leverage for Phases II/III
Continuity in government policies and priorities	N	Early discussions with incoming Government; prior agreement on budget for Year 1 of Phase II
Government policies continue to support local empowerment	M	SEPEs are encouraged to take on more ownership & initiative through more active participation
Annex 1, cell "from Components to Outputs"		
Close coordination between federal and state agencies involved	N	Implementation left mostly to the states, with CONAFE playing facilitation role
Personnel receiving technical assistance or training are encouraged to apply newly acquired knowledge and skills in the organization	M	As incentive, FDI linked to improvements in managerial competence and execution efficiency in SEPEs
States receive adequate support during subproject design and implementation	M	Dissemination campaign to be carried out in 1998
Key stakeholders support project activities	N	Extensive involvement of stakeholders at the school level through the <i>Proyectos Escolares</i> ; active participation of state-level implementing agencies in design of activities
Overall Risk Rating	N	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:

The program will provide compensatory educational services to indigenous and other underserved populations. A social assessment (Annex 5) was carried out to ensure that the overall strategies and the program activities would adequately attend to the needs of these populations.

G: Main Loan Conditions

1. Effectiveness Conditions:

Loan proceeds transfer contractual arrangements between the Borrower and the Grantor (with supporting

legal opinions).

Presentation of an action plan for improvement of CONAFE's project financial management system.

2. Disbursement Conditions:

Disbursement for each participating state is conditioned on having a prior signed agreement with said state.

3. Board presentation condition

Presentation of signed letter of sector development strategy.

4. Other:

The triggers for possible approval of subsequent APL phases include:⁴

Phase II. Shortly before completion of Phase I (October 2000), the Government and the Bank will jointly review the progress achieved, and may enter into an agreement on a subsequent loan of US\$300 million covering the period 2001-2003. The triggers which would allow the Bank to consider the Phase II loan include satisfactory progress under: (a) physical indicators under both components (e.g., the meeting of targets under civil works, goods, training, *Proyectos Escolares*, the FDI, etc.) and (b) actions evidencing, *inter alia*, (i) continuation of compensatory programs, (ii) strengthening of executing bodies at both federal and state levels, and (iii) continuing support of the decentralization process.

Phase III. If Phase II is entered into, the Government and the Bank will again jointly review, in October 2003, the progress achieved, and may enter into an agreement on a subsequent loan of US\$210 million covering the period 2004-2006. The triggers which would allow the Bank to consider the Phase III loan include satisfactory progress under: (a) educational outcome indicators and (b) actions evidencing, *inter alia*, (i) continuation of compensatory programs, including a review of the effectiveness of the targeting mechanism, and (ii) further progress under decentralization.

H. Readiness for Implementation

[] The engineering design documents for the first year's activities are complete and ready for the start of project implementation. [X] Not applicable.

[X] The procurement documents for the first year's activities are complete and ready for the start of project implementation.

[X] The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.

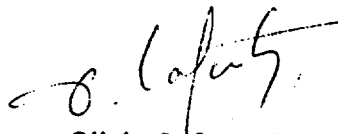
⁴ A more detailed listing of the triggers is provided in Annex 3.

I. Compliance with Bank Policies

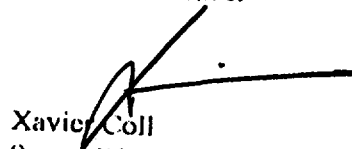
[X] This project complies with all applicable Bank policies.



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Annex 1
BASIC EDUCATION DEVELOPMENT
Project Design Summary

Narrative Summary	Key Performance Indicators	Monitoring and Supervision	Critical Assumptions
CAS Goal 1. Social Services improved			(CAS Objectives to Bank mission)
Program Purpose 1. Expand educational opportunities in initial and basic education for students in the poorest communities, including indigenous and migrant children and improve the quality of basic education for students to achieve better learning outcomes	Overall program indicators to be achieved by the year 2006 <ul style="list-style-type: none"> • Preschool and primary dropout rates decreased by 0.79% and 0.4%, respectively • Failure, repetition and dropout rates at lower secondary level in targeted communities decreased by 2.2%, 0.6% and 2.5%, respectively • Completion rate at primary secondary level in the target population increased by 3% • Completion rate at lower secondary level in the target population increased by 3.9% • School autonomy increases through improved mechanisms for administration, planning and participation of directors, teachers and parent associations 		(Program Purpose to CAS Objectives) Other projects in education, health and nutrition are successfully implemented
Project Objective 1?? Increase equity and quality of initial and basic education performance in schools ranked in the bottom half of the marginality indexes not currently covered under the other projects	Indicators for Phase I - to be achieved by the year 2000 Physical Indicators <ul style="list-style-type: none"> • 60% of civil works & 80% of goods implemented • 80% of training plan implemented • 80% of targeted schools have started or are implementing <i>Proyectos Escolares</i> • Evaluation system: baseline study and action plan, including dissemination strategy • Regional planning: Basic system installed at the central level and action plan • Action plans for pilot programs developed FDI: <ul style="list-style-type: none"> • 60% of funds disbursed • Participation of at least 15 states • Action plan for improving/accelerating activities Other Indicators <ul style="list-style-type: none"> • Upgraded financial management system installed and action plan to (i) disseminate system at state level and (ii) expand system to 	Project monitoring reports SEP's statistics Progress reports Assessment of effectiveness and usage of targeting mechanisms	(Development Objectives to Program Objectives) Policy framework for compensatory programs maintained

[illegible]

Narrative Summary	Key Performance Indicators	Monitoring and Supervision	Critical Assumptions
<p>6. Educational model for migrant education developed</p> <p>7. Educational model for students ages 9-14 developed</p> <p>8. Educational model for indigenous boys and girls attending regular basic education programs implemented in 5 states</p> <p>Component II.2 : INSTITUTIONAL STRENGTHENING - State Level</p> <p>9. State Strategic Plans developed</p> <p>10. FDI under implementation</p> <p>Component II.3: Program Administration</p> <p>11. Project management capacity improved</p>	<ul style="list-style-type: none"> Pilot program completed and evaluation report by June 2000 Pilot program completed and evaluation report by June 2000 Pilot program completed and evaluation report by June 2000 1,200 packages containing textbooks and didactic materials distributed by 2000 At least 15 states have initiated the implementation of Strategic Plans by September 2000 Workshops and seminars to disseminate Fund held in the 31 states by Dec. 1998 Program execution and fund disbursements are on schedule 600 managerial and administrative staff trained 		
<p>Project Activities</p> <p>TRAINING</p> <ul style="list-style-type: none"> Implement training programs for teachers and school managers; and supervisors and heads of sector of <i>telesecundaria</i> (school years 1999-00/2000) <p>SCHOOL MANAGEMENT</p> <p>2. <i>Develop school plans in 200 schools</i></p> <ul style="list-style-type: none"> Assign fund to each school for the development and evaluation of their school project Train teachers and school managers Offer technical assistance (TA) to develop and implement projects Evaluate proposals through National and State Committees <p>SUPERVISION</p> <p>3. <i>Modernize organization and implementation of school supervision in basic education</i></p> <ul style="list-style-type: none"> Distribution of office supplies packages Transport and subsistence allowance 	<p>Inputs: (budget for each component for period 1998-2000)</p> <p>Component I: US\$ 126.5 million</p> <p>US\$ 27.2 million</p> <p>US\$ 1.4 million</p> <p>US\$ 8.6 million</p>	<p>Project Monitoring reports, SEP's statistics, Progress reports, Supervision missions</p>	<p>(Activities to Outputs)</p> <p>Assumptions for all project activities:</p> <p>Close coordination between federal and state agencies involved</p> <p>Personnel receiving technical assistance or training are encouraged to apply newly acquired knowledge and skills in the organization</p> <p>States receive adequate support during subproject design and implementation</p> <p>Key stakeholders support project activities</p>

Narrative Summary	Key Performance Indicators	Monitoring and Supervision	Critical Assumptions
<p>INFRASTRUCTURE/EQUIPMENT/ DIDACTIC MATERIALS</p> <p><i>4. Improve quality of indigenous initial, preschool and secondary education (regular, technical and posprimaria)</i></p> <ul style="list-style-type: none"> Construct, rehabilitate and equip sites Construct, rehabilitate and equip sites for <i>telesecundaria</i> Distribute didactic materials (school years 1999-00/ 2000-01) Equip workshops in general and technical secondary schools; equip labs in rural secondary and <i>posprimaria</i> schools Implement training programs for teachers and school managers; and supervisors and heads of sector of <i>telesecundaria</i> (school years 1999-00/2000) <p>INSTITUTIONAL STRENGTHENING FEDERAL LEVEL</p> <p><i>4. Strengthen the National Educational Evaluation System</i></p> <ul style="list-style-type: none"> Develop evaluation instruments Distribute computers and equipment to SEPE Evaluation Units Collect and analyze data Carry out evaluation of community and indigenous initial, preschool and third grade of secondary education programs <p><i>5. Establish regional planning to improve the states capacity to manage compensatory programs</i></p> <ul style="list-style-type: none"> Carry out school mapping of initial and basic education services in rural and urban marginal communities <p><i>6. Implement pilot program for migrant education</i></p> <ul style="list-style-type: none"> Implement and evaluate new curricula for first grade of primary education Design and implement curricula for the second and third grade of primary education Design and implement MIS system Evaluate operational model <p><i>7. Implement pilot program for students ages 9-14 in urban marginal areas</i></p> <ul style="list-style-type: none"> Complete needs assessment by 2000 Evaluate current educational models Design educational model <p><i>8. Implement pilot program for indigenous boys and girls attending regular basic education programs in 5 states</i></p> <ul style="list-style-type: none"> Evaluate program implementation since 1996 Expand pilot program to 18 schools Definition of specific strategies 	<p>US\$ 89.3 million</p> <p>Component II: US\$ 23.5 million</p> <p>US\$ 1.4 million</p> <p>US\$ 1.6 million</p> <p>US\$ 1.3 million</p> <p>US\$ 0.4 million</p> <p>US\$ 1.0 million</p>	<p>Supervision missions</p>	

Annex 2

BASIC EDUCATION DEVELOPMENT

Letter of Sector Development Strategy

(translated from Spanish original)

**UNDER-SECRETARY FOR PLANNING
AND COORDINATION**

Ref. No. SPC/033/98

Mexico City, April 28, 1998

**MR. OLIVER LAFOURCADE
DIRECTOR
MEXICO DEPARTMENT
WORLD BANK**

Dear Mr. Lafourcade:

I am pleased to send you my regards and to describe in this document the educational policies of the Government of Mexico in the context of the Adjustable Program Lending (the "Program") to be financed with national resources and a World Bank loan. The purpose of the loan is to support the educational reform process being promoted by the Government of Mexico, through the Department of Public Education (SEP) and the National Educational Development Council (CONAFE).

A. GENERAL POLICY

1. The Mexican Government considers the country's first priority to be investment in its people. Education has assumed its fundamental role in the general preparation of plans to achieve comprehensive development in Mexico. Only with more and better education can we expand the horizons of people, families and the entire society. The globalization and competition imposed by an open economy such as that of Mexico forces us to redouble our efforts.
2. The Political Constitution of the United States of Mexico establishes that any individual has the right to receive free and secular public education at the basic level. The General Education Law is explicit in giving education authorities (federal and state) responsibility for generating conditions favoring the full exercise of the right that every individual has to receive a basic education. For this, it requires that specific actions be taken in favor of educational equity. These must preferably be directed to the groups and regions that are more educationally backward or face difficult economic and social conditions. For this purpose it adds to the usual educational activities other actions carried out in support of compensatory programs, "whereby (the Executive Branch) supports with additional resources the governments of more backward entities."

3. The 1995-2000 Educational Development Program deals extensively with educational equity. It recognizes the existence of disparities in meeting demand, due both to lack of coverage in isolated areas and to deficiencies in the quality of operations in disadvantaged schools. Further, it indicates that the purpose of educational equity makes most sense and is most important in rural and indigenous communities where marginalization and poverty tend to predominate.
4. Educational Federalism. In the context of the National Agreement on Modernization of Basic Education and as a substantial part of reorganization of the educational system, in 1992 the Federal Government transferred to the state governments the educational institutions through which the Department of Public Education had been providing preschool, primary, secondary, and special educational services and teacher training services. Educational federalism gave considerable momentum to the national redistribution of authority, strengthening state and municipal decision-making levels, and promoting better linkage between local authorities and communities. As a result, state educational systems are taking on great importance and responsibility in delivering basic and normal educational services.
5. Quality of Education. The goal of achieving quality education with sufficient coverage has been a constant of educational policy that was reinforced by the signing of the National Agreement for Modernization of Basic Education. This Agreement established three basic lines of strategy: reorganization of the educational system; reformulation of educational content and materials; and social reassessment of the teaching function. The role of the Federal Government, through the SEP, now focuses on maintaining essential educational unity throughout the country, promoting quality across the board and securing more equitable conditions for access to and continuation in schools.
6. Compensatory Function. As a result of the state governments' having assumed responsibility for operating the educational services that had been provided by the Department of Public Education, the Federal Government has been able to exercise its compensatory function better: it can now dedicate more energy to defining and applying in conjunction with the states programs to move ahead in resolving the problems and deficiencies of some more disadvantaged social groups and regions.
7. In the last six years, four compensatory programs have been designed and put into effect with the support of the World Bank and the IDB. These programs, which have been directed to reversing the effects of the educational lag in marginalized rural areas, are as follows: the Program for Development of Early Education, the Program to Eliminate the Lag in Education, the Program to Eliminate the Lag in Basic Education, and the Comprehensive Program to Eliminate the Lag in Education.
8. In absolute terms, during 1997 these four compensatory programs served almost 4,450,000 children and 35,861 schools; 13,600 incentives were granted for teachers,

directors and supervisors with the support of 10,000 parents' associations, and 5,778 educational premises were constructed. In addition, training was provided to 79,234 instructors.

9. The compensatory programs have made it possible to implement measures promoting children's continued attendance and progress in terms of passing grades, but more particularly quality in education for better, more solid and continuous learning. It is the policy of the Federal Government to continue supporting the poorest regions--according to its financial capacity--until their educational indicators improve considerably.
10. Educational Resources. Both the National Agreement for Modernization of Basic Education and the General Education Law of 1993 stipulate the need to allocate increasing budgetary resources to public education. In recent years, total spending (public and private) for the sector has amounted to 5.6% of the Gross Domestic Product (GDP). Projected spending by the Federal Government in 1998 represents 4% of GDP and 24% of total public spending programmed by the Federal Government.

In those cases where external financing for programs has been exhausted, payments have been made with regular budget resources in order to ensure the permanence and continuity of the actions. The high priority that the Federal Government grants to education is reflected in the growing share of the educational budget within the total federal budget.

11. In addition to the compensatory programs supported by the Federal Government, the states, consistent with educational federalism, have increased budgetary allocations to promote education. Federalization has meant the responsible and committed participation of state governments, contributing to greater efficiency in the system and improved teaching quality. The Fiscal Coordination Law, published in the Official Gazette of the Federation on December 20, 1997, establishes that each state government will receive directly most of the federal resources allocated to basic education. The proper use and distribution of these resources among basic education expenditures is under the sole jurisdiction of the state governments.

B. SPECIFIC ASPECTS

12. Program Objectives. The overall objective of the Program is to improve the quality of the educational supply, helping to give the population between the ages of 0 and 14 years residing in socially and educationally backward areas access to services, to keep them in school and ensure successful completion of basic education. To this end, the Program will seek to improve preschool education services (non-academic), reduce drop-out rates in preschool education; reduce failure rates, repetition of grades, and drop-outs in secondary education; raise the rate of completion of basic education; and reduce the lag in educational utilization results between populations in different sectors.

13. To achieve these objectives, the program will support various innovations, in particular: encouraging local management of schools supported by funding from education projects created by educational communities with the participation of parents' associations; extension of the community education model to rural secondary education; design of special educational modalities for children in the migrant agricultural population and strengthening institutional management capacity at the state level based on strategic management plans. The consolidation of these activities requires flexibility in financing methods in order to achieve simple adaptation of the use of resources to the results of experience. For these reasons, we feel that the most appropriate form for the Program would be that of an adjustable loan (Adjustable Program Lending), scheduled in three phases.
14. During Phase I (1998-2000), support will be given to improving the quality of indigenous early and preschool education, regular rural preschool education (3rd and 4th quartiles), as well as secondary education in general secondary, technical, tele-secondary and post-primary educational modalities offered in more disadvantaged rural locations and schools (the 3rd and 4th quartiles in rural areas).
15. In addition to the above, three studies will be conducted to support design of primary education modalities for the age group between 9 and 14, migrant children, and indigenous children attending general primary schools
16. Progress will also be made during this first phase in developing experience with the schools project as a strategy for transforming the education profession and work will start on modernizing the supervision of basic education, through territorial microplanning studies of early and basic education services.
17. In addition, as actions to strengthen institutional management capacity, the SEP will consolidate the National Educational Evaluation System and will strengthen the territorial microplanning of early and basic education, through geographic referencing of educational services.
18. As for strengthening the state education departments, the SEP will determine which actions in the respective strategic management plans are eligible for federal support. For this purpose, it will consider those actions that make it possible to improve the operation and administration of basic education schools at the state level and that foster autonomous school management with participation from the educational community.
19. During Phase II (2001-2003), work will continue with the services in the first phase and support will be provided for non-academic early education, for general primary education (3rd and 4th quartiles in rural areas and 4th quartile in urban areas), for indigenous primary education, for community preschool and primary education, and for primary education for both the group aged 9 to 14 and children in the migrant population. This will strengthen early and basic education in the areas with the most disadvantaged conditions (rural and marginal urban).

20. During Phase III (2004-2006), work will continue with the non-academic, preschool, primary and secondary levels in the 4th quartile.
21. With respect to modernizing the supervision of basic education, support will be given to training basic education supervisory staff in automated school administration and oversight processes, educational statistics and indicators, personnel rosters and inventories, among others.
22. The actions in Phases II and III will be determined by the results obtained in implementing the Program and other projects associated with implementation of educational reform.

Indicators for approval of Phase II of the Program.

23. Monitoring and Evaluation. The indicators of the program and each of its phases will be monitored taking into account various program follow-up reports, SEP statistics and the action plans. Primary responsibility for monitoring program activities will lie with CONAFE and the education departments in the participating states. The preparation of reports will include visits to the schools and non-academic activities of the program, as well as interviews.
24. Role of the National Educational Development Council. CONAFE is a decentralized public service agency, with legal status and its own assets. It was created in 1971 to collect both domestic and foreign supplementary economic and technical resources to be applied to better development of the country's education. It is subject to the Federal Law on Quasi-Governmental Agencies (which governs this type of body).
25. Conceived to offer alternative solutions for the educational problems of disadvantaged populations, CONAFE faces the challenge of generating ideas and actions to bring education to the more marginalized rural areas and to capture and administer resources for educational programs in an efficient, effective and imaginative way. Its most important achievements include the CONAFE model for primary education (rural community education) which has provided this educational benefit to scattered localities where children could not have obtained this opportunity in any other way.
26. Rural Community Education encourages alternative, flexible and relevant programs in preschool and primary education in rural indigenous communities with fewer than 500 inhabitants and in migrant agricultural worker camps. The CONAFE educational model seeks to have children build knowledge and develop a critical and thoughtful attitude as well as to establish connections between community knowledge and academic content.
27. CONAFE will be the executor of the Program to Eliminate the Lag in Early and Basic Education (PAREIB). To provide effective coordination with SEP actions, the Central Technical Group will continue to operate. This group must sanction all those decisions that the Law stipulates as the province of SEP and which CONAFE must execute in the context of the program.

It is felt that the framework described above covers the objectives, actions and goals of the Program to Eliminate the Lag in Early and Basic Education (PAREIB).

I am available for any further information you may need on this matter and again take this opportunity to send my regards.

[stamp]
EFFECTIVE SUFFRAGE. NO REELECTION
THE UNDER-SECRETARY

CARLOS MANCERA CORCUERA

cc: [illeg.]

Annex 3

BASIC EDUCATION DEVELOPMENT

Project Description

Background

Phase I of the Basic Education Development APL is intended to provide complementary inputs to ongoing projects currently financed by the Bank (PAREB, Loan 3722-ME) and IDB (PIARE). While PAREB and PIARE focus on improving the quality of education at the primary level, this operation will extend compensatory activities to the less-emphasized areas of initial, preschool, and lower secondary education (grades 7-9) in targeted communities through the provision of basic inputs. In addition, the program also includes pilot activities to attend to the specialized needs of specific population groups (i.e., migrant children, children age 9-14 in urban marginal areas, and indigenous children attending general schools) and institutional strengthening measures at both the federal and state levels. Phase II would, if approved, expand on these pilots, if proven successful, and would provide additional funding to pick up where PAREB and PIARE leave off as these operations are expected to close in 1999-2000. Phase III, if approved, would continue supporting the program with additional emphasis on decentralization. Appendix A provides a discussion of the phasing of the program.

As part of the Government's decentralization strategy, each state through their SEPEs will now have greater autonomy in planning and executing its compensatory education activities according to a set of national guidelines which specify the targeted schools and communities, menu of supported activities, educational norms to be met, and procedures for obtaining program approval and financial support. Annual Strategic Plans which include work and institutional development plans (*Planes Rectores*) will be developed by each participating state for review by SEP/CONAFE, and execution will be carried out by the respective SEPEs with technical assistance from local CONAFE delegations as appropriate. Care will be given to coordinate activities funded under the APL (and avoid duplication) with those currently financed through the PAREB and PIARE projects.

Targeting

A combination of poverty and educational indicators has been used to identify areas of greatest need in all 31 states. This index combines factors such as marginality (poverty), student population, student/teacher ratio, and repetition and dropout rates. For each state and educational level, schools falling in the bottom 50 percent of the index will be ranked and will receive support under Component 1 (basic inputs). Specific strategies have been developed to attend to the special needs of indigenous populations (see box next page).

Program Component 1 — Quality Improvements in Initial and Basic Education — US\$126.5 million (total cost of component including contingencies)

Subcomponent 1.1 — Training, US\$27.2 million. The training program would be administered to all program teachers, principals and supervisors and to promoters for initial education. Following national guidelines for the implementation of training activities, each state will define its annual training program as well as training contents and strategies. The training annual program should be part of the state annual work plan to be approved by SEP/CONAFE. Based on experience under previous Bank-financed projects, the courses would be expanded in length and content and follow-up technical assistance in classroom performance will also be provided to foster a more active role by supervisors and principals after the formal training program. Teachers working in rural secondary programs (*posprimaria*) and unitary preschool programs, and distance education (*telesecundaria*) teachers who are teaching multigrade classes will receive additional training related to methodological approaches to be used in multigrade classes. The program will also support an approach whereby new, provisional teachers who speak the local indigenous language are selected first by the communities and, after a period of part-time studying and in-service training, can qualify for a permanent appointment once they pass the *Bachillerato* exam.

The Challenges of Indigenous Education

Children of indigenous communities are usually the most disadvantaged in terms of socio-economic and educational conditions. They often live in geographical and cultural isolation in remote villages with inadequate social services. Even where schools are available, a curriculum is taught that has little relevance to their perceived needs and traditions. For the most part, their language of everyday communication is one or another variant of several dozen major native languages, so when children first come to school to be taught in Spanish, they are faced with the additional problem of having to understand new concepts in an alien tongue. In addition, teachers often do not speak the language of the students and are inexperienced and less trained than their counterparts in urban settings. Schools in indigenous communities have the highest rates of repetition and dropout, and even children who remain in school over long periods of time fail to achieve minimum mastery of elementary literacy and numeracy skills.

The program will support the development and implementation of an educational strategy to facilitate learning for indigenous children with a mother tongue other than Spanish. The strategy would include provision of primary school facilities or non-formal education models in localities inhabited by non-Spanish speaking populations, special training of bilingual teachers, and provision of appropriate educational materials (including textbooks in indigenous languages) to facilitate acquisition of literacy and numeracy skills.

Subcomponent 1.2 — Strengthening school management at local and school levels (*proyectos escolares*) — US\$1.4 million

Proyectos Escolares. The program will consolidate the progress achieved under the project currently managed by the General Directorate for Educational Research under SEP, *La Gestion Escolar en la Escuela Primaria*, involving 100 schools in the state of Colima with financing from the Government of Spain. Initially, this program will support approximately 200 primary schools in the five states of Baja California Sur, Colima, Guanajuato, Quintana Roo and San Luis Potosi by fostering responsibility at the local level for the quality of the educational process and for educational outcomes through the financing of innovative projects originated at the school level. School projects will be designed and implemented based on (a) the assessment of the particular conditions and needs of students and (b) ample participation by the school principal, teachers, parents and students. They would consist of activities or interventions designed to resolve particular educational problems that are recognized by the school community as obstacles to learning and limitations to school performance. They must include new ideas and solutions, rather than increments of the traditional educational approach, and be strongly related to the needs and the realities, the culture and the circumstances of the particular school and community; it is hoped that they will involve significant change in the way learning is pursued in the school and have the potential to transform educational practice for better results. The school projects will also develop appropriate strategies, planning and materials for in-service training of school directors and supervisors, and support the SEPEs in the development of an overall educational strategy that can be extended to other schools in the nation. Monitoring and evaluation mechanisms will also be an integral part of the school projects. The program will finance: (a) technical assistance to school directors, supervisors, pedagogic advisors and teachers to ensure appropriate school project design; (b) educational materials, training for school staff and parents, travel expenses for out-of-school educational activities; (c) financial resources to the parent associations for implementation; and (d) monitoring and evaluation.

School Projects will be submitted by the school council of each school to the state project office for financing. School councils will need to have been formally established and to have acquired legal status (*personería jurídica*) in order to be eligible to receive project funds for their school projects. In addition to this, the SEPE will provide training to school council officers in management and accounting skills, and each council will open a bank or other account to deposit the funds received from the state. The account may also hold other resources of the school council. Once the school project is approved, the state will deposit the authorized amount in the account of the council. The council will then authorize

the necessary expenditures to implement the project, and will submit a report of expenditures to the state using the existing official forms for this purpose.

Subcomponent 1.3 — Strengthening supervision — US\$8.6 million

Strengthening Supervision. Because of the generally low degree of preparation of school personnel to deal with children from disadvantaged or different backgrounds, there is a need to place supervision at the core of the pedagogical support to teachers. In addition, the organization of the system should be more efficient to achieve the quality improvements needed at the school level. During Phase I, the program will focus on supporting the supervision system through equipping supervision offices to consolidate education data by supervision districts/zones to provide information for supporting decision making at school level, per diems to increase supervision visits to focus on learning/ teaching activities and pedagogical support to teachers and to schools. At the end of Phase I, and using results from the Regional Planning exercise, improvements under the evaluation system, and inputs from the states (see below), a comprehensive strategy for strengthening supervision will be designed and implementation, including training, would begin in Phase II if approved.

Subcomponent 1.4 — Civil Works, Equipment, Didactic Materials — US\$89.3 million. This subcomponent will operate on the basis of annual proposals submitted by each state following the policy framework, guidelines and criteria established under the project with the objective of equalizing educational opportunities in the state. Support will also be provided to an innovative rural lower secondary program, *posprimaria*, which relies on self-teaching techniques (see Appendix B).

Civil Works. The program will support urgently needed rehabilitation or replacement of inadequate school facilities and construction of new classrooms to meet expanding enrollment. New and rehabilitated classrooms would be provided with appropriate classroom furniture, including student desks and benches and teacher desks and chairs. All schools in the program would be provided with bookcases and shelves as needed. Execution will be entrusted to communities represented by municipalities and school councils, through direct administration of funds, under umbrella agreements with SEPEs, using the same administrative and financial transfer mechanisms currently used under PAREB. A standard contract agreement for the community implementation of civil works has been reviewed by the Bank and found satisfactory.

Didactic Materials. Textbooks and school and classroom teaching and learning materials will be distributed to all targeted schools and initial education groups. The educational packages will be defined at the state level following guidelines established by SEP/CONAFE and distributed to schools, teachers and students. Each classroom would receive a package of grade-specific materials. Each targeted lower secondary education school (general and vocational) will receive equipment for its workshop, and rural secondary schools (*posprimaria*) will receive laboratory kits for science education.

Program Component 2 — Strengthening Institutional Capacity at Federal and State Levels — US\$23.5 million (total cost of component including contingencies)

Subcomponent 2.1. Institutional Strengthening at the Federal Level — US\$4.5 million. The program aims to strengthen (a) the National Evaluation System, (b) SEP/CONAFE's institutional capacity for planning, monitoring, evaluation and quality control of development activities using geographical and demographic variables ("Regional Planning"), and (c) design and pilot appropriate basic education models for migrant children, children age 9-14 in urban marginal areas, and indigenous children in general schools.

Strengthening the Evaluation System. The main objective is to strengthen the SEPEs' evaluation systems to complement the national evaluation exercises done by SEP's General Directorate for Evaluation, DGE. In the last years, DGE has been making an effort to develop a National System of Education Evaluation (*Sistema Nacional de Evaluación Educativa*, SNEE)

whose main objective is to improve the evaluation capability at the federal and state levels and systematically provide information to support sustainability of educational investment programs. Despite progress made by the federal level on increasing sample coverage, periodicity, scope, depth of analysis, and accessibility of the evaluations undertaken by the DGE, at the state level, with few exceptions, practically no evaluation capacity exists. With CONAFE's support, the DGE has initiated a program for strengthening the evaluation systems within the states (*Programa de Instalacion y Fortalecimiento de las Areas Estatales de Evaluacion*). This program has been providing evaluation training programs to state staffs to develop evaluation activities in primary education. There is a need to consolidate these activities, expand the evaluation to other levels of education, and increase the education system's ability to disseminate and use the evaluation results to support policy decisions and sustainability of the education programs. The evaluation to be developed under the program will include cognitive achievement by subject to be measured across variables such as age, type of school and education modality, grade, gender, and geographical area. In addition, data relative to school inputs, family and community characteristics, and social and economic environment would control for school and non-school factors.

Specifically, the program will: (a) provide training and technical assistance to state evaluation teams; (b) improve, at the state level, the process of data collection, systematization and analysis of education indicators; (c) expand the scope of the evaluation by including preschool and all grades of basic education (including lower secondary education); (d) develop comparative measurements with students enrolled in all different modalities and education levels targeted by the program; (e) provide test achievement results of students enrolled in the program; and (f) establish strategies to disseminate evaluation results as a tool to improve education quality.

Regional Planning Project. The objective of this project is to support a systematic approach to management, planning, and implementation of educational activities within each state based on increased access to precise geographic and socio-demographic variables. The activities to be implemented under this project will significantly increase the states' capability for organizing the education services and levels of education in a better and more efficient way (e.g. the supervision system), defining needed investments in the sector, establishing better coordination among schools to enhance quality in the provision of services, and providing reliable information for policy decisions.

The project will provide technical assistance to develop state strategies, provide materials, software and training of SEPEs, SEP and CONAFE staff in both conceptual and practical aspects of school mapping and activity planning. Project activities would comprise using digital cartography from INEGI (the National Statistics and Geographic Information Institute) at the appropriate scales as well as to secure other technological basis (i.e., GIS, statistics and demographic database systems and associated software and technical assistance) for system utilization by the states. INEGI will also play a quality control role with regard to the updating of the cartography to be done by SEP and the states in the context of the regional micro-planning. The cartographic location of urban and rural schools should be completed to match the GEOSEP database already developed at SEP. It will also carry out specific field studies on rural micro-regions and urban marginal communities, on the geographic and socio-demographic conditions that support (or hinder) the delivery of services. In addition, it is expected that the exchange of experiences among states would promote cross-fertilization of regional planning strategies. At the end of Phase I, a basic system is expected to be installed at the central level as well as a pilot experience to begin in some 4 states. Full implementation in all other states is expected to follow under Phase II if approved.

Pilot Program for Migrant Children. The project will support the development of an educational model that would meet the needs of the children of migrant agricultural workers who,

because of their nomadic condition, are unable to attend regular schools or complete the primary education cycle. Migrant workers comprise a population of approximately 4.6 million persons, nearly 40 percent of the country's rural population;¹ the number of school-age children is estimated to be between 410,000 and 750,000. CONAFE studies in 1995 showed that on average the migrant population over 15 years of age has had 2.2 years of schooling, compared with a national average of 7 years. Approximately 400,000 children of migrant workers will be targeted.

The project will provide technical assistance for a study of the magnitude, locations and socioeconomic conditions of the migrant population and for the design and testing of an appropriate educational model, including definition of essential curricular contents, strategies for educational delivery, design of specific educational materials, and techniques and criteria for evaluation and accreditation of educational achievement for migrant children. The project will also define a specific professional profile for teachers or other educational agents working with migrant children, and design a staff training program. It will seek agreements for cooperation among the various agencies operating educational services for the migrant population, including SEP/DGPPP, CONAFE, and SEDESOL, as well as with INEGI to conduct a diagnostic survey of the migrant population. The project will have an experimental design for the purpose of monitoring progress in the construction and validation of the desired educational model, which if successful will be expanded during Phase II if approved.

Pilot Program for Children Age 9-14 in Urban Marginal Areas. Children at risk in Mexico constitute a vulnerable group due to the high marginality and poverty indexes. The program will support the development of an educational program targeted to at-risk students age 9-14 in urban marginal areas which have dropped out school or do not presently attend a primary education program. Specifically, this program will include a study during Phase I to evaluate the variety of educational models presently under implementation, assess the potential demand, define an overall strategy to address the particular needs of the target population, to be followed by a pilot program of interventions and monitoring and evaluation, starting in Phase II if approved.

Pilot Inter-Cultural Program for Indigenous Children In General Schools. The pilot will finance (a) the evaluation of results of a pilot project started in 1996 by the General Directorate of Indigenous Education (DGEI) with indigenous children in general primary schools in the state of Guanajuato and (b) the design and testing of inter-cultural educational strategies for indigenous children in regular primary schools following the recommended strategies. The expanded pilot will be conducted in 18 other general primary schools in Guanajuato and in another eight schools located in the Federal District, Monterrey (Nuevo Leon), Tuxtla Gutiérrez (Chiapas), and Oaxaca.

A DGEI technical team will be responsible for carrying out the pilot program. The pilot will have the following phases: (a) construction of evaluation instruments for evaluating the pilot schools in the state of Guanajuato; (b) application of the evaluation instruments in the pilot schools; (c) analysis of results; (d) review of the strategies; (e) selection of schools that will participate in the expansion of the project in the above-mentioned states; (f) development of

¹ Migrant workers usually leave their homes in poor, disperse rural communities in the Southern states (mainly Guerrero and Oaxaca) to travel north (largely to the states of Sinaloa, Jalisco, Baja California and Baja California Sur, among others) in search of work in plantations requiring seasonal workers for the harvest of cane, coffee, fruits or vegetables. They often bring their families along, causing their children to drop out of school (assuming they had access to education in their communities of origin). They settle in temporary labor camps in the property of the plantation that offers them work, where they form a diverse community of men, women and children, all of them salaried workers from the age of eight or nine. Typical housing and sanitary conditions are poor, and the group is made up of persons of different cultural, ethnic and linguistic origins. Many of them speak only their native indigenous language. A majority of them will return to their communities of origin when the harvest is finished, and some, especially single men, will move on to other labor camps in other states.

appropriate teacher training programs; (g) testing the strategy in selected schools; (h) adjustment of proposals; and (i) final report. During the different phases of the project, the technical team will establish a systematic consultation process with external specialists in indigenous education to assure the quality and relevancy of the program.

Subcomponent 2.2 — Institutional Strengthening at the State Level — The Institutional Development Fund (FDI) — US\$9.0 million. A basic element of the institutional strengthening of SEPEs is the preparation of their *Planes Rectores* (see Background section above). Through these annual work and development plans, and with the help of SEP/CONAFE at the central level, the states will be able to identify and seek support for the educational and institutional challenges they face in formulating and implementing basic education programs and strategies for compensatory education. The preparation of these Strategic Plans is a prerequisite for the states to participate in the Institutional Development Fund, (*Fondo de Desarrollo Institucional*, FDI).

The FDI comprises two funds, a Basic Fund and a Competitive Fund. Each of these funds will receive one half of the resources allocated to the FDI. Disbursement of FDI resources to each state will be conditional on the approval of specific subproject proposals presented by the states. This mechanism will apply to both funds, although the eligibility criteria is different in each case: universal in the case of the Basic Fund and conditional on efficiency criteria, in the case of the Competitive Fund.

During Phase I of the Program, the resources to be allocated to the FDI are estimated at US\$4 million in 1999 and US\$5 million in the year 2000. During 1998, CONAFE will disseminate the Operational Guidelines of the FDI and will assist the states in preparing subproject proposals.

The Basic Fund will support the implementation of the Strategic Plans by the SEPEs, using the distribution of the student population by state as criteria for the allocation of resources to each state. The student population comprises initial and basic education students. Within the amount assigned to each state, specific allocations will be made based on the merit of each subproject proposal.

The Competitive Fund is conceived as an incentive to promote management efficiency in the SEPEs. The resources of this fund will be allocated to each state taking into account eligibility criteria comprised of efficiency indicators as well as the merit of specific subproject proposals. The eligibility criteria for this fund consists of an index combining targeting, state financial participation, and share of state expenditures in education that directly reach schools.

The subprojects that are eligible for financing under the FDI can be grouped in four basic categories: (a) integrated strategic planning systems; (b) strategic micro-planning; (c) integrated operational planning systems; and (d) operational micro-planning studies and activities.

The type of expenditures eligible for financing under the FDI include: (a) consultant services and technical assistance for studies, workshops, training, and dissemination campaigns; (b) procurement of goods, such as audio-visual equipment, communications equipment, training materials, computers, among others; a cap on the amount of expenditures for the procurement of goods to be financed under the FDI will be agreed upon during negotiations. Recurrent operational costs will not be eligible for financing through the FDI. The implementation period of subprojects to be financed in each states can be one or more years.

Subproject proposals will be collected as part of the annual programming exercise for budgeting purposes in August of each year for the following year. They will be evaluated by a joint CONAFE/SEP committee composed of technical specialists in basic education, institutional development, sector planning and budgeting, and evaluation. This committee will evaluate proposals based on general criteria established for both funds and on specific criteria applicable only to the Competitive Fund.

Subcomponent 2.3 — Program Management — US\$8.2 million. The program makes provision for technical assistance and for the financing of small CONAFE delegations (one coordinator plus 2-3

assistants) in each of the participating states (“participating” defined as those who agree to prepare and implement Strategic Plans) to assist SEPEs in coordination, procurement, monitoring and reporting. It is CONAFE’s intention that SEPEs will gradually increase their responsibilities for managing and implementing their respective compensatory programs to the point of complete autonomy, within the federal norms set by SEP/CONAFE. Incremental operating cost financing is also provided to support project administration activities of SEPES.

Appendix A — Phasing of Activities Under APL

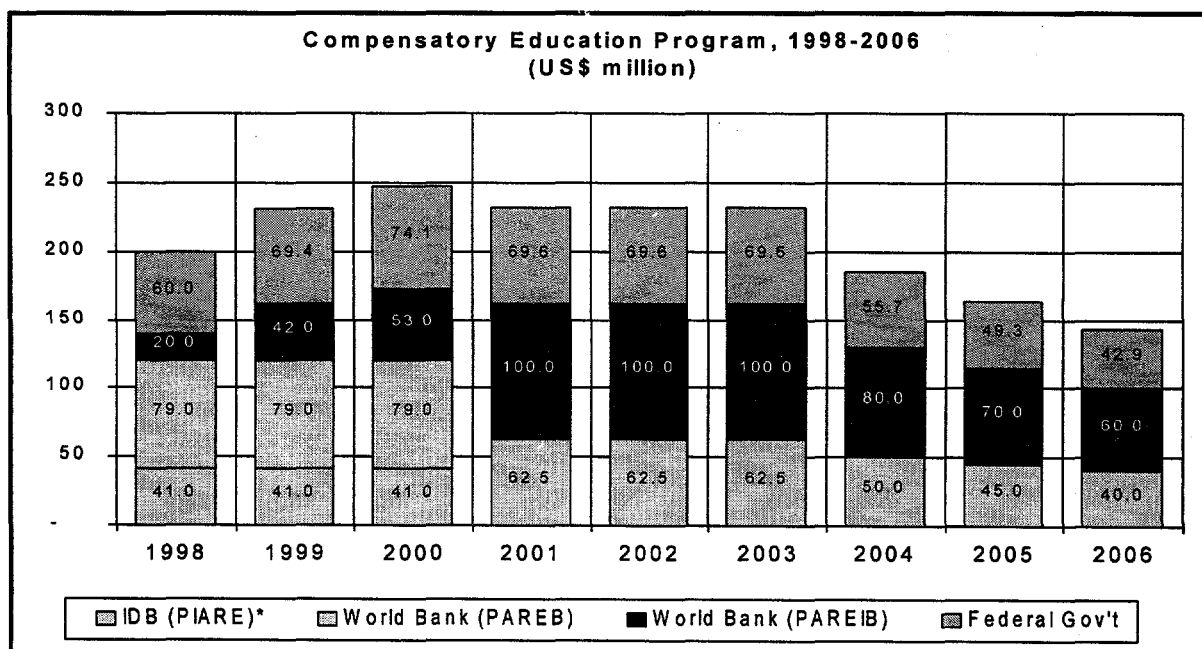
The APL will provide the Government with the opportunity to rationalize and integrate its compensatory education program which is currently funded by both the Bank and IDB. At present, the program is the result of a mix of policy objectives, differing targeting criteria, and division of labor between the Bank and IDB according to education levels and geographic coverage (see table below).

Ongoing Support for Compensatory Education Program - World Bank and IDB

	Supported by World Bank	Supported by IDB
Basic Educational Inputs By Level		
Initial	PAREB, 10 states, lowest decile	PIARE, 21 states
Preschool	PAREB, 14 states, lowest decile	PIARE, 17 states
Primary	PAREB, 14 states, lowest decile	PIARE, 17 states
Lower Secondary	N/A	Distance Education
Institutional Strengthening	PAREB, 14 states	PIARE, 17 states

Phase I will (a) complete the gaps in support from the two development institutions by (i) expanding the target population with a broader targeting formula (going from the lowest decile to the bottom 50% of the potential beneficiary population) and (ii) assisting heretofore unsupported programs such as *posprimaria* and (b) provide institutional strengthening assistance at federal, state, and local levels to achieve better outcomes. Over the period 1998-2000, experience will be gathered under the pilot programs and the state-funded development initiatives (the FDI), which will provide the basis for discussion during late 2000 between the Bank and the incoming Government about policies and implementation strategies.

Successful meeting of the triggers under Phases I & II would prompt the Bank to consider funding for Phases II & III, respectively, which would extend support for the compensatory education program as agreed with the new administration, building on experience gathered. Estimates of the target population by state and detailed physical implementation targets have already been defined and will be reviewed as part of supervision and prior to subsequent phases. Financing of the compensatory education program over the three-phase APL is estimated as per the graph below:



* PIARE is scheduled to close in 2000; a follow-up project is assumed.

APL Triggers

Phase II

The triggers which would permit the Bank to consider approval of the Phase II loan include standard project appraisal criteria and:

Physical Indicators

Component 1

- 60% of civil works & 80% of goods implemented
- 60% of training plan implemented
- 80% of targeted schools are implementing *Proyectos Escolares*

Component 2

- Evaluation system: Progress report, baseline study, and action plan, including dissemination strategy
- Regional planning: Basic system installed at central level, action plan
- Progress reports and action plans for pilot programs
- FDI:
 - ⇒ 60% of funds disbursed
 - ⇒ Participation by at least 15 states
 - ⇒ Progress report, action plan for improving/accelerating activities

Other Actions

- Framework for compensatory programs maintained according to terms of Government letter
- Assessment of effectiveness and use of targeting mechanisms
- Beneficiary assessment being carried out
- Progress under CONAFE financial management improvement action plan
- Financial management capacity in, and action plans completed for, all participating states with respect to the compensatory programs
- Evidence of utilization of improved evaluation system in at least 15 states
- Evidence of preparation of Strategic Plans by at least 15 states
- Evidence of adequate counterpart funds

Phase III

If Phase II is entered into, the triggers which would permit the Bank to consider approval of the Phase III loan include standard project appraisal criteria and:

Educational Outcome Indicators

- Dropout at the preschool and primary levels in targeted populations reduced by 0.79% and 0.4%, respectively
- Completion rate at the primary and lower secondary levels in targeted populations level increased by 3% and 3.9%, respectively
- Failure, repetition, and dropout at the lower secondary level in targeted populations reduced by 2.2%, 0.6% and 2.5%, respectively

Other Actions

- Framework for compensatory programs maintained according to terms of Government letter in Annex 2
- Assessment of effectiveness and use of targeting mechanisms
- Satisfactory progress under state-level financial management improvement action plans
- Evidence of preparation of Strategic Plans by at least 25 states
- At least 10 states are fully and directly executing compensatory programs, under norms set by SEP/CONAFE
- Evidence of adequate counterpart funds

Appendix B — Rural Lower Secondary (*Posprimaria*) Program

To increase the quality of lower secondary (grades 7-9) education in rural areas, the program will support quality improvements in the different modalities offered to rural students. Support under the program will be directed mainly at developing the *posprimaria* model for small rural areas which effectively receive no secondary education coverage due to their geographical isolation. The *posprimaria* program is open to students who have recently completed primary school and to any person in the community who is interested in learning. Emphasis is placed on independent study, with each participant progressing at his or her own pace and concentrating on the subjects or topics of his or her particular interest. Participants are guided through the program by members of the community who will have received some pedagogical training, using especially designed educational materials. Intensive technical supervision is also provided. PAREB has supported the start-up of the program since 1997 with four *posprimaria* centers in each of eight states for a total of 32 centers, with each center serving an average of 30 students. During Phase I, the *posprimaria* model will be expanded to approximately 224 new centers in all 31 states. There will be two community instructors in each center and one local advisor for every eight instructors. At least one state coordinator will be responsible for implementation of the program in each state, and a second coordinator will be added if the number of centers exceeds 15 in the state. Itinerant advisors will visit each center at least 40 times per year to provide technical support and educational guidance to the instructors. Instructors are expected to serve for two years and are allowed to pursue upper secondary education or teacher training studies while they are serving in the program.

The program will also support activities under the distance education (*telesecundaria*) program not currently covered under the IDB-funded PIARE project, i.e., the training of supervisors and improvements in physical facilities and equipment.

Annex 4

BASIC EDUCATION DEVELOPMENT PROJECT

The Education Development Program

I. Education Sector Background

General Context

The United States of Mexico is a federal republic with almost 95 million inhabitants (mid-1997) spread over some 2 million square kilometers, with over 70% of them living in urban areas. Even though most Mexicans are young (24-year-old or less), demographic growth has come down markedly in recent times. As a result, the population under 6 years old has decreased 0.5% per year, while the group aged 6 and 14 years expanded by no more than 0.1% a year. By the end of the century, the size of this age cohort will have virtually stabilized (see the demographic projections in Appendix 1).

Institutional Setting

The Mexican educational system is regulated by two legal instruments: Article 3 of the Constitution and the General Law of Education (*Ley General de la Educación*). According to the Constitution, the government -- at federal, state and municipal levels -- is responsible for providing free basic education to all citizens. Moreover, the Constitution establishes that basic education is mandatory. The *Ley General de la Educación*, enacted in 1993, expanded and strengthened some aspects already in the Constitution. It defines the role of the Federal Government in the conception and implementation of educational policies, via the *Secretaría de Educación Pública* (SEP – Secretary of Public Education), in order to enhance equity through policies targeted to the regions and areas, besides ethnic and handicapped groups, that lag behind in terms of educational services.

In May 1992, federal authorities, state governments and the National Union of Workers in Education (SNTE) subscribed to the *Acuerdo Nacional para la Modernización de la Educación Básica* (National Agreement for the Modernization of Basic Education). This agreement aimed at reorganizing the educational system through decentralization, as well as the revision of the basic curriculum and the elaboration of adequate textbooks. In this context, decentralization meant transferring the control and management of the schools to state governments (at the pre-school, primary, and secondary levels). The Federal Government remained responsible for providing general guidelines (normative and policy-making functions), teacher training and allocation, textbooks, and the financial resources needed to ensure the proper coverage and quality of the education system.

In January 1995, SEP presented the *Programa de Desarrollo Educativo* (PDE – Education Development Program), which contains a series of targets and general guidelines to improve the coverage, efficiency and equity of the Mexican education system.

Structure of the Education System

Basic education comprises primary (grades 1-6) and lower secondary (grades 7-9) schooling, and constitutes the main government priority in the sector (the Government supplies 93% of the educational services at this level). Initial education, also supported under the proposed program, is for children ages 0-3, and consists of training programs for parents (mostly mothers) to teach better child-rearing techniques and provide better school preparation.

- Early childhood education (or pre-school) is optional for 3- to 5-year-old children, though it is strongly recommended;
- Primary education is mandatory. The official age of entry in primary school is 6 years old and ideally this level should be completed in 6 years. Due to late comers and repetition, however, the target population goes from 6 to 14 years of age;
- The lower secondary cycle has also been mandatory since 1983. Ideally, it lasts 3 years and is

intended for the 12- to 16-year-old age cohort. It comprises two lines -- the general track and the vocational and technical track. There is also the *telesecundaria*, an education format intended for remote areas, that are reached through recorded lessons transmitted by television and that count with the assistance of a tutor.

Following basic education, comes mid-level education, where students choose between technical studies and upper secondary school (with general or technological formation), both of which last around 3 years. The latter, the *bachillerato*, allows students to pursue higher education afterwards. Although most students prefer the *bachillerato*, in recent times the demand for technical studies has increased steadily.

Higher education encompass three lines of formation: a system of federal technology institutes, state and autonomous universities, and teacher-training institutes. There is at least one university in each state, and the large universities have campuses in different cities. Graduate courses include specialization, master and doctoral courses.

II. The Education Development Program

Main Components

The PDE constitutes a well-conceived conceptual plan to reform the Mexican educational system in order to render it more efficient and equitable. Although it does not provide specifics of measurable actions to be undertaken, it touches upon the crucial set of education issues that include improving the syllabuses; forming new teachers and retraining the existing ones; developing more conscious and engaged communities; decentralizing the decisions related to the expansion of the system, the priority to geographic regions, ethnic and handicapped groups that lag behind in educational attainment; reformulating and making textbooks more adequate, and so forth. A brief and concise description of the ideas therein follows, grouped along five broad lines:

- the organization of basic education;
- the methods, contents and resources of the teaching and learning processes;
- the formation, retraining and improvement of teachers;
- the promotion of equity;
- the use of alternative ways to reach the population (mainly through the *telesecundaria*).

The PDE stresses the role of decentralization, which will allow dealing more efficiently with aspects that the central administration could not handle adequately due to lack of management capacity. The need to foster communication among the federal and state governments, in order to develop normative practices that reflect the country's reality and fit the regional peculiarities, is an important element of this strategy. Increasing autonomy to the states, not only for deciding where to build new schools, but also through the transfer of actual control of the services of building, maintenance and supply of equipment, under the supervision and with the support of federal institutions like CAPFCE and CONAFE, would be one of the steps in this direction.

A nationwide information system, besides providing more transparency to the decision-making process, would help detect common problems and allow the exchange of experiences. The strengthening of the evaluation system, along with the creation of a culture of evaluation among the agents involved in the educational process, would also help deliver better basic education services.

The program calls for a higher degree of integration among communities, teachers and principals of the schools, in favor of actions and planning that suit better the local environment, which could help to improve the coverage, efficiency and quality of education. The feasibility of this more flexible normative setting demands more independence for the principals and supervisors to make decisions, therefore requiring that they be more qualified. Hence, a scheme of support, incentives, training, guidance and fine-tuning by the educational authorities would be implemented.

The ability to read and write, as well as the capacity to understand and solve mathematical problems, will be bolstered through the conception of new school materials, together with the incentive to use libraries, the number of which will be increased. Emphasis will be given not only to the accumulation of formal knowledge, but also to the generation of self-esteem, respect and citizenship.

Other actions to be implemented include the revision of the textbooks and the expansion of their free distribution nationwide, including special versions for the indigenous population. The number of days of the school per year will be increased and more efficiently used, trying to reduce the time devoted to activities that are not productive in the learning process and eliminating those that are associated with mechanical and repetitious teaching practices. Extra time set aside for the arts and sports, for instance, will be encouraged. In addition, the calendar will be adapted to the local circumstances according to weather conditions and the workings of the labor market (coordinating with the harvest period in rural areas, for instance).

The formation and retraining of teachers is another priority stated in the PDE. It proposes a series of actions towards this goal, including the reformulation of syllabi in the teacher training institutions, incentives to recycle and update existing teachers with new teaching methods as well as further specialization, the introduction of modifications in the *carrera magisterial*, and increasing recognition of the importance of teachers' social role.

Regarding the enhancement of equity and the reduction in disparities in educational attainment, the PDE anticipates the use of compensatory programs in several lines, such as:

- the conception of an efficient information system and the adoption of close monitoring to assure that actions will be focused on the schools and regions that need them the most;
- in rural areas where working conditions are more demanding, incentives will be given to teachers in addition to stimulating them to upgrade their teaching capability;
- in the more remote areas with difficult access, mechanisms will be instituted to help reduce absenteeism and keep the teachers in the same school during the whole school year;
- strategies will be devised to help low-performing children through more intensive interaction with their parents;
- particular attention will be devoted to the female population over 12 years old, who present low rates of school attendance;
- summer courses will be offered to reduce repetition rates;
- the poorest areas will be targeted, and the children therein will receive all required textbooks and other school material from the Government;
- in small localities, where there are basically no educational services, community instructors will be introduced, under standards instituted by CONAFE; in the case of extreme dispersion, school lodging may be an option;
- children of the migrant population will have access to easier registration procedures, in order to allow them to change from one school to another during migration; and
- an effort will be made to attract street children to schools, and to get them part-time jobs.

Concerning the indigenous population, two strategies will be followed: (i) the adaptation of the educational services to their needs, according to cultural traits and social organization, and (ii) the sensitization of the non-indigenous population in order to reduce prejudice.

Finally, the PDE suggests the intensive use of radio and television networks to widen the access to educational services.

Goals

The broad goal of the PDE is to increase the average number of years of schooling of the population up

to 15 years old to 7.5 years by the turn of the millennium, reaching the mark of 9 years in 2010.¹ To achieve such improvement, the program established a series of targets for the 2000/01 school year for all levels of basic education, both in terms of coverage (the idea is to increase enrollment by more than the demographic expansion in the correspondent age group) and efficiency (understood as the ability to retain children in school and shorten the average period to complete a given level).

In the case of pre-school, the program intends to have 90% percent of the 5-year-olds and 65% of the 4-year-olds enrolled by 2000. There are no figures for the 3-year-old children. The main priority, however, is that all children spend at least one year in pre-school before entering the primary level.

For the primary cycle of basic education, the indicators envisioned by the PDE for the 2000/01 school year are:

- a 50% reduction in the number of 6- to 14-year-old children out of school;
- a 10% expansion in the promotion from primary education to the first grade of the secondary;
- a continuous decline in repetition and dropout rates, which will contribute to lower enrollment;
- this factor above, together with the lessening of the demographic expansion in the reference age group, will outweigh the broadening in coverage, in such way that the PDE forecasts an overall decrease of 0.3% in enrollment (reaching an absolute level of 14.53 million); and
- to arrive at a terminal efficiency of 87.4%, which represents a rise of 10 percentage points *vis-a-vis* the 1994/95 school year.

The increase in the promotion rate from the sixth grade of the primary to the first of the secondary (from 0.977 to 0.92), coupled with an expansion of schools in the latter, will result in a substantial increment in the coverage of the lower secondary education (up to 5.5 million students) in 2000/01. Also, the program anticipates an upgrade in the terminal efficiency in this level from the observed 75.7% in 1994/95 to 81.1% in the turn of the decade. The targets for enrollment by level are summarized in the table below.

Coverage of Basic Education in 2000/01: Enrollments by Cycle (PDE)
(million students)

	1994/95	2000/01
<i>Pre-School</i>	3.09	3.7
<i>Primary</i>	14.57	14.53
<i>Secondary</i>	4.49	5.50
<i>Total</i>	22.15	23.73

Source: DGPPP, SEP.

For a more complete discussion of the progress made under the PDE, see Annex 6, Economic and Fiscal Analysis.

¹ As a reference point, in 1990 the average schooling of this age group was 6.5 years

Annex 5

BASIC EDUCATION DEVELOPMENT

Social Assessment

Indigenous Peoples Development Summary Assessment

Summary

Because a large number of children targeted in the Government's program are of indigenous communities, the Indigenous Peoples' Development Assessment was prepared as the centerpiece of the operation's social assessment. This assessment confirmed that program design, through its various complementary activities (including existing activities supported under Bank- and IDB-funded) adequately address the needs of this special population group. Observations and recommendations of the assessment team, together with SEP's own detailed reports, are reflected in the design of the program. To monitor progress under the program, a Beneficiary Assessment covering all affected communities will be carried out, providing further information on the program's impact on indigenous populations.

Background

A team composed of Bank staff and Government officials visited Chiapas and Oaxaca and conducted interviews with a large number of stakeholders. These states were chosen for being among the poorest in Mexico and by their high proportion of indigenous population. While many of the issues identified during this consultation are highly relevant to the design and delivery of indigenous education services in Mexico, care should be given to generalize the findings due to the limited geographical coverage. Because Government statistics do not adequately differentiate between CONAFE and other modalities of education and between indigenous and non-indigenous children in each of the various educational programs (regular, indigenous, CONAFE, etc.), the analysis relies more heavily on interviews and anecdotal evidence — with the attendant caveats. The analysis, and the design of the program, also benefited from on a detailed report and action plan prepared by SEP's General Directorate of Indigenous Education, DGEI.¹

Legal Framework. The 1992 Constitution recognizes that Mexico has a multicultural composition sustained in its indigenous origins. Moreover, it affirms as one of the duties of the Law to protect and promote the development of indigenous languages, culture, customs, resources and social organization, guaranteeing to the indigenous peoples their full access to the states' jurisdiction.

Indigenous Population. According to the 1995 census, the total indigenous population in Mexico is about 7 million, organized in 56 different ethnicities. The states of Veracruz, Chiapas, Puebla, Yucatán, Hidalgo, México, Guerrero and San Luis Potosí account for about 85 percent of this population. About three-thirds of the entire indigenous population live in localities less than 2,500 inhabitants. About one million children aged between 5 and 14 are monolingual in their indigenous language.

Education Services. In the cases of initial education, preschool and primary school, education services for indigenous children are organized in three different modalities: general education, indigenous education, and community education. In the case of the secondary level, five modalities may provide education services for indigenous students: general, technical, distance (*telesecundaria*), for workers (*para trabajadores*) and community. Education may be provided either by states or by the federal government. In many indigenous localities, it is possible to find different modalities of services, operating under different norms and requirements. Bilingual education is delivered only in twenty Mexican states, and eleven indigenous groups do not have access to bilingual education.

¹ *Fortalecimiento de la Educación Inicial y Básica Intercultural Bilingüe para Niñas y Niños Indígenas*, SEP, DGEI, Marzo 1998.

Enrollment. In 1995, about 3 percent of indigenous children aged zero to 3 were covered by the indigenous initial education program, in contrast with 5 percent of all Mexican population aged the same. About 62 percent of indigenous children aged 4-5 were enrolled in indigenous preschools. This proportion is about the same for the Mexican population aged the same (64.3 percent.). However, children aged 3 (who should be covered by the initial education program) and 6 (who should be enrolled in the primary level) accounted for 9 percent and 11 percent of preschool total enrollment, respectively. About 68 percent of indigenous children from 6 to 11 years old were attending indigenous primary schools in 1995, in sharp contrast with the 99.9 percent for the entire country. As only the Chihuahua state offers indigenous secondary education, no information is available for this level. It is not known how many indigenous children whose mother tongue is an indigenous language attend general monolingual (Spanish) schools. Because of inadequate differentiation between indigenous and non-indigenous children at each level and modality of education in SEP's statistics, the above figures likely paint an incomplete picture of true enrollment rates.

Completion Rate. Out of 100 students identified as indigenous enrolled in the first grade of primary school, 48 percent complete their studies in six years. This compares with a completion rate of 80 percent for all students at the national level.

Main Issues. The major challenges facing indigenous education are: (a) access, principally for those children living in very small communities of less than 500 inhabitants, where the delivery of education services is still more difficult given the lack of access roads; (b) the need to expand bilingual education (bilingual teachers, bilingual teaching materials, and bilingual textbooks), which is an exigency among those who do not speak Spanish; and (c) gender imbalance, given that girls' dropout rates are still greater than boys'. All these challenges are being faced by the Mexican government, through either programs of indigenous bilingual education, or through the CONAFE modality of *instructores comunitarios*.

Rapid Appraisal

A rapid appraisal (RA) was undertaken during project preparation in the states of Oaxaca and Chiapas. The novelty of the RA was to spell out the views on indigenous education of those who are beneficiaries or potential beneficiaries of these programs, and of some other key stakeholders. About 500 people were consulted during the RA. Specifically, the following stakeholders were consulted: (a) CONAFE staff; (b) staff of the *División de Proyectos Especiales del Instituto de Educación Pública* de Oaxaca; (c) supervisors and teachers (instructores) of CONAFE; (d) principals, teachers and supervisors of the system of Indigenous education of SEP; (e) education authorities and members of the education committees of Mixteca, Mixes, and Zapoteca communities; (f) parents and students of both CONAFE and SEP systems; (g) specialists and experts on indigenous and bilingual education; (h) members of the *Sindicato de Maestros de Oaxaca*; (i) members (teachers, linguists, medical doctors, anthropologists, etc.) of community-based-organizations of the following groups: (i) Mixes; (ii) Mixtecos; (iii) Zapotecos; (iv) Chocholtecos; and (v) Chinantecos; (j) the director of the *Universidad Pedagógica Nacional-Unidad* de Oaxaca; (k) the director of the *Centro de Investigaciones y Estudios Superiores de Antropología Social*; and (l) the only elected Indigenous Senator in Mexico.

In Chiapas, interviews were held with: (a) staff of CONAFE and of the state SEPE; (b) supervisors of the *Escuelas Bilingües Federales* tzeltales y tzotiles; (c) directors, teachers and support staff of a boarding school in the municipality of Chamula; (d) supervisors and teachers (instructores) of CONAFE; (e) teachers and directors of bilingual schools; (f) parents and teachers; and (g) representatives of local education NGOs of the several visited systems of education.

Access and Dropout. According to parents, education is a need. As stressed by a Chiapas parent, "education makes possible to read, write, count, speak, know. It helps one to defend oneself and to communicate with others. Without education, one suffers too much". Dropout is explained as resulting from: (a) economic reasons - transport, necessity of children's work, uniforms, etc.; (b) migration; (c)

low education level of parents who do not understand the value of education; (d) health problems among children; (e) assignment of Spanish monolingual teachers to indigenous monolingual children who, not understanding what is being taught, eventually drop out; and (f) bureaucratic exigencies related to children's enrollment.

Bilingual Education. Regarding language, many different situations co-exist: monolingual children in indigenous language; monolingual children but with some knowledge of Spanish; bilingual children in Spanish and an indigenous language; bilingual children in two different indigenous languages; monolingual children in an Spanish. However, even among parents whose children are monolingual in indigenous language the view that prevails is that *indigenous education should be bilingual, but Spanish is essential*. Accordingly, bilingual teachers are considered better teachers than monolingual teachers not only because they understand the children better, but also because they teach Spanish better.

Gender. Although statistical information shows that education attainment is marginally lower for indigenous females than for indigenous males, those consulted manifested clearly that education is as important for girls as for boys. For instance, according to parents in a Zapoteca community in Oaxaca visited by the RA team, girls need to study and not be exclusively prepared to matrimony. On the other hand, participants in education community committees were almost always exclusively males.

Participation. Parents are willing to participate and give their time to school administrative and financial issues. For instance, the positive evaluation they have of the CONAFE modality is very often based on its openness to accept and validate community participation.

The Government Proposal

The above mentioned issues were dealt by the Mexican government as part of the preparation of the APL program. Specifically, the Government presented a detailed plan (*Fortalecimiento de la Educación Inicial Y Básica Intercultural Bilingue Para Ninas y Ninos Indígenas*) whose recommendations, incorporated under the program, are consonant with those produced during a consultation process carried out with indigenous communities in the states of Chiapas and Oaxaca.

According to the Government's report, the program's objectives regarding indigenous education are to: (a) promote education equity based on the linguistic and cultural identity of the Mexican children; (b) guarantee the congruency between education and community values and between national identity and indigenous values, knowledge and behavioral patterns; (c) strengthen both national and indigenous identities; and (d) create the chances for equal opportunities of participation in Mexican development processes.

Activities to implement these objectives include: (a) development of indigenous languages, to support a smooth transition to Spanish and facilitate acquisition of literacy and numeracy skills; (b) definition and development of basic learning instruments for indigenous children in both Spanish and their own language; (c) development of adequate learning methodologies for indigenous children; (d) development evaluation methodologies; (e) develop and diversify teaching materials; (e) definition of specific actions to fully incorporate indigenous female children and teens into the education system; (f) definition of specific actions to address the needs of those in need of special attention; and (g) creation of beneficiaries' ownership through the promotion of community participation and particularly of the participation of children's families in schools and in education activities.

Conclusions

The program's long-term objectives regarding indigenous education are to promote education equity based on the linguistic and cultural identity of the Mexican children by: (a) guaranteeing the congruency between education and community values and between national identity and indigenous values, knowledge and behavioral patterns; (b) strengthening indigenous identities; and (c) creating opportunities for indigenous children to participate equally in the Mexican development processes.

Specific objectives under the program regarding indigenous education are to: (a) improve the quality of indigenous education by (i) developing adequate teaching material and learning instruments in both Spanish and indigenous languages, mainly in the first years of schooling, (ii) training indigenous teachers to teach in both Spanish and indigenous languages and to work in culturally diverse environments, (iii) training directors and supervisors of indigenous schools, (iv) developing alternative and flexible teaching strategies which are able to work in culturally diverse environments, (v) developing evaluation methodologies suited to indigenous education, (vi) strengthening the institutional capacity of the education system to plan, organize, administrate, and supervise indigenous education, and (vii) rehabilitating the infrastructure of indigenous schools; (b) fully incorporate indigenous female children and teens in the education system; and (c) promote beneficiaries' ownership through community participation and particularly through the participation of children's families in schools and in education activities.

Annex 6

BASIC EDUCATION DEVELOPMENT

Economic and Fiscal Analysis

I. Education Sector Overview

Coverage and Efficiency

The extent to which the educational system can help foster the social and economic development of a country depends on its efficiency and accessibility. Therefore, the allocation of public resources should be handled so as to increase the number of children reached, especially in the lower income strata, as well as the quality and efficiency of schools. This will ultimately maximize the social returns to the investment in education.

Several indicators reveal that the coverage and efficiency of Mexico's educational system have improved substantially in recent years. Enrollment in early childhood school, which is not mandatory, has increased continually, particularly among 5-year-olds, even though the population in this age cohort shrank: from 1994/95 to 1996/97. As a result, the coverage in this group went up from 80.7% to 89.3% (9.7% of them already in primary schools).

Table 1 shows the proportion of children aged 6 to 14 years enrolled in school (though this is the age group officially associated to primary schooling, it is worth noticing that part of the 13-14-year-old contingent may already be in the secondary level). School attendance increased substantially from 1990 to 1995, particularly for the 6-year-old group, which means that the system has enhanced its ability to attract children to primary school in the proper age. The higher attendance rates from children 7- to 11-year-old, however, indicate that there still exist problems related to late comers and repetition rates. Regarding the indigenous population, total enrollment has expanded along the nineties, both in pre-school (by almost 80,000, or 35%) and primary education (170,000, or 30%) levels.

Table 1. Population of 6-14 Years of Age : School Enrollment Status

Age	Censo 1990			Censo 1995		
	Enrolled	Not Enrolled	Unknown	Enrolled	Not Enrolled	Unknown
6 years	79.5 %	19.0 %	1.5 %	92.2 %	7.6 %	0.2 %
7 years	88.8 %	9.9 %	1.3 %	96.4 %	3.3 %	0.2 %
8 years	91.5 %	7.6 %	0.9 %	97.1 %	2.8 %	0.1 %
9 years	93.1 %	6.1 %	0.8 %	97.6 %	2.3 %	0.1 %
10 years	92.2 %	7.2 %	0.6 %	96.9 %	3.0 %	0.0 %
11 years	91.8 %	7.5 %	0.6 %	96.1 %	3.9 %	0.0 %
12 years	86.6 %	12.9 %	0.5 %	91.1 %	8.9 %	0.0 %
13 years	79.4 %	20.0 %	0.6 %	84.2 %	15.8 %	0.0 %
14 years	69.5 %	29.8 %	0.7 %	77.0 %	23.0 %	0.0 %

Source : INEGI, Censo de Población 1995.

The achievements associated to efficiency in the primary level can be seen in Table 2. Terminal efficiency — defined as the ratio of the number of children that completed the sixth grade to new enrollments in first grade six years before — increased more than 11 percentage points in 5 years. The number of children that completed this level of schooling increased by more than 200,000. There is, nevertheless, much ground still to be covered here, as the ratio is barely over 0.8. Table 2 also reveals that over the nineties, the number of schools (16.5%) and teachers (11.3%) increased more than enrollment (1.7%) in primary school, which may have contributed to improve quality.

Table 2. Indicators for Primary School Performance (1992-1997)

<i>School year</i>	<i>Enrollment</i>	<i>Graduates</i>	<i>Terminal Efficiency</i>	<i>Schools</i>	<i>Teachers</i>
1990-1991				82,280	471,625
1991-1992	14,396,993	1,861,939	71.6	84,606	479,616
1992-1993	14,425,669	1,880,769	72.9	85,249	486,686
1993-1994	14,469,450	1,917,374	74.2	87,271	496,472
1994-1995	14,574,202	1,989,247	77.7	91,587	507,669
1995-1996	14,623,438	2,024,174	80.0	94,844	516,051
1996-1997	14,650,521	2,062,729	82.9*	95,855	524,927
Increase	253,528	200,891	11.3	16.5%	11.3%

Estimated. Source: DGPPP, SEP.

The reduction in the regional disparities in terminal efficiency also deserves to be stressed. That is, the states that experienced the largest improvements were precisely those that were lagging most behind (the ratio of the highest to the lowest efficiency rate among the states dropped from 2.1 to 1.6 between 1994-95 and 1996-97).

Table 3. Terminal Efficiency in Low and High Performing States (Percent)

<i>State</i>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>
Tlaxcala	96.1	96.5	97.1
Distrito Federal	95.6	95.9	96.7
Quintana Roo	85.6	89.0	96.1
Veracruz	64.6	68.0	71.0
Guerrero	58.3	61.1	64.4
Chiapas	45.6	48.2	61.4

Source: DGPPP, SEP.

The growth in terminal efficiency shown in Table 3 above was due to improvements in both the dropout and repetition rates, which decreased in the period for all grades. In average terms, the former came down from 4.6% in 1991/92 to 3.0% in 1995/96, while the latter fell from 9.8% to 7.8% (Table 4).

Table 4. Dropout and Repetition in Primary School by Grade (%), National Totals (1991-1996)

<i>School Year</i>	<i>Rate</i>	<i>1st grade</i>	<i>2nd grade</i>	<i>3rd grade</i>	<i>4th grade</i>	<i>5th grade</i>	<i>6th grade</i>	<i>Total</i>
1991-1992	Drp.	7.6	2.4	4.7	4.7	4.8	2.3	4.6
	Rep.	16.7	11.2	10.0	8.5	6.6	1.7	9.8
1992-1993	Drp.	6.4	2.3	4.4	4.4	4.2	0.3	4.1
	Rep.	12.9	10.3	9.0	7.6	5.8	1.5	8.3
1993-1994	Drp.	5.7	1.7	4.0	3.9	3.6	2.0	3.6
	Rep.	13.0	11.2	9.0	7.4	5.5	1.4	8.3
1994-1995	Drp.	5.7	1.8	3.8	3.5	2.9	2.0	3.4
	Rep.	13.2	10.8	8.9	6.9	5.1	1.3	8.1
1995-1996	Drp.	6.2	1.7	3.6	3.0	2.2	1.6	3.0
	Rep.	12.8	10.3	8.7	6.7	4.9	1.6	7.8

Source: DGPPP, SEP.

Table 5 shows the improvements in several indicators related to secondary schooling throughout the nineties:

- Enrollment in secondary schools rose by 14.8%, which means over 600,000 more students;
- The number of schools went up by 26.9%, with the average number of students per school declining from 217 to just under 200;
- There was an addition of over 40,000 teachers, which translates into a 17.5% increase;
- Even though still low, the index of attendance (defined as enrollment over the population in the 13- to 15-year-old age cohort) increased by almost 7 percentage points, reaching 0.754 in the 1996/97 school year (SEP estimates it has gone up to 0.778 in the 1997/98 school year).

Table 5. Indicators for Secondary School Performance

<i>School year</i>	<i>Secondary Enrollment</i>	<i>Population from 13 to 15 years of age</i>	<i>Percentage of Enrollment</i>	<i>Schools</i>	<i>Teachers</i>
1990-1991	4,190,190	6,119,429	68.5	19,228	234,293
1991-1992	4,160,692	6,182,323	67.3	19,672	235,832
1992-1993	4,203,098	6,236,437	67.4	20,032	237,729
1993-1994	4,341,924	6,283,287	69.1	20,795	224,981
1994-1995	4,493,173	6,322,829	71.1	22,255	256,831
1995-1996	4,687,335	6,335,333	73.8	23,437	264,578
1996-1997	4,809,266	6,380,292	75.4	24,402	275,331

Source: DGPPP, SEEP.

Teacher Training

Basic-school teachers attend a 4-year course (which is one branch of the higher education level). Teacher training syllabuses were recently revised for the three cycles of basic education. A shortage of early childhood teachers and a surplus of primary education teachers led to a retraining program for the latter to become pre-school teachers.

Expenditures and Financing

Total expenditures in education amounted to 5.6% of GDP in 1995 (Table 6), the government being responsible for close to 95% of it. Around 87% of public funds come from the federal government, which was equivalent to 22.6% of its own budget. Over 68% of all educational expenditures went to basic education.

Table 6. Structure of Education Financing (% of GDP)

<i>Year</i>	<i>Federal (SEP)</i>	<i>Federal (other)</i>	<i>State</i>	<i>Municipal</i>	<i>Private</i>	<i>Total</i>	<i>SEP/Fed Budget</i>
1990	2.68	0.58	0.71	0.01	0.35	4.3	15.7
1991	3.13	0.60	0.71	0.01	0.25	4.7	18.2
1992	3.55	0.64	0.69	0.02	0.33	5.2	20.3
1993	4.10	0.74	0.68	0.02	0.34	5.9	22.3
1994	4.52	0.67	0.64	0.01	0.32	6.2	22.7
1995	4.11	0.61	0.60	0.01	0.30	5.6	22.6

Source: PDE.

Per capita expenditures on education increased for all levels of schooling between 1990 and 1997, as shown in Table 7. Besides, as far as unit expenditures are considered, there was a gradual concentration on primary schooling. The ratio of unit expenditures between primary education and any other level went down: from 2.1 to 1.5 in the case of the secondary, from 4.3 to 2.7 for intermediate schooling, and 8.0 to 7.0 for university education.

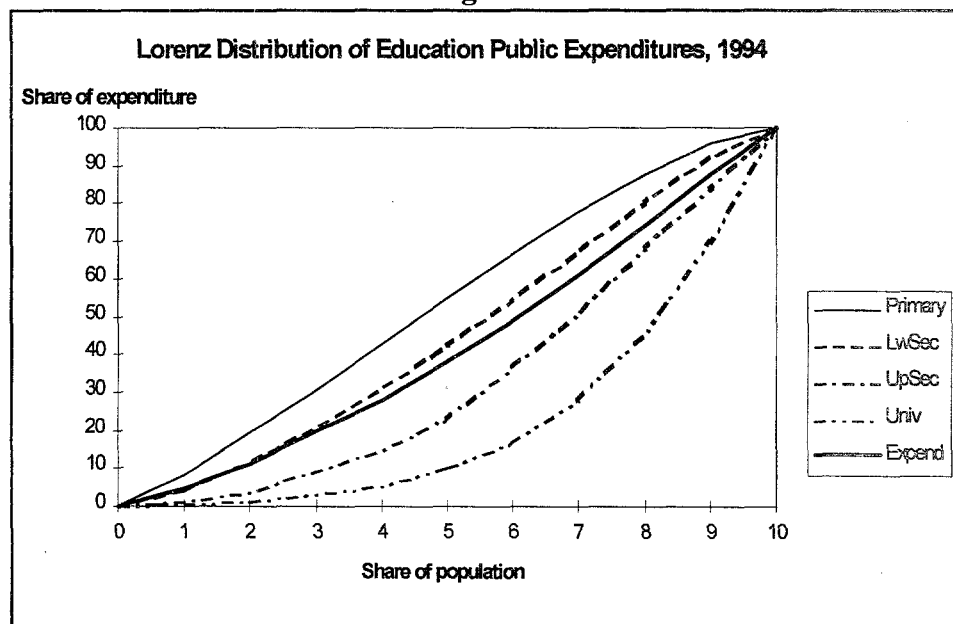
Table 7. Federal Education Spending per Student by Level

Year	Federal Spending per Student (constant 1994 Pesos)				As a Ratio to Amount Spent in Primary			
	Primary	Secondary	Preparatory	University	Prim.	Sec.	Prep.	Univ.
1990	808.4	1685.8	3502.8	6473.5	1	2.1	4.3	8.0
1991	1011.4	1942.6	3772.9	6898.3	1	1.9	3.7	6.8
1992	1285.9	2318.7	3384.3	9313.2	1	1.8	2.6	7.2
1993	1584.6	2568.4	4304.6	11637.2	1	1.6	2.7	7.3
1994	1731.3	3139.4	5215.1	13253.0	1	1.8	3.1	7.7
1995	1679.0	2511.0	4508.1	11202.3	1	1.5	2.7	6.7
1996	1647.7	2464.2	4442.9	11328.5	1	1.5	2.7	6.9
1997	1811.9	2709.7	4882.1	12692.2	1	1.5	2.7	7.0

Source: Presidencia de la República, Primer Informe de Gobierno, 1989; Tercer Informe de Gobierno, 1997

On the other hand, overall unit expenditures, after increasing in the beginning of the decade, have come down after 1994. This decline seems to be due primarily to federal expenditures. Regarding the overall expenditure in education according to the strata of income distribution, Figure 1 reveals that in 1994, the most recent year for which this evaluation can be carried out, it was progressive for primary schooling, basically neutral, or uniform, for the lower secondary level (included in basic education) and intensively regressive for the higher levels. The overall distribution of expenditures was regressive. In spite of reaching a peak in 1994 and experiencing a narrowing in the gap among unit expenditures according to the different levels of schooling, the overall spending in education in Mexico still benefits more the rich than the poor.

Figure 1



II. The Education Development Program

Main Components

The document published by SEP describing the PDE constitutes a well-conceived conceptual plan to reform the Mexican educational system, in order to render it more efficient and equitable. Although it does not provide specifics of measurable actions to be undertaken, it touches upon the crucial set of

education issues that include improving the syllabuses; forming new teachers and retraining the existing ones; developing more conscious and engaged communities; decentralizing the decisions related to the expansion of the system, the priority to geographic regions, ethnic and handicapped groups that lag behind in educational attainment; reformulating and making textbooks more adequate, and so forth. The document does not lay out tangible actions required to fulfill the strategy nor does it translate targets into costs. The PDE is organized along five broad lines:

- the organization of basic education;
- the methods, contents and resources of the teaching and learning processes;
- the formation, retraining and improvement of teachers;
- the promotion of equity;
- the use of alternative ways to reach the population (mainly through *telesecundaria*).

Goals

The broad goal of the PDE is to increase the average number of years of schooling of the population up to 15 years old to 7.5 years in the turn of the millennium, reaching the mark of 9 years in 2010.¹ To achieve such improvement, the program established a series of targets for the 2000/01 school year for all levels of basic education, both in terms of coverage (the idea is to increase enrollment by more than the demographic expansion in the correspondent age group) and efficiency (understood as the ability to retain children in school and shorten the average period to complete a given level).

In the case of pre-school, the program intends to have 90% percent of the 5-year-olds and 65% of the 4-year-olds enrolled by 2000. There are no figures for the 3-year-old children. The main priority, however, is that all children spend at least one year in pre-school before entering the primary level.

For the primary cycle of basic education, the indicators envisioned by the PDE for the 2000/01 school year are:

- a 50% reduction in the number of 6- to 14-year-old children out of school;
- a 10% expansion in the promotion from primary education to the first grade of the secondary;
- a continuous decline in repetition and dropout rates, which will contribute to lower enrollment;
- this factor above, together with the lessening of the demographic expansion in the reference age group, will outweigh the broadening in coverage, in such way that the PDE forecasts an overall decrease of 0.3% in enrollment (reaching an absolute level of 14.53 million); and
- to arrive at a terminal efficiency of 87.4%, which represents a rise of 10 percentage points *vis-a-vis* the 1994/95 school year.

The increase in the promotion rate from the sixth grade of the primary to the first of the secondary (from 0.977 to 0.92), coupled with an expansion of schools in the latter, will result in a substantial increment in the coverage of the lower secondary education (up to 5.5 million students) in 2000/01. Also, the program anticipates an upgrade in the terminal efficiency in this level from the observed 75.7% in 1994/95 to 81.1% in the turn of the decade. The targets for enrollment by level are summarized in Table 8.

Table 8 - Coverage of Basic Education in 2000/01: Enrollments by Cycle (PDE)
(million students)

	1994/95	2000/01
<i>Pre-School</i>	3.09	3.7
<i>Primary</i>	14.57	14.53
<i>Secondary</i>	4.49	5.50
<i>Total</i>	22.15	23.73

Source: DGPPP, SEP.

¹ As a reference point, in 1990 the average schooling of this age group was 6.5 years.

Evaluation of the Pace

The available information does not allow for a check of the progress accomplished so far in all goals set up in the PDE. It is possible, however, to delve into a few ones. The terminal efficiency in the primary level, for instance, improved to 80.0% in 1995/96 and SEP estimates it has reached 82.9% in 1996/97, which means that the system is past half the way to fulfill the established mark.

Enrollment in the primary level in 1996/97 was 14.65 million, 80 thousand more than two years before. Given that a reduction is expected until 2000/01, it is meaningless at this point to evaluate the pace. Nevertheless, it is worth noticing that since the population in the 6- to 14-year-old age cohort went up by around 70 thousand children, the coverage has expanded slightly.

The available figures for enrollment in pre-school (3.24 million) and secondary (4.81 million) for 1996/97 indicate that, if one extrapolates the rate of growth, the system is behind the schedule in pre-school, but ahead in secondary. Regarding the latter, if one takes the 13- to 15-year-old age group as a reference, the coverage went up by 4 percentage points in two years. The promotion from primary to secondary, however, has not shown any progress so far. As a matter of fact, preliminary estimates by SEP point to a reduction of one percentage point in this indicator in the two first years of the program (it dropped from 87.7% in 1994/95 to 86.7% in 1998/97).

Extension of the goals to 2002/2003

In order to analyze the program over a period of five years it is necessary to extrapolate its initial goals for two extra years. The procedures adopted for each level are briefly explained in what follows.

For the level of enrollment in pre-school, the coverage of the four-year-olds was increased to 75%, at the same time that a rate of 15% was introduced for three-year-old children (slightly above what is implicit in the goals of the PDE). The coverage of 90% was kept unchanged for the five-year-old group because it has already been observed that about 10% of them are early comers to the primary cycle. Putting these figures together one gets a level of enrollment of 3.82 million children in 2002/03.

For the primary level, the procedure was based on the estimation of new enrollments, taking into account the demographic expansion in the number of children with the age to enter the primary cycle, and on the ratio of total to new enrollments implicit in the goals set for 2000/01 in the PDE (5.95). The resulting value for enrollments in primary education for 2002/03 was 14.28 million students.

A similar calculation was carried out for the secondary cycle. The number of new enrollments was obtained from adjusted targets relative to terminal efficiency in the primary (0.88) and to absorption in secondary (0.92). We used the ratio total/new enrollments implicit in the program (2.75), and the number of enrollments derived was 5.56 million (Table 9).

Table 9 - Extended goals for Enrollment in 2002/03 (in millions)

<i>Level</i>	<i>Pre-School</i>	<i>Primary</i>	<i>Secondary</i>
<i>Enrollment</i>	3.82	14.28	5.56

Estimation of the necessary resources

In order to estimate the resources needed for financing the basic education in the next five school years, both in terms of enlarged coverage and increased quality entailed by the program, we made use of the observed unit expenditures by student and by educational level in 1997, as well as of project-based assumptions about the amount of investment needed to support those targets.

Regarding unit expenditures (they are, in fact, distinct from unit costs, due to accountability problems), the figures obtained from the *Tercer Inform de Gobierno* (1997), in 1994 pesos, are: 1,993.27 for pre-

school, 1,811.19 for the primary level, and 2,709.97 for the secondary cycle. Two caveats should be kept in mind, though. First, despite being the most recent information available, the structure of expenditures by level of basic education has been changing substantially in the recent years, and there is no indication that it will stop doing so. Second, these figures include a small share classified as “investment” (less than 4%). It is not clear, however, what is exactly understood as investment in this context. We will assume, for simplicity, that this spending can be classified as recurrent cost without major hazard for the analysis.

The estimation of the investment needed for accomplishing greater coverage and quality is much more cumbersome and less precise, as there is not a single bit of information concerning this item in the PDE’s official document. We basically based our estimates on the number of new schools that should be necessary for the expansion of enrollment. The unit costs for building schools were obtained from the initial project submitted by CONAFE to the World Bank. The investment on the actions aimed at improving quality were then estimated considering the relation between this amount and that devote to the construction of new schools in the “new” project (i.e., 1.5).

Table 10 summarizes the recurrent costs, taking into account the estimates of enrollment by level in the Appendix.

Table 10. Enrollment by Level (million) and Recurrent Costs (billion of 1994 pesos)

School Year	Enrollment			Expenditures
	Pre-School	Primary	Secondary	
1998/99	3.46	14.61	5.14	47.08
1999/00	3.58	14.57	5.32	47.73
2000/01	3.70	14.53	5.50	48.37
2001/02	3.76	14.40	5.53	48.34
2002/03	3.82	14.28	5.56	48.32

To arrive at the number of new schools to be built we evaluated the average number of students by schools by level in 1997, reduced to account for the fact the many of them will be located in more remote and less populated areas. The average number of students in a pre-school building and the secondary level are 40 and 100, respectively. As the enrollment in primary should go down due to the demographic dynamics, we just considered the construction of a few more schools to take into account the goal of reaching those areas. The unit costs considered were US\$ 9,000 for pre-school, US\$ 10,000 for primary, and US\$ 12,000 for secondary. The results are shown in Table 11.

Table 11 - Total Investment Associated to the PDE (US\$ million)*

School Year	New Schools			Investment		
	Pre-School	Primary	Secondary	Building	Others	Total
1998/99	2750	200	1700	47.15	70.73	117.88
1999/00	3000	200	1800	50.6	75.90	126.50
2000/01	3000	2000	1800	50.6	75.90	126.50
20001/02	1500	200	313	19.25	28.88	48.13
2002/03	1500	200	314	19.26	28.90	48.17

* The exchange rate for 1994, implicit in the national accounts, was equal to 3.4 NP\$/US\$.

Fiscal Impact

Based on the projections of GDP growth and federal total expenditures, Table 12 depicts the evolution of the share of spending in basic education (they were evaluated considering the beginning of the school year relative to the corresponding fiscal year).

Table 12 - Expenditures in Education as a Share of GDP and Federal Expenditures
(billions of NPS and %)

<i>Fiscal Year</i>	<i>Expenditures in Basic Education</i>	<i>Total Federal Expenditures</i>	<i>Share of Basic Education</i>	<i>GDP</i>	<i>Share of Basic Education</i>
1998	47.5	460	10.3	2040	2.33
1999	48.2	480	10.0	2150	2.24
2000	48.8	500	9.8	2260	2.16
2001	48.5	520	9.3	2380	2.04
2002	48.5	540	9.0	2500	1.94

The burden that expenditure in basic education poses on federal spending declines with time. This is so for two reasons. First, particularly for the primary level, the coverage is already large. Second, the demographic pressure is decreasing, and the population in the reference age group for basic schooling is virtually stagnated and will start shrinking in the very beginning of the next century.

III. Returns to Education

The estimation of the earnings accruing to the students is essential for the appraisal of the economic feasibility of the program. Therefore, one needs to have an estimate of the increase in the potential earnings of the individuals caused by additional years of schooling, so as to assess the stream of potential benefits arising from the program. This is usually done via the estimation of the rates of return to education, either for the educational ladder as a whole or by specific level.

The estimation of returns to schooling² was based on a standard specification for an earnings equation, including a set of control variables chosen according to the availability in the 1994 household survey³:

$$\log w = c + a_1X + a_2X^2 + b_1DPI + b_2DP + b_3DS + b_3DI + d_4DH + cH + dE + e_1DR1 + e_2DR2 + e_3DR3 + e_4DR4 + fR + u$$

where:

log w: logarithm of hourly earnings;

X: experience;

DPI: dummy variable associated to incomplete primary schooling;

DP: dummy variable associated to at least complete primary schooling;

DS: dummy variable associated to at least complete secondary schooling;

DI: dummy variable associated to at least complete intermediate schooling;

DH: dummy variable associated to at least complete higher schooling;

H: dummy variable associated to being a household head;

E: dummy variable associated to being an employee;

DR1-4: regional dummy variables, where the states were grouped according to their economic status and the incidence of poverty;

R: dummy variable associated to living in a rural area;

u: residual term.

² Unfortunately the latest household survey available (1994) does not contain information on single years of education, but just under the form of schooling categories. Needless to say, this jeopardizes the accuracy and reliability of the estimation.

³ Of course the usual caveats and qualifications on the interpretation and quality of the results apply. Other than that, the estimates shown here proved robust to alternative nearby specifications (some variables, like gender, were dropped from the specification as they turned out not to be significant).

The results of the estimation are shown in Table 13:

Table 13 - Results of the Estimation

Variable	Coefficient	Standard Error	t statistic
Constant	-1.2186	0.0542	-22.47
X	0.0488	0.0016	29.68
X2	-0.0007	0.0000	-25.84
DPI	0.1928	0.0280	6.89
DP	0.5145	0.0292	17.64
DS	0.8821	0.0315	28.00
DI	1.5076	0.0347	43.46
DH	2.1125	0.0386	54.70
Head	0.2008	0.0163	12.29
Employee	0.9621	0.0407	23.66
DR1	0.2133	0.0224	9.5041
DR2	0.2613	0.0294	8.90
DR3	0.3760	0.0189	19.86
DR4	0.5376	0.0231	23.25
Rural	-0.3792	0.0162	-23.47
General Statistics	Observations:	R2 = 0.465	

The evaluation of the income gains associated to the completion of secondary level (ΔS) can be obtained in the following way:⁴

$$\Delta S(\%) = \exp(\log w(X, DP=0, DS=1) - \log w(X+3, DP=1, DS=0)) = \exp(0.228 + 0.004X)$$

Similarly, for the completion of the primary one finds⁵:

$$\Delta P(\%) = \exp(\log w(X, DP=1) - \log w(X+4, DP=0)) = \exp(0.138 + 0.006X)$$

IV. Program Economic Analysis

Methodology, assumptions and results

A cost-benefit analysis was carried out following the goals and targets set out by the Government in the PDE in its base-case scenario and extrapolated to later years. Data for opportunity cost and potential earnings were obtained from the 1994 household survey. In addition to Government-determined targets, in the base case scenario, maintenance costs were set at 2 percent per year, labor force participation rate of secondary school students at 50 percent, and unemployment rate at 10 percent. A model comprising costs and benefits of the program was built under these assumptions, and the resulting economic rate of return (ERR) to the PDE was estimated at 18.2 percent (private) and 17.5 percent (social, or rather, "net-private"). These are lower bound results, as we have not taken into consideration the usual externalities expected from basic education.

Sensitivity Analysis

We have tested the sensitivity of the ERR with respect to two key variables:

- terminal efficiency, and
- labor force participation of secondary students

⁴ Notice that the other variables were dropped because they are swept away in the subtraction.

⁵ Due to the lack of information on single years of schooling, the data on enrollment by grade in primary schooling was combined with that on dropout rates by levels to generate an estimation of average schooling for those with incomplete primary education. The resulting estimate was 2.

The switching value for terminal efficiency for primary (lower secondary) education is 0.84 (0.79). Based on the trend in terminal efficiency to-date, it is fair to assume that this minimal level could be achieved. In fact, the probability that terminal efficiency for primary (lower secondary) will be lower than 0.84 (0.79)--and that the ERR will be lower than 10 percent--is 4.8 percent and 9.2 percent, respectively. The participation rate utilized in the base-case scenario was based on available data from other Latin American countries. Even a 50 percent increase in the participation rate would still yield an ERR above 10 percent.

V. Impact and Cost-Effectiveness of the PARE Program

Introduction. The PARE program begun in 1991. From its inception its performance was monitored through statistical comparisons between the target, or *experimental*, population (schools in the states of Chiapas, Guerrero, Hidalgo and Oaxaca) and a *control* group formed by students in comparable schools in the state of Michoacan which falls outside the scope of the program. Special surveys were conducted yearly between 1992 and 1995. The data obtained included detailed information on students, parents, school personnel and school characteristics. In addition, all students were given standardized achievement tests in Spanish and mathematics.

As measured by these comparisons, the results of the program have been mixed.⁶ Partly this was due to incomplete and faulty implementation. By design, the program intended to provide a number of simultaneous actions which together would impact on educational outcomes. For pedagogical reasons the total was to be greater than the sum of the parts. The actions were to affect the behavior of students, parents, teachers, principals and supervisors; they were to provide the target schools with supplies, didactic materials and physical infrastructure. In fact, however, only a sub-set of schools benefited systematically from all actions.

The new program now proposed will address these faults while it extends its reach to more states. To assess its probable impact we consider a number of experiments based on the following question: *What would have been the program's historical performance if it had been implemented as envisaged, simultaneously, without faults or delays.* We construct counterfactual experiments based only on those schools which received all of the main components of the program.

⁶ The PARE program has generated a voluminous literature produced mainly by the *Dirección General de Evaluación* of the *Secretaría de Educación Pública* and by the *Centro de Estudios Educativos A.C. (CEE)*. The CEE was chosen by the executing agency of the PARE program (the *Consejo Nacional de Fomento Educativo, CONAFE*) to monitor and evaluate the program. Its conclusions were summarised in the document "Determinación del Impacto del PARE en el Aprovechamiento y la Retención Escolares," Tercer Informe, Tomo IV, Mexico, D.F., March 1996. After an extensive analysis of the data the report concludes on page 21: "... the variable PARE [a dichotomous variable identifying schools which had access to the program] had a significant impact in only two of the estimated equations. They are, first, the equation referring to performance in mathematics in urban schools of the states' capitals; second, the equation for performance in Spanish in rural schools closer to the states' capitals. ... only for schools in these two sub-samples did students achieve performance levels greater than those in comparable schools which remained outside the PARE program."

Table 14

Distribution of students by school type							
	Chiapas	Guerrero	Hidalgo	Oaxaca	Sub-total: Experimental	Michoacan: Control	Total
Urban	398	107	257	357	1119	361	1480
Rural	200	202	175	239	816	208	1024
Indian	197	114	122	259	692	205	897
Community	19	11	29	59	118	27	145
Total	814	434	583	914	2745	801	3546

Table 14 shows the distribution of students by school type in the sample. Our analysis will focus on schools located in rural and indigenous communities, the two most disadvantaged groups in the population with the lowest educational attainment, poorest test performance and highest incidence of school desertion. At the margin, the supplemental actions provided by the program should have the greatest impact amongst this population. They are its focal point. Table 15 shows the resulting samples for analysis considering that, for the reasons already noted, we concentrate our attention on a sub-set of these schools -- those which benefited integrally from the program.

Table 15

Students included in the analysis							
	Indian & Rural A-1358	Indian & Rural A-1358&other	Sub-total included in the analysis	Indian & Rural A-Partial	Urban & Community Schools	Sub-total excluded from the analysis	TOTAL
Experimental	585	624	1209	299	1237	1536	2745
Control	0	0	413	0	388	388	801
TOTAL	585	624	1622	299	1625	1924	3546
Of which: Indian			769				
Rural			853				

We measure performance by the student's score obtained in the tests applied at the beginning of the 4th grade -- *before* the program began -- and at the conclusion of the 6th grade, when the program was already in its third year of implementation. The tests were designed and applied by the *Direccion General de Evaluacion* (DGE) of the *Secretaria de Educacion*. In the opinion of both the DGE and of the CEE, which conducted the impact evaluation of the program, the Spanish test provides a superior metric. Students' performance in mathematics was generally low, too low to be a good indicator of student achievement.

Results - Performance in standardized tests. Measured by their scores in Spanish, the performance of students in the experimental group of schools is significantly better in both the rural and indigenous sub-samples. As shown in Table 16, before the program, students in indigenous schools in the experimental group were markedly disadvantaged with respect to their peers in the control group. The program eliminated this difference. Students in rural schools were undifferentiated before the program; with the program, those in the experimental group showed significantly higher scores. The gain in performance is, on average, three times as large for students in the experimental group.

Table 16

Summary results of performance						
Indian						
	Before		After		Difference	
	Students	Average test score	Students	Average test score	Total	Percentage
Experimental	564	14.6	356	29.1	13.9	95%
Control	205	23.2	125	26.8	4.1	18%
Total - t/test	769	9.46 ^a	481	2.24 ^b	6.92 ^a	73%
Rural						
	Before		After		Difference	
	Students	Average test score	Students	Average test score	Total	Percentage
Experimental	645	20.1	421	32.9	11.6	58%
Control	208	20.7	128	29.7	8.2	39%
Total - t/test	853	20.6	549	32.4 ^a	2.56 ^a	12%

The gain in performance is robust. It remains even after we take into account the contributions due to variations in student and parental background, in the support of parents to the school, and in the quality of teachers, principals and supervisors. These results are shown in Tables 17 to 19.

Table 17

Student's change in performance - 1					
Difference in normalized test scores between 6th and 4th grade					
	Indian		Rural		
	Beta coefficient	t-score	Beta coefficient	t-score	
Control	0.245	4.698 ^a	0.115	2.695 ^a	
Performance of 6th grade teacher	-0.003	-0.060	0.075	1.691 ^c	
Performance of 5th grade teacher	-0.005	-0.102	0.107	2.485 ^a	
Academic performance of school principal	0.171	3.709 ^a	0.138	3.040 ^a	
Performance of supervisor	0.122	2.302 ^b	0.013	0.283	
Parents & PTA participation in school	0.073	1.565 ^c	-0.134	-3.048 ^a	
Student's educational background & performance prior to 4th grade	0.044	0.984	0.062	1.441 ^d	
R ² -adjusted		0.121			0.062
F		10.437 ^a			6.205 ^a
N		480		548	
Student's self-esteem at 5th grade	-0.088	-2.032 ^b	-0.044	-1.039	
Availability & quality of urban infrastructure	-0.167	-3.120 ^a	0.007	0.153	
Memorandum item:					
Maximum total contribution of PARE program	0.531		0.448		
^a - Significant at the 1% level or more ^b - Significant at the 5% level or more ^c - Significant at the 10% level or more ^d - Significant at the 20% level or more					

In all cases, the models designed to capture the variation in achievement have low explanatory power. For example, the model in Table 17 captures only about 6% of the variance in the difference of scores (between 4th and 6th grades) amongst students in rural schools and 12%, amongst students in indigenous schools. No doubt this reflects an inadequate specification of the model be it in its functional form or inclusion of relevant explanatory factors. It also reflects the low discriminatory power of the testing instrument; i.e.: there is a problem in the measurement of the *dependent* variable. To the extent that the measured test scores fail to capture the true level of performance in the sample, much of the influence of variables such as parental background, the quality of teaching, etc., is lost to the model. The outcome is not biased; it is simply inefficient. The point to note, however, is that, even so, the explanatory variables behave as expected.⁷ More importantly, the coefficient of the experimental variable is large and significant. The PARE program has a large positive impact on student achievement in this counterfactual experiment.

Table 18

Student's change in performance - 2				
Difference in normalized test scores between 6th and 4th grade				
	Indian		Rural	
	Beta coefficient	t-score	Beta coefficient	t-score
Control	0.274	6.210 ^a	0.127	3.000 ^a
Factor - Characteristics of community & family	-0.009	-0.205	-0.161	-3.815 ^a
Factor - Characteristics of school & system	0.202	4.664 ^a	0.074	1.754 ^c
R ² -adjusted		0.124		0.035
F		23.599 ^a		7.713 ^a
N	480		548	
Memorandum item:				
Maximum total contribution of PARE program	0.475		0.202	
^a - Significant at the 1% level or more				
^b - Significant at the 5% level or more				
^c - Significant at the 10% level or more				
^d - Significant at the 20% level or more				

The impact is larger for the indigenous schools, a result that is consistent with the orientation of the program. As reported in Table 17, the marginal contribution of each explanatory variable is measured in terms of standard deviations of the dependent variable; i.e., of the gain in performance between 4th and 6th grades. For the average student at indigenous schools, attendance at a school fully served by the program would, on average, increase the gain by 25%. The comparable gain for students attending rural schools is half as large. The variables of school "supply" (the performance of teachers, principals and supervisors) are partly an *outcome* of the program. Thus, the program, at its *maximum* effect estimated

⁷ Three observations may be pertinent. First, for students attending indigenous schools it seems that self-esteem, measured at 5th grade, and residence in a community with greater access to public services is *negatively* correlated with performance. This puzzling result may be due to the conflictual character of indigenous education: Students that are positively self-selected may have a greater resentment in attending special schools. Second, and for the same group, while the performance of teachers does not seem to alter significantly the performance of students, the performance of principals and supervisors does. This result may be due to the generally poor quality of teaching in indigenous schools. Finally, it is puzzling to note that, in the rural sub-sample, parental involvement *diminishes* students' performance. One possible reason for this is the possibility that parental involvement increases as the quality of the school diminishes. Parents act only when the problems are large and apparent.

with the results of Table 17, could increase the performance of the average student by one-half of the standard-deviation of the gain in test scores for the respective subsample.

Table 19

Student's change in performance - 3				
Probability of testing above the median in 6th grade				
	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
<i>Indigenous schools</i>				
Constant	-0.991	0.217	-4.572	0.0%
Control	1.272	0.246	5.162	0.0%
Factor - Characteristics of community & family	0.054	0.103	0.528	59.8%
Factor - Characteristics of school & system	0.630	0.104	6.056	0.0%
N	481			
Log likelihood	-295.562			
F-statistic	15.024			0.0%
Chi-square	60.095			0.0%
Obs with Dep=1	237			
Obs with Dep=0	244			
Ex-ante probability	49%			
Estimated probability (at means)	49%			
Estimated probability without PARE (control)	27%			
PARE contribution - percentage gain probability		45%		
<i>Rural schools</i>				
Constant	-0.396	0.183	-2.161	3.1%
Control	0.495	0.209	2.372	1.8%
Factor - Characteristics of community & family	-0.233	0.086	-2.713	0.7%
Factor - Characteristics of school & system	0.107	0.083	1.279	20.1%
N	549			
Log likelihood	-374.073			
F-statistic	3.112			1.5%
Chi-square	12.448			1.4%
Obs with Dep=1	271			
Obs with Dep=0	278			
Ex-ante probability	49%			
Estimated probability (at means)	49%			
Estimated probability without PARE (control)	40%			
PARE contribution - percentage gain probability		19%		

It should be noted that the variables measuring the characteristics of students, parents, school personnel and facilities are all numerical indices constructed by CEE analysts. Some indices aggregate answers to as many as a dozen questions in the original survey. Nevertheless, several indices are needed to capture the complex set of interactions influencing student performance. The model in Table 17 is a simple, parsimonious representation. In particular, it could be argued that if the characteristics of the demand (family and community background, parental attitude towards and involvement in schooling, academic history, self-esteem, etc.) were adequately measured, the additional effect of the PARE program would be smaller, even insignificant. Alternatively, if the characteristics of the supply (teachers, principals and

supervisors background, performance, attitudes, assiduity, pay, etc., as well characteristics of the school infrastructure and availability of textbooks, supplies, etc.) were captured more precisely, the impact of the program could be larger. The data allows us to do better than the simple model of Table 17; and to make use of this wealth of information without introducing damaging multicollinearity in the results we constructed two sets of principal (orthogonal) components measuring respectively the characteristics of the demand and supply of schooling.

Table 20

Student's change in performance - 4				
Probability of being in school in the 6th grade (having been in school in the 4th grade)				
<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
<i>Indigenous schools</i>				
Constant	0.499	0.148	3.379	0.1%
Control	0.115	0.174	0.660	51.0%
Factor - Characteristics of community & family	0.125	0.078	1.599	11.0%
Factor - Characteristics of school & system	-0.067	0.076	-0.876	38.1%
N	769			
Log likelihood	-500.106			
F-statistic	15.597			0.0%
Chi-square	62.386			0.0%
Obs with Dep=1	493			
Obs with Dep=0	276			
Ex-ante probability	64%			
Estimated probability (at means)	64%			
Estimated probability without PARE (control)	62%			
PARE contribution - percentage gain probability		3%		
<i>Rural schools</i>				
Constant	0.496	0.144	3.441	0.1%
Control	0.271	0.168	1.613	10.7%
Factor - Characteristics of community & family	0.184	0.076	2.419	1.6%
Factor - Characteristics of school & system	0.121	0.075	1.617	10.6%
N	825			
Log likelihood	-519.618			
F-statistic	23.752			0.0%
Chi-square	95.010			0.0%
Obs with Dep=1	549			
Obs with Dep=0	276			
Ex-ante probability	67%			
Estimated probability (at means)	67%			
Estimated probability without PARE (control)	62%			
PARE contribution - percentage gain probability		7%		

Table 18 shows the results of the model built on this more complex structure, captured through the two principal components. Encouragingly, the results are very similar to those of Table 17. In fact, the impact of the program is greater and more significant. The factor capturing the conditions of supply is also significant and large, especially in the case of schools serving indigenous communities.

An objection may be raised, nonetheless, about the measure of performance. What if small differences in test score are very imperfect measures of relative capabilities and/or achievements? To try to get around this issue, we perform a final experiment on the test scores. We stratify the samples in two sub-samples each: those of students with performance above and below their respective medians. These results are shown in Table 19. Once again the estimates are consistent. The program has a positive and

significant impact, and especially so for the indigenous population.

Table 20 summarizes the results on test scores. The PARE program – when adequate and fully implemented – could cause an increase in performance for the average student in the range of 19 to 38% amongst rural students. For indigenous students, the gain could be much larger, anywhere from 45 to 90%. If consideration is taken of the factors affecting supply, such as the performance of teachers, principals and supervisors, on the plausible assumption that this performance is in part a product of the program, the total impact could be even larger.

Table 21

Student's change in performance - Summary					
Marginal contribution of belonging to the experimental group					
	Group	Mean of dependent variable	Unit	Estimated coefficient: Experimental	Marginal contribution: Experimental ¹
Table 4	Rural	10.78	Gain in scores	3.644	33.8%
	Indigenous	11.36	Gain in scores	10.259	90.3%
Table 5	Rural	10.78	Gain in scores	4.043	37.5%
	Indigenous	11.36	Gain in scores	9.998	88.0%
Table 6	Rural	49%	Probability	0.495	19.0%
	Indigenous	49%	Probability	1.272	45.0%
Table 6a	Rural	67%	Probability	0.271	7.0%
	Indigenous	64%	Probability	0.115	3.0%

¹ For Tables 4 and 5, the percentage gain to the mean.
For Table 6, the percentage gain to the initial probability of success, estimated at the means of the independent variables.

Results - Desertion. Aside from increasing the student's cognitive achievements while at school the PARE program also increases the probability that the student will continue in school. The two outcomes are probably linked: Children who perform better are more motivated to continue and their parents may be more inclined to allow them to continue in school. This is clearly the case for rural students, as shown in Table 8. The probability of school desertion is 20% lower amongst students supported by the program, and the effect is just as large for the broader group of students who benefited from only a partial application of the program. Surprisingly, however, the result does not seem to hold for the indigenous population. One-third of the indigenous students who received the full program from 4th grade onward abandoned the school before completing the 6th grade. Their probability of desertion was 12% greater than that of the comparable control group.

Table 22

Student's change in performance - Desertion				
Percentage of students who quit school by the end of the 6-th grade				
	Complete program ¹		Partial program	
	Indigenous	Rural	Indigenous	Rural
Experimental	32.9%	28.4%	36.2%	31.1%
Control	29.4%	35.7%	36.0%	38.5%
Difference	11.7%	-20.5%	0.7%	-19.2%
N	698	809	841	1006

¹ Students in schools that received all PARE components simultaneously.

This result deserves more analysis. An intriguing possibility is that high-achieving students in

indigenous communities move to rural schools where they are immersed in a Spanish-speaking environment. On the other hand, a multivariate analysis of the probability that the student was in school in the 6th grade (given that she had been at school in the 4th grade) indicates that the program had a positive impact on both rural *and* indigenous schools, see Table 20. The gain in probability is small, however, and specially so for the indigenous population (a mere 3 percent increase).

Costs. It is very difficult to estimate the true costs of the PARE program. The program, financed by CONAFE, is not independent of actions taken by SEP in its usual activities of funding and supervising basic education. It could be, for example, that teachers in a school benefiting from the PARE program become more motivated and assiduous simply because they perceive the threat (or reward) of closer supervision by the educational authorities. The costs of the PARE program, as reported by the CEE, are shown in Table 25. Expenditure on indigenous schools was nearly 60 percent higher than in rural schools. The largest cost items were infrastructure and materials. Expenditure on teacher training and wage incentives accounted for less than 14 percent of total spending.

The program's cost effectiveness. As shown in Table 23, the PARE program increased the average per pupil cost of education by 38 percent in indigenous schools, and by 24 percent in rural schools. A simple comparison between the gain in average test scores and the cost of the supplementary pedagogical actions under the PARE program – for the subset of schools that received all of the actions and implemented them accordingly – suggests that the program was cost effective for the indigenous population. Here we observe a 42 percent gain in average scores versus the 38 percent increase in cost, a benefit/cost ratio of 11 percent (Table 24). However, the ratio is negative for the rural population. Instead of using the observed outcomes as reported in Table 24 we could use the simulated outcomes as reported in Table 21. Considering the *maximum* estimated impact for the indigenous population (a *maximum* gain in performance of 90% estimated in Table 17) the benefit/cost ratio is 137:100. The equivalent ratio for the rural population (with a maximum gain in performance of 38% estimated in Table 5) is 58:100.

Table 23

Per pupil expenditure - 1994					
	All schools ¹	PARE ²		Cost increase	
		Indigenous	Rural	Indigenous	Rural
Chiapas	1983	606	338	30.5%	17.0%
Guerrero	2253	749	764	33.2%	33.9%
Hidalgo	2143	1127	637	52.6%	29.7%
Oaxaca	1770	624	230	35.3%	13.0%
Average	2037	776	492	38.1%	24.2%

¹ Unit cost for primary schools in indigenous communities, SEP.
² See annex table.

Table 24

PARE Program: Benefit/Cost Ratio					
Experimental	Average gain in test score		Percentage gain ¹	Increase in cost ²	Ratio
	Control	Difference			
Indigenous schools					
13.9	4.1	9.8	42.3%	38.1%	11.02%
Rural schools					
11.6	8.2	3.4	16.5%	24.2%	-31.70%

¹ With respect to base year - control group; see Table 3.

² See Table 10.

Table 25

Per pupil costs PARE Program - 1994										
<i>Per pupil expenditure - Indigenous schools</i>										
	<i>Bilingual texts</i>	<i>Library</i>	<i>Stores</i>	<i>Training</i>	<i>Infrastructure</i>	<i>Supplementary compensation for teachers</i>	<i>Audiovisual equipment & materials</i>	<i>School supervision</i>	<i>Didactic materials</i>	<i>TOTAL</i>
Chiapas	21.49	3.49	2.03	45.64	215.23	0.00	111.27	47.04	159.54	605.74
Guerrero	20.21	3.19	4.07	50.08	282.11	45.83	101.08	103.17	139.37	749.12
Hidalgo	25.16	7.43	3.29	61.95	635.18	123.38	78.25	82.27	109.76	1126.66
Oaxaca	9.19	4.55	3.47	50.28	279.70	52.81	139.29	29.23	55.57	624.09
<i>Average cost</i>	19.01	4.66	3.22	51.99	353.06	55.51	107.47	65.43	116.06	776.40
<i>Per pupil expenditure - Rural schools</i>										
Chiapas		7.31	3.22	32.70	32.58	21.18	136.36	39.35	65.35	338.06
Guerrero		4.78	6.37	40.80	333.01	3.98	97.92	139.89	137.45	764.19
Hidalgo		10.57	4.10	58.70	302.41	16.84	93.55	62.43	88.21	636.80
Oaxaca		6.05	4.40	42.90	0.00	0.00	94.18	46.52	35.66	229.71
<i>Average cost</i>		7.18	4.52	43.77	167.00	10.50	105.50	72.05	81.67	492.19

Annex 7
BASIC EDUCATION DEVELOPMENT
Estimated Project Costs

<u>Project Component</u>	Local	Foreign	Total
	-----US \$ million-----		
1. Quality Improvements in Initial and Basic Education			
1.1 Training	25.0	--	25.0
1.2 Proyectos escolares	1.2	--	1.2
1.3 School supervision	7.8	--	7.8
1.4 Infrastructure, equipment, didactic materials	82.0	2.3	84.3
2. Strengthening Institutional Capacity at Federal & State Levels			
2.1 Activities at the Federal level			
2.1.1 Strengthen evaluation system	0.9	0.4	1.3
2.1.2 Regional planning	1.4	--	1.4
2.1.3 Pilot program for migrant children	1.1	--	1.1
2.1.4 Pilot program for children 9-14 in urban marginal areas	0.4	--	0.4
2.1.5 Pilot program for indigenous children in regular schools	0.9	--	0.9
2.2 Activities at the State level - FDI	9.0	--	9.0
2.3 Project administration	7.9	--	7.9
<u>Total Baseline Cost</u>	137.6	2.7	140.3
Physical Contingencies	5.5	--	5.5
Price Contingencies	4.0	0.2	4.2
<u>Total Project Cost</u>	147.1	2.9	150.0

Annex 8
 BASIC EDUCATION DEVELOPMENT
 Financial Summary
 Years Ending FY01
 (US\$ million)

	Phase I			Totals
	FY99	FY00	FY01	FY99-01
<u>Project Costs</u>				
Investment Costs	12.0	56.0	64.6	132.6
Recurrent Costs	1.4	8.0	8.0	17.4
Total	13.4	64.0	72.6	150.0
<u>Financing Sources (% of total project costs)</u>				
IBRD	89%	75%	76%	77%
Government	11%	25%	13%	23%

Annex 9

BASIC EDUCATION DEVELOPMENT
Procurement and Disbursement Arrangements**Procurement***Procurement methods (Table A)*

Procurement for the proposed project will be carried out in accordance with Bank's guidelines on procurement of goods, works and services, *Guidelines: Procurement under IBRD Loans and IDA Credits (January 1995, as revised Jan./Aug. 1996, and Sept. 1997)* and *Guidelines: Selection and Employment of Consultants by World Bank Borrowers (January 1997 and revised in September 1997)*. Due to the nature of the project, under an Adaptable Program Loan, procurement procedures have been identified only for Phase 1 of the project.

Prior review thresholds (Table B)

Prior review arrangement outlined in Table B will result in the review of the program of civil works and goods but not of individual contracts. A substantial amount of Project costs for Phase 1 includes small works contracting and supervision services, and small contracts for goods procured independently by 31 SEPEs through CONAFE delegations. All annual programs of execution would be agreed with Bank during annual evaluation.

Disbursement*Allocation of loan proceeds*

See Table C

Use of statements of expenses (SOEs):

The funds of the loan are expected to be disbursed on the basis of Statements of Expenditures (SOEs) for all expenses, except those requiring prior review by the Bank (Table B).

Special account:

NAFIN will maintain a Special Account in US dollars at the Central Bank. The Bank will make an initial deposit of \$10 million to the Special Account. The full authorized amount of the Special Account is \$10 million. NAFIN will request the Bank to replenish the Special Account on the basis of standard disbursement procedures. Withdrawals from the account will be supported by detailed documentation or SOEs in accordance with Bank disbursement procedures.

Annex 9, Table A: Project Costs by Procurement Arrangements¹

Phase I Program Costs
(in US\$ million equivalent)

Expenditure Category	Procurement Method				Total Cost (including contingencies)
	ICB	NCB	Other	N.B.F	
1. Civil works			52.4 ^{a/} (36.7)		52.4 (36.7)
2. Equipment & furniture	1.9 ^{b/} (1.3)		6.0 ^{c/} (4.2)		7.9 (5.5)
3. Didactic materials		17.2 ^{d/} (12.0)	8.8 ^{e/} (5.6)		25.2 (17.6)
4. Training			27.2 ^{f/} (24.5)		27.2 (24.5)
5. Consulting services			8.2 ^{g/} (8.2)		8.2 (8.2)
6. FDI Subprojects and School projects			10.5 ^{h/} (9.5)		10.5 (9.5)
7. Incremental operational costs			18.6 ^{i/} (13.0)		18.6 (13.0)
Total	1.9 (1.3)	17.2 (12.0)	130.9 (101.6)	--	150.0 (115.0)

Note: N.B.F. = Not Bank-financed (includes elements procured under parallel cofinancing procedures, consultancies under trust funds, any reserved procurement, and any other miscellaneous items). Figures in parentheses are the amounts to be financed by the Bank loan/IDA credit.

Footnotes to table:

- a) No ICB or NCB for civil works is expected in any phase of the Program due to the nature of the decentralized design of the project. Amount includes small works in 31 states for new construction, substitution and rehabilitation of classrooms to be done through community participation (para. 3.15 of *Guidelines*) using procedures agreed with the Bank in the ongoing Second Basic Education Project. These procedures may include competitive selection through price comparison of quotations obtained from three qualified local contractors in response to a written invitation or direct contracting (in rural distant communities). Contract or bid/packages are not expected to have contract values of more than US\$350,000. These procedures seek promote and encourage community participation in works execution

¹ For details on presentation of Procurement Methods refer to OD11.02, "Procurement Arrangements for Investment Operations." Details on Consultant Services can be shown more easily in Table A1.

through direct administration of funds by school councils and municipalities. In contracts awarded by school councils or civil associations or municipalities, no financing will be made of labor costs. Communities may receive about 60% as an advance for purchase of all construction materials, and balance is through strict controls of funds transfers based on physical advance reports until full completion.

- b) Includes essentially computing and communication (antennas) equipment which, for purposes of economies of scale, will be procured centrally by CONAFE. CONAFE, with the assistance of NAFIN, will ensure quality in ICB procedures. In the case of computing equipment, procurement may be made in one or two large multi-year contracts valued at more than US\$350,000 equivalent. For contracts below US\$100,000, national shopping procedures may be used, as described in para. 3.5 of *Guidelines*, up to an aggregate of US\$100,000 equivalent.
- c) Amounts shown include lab equipment (US\$0.7 million) with procurement conducted by each SEPE/CONAFE delegation under national shopping procedures (each contract value will not exceed US\$100,000 equivalent). Amounts also include an aggregate of US\$5.3 million for *Proyectos Escolares* goods procured according to community participation procedures.
- d) Includes US\$14.5 million of didactic materials and US\$2.6 million of printing services for SEP/CONAFE.
- e) National shopping procedures will apply since individual purchases in 31 states are not expected to exceed US\$100,000 equivalent each. Procurement includes US\$3.4 million of library books for schools and classrooms, US\$0.7 million of printing services, and US\$3.2 million of didactic materials packages to be distributed to project schools and groups. A limited amount of books may be purchased directly by SEPEs through the CONAFE delegation from editorial houses holding copyrights, from lists of books selected through competitive technical procedures satisfactory to the Bank, in contract value not exceeding US\$35,000 equivalent each, up to an aggregate amount of US\$750,000 equivalent.
- f) Includes technical assistance of individual consultants to design/deliver training, contracted up to an aggregate of US\$1.6 million, under procedures described in the *Guidelines*, Chapter V, paras. 5.1-5.3. Other procurement corresponds to printing services of training materials, with individual contract values not exceeding US\$100,000 each, up to an aggregate of US\$4.4 m., to be contracted by national shopping procedures by each SEPE/CONAFE delegation, as described in paras. 3.5-3.6 of *Guidelines*. Includes an aggregate of US\$20.9 million equivalent of other training expenditures for logistic services to support training activities to be contracted competitively, and study tours.
- g) Includes aggregate amounts of: (1) US\$2.5 million of contracts with individual consultants providing technical assistance to SEP/CONAFE; (2) US\$3.9 million for least-cost contracts for noncomplex engineering and supervision services for works supervision; and US\$0.6 million to purchase digital maps through direct contracting.
- h) Annual grants provided to carry out strategic planning subprojects (US\$9.0 million), under criteria satisfactory to the Bank, and school projects (US\$1.5 million). These amounts include an aggregate of US\$250,000 in goods purchased for FDI subprojects through national shopping. Ceiling amounts for individual subprojects will be established during the annual review of the state program.
- i) Costs include compensation paid to temporary staff providing support to project activities in CONAFE state-level delegations (UCEs), and supporting school supervision, communication services, subsistence and other miscellaneous operational costs.

Annex 9, Table B: Thresholds for Procurement Methods and Prior Review (US\$000s)

Category	Contract Value (Threshold)	Procurement Method	Contract Subject to Prior Review
1. Civil Works			
Construction/ rehabilitation of classrooms	<350	Community participation procedures by school councils and municipalities (para.3.15).	
2. Goods			
All goods		ICB	All
Except:			
(a) Proyectos Escolares goods (other than computing equipment)		Community participation	
(b) Non-copyright didactic materials and printing services	<=350 <100	NCB National shopping	First two contracts for materials; first two contracts for printing services
(c) School lab equipment	<100	National shopping	
(d) Computing and audiovisual equipment	<100	National shopping	
(e) Part A.3 training materials, printing and logistical items	<100	National shopping	
(f) FDI subproject goods	<100	National shopping	
(g) Digital mapping; copyright didactic materials	<100	Direct contracting	
3. Consultants' Services - Selection according to Consultant Guidelines (Jan. 97)			
T.A. for engineering and supervision services for works.	<200	Least cost Aggregate: US\$3.9 m (or QCBS)	
Consultant firms (activities TBD)	<100	Consultants' Qualifications, para. 3.7 (or QCBS)	TORs, contracts over US\$100,000
Individual consultants		Qualif. Individual (Chap. V, paras. 5.1- 5.3). Aggregate: US\$2.5 m.	Annual program of contracting; TORs for annual audits or specific tasks; contracts over US\$50,000
Total value of contracts subject to prior review: (Low level of prior review due to the decentralized nature of project and size of individual contracts in each of the 31 states)			40%

Annex 9, Table C: Allocation of Loan Proceeds

Expenditure Category	Amount in US\$ million	Financing Percentage
1. Civil works	36.8	70%
2. Furniture & Equipment	5.5	70%
3. Didactic materials	17.7	70%
4. Training	22.2	90%
5. Consultant services	7.0	100%
6. FDI Subprojects & School Projects	9.0	90%
7. Incremental operational costs	11.8	70%
Unallocated	5.0	
Total	115.0	

Annex 10
BASIC EDUCATION DEVELOPMENT
Project Processing Budget and Schedule

A. Project Budget (US\$000)	<u>Planned</u> (At final PCD stage) \$449,000	<u>Actual</u> \$513,800
B. Project Schedule	<u>Planned</u> (At final PCD stage)	<u>Actual</u>
Time taken to prepare the project (months)		
First Bank mission (identification)	<u>1/21/96</u>	<u>1/21/96</u>
Appraisal mission departure	<u>11/18/97</u>	<u>3/9/98</u>
Negotiations	<u>3/15/98</u>	<u>5/6/98</u>
Planned Date of Effectiveness	<u>September 1998</u>	<u>/ /19</u>

Prepared by: SEP/CONAFE

Preparation assistance: PHRD Grant

Bank staff who worked on the project included:

Name	Specialty
Madalena dos Santos, LCSHD	Sr. General Educator, Team Leader
Carmen Hamann, LCSHD	Human Development Sector Leader
Paulo Vieira da Cunha, LCC1C	Sr. Lead Economist
Anna Sant'anna, LCC1C	Sector Coordinator
Fernando Reimers, LCSHD	Sr. Education Specialist
Ricardo Silveira, LCSHD	Sr. HD Economist
Ferenc Molnar, LEGLA	Lawyer
Vinh Nguyen, LCSHD	Operations Specialist
Valeria Junho Peña, LCSES	Sr. Social Scientist
Rosita Estrada, LCC2C	Procurement Specialist
Victor Manuel Ordóñez, LCC1C	Financial Management Specialist
Claudia Macias, LCC1C	Economist
Gladys Lopez, LCC1C	Economic Analysis
Lauro Ramos, Consultant	Economist
Roberto Carneiro, Consultant	Institutional Analysis, Education
Manuel Vera, Consultant	Education Specialist
Christian Hurtado, Consultant	Investment Funds
Livio Piño, LCOAA	Financial Analyst
Alberto Zuniga, Consultant	Architect, GIS
Sergio Jelinck, Consultant	Logical Framework
Maria Colchao, LCSHD	Project Assistant
Liliana Wiesner, LCSHD	Task Assistant
Patricia Romero-Casco, LCSHD	Task Assistant

Annex 11

BASIC EDUCATION DEVELOPMENT

Documents in the Project File*

A. Project Implementation Plan

CONAFE, 1998. "Plan de Implementación - Fase I"

B. Bank Staff Assessments

Junho-Pena, Nahmad, Albano, Aranda & Nielsen, Draft June 1997. *Evaluación Rápida de la Educación Indígena en los Estados de Oaxaca y Chiapas para el Proyecto de Educación Básica III en México*
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C. Other

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"Las Prácticas Escolares y Docentes en las Escuelas Multigrado de la Educación Primaria", Consejo Nacional de Fomento Educativo, 1997.

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"Programa para Abatir el Rezago en Educación Inicial y Básica - PAREIB". Sumario Propuestas Estatales." Consejo Nacional de Fomento Educativo, 1997.

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"Propuesta para la Reestructuración del Programa para Abatir el Rezago en Educación Inicial y Básica (PAREIB)." Secretaría de Educación Pública (SEP)/Consejo Nacional de Fomento Educativo (CONAFE), Marzo, 1998.

"Programa para Abatir el Rezago en Educación Inicial y Básica." Secretaría de Educación Pública (SEP)/Consejo Nacional de Fomento Educativo (CONAFE), Marzo, 1998.

"Subcomponente I.2.1. Proyecto Escolar: Una Estrategia para transformar las escuelas." Secretaría de Educación Pública (SEP)/Consejo Nacional de Fomento Educativo (CONAFE), Marzo, 1998.

"Subcomponente II.1 Consolidación de los Sistemas Estatales de Evaluación Educativa." Secretaría de Educación Pública (SEP)/Consejo Nacional de Fomento Educativo (CONAFE), Marzo, 1998.

"Subcomponente II.1.3. Estudios. Proyecto: Modelo de Educación Primaria para Niños Jornaleros Agrícolas Migrantes". Secretaría de Educación Pública (SEP)/Consejo Nacional de Fomento

Educativo (CONAFE), Marzo, 1998.

“Subcomponente II.1.3. Estudios. Proyecto: Modelo de Educación Primaria para Población del Grupo de Edad 9-14 de Zonas Urbanas.”

*Including electronic files.

Annex 12
Mexico
Statement of Loans and Credits
Schedule D (MOP) as of March 31, 1998

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/		
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm	Rev'd
Number of Closed Loans/credits: 203											
Active Loans											
MX-PE-7711	IBRD42760	1998	NAFIN	RURAL DEV. MARG.AREA	47.00	0.00	0.00	47.00	3.51	0.00	
MX-PE-43163	IBRD42060	1997	BANOBRAS	FEDERAL ROADS MODZTN	475.00	0.00	0.00	475.00	0.00	0.00	
MX-PE-7700	IBRD41370	1997	GOVT OF MEXICO	COMMUNITY FORESTRY	15.00	0.00	0.00	14.50	1.75	0.00	
MX-PE-7726	IBRD41520	1997	GOVERNMENT	AQUACULTURE	40.00	0.00	0.00	40.00	2.33	0.00	
MX-PE-7732	IBRD41010	1997	GOVERNMENT	RURAL FIN. MKTS T.A.	30.00	0.00	0.00	29.50	14.96	0.00	
MX-PE-40685	IBRD39370	1996	NACIONAL FINANCIERA (NAFI	INFRA. PRIVATZTN TA	30.00	0.00	0.00	20.53	18.53	0.00	
MX-PE-7689	IBRD39430	1996	NAFIN	BASIC HLTH II	310.00	0.00	0.00	245.03	28.02	21.83	
MX-PE-7713	IBRD40500	1996	GOM	WATER RESOURCES MANA	186.50	0.00	0.00	178.38	7.60	0.00	
MX-PE-34161	IBRD3838A	1995	NAFINSA	FINANCIAL SEC T.A.	5.32	0.00	0.00	2.97	1.58	12.38	
MX-PE-34161	IBRD3838B	1995	NAFINSA	FINANCIAL SEC T.A.	13.80	0.00	0.00	13.80	1.58	12.38	
MX-PE-34490	IBRD3805A	1995	NAFIN	TECH EDU/TRAING	187.49	0.00	0.00	179.95	121.47	60.27	
MX-PE-40462	IBRD39120	1995	NAFIN	ESSENTIAL SOCIAL SER	500.00	0.00	0.00	18.29	18.30	18.30	
MX-PE-7607	IBRD3778A	1995	GOVERNMENT	RAINFED AREAS DEVELO	41.96	0.00	0.00	21.85	3.82	-9.45	
MX-PE-7702	IBRD3790A	1995	SEDESOL	SECOND DECENTRALZTN	303.39	0.00	0.00	233.49	129.54	46.11	
MX-PE-7612	IBRD37520	1994	BANOBRAS	SOLID WASTE II	200.00	0.00	193.06	1.71	-4.23	0.00	
MX-PE-7701	IBRD3704A	1994	NAFIN	ON-FARM & MINOR IRR	119.36	0.00	0.00	111.10	86.08	1.09	
MX-PE-7707	IBRD37510	1994	BANOBRAS	WATER/SANIT II	350.00	0.00	0.00	181.56	166.54	0.00	
MX-PE-7710	IBRD37500	1994	BANOBRAS	N. BORDER I ENVIRONM	368.00	0.00	273.40	65.36	259.06	22.38	
MX-PE-7725	IBRD3722A	1994	NAFIN	PRIM.EDUC.II	254.36	0.00	0.00	214.81	184.83	6.15	
MX-PE-7648	IBRD35590	1993	BANOBRAS	MEDIUM CITIES TRANSP	200.00	0.00	23.00	137.78	122.71	0.00	
MX-PE-7694	IBRD3543A	1993	NAFIN	TRNSPRT AIR POLL CON	79.96	0.00	0.00	79.96	123.08	35.00	
MX-PE-7723	IBRD36280	1993	BANOBRAS	HWY RHB & SAFETY	480.00	0.00	0.00	200.67	8.67	0.00	
MX-PE-7724	IBRD3542A	1993	NAFIN	LABOR MARKET & PROD.	11.25	0.00	0.00	3.93	3.94	0.00	
MX-PE-7667	IBRD3419A	1992	NAFINSA	IRRIG SCTR	100.63	0.00	0.00	100.63	150.60	.60	
MX-PE-7676	IBRD3475A	1992	NAFIN	SCIENCE/TECH	6.50	0.00	0.00	3.36	2.36	2.36	
MX-PE-7672	IBRD3359A	1991	NAFIN	MINING SCTR	41.51	0.00	0.00	41.05	41.06	0.00	
MX-PE-7704	IBRD3358A	1991	NAFIN	VOC TRNG SCTR	18.99	0.00	0.00	17.01	32.03	17.03	
MX-PE-7615	IBRD28240	1987	BANOBRAS	URBN TRNSPRT I	125.00	0.00	34.02	2.04	41.01	1.99	
Total					4,541.02	0.00	523.48	2,681.26	1,570.73	248.42	

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	1,336.33	21,008.59	22,344.92
of which has been repaid:	60.24	10,847.64	10,907.88
Total now held by IBRD and IDA:	3,957.47	10,185.05	14,142.52
Amount sold :	0.00	92.34	92.34
Of which repaid :	0.00	92.34	92.34
Total Undisbursed :	2,681.26	27.26	2,708.52

- a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
- b. Rating of 1-4: see OD 13.05. Annex D2. Preparation of Implementation Summary (Form 590). Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system will be used (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Mexico
STATEMENT OF IFC's
COMMITTED AND DISBURSED PORTFOLIO
As of 31-Mar-98 (In US\$ million)

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1984/87/94/96	Metalsa	0.00	0.00	6.00	0.00	0.00	0.00	6.00	0.00
1987	VULICA	7.50	0.00	0.00	0.00	7.50	0.00	0.00	0.00
1987/91	CALICA	4.79	0.00	0.00	0.00	4.79	0.00	0.00	0.00
1988/91/92/93/95	Apasco	22.20	0.00	0.00	102.80	22.20	0.00	0.00	102.80
1988/94/95	Sigma	0.00	5.00	0.00	0.00	0.00	5.00	0.00	0.00
1989	Cemex	1.86	0.00	0.00	1.00	1.86	0.00	0.00	1.00
1989	Grupo FEMSA	0.00	9.43	0.00	0.00	0.00	9.43	0.00	0.00
1989/90	Banca Serfin	16.00	0.00	0.00	0.00	16.00	0.00	0.00	0.00
1990	Petrocel	6.50	0.00	3.00	3.50	6.50	0.00	3.00	3.50
1990/91	Condumex	7.76	0.00	0.00	3.18	7.76	0.00	0.00	3.18
1990/92/96	BANAMEX	62.61	0.00	0.00	98.07	60.21	0.00	0.00	98.07
1991	CEDETEL	3.13	.77	0.00	6.09	.63	.77	0.00	6.09
1991	Vitro Flotado	13.22	0.00	0.00	5.53	13.22	0.00	0.00	5.53
1991/96	GIBSA	27.05	0.00	10.00	90.95	27.05	0.00	10.00	90.95
1992	Banorte-Arancia	4.17	0.00	0.00	0.00	4.17	0.00	0.00	0.00
1992	Banorte-SABROZA	3.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00
1992	Toluca Toll Road	8.00	0.00	0.00	0.00	8.00	0.00	0.00	0.00
1992/91	Vitro	0.00	10.17	0.00	0.00	0.00	10.17	0.00	0.00
1992/93/95/96	Grupo Posadas	25.66	5.00	5.00	46.57	25.66	5.00	5.00	46.57
1992/96/97/98	Grupo Probursa	0.00	10.16	.21	0.00	0.00	10.11	.21	0.00
1993	Derivados	7.70	0.00	0.00	15.05	7.70	0.00	0.00	15.05
1993	GIDESIA	12.50	8.00	0.00	25.50	12.50	8.00	0.00	25.50
1993	GOTM	1.40	0.00	0.00	1.32	1.40	0.00	0.00	1.32
1993	Masterpak	8.40	0.00	0.00	16.20	8.40	0.00	0.00	16.20
1994	CTAPV	4.67	0.00	2.53	0.00	4.67	0.00	2.53	0.00
1994	Interceramic	13.00	0.00	6.00	12.25	13.00	0.00	6.00	12.25
1994/96/98	Aurum-Heller	0.00	2.80	0.00	0.00	0.00	2.80	0.00	0.00
1995	Baring Venture	0.00	9.09	0.00	0.00	0.00	5.00	0.00	0.00
1995	Mexplus Puertos	0.00	3.04	0.00	0.00	0.00	3.04	0.00	0.00
1995/96	Baring Mex. FMC	0.00	.18	0.00	0.00	0.00	.17	0.00	0.00
1996	GIRSA	30.00	0.00	10.00	115.00	7.50	0.00	2.50	85.00
1996	NEMAK	0.00	0.00	6.00	0.00	0.00	0.00	6.00	0.00
1997	Banco Bilbao MXC	80.00	0.00	30.00	0.00	0.00	0.00	30.00	0.00
1997	Comercializadora	6.00	0.00	0.00	7.50	0.00	0.00	0.00	0.00
1997	Gen. Hipotecaria	0.00	1.43	0.00	0.00	0.00	1.43	0.00	0.00
1997	Grupo Minsa	20.00	10.00	0.00	30.00	20.00	10.00	0.00	30.00
1997	TMA	5.10	0.00	0.00	10.40	5.10	0.00	0.00	10.40
1998	Grupo Calidra	12.00	6.00	0.00	10.00	0.00	6.00	0.00	0.00
Total Portfolio:		414.22	81.07	78.74	600.91	288.82	76.92	71.24	553.41

Approvals Pending Commitment

		Loan	Equity	Quasi	Partic
1997	ALTAMIRA	17.80	0.00	1.00	38.00
1997	CHIAPAS FMC	0.00	.02	0.00	0.00

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1997	FONDO CHIAPAS	0.00	5.00	0.00	0.00				
1998	FORJA QUIMMCO	13.00	3.00	0.00	13.00				
1998	HIPOTECARIA EQ	0.00	1.20	0.00	0.00				
1998	MERIDA III	30.00	0.00	0.00	90.00				
1998	ZN MEX FMC	0.00	.05	0.00	0.00				
1998	ZN MXC EQTY FUND	0.00	20.00	0.00	0.00				
Total Pending Commitment:		60.80	29.27	1.00	141.00				

Annex 13

Country at a Glance

Mexico at a glance

8/18/97

POVERTY and SOCIAL

	Mexico	Latin America & Carib.	Upper-middle-income
Population mid-1996 (millions)	93.4	485	479
GNP per capita 1996 (US\$)	3,640	3,710	4,540
GNP 1996 (billions US\$)	340.0	1,799	2,173

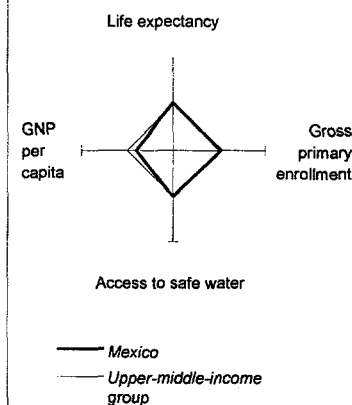
Average annual growth, 1990-

Population (%)	1.9	1.7	1.5
Labor force (%)	2.8	2.3	1.8

Most recent estimate (latest year available since)

Poverty: headcount (% of population)	..	..	..
Urban population (% of total population)	75	74	73
Life expectancy at birth (years)	72	69	69
Infant mortality (per 1,000 live births)	33	37	35
Child malnutrition (% of children under 5)	..	..	..
Access to safe water (% of population)	87	80	86
Illiteracy (% of population age 15 and over)	10	13	13
Gross primary enrollment (% of school-age population)	111	110	107
Male	..	..	..
Female	..	..	..

Development diamond*

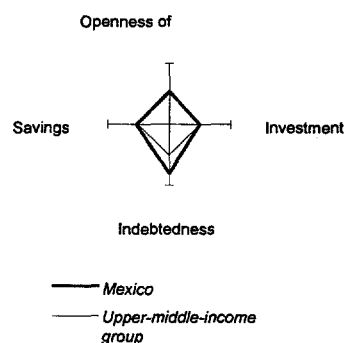


KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1995	1996
GDP (billions US\$)	94.4	183.6	287.0	334.7
Gross domestic	22.3	20.8	19.7	20.9
Exports of goods and	5.7	15.5	21.7	22.4
Gross domestic savings/GDP	19.0	25.9	22.7	23.4
Gross national savings/GDP	17.2	22.1	19.4	20.7
Current account	-4.4	0.4	-0.6	-0.6
Interest	1.2	5.1	3.9	3.3
Total debt/GDP	19.3	52.8	57.8	47.0
Total debt	41.1	50.7	33.8	42.8
Present value of	..	..	55.5	..
Present value of	..	..	216.3	..

	1975-85	1986-96	1995	1996	1997-05
(average annual growth)					
GDP	4.6	2.4	-6.2	5.1	4.9
GNP per capita	1.7	0.3	-9.3	3.7	6.7
Exports of goods and	11.7	6.1	33.3	16.6	7.7

Economic ratios*



STRUCTURE of the ECONOMY

	1975	1985	1995	1996
(% of GDP)				
Agriculture	10.8	8.7	5.7	5.9
Industry	29.9	33.5	27.9	28.8
Manufacturing	21.9	23.5	20.8	21.5
Services	59.4	57.8	66.4	65.3
Private consumption	71.6	64.8	66.9	66.5
General government	9.3	9.3	10.4	10.1
Imports of goods and	9.0	10.4	18.8	19.9

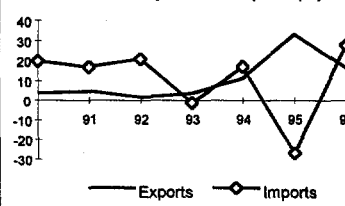
(average annual growth)

	1975-85	1986-96	1995	1996
Agriculture	3.1	0.6	1.0	1.2
Industry	4.7	2.9	-7.8	10.4
Manufacturing	4.1	3.2	-4.8	10.9
Services	4.8	2.3	-6.2	3.4
Private consumption	3.7	3.1	-9.5	2.3
General government	6.3	1.6	-1.3	3.7
Gross domestic	1.7	4.9	-34.8	27.5
Imports of goods and	2.0	14.4	-26.8	27.8
Gross national product	4.2	2.6	-7.7	5.7

Growth rates of output and investment (%)



Growth rates of exports and imports (%)



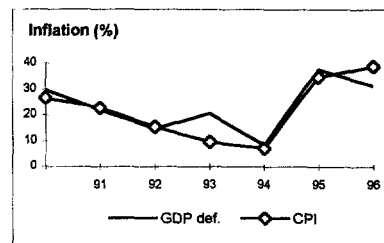
Note: Sectoral shares in the National Accounts are expressed as percentages of GDP at factor

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the be incomplete.

Mexico

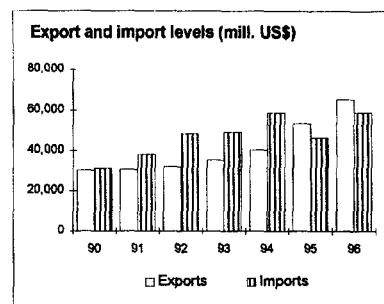
PRICES and GOVERNMENT FINANCE

	1975	1985	1995	1996
Domestic prices				
(% change)				
Consumer prices (ave.)	15.2	57.7	34.9	39.0
Implicit GDP deflator	15.5	56.5	37.9	31.5
Government finance				
(% of GDP)				
Current revenue	..	31.4	22.8	22.8
Current budget balance	..	-1.6	2.7	0.1
Overall surplus/deficit	..	-6.2	-0.1	-0.3



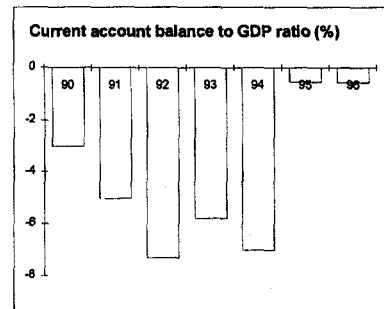
TRADE

	1975	1985	1995	1996
(millions US\$)				
Total exports (fob)	..	22,931	53,363	65,495
Fuel	..	14,767	8,423	11,654
n.a.
Manufactures	..	6,245	40,379	49,800
Total imports (cif)	..	14,533	46,274	58,964
Food	..	1,082	5,335	6,657
Fuel and energy
Capital goods	..	3,165	8,697	10,922
Export price index (1987=100)	..	125	103	105
Import price index (1987=100)	..	99	81	79
Terms of trade (1987=100)	..	127	128	133



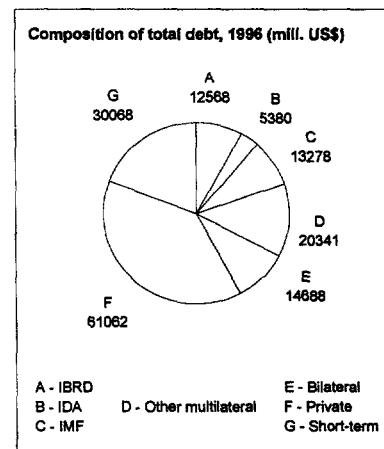
BALANCE of PAYMENTS

	1975	1985	1995	1996
(millions US\$)				
Exports of goods and services	6,066	27,726	63,028	76,274
Imports of goods and services	8,466	19,915	55,275	69,195
Resource balance	-2,400	7,811	7,754	7,079
Net income	-1,783	-8,998	-13,290	-13,532
Net current transfers	59	1,986	3,960	4,531
Current account balance, before official capital transfers	-4,124	800	-1,576	-1,922
Financing items (net)	4,327	-3,223	11,167	3,696
Changes in net reserves	-204	2,423	-9,591	-1,774
Memo:				
Reserves including gold (mill. US\$)	1,893	4,997	16,847	19,433
Conversion rate (local/US\$)	1.3E-02	0.3	6.4	7.6



EXTERNAL DEBT and RESOURCE FLOWS

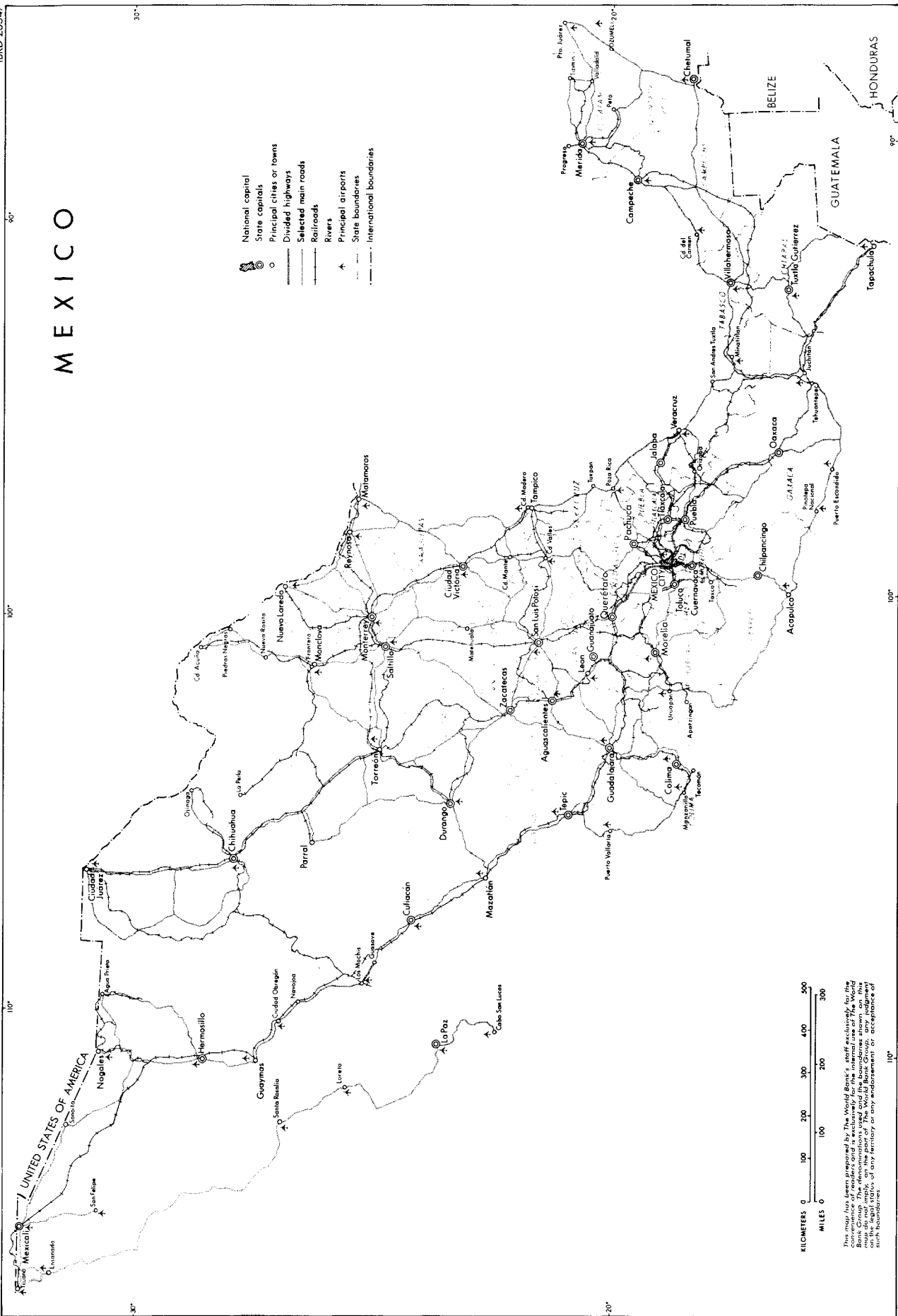
	1975	1985	1995	1996
(millions US\$)				
Total debt outstanding and disbursed	18,231	96,867	165,743	157,384
IBRD	1,123	4,034	13,823	12,568
IDA	0	0	0	0
Total debt service	2,613	15,293	23,556	35,860
IBRD	116	597	2,372	2,372
IDA	0	0	0	0
Composition of net resource flows				
Official grants	8	78	31	..
Official creditors	381	809	10,343	-8,192
Private creditors	3,365	-831	5,586	11,639
Foreign direct investment	609	491	9,526	7,619
Portfolio equity	0	0	519	2,995
World Bank program				
Commitments	310	928	2,142	187
Disbursements	188	840	1,732	1,051
Principal repayments	39	335	1,411	1,409
Net flows	150	505	321	-359
Interest payments	78	262	961	962
Net transfers	72	243	-641	-1,321



MAP SECTION

MEXICO

- National capital
- State capitals
- Principal cities or towns
- Divided highways
- Selected main roads
- Railroads
- Rivers
- Principal airports
- State boundaries
- International boundaries



KILOMETERS 0 100 200 300 400 500
MILES 0 100 200 300 400 500

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