

Document of
The World Bank

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Report No: 29091-ME

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$ 300.0 MILLION
TO THE

UNITED MEXICAN STATES

FOR A

BASIC EDUCATION DEVELOPMENT PROJECT IN SUPPORT OF THE
THIRD PHASE OF THE BASIC EDUCATION DEVELOPMENT PROGRAM

June 10, 2004

Human Development Sector Management Unit
Colombia and Mexico Country Management Unit
Latin America and the Caribbean Regional Office

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 10, 2004)

Currency Unit = New Peso (MXN\$)
MXN\$1.0 = US\$0.08763
US\$1.0 = MXN\$11.41175

FISCAL YEAR

January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

AGE	School Management Support (<i>Apoyo a la Gestión Escolar</i>)
ANMEB	National Agreement for Basic Education Modernization (<i>Acuerdo Nacional para la Modernización de la Educación Básica</i>)
APF	Parents Association (<i>Asociación de Padres de Familia</i>)
APL	Adjustable Program Loan
ATR	<i>Asesores Técnicos Rurales</i> (Technical Rural Assistants)
CAPCE	State School Construction Entity
CAS	Country Assistance Strategy
CDD	Community Driven Development
CEPS	School Councils (<i>Consejos Escolares de Participación Social</i>)
CFAA	Country Financial Accountability Assessment
CGACM	<i>Coordinación General de Actualización y Capacitación para Maestros en Servicio</i> (General Coordination for In-Service Training of Teachers at SEP)
CPS	Country Partnership Strategy
CTE	Technical School Council (<i>Consejo Técnico Escolar</i>)
CMRs	Teacher's Resource Centers (<i>Centros de Maestros y Recursos</i>)
COESPO	State Population Council (<i>Consejo Estatal de Población</i>)
CONAFE	National Council for Educational Development (<i>Consejo Nacional de Fomento Educativo</i>) of SEP
CONALITEG	National Free Textbook Commission (<i>Comisión Nacional del Libro de Texto Gratuito</i>)
CONAPO	National Population Council (<i>Consejo Nacional de Población</i>)
COPLADE	State Planning Council (<i>Consejo de Planificación del Estado</i>)
COMPRANET	Internet Procurement Mechanism (<i>Sistema Electrónico de Contrataciones Gubernamentales</i>)
DAF	Director for Administration and Finance (<i>Director de Administración y Finanzas</i>) at CONAFE
DGE	General Directorate for Evaluation (<i>Dirección General de Evaluación</i>) at SEP
DGEI	General Directorate for Indigenous Education (<i>Dirección General de Educación Indígena</i>) at SEP
DGIE	General Directorate of Educational Research (<i>Dirección General de Investigación Educativa</i>)
DGMME	<i>Dirección General de Materiales y Métodos Educativos</i> (General Directorate of Educational Materials and Methods at SEP)
DGN	<i>Dirección General de Normatividad</i> (General Directorate of Norms at SEP)
DP	Director for Planning (<i>Director de Planeación</i>) at CONAFE

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DGPPP	General Directorate for Planning, Programming, and Budgeting (<i>Dirección General de Planeación, Programación, y Presupuesto</i>) at SEP
ECD	Early Childhood Development
EP	Educational Promoter (<i>Promotor Educativo</i>)
FBS	Fixed-Budget Selection (of consultants)
FDI	CONAFE's Institutional Development Fund (<i>Fondo de Desarrollo Institucional</i>) at CONAFE
FM	Financial Management (<i>Gestión Financiera</i>)
FMR	Financial Monitoring Report (<i>Informe de Monitoreo Financiero</i>)
FMS	Financial Management Specialist (<i>Especialista en Gestión Financiera</i>)
FY	IBRD Fiscal Year—July through June
GDP	Gross Domestic Product (<i>Producto Interno Bruto</i>)
GOM	Government of Mexico
GRM	<i>Gerencia de Recursos Materiales</i> (Material Resources Unit at CONAFE)
GTC	Central Technical Group (<i>Grupo Técnico Central</i>) for the APL
HDNED	Education Group of the Human Development Network at the World Bank
IADB	Inter-American Development Bank (<i>Banco Interamericano de Desarrollo</i>)
IBRD	International Bank for Reconstruction and Development (<i>Banco Internacional para Reconstrucción y Desarrollo</i>)
ICB	International Competitive Bidding
IC	Individual Consultants
INEA	National Institute of Education for Adults (<i>Instituto Nacional de Educación para Adultos</i>) of SEP
INEGI	National Institute of Statistics, Geography and Informatics (<i>Instituto Nacional de Estadística, Geografía e Informática</i>)
INI	<i>Instituto Nacional Indigenista</i> (National Indigenist Institute) currently known as <i>Comisión Nacional para el Desarrollo de los Pueblos Indígenas</i> (National Comisión for Indigenous Peoples Development)
IPDP	Indigenous Peoples Development Plan (<i>Plan de Desarrollo para los Pueblos Indígenas</i>)
ISDS	Integrated Services Digital Network at the World Bank
IT	Information Technology
LCS	Least-Cost Selection (for consultants)
LCSHD	Latin America and the Caribbean Sector Human Development Unit at the World Bank
LDG	Less Disadvantaged Group
LGE	General Education Law (<i>Ley General de Educación</i>)
MET	Technical Memorandum of Understanding on Auditing (<i>Memorando Técnico de Entendimiento sobre Auditorías</i>)
MDG	More Disadvantaged Group
MIS	Management Information System (<i>Sistema de Información de Gestión</i>)
MXN	Mexican Peso (<i>Peso Mexicano</i>)
NAFIN	National Financing Agency (<i>Nacional Financiera, S.N.C.</i>)
NCB	National Competitive Bidding (<i>Licitación Pública Nacional</i>)
NGOs	Non-Governmental Organizations (<i>Organizaciones No-Gubernamentales</i>)
OECD	Organization for Economic Cooperation and Development
OM	Operational Manual
PAD	Project Appraisal Document (<i>Documento de Evaluación de Proyecto</i>)
PAM	In-Service Teacher Training Program (<i>Programa de Actualización del Magisterio</i>) at SEP
PARE	Primary Education Project (<i>Programa para Abatir el Rezago Educativo</i>) (Ln. 3407-ME, 1991)

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PAREB	Second Primary Education Project (<i>Programa para Abatir el Rezago en Educación Básica</i>) (Ln. 3722-ME, 1994)
PAREIB-I	Basic Education Development Project, APL1 (<i>Programa para Abatir el Rezago en Educación Inicial y Básica</i>) (Ln. 4333-ME, 1998)
PAREIB-II	Basic Education Development Project, APL2 (<i>Programa para Abatir el Rezago en Educación Inicial y Básica</i>) (Ln.7108-ME)
PAREIB-III	Basic Education Development Project, APL3 (<i>Programa para Abatir el Rezago en Educación Inicial y Básica</i>)
PCN	Project Concept Note
PIARE	Integral Program of Education (<i>Programa Integral para Reducir el Rezago Educativo</i>) IADB-financed
PID	Project Information Document
PNE	National Education Program (<i>Programa Nacional de Educación</i>)
PME	Education Modernization Program (<i>Programa para la Modernización Educativa 1989-1994</i>)
Posprimaria	CONAFE's Rural Community-Based Lower Secondary Education Program
PRODEI	Initial Education Project (<i>Proyecto para el Desarrollo de la Educación Inicial</i>) (Ln. 3518-ME, 1992)
PROGRESA	Education, Health, and Nutrition Program (<i>Programa de Educación, Salud, y Alimentación</i>) at SEDESOL (currently named <i>Oportunidades</i>)
PROSSE	Program of Essential Social Services (<i>Programa de Servicios Sociales Esenciales</i>) (Ln. 3913-ME)
QBCS	Quality- and Cost-Based Selection (for consultants)
QBS	Quality-Based Selection (for consultants)
RFP	Request for Proposals (from consultants)
RVP	Regional Vice-President at the World Bank CONAFE's State Coordinating Units (<i>Unidades Coordinadoras Estatales</i>)
SA	Special Account
SASHD	South Asia Region Human Development Unit at the World Bank
SCEP	Coordinated Public Education Services (<i>Servicios Coordinados de Educación Pública</i>), SEP's delegation in the states, replaced by SEPEs
SEByN	Undersecretariat of Basic and Normal Education (<i>Subsecretaría de Educación Básica y Normal</i>) at SEP
SEP	Secretariat of Public Education (<i>Secretaría de Educación Pública</i>)
SEPEs	State Level Secretariats of Public Education (<i>Secretarías Estatales de Educación Pública</i>)
SFP	Secretariat for Administrative Development (<i>Secretaría de la Función Pública</i>)
SHCP	Secretariat of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)
SNTE	National Teachers Union (<i>Sindicato Nacional de Trabajadores de la Educación</i>)
SPC	<i>Subsecretaría de Planeación y Coordinación</i> (Undersecretariat for Planning and Coordination)
SOE	Statement of Expenses (<i>Estado de Gastos</i>)
SOP	<i>Secretaría de Obras Públicas</i> (State's Public Works Secretariat)
SSEDF	Undersecretariat of Educational Services for the Federal District (<i>Subsecretaría de Servicios Educativos del Distrito Federal</i>) at SEP
SSPC	Undersecretariat for Planning and Coordination (<i>Subsecretaría de Planeación y Coordinación</i>) at SEP
SWOT	Analysis of Strengths, Weaknesses, Opportunities and Threats (<i>Análisis de fortalezas, debilidades, oportunidades y riesgos</i>)
Telesecundaria	Television-Based Lower Secondary Education Program
TCP	Teaching Career Program (<i>Programa de la Carrera Magisterial</i>) at SEP

TOR	Terms of Reference
UCes	CONAFE's State Coordinating Units (<i>Unidades Coordinadoras Estatales</i>)
UNDB	United Nations Development Business
UPC	CONAFE's Compensatory Programs Unit (<i>Unidad de Programas Compensatorios</i>)

Vice President:	David de Ferranti
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Sector Director:	Ana-Maria Arriagada
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Task Team Leader:	Harry Anthony Patrinos

MEXICO
MX Basic Education Dev Phase III

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Map: IBRD 32287

Latin America and the Caribbean Regional Office
Human Development Sector Management Unit

Date: June 10, 2004 Country Director: Isabel M. Guerrero Sector Manager/Director: Ana-Maria Arriagada Project ID: P085851 Lending instrument: Adaptable Program Loan (APL)					Team Leader: Harry Patrinos Sectors: Education Themes: Initial, Primary and Secondary Education, General Public Administration Environmental screening category: B Safeguard screening category: S2		
Program Financing Data							
APL	Indicative Financing Plan				Estimated Implementation Period (Bank FY)		Borrower
	IBRD US\$ m	%	Others US\$ m	Total US\$ m	Commitment Date	Closing Date	
APL 1 Loan	115.0	66.6	57.6	172.6	June 1998	December 31, 2001	Nacional Financiera, S.N.C. (NAFIN)
APL 2 Loan	300.0	56.5	231.10	531.10	August 2001	June 30, 2004	United Mexican States
APL 3 Loan	300.0	60	200.0	500.0	June 2004	December 31, 2007	United Mexican States
TOTAL	715.0.0		488.7	1,203.7			
<input checked="" type="checkbox"/> Loan 100 % <input type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other [Specify]							
For Loans/Credits/Others:							
Loan Currency:		United States Dollar					
Total US\$							
Amount of Loan:		(US\$) 300.0 million					
Proposed terms:		Fixed –Spread Loan (FSL)					
Grace period (years):		5		Years to maturity:		15	
Commitment fee:		0.85 first 4 years and 0.75% thereafter					
Service charge:							
Front-end fee on Bank loan:		1.0%					
Financing plan (US\$):							
Source			Local			Foreign	Total
Government			200.0			0.0	200.0
IBRD			205.1			94.9	300.0
Total:			405.1			94.9	500.0
Borrower: United Mexican States							
Responsible agency: Secretariat of Public Education through CONAFE							
Estimated disbursements (Bank FY/US\$M):							
FY	2005	2006	2007	2008			
Annual	75.0	95.0	95.0	35.0			
Cumulative	75.0	170.0	265.0	300.0			
Project implementation period: Start: July 2004 End: June 2007							
Expected effectiveness date: September 15, 2004				Expected closing date: December 31, 2007			

Does the project depart from the CAS in content or other significant respects? Ref. PAD A.3	<input checked="" type="radio"/> Yes <input type="radio"/> No																																	
Does the project require any exceptions from Bank policies? Ref. PAD D.7	<input checked="" type="radio"/> Yes <input type="radio"/> No																																	
Have these been approved by Bank management?	<input checked="" type="radio"/> Yes <input type="radio"/> No																																	
Is approval for any policy exception sought from the Board?	<input type="radio"/> Yes <input checked="" type="radio"/> No																																	
Does the project include any critical risks rated "substantial" or "high"? Ref. PAD C.5	<input type="radio"/> Yes <input checked="" type="radio"/> No																																	
Does the project meet the Regional criteria for readiness for implementation? Ref. PAD D.7	<input checked="" type="radio"/> Yes <input type="radio"/> No																																	
<p>Project development objective Ref. PAD B.2, Technical Annex 3</p> <p>The project development objective is to support the Government's compensatory education program, which aims to increase schooling opportunities for children aged 0-14 years in the poorest rural, most educationally disadvantaged communities, through the expansion of educational opportunities and improvements in the quality of education.</p>																																		
<p>Project description [one-sentence summary of each component] Ref. PAD B.3.a, Technical Annex 4</p> <p>Component 1: Initial Education provides out-of-school training for parents and other adults directly involved in raising small children, with the objective of contributing to the child's comprehensive development and to a smooth transition to preschool.</p> <p>Component 2: Support for Basic Education aims to help improve basic education indicators in isolated, rural communities, by providing for a package of interventions comprising material, pedagogic and school management actions in selected preschools, in primary and in lower-secondary <i>telesecundaria</i> schools.</p> <p>Component 3: Institutional Strengthening aims to continue strengthening the capacity of the SEPEs to plan, program and evaluate basic education service delivery.</p>																																		
<p>Which safeguard policies are triggered, if any? Ref. PAD D.6, Technical Annex 10</p> <table border="1"> <thead> <tr> <th>Safeguard Policies Triggered by the Project</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Environmental Assessment (OP/BP/GP 4.01)</td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Natural Habitats (OP/BP 4.04)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Pest Management (OP 4.09)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Cultural Property (OPN 11.03, being revised as OP 4.11)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Involuntary Resettlement (OP/BP 4.12)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Indigenous Peoples (OD 4.20, being revised as OP 4.10)</td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Forests (OP/BP 4.36)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Safety of Dams (OP/BP 4.37)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Projects in Disputed Areas (OP/BP/GP 7.60)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Projects on International Waterways (OP/BP/GP 7.50)</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> </tbody> </table>		Safeguard Policies Triggered by the Project	Yes	No	Environmental Assessment (OP/BP/GP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cultural Property (OPN 11.03, being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Indigenous Peoples (OD 4.20, being revised as OP 4.10)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Projects in Disputed Areas (OP/BP/GP 7.60)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Projects on International Waterways (OP/BP/GP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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<p>[Imported from the PAD main text]</p> <p>Significant, non-standard conditions, if any, for: This project complies with all applicable Bank policies.</p> <p>Board presentation: N/A</p> <p>Loan/credit effectiveness: N/A</p> <p>Covenants applicable to project implementation: N/A</p> <p>Other: With respect to retroactive financing of eligible project expenditures made prior to the date of the Loan Agreement, the Government requested an increase in the aggregate amount from 10% to up to 15% of the proposed Loan amount. This exception has been approved internally as required by OP/GP 12.10.</p>																																		

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

Mexico, a member of the OECD and the world's ninth largest economy, has made significant progress in expanding education access over the past few decades (90 percent of school age children attend primary school with a completion rate of 86 percent). However, universal coverage is yet to be achieved and the quality of education is well below international standards. This is especially the case in the poorer states and among indigenous peoples. Only 7 percent of 15 year olds are at the two highest levels of performance in reading literacy compared to an OECD average of 31 percent. Today a child in Mexico can expect to be in school for up to 12 years, compared to 19 in Australia, Finland and the United Kingdom.

The Mexican government began to address the challenge of educational disadvantage by placing greater emphasis on compensatory programs that provide extra support to education for disadvantaged groups (children living in rural or marginal urban areas, and handicapped, migrant and indigenous children). The *Consejo Nacional de Fomento Educativo* (National Council for Educational Development, CONAFE) of the Secretariat of Public Education (SEP) is one of the key institutions through which this policy is carried out.

The main issues facing the government's compensatory education programs are: (a) low access to the initial and preschool education levels; (b) limited access to lower and upper secondary education; (c) low quality throughout the education system; (d) lack of critical inputs in schools located in poor, rural, indigenous communities and marginal urban areas; and (e) weak managerial and administrative capacity at the state level.

These issues are being addressed under the Government's National Education Development Program which the World Bank has been supporting since the Program's inception. For the period 2001-2006, CONAFE focuses on improving the quality of education for students in the poorest areas by ensuring minimum operational standards for all 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 developing the institutional capacity of states to design and implement national education policies and compensatory programs. CONAFE's compensatory education programs now support approximately four million students in preschool and primary education, and about 300,000 students in *telesecundaria* education (secondary education delivered via satellite to remote communities).

2. Rationale for Bank involvement

The Bank has contributed both technically and financially to the evolution of the Mexican compensatory education strategy. The World Bank has been involved in Mexico's compensatory education programs since 1991. The lessons of each project have been incorporated in successive programs and the Bank has been able to share lessons learned from experiences in other countries, many of which have been adapted to the Mexican context within the ongoing program. The proposed third phase of PAREIB (*Programa para Abatir el Rezago en Educación Inicial y Básica*) represents a critical step in fine-tuning the delivery mechanisms while extending the successful components of previous phases of the program.

3. Higher level objectives to which the project contributes

The proposed third phase of PAREIB fits the overall objectives of the Country Assistance Strategy (CAS) for Mexico. The program supports the current Country Partnership Strategy-CPS, (Report No. 28141-ME of March 18, 2004, considered by the Board on April 15, 2004) of comprehensive assistance to the Government's efforts to reduce poverty and inequality. Specifically, PAREIB provides operational support for a targeted program whose focus is to improve access to education for the rural poor. The program supports the Government's efforts to raise the level and quality of schooling in Mexico.

B. PROJECT DESCRIPTION

1. Lending instrument

An Adjustable Program Loan (APL) instrument is especially well suited for achieving program objectives that require long term investments such as improvements in the quality of basic education. The APL built on eight years of Bank experience through three loans that supported compensatory programs for initial and basic education. The government considered the APL strategic to achieving long term goals. In particular, the government values the flexibility afforded by the instrument and recognizes the benefits of incorporating in subsequent APL phases the lessons learned from the earlier phases.

2. Program objective and phases

The proposed Adaptable Program Loan will support Mexico's compensatory education program, as outlined in the National Education Program (PNE) 2001-2006, which builds upon the Education Development Program 1995-2000, under which the original Program was approved by the Board in June 4, 1998. Specifically, the objectives of Phase III focus on fine-tuning the delivery mechanisms while extending the successful components of Phase II.

The first phase of the APL sought to improve quality in preschool, general secondary, technical secondary, *telesecundaria* and initial education at schools serving the poorest 50 percent of rural students and the poorest 25 percent of students in urban marginal areas in 14 states. During APL I, coverage of lower secondary education was extended to 244,998 poor rural students through *telesecundaria* and *posprimaria* modalities. The strategy evolved to emphasize the coverage of rural lower secondary education, particularly through distance education (*telesecundaria*). Program activities in other levels were carried out on a reduced scale. This realignment of priorities was a result of a sharp increase in demand for lower secondary education resulting from higher completion rates in primary school and the impact of education incentives provided by OPORTUNIDADES, the conditional cash transfer program formerly known as PROGRESA (*Programa de Educación, Salud y Alimentación*).

The second phase of the APL was implemented in 31 states covering initial, preschool, primary and lower secondary education levels. It sought to consolidate and expand quality improvements in education in initial and basic education, strengthen management of the education system integrating the operation of the compensatory education program nationwide, and continue strengthening the states' institutional capacity to plan, program and evaluate the delivery of basic education services.

The proposed project is the final phase of the three-phase APL program. The project aims to fine tune the delivery mechanisms based on a more fully developed decentralized model. The objectives of Phase III are to consolidate and expand quality improvements in initial and basic education (preschool, primary and lower secondary), covering, *inter alia*, infrastructure improvements, didactic materials provision, teacher training, school supervision, implementation of school-based management strategies, and continued strengthening of the institutional capacity of the states to plan, program and evaluate the delivery of basic education services.

Board approval for Phase III is required because there is an increase in the loan amount from US\$210 million to US\$300 million. At the time of APL II processing, the Government of Mexico requested an increase for Phase III to US\$300 million. The decision then was to reflect that request in the PAD for Phase II (see Report No. 23295-ME, page 4), where it is stated that it will be desirable to increase the original loan amount by US\$90 million in order to keep IBRD financing at similar level as in APL II, but decide at the time of preparation of Phase III on the actual needs.

The Government of Mexico's interest in increasing the amount of the loan was confirmed just prior to negotiations. Therefore, the Mexico Country Partnership Strategy (CPS), (Report No. 28141-ME, April 15, 2004; R2004-0047/1, IFC/R2004-0046/1) does not reflect the increased loan amount, as the official confirmation of the Government's request came after the CPS was discussed by the Board. The increase in the amount of the loan is required because of the expansion of the program, particularly the compulsory pre-school attendance. In terms of the loan financing by the Government of Mexico, according to the Secretariat of Finance and Public Credit (SHCP), the increase in the loan amount for Basic Education Development APL III does not represent an increase in the overall portfolio. Therefore, the increase in the amount of this APL III is being covered by re-allocations in the Mexican Government's portfolio of World Bank loans.

As Annex 1 indicates, all the triggers set for the third phase of the APL were achieved and in some cases substantially surpassed.

3. Project development objective and key indicators

The project development objective is to support the Government's compensatory education program, which aims to increase schooling opportunities for children aged 0-14 years in the poorest rural, most educationally disadvantaged communities, through the expansion of educational opportunities and improvements in the quality of education.

Key Indicators:

	Baseline	PAREIB	% points change	
	1997-1998	I, II, III 1998-2007	I, II, III 1998-2007	III 2004-2007
Initial education				
Coverage of 0-4 year old children	365,328	545,361	49.3	33.1
Parents of young children trained	304,440	496,800	63.2	33.1
Primary education				
Failure rate	10.2	6.8	3.4	0.5
Repetition rate	9.5	6.1	3.4	1.0
Dropout rate	3.4	1.9	1.5	0.2
Completion rate	77.4	86.0	8.6	0.5
Indigenous primary education				
Failure rate	14.0	9.3	4.7	1.1
Repetition rate	12.6	8.3	4.3	1.0
Dropout rate	7.3	2.8	4.5	0.3
Completion rate	63.1	83.9	20.8	1.2
Non-Indigenous primary education				
Failure rate	9.4	5.9	3.5	1.0
Repetition rate	8.8	5.7	3.1	0.8
Dropout rate	3.8	1.9	1.9	0.2
Completion rate	80.1	86.1	6.0	0.3
Telesecundaria				
Failure rate	6.7	3.7	3.0	0.4
Repetition rate	0.4	0.5	-0.1	0.1
Dropout rate	8.2	4.9	3.3	0.3
Completion rate	75.5	82.1	6.6	1.1

4. Project components

Component 1: Initial Education (US\$ 82.6 million with contingencies) provides out-of-school training for parents and other adults directly involved in raising small children, with the objective of contributing to the child's comprehensive development and to a smooth transition to preschool. The training is targeted to families in indigenous or low-income rural communities either with 0-4 year old children or expecting their first child. The objectives of this component will be achieved through the following five subcomponents:

- **Training in Initial Education for Promoters, Supervisors and Coordinators:** the training of initial education staff, including education promoters, module supervisors and zone coordinators, aims to strengthen their knowledge of early childhood development and improve the quality and efficiency of service delivery;
- **Community Participation:** this subcomponent aims to mobilize community support for the program and is directed at public and private social service professionals and community organizations that can complement and enrich the

work of education promoters (EPs). Emphasis will be placed on the co-responsibility for child development among the members of the community;

- **Training for Parents of 0-4 year old Children:** this subcomponent aims to strengthen family understanding of early childhood development and to demonstrate how the family can best stimulate the process;
- **Educational Materials:** this subcomponent supports the development, design, printing, reproduction and distribution of educational and dissemination materials used in the program. This subcomponent will finance the production and distribution of new or replicated educational and dissemination materials, consulting services for the design of materials and audiovisual equipment to be used in training sessions;
- **Monitoring and Evaluation:** this subcomponent will put in place effective monitoring and evaluation systems. The initial education program is the only compensatory program for which CONAFE is fully responsible for service delivery.

Component 2: Support for Basic Education (US\$ 358.2 million with contingencies) aims to help improve basic education indicators in isolated, rural communities, by providing for a package of interventions comprising material, pedagogic and school management actions in selected preschools, in primary and in lower-secondary *telesecundaria* schools. In addition, support will be provided to rehabilitate and equip teachers' centers (*Centros de Maestros y Recursos*, CMRs). The objectives of this component will be achieved through six subcomponents described below:

- **Educational Infrastructure and Equipment:** improvements to infrastructure and school furniture aim to raise the physical conditions of the schools to a minimum operational level. The plan for these investments is prepared in each state every year by the State Secretariats of Public Education (SEPEs) on the basis of a needs assessment, and is consolidated by CONAFE at the national level. Infrastructure investments include construction, rehabilitation and/or replacement of classrooms, sanitary services and other school facilities, according to the needs of each school. Construction is carried out by the community, represented by parents associations, school councils, or ad hoc community groups, and is supervised by the states;
- **Didactic Materials:** this subcomponent aims to improve the learning conditions at targeted preschools, primary and lower-secondary schools, by providing them with didactic materials that are appropriate to the curriculum at each level of education;
- **Training and Technical Assistance to the Technical School Councils (*Consejos Técnicos Escolares*—CTEs):** this subcomponent aims to strengthen pedagogic skills of primary teachers, particularly those working in multi-grade and indigenous schools. This program complements formal in-service teacher training provided by SEP and by the SEPEs;
- **Support and Training for Parent Associations (*Asociaciones de Padres de Familia*—APFs):** this subcomponent aims to consolidate and strengthen the APFs through training and financial support. Training will focus on (a) management of school funds transferred

by CONAFE to the APFs; (b) participatory skills to increase parent's involvement in school activities; and (c) information on the achievements of students and ways in which parents can help improve their learning achievements;

- **Performance Incentives for Primary School Teachers:** this subcomponent aims to contribute to retaining teachers in rural primary schools located in isolated communities with difficult access; to increase teacher attendance rates; to reduce teacher turnover; to promote the use of after-school hours for tutoring students who are falling behind; and to encourage teachers to participate in school planning activities. The incentives consist of monthly stipends linked to the schools and supervised by the APFs; the stipends represent 27% of the average primary teacher salary. When a teacher leaves the school, the stipend remains in the school. These norms are shared by the states and by SEP, which also provide performance incentives to teachers. The incentives to be financed by PAREIB III will not duplicate those financed by other sources. This subcomponent will finance performance incentives to 12,600 targeted primary school teachers each year;
- **Support for School Supervision:** this subcomponent aims to strengthen school supervision at the primary school level. This will be achieved through support provided to members of the school supervision team to enable them to visit the schools more often. The main goal is to transform school supervision into a vehicle for pedagogic support to the schools, placing less emphasis on administrative matters.

Component 3: Institutional Strengthening (US\$ 56.2 million with contingencies) aims to continue strengthening the capacity of the SEPEs to plan, program and evaluate basic education service delivery. This objective will be achieved through four subcomponents:

- **Strengthening of the Pedagogic Capacity of the State Secretariats of Public Education (SEPEs):** this subcomponent aims to contribute to service quality improvements by helping develop the pedagogic capacity of the technical-pedagogic staff in each state. Technical assistance will be provided through a series of workshops focused on: multi-grade education, in-service teacher training, education evaluation, inter-cultural and bilingual education, effective use of education technology and education planning;
- **Strengthening of the Administrative Capacity of the SEPE's:** this subcomponent aims to continue strengthening the states' capacity to administer and efficiently deliver basic education services. The technical assistance to be provided will be tailored to the needs of each state, but will concentrate on the following main areas: school supervision, administrative staff development, human resources management, management of physical resources, financial management, monitoring and evaluation systems, and coordination between regular and compensatory education programs;
- **Monitoring and Evaluation of the Project:** this subcomponent aims to consolidate the monitoring and evaluation systems for CONAFE's compensatory programs;
- **Administration of the Project:** this subcomponent will continue to be supported by PAREIB III to consolidate achievements made in the two prior phases of the program with respect to program operational norms and procedures that ensure efficient implementation. Training and technical assistance will be provided to strengthen staff skills in the areas of financial management, procurement, and monitoring and evaluation.

5. Lessons learned and reflected in the project design

This project incorporates lessons learned from Phase I and II of the program and all previous education projects in Mexico, as well as those with similar objectives elsewhere in Latin America. Lessons learned from the first and second phase of the program show that the program is satisfactory, sustainability is highly likely, institutional development impact is substantial, and Bank and borrower performance are satisfactory.

The APL instrument is especially well suited for achieving program objectives that require long term investments, such as improvement in the quality of basic education. This is so because the APL favors consistency in the overall framework, which in turn helps sustain program activities over time. The experience from the first and second phase of the APL shows that working within an overall policy framework is crucial for the success of the project, particularly when changes in administration take place. Successful approaches tend to include allowances for adaptation to improve the fit between design and the particular needs of local contexts.

Previous education projects in Mexico supported in-service teacher training through large/national regional courses. The first phase of the APL helped identify the shortcomings of this strategy. By taking teachers out of the classroom to attend national/regional courses, the training program failed to provide sufficient improvement in the classroom performance of teachers. It became evident that teachers needed “hands-on” technical assistance to help them apply the skills acquired in pre-service and in-service training courses to the particular situation of the classrooms where they work. Only in-service teacher training combined with classroom-based technical assistance can produce teaching/learning results. Based on this lesson, the second phase supported a Network for Education Quality in Primary School. This network, which operates for all targeted schools, is staffed with specialized primary teachers (technical pedagogic assistants) who visit schools several times during the year, to help teachers resolve teaching and learning problems in the classroom, while at the same time assisting them in establishing a continuous performance evaluation program based on student learning achievements measured at the beginning and at the end of the school year. The third phase of the APL will continue to support this technical assistance.

Since 1992, Mexico has decentralized the function of providing universal basic education to the states. Experience has taught two important lessons. First, technical assistance should be directed at key policy reforms, such as integration of the administration of basic education and rationalization of operations through the elimination of functional duplication at the state level. Second, instituting a demand-driven mechanism is not enough to efficiently foster educational federalism. Instead, it is important to provide incentives at the state level to generate innovation, thereby a national program can be appropriately adjusted to the state context, reinforcing the fact that the states are indeed responsible for the education outcomes within their borders.

The initiative of supporting the establishment of parent associations in primary schools was started by CONAFE prior to the APL, in 1995, with 2,500 pilot rural primary schools. Subsequent studies of effective schools in Mexico confirmed the importance of this instrument to strengthen school autonomy, which in turn tends to improve the quality of education. Based on the experience of PAREB and phases I and II of the APL, parent associations are now operating in all primary schools targeted by the compensatory education program and their functions and decision making role in the schools is expanding. PAREIB III will extend this initiative to targeted preschools.

Now that Mexico has reached good coverage at the primary education level, the priority investment in the sector is to increase the quality of primary education as well as the quality of preschool and lower secondary education. Identification of the factors that contribute most to student learning is key. Appropriate policies and relevant sector interventions require a capacity not only to assess student learning outcomes but to identify which factors produce the best results and which interventions are the most effective in ensuring the presence of those factors.

Effective targeting mechanisms must be precise and provide for an exit strategy. While APL 1 and 2 introduced more precise targeting mechanisms than had been previously used, improvements can still be made in the design of outcome indicators and in promoting more active parental participation. Thus the improved targeting criteria used in the proposed program (Annex 14) establishes a set of poverty and education indicators to identify schools and communities in greatest need of extra assistance. The identification of targeted schools measured on the basis of key education indicators during APL 1 and APL 2 has shown that some schools have registered significant performance improvements and might be approaching the stage of being ready to graduate from the compensatory education program. The graduation of schools from the program provides a unique opportunity to test if the improvements observed are sustainable in the absence of the additional support provided by the program. Thus, the graduated schools will be closely monitored.

6. Alternatives considered and reasons for rejection

In discussing options to address the objective of providing quality basic education to all students during this and earlier phases, a number of alternatives were considered. Prior to PAREIB, Bank-supported projects focused on states with higher levels of poverty. Experience shows that, while giving priority attention to the poorer states simplifies targeting, disadvantaged schools and students exist in every state, and high performing schools exist even in poor states. Thus, a strategy focused on a few states was rejected in order to reach more students in disadvantaged schools throughout the country. In the same manner, a return to a state-focused strategy was rejected for the third phase.

In addition, the third phase is focused on refining the elements of the program that work best – that is, result in higher learning achievement for the poorest – and expanding accordingly. Thus, a strategy of simply continuing with all components from the second phase was rejected in favor of focusing on the most cost-effective elements in the final phase.

Given the success of earlier phases, and the recently enacted legislation making preschool education compulsory, the program responded by expanding coverage to preschools, especially in the most disadvantaged indigenous areas of the country. Thus, the program will contribute to the achievement of important national goals. The strategic choices made are supported by the economic analysis conducted for the program and especially for the third phase.

C. IMPLEMENTATION

1. Partnership arrangements (not applicable)

2. Institutional and implementation arrangements

The implementation period is 3 years.

Executing Agencies. As in APL 1 and 2, CONAFE will be the main executing agency for the program, and will coordinate all implementation activities on behalf of SEP. CONAFE has extensive experience implementing Bank- and IDB-financed projects, and will exercise its project coordination responsibilities through a Compensatory Programs Unit (Unidad de Programas Compensatorios, UPC), with the participation of SEP's normative units, notably the Undersecretariat for Basic and Normal Education (*Subsecretaría de Educación Básica y Normal*, SEByN), which has the overall responsibility for the regulation of basic education services and sustaining plans and study programs, and the Undersecretariat for Planning and Coordination (*Subsecretaría de Planeación y Coordinación*, SPC), which is responsible for programming and budgeting of the administrative units that integrate SEP.

The UPC has operative units in each state (*Unidad Coordinadora Estatal*, UCE), that work closely with the state education authorities (SEPEs). Generally, two UCEs operate in each state, one responsible for initial education and another for basic education. The UCEs coordinators in each state are appointed by the state Education Secretary. At the national level, the UPC coordinates program operations with the relevant CONAFE General Directors, especially the Director for Planning (DP) and the Director for Administration and Finance (DAF). These units are adequately organized and staffed to perform the required administrative, supervisory and financial management functions. The responsibilities of UPC include:

- (a) Project execution activities;
- (b) Consolidation of the yearly work plan and program execution review;
- (c) Procurement of small contracts for goods and services;
- (d) Information preparation for the review of annual implementation;
- (e) Coordination with normative areas of SEP;
- (f) Communication with state-level offices; and
- (g) Monitoring of project objectives, goals, processes and timetables in coordination with SEP and the SEPEs.

Implementation Arrangements. CONAFE executes compensatory education activities according to national guidelines through the UCEs in each state. Although implementation is highly decentralized, CONAFE will continue to carry out procurement at the central level, except for small works contracted by organized local community groups, and small contracts for goods and services procured by the UCEs (see Annex 8). The organized local community groups responsible for contracting small infrastructure works include the APFs, CTEs, School Councils (*Consejos Escolares de Participación Social*, CEPS), municipal governments and state entities. In each case, works are supervised by the normative state entity responsible for infrastructure. The UCEs are also in charge of signing agreements with education promoters, module supervisors and zone coordinators for the implementation of the initial education program. The UCEs implemented PAREB and PIARE projects, as well as PAREIB I and II. Each of the 31 states have fully staffed UCEs. The institutional capacity of CONAFE is deemed satisfactory.

Implementation Capacity. CONAFE developed significant project management capacity in previous Bank-supported projects and meets Bank financial management requirements. It has adequate procedures for budget control, adequate structures for internal control and financial reporting, and a computerized information system that supports accounting processes and transactions. The agency employs well trained professionals and its financial management arrangements were considered appropriate for APL 1 and 2. To continue improving, CONAFE and the Bank agreed on an action plan to strengthen the current management information system (MIS). Expansion and/or rehabilitation of school infrastructure by municipalities and local communities will follow the same planning and financial transfer mechanisms used in PAREB and in PAREIB I and II (see Annex 6). Proposals for these activities are prepared at the state level by the SEPEs and UCEs. CONAFE consolidates the state proposals in its annual budget submission to the *Secretaría de Hacienda y Crédito Público* (SHCP). *Nacional Financiera, S.N.C.* (NAFIN), the financial agency for the project, oversees authorized funds transfers to each state on a quarterly basis through commercial banks. These transfers are 100 percent pre-financed by CONAFE's regular budget, and loan reimbursements are made only after actual expenditures are documented. Communities with approved infrastructure plans receive 60 percent of funds in advance to purchase all construction materials; the balance is disbursed as civil works progress. NAFIN also oversees transfers of funds to SEP units participating in project implementation.

Flow of Funds and Information. Bank loan funds will flow from the Loan Account to a Special Account managed by NAFIN and established in US dollars at the Mexican central bank (*Banco de México*); the Special Account may also be established at NAFIN, or in a commercial bank, under terms and conditions satisfactory to the Bank. CONAFE receives funds in Mexican Pesos via its standard budget from the National Treasury, which is reimbursed at the end of the cycle from the Special Account. As in previous phases of PAREIB, PAREIB III counterpart funds will form part of CONAFE's standard budget and will be used to complement Bank Loan resources to finance project activities, according to the agreed financing percentages by cost category. Both Loan funds and counterpart funds will be registered in CONAFE's standard budget in two separated budgetary lines earmarked for PAREIB III.

3. Sustainability

The sustainability of World Bank financed projects in Mexico, including PAREIB I and II, has been demonstrated by the success of the interventions introduced by these projects that were replicated by SEP and state governments. Innovative models tested in PAREIB I and II have been generalized to the entire system. The SEPEs in several states have begun to undertake their own compensatory programs. There is strong country ownership of the program and the preparation of the third phase. CONAFE's capacity is evidenced through the successful implementation of previous phases and the significant results achieved. In addition, the proposed external evaluation of the entire PAREIB program will ascertain the sustainability of the program upon completion of the third phase. The World Bank is considering the program as a whole in order to apply the declining basis for financing of incremental operational costs, consumable student supplies, and teacher incentives. IBRD financing for operational costs declined from 70% (APL 1) to 10% (APL 2), to 8% in the proposed APL 3. For student supplies, Bank financing declined from 25% (APL 2) to 8% (APL 3); and for teacher incentives the financing percentages declined from 10% (APL 2) to 8% (APL 3). Students supplies and teacher incentives were not part of APL 1.

4. Critical risks and possible controversial aspects

Risk	Risk rating (*)	Risk mitigation measure
Change of government/lack of political support	N	Continuous dialogue with Government; demonstrated success of compensatory programs is the most convincing reason for continuing the framework, evaluation and dissemination of results as well as marketing of the program will contribute to ensure continued support for the program.
Bilingual education not implemented properly and therefore expected results not being met	M	Close monitoring of project components linked to bilingual education
States receive adequate support during project implementation	M	Demand driven technical assistance provided to the SEPEs consolidates and further develops the institutional capacity of the states to plan, program, budget, and deliver basic education services, promoting stronger linkages with local authorities and communities
Teaching and supervisory staff receiving technical assistance, training and incentives, do not apply newly acquired knowledge and skills to the classroom	N	Restructuring of the pedagogic support system provided to schools
Overall Risk Rating	N	

(*) Risk rating: H (high), M (moderate), N (negligible).

5. Loan/credit conditions and covenants

1. Effectiveness Conditions

- (a) The Operational Manual, satisfactory to the Bank, has been issued by CONAFE and put into effect;
- (b) The Implementation Agreement between the SHCP, CONAFE and NAFIN for the implementation of PAREIB III, satisfactory to the Bank, has been adopted and put into effect; and
- (c) CONAFE has to present a Procurement Plan satisfactory to the Bank.

2. Other

- (a) Project implementation is carried out in accordance with the loan agreement and the project Operational Manual (including IPDP and environmental guidelines for construction);
- (b) Financial Monitoring Reports (FMRs) are issued every semester, in accordance with applicable Bank guidelines, starting 45 days after the first full semester after loan effectiveness;
- (c) The project implementation plan, satisfactory to the Bank, has been put into effect by CONAFE;
- (d) Project monitoring during project implementation, and impact evaluation upon project completion, is carried out; and
- (e) A plan to ensure the continued achievement of the project's objectives, satisfactory to the Bank, is prepared six (6) month prior to the closing date.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

Economic analysis. The impacts of compensatory programs on academic achievement are positive, significant and sizable. Mexico's national learning achievement test was used to estimate the impact of the project on learning achievement of children attending compensatory programs. Program-supported schools are most effective in improving primary school mathematics results. Compensatory education can effectively improve short-term learning results for disadvantaged students (see Annex 9).

Financial analysis. Financial sustainability depends on the capacity of the Government to cover the recurrent costs of the investment after the project is completed. For PAREIB III, the following elements will ensure the long-term sustainability of the program. First, the Federal Government already covers 60 percent of the total project costs. Second, the total cost burden of PAREIB III is small: it represents less than 0.05 percent of GDP; 0.65% of the total public spending on education; and 0.87% of the federal spending on education. Given the small impact of the project on total public finance, the financial long-term sustainability of the PAREIB is highly likely (see Annex 9).

2. Technical

The elements of the package of compensatory education services financed by the project have been assessed from an educational perspective and correspond to best international practice. Rigorous evaluation techniques have been applied to demonstrate their effectiveness in improving targeting and educational outcomes. Recently improved manuals are in effect in all states, and no technical problems are anticipated.

3. Fiduciary

Procurement issues. The assessment carried out by the Bank team concluded that the institutional organization and staffing of PAREIB II is satisfactory and will remain intact during

the execution of PAREIB III. It is proposed that CONAFE should give special attention to fine tuning procedures of CDD procurement by communities. This will ensure more targeted outcomes in this key area of the project and provision of simplified procedures to be included in user-friendly instruction books for communities. As a condition in the Loan Agreement, CONAFE shall maintain staff assigned to procurement. If a staff member must be replaced, the new staff should have equal or higher qualifications and should meet Bank criteria.

Financial management issues. A financial management (FM) assessment was conducted to evaluate the FM arrangements for the proposed project and CONAFE's capacity to effectively manage and implement the project and to provide the Bank with accurate and timely information. On the basis of the assessment carried out, the financial management team concludes that, although some project-specific mechanisms will need to be implemented for PAREIB III, the existing financial management arrangements used for PAREIB II, are operational and considered to form a sound basis. In addition, the team notes that, although the FM risk is *low*, project implementation should be accompanied by close supervision that allows earlier detection of financial management issues and ensures the proper use of project funds. FM arrangements for PAREIB II are operational and will be appropriate for PAREIB III (see Annex 7 for a complete description of financial management issues).

4. Social

The Basic Education Development Project Phase III builds on the social assessments and IPDP (Indigenous Peoples Development Plan) prepared by the Government of Mexico during Phases I and II of the program. Program preparation includes consultations with a large cross-section of stakeholders as part of the social assessment and evaluation of the compensatory education programs of CONAFE. CONAFE's compensatory programs support all schools with a majority of indigenous students: the so-called "indigenous schools." Many of these schools are also multigrade. Therefore, PAREIB, through CONAFE, collaborates through consultations and work programs with the General Directorate for Indigenous Education (DGEI) of SEP in the curricular design of bilingual education programs, and with the DGEI in the design and implementation of a multigrade teaching strategies. Also, CONAFE coordinates with DGEI with special attention to technical assistance for teacher. This assistance consists of providing specific direction on detected pedagogical needs in the school.

(a) Compensatory Education Programs of CONAFE

CONAFE carried out extensive consultations with key stakeholders on the future of its compensatory education programs, with the aim of orienting the design of PAREIB III and forming the basis for the next stage of CONAFE's compensatory education programs. In parallel, CONAFE reviewed the external evaluations of the program, carried out in recent years, to extract from them the most important lessons that could be incorporated in the design of Phase III. Participants in the consultation workshops were asked to view the program in a timeframe of the next ten years, and point out issues and suggestions for the development of the program over the medium term.

Consultations were held with state level program coordinators, state education planning authorities, and national and international educational specialists and academics, in three separate workshops of two days each. A common feature of these consultations is that they demonstrated the excellent ability that CONAFE has to seek and receive feedback from civil society and from the principal actors involved in the program.

Based on the recommendations of this process of consultation, CONAFE expressed its commitment to reorient its compensatory education programs along the following policy lines: (a) continue contributing to raising education equity; (b) make the program more transparent by disseminating to civil society and institutional partners the criteria that orient the targeting of beneficiaries of compensatory interventions; (c) give more emphasis to monitoring and evaluation of the program; (d) improve the management of compensatory programs; (e) more effectively balance the educational and administrative functions of program operations; (f) continue strengthening social participation in basic education, understanding this goal as an exercise in citizen's rights and as the development of a culture of individual and collective responsibility among parents and school communities with respect to education outcomes; (g) contribute to redefining the relations between teachers and the community; and (h) improve program targeting and ensure the correct application of the targeting criteria.

The important lessons drawn from internal and external evaluations are presented in detail as part of Annex 10. The design of PAREIB III incorporates the main lessons learned from these consultations and introduces changes in the strategies used to implement the program. These adjustments and innovations are described for each component.

(b) Indigenous Peoples

CONAFE's compensatory education programs target schools in disadvantaged and isolated rural communities, including all indigenous primary schools. During the preparation of PAREIB I, specialized staff identified local preferences early on, through direct consultation; subsequent consultations have been held for the second stage of PAREIB. A recent social assessment prepared for PAREIB III found that indigenous people held quite positive opinions of CONAFE's compensatory programs. Stakeholders supported expansion of several aspects of CONAFE's programs, in particular the school management support component (*Apoyo a la Gestión Escolar*—AGEs). CONAFE designs culturally appropriate learning materials and plans educational strategy in conjunction with school associations of indigenous parents. CONAFE offers didactic materials in indigenous languages through its community education program, and recognizes both indigenous and *mestizo* cultural heritage in educational content. CONAFE's strong institutional capacity, based on over 30 years of operation and 13 years implementing programs supported by the World Bank and the Inter-American Development Bank (IADB), ensures its ability to execute its Indigenous Peoples Development Plan. CONAFE collects annual data on indigenous student test performance, dropout, repetition and failure rates. Annex 10 presents the Indigenous Peoples Development Plan for Phase III. It generally finds that an effective program with extensive consultation and responsiveness to indigenous peoples is already operating, and that the successful prior performance of CONAFE bodes well for the future education of indigenous students.

5. Environment

Environmental Category: B

Construction activities being financed by the project include rehabilitation and/or expansion of existing facilities. The project Operational Manual includes environmental rules for contractors, and basic design specifications and project screening criteria. These rules are posted on CONAFE's webpage. The environmental safeguard norms will be part of every construction contract. Compliance by contractors will be ensured through technical supervisors assigned to each work site by the public infrastructure agency of each state. The environmental safeguard norms are posted at the Bank's Infoshop and are described in Annex 10.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (<u>OP/BP/GP</u> 4.01)	[x]	[]
Natural Habitats (<u>OP/BP</u> 4.04)	[]	[x]
Pest Management (<u>OP</u> 4.09)	[]	[x]
Cultural Property (<u>OPN</u> 11.03, being revised as <u>OP</u> 4.11)	[]	[x]
Involuntary Resettlement (<u>OP/BP</u> 4.12)	[]	[x]
Indigenous Peoples (<u>OD</u> 4.20, being revised as <u>OP</u> 4.10)	[x]	[]
Forests (<u>OP/BP</u> 4.36)	[]	[x]
Safety of Dams (<u>OP/BP</u> 4.37)	[]	[x]
Projects in Disputed Areas (<u>OP/BP/GP</u> 7.60)	[]	[x]
Projects on International Waterways (<u>OP/BP/GP</u> 7.50)	[]	[x]

7. Policy Exceptions and Readiness

This project complies with all applicable Bank policies.

With respect to retroactive financing of eligible project expenditures made prior to the date of the Loan Agreement, the Government requested an increase in the aggregate amount from 10% to up to 15% of the proposed Loan amount. This exception has been approved internally as required by OP/GP 12.10.

Annex 1: Country and Sector or Program Background

MEXICO Basic Education Development Phase III

Mexico is a member of the OECD and is the ninth largest economy in the world. Significant progress has been made in expanding education access over the past few decades. An important achievement in the last decade was the increased allocation of resources to education, moving from 3.7 percent of GDP in 1990 to 5.2 percent in 2000 with the government accounting for 85 percent of total sector spending. This progress has helped the country meet important goals. These include: increased access to primary education; a rapid expansion of lower secondary education; and an increased access to lifelong learning opportunities. Despite this progress; however, universal coverage remains a challenge, particularly in the poorest states in rural areas and indigenous communities where dropout rates and repetition rates remain high and access to preschool, learning achievement and access to lower secondary education are low. Today nearly 90 percent of school age children attend primary school. However, in spite of an increased demand for lower secondary (grades 7 to 9), large numbers still drop out. An estimated 83 percent of 13 to 15 year olds attend lower secondary education and net enrollment in upper secondary is only 59 percent. Throughout the system, the quality of education remains low—well below international standards. Only 7 percent of 15 year olds are at the two highest level of performance in reading literacy compared to an OECD average of 31 percent. Today a child in Mexico can expect to be in school for up to 12 years, compared to 19 in Australia, Finland and the United Kingdom.

The main issues facing the Mexican Education system include: (a) low access to initial and preschool education; (b) low access to lower and upper secondary education; (c) low quality throughout the education system; (d) lack of critical inputs in schools located in poor, rural, indigenous communities and marginal urban areas; and (e) weak managerial and administrative capacity at the state level.

- (a) **Low access to initial and preschool education:** Despite the fact that Mexico has one of the highest preschool (nearly 75%) enrollment rates in Latin America, access to early childhood education in rural and poor areas is still low. Only 5 percent of children below the age of four benefit from formal or informal initial education. This limited access may explain the low readiness for learning among children (especially the poor) entering school as manifested in high repetition rates in the early grades of primary school. The repetition rates of poor students (9.3%) are significantly higher than the national average (6.0%). Repetition in the first grade continues to be common for poor students;
- (b) **Low access to lower and upper secondary education:** In spite of an increase demand for lower secondary (grades 7 to 9), large numbers of students still drop out. Approximately 38 percent of student who complete primary education do not continue to secondary school either because of lack of available space or because the schools do not accommodate their need to work. In 2000, net enrollment in upper secondary was only 59 percent. Dropping out is a critical problem for migrant students, who represent a significant proportion of the primary and lower secondary school-age children not attending school. Lower and upper secondary education are critical to the development of a labor force with the necessary skills to compete in the global economy;
- (c) **Low quality throughout the education system:** National and international studies indicate that learning achievement in Mexico needs much improvement. Low levels of learning achievement are evident from the low standardized learning achievement test scores of many students. Only 7 percent of 15 year olds are at the two highest level of performance in reading literacy compared to an OECD average of 31 percent. In addition, there are significant variations in learning

achievement by socioeconomic background. Many children that complete primary and lower secondary education have not acquired the knowledge and skills specified in the curriculum, or the knowledge and skills necessary to successfully enter the labor force;

- (d) **Lack of critical inputs in schools located in poor, rural, indigenous communities and marginal urban areas:** Schools serving the poor, rural, indigenous and marginalized urban poor lack critical inputs and have limited access to textbooks, learning materials and trained teachers. The curriculum remains deficient and irrelevant to local conditions. As part of the school management reform, SEP is encouraging schools and communities to develop pedagogical strategies that better fit local conditions. However, lack of local capacity has limited the opportunities for this reform, particularly in remote areas. In addition, the majority of teachers graduating from pre-service institutions refuse teaching positions in remote rural or indigenous schools, forcing the government to rely on untrained teachers to provide educational services in remote rural areas;
- (e) **Weak managerial and administrative capacity at the state level:** States have uneven institutional capacity to provide basic education services and to operate and monitor ongoing compensatory programs. The weaknesses hamper the decentralization process at the state level and the states' abilities to translate national educational policies and strategies into concrete actions, to target resources towards localities of greatest need, and to monitor student achievement. Each level and type of education has distinct management and administrative structures. This bureaucracy has led to both administrative inefficiency from duplication of bureaucratic structures and inconsistency in the policies, strategies and objectives of each modality. In addition, supervisory practices are fragmented and centered on monitoring compliance with administrative regulations, rather than pedagogical support to teachers and to schools directed at improving the teaching/learning process.

Sector Issues to be Addressed by the Program

The issues outlined above are being addressed under the Government's Education Development Program, which the World Bank has been supporting since its inception. To address the challenge of educational disadvantage, the Government of Mexico has placed greater emphasis on compensatory programs that provide extra support to education for disadvantaged groups (children living in rural or marginal urban areas, and handicapped, migrant and indigenous children) and created the *Consejo Nacional de Fomento Educativo* (National Council for Educational Development, CONAFE), within the Secretariat of Public Education (SEP).

For the period 2001-2006, CONAFE focuses on improving the quality of education for students in the poorest areas by establishing minimum operational standards for all 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 developing the institutional capacity of states to design and implement national education policies and compensatory programs. CONAFE's compensatory education programs now support more than five million students in pre-primary and primary education, and about one million students in *telesecundaria* education (secondary education delivered via satellite to remote communities). Also, near 500,000 children smaller than 4 years and more than 400,000 parents through the service of Initial Education.

In shaping its program, the government has carefully taken into consideration the choice to focus on improving the long-term development goal of increasing human capital. The program supports the current CAS's stated objective of human capital development by enhancing the quality of public education, and ensuring the sustainability of ongoing efforts in basic education. The program also supports the new draft

CAS objective of comprehensive assistance to the Government's efforts to reduce poverty and inequality. Specifically, PAREIB provides operational support for a targeted program whose focus is to provide access to education for the rural poor. The program supports the Government's efforts to raise the level and quality of schooling in Mexico.

Program Description

The APL supports the Government's compensatory education program, as outlined in the National Education Program (PNE) 2001-2006 and the Education Development Program 1995-2000. Specifically, the objectives of Phase III focus on fine-tuning the delivery mechanisms while extending the successful components of Phase II.

The first phase of the APL sought to improve quality in preschool, primary, *telesecundaria* and initial education at schools serving the poorest 50 percent of rural students and 25 percent of students in urban marginal areas. The strategy evolved to emphasize coverage of rural lower secondary education, particularly through distance education (*telesecundaria*). Coverage of lower secondary education was extended to 244,998 poor rural students through *telesecundaria* and *posprimaria* modalities. Program activities in other levels were carried out on a reduced scale. This realignment of priorities was a result of a sharp increase in demand for lower secondary education resulting from higher completion rates in primary school and the impact of education incentives provided by OPORTUNIDADES.

The second phase of the APL was implemented in 31 states covering initial, preschool, primary and lower secondary education. It sought to consolidate and expand quality improvements in education for 6 million children (20% of whom are indigenous) in initial and basic education, strengthen management of the education system while integrating the operation of the compensatory education program nationwide; and continue strengthening the states' institutional capacity to plan, program and evaluate the delivery of basic education services.

The proposed project is the final phase of a the three-phase APL program. The project aims to fine tune the delivery mechanisms based on a more fully developed decentralized model. The objectives of Phase III are: (a) to consolidate and expand quality improvements in initial and basic education (preschool, primary and lower secondary), covering, *inter alia*, infrastructure improvements, didactic materials provision, teacher training, school supervision, and implementation of school-based management strategies; (b) to strengthen management of the education system through support for the Government's ongoing strategy to consolidate the organization and management of basic education (preschool through lower secondary), and to integrate the operation of the compensatory education program; and (c) to continue strengthening states' institutional capacity to plan, program and evaluate the delivery of basic education services.

Phase III Triggers

<p>Education Indicators : Improvement in completion rates at targeted primary schools including:</p> <ul style="list-style-type: none"> • A 23 percent improvement in completion rates of indigenous primary schools, from 64.2 percent in 1995-1996 to 79.0 percent in 2002-2003 • A 4 percent improvement in completion rates of non-indigenous primary schools, from 81.6 percent in 1995-1996 to 85.2 percent in 2002-2003 • Increase by 15.9 percent the enrollment in <i>telesecundaria</i>, from 562,637 students in 1998-1999 to 652,105 students in 2002-2003 	<p>Achievements</p> <p>81.6 %</p> <p>85.6%</p> <p>Increased by 47.6%; 830,630 enrolled</p>
<p>Policy Indicators</p> <ul style="list-style-type: none"> • Increased school autonomy, through improved mechanisms for participation of directors, teachers, and parents' associations in the management of the schools (AGEs). Specifically, an increase of 20 percent in the number of schools targeted by the program that have operative parents' associations • The policy framework for compensatory programs is maintained 	<p>School autonomy increased by 24% ; (from 37,278 in 1995-1996 to 46,254 in 2003-2004 schools with AGEs)</p> <p>Policy framework maintained</p>
<p>Technical Indicators</p> <ul style="list-style-type: none"> • Completion of a study that evaluates the implementation of the Network for Education Quality in Primary Education • Completion of a study on Basic education in marginalized schools in the Federal District 	<p>Study completed; final report delivered</p> <p>Study completed; final report delivered</p>

**Annex 2: Major Related Projects Financed by the Bank and/or other Agencies
MEXICO Basic Education Development Phase III**

Sector Issue Addressed (listed in Section B.2)	Project	Latest Supervision (PSR) or OED Ratings (Bank- financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed			
Equity in primary education	<u>Primary Education I</u> (PARE), (Ln. 3407-ME ,closed 06/30/1997)	HS	HS
Equity in initial education	<u>Initial Education Project</u> (PRODEI), (Ln. 3518-ME , closed 06/30/1997)	S	S
Equity and efficiency in primary education	<u>PAREB</u> (Ln. 3722-ME, closing date 12/31/2001)	S	S
Equity and Efficiency in Basic Education (initial, preschool, primary and lower-secondary education)	<u>PAREIB Phase I</u> (APL1) (Ln. 4333-ME , closing date 12/31/2001).	S	S
	<u>PAREIB Phase II</u> (APL2) (Ln. 7108-ME effective 12/11/2002; closing date 6/30/2004).	S	S
Protection of social services directed to the poor	<u>Program of Essential Social Services</u> (PROSSE), Ln. 3912-ME. Closed 06/30/1998	S	S
Other development agencies			
Equity in primary education	<u>PIARE</u> IDB-funded in parallel to PAREB, with similar objectives, covering 17 other states.		
	<u>Comprehensive Community Education Program</u> , IDB funded. US\$210.0 m. Approved on March 17, 2003. The overall program objective is to improve the coverage, quality and efficiency of education services offered by CONAFE to the population living in poor, isolated areas where formal education system services are unavailable.		
Improving quality in lower secondary education	<u>Distance Education project</u> , IDB-funded, to increase access for students at the lower-secondary level using various modalities. This project was cancelled.		
Social Sector Modernization and Poverty Reduction	<u>Technology in Support of Education</u> . IDB funded. Project currently under preparation, it is expected to be approved in July 2004. Proposed loan amount: US\$100.0 m.		

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

Annex 3: Results Framework and Monitoring
MEXICO Basic Education Development Phase III

1. PDO	Outcome Indicators	Use of Results Information
Consolidate and expand quality improvements in initial and basic education (preschool, primary and lower secondary)	Number of children and families served by compensatory programs	Verification that program operating parameters continue to function and are becoming sustainable
<p>Program purpose: Ensure that children aged 0-14 years in the poorest rural, most educationally disadvantaged communities have access to preschool and basic education, stay in school and successfully complete the basic education cycle, through the expansion of educational opportunities and improvement in quality of education</p>	<p>End of Program Indicators: Overall program indicators to be achieved in targeted schools by the end of the school year 2006 - 2007 include:</p> <ul style="list-style-type: none"> ▪ Increased coverage of initial education to children of ages 0-4 years at 10% annual increase; about 496,800 parents of children 0-4 years reached, benefiting approximately 545,361 children. ▪ At the preschool level, cover 530,00 students, including 280,542 indigenous students. This coverage represents 100% of indigenous and 16.6% of non-indigenous schools 	<p>Verification that program is being appropriately targeted, thus validating the underlying national strategy</p> <p>Verification that program can effectively reach indigenous communities</p> <p>Project years 1-2: verification that program is effective</p> <p>Project year 3: verification that program is being sustained</p>

1. PDO	Outcome Indicators	Use of Results Information
	<ul style="list-style-type: none"> ▪ Coverage of Indigenous primary schools benefit a total of 862,067 indigenous students. Indicators to be achieved in these schools are: (a) failure rate will be reduced by 1.1% points from 10.4% to 9.3%; (b) repetition rates will be reduced by 1.0% points from 9.3% to 8.3%; (c) dropout rates will be reduced by 0.3% points from 3.1% to 2.8%; and (d) completion rate will increase by 1.2% points from 82.7% to 83.9% ▪ Coverage of non-indigenous primary schools benefit a total of 2,637,933 students. Indicators to be achieved in these schools are: (a) failure rate will be reduced by 1.0% points from 6.9% to 5.9%; (b) repetition rates will be reduced by 0.8% points from 6.5% to 5.7%; (c) dropout rates will be reduced by 0.2% points from 2.1% to 1.9%; and (d) completion rate will increase by 0.3% points from 85.8% to 86.1% 	
	<ul style="list-style-type: none"> ▪ The primary students covered total 3.5 million. Main indicators for indigenous and non-indigenous primary schools that will be achieved: (a) failure rate will be reduced by 0.5% points from 7.3% to 6.8%; (b) repetition rates will be reduced by 1.0% points from 7.1% to 6.1%; (c) dropout rates will be reduced by 0.2% points 	

1. PDO	Outcome Indicators	Use of Results Information
	<p>from 2.1% to 1.9%; and (d) completion rate will increase by 0.5% points from 85.5% to 86.0 %</p> <ul style="list-style-type: none"> ▪ A total of 300,000 students attending <i>telesecundaria</i> will be covered. Main indicators for <i>telesecundaria</i> schools that will be achieved: (a) failure rate will be reduced by 0.4% points from 4.1% to 3.7%; (b) repetition rates will be reduced by 0.1% points from 0.6% to 0.5%; (c) dropout rates will be reduced by 0.3% points from 5.2% to 4.9%; and (d) completion rate will increase by 1.1% points from 81.0% to 82.1% <p>Other results:</p> <ul style="list-style-type: none"> ▪ Identify number of indigenous communities that will be targeted for initial education ▪ Define baseline for number of indigenous communities for 2005 for Initial Education. ▪ Define 2005 baseline for preschool education 	

Intermediate Results	Intermediate Results for Each Component	Use of Results Monitoring
Component 1—Initial Education		
Subcomponent 1.1—Training in Initial Education for Education Promoters, Supervisors and Coordinators	<ul style="list-style-type: none"> Approximately 27,000 promoters, 2,700 supervisors and 820 coordinators will be trained annually 	Verification that program inputs are adequately dispensed
Subcomponent 1.2—Community Participation	<ul style="list-style-type: none"> 10,560 annual visits to the communities that operate initial education programs, with a total of 31,680 visits by the end of the program 	Tracking that program is being expanded as planned.
Subcomponent 1.3—Training for parents of 0-4 year old children	<ul style="list-style-type: none"> Training for 496,800 parents of children, benefiting 545,361 children 0-4 years of age 	Verification that program is effectively targeted
Subcomponent 1.4—Educational Materials	<ul style="list-style-type: none"> Provision of 527,933 packages of educational and diffusion materials for parents of children, promoters, supervisors and coordinators 	Verification that interventions are reaching intended beneficiaries
Subcomponent 1.5—Monitoring and Evaluation	<ul style="list-style-type: none"> 15 regional workshops and 2 national workshops will be held annually, with a total of 51 workshops during the program 	Tracking that program outcomes are being achieved
Component 2—Support for Basic Education		
Subcomponent 2.1—Educational Infrastructure and Equipment	<ul style="list-style-type: none"> 17,805 educational facilities and administrative and technical centers constructed and rehabilitated 5,936 educational facilities and administrative and technical centers equipped by the end of 2006. Teacher Resource Centers, rehabilitated and equipped by end 2006. 	Tracking that program is expanding needed physical facilities and ensuring minimum operating conditions at schools

Intermediate Results	Intermediate Results for Each Component	Use of Results Monitoring
Subcomponent 2.2—Didactic Materials	<ul style="list-style-type: none"> ▪ 530,000 preschool children provided with school supplies each year ▪ 15,322 packages of didactic materials provided to preschools (53.2% of which are indigenous) ▪ 3.5 million students in 36,000 primary schools each year (including all indigenous schools) provided with school supplies ▪ 36,000 packages of supplementary didactic materials provided to primary schools, including all indigenous schools ▪ 4,681 <i>telesecundaria</i> schools provided with supplementary packages of didactic materials (benefiting about 300,000 students). 	Tracking that needed educational materials adequately delivered
Subcomponent 2.3—Training and technical assistance to the <i>Consejos Técnicos Escolares</i> (CTEs)	<ul style="list-style-type: none"> ▪ Pedagogical technical training provided to the CTE of 33,000 primary schools with multi-grade and indigenous classrooms 	Tracking that training is reaching intended beneficiary schools.
Subcomponent 2.4—Support and Training for Parent Associations (APFs)	<ul style="list-style-type: none"> ▪ 62,951 interventions for school management: 15,322 for preschools and 47,629 for primary schools ▪ Training on efficient management of schools provided to APFs of 62,951 schools 	Tracking that parents are adequately prepared to participate at the school level
Subcomponent 2.5—Performance Incentives for Primary School Teachers	incentives provided to teachers yearly	adequately motivated

Intermediate Results	Intermediate Results for Each Component	Use of Results Monitoring
Subcomponent 2.6—Support for School Supervision	<ul style="list-style-type: none"> 5,150 interventions for school supervision: 4,440 for supervisors and 710 for sector chiefs 	Tracking that supervisors and sector chiefs visit schools more frequently and carry out adequate school supervision
Component 3—Institutional Strengthening		
Subcomponent 3.1—Strengthening of the Pedagogical Capacity of the SEPE's	<ul style="list-style-type: none"> Training programs delivered to 31 states: 3 technical and pedagogical teams in each state 	Tracking that states administrative staff are adequately trained
Subcomponent 3.2—Strengthening of the Administrative Capacity of SEPE's	<ul style="list-style-type: none"> Provide 31 technical assistance sessions of 2 training sessions each, to operational teams of SEPEs 	Tracking that technical assistance reaching states that need it
Subcomponent 3.3—Monitoring and Evaluation of the Project	<ul style="list-style-type: none"> Create a comprehensive follow-up system to monitor the program and provide support through compensatory strategies Continuation of the modernization of the school mapping system through the consolidation of the national school mapping system of DGPPP of SEP Create a social accountability mechanism that includes an effective communication strategy for the dissemination of project information to the beneficiaries and encourage social participation. <p>Completion of studies.</p>	<p>Monitoring and evaluating project status</p> <p>Basis for evaluation of third phase</p>

Intermediate Results	Intermediate Results for Each Component	Use of Results Monitoring
Subcomponent 3.4— Administration of the Project	Continuation of the support of the administration of the project in PAREIB III, consolidating all the achievements of PAREIB I and II with respect to the operating standards of the program and the procedures that ensure its efficient administration	Tracking that the project implementation is progressing efficiently.

Arrangements for results monitoring

	Baseline		Target Values			Data Collection and Reporting		
	Phase I 1997-98 / 2000-01	Phase II 2001-02 / 2003- 04	PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
			2004-05	2005-06	2006-07			
2. Outcome Indicators								
Initial Education								
Parents of Children Reached	304,440	373,253	410,578	451,636	496,800	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
Children Benefited	365,328	409,738	450,712	495,783	545,361	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
Indigenous Primary Education								
Failure Rates	From: 14.0 To: 12.0	11.7 11.6	10.4	10.4	9.3	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Repetition Rates	From :12.6 To: 10.8	10.5 9.9	9.3	9.3	8.3	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Dropout Rates	From : 7.3 To: 3.4	3.4 3.2	3.1	3.1	2.8	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Completion Rates	From: 63.1 To: 77.5	80.7 81.6	82.7	82.7	83.9	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE

	Baseline		Target Values			Data Collection and Reporting		
			PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
	Phase I 1997-98 / 2000-01	Phase II 2001-02 / 2003-04	2004-05	2005-06	2006-07			
3. Outcome Indicators								
Non-Indigenous Primary Schools								
Failure Rates	From : 9.4 To: 7.9	7.7 7.4	6.9	6.9	5.9	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Repetition Rates	From : 8.8 To: 7.6	7.7 7.2	6.5	6.5	5.7	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Dropout Rates	From: 3.8 To : 2.7	2.4 2.3	2.1	2.1	1.9	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Completion Rates	From : 80.1 To : 85.3	From : 85.4 To : 85.6	85.8	85.8	86.1	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Primary Education								
Failure Rates	From : 10.2 To : 8.6	From : 8.4 To : 8.1	7.3	7.3	6.8	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Repetition Rates	From : 9.5 To : 8.2	From : 8.2 To : 7.9	7.1	7.1	6.1	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Dropout Rates	From: 3.4 To : 2.7	From : 2.5 To : 2.4	2.1	2.1	1.9	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Completion Rates	From: 77.4 To : 83.9	From : 84.6 To : 85.3	85.5	85.5	86.0	Yearly	Basic Statistics 911	Technical Directorate

	Baseline		Target Values			Data Collection and Reporting		
			PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
	Phase I 1997-98 / 2000-01	Phase II 2001-02 / 2003-04	2004-05	2005-06	2006-07			
3. Outcome Indicators								
								UPC/CONAFE
Telesecundaria Education								
Failure Rates	From: 6.7 To: 5.4	From: 4.8 To: 4.6	4.1	4.1	3.7	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Repetition Rates	From: 0.4 To: 0.6	From: 0.6 To: 0.6	0.6	0.6	0.5	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Dropout Rates	From: 8.2 To: 6.1	From: 5.8 To: 5.4	5.2	5.2	4.9	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Completion Rates	From: 75.5 To: 77.9	From: 80.1 To: 80.6	81.0	81.0	82.1	Yearly	Basic Statistics 911	Technical Directorate UPC/CONAFE
Results Indicators for Each Component								
Component I:								
Initial Education								
▪ Training of approximately 27,000 Educational Promoters annually.	26,071	26,507	27,000	27,000	27,000	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
▪ Training of approximately 2,700 Module Supervisors annually.			2,700	2,700	2,700	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE

3. Outcome Indicators	Baseline		Target Values			Data Collection and Reporting		
	Phase I 1997-98 / 2000-01	Phase II 2001-02 / 2003- 04	PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
			2004-05	2005-06	2006-07			
<ul style="list-style-type: none"> Training of approximately 820 Zone Coordinators annually. 			820	820	820	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
<ul style="list-style-type: none"> Carry out 10,560 annual visits to the communities operating initial education programs with a total of 31,680 visits during the three years of the program 			10,560	10,560	10,560	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
<ul style="list-style-type: none"> Training of 496,800 parents by the end of the program 	304,440	373,253	410,578	451,636	496,800	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
<ul style="list-style-type: none"> Benefit 545,361 children of 0 to 4 years of age by the end of the program 	365,328	409,738	450,712	495,783	545,361	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
<ul style="list-style-type: none"> Provide 527,933 packages of didactic materials to parents, promoters, supervisors and zone coordinators by the end of the program 			441,605 packages	482,714 packages	527,933 packages	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE
<ul style="list-style-type: none"> Regional and 2 national workshops take place with a total of 51 workshops during the three years of the program 			17 workshops	17 workshops	17 workshops	Semester	State Progress Reports	Initial Education Directorate UPC/CONAFE

3. Outcome Indicators	Baseline		Target Values			Data Collection and Reporting		
	Phase I 1997-98 / 2000-01	Phase II 2001-02 / 2003-04	PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
			2004-05	2005-06	2006-07			
Component 2:								
Support to Basic Education								
▪ Construct and or rehabilitate 17,805 educational facilities and technical and administrative offices by the end of 2006.	25,100	19,592	6,229	5,932	5,644	Semester	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
▪ Equip 5,936 educational centers and technical administrative offices by the end of 2006.	4,495	5,158	2,076	1,973	1,887	Semester	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
▪ Rehabilitate and equip 34 teacher resource centers by the end of 2006.		34			34	Semester	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
▪ Provide 530,000 pre-school children with packages of schooling supplies for each school year.			530,000 packages	530,000 packages	530,000 packages	Yearly	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
▪ Provide 15,322 supplementary didactic packages to pre-schools, of which 53.2% are of indigenous modality			5,000 packages	5,000 packages	5,322 packages	Yearly	Progress Report	Operation and Monitoring Directorate UPC/CONAFE

3. Outcome Indicators	Baseline		Target Values			Data Collection and Reporting		
	Phase 1 1997-98 / 2000-01	Phase II 2001-02 / 2003-04	2004-05	2005-06	2006-07	Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
<ul style="list-style-type: none"> Provide school supply packages to an average of 3.5 million students , each school year in 36,000 primary schools including all indigenous schools. 	4.5 million packages for each school cycle	4.6 packages for each school cycle	3.5 million packages	3.5 million packages	3.5 million packages	Yearly	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
<ul style="list-style-type: none"> Provide 36,000 supplementary didactic packages to primary schools including all the indigenous schools by the end of the program. 	6,000	34,400	12,000 packages.	12,000 packages.	12,000 packages	Yearly	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
<ul style="list-style-type: none"> Provide <i>telesecundaria</i> schools with 4,681 supplementary didactic packages, benefiting approximately 300,000 by the end of the project. 	7,548	3,667	3,500	1,181		Yearly	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
<ul style="list-style-type: none"> Provide technical, and pedagogical assistance to the CTE of 33,000 primary schools with multi-grade classrooms and with indigenous students , by the end of 2006. 			11,000 schools	11,000 schools	11,000 schools	Semester	State Progress Report	Technical Directorate UPC/CONAFE
<ul style="list-style-type: none"> Execute 62,951 interventions for school management in the following manner: 15,322 	37,819	59,978	59,721	61,929	62,951	Yearly	Progress Report by education level and state	Operation and Monitoring Directorate UPC/CONAFE

		Baseline		Target Values			Data Collection and Reporting		
				PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
Phase 1	Phase II	2004-05	2005-06	2006-07					
3. Outcome Indicators		1997-98 / 2000-01	2001-02 / 2003-04	2004-05	2005-06	2006-07			
interventions for pre-school education and 47,629 for primary schools, by the end of the program.									
▪ Provide training to the parents associations of 62,951 schools for the efficient implementation of the support provided by the end of the program.		37,819	59,978	59,721	61,929	62,951	Semester	State Progress Report	Technical Directorate UPC/CONAFE
▪ Provide 12,600 teacher development incentives by the end of the program.		13,354	12,919	13,226	12,911	12,600	Semester	State Progress Report	Operation and Monitoring Directorate UPC/CONAFE
▪ Execute 5,150 interventions to support school supervision in this manner: 4,440 supervisors and 710 sector chiefs, by the end of the program.		4,636	5,001	5,067	5,118	5,150	Semester	State Progress Report	Operation and Monitoring Directorate UPC/CONAFE
Component 3:									
Institutional Strengthening									
▪ Implement an academic training program that includes 3 technical teams of each of the 31 states, by the end of the program.				31	31	31	Yearly	Progress Report	Technical Directorate UPC/CONAFE

3. Outcome Indicators	Baseline		Target Values			Data Collection and Reporting		
	Phase 1 1997-98 / 2000-01	Phase II 2001-02 / 2003- 04	PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
			2004-05	2005-06	2006-07			
<ul style="list-style-type: none"> Provide 31 technical assistance sessions and at least 2 training sessions to the operational teams of the SEPEs, by the end of the program 	31	31	31	31	31	Yearly	Progress Report	Technical Directorate UPC/CONAFE
<ul style="list-style-type: none"> Expand and improve CONAFE's monitoring system for compensatory programs, integrating all components. 	1	1	1	1	1	Yearly	Progress Report	Operation and Monitoring Directorate UPC/CONAFE
<ul style="list-style-type: none"> Provide evidence of the sustainability of the school mapping system in SEPEs. 					1	Yearly	Progress Report	Directorate General of Planning and Coordination of SEP
<ul style="list-style-type: none"> Provide evidence of the operation of the social accountability mechanism. 					1	Yearly	Progress and Final Reports	Technical Directorate UPC/CONAFE
<ul style="list-style-type: none"> Complete the overall evaluation of CONAFE compensatory strategies 					1	End of PAREIB III	Final Evaluation Report	UPC/CONAFE
<ul style="list-style-type: none"> Evaluate every year the results of CONAFE compensatory programs 			1	1	1	Yearly	Evaluation Report	Technical Directorate UPC/CONAFE
<ul style="list-style-type: none"> Complete the evaluation of the Initial Education program impact on child development. 					1	Yearly	Evaluation Report	General Directorate of Evaluation of SEP and Initial

	Baseline		Target Values			Data Collection and Reporting		
	Phase 1 1997-98 / 2000-01	Phase II 2001-02 / 2003-04	PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
			2004-05	2005-06	2006-07			
3. Outcome Indicators								
								Education Directorate UPC/CONAFE
<ul style="list-style-type: none">Complete the evaluation of the impact of CONAFE's compensatory program on the learning achievements of preschool and primary school students						Yearly	Evaluation Report	General Directorate of SEP and Initial Education Directorate UPC/CONAFE
<ul style="list-style-type: none">Complete the following studies:<ul style="list-style-type: none">Competencies required of teacher to best use computers in <i>telesecundarias</i>Impact of AGEs on school communitiesUse of didactic materials and improved classroom teaching practicesPAREIB impact on primary school supervision practicesImpact of technical						Progress and Final Reports Yearly	Direct observation, interviews, surveys and field reports	Technical Directorate UPC/CONAFE

3. Outcome Indicators	Baseline		Target Values			Data Collection and Reporting		
	Phase I 1997-98 / 2000-01	Phase II 2001-02 / 2003- 04	PHASE III			Frequency and Reports	Data Collection Instruments	Responsibility For Data Collection
			2004-05	2005-06	2006-07			
and administrative assistance provided to SEPES <ul style="list-style-type: none"> Analysis of targeting mechanisms used by CONAFE's compensatory programs 								
Project Administration: Carryout project administration in accordance with the Operational Manual, the Loan Agreement, and the agreed upon standards and procedures to ensure efficient implementation and the achievement of the project objectives.			1	1	1	Yearly	Progress and Final Reports	Administration and Finances Directorate of CONAFE

Annex 4: Detailed Project Description

MEXICO Basic Education Development Phase III

The project, with a total cost of US\$500.0 million (US\$300.0 million Bank financing) would include the following components and activities:

Component 1—Initial Education (US\$82.6 million with contingencies). This component provides out-of-school training for parents and other adults directly involved in raising small children, with the objective of contributing to the child's comprehensive development and to a smooth transition to preschool. The training is targeted to families in indigenous and low-income rural communities either with 0-4 year old children or expecting their first child. Since the second phase of PAREIB, the program was significantly restructured to improve service quality and efficiency (see Annex 8). PAREIB III proposes to expand coverage of initial education by about 10 percent a year, in coverage of children and parents not in communities, in line with the recently approved Mexican law that mandates preschool education. The training sessions are conducted by an Education Promoter (EP), recruited in the community and trained by CONAFE. Most EPs working in indigenous communities speak the local language. Families attend one training sessions a week over an eight month cycle. The cycle is repeated for three years in the same community, and families are encouraged to stay in the program. The program is implemented in a highly decentralized manner in all Mexican states, and is programmed to reach the following targets by the end of PAREIB III: (a) number of families served: 496,800; (b) number of children benefiting: 545,361; and (c) number of communities served: 27,000. The objectives of this component will be achieved through the following subcomponents:

Subcomponent 1.1—Training in Initial Education for Promoters, Supervisors and Coordinators (US\$22.0 million). The training of initial education staff including promoters, module supervisors and zone coordinators aims to strengthen their knowledge on early childhood development and improve the quality and efficiency of service delivery. Training will be provided by the technical team of each state on a yearly basis, covering approximately 27,000 EPs, 2,700 Supervisors and 820 Coordinators. Each staff member will receive from 70 to 87 hours of training a year. The training courses take into account different levels of experience of participants and new staff receive an additional 16 hours of induction for coordinators and supervisors, and 8 hours for promoters. Training is conceived as a continuous process, and includes periodic workshops to reinforce skills, monitor progress, and to share program evaluation findings. The EPs receive, in addition to formal training at the beginning of each cycle, assistance from their supervisors in twice a month meetings, when they can have questions answered and discuss their experience. A detailed training plan was presented during project appraisal and found to be satisfactory. This subcomponent will finance training costs including instructors, training materials, and per diem and travel costs for all participants.

Subcomponent 1.2—Community Participation (US\$0.9 million with contingencies). This subcomponent aims to mobilize community support for the program and is directed at public and private social services professionals and community organizations that can complement and enrich the work of EPs. During PAREIB III, Childhood Committees will no longer be promoted, as they proved less than successful. Instead, supervisors and coordinators will visit the communities to contact key stakeholders, particularly those involved in health and education services. As a result, better inter-institutional coordination and support for the work of the EPs will be fostered. Emphasis will be placed on the co-responsibility for child development among the members of the community. Supervisors and coordinators will also be responsible for disseminating the program locally, and for organizing the group of parents to be trained.

This subcomponent will finance per diem and travel costs for supervisors and coordinators to visit communities.

Subcomponent 1.3—Training for Parents of 0-4 year old Children (US\$51.3 million with contingencies). The training sessions aim to strengthen family understanding of early childhood development, and demonstrate how the family can best stimulate the process. Parents bring their young children to the sessions and activities are planned for them. The service will be provided for families with children aged 0-4 years and for those expecting their first child, in weekly sessions conducted by a trained EP, during eight-month yearly cycles. Sessions will continue for three years but participating families may change; some may leave because their child becomes older than age four or for other reasons, and new parents may join in any given year. The selection of communities to be served is based on three criteria: (a) high poverty levels, as measured by CONAPO and COESPO; (b) availability of a communal or official preschool supported by CONAFE; and (c) expressed community demand and interest. Communities served with initial education through CONAFE's community education program, partly financed by IADB, are excluded. For the program cycle to start the community must have a minimum of five families willing to participate; it is anticipated that few communities might be changed during implementation for this reason. In the sessions with parents, the EP will train, assist, and orient parents, acting essentially as a facilitator in the interchange of experiences, using the education materials provided by the program. Sessions are designed for an adult audience and take into account local childrearing practices; the EP will also create situations in which parents and children can play, to demonstrate how to stimulate child development. The EP's functions were redefined to focus exclusively on training families, and frequent visits by the supervisor intended to strengthen their skills are planned. These changes are expected to lead to the continuous improvement of the training sessions. This subcomponent will finance the remuneration of the program staff (Education Promoters, Module Supervisors and Coordinators of Zone). Approximately 50 percent of EPs are paid by subnational governments.

Subcomponent 1.4—Educational Materials (US\$7.2 million with contingencies). This subcomponent supports the development, design, printing, reproduction and distribution of educational and program-dissemination materials used in the program. During the preparation of PAREIB III, all the materials used in earlier phases were examined to verify their quality and pertinence. As a result of this analysis, some education materials were fully revised or replaced (e.g. the Parent's Guide), others were eliminated, and new educational and dissemination materials were created. Given the fact that children tend to accompany their parents to the training sessions, new materials were developed for them, as for example didactic rugs where children can play and learn, and a video showing parents how to make toys for young children. The process of producing new and better materials for the program will continue throughout PAREIB III. This subcomponent will finance the production and distribution of new or replicated educational and dissemination materials, consulting services for the design of materials, and audiovisual equipment to be used during the training sessions.

Subcomponent 1.5—Monitoring and Evaluation (US\$1.2 million with contingencies). The initial education program is the only compensatory program for which CONAFE is fully responsible for service delivery; nevertheless, systematic monitoring and evaluation procedures were not properly developed since the creation of the initial education program in the early 1990s. Studies carried out in preparation for PAREIB III, found many differences in the way the program is implemented in each community, and detected deficiencies in some of the programs. To address this problem, PAREIB III will put in place effective monitoring and evaluation systems. Data on monitoring indicators will be collected at the local level on a continuous basis as part of the project monitoring system, and will be analyzed at state and national levels by a team of Regional Coordinators. Regional and national workshops will be organized to disseminate monitoring and evaluation information among all participants, provide feedback, and promote continuous program improvement. An external evaluation of the initial education program is also planned and is described under subcomponent 3.3. The expenditures to be financed by this

subcomponent are: (a) consulting services for the design, testing, and operation of monitoring and evaluation systems; and (b) regional and national workshops, including travel expenses and per diem for the participants.

Component 2—Support for Basic Education (US\$358.2 million with contingencies). The objective of this component is to help improve basic education indicators in isolated, rural communities, by providing for a package of interventions comprising material, pedagogic and school management actions in selected preschools, and in primary and in lower-secondary *telesecundaria* schools. In addition, support will be provided to rehabilitate and equip teacher's centers (*Centros de Maestros y Recursos*, CMRs) located in isolated rural areas. The school targeting criteria are described in Annex 14). A study to verify compliance and adequacy of these criteria will be carried out during the first year of PAREIB III. The targeting criteria are:

- (a) Preschools: all official, indigenous, and communal preschools located in rural localities with high poverty levels as measured by CONAPO and COESPO;
- (b) Primary Schools:
 - i. all Indigenous primary schools;
 - ii. all primary schools located in the 250 priority poorest rural municipalities;
 - iii. primary schools located in rural localities with high and very high poverty levels as measured by CONAPO and COESPO;
 - iv. rural primary schools that have lower education indicators compared to the national average. the indicators include: grade repetition, dropout and failure rates, course completion, and standardized student achievement scores in Spanish and mathematics; and
 - v. schools that are organized in multi-grade manner, i.e. one teacher teaches more than one grade simultaneously.
- (c) Lower-secondary: all rural *telesecundaria* schools that did not benefit from PAREIB I and II.

During PAREIB III, this component is programmed to benefit approximately: 530,000 students in 15,322 preschools; 3.5 million students in 36,000 primary schools; and 300,000 students in 4,681 *telesecundaria* schools. The objectives of this component will be achieved through six subcomponents described below:

Subcomponent 2.1—Educational Infrastructure and Equipment (US\$104.7 million with contingencies). Improvements to infrastructure, and school furniture aim to raise the physical conditions of the schools to a minimum operational level. The plan for these investments prepared in each state every year by the State Secretariats of Public Education (SEPEs), on the basis of a needs assessment, and is consolidated by CONAFE at the national level. Infrastructure investments comprise construction, rehabilitation and/or replacement of classrooms, sanitary services and other school facilities, according to the needs of each school. Construction will be carried out by the community, represented by APFs, Technical School Councils, or ad hoc community groups, and are supervised by the normative entity of each state. All infrastructure works are designed and executed following technical and environmental criteria satisfactory to the Bank included in the project Operational Manual. The OM specifies that works must be carried out in land owned by the SEPE and must follow technical specifications that include *inter alia*, the appropriate disposition of solid and liquid waste, and avoidance of asbestos, lead and scarce wood materials. The construction materials will be locally procured by the community on the basis of three quotations. The targets for this subcomponent are:

- (a) Infrastructure: build or rehabilitate 17,805 classrooms, in targeted preschools, primary and *telesecundaria* schools, and other education spaces such as bathrooms, education supervision offices and storage areas; rehabilitate 34 CMRs; and
- (b) Furniture: equip with tables, chairs, bookshelves and blackboards in 5,936 classrooms, as well as 34 Teacher's Centers.

Subcomponent 2.2—Didactic Materials (US\$88.9 million with contingencies). This subcomponent aims to improve the learning conditions at targeted preschools, primary and lower-secondary schools, by providing them with didactic materials that are appropriate to the curriculum at each level of education. The packages of materials to be financed as complements to the free textbooks provided by SEP are:

Didactic Materials	Preschool	Primary	<i>Telesecundaria</i>
Packages of student supplies	530,000	3.5 million	None
Packages of educational materials and equipment for schools	15,312	36,000	4,681

The packages of educational materials for schools vary according to the type of school and are described in detail in the Project Operations Manual. In *telesecundaria* schools, these packages include computers, educational software, audio-visual equipment and library books. The computer equipment to be procured includes self-training materials on the four main applications of the software. An effort will also be made to expand the availability of curriculum contents on disk and/or video, considered more efficient than televised classes transmitted via satellite-particularly, because it permits more interaction by student and teachers, and also because it is easier to maintain. In PAREIB III, a pilot group of *telesecundaria* schools will be provided with these media. This subcomponent finances the procurement and distribution of students supplies, didactic materials, computer equipment, software and audio-visual equipment.

Subcomponent 2.3—Training and Technical Assistance to the Consejos Técnicos Escolares (CTE) (US\$24.7 million with contingencies). The program of training and technical assistance to CTEs aims to strengthen pedagogic skills of primary teachers, particularly those working in multi-grade and indigenous schools. The program complements formal in-service teacher training provided by SEP and by the SEPEs. Training and technical assistance to teachers will be provided by Technical Rural Advisers (*Asesores Técnicos Rurales*, ATRs) during bi-monthly visits. The ATRs are part of the technical team of each state. In preparation for PAREIB III, CONAFE carried out a qualitative study to determine the priorities to be given to this program. Based on the findings of this study, the technical assistance will be targeted to 33,000 multi-grade primary schools, and will focus on strengthening teachers' didactic skills. Funds to support technical assistance will be linked to the targeted schools, not to the ATRs, and improved controls will be put in place to ensure that ATRs effectively assist the schools. This subcomponent will finance stipends for the ATRs, training materials and per diems for ATRs' visits to project schools.

Subcomponent 2.4—Support and Training for the Parents Associations (APFs) (US\$89.0 million with contingencies). The objective of this subcomponent is to consolidate and strengthen the APFs through training and financial support. Training will be focused on: (a) management of school funds transferred to the APFs; (b) participatory skills to increase parent's involvement in school activities; and (c) information on the achievements of students and ways in which parents can help improve their learning achievements. The financial support to (*Apoyo a la Gestión Escolar*, AGEs), consists of annual grants transferred quarterly to the APFs' school accounts, that vary from US\$500 and US\$700 per year according to the size of the school. The use of these funds is specified in the OM and is the object of

annual financial audits, carried out for a random sample of schools. The targets for this subcomponent are:

- (a) 15,322 pre-schools and 47,629 primary schools will receive AGE grants; and
- (b) training will be provided for 62,951 APFs.

This subcomponent will finance the grants to the APFs and training expenses including stipends for instructors, training materials, and travel and per diem for the instructors.

Subcomponent 2.5—Performance Incentives for Primary School Teachers (US\$42.9 million with contingencies). This subcomponent aims to contribute to retaining teachers in rural primary schools located in isolated communities with difficult access; increase teacher attendance rates; reduce teacher turnover; promote the use of after-school hours for tutoring students who are falling behind; and encourage teachers to participate in school planning activities. The incentives consist of monthly stipends linked to the schools and supervised by the APFs. When a teacher leaves the school, the stipend remains in the school. These norms are shared by the States and by SEP, which also provide performance incentives to teachers. The incentives to be financed by PAREIB III will not duplicate those financed by other sources. This subcomponent will finance performance incentives to 12,600 targeted primary school teachers each year.

Subcomponent 2.6—Support for School Supervision (US\$8.0 million with contingencies). This subcomponent aims to strengthen school supervision at the primary school level. This will be achieved through support provided to members of the school supervision team to enable them to visit the schools more often. The main goal is to transform school supervision into a vehicle for pedagogic support to the schools, placing less emphasis on administrative matters. Training will include providing supervisors with the skills they need to improve their pedagogic supervision skills. This subcomponent will finance travel expenses and per diem for 710 primary education sector chiefs and 4,440 supervisors.

Component 3—Institutional Strengthening (US\$56.2 million with contingencies). The objective of this component is to continue strengthening the capacity of the SEPEs to plan, program and evaluate basic education service delivery. This objective will be achieved through the subcomponents described below.

Subcomponent 3.1—Strengthening of the Pedagogic Capacity of the SEPEs (US\$2.0 million with contingencies). This subcomponent aims to contribute to service quality improvements by helping develop the pedagogic capacity of the technical-pedagogic staff in each state. Technical assistance will be provided through a series of workshops focused on: multi-grade education, in-service teacher training, education evaluation, inter-cultural and bilingual education, effective use of education technology, and education planning. The specific themes of the workshops will be selected by CONAFE in consultation with the states. Workshops will be conducted by national and international specialists, selected according to the particular theme. This strategy for staff development differs from that of earlier phases, in so far as it concentrates on areas of common concern, and provides for the interchange of experiences between states. Three cycles of workshops are planned for PAREIB III; each cycle consisting of a maximum of six workshops (of 96 hours each), attended by approximately 15 state level staff. Expenditures to be financed under this subcomponent include rent of a suitable venue for workshops, honoraria for speakers and facilitators, travel costs and per diem for speakers and facilitators, and meals for the participants during the workshops. Each participant will cover his/her travel and lodging costs.

Subcomponent 3.2—Strengthening of the Administrative Capacity of the SEPEs (US\$3.4 million with contingencies). This subcomponent aims to continue strengthening the states' capacity to administer and efficiently deliver basic education services. The technical assistance to be provided will be tailored to the needs of each state but will concentrate on the following main areas: school supervision, administrative

staff development, human resources management, management of physical resources, financial management, monitoring and evaluation systems, and coordination between regular and compensatory education programs. To determine the appropriate technical assistance for each state, the first year of the program will be dedicated to a diagnostic of needs and the production of a state-specific technical assistance plan. These plans must ensure that the selected activities are not financed by other programs, are relevant to existing systems and procedures, and will result in administrative improvements that are sustainable over time. The states will share the costs of the technical assistance by providing in kind contributions (such as office space, equipment and materials) as well as staff time. The diagnostics will be prepared by consultants in collaboration with state staff specialized in planning, evaluation, and basic education during the first year of PAREIB III. The technical assistance plans will be carried out and evaluated during the second and third years of the project. This subcomponent will finance consultants' services for technical assistance and training for the SEPEs.

Subcomponent 3.3—Monitoring and Evaluation of the Project (US\$4.1 million with contingencies). The activities to be financed under this subcomponent aim to consolidate the monitoring and evaluation systems for CONAFE's compensatory programs. Specifically, the following activities are contemplated:

- (a) Integrate the Project Monitoring System. CONAFE has in place an efficient system to monitor project operations that was used in PAREIB I and II. For PAREIB III, this system will be updated and improved in order to: (a) cover all subcomponents and activities of the project in the same system; and (b) establish efficient feedback mechanisms that permit timely adjustments during project implementation.
- (b) Improve Education Planning. This activity will be carried out by the Directorate General of Planning, Programming and Budget of SEP (DGPPP) to complement the national geographic planning system supported by PAREIB I and II. The activity consists of creating an information system, based on data available in the national information system, to support the implementation of CONAFE's compensatory programs in each state. The system links geographic and demographic data with education indicators and is expected to: (i) help identify the needs of each school and (ii) improve the articulation between regular and compensatory education programs. These data will be accessible to the public through the SEPEs' websites.
- (c) Social Accountability. This activity consists of: (a) public dissemination of compensatory education programs; (b) data collection and analysis of information on the perceptions of project beneficiaries regarding program interventions; and (c) development and implementation of mechanisms to strengthen social participation in support of PAREIB.
- (d) Studies. The following studies are planned for PAREIB III:
 - (i) Evaluation of the impact of compensatory education programs will be completed to meet the Congressional mandate to evaluate federally financed programs yearly. Studies will include rigorous impact evaluations using treatment and control groups, results from *Estándares Nacionales*, and will assess all three phases of PAREIB;
 - (ii) A study highlighting what *telesecundaria* teachers must know to maximize the learning benefits of using computer equipment at school;
 - (iii) Assessment of the impact of the AGE grants on the relations between the members of the school community (teachers, directors, students and parents);
 - (iv) A study on how the provision of education materials impacts teaching/learning practices;
 - (v) Analysis of prevailing education supervision practices and how best to orient compensatory interventions in this area;

- (vi) Impact evaluation of the initial education program on the development of young children, using random assignment, control and treatment groups, during the first year of the program, to be carried out by the Directorate General of Evaluation of SEP;
- (vii) Analysis of the use of targeting criteria for compensatory programs; evaluation of technical assistance provided by PAREIB III as to its quality, efficiency and relevance for institutional development of the SEPEs;
- (viii) Impact of technical and administrative capacity building of the SEPEs;
- (ix) Impact evaluation of pre-school education; and
- (x) Impact evaluation of primary school education.

The expenditures to be financed under this subcomponent include consultant services, dissemination materials and operating costs.

Subcomponent 3.4—Administration of the Project (US\$46.7 million with contingencies). The project administration will continue to be supported by PAREIB III to consolidate achievements made in the two prior phases of the program with respect to program operational norms and procedures that ensure efficient implementation. This objective will be achieved through training and technical assistance for staff at national and State levels. The training program will strengthen staff skills in the areas of financial management, procurement, and monitoring and evaluation. Training will also focus on the adjustments to the program introduced in PAREIB III. Activities to be financed include honoraria and benefits for the administrative staff of the project, consultants' contracts for training, travel expenses and per diem and other incremental operational costs.

Annex 5: Project Costs
MEXICO Basic Education Development Phase III

Table 1a. Estimated Project Cost by Component (US\$ million)

Component / Subcomponent	Total cost (with contingencies) 1/	%	IBRD financing	%
1. Initial Education (non-school based)	82.60	16.52	63.40	21.13
1.1 Training in Initial Education for Promoters, Supervisors and Coordinators	22.00	4.40	17.10	5.70
1.2 Community Participation	0.90	0.18	0.10	0.03
1.3 Training for Parents of 0-4 year old Children	51.30	10.26	39.60	13.20
1.4 Educational Materials	7.20	1.44	5.60	1.87
1.5 Monitoring and Evaluation	1.20	0.24	1.00	0.33
2. Support for Basic Education	358.20	71.64	222.10	74.03
2.1 Educational Infrastructure and Equipment.	104.70	20.94	78.60	26.20
2.2 Didactic Materials	88.90	17.78	46.10	15.37
2.3 Training and Technical Assistance for CTEs	24.70	4.94	19.30	6.43
2.4 Support and Training for Parents Associations (APF).	89.00	17.80	74.10	24.70
2.5 Performance Incentives for Primary School Teachers	42.90	8.58	3.40	1.13
2.6 Support for School Supervision	8.00	1.60	0.60	0.20
Institutional Strengthening	56.20	11.24	11.50	3.84
3.1 Strengthening the Pedagogical Capacity of the SEPEs	2.00	0.40	1.50	0.50
3.2 Strengthening the Administrative Capacity of the SEPEs	3.40	0.68	2.70	0.90
3.3 Monitoring and Evaluation of the Project	4.10	0.82	3.20	1.07
3.4 Administration of the Project	46.70	9.34	4.10	1.37
Front end fee	3.00	0.60	3.00	1.00
TOTAL	500.0	100.0	300.0	100.0

1/ Numbers may not add up due to rounding.

Table 1b. Estimated Project Cost by Component (US\$ million)

Component / Subcomponent	Local US\$ million	Foreign ^{1/} US\$ million	Total US\$ million ^{2/}
1. Initial Education	80.80	1.80	82.60
1.1 Training in Initial Education for Promoters, Supervisor and Coordinators	22.00	0.00	22.00
1.2 Community Participation	0.90	0.00	0.90
1.3 Training for Parents of 0-4 years year old Children	51.30	0.00	51.30
1.4 Educational Materials	5.40	1.80	7.20
1.5 Monitoring and Evaluation	1.20	0.00	1.20
		0.00	
2. Support for Basic Education	309.73	48.47	358.20
2.1 Educational Infrastructure and Equipment	78.45	26.25	104.70
2.2 Didactic Materials	66.68	22.22	88.90
2.3 Training and Technical Assistance for the CTEs	24.70	0.00	24.70
2.4 Support and Training for Parents Associations (APFs)	89.00	0.00	89.00
2.5 Performance Incentives for Primary School Teachers	42.90	0.00	42.90
2.6 Support for School Supervision	8.00	0.00	8.00
3. Institutional Strengthening	56.20	0.00	56.20
3.1 Strengthening the Pedagogical Capacity of the SEPEs	2.00	0.00	2.00
3.2 Strengthening the Administrative Capacity of the SEPEs	3.40	0.00	3.40
3.3 Monitoring and Evaluation of the Project	4.10	0.00	4.10
3.4 Administration of the Project	46.70	0.00	46.70
Front end fee		3.00	3.00
TOTAL	446.73	53.27	500.00

^{1/} Foreign costs are estimated as representing the equivalent to 25% of total infrastructure and goods costs.

^{2/} Numbers may not add up due to rounding.

Table 2. Estimated Project Cost by Component and Project Year (FY) US\$ million

Component / Subcomponent	2004		2005		2006		Total Project Cost	
	Total	IBRD	Total	IBRD	Total	IBRD	Total	IBRD
1. Initial education (non-school based)	27.7	20.8	30.0	23.3	24.9	19.2	82.6	63.4
1.1 Training for Program Staff	7.6	6.0	7.7	5.9	6.7	5.2	22.0	17.1
1.2 Community participation	0.5	0.04	0.2	0.02	0.2	0.01	0.9	0.1
1.3 Training sessions with parents and children	16.2	12.1	19.2	15.1	15.9	12.4	51.3	39.6
1.4 Education and Dissemination Materials	3.0	2.3	2.5	2.0	1.7	1.3	7.2	5.6
1.5 Monitoring and Evaluation of the Initial Education	0.4	0.4	0.4	0.3	0.4	0.3	1.2	1.0
2. Support for Basic Education	120.0	69.9	124.2	76.1	114.0	76.1	358.2	222.1
2.1 Education Infrastructure.	19.8	14.9	37.7	28.3	47.2	35.4	104.7	78.6
2.2 Didactic Materials	40.4	21.3	29.3	15.2	19.2	9.6	88.9	46.1
2.3 Training and Technical Assistance for Technical School	9.3	7.2	8.3	6.5	7.1	5.6	24.7	19.3
2.4 Training and Support for Parents Associations (APF).	29.9	24.9	29.6	24.6	29.6	24.6	89.0	74.1
2.5 Teachers' Incentives	17.9	1.4	16.7	1.3	8.4	0.7	42.9	3.4
2.6 Support for School Supervision	2.7	0.2	2.7	0.2	2.6	0.2	8.0	0.6
3. Institutional Strengthening	20.6	5.3	18.3	3.5	17.3	2.7	56.2	11.5
3.1 Strengthening the Technical-Pedagogic Capacity of State Secretariats of Education (SEPEs)	1.0	0.7	0.6	0.5	0.4	0.3	2.0	1.5
3.2 Strengthening the Administrative Capacity of State Secretariats of Education (SEPEs)	1.8	1.4	1.0	0.8	0.6	0.5	3.4	2.7
3.3 Project Monitoring and Evaluation.	1.9	1.5	1.3	1.0	0.9	0.7	4.1	3.2
3.4 Administration of the Project	15.9	1.7	15.4	1.2	15.4	1.2	46.7	4.1
Front end fee	3.0	3.0					3.0	3.0
TOTAL	171.3	99.0	172.5	102.9	156.2	98.0	500.0	300.0

Annex 6: Implementation Arrangements

MEXICO Basic Education Development Phase III

Project implementation comprises two broad set of activities: (i) those related to the implementation of the project and (ii) program monitoring and evaluation functions (M&E). The present annex focuses on arrangements pertaining to the implementation of the project and M&E arrangements are described in Annex 3.

Project implementation

Agencies, Roles and Responsibilities: The project would be implemented through the following agencies:

Undersecretariat for Basic and Normal Education (Subsecretaria de Educación Básica y Normal-SEByN): has the overall responsibility of the regulation of education services, plans and study programs. At the SEByN, the General Directorate for Education Research (*Dirección General de Investigación Educativa--DGIE*), the General Directorate for Materials and Educational Methods (*Dirección General de Materiales y Métodos Educativos--DGMME*), General Directorate for Indigenous Education (*Dirección General de Educación Indígena--DGEI*) and General Directorate for Normativity (*Dirección General de Normatividad--DGN*) coordinate efforts to design the education model for multi-grade schools and to review of the competencies for the *telesecundaria* modality. In addition, the General Coordination for In-Service Teacher Training (*Coordinación General de Actualización y Capacitación para Maestros en Servicio--CGAM*) will be in charge of developing a strategy for the strengthening of the Centros de Maestros y Recursos—CMR (Teachers’ Resource Centers).

Undersecretariat for Planning and Coordination (SSPC): has the responsibility for programming and budgeting of the administrative units that integrate SEP as well as the parastatal and “deconcentrated” entities. The SSPC is also responsible for carrying out the planning, design and application of the evaluation instruments of the national education system. The General Directorate of Evaluation (*Dirección General de Evaluación--DGE*) will be in charge of developing the necessary instruments for evaluating students at preschool and primary levels, as well as for the evaluation of the Initial Education Program. Through the *Dirección General de Planeación, Programación y Presupuesto--DGPPP* (General Directorate for Planning, Programming, and Budgeting) SEP will consolidate the education planning instruments used by the SEPEs with financing from the project.

Consejo Nacional de Fomento Educativo (CONAFE): will coordinate all project implementation activities on behalf of SEP and will exercise its project coordination responsibilities through the *Unidad de Programas Compensatorios – UPC* (Compensatory Programs Unit). The UPC would be responsible for daily management of the project including the consolidation of the yearly work plan; program execution yearly reviews; procurement; and monitoring of project objectives, goals, processes, and timetables in coordination with SEP and the SEPEs (State Level Secretariats of Public Education, *Secretarías Estatales de Educación Pública*). The UPC would also be responsible for coordinating with normative areas of SEP and communication with state-level offices.

During the implementation of the project, CONAFE would be responsible for establishing and monitoring Coordination Agreements with the 31 participating states, providing technical assistance to states on educational and management issues.

State Level Secretariats of Public Education (SEPEs): The SEPEs, through the UCEs, plan and execute compensatory education activities according to national guidelines, which specify the targeted schools and communities, the menu of supported activities, the educational norms to be met, and the procedures to be used. Through the UCEs, the states prepare annual proposals for the compensatory programs. The functions of the UCEs in each state include: to administer and execute the project according to the operational rules and management and evaluation indicators; validate the information on the targeting methodology used for the project, and the compliance with the targeting criteria; elaborate the annual procurement work plan; carry out programmatic and budgetary operations; prepare project financial and physical quarterly progress reports; and prepare progress reports at the closing of each fiscal year. In addition the UCEs are in charge of establishing coordinating mechanisms that permit the municipal governments, the APFs and CEPS to join efforts and collaborate in an organized and sustained way in the execution of the project.

Procedures and Relationships: the processes and procedures governing project implementation are outlined in detail in the Project Operational Manual (OM). Procedures governing the basic relationship between the Government and the World Bank, mainly covering financial management and procurement, are detailed in Annexes 7 and 8 of the PAD and in the OM. Norms and procedures guiding the daily exercise of responsibilities of the UPC staff are also detailed in the OM.

In order to respect Mexico's federal structure, project implementation shall be managed through a *Coordination Agreement* signed by CONAFE and the following state authorities: the Executive Power, the Comptroller and the Secretary of Finance of each state. Under this Agreement the 31 participating states and CONAFE would agree on all the norms for the execution of the project. The *Coordination Agreements*, together with their technical annexes, constitute the normative framework for the participation commitment of the parties involved. Through this legal vehicle, the parties agree to carry out planning and targeting activities, as well as organization, execution, evaluation and control for the fulfillment of the objectives of the Agreement.

At the state level, the UCEs are empowered to sign specific agreements pertaining to the execution of the project activities. These include agreements between the UCE and: (a) the APFs, to regulate the annual grants transferred to the APFs every trimester; (b) the targeted primary teachers receiving performance incentives, which are witnessed by a representative of the corresponding APF, and establish the conditions for the payment of the incentives which are monthly stipends linked to the schools and supervised by the APFs; (c) the Zone and Area Supervisors, regulating the payment of travel expenses incurred in supervision visits to project schools; (d) the Zone Coordinators, Module Supervisors and Education Promoters covering the conditions pertaining to their participation in the Initial Education Program, including their remuneration.

Annex 7: Financial Management and Disbursement Arrangements

MEXICO Basic Education Development Phase III

Country Issues. The Mexico Country Financial Accountability Assessment (CFAA) was completed in October 2003. The CFAA focused on the national level public sector, which it considered to have generally sound financial management (FM) systems and institutions. Country FM risk was rated as moderate and all individual risk factors were rated low or moderate. Nevertheless, the impact of this CFAA on the Project FM system is low because project implementation will be handled by a national development bank *Nacional Financiera, S.N.C.* (NAFIN) and by the decentralized *Consejo Nacional de Fomento Educativo* (CONAFE).

Financial Management Assessment. A FM assessment was conducted to evaluate the FM arrangements for the proposed project and CONAFE's capacity to effectively manage and implement the project and to provide the Bank with accurate and timely information. The FM assessment involved (i) visits to CONAFE; (ii) meetings with CONAFE, NAFIN, SHCP and the general auditor's office, *Secretaria de la Función Pública* (SFP); (iii) a review of FM information on previous projects; and (iv) discussions with the project team. It involved ensuring that project design allows for an appropriate level of transparency, facilitating oversight and control, while also supporting smooth implementation.

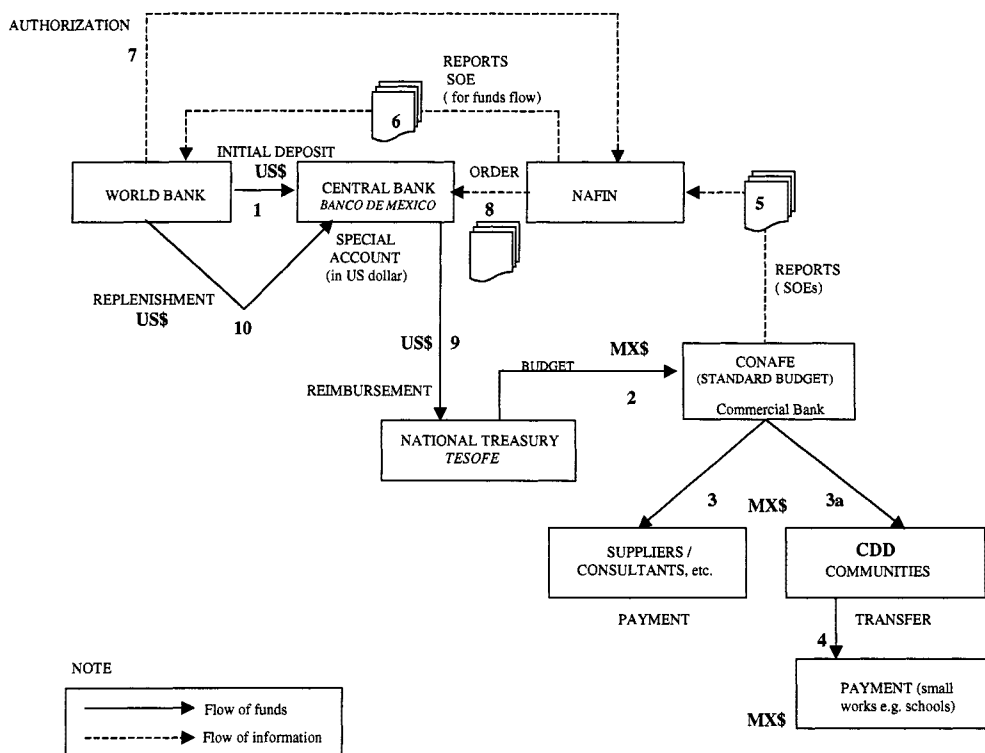
On the basis of the assessment carried out, the financial management team concludes the following: (i) although some project-specific mechanisms will need to be implemented for PAREIB III, existing financial management arrangements for the PAREIB II (which is currently under implementation by CONAFE with Bank financing), are operational and considered to form a sound basis; and (ii) while FM risk is *low*, project implementation should be accompanied by close supervision that allows early detection of financial management issues and ensures the proper use of project funds.

FM arrangements for PAREIB II are operational and will be appropriate for the proposed PAREIB III. The most important FM elements are budgeting, accounting, funds flow, internal control, reporting, external audit, written procedures, FM staffing and information systems. The principal FM risk lies in the fact that all project funds will be managed within CONAFE standard budget, but a new FM system will be implemented and new written procedures for Bank projects (guidelines) are under development.

Implementing entity. CONAFE is the project's implementing agency and will have overall responsibility for the project with support from NAFIN, which was designated by the SHCP as the financial agent for the project. The project is a third phase of an APL which supports the Government's compensatory education program, as outlined in the National Education Program (PNE) 2001-2006 and the Education Development Program 1995-2000. Specifically, the objectives of PAREIB III are to fine-tuning the delivery mechanisms of CONAFE's compensatory education program, while extending the successful components of the previous program phases. CONAFE will have responsibility for all project financial management, and together with NAFIN, SHCP and SFP has been responsible for project preparation. Both CONAFE and NAFIN have developed significant project management capacity with previous and ongoing projects, and other related programs.

Flow of Funds and Information. Bank loan funds will flow from the Loan Account to a Special Account managed by NAFIN and established in US dollars at the Mexican central bank (*Banco de México*). Alternatively, the Special Account may be established at NAFIN, or in a commercial bank, under terms and conditions satisfactory to the Bank. CONAFE receives funds in Mexican Pesos via its standard budget from the National Treasury, which is reimbursed at the end of the cycle from the Special Account. As in previous phases of PAREIB, the counterpart funds for PAREIB III will part of CONAFE's standard budget and will be used to complement Bank Loan funds to finance project

activities, according to the agreed financing percentages by cost category. Both Loan funds and counterpart funds will be registered in CONAFE's standard budget in two separated budgetary lines earmarked for PAREIB III. The following chart shows funds flow:



CDD activities. The community will carry out activities as described in section B.4 of the main text of this PAD. CONAFE transfers funds to the UCEs to cover activities under the CDD modality. These activities include: (i) construction works to rehabilitate or replace classrooms and other school facilities in targeted communities; and (ii) transfers to the APFs to pay for complementary school materials and minor rehabilitation carried out by the APFs, known as school grants. Based on signed agreements, the UCEs transfer funds to APFs according to two different modalities. For school grants, funds are transferred in advance bi-annually; for infrastructure, funds are transferred to communities in two installments: first the community receives 60% to purchase construction materials and initiate works, and after demonstrating substantial progress, the UCEs transfers the remaining 40% to conclude those works. After works are concluded, the communities and APFs submit all supporting documentation to the corresponding UCE.

Staffing. Key FM staff. CONAFE's project team is headed by an experienced manager (Public Accountant) and includes staff from all administrative areas of CONAFE (accounting, treasury, budgeting, information systems, etc.); this team was responsible to carry out all financial management activities in previous projects financed by the Bank (including PAREIB II, which is currently under implementation). This administrative team will be supported by NAFIN and is financed through CONAFE's standard budget. Evidence from past and on-going performance of this team denotes that CONAFE's staff has the qualifications and public sector experience adequate to undertake the financial

management tasks related by the proposed PAREIB III. Additionally, CONAFE is and will be closely supervised by NAFIN. The main duties of CONAFE are to: (i) prepare the project budgets, financial statements and disbursement requests; (ii) supervise internal controls and ensure efficiency in the execution of funds; (iii) coordinate with NAFIN, SHCP, SFP and the Bank on financial management issues; (v) coordinate annual project audits; and (vi) prepare and submit FMR reports on a quarterly basis via NAFIN. Considering these functions, the existing staffing arrangements in CONAFE are satisfactory to the Bank.

Accounting Policies and Procedures. CONAFE will maintain records and accounts adequate to reflect, in accordance with accounting practices compatible with International Accounting Standards and in compliance with local requirements, its operations and financial condition, including records and separate accounts for the proposed project. Similarly to the on-going PAREIB II, for PAREIB III administrative procedures must be in place to ensure that financial transactions are made with consideration to safeguarding project assets and ensuring proper entry in the accounting and monitoring systems.

CONAFE's existing accounting systems, complemented with information systems, currently have the capacity to record assets, liabilities and financial transactions of PAREIB II and produce financial statements and reports useful to project management and meeting the Bank's fiduciary requirements. However Financial Monitoring Reports are produced mainly on spreadsheets (Excel). CONAFE is responsible to keep files of all supporting documentation on project expenditures. This arrangements will be used for PAREIB III and will be complemented with a new system and a set of written procedures and guidelines.

The financial management section of the OM for PAREIB III will provide details on accounting policies and procedures. An updated manual has been presented to the Bank for review, and shall be adopted by CONAFE before project effectiveness.

Information Systems. CONAFE's information system will track every project transaction. Existing systems, which are now being used for PAREIB II, are considered satisfactory to the Bank. Those systems will be complemented with the new system *Sistema de Administración de Proyectos con Crédito Externo*. This new system will be able to produce FM information on the format of the Financial Monitoring Reports (FMR), as needed. The information technology team (IT) in CONAFE is planning to integrate the new system to existing systems. The purpose is to improve links between CONAFE's information and project implementation. The new system will be used for project management, and will enhance controls, improve reports and reduce manual processes such as re-input of data. The CONAFE IT team and staff directly involved in project implementation are preparing the terms of reference (TOR) for the new system. The goal is not only to ensure consistency with CONAFE's systems (e.g. accounting, budgeting, treasury) but also to create proper links that provide for complementariness among systems. The TOR will be submitted to the Bank for its comments/no objection.

Written Procedures. The project financial procedures will be documented in the guidelines and in the OM, which will define the roles and responsibilities of CONAFE and NAFIN. A draft of this manual (corresponding to an updated version of the existing Manual) has been submitted to the Bank and include, among other financial procedures: (i) accounting policies and procedures, including basis of accounting and chart of accounts; (ii) the reporting requirements from CONAFE to NAFIN; (iii) formats of the FMR for the proposed project; (iv) internal controls including NAFIN's criteria and procedures for processing payments and transfers; (v) records management; and (vi) audit arrangements. The planned arrangements for some of these aspects are summarized below.

Financial Reporting. NAFIN will prepare every semester Financial Monitoring Reports (FMRs) in accordance with applicable Bank guidelines. CONAFE, via and with support of NAFIN, will submit

financial reports which will sufficiently describe all project operations, including the Special Account, to the Bank. These FMRs are additional to the audited annual financial statements which comprise Entity and Project financial statements.

The FMRs will not form the basis of disbursement, as it is agreed that Statements of Expenditures (SOEs) will provide information on the disbursements made by NAFIN and the use of those funds by CONAFE. The format for the FMRs which is currently being used for PAREIB II will be used for the proposed PAREIB III.

The financial management section of the OM will include detailed information on reporting and monitoring, including the format and periodicity for FMRs and for annual financial statements that will be prepared by CONAFE satisfactory to the Bank. The annual financial statements will be audited, in line with Bank policy and requirements, as indicated below.

Internal Audit. CONAFE's internal audit department is responsible for permanent internal audit reviews, however no internal auditor will be assigned specifically to the project. Each unit of CONAFE involved in the project will make sure that proper internal control procedures are followed. The internal audit function is operational and relatively independent; and reports are submitted to the SFP.

External Audit. The audit process and audit report will follow the Bank's audit guidelines, reflecting the new audit policy issued in July 2003. The annual audits will be carried out in accordance with auditing standards, by independent auditors (a private firm) and under TOR acceptable to the Bank. The auditors would perform at least one interim visit per year to the project site.

As soon as available, but in any case not later than six months after the end of each audited year, CONAFE will furnish annual audit reports to NAFIN, which in turn will submit them to the Bank. The Bank will review those reports, evaluate its acceptability, and provide comments and recommendations, if warranted.

As a consequence of country characteristics, an audit report of the Special Account (SA) will be required. This report is the responsibility of NAFIN, as the project financial agent.

The Bank is committed to building sustainable client capacity and reducing transaction costs for borrowers, consequently the Bank, NAFIN, SHCP, CONAFE and the internal auditor of the SFP, agreed that the audit report of CONAFE as continuing entity will include project information satisfactory to the Bank. This approach will eliminate the need of the project audit report—as it is currently produced in a separated audit report/opinion on project financial statements.

Although final arrangements, including specific information on the activities supported by the loan that need to be disclosed, will be agreed during FY04, the official agreement and new Memorandum of Understanding, applicable for all projects financed by the Bank, will require additional time. Consequently, it was agreed that during a transition period the external audits of the entity, the project and the special account will continue to be required.

The table below summarizes audit requirements (including transition period):

Audit report	Due dates
Continuing Entity Financial Statements	Within the following six months after the end of first implementation year (06/30/2005). The period covered will be from January the 1st to December 31st of 2004.
Project Financial Statements	Within the following six months after the end of first implementation year (06/30/2005). The period covered will be from January the 1st to December 31st of 2004.
Continuing Entity Financial Statements (including project information)	Within the following six months after the end of the reporting period. Starting in 06/30/2006 until 06/30/2007 . The period covered will be from January the 1st to December 31st on yearly basis.
Special Account	Within the following six months after the end of the reporting period. Starting in 06/30/2005 until 06/30/2007 . The period covered will be from January the 1st to December 31st on yearly basis.

The OM will include a section on financial management providing detailed information on auditing.

Disbursement Arrangements. Method. Disbursements of Loan funds would be in accordance with guidelines set out in the Bank's Disbursement Handbook i.e. transaction-based disbursement procedures. Similar to PAREIB II, the proposed PAREIB III will not use FMR-based disbursements. Although report-based disbursements is being discussed as country/cross-sector issue and that some new projects will move to a report-based disbursements (under the Sector Wide Approach modality), the GOM prefers that this repeater project uses SOEs for disbursement purposes. See the Flow of Funds section above for further details. The "Disbursement Letter" to be issued by the Bank for the project will provide detailed information on disbursement arrangements.

Statements of expenditures (SOEs). Loan withdrawal applications will be supported by SOEs for expenditures relating to contracts that are not subject to the Bank's prior review. Reimbursement of other expenditures would require submittal to the Bank of full supporting documentation. SOE information will be provided by CONAFE to NAFIN, who will review them and incorporate the necessary information in standard forms and will submit the SOEs to the Bank. Documents in support of SOEs must be maintained by CONAFE and NAFIN at least until one year after the Bank has received the audit report for the fiscal year in which the last loan withdrawal was made. Such documents must be available for review by the external auditors and Bank staff at all times.

Special Account (SA). NAFIN will establish a SA in US dollars in the Mexican central bank, *Banco de México*. Alternatively, the SA can be established at NAFIN or at a commercial bank, under terms and conditions satisfactory to the Bank. NAFIN will be responsible for the management of the SA (including: monthly reconciliation, 1903 Bank-form submission, and coordination with the Mexican central bank or the chosen bank where the account is established); NAFIN will also coordinate reporting (including the incorporation of SA information in project FMRs), and be responsible for the yearly audit of the SA. For replenishment of the advance to the SA, NAFIN will prepare monthly (in any case, no more than quarterly) requests for reimbursement of expenditures made. Total advances to the SA at any given time

would not exceed an authorized allocation of US\$ 30,000,000. However, unless the Bank shall otherwise agree, the authorized allocation shall be limited to the amount of US\$ 15,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments shall be equal to or exceed the amount of US\$ 60,000,000.

Other procedures. The proposed PAREIB III, as in PAREIB II, most likely will not require other disbursement procedures. However, upon request from NAFIN and subject to Bank's approval, payments may be made: (i) directly to a third party (CONAFE's supplier or consultant) for goods, works and/or services; (ii) to a procurement agent; or (iii) to a commercial bank for expenditures against a Bank Special Commitment covering a commercial bank's letter of credit.

Retroactive Financing (expenditures). The project will be eligible to submit for retroactive reimbursement, documentation on expenditures totaling up to 10 percent of the loan amount, for eligible expenditures incurred during calendar year 2004 but before the signing of the loan agreement. The Government estimates that such expenditures total up to 15 percent of the Loan amount and has requested the approval of an exceptional dispensation by Bank management to that effect.

Allocation of the Loan Proceeds

Expenditure Category	Amount in US\$ million	Financing Percentage
1. Works	73.0	75
2. Goods	44.0	78
3. Consultant Services and Training	95.0	78
4. School Grants	65.0	84
5. Consumable Student Supplies	9.0	23
6. Teacher Incentives	3.0	8
7. Incremental operational costs	4.0	8
Unallocated	4.0	
Total Project Cost	297.0	
Front-end fee	3.0	100
Total Financing Required	300.0	

Supervision Plan. One FM supervision mission will be conducted each year during project implementation. A Bank Financial Management Specialist will review the yearly audit reports (entity, project and SA) and the bi-annual FMRs.

Financial Management Action Plan

Activity	Responsible	Target Date
Organization and Staffing		
<u>Participation</u> of Project Financial Administration staff in Bank Disbursement and Financial Management Training	World Bank/ CONAFE/NAFIN	Project launching
Project Operational Manual		
<u>Submission of a draft manual</u> for Bank review. This is the updated version of the existing manual. The the FMRs).	CONAFE	Submitted
Provision of <u>comments and recommendations</u> .	World Bank	By May 25, 2004
<u>Submission of revised draft</u> to Bank to provide its no-objection.	CONAFE	Prior to effectiveness
Provision of <u>Bank No Objection</u> .	World Bank	Prior to effectiveness
Financial Reporting and Monitoring		
As part of preparing Project Operational Manual, <u>the format and content of the FMRs</u> to be prepared by CONAFE, with support of NAFIN, should be included. This activity is the confirmation of the FMRs, which are being used for PAREIB II for the proposed PAREIB III.	CONAFE	Prior to effectiveness
Financial Management System		
Agreement on the FM system (new system and its links with existing systems) and the written procedures.	World Bank CONAFE	Prior to effectiveness

Annex 8: Procurement
MEXICO Basic Education Development Phase III

Procurement of Goods and Works

Procurement of goods and small works under PAREIB III financed by the Bank would be carried out in accordance with Bank's *Guidelines for Procurement under IBRD Loans and IDA Credits* (the Guidelines, dated May 2004) and the provisions of this Annex. The executing agency for the project will be the *Consejo Nacional de Fomento Educativo, Unidad de Programas Compensatorios (CONAFE-UPC)*, the same institution that has implemented PAREIB I and II (Loans. 4333-ME and 7108-ME). At state level, the UCEs will also participate in implementation of all PAREIB III state activities.

Grouping of contracts: To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost US\$500,000 when these contracts are bid centrally by CONAFE-UPC. Due to their size and nature, small works contracts procured under CDD procedures (described below) will not be subject to packaging arrangements.

Notification, advertising, and publication: The General Procurement Notice to be published in the *Development Business on line (UNDB online)* and in the *Development Gateway's dgMarket* shall be updated annually for major procurement packages. A similar invitation to bid will also be published in the *Diario Oficial de la Federación* and *COMPRANET*. The results of awards of all contracts subject to prior review by the Bank (see below) will be subject to publication in the *UNDB on line* and in *dgMarket* (paragraph 2.60 of Guidelines) and in *COMPRANET*.

Procurement methods. The proposed procurement methods described below and the estimated aggregate amounts for each method are summarized in Table A. The thresholds for contract values for the use of each method described below appear in Table B. The bulk of investment costs in the project subject to procurement is (a) goods (didactic materials, school supplies, school furniture, and small purchases of computer equipment and printing services), (b) small works under CDD, and (c) consulting services, representing approximately 25 percent of project costs. Training costs include cost of logistics to carry out seminars, workshops, or similar activities where subsistence, transportation, hotels expenditures will be incurred.

Table A: Procurement Methods (in US\$ million equivalent) ^{1/2}

Categories	ICB	NCB	Other	NBF	Total
1. Works			97.8 (73.4)		97.8 (73.4)
2. Goods, including didactic materials	39.8 (31.0)	9.9 (7.7)	7.8 (6.1)		57.5 (44.9)
3. Consulting Services and Training			122.8 (95.8)		122.8 (95.8)
4. School Grants			77.4 (65.0)		77.4 (65.0)
5. Student supplies	29.3 (7.2)	7.3 (2.0)	5.8 (0.8)		42.4 (10.0)
5. Teachers' Incentives			43.9 (3.5)		43.9 (3.5)
6. Incremental Operating Costs			55.2 (4.4)		55.2 (4.4)
7. Front-End Fee			3.0 (3.0)		3.0 (3.0)
TOTAL:	69.1 (38.2)	17.2 (9.7)	413.7 (252.0)		500.0 (300.0)

Note:

1. Abbreviations mean: ICB (international competitive bidding); NCB (national competitive bidding); Other includes consultants' services, shopping for goods, grants for schools, primary teachers' performance incentives, and three quotations for small construction works (CDD).
2. Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

Goods

All goods packages will be procured centrally by CONAFE-UPC under ICB or NCB procedures as shown in the Global Procurement Plan that has been prepared for the project. The principal purchases in the project will be didactic materials, school and classroom furniture, printing and reproduction services of training and class materials, school equipment and small purchases of school sound and computing equipment and software to support educational activities and project administration. When contract values of packages of goods, school and classroom furniture, didactic materials, student supplies or printing or reproduction of training materials exceeds US\$500,000 equivalent, ICB procedures will be used. For values below US\$500,000 equivalent NCB procedures will be conducted. In both instances, CONAFE-UPC will use

standard bid documents as agreed by the Bank with the *Secretaría de la Función Pública* (SFP). Purchases of same inputs in the project, with values of less than US\$175,000 equivalent per contract, may be procured following shopping procedures, based on a request form for quotations acceptable to the Bank (para. 3.5 Guidelines). The Bank would not finance vehicles. Direct contracting only will be allow with Bank previous authorization.. All procurement of goods should be according with the agreed Procurement Plan.

Small Works - CDD Investment Activities

Profile of Communities: The principal actors in the project will be organized groups representing APFs, CEPS, municipalities (*Ayuntamientos*) that may be scattered- sometimes in remote rural locations in project areas. These groups are or will be organized to ensure legal personality and thus eligibility to apply to CONAFE for financing of their small works in school communities as beneficiaries of the project.

Type of CDD activities: The small works transactions that these communities may engage in under CDD procurement procedures (paragraph 3.17 of the Procurement Guidelines) will be small with contract values not to exceed US\$50,000 equivalent of a mix of inputs of construction / rehabilitation and construction materials. However, organized beneficiary communities will contribute with at least 10% of labor by the community of the equivalent value of the small works in their community. Communities would be responsible for using simplified competitive procedures (shopping) when purchasing building materials and contracting these small works, where it is possible.

Administration and Supervision of the CDD Program. For the project, it has been agreed that state UCEs will sign cooperation agreements with state regulatory entities, such as the school construction entity (CAPCE) or the State Secretariat of Public Works (*Secretaría de Obras Públicas, SOP*), in order to accompany communities in the technical implementation of their infrastructure programs. Their technical contributions with their own staff may be in the form of technical design or specifications or in supervision during construction/rehabilitation. In these agreements, regulatory entities are awarded an agreed percentage representing the incremental costs that they incur in support of the PAREIB infrastructure program in the communities. Collaboration agreements are also signed by UCEs with communities to execute school infrastructure activities. However, in terms of project implementation, it is the responsibility of state UCEs to safeguard financial flow of funds and application of expenditures of both the regulatory entities and the communities, and to monitor and supervise the quality and appropriateness of procurement carried out by communities. The latter will be asked to use simplified, streamlined procedures for contracting small works or purchasing materials, as well for maintenance of account records and exercising controls, as they are detailed in the OM for PAREIB III. Auditing of CDD activity by the communities will be the responsibility of CONAFE-UCP and NAFIN under specific procedures described in Annex 7.

Employment of Consultants

Consultant's services shall be procured in accordance with Bank Guidelines for Selection and Employment of Consultant by World Bank Borrowers (the Guidelines) dated November 2003, and the provisions of this section that will be further detailed in the Operational Manual. Consultants services will be contracted under this project in skill areas such as: technical assistance for the integration of technical-educational and state technical coordination teams, identification of state institutional strengthening needs, impact assessment studies on administrative strengthening, and studies on qualitative and quantitative assessment of project subcomponents, and training for the implementation of state technical assistance, among others.

Firms: The bulk of consultant services to be carried out by firms is estimated to total US\$118.0 million equivalent. Several of these consulting services contracts with values above US\$250,000 are expected in the project and will be contracted by Quality- and Cost-Based Selection (QBCS) using the Request for Proposals (RFP) and standard contract for lump-sum contracts that have been agreed by the Bank with the GOM. Short lists of contracts valued less than US\$500,000 equivalent may be composed of only national firms. Contracts below US\$250,000 equivalent may be contracted by Least-Cost Selection (LCS), (paragraph 3.6 of the Guidelines) or Selection under a Fixed Budget (FBS), (paragraph 3.5 of the Guidelines) (See Table C).

Individuals: Full-time individual consultants, to assist in project promotion activities, core staff in the UCEs and UPC and in other training and advisory services, would be selected by comparison of qualifications of at least three candidates and hired in accordance with the provisions of Chapter V of Consultants Guidelines and the Procurement Plan.

Procurement Plan.

The Global Procurement Plan has been prepared for the life of the project for all non-demand driven investment activities. CDD procurement of infrastructure for small works will be agreed annually with the Bank. A specific procurement plan for the first 18 months of the project will be delivered to the Bank by Negotiations. This specific Procurement Plan should be updated every year and should include at least the next 18 months of project implementation.

Procurement Responsibilities and Capacity

A procurement capacity assessment (update) for the project was conducted by Lea Braslavsky, Lead Procurement Specialist. The updated capacity assessment indicates that CONAFE-UPC, both at its headquarters office and in the state UCEs, have seasoned staff with experience in Bank procurement. The assessment also indicates that CONAFE has had successful outcomes of its main procurement accountabilities, having demonstrated efficiency and economy in delivering its annual procurement plans. The assessment carried out by the Bank conveys the fact that the institutional organization and staffing in the ongoing project (PAREIB II) is satisfactory and will remain intact during execution of PAREIB III. An Action Plan agreed at Negotiations provides for additional staff training and capacity building by Bank staff. NAFIN, as the financial agent for the project, will continue to supervise procedures and contracts, including issuance of no objection to documentation and awards under the delegation the Bank makes of its fiduciary responsibilities (ex-post review) not included in the prior review arrangements.

Operational Manual. CONAFE-UPC updated the OM used for PAREIB II, to include revisions derived from lessons learned during implementation of the ongoing phase, giving special attention to fine tuning procedures of CDD procurement by communities to ensure successful outcomes of this key area of the project, by ensuring that the simplified procedures are explained in user-friendly instruction books for communities, and are available for their use.

Procurement monitoring

The *Gerencia de Recursos Materiales* (GRM) of CONAFE will continue to be responsible for preparing and updating periodically the Bi-Annual Procurement Plan approved by the Bank, and will continue to use the present institutional capacity to monitor and control project procurement at central and state level.

Table B: Thresholds for Procurement Methods and Prior Review.

Expenditure Category	Procurement Method	Contract Value Threshold (US\$)	Contract Subject to Prior Review
Works	Community participation	<50,000	None
Goods	ICB	>500,000	All
	NCB	<500,000	None
	Shopping	<175,000	None
	Direct contracting	N/A	All

Table C: Consultant Services (in US\$ million equivalent)

Consultant Services	QCBS	IC	LCS	Total US\$
A-Firms	5.2 (4.0)		112.8 (91.1)	118.0 (95.1)
B-Individuals		4.8 (0.7)		4.8 (0.7)
Total	5.2 (4.0)	4.8 (0.7)	112.8 (91.1)	122.8 (95.8)

1/ Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

QCBS = Quality- and Cost-Based Selection

IC = Individual Consultants

LCS-Least Cost Selection

Other Support and Control Systems

CONAFE-UPC is subject to regular financial (prior and ex-post) audits, either by internal or external control entities, as detailed in the statutes of SFP and internal directives of CONAFE-UPC. CONAFE-UPC has also made provisions to ensure that all control areas/units in the institution are represented (with voice) in the ad-hoc Procurement Evaluation Committees for all contracts financed by the Bank. Details on other controls and auditing appear in Annex 7.

Overall Risk Assessment

The procurement activities under this project are straight forward. Thus the overall risk assessment is considered low.

Frequency of Procurement Supervision

One ex-post review supervision mission at least every 12 months.

Procurement Responsibilities and Capacity and Risk Management

The main functions of the procurement staff at the CONAFE-UPC are to carry out the procurement activities and supervise the procurement carried out by the UCEs and the communities. They will also liaise with other agencies and relevant beneficiaries involved in project implementation. Relevant project staff involved in procurement and financial management attended a special course designed for procurement activities under the project. Technical unit staff attended training courses in procurement. The procurement system will be updated to enable adequate monitoring, administration and production of reports of World Bank-funded procurement activities based on an agreed and acceptable format.

Procurement Records Keeping

Record keeping and the filing system for the procurement activities under PAREIB II are satisfactory and will be used in PAREIB III. CONAFE procurement staff are well trained and capable of implementing and administering the procurement system without difficulties. Procurement reports in the agreed format would be submitted annually to the Bank. This report includes updates and highlights of the current status of the record keeping and filing system.

A proposed Action Plan is shown below:

- (a) By Negotiations a general procurement plan for the project and a detailed procurement plan for the first 18 months of project execution should be presented to the Bank.
- (b) Audit reports to be submitted annually to the Bank should include a review of the record keeping and filing system.
- (c) CONAFE should assure that the procurement staff will be maintained; if staff substitution is necessary at any time during project implementation, the new staff should have at least the same level of qualifications.

By effectiveness, CONAFE should have put into effect the OM for the project activities including procurement procedures and model evaluation reports satisfactory to the Bank.

Annex 9: Economic and Financial Analysis

MEXICO Basic Education Development Phase III

Economic Analysis

Summary of Benefits and Costs

A cost-benefit analysis of the program derived from household survey data was carried out at appraisal of Phase I. The economic rate of return was estimated at 18.2 percent based on private costs and 17.5 percent based on public and private costs. There were lower-bound results as the externalities expected from education were not taken into account. While the necessary data to update the analysis is not available, there are strong indications of positive impacts that have continued, confirming the validity of the underlying assumptions of the original analysis.

Project Unit Costs

The unit costs per component were estimated defining two different criteria: unit cost per component and unit cost per educational level. In both cases, unit costs were estimated using three types of beneficiaries (where applicable): school, parents and children. For every component only those beneficiaries that receive the intervention were considered. For cost per component, the unit cost per beneficiary is shown in World Bank and CONAFE (2004). In all cases, unit costs decrease annually as a result of economies of scale. Component 1 presents the higher unit cost, in particular the subcomponent initial education. Component 2 has two important sources of cost: infrastructure and didactic materials; in both cases these two subcomponents represents at least 50 percent of the total unit cost. Finally, Component 3 has the lowest unit cost as a result of the coverage and impact of these components on the overall compensatory program management. For unit cost per level of education (World Bank and CONAFE, 2004), Initial Education presents the highest cost per student and per parent for the three years. Nevertheless, this unit cost is reduced as a result of higher attention to demand. Given the reduced participation of PAREIB III in *telesecundarias* (PAREIB III will not support this system in 2006) this level of education has the lowest unit cost.

Finally, a total unit school cost was estimated to analyze the impact of compensatory program cost and the total operative cost. In this case only two levels are considered: Initial education and primary education. For initial education, the total operational costs will be financed by CONAFE with Bank resources. On primary education, an update of SEP operational cost in rural schools gave a unit cost of US\$ 242 in 2004. If this cost is added to CONAFE's unit cost per school, the total annual unit cost would be US\$ 275 (see World Bank and CONAFE, 2004).

Efficiency and Incidence Indicators

The reasons for investing in early childhood development (ECD) are numerous and interrelated. A child's ability to think, form relationships, and live up to his or her full potential is directly related to the synergistic effect of good health, good nutrition, and appropriate stimulation and interaction with others. These inputs lay the foundation for healthy cognitive and emotional development, which translate into tangible economic returns. Evaluations of well-conceived programs designed to foster early child development demonstrate that children who participate in these programs tend to be more successful in school, are more competent socially and emotionally, and show better verbal, intellectual and physical development during early childhood than children who are not enrolled in high quality ECD programs. A large body of research has proven the critical importance of investing in the early years of a child's development. It is becoming increasingly clear that the development of the brain in the early years is a pathway that affects physical and mental health, learning, and behavior throughout the life cycle. Numerous longitudinal studies on the benefits of early childhood programs for children living in poverty have been conducted in the United States of America, as well as a few in developing countries. These studies clearly indicate their cost-effectiveness and demonstrate the profound impact that early experiences have on adult life and productivity. Integrated programs for young children can modify the effects of socioeconomic and gender-related inequities, some of the most entrenched causes of poverty.

The benefits of ECD interventions can be summarized:

- Higher intelligence scores
- Higher and timelier school enrollment
- Less grade repetition and lower dropout rates
- Improved nutritional and health status
- Improved social and emotional behavior
- Improved parent-child relationship
- Increased earning potential and economic self-sufficiency as an adult
- Increased female labor force participation

Therefore, ensuring healthy child development is an investment in a country's future workforce and capacity to thrive economically and as a society (Young 2002).

The Mexico Initial Education Project represented an integral part of the Mexican Government's human capital formation and poverty reduction program. The project objective aimed at alleviating poverty and increasing human capital investment by improving the quality and efficiency of the non-formal initial education program in the ten poorest Mexican States.

The project evaluation concluded that its performance was satisfactory. Initial education coverage through the project was substantial. The project had been designed to benefit about 1.2 million children aged 0-4 years. By the end of 1996, the actual accomplishment was 90 percent of the target. Almost 750,000 children in 23,000 predominantly small rural communities of the 10 project states, 70 percent of which suffered extreme or very high incidence of poverty.

Preschool Education

Preschool education has been an important part of the Government's agenda over the last 15 years. Nevertheless, few indicators have been developed to measure the impact of preschool education in Mexico. Currently, the General Directorate of Evaluation of SEP is developing some measures of student abilities at this level. A first indicator to measure the evolution of preschool education is the attention to

potential demand, where the indicator is the proportion of children between 4 and 5 years of age who are covered by the preschool system.

Between 1990 and 2004, the percentage of children attending preschool education in Mexico increased steadily, reaching 72.4 percent overall in 2004 (Table 1). The States supported by compensatory programs reached a significant improvement in coverage at this level. In particular, Chiapas increased coverage from 41.7 percent in 1990 to 77.4 percent in 2002, surpassing the national average in 2002.

Table 1: Percentage of Children Covered by Preschool System, National Average and Selected States
1990/91–2002/03 (Ages 4 to 5 years)

Mexican State	1990/ 1991	1991/ 1992	1992/ 1993	1993/ 1994	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003
National	55.6	56.0	54.5	58.0	61.0	62.4	64.1	64.8	65.3	66.1	67.1	67.9	72.4
Campeche	63.7	64.9	67.7	60.3	71.8	70.0	69.9	71.2	73.4	78.6	77.3	77.3	78.9
Chiapas	41.7	41.9	37.9	49.0	48.7	56.5	59.8	59.9	57.7	62.1	65.8	71.2	77.4
Federal District	72.6	70.4	71.1	73.2	75.7	74.2	76.6	75.9	76.9	78.3	78.1	77.7	81.2
Durango	53.8	57.2	59.7	59.0	62.1	62.5	63.0	66.4	66.5	65.8	68.7	67.7	74.1
Guerrero	59.1	59.1	50.5	52.3	63.6	67.0	68.8	66.4	67.5	68.1	70.0	70.2	73.3
Oaxaca	57.2	46.9	59.3	61.2	61.3	59.6	64.2	65.4	65.9	67.1	69.4	70.5	72.5
Quintana Roo	57.4	60.0	62.1	65.9	72.3	72.1	71.3	69.5	70.9	74.6	74.7	74.2	77.4
Tabasco	61.4	66.5	63.0	62.0	65.3	66.3	69.8	73.2	73.7	75.9	78.1	80.9	85.3
Tamaulipas	58.7	58.8	58.9	60.1	62.7	64.1	63.8	58.6	64.6	65.4	66.1	64.1	69.1
Tlaxcala	66.3	67.5	63.2	63.3	64.8	64.6	64.0	64.0	66.0	70.8	73.7	74.9	84.4
Veracruz	52.7	57.9	47.6	59.6	62.9	64.8	64.2	66.7	65.0	64.7	65.5	67.2	72.2

Source: SEP, Estadísticas Educativas 2004

At this stage, trends in coverage of potential demand are positive and permit one to infer that the program could reach its goals. Nevertheless, this new demand could generate additional pressures on the public finance system. Further research of this economic impact is needed.

Primary Education

Since the first operation in the early 1990s compensatory programs have improved coverage and quality. Between 1990 and 2002, the primary education completion rate at the national level increased from 70.1 to 88.0 percent. Furthermore, in the States with compensatory programs, the completion rate increased considerably compared with their base level. For instance, Chiapas presented a completion rate of 38.0 percent in 1990, the lowest in Mexico; but in 2002, Chiapas almost doubled its completion rate to 75.7 percent (Table 2).

Table 2: Primary Completion Rates, National and Selected States, 1990/91–2002/03

Mexican State	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03 ^e
National	70.1	71.6	72.9	74.2	77.7	80.0	82.8	84.9	85.8	84.7	86.3	87.7	88.0
Campeche	56.4	58.5	61.6	67.4	75.7	77.4	80.2	83.2	80.9	80.5	82.8	84.7	85.7
Chiapas	38.0	40.3	41.1	43.4	45.7	48.2	60.5	63.1	65.9	67.2	70.2	74.7	75.7
Federal District	88.8	89.6	90.9	91.5	95.6	95.9	96.3	99.0	95.8	94.3	94.3	94.6	93.9
Durango	70.9	71.1	69.0	70.8	77.8	76.9	82.6	85.1	85.1	79.9	83.7	77.8	86.4
Guerrero	52.9	52.0	53.5	54.1	58.3	61.1	63.8	66.9	77.3	75.1	74.2	81.0	79.2
Quintana Roo	76.9	78.3	79.2	81.1	85.6	89.0	96.2	97.4	94.2	91.9	93.2	95.9	95.0
Tabasco	69.0	70.8	72.6	74.4	77.5	83.2	98.0	87.5	85.8	83.6	88.4	88.0	88.3
Tamaulipas	78.1	81.1	82.0	85.6	81.5	87.0	86.8	90.5	89.9	90.0	90.5	93.6	91.9
Tlaxcala	84.2	86.2	92.3	88.6	96.1	96.5	96.2	96.7	96.2	97.1	97.5	96.0	97.9
Veracruz	55.4	58.0	58.9	60.2	64.6	68.0	71.2	75.3	80.6	76.7	79.3	80.7	82.6

Source: SEP, Estadísticas Educativas 2004

Improvements in completion rates (Table 2) are linked to repetition and dropout rates. In particular, there has been improvement in repetition rates in all states, but there is still room for improvement. In the case of dropout rates, an important decrease occurred in all states. The national average levels decreased considerably, from 4.6 to 1.5 percent from 1990 to 2002. Chiapas presents one of the most dramatic improvements in this area. Whereas in 1990 dropout rates in Chiapas were 15.1 percent in primary school, in 2002 this rate decreased to 2.6 percent.

Table 3: Primary Failure and Dropout Rates, National Average and Selected States, 1990/91–2002/03

Mexican State	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03 ^e
Failure Rates													
National Average	10.1	9.8	8.3	8.3	8.1	7.8	7.6	7.3	6.8	6.4	6.0	5.7	5.4
Campeche	13.7	13.4	11.7	11.0	11.0	11.0	10.9	10.3	10.1	9.6	9.1	8.5	7.9
Chiapas	15.1	15.2	13.3	14.2	15.0	14.7	12.5	11.5	11.7	11.3	11.1	10.8	10.0
Federal District	5.9	5.4	4.8	4.6	4.5	4.1	3.8	3.5	2.8	2.6	2.2	2.1	2.0
Durango	10.0	9.7	8.3	7.8	7.3	7.4	7.3	6.7	6.1	5.5	5.1	5.0	4.7
Guerrero	12.8	12.8	13.1	13.2	13.7	13.3	13.2	12.7	12.3	11.5	10.6	10.0	9.4
Oaxaca	17.6	17.1	14.2	14.2	14.2	13.5	13.3	12.8	12.4	11.9	11.3	10.9	10.2
Quintana Roo	13.5	12.6	9.5	10.4	9.5	9.2	8.8	8.3	7.7	7.2	6.8	6.7	6.2
Tabasco	12.0	11.9	10.1	9.7	9.1	8.5	7.9	8.0	7.2	6.4	6.6	6.3	5.8
Tamaulipas	8.2	8.1	6.0	6.8	6.3	6.1	5.4	4.9	4.7	4.1	3.8	3.7	3.4
Tlaxcala	6.9	6.8	5.7	5.0	4.9	4.7	4.5	4.1	3.8	3.5	3.2	2.8	2.6
Veracruz	12.6	12.2	10.3	10.7	10.3	10.2	10.1	9.9	9.7	9.5	8.5	8.0	7.5
Dropout Rates													
National Average	4.6	4.1	3.6	3.4	3.0	3.1	2.9	2.4	2.3	2.1	1.9	1.6	1.5
Campeche	6.0	4.5	3.2	4.0	4.3	2.5	3.6	2.9	2.8	2.8	2.3	1.9	1.5
Chiapas	13.9	9.0	7.6	11.4	4.9	7.0	6.3	6.2	4.9	3.9	2.6	2.7	2.6
Federal District	1.5	1.7	0.3	0.5	1.0	1.3	1.1	1.4	1.4	1.6	1.0	0.7	0.6
Durango	7.2	4.8	4.0	3.5	4.1	1.2	6.5	3.1	2.9	2.6	2.2	1.3	1.1
Guerrero	8.1	8.2	9.6	6.2	4.4	5.2	4.8	3.5	4.4	3.5	3.8	3.2	2.8
Oaxaca	6.4	5.9	4.5	5.0	3.6	7.0	4.2	4.1	3.2	2.6	2.6	2.7	2.2
Quintana Roo	1.3	3.1	1.2	2.1	1.0	1.3	1.3	0.9	1	0.8	1.1	1.2	1.2
Tabasco	6.1	3.9	2.8	3.3	2.6	3.0	3.0	2.5	2.4	2.3	1.8	1.2	1.2
Tamaulipas	3.4	3.6	2.2	2.7	2.1	2.2	1.2	1.9	1.5	1.1	2.1	0.8	0.6
Tlaxcala	1.4	1.5	1.1	1.3	1.1	0.8	1.0	0.6	0.4	0.4	0.4	0.2	0.5
Veracruz	6.9	7.0	6.5	4.8	5.0	4.4	4.1	3.2	3.3	2.8	2.1	1.5	2.1

Source: SEP, Estadísticas Educativas 2004

Secondary Education

Secondary education indicators at the national level increased steadily over the last several years. The enrollment rate increased during the 1990s, reaching 91 percent of the secondary school-aged population (14-16 years) by 2002. This represents an increase of nearly 6 percent during these years. The absorption rate increased by more than 12 percent since 1990, and repetition rates decreased from 27 percent in 1990, to 19 percent in 2003.

An important fact in secondary education is the increased enrollment in *telesecundarias* (Table 4). *Telesecundarias* increased student enrollment by 75 percent from 1990 to 2003. This system presents the more dynamic increase in student enrollment, above the general system (17.9 percent) and the technical system (45.8 percent). In relative terms, *telesecundarias* increased their participation in secondary education from 15 percent in 1990 to 21 percent in 2003.

Table 4: Secondary Education Indicators, National Average

Year	Absorption Rate	Dropout Rate	Completion Rate	Repetition Rate	Attention to demand
1990- 1991	82.3	8.8	73.9	26.5	85.1
1991- 1992	82.9	8.4	75.3	26.3	85.9
1992- 1993	83.8	7.4	76.4	26.4	86.6
1993- 1994	85.8	8.2	77.5	24.7	88.2
1994- 1995	87.7	7.7	76.2	23.5	88.4
1995- 1996	87.0	8.8	75.8	23.7	88.6
1996- 1997	86.7	8.9	74.8	22.8	87.6
1997- 1998	87.8	9.7	73.8	22.3	87.9
1998- 1999	90.0	8.5	76.1	21.1	88.0
1999- 2000	91.0	8.7	75.1	20.7	89.3
2000- 2001	91.8	8.3	74.9	20.9	89.5
2001- 2002	93.4	7.3	77.7	19.7	90.4
2002- 2003	94.1	6.9	78.8	18.9	91.4

Source: SEP, Estadísticas Educativas 2004

Impact on Learning Achievement

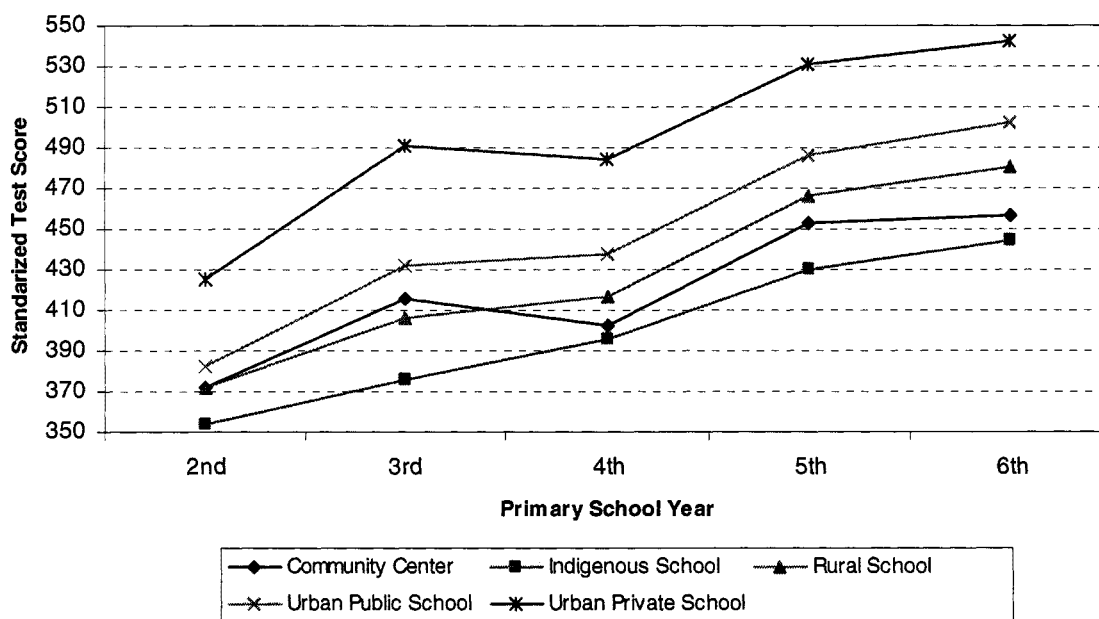
An analysis was carried out to estimate the impact of CONAFE's compensatory education programs on learning (Shapiro and Moreno 2003). The *Estándares Nacionales* test scores, a national test on learning abilities, was used to estimate the impact on learning achievement for children in schools receiving at least one of the compensatory education interventions managed by CONAFE. The analysis uses the propensity score matching methodology to evaluate the effectiveness of CONAFE's compensatory education program in Mexico in improving student test scores and lowering repetition and failure rates.

The analysis finds that those schools that receive CONAFE's compensatory programs (treatment group) are most effective in improving primary school math scores. In this case, the analysis concludes that compensatory education can effectively improve short-term learning results for disadvantaged students, but that improvement varies by the subject of instruction and the demographics of the students.

Results

A first result of analyzing the differences among schools is to compare the trends and levels differencing among types of school. In this case, five types of school can be identified: urban public schools, urban private schools, rural schools, indigenous schools and community centers. This first analysis compares a cohort of students from 1998 to 2002 (Figure 1) by type of schools. This first approach indicates that there are important differences among type of schools, and that in order to measure the evolution of CONAFE schools is necessary to identify only those schools with similar background that CONAFE.

Figure 1: Test score level and evolution by type of school, *Estándares Nacionales* global test score



In all cases, both CONAFE and non-CONAFE schools shows improvement in test scores for all marginality groups and for all EN test: global, Spanish and Math. This improvement can be measured as the difference in student school average between 2nd grade and 6th grade (Table 5). In this case, CONAFE's schools supported by compensatory programs improved in all groups of marginality showing an increase of above 30 points in the test scores for all test scores, in particular some huge increases in Spanish for all groups and Mathematics in the most disadvantaged schools. This difference is significant for all CONAFE's schools using a t-test at 5 percent of significance (see Figure 2 for a summary of all results).

A second result is that, if CONAFE and non-CONAFE schools are compared, in most of the cases for all groups, years and schools analyzed, CONAFE schools have a lower performance compared with their counterparts. These results are statistically significant using a 95 percent of confidence (Table 5).

Given the important rise in test scores for both CONAFE and non-CONAFE schools, the nature of the analysis using p-score matching is to study if evolution in test scores is such that the gap among CONAFE schools and their counterparts has reduced over the time. Using the results showed above, the analysis concludes that at this stage, yet there has been an increase in test scores for all schools and a reduction in the gap among CONAFE and non CONAFE schools for some groups-- this reduction has not been statistically significant, and a difference between both schools, yet minor, remains. A final result of

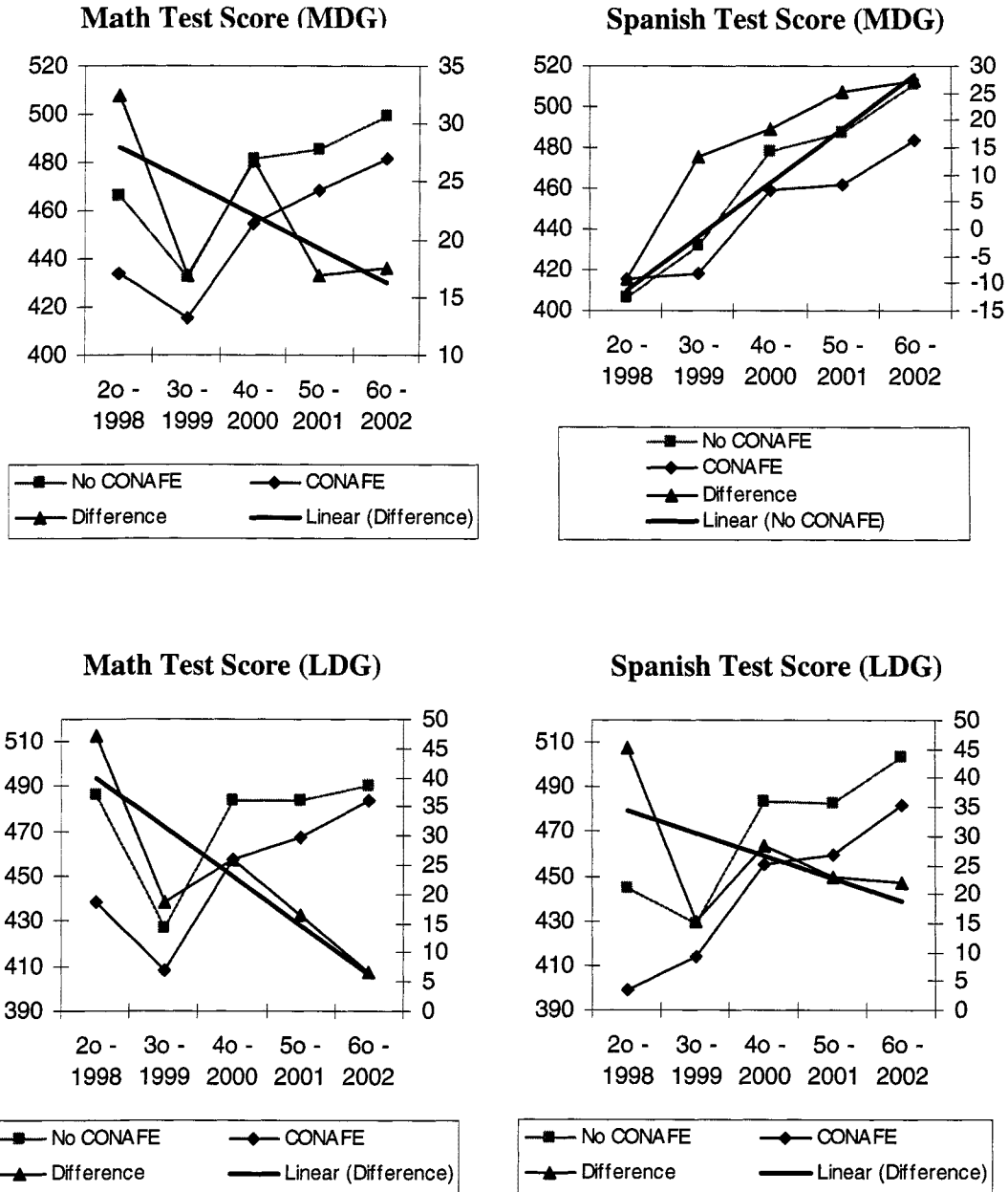
this analysis is that mathematics for primary education seem to have a well defined effect in closing the gap given that the trend in the difference between CONAFE and non-CONAFE schools has been reduced in time, yet this difference exists.

Table 5: Average student test score by school type and t-test score, CONAFE and non-CONAFE schools

Test Score		School Type	2o - 1998	3o - 1999	4o - 2000	5o - 2001	6o - 2002	Difference (6 th -2 nd)	t-test (6 th -2 nd)
Group 1	Global	Non-CONAFE	466.2	432.5	479.7	486.0	505.7	39.5	9.6
		CONAFE	433.2	418.0	457.1	466.2	482.7	49.5	6.9
		Difference	33.1	14.5	22.6	19.8	23.0	-10.1	
		t-test	4.4	4.1	5.0	6.9	6.5		
	Spanish	Non-CONAFE	406.1	431.7	477.8	487.0	510.8	104.7	30.1
		CONAFE	415.3	418.4	459.5	461.7	483.5	68.2	9.9
		Difference	-9.2	13.3	18.3	25.3	27.3	36.5	
		t-test	-1.4	3.8	4.1	6.7	6.9		
	Math	Non-CONAFE	466.1	432.0	481.5	485.0	499.3	33.1	8.3
		CONAFE	433.8	415.1	454.8	468.1	481.7	48.0	6.2
		Difference	32.4	16.9	26.8	16.9	17.5	-14.8	
		t-test	4.0	4.1	5.4	6.5	5.2		
Group 2	Global	Non-CONAFE	443.5	429.0	483.3	485.9	498.7	55.2	10.5
		CONAFE	449.5	424.5	455.3	464.8	484.4	34.8	4.3
		Difference	-6.0	4.5	28.0	21.1	14.3	20.4	
		t-test	-0.7	1.1	5.5	5.5	3.6		
	Spanish	Non-CONAFE	424.1	425.7	482.5	484.3	503.4	79.4	14.3
		CONAFE	409.1	421.1	454.1	463.4	485.1	76.1	9.3
		Difference	15.0	4.6	28.4	20.9	18.3	3.3	
		t-test	1.7	1.3	5.7	4.6	4.1		
	Math	Non-CONAFE	440.9	430.3	484.5	486.5	492.7	51.8	9.3
		CONAFE	444.8	425.8	456.0	464.3	483.5	38.6	4.8
		Difference	-3.9	4.6	28.5	22.2	9.2	13.2	
		t-test	-0.4	1.0	4.9	5.9	2.4		
Group 3	Global	Non-CONAFE	489.4	428.9	483.8	483.8	498.1	8.7	0.8
		CONAFE	436.9	412.2	457.1	464.7	482.6	45.7	10.8
		Difference	52.5	16.6	26.7	19.1	15.5	-37.0	
		t-test	4.7	3.9	4.2	6.1	5.0		
	Spanish	Non-CONAFE	444.5	429.2	483.9	482.4	503.7	59.2	5.0
		CONAFE	399.2	414.0	455.7	459.4	481.8	82.6	19.5
		Difference	45.3	15.2	28.2	23.0	21.9	-23.5	
		t-test	3.8	3.8	4.6	5.8	6.3		
	Math	Non-CONAFE	486.1	426.7	483.7	484.2	490.3	4.2	0.4
		CONAFE	438.8	408.0	457.6	467.7	483.7	44.9	10.0
		Difference	47.3	18.7	26.1	16.5	6.5	-40.7	
		t-test	4.2	3.7	3.8	5.6	2.1		

Source: World Bank staff estimations using, SEP "Estándares Nacionales" data

Figure 2: Impact on test score between CONAFE and Non-CONAFE schools
Less Disadvantaged Group (LDG) and More Disadvantaged Group (MDG)



Financial Analysis

Education Financing

Total spending on education increased throughout the 1990s and to 2003, reaching close to 6.8 percent of GDP in 2003. This represents an increase of about 2.8 GDP percentage points since 1990. In real terms, total spending on education increased by 170 percent since 1990. This increase in spending in education in real terms from 1993 to 2003 was driven by an increase in both public spending (136 percent) and a major increase in private participation in education (551 percent). By the end of 2003, private spending accounted for nearly 1.3 percent of GDP, representing 20 percent of total spending on education. On the other hand, public spending on education increased over the last 15 years. SEP's share of spending varied over the last several years. For instance, SEP education spending as a share of the Federal Budget grew from 2.5 per cent of GDP in 1990 to 4.3 percent of GDP in 2003, whereas the share of both state and municipal governments in total education spending remained constant during the period, yet both increased in real terms (Table 6).

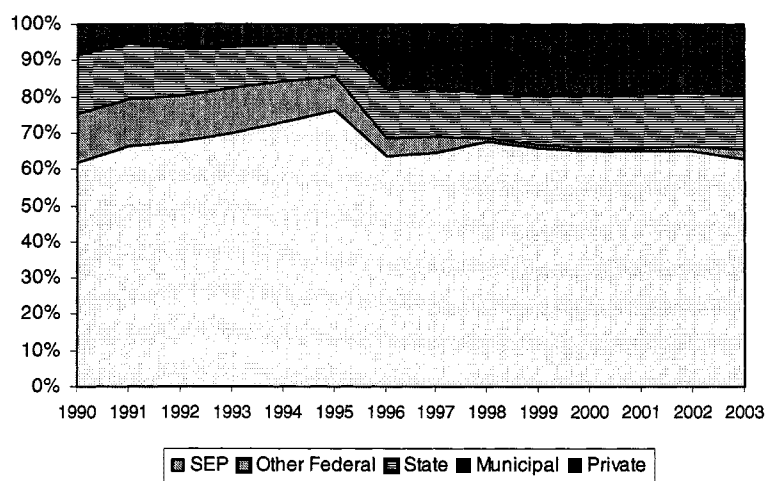
Table 6. Structure of Total Spending of Education in Mexico, (Thousands of Mexican pesos, in 2003 terms)

Year	National Spending								Public Spending				
	National	Total	Public			State	Mun	Private	Federal by Level of Education				State & Mun.
			Total	SEP	Other				Basic	Upper Secondary	Tertiary	Others	
1990	166,686	153,221	125,250	103,019	22,231	27,413	559	13,465	51,969	12,684	20,861	39,752	27,972
1991	196,768	186,456	156,158	130,985	25,172	29,742	557	10,312	63,005	14,196	25,376	53,581	30,298
1992	230,229	215,497	184,401	156,377	28,024	30,403	693	14,731	81,094	15,777	30,361	57,168	31,096
1993	265,305	249,894	218,453	185,158	33,292	30,740	701	15,412	102,968	19,269	35,448	60,768	31,441
1994	289,285	274,148	243,268	211,662	31,606	30,192	689	15,137	126,229	24,109	40,700	52,230	30,880
1995	222,909	212,392	191,028	169,430	20,531	20,888	476	10,472	99,609	24,524	34,217	32,678	21,364
1996	361,204	297,869	248,084	229,463	16,788	49,223	562	63,345	133,715	31,593	43,698	39,078	49,908
1997	305,672	251,929	211,352	197,277	14,075	40,128	449	53,743	119,661	24,294	34,758	32,639	40,577
1998	321,695	261,628	221,231	217,884	3,347	39,949	447	60,067	142,213	22,875	41,070	15,073	40,397
1999	350,384	282,335	233,985	231,238	2,747	47,872	478	68,049	149,427	23,432	42,426	18,701	48,350
2000	387,697	312,166	256,320	251,724	4,595	55,320	526	75,531	166,055	24,641	46,286	19,337	55,846
2001	417,114	337,015	275,660	270,383	5,277	60,789	566	79,799	176,499	28,303	52,613	18,245	61,355
2002	433,840	352,210	287,632	282,452	5,180	63,977	601	81,629	184,335	27,541	55,478	20,278	64,578
2003	449,895	362,298	295,430	282,688	12,742	66,136	733	87,597	191,210	27,803	55,766	20,650	66,869

Source: Presidencia de la República, "Tercer Informe de Gobierno", 2004

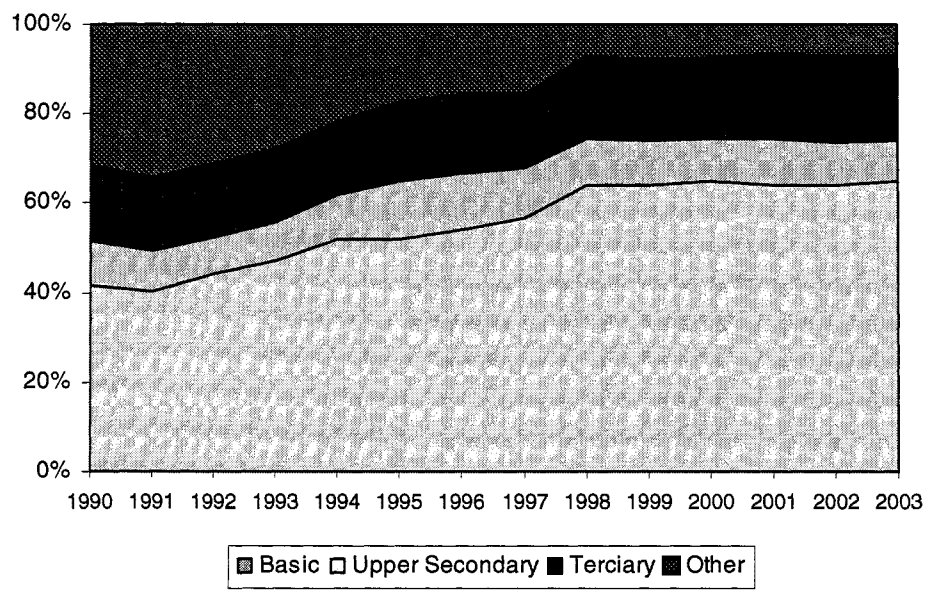
Public expenditure on basic education has increased over the last 15 years, mainly as a result of the integration of lower secondary as a compulsory level of education. In particular, basic education spending more than doubled as a percentage of GDP from 1.3 percent in 1993 to 2.9 percent in 2003, and now represents almost 53 percent of total public spending on education (Figure 3b). This distribution of public spending on education is strongly progressive at primary level; yet becomes increasingly regressive at each higher level of education. One reason for this is the higher dropout rates among the lower income households. Public policy on education and compensatory programs are already decreasing these dropout rates and, therefore, decreasing this regressive trend in public spending for higher levels of education.

Figure 3a. Sources of Spending on Education in Mexico, 1990-2003



Source: Presidencia de la República, "Tercer Informe de Gobierno", 2004

Figure 3b. Uses of Federal Public Spending by Education Level in Mexico, 1990-2003



Source: Presidencia de la República, "Tercer Informe de Gobierno", 2004

Financial Sustainability

Financial sustainability depends on the capacity of the Government to cover the costs of the investment after the program is completed. For PAREIB III, the following elements will ensure the long-term sustainability of the program. First, PAREIB total cost burden is small relative to available financial resources. For 2003, for example, PAREIB total cost burden is less than 0.05 percent of GDP and only about 0.52 percent of federal education spending (Table 7). Second, Government ownership of PAREIB runs deep, as evidenced by the following facts. The project is at the core of CONAFE's mandate and it fits well with the Government's poverty strategy. Moreover, a large share of the total cost of PAREIB is currently financed by the Federal Government (43 percent) and CONAFE's budget (100 percent). Furthermore; it helps considerably that Bank loan proceeds go to the Treasury rather than the project executing agency. More importantly, the Government has an excellent track record over the past ten years, showing sustained and increasing financial support of PAREIB and CONAFE's compensatory programs (Table 7). Finally, there is strong political support for PAREIB from Congress and other stakeholders due to the well documented and noteworthy positive impact of the program on the education of disadvantaged children. CONAFE's compensatory programs has also effectively promoted institutional networking and participation of parents, communities and state education authorities. Hence, financing of PAREIB is not likely to be reduced by the Government during this administration. All this bodes well for the continued sustainability of CONAFE's compensatory education programs.

Table 7: Budget for Compensatory Education in Mexico (millions of Mexican pesos)						
	1998	1999	2000	2001	2002	2003 /p
GDP Mexico	3,846,350	4,593,685	5,491,373	5,828,591	6,152,829	6,578,602
Total National Spending on Education	229,088	280,256	337,881	379,525	417,248	449,895
Total Public Spending on Education	186,313	225,826	272,056	306,644	338,740	362,298
Total Federal Spending on Education	157,545	187,154	223,385	250,819	276,632	295,430
<i>Compensatory Programs</i>						
PAREB	884	987	1,165	572	-	-
PIARE	429	550	694	561	-	-
PAREIB	102	360	500	1,054	2,254	2,350
Total Costs	1,415	1,897	2,359	2,187	2,254	2,350
<i>Compensatory Programs (Relative to Public Finance System)</i>						
as % of GDP	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
as % of total national spending on education	0.62%	0.68%	0.70%	0.58%	0.54%	0.52%
as % of total public spending on education	0.76%	0.84%	0.87%	0.71%	0.67%	0.65%
as % of total federal spending on education	0.90%	1.01%	1.06%	0.87%	0.81%	0.80%

Source: Tercer Informe de Gobierno, Presidencia de la República, 2004; CONAFE accounts and budget, 2004.

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It was estimated during the appraisal of Phase II that recurrent costs for the remaining two phases of the program would amount to 37 percent of estimated total program costs. Assuming that recurrent costs continue beyond the implementation period, covering replacement of materials, maintenance and incentives programs, then recurrent costs would amount to MXN\$0.96 billion per year, or 0.39 percent of projected total federal expenditures in basic education for 2006. Further, it was assumed if 80 percent of total project costs for Phases 2 and 3 would be continued beyond implementation, then recurrent costs would amount to about MXN\$0.21 billion per year, or about 0.09 percent of projected total federal expenditures in basic education for 2006. Therefore, neither the counterpart fund requirements nor the incremental recurrent costs are likely to impose a significant fiscal burden.

Annex 10: Safeguard Policy Issues

MEXICO Basic Education Development Phase III

Social

CONAFE carried out extensive consultations with key stakeholders on the future of its compensatory education programs, with the aim of reorienting the design of PAREIB III and forming the basis for the next stage of CONAFE's compensatory education programs. In parallel, CONAFE reviewed the external evaluations of the program, carried out in recent years, to extract from them the most important lessons that could be incorporated in the design of phase III (Ezpeleta and Weiss 2000). Participants in the consultation workshops were asked to view the program through a timeframe of the next ten years, and to seek—within each group—to point out issues and suggestions for the development of the program over the medium term.

The following paragraphs summarize the main conclusions drawn from the external evaluations and the key themes discussed during the consultations. Consultations were held with state level program coordinators, state education planning authorities, and national and international educational specialists and academics, in three separate workshops of two days each. A common feature of these consultations is that they demonstrated the excellent ability that CONAFE has to seek and receive feedback from civil society and from the principal actors involved in the program.

Important lessons drawn from external evaluations (carried out during the 1994-2003 period) include:

- (a) **Targeting of beneficiaries** and schools requires more attention to continue ensuring that compensatory interventions indeed benefit the poorest and most needy schools. Targeting should be better connected to program interventions. In other words, the actual needs of each school should determine the program interventions in that school addressing those needs.
- (b) **Program monitoring** and the evaluation of its impact at the school level, should be strengthened. It is important to balance the equity orientation of the program with the effectiveness of interventions. It is also important to put in place a strategy for the continuous improvement of the program.
- (c) **Institutional Strengthening of SEPEs.** It is important to continue strengthening the institutional capacity of SEPEs to deliver quality education services; to the extent this goal is achieved, the effectiveness of the CONAFE's compensatory interventions will also increase.
- (d) **Technical assistance provided to schools**—through a network of pedagogic advisors—needs to be strengthened to effectively support the work of teachers. More attention should be given to the learning/teaching process over the planning and control aspects of the education process.
- (e) **Initial education program**, in its pedagogic and operational models, should be improved to ensure the positive impact of the program in the development and future school performance of the children.
- (f) **Parental Participation.** It is desirable that parent's involvement be expanded from the current emphasis on care of school buildings and materials to substantive aspects of the education of their children.

- (g) **Performance Incentives for Primary Teachers.** The amount teachers receive as incentive to stay in isolated rural and indigenous schools and dedicate more time to the teaching/learning process of the students, should be differentiated according to the actual difficulty of access posed by each school.
- (h) **Program evaluation.** The model of participatory evaluation used by CONAFE in its community education program should be applied also in the compensatory programs.
- (i) **Logistics.** Continue improving the distribution of educational materials to ensure their timely arrival at the schools.

The State Coordinators of the program suggested several ideas for improvements to the normative, administrative and operational aspects of PAREIB. These ideas include:

- (a) **Targeting of Schools and Interventions:** The targeting methods and criteria to select schools and to select interventions in each school need to be publicly explained and disseminated. To succeed in doing that, the participation of states and municipalities is very important. It would be helpful to create a “school record” where the specific interventions made in each school are recording yearly. This “school record” could also include education indicators for each school, as for example enrollment, repetition and completion rates, to permit following the development of each school.
- (b) **Monitoring.** The program monitoring system should be redesigned to cover all components of the program and to incorporate—explicitly—the role of the state and municipal education authorities in carrying out each activity. This would lead to better integration between CONAFE’s compensatory program and state and local education systems.
- (c) **State Level Administrative Structure.** Because the education needs are different in each state, it would be desirable to modify the uniform structure of the State Coordinating Units (UCEs) so that each UCE could better respond to the education needs of the state where it operates.
- (d) **Program Norms.** Some new norms should be created and others made more flexible. In general, all norms must be updated and amply disseminated. For example, a norm establishing physical standards for each type of school could be agreed upon; and the norms guiding the operation of AGEs could be applied in a more flexible manner.
- (e) **Technical Assistance to Schools.** It would be desirable to develop a yearly technical assistance plan to better articulate the pedagogic assistance provided by the *Asesores Técnicos Rurales* (ATRs) to help schools improve the teaching/learning process. For that, CONAFE should mobilize the collaboration of the UCEs and the SEPEs.
- (f) **Institutional Strengthening.** This intervention at state level could be greatly improved through simplification of administrative procedures for contracting and financing, as well as by ensuring the availability of a roster of specialists that could be involved in providing technical assistance and training at the state level.
- (g) **Distribution of Education Materials** could be improved by the coordinated participation of federal, state and municipal levels of government.

- (h) **Incentives to Teachers** would be more effective if the amount of the incentive is adjusted to the level of difficulty in accessing the school.

The workshop with State Education Planning authorities generated valuable suggestions regarding the articulation of compensatory activities with the regular education program in each state. This workshop also proved an invaluable opportunity for the sharing of experiences among the states. The main aspects highlighted are:

- (a) **Targeting Strategy and Allocation of Resources.** The success of the CONAFE's compensatory education program is largely due to the fact that it targets small rural communities that are very poor and have limited development potential. On the other hand, there is a risk that the program might be seen as rewarding low performing schools. More intensive participation of state and municipal governments could help clarify and improve the targeting criteria. The formulas used to assign resources and the application of the targeting criteria in each state need to be reviewed to ensure the optimal application of compensatory resources, taking into account changes related to migration, poverty levels, and substandard school conditions in each state. Moreover, it is necessary to begin thinking about how to address the compensatory education needs in urban marginal areas.
- (b) **Evaluation of Program Impact.** Regarding this issue, it is important to clarify what is the main objective of the program. The multiple program objectives (improving education quality, equity, effectiveness, efficiency, reducing costs, and expanding coverage) do not allow for systematic impact evaluations. Second, it is important to introduce evaluation techniques that allow comparing performance of the same school at different points in time—i.e., comparing the school with itself. This innovation would greatly help to motivate schools to improve education outcomes. Third, education indicators need to be perfected and expanded to include the pedagogic and social conditions that children have as they enter the school; these indicators should be analyzed along with those measuring student's learning progress. Finally, the large number and dispersion of the compensatory interventions increases the difficulty of measuring the overall impact of the program, especially since not all schools receive the same compensatory support.
- (c) **New forms of institutional coordination.** In a number of areas—such as the distribution of educational materials—new forms of coordination between federal, state and local education institutions are needed to improve performance. Also, the information required by CONAFE at the central level (provided by state level institutions), should better balance pedagogic and administrative aspects.
- (d) **Performance Incentives for Primary Teachers.** To control of actual number of hours teachers work in each school is a difficult task and the available information is not fully reliable. Furthermore, to the extent teachers became dependent on the incentives one can say incentives might have a perverse effect. Nevertheless, isolated rural communities now see their teachers more frequently—even though this does not necessarily mean better education outcomes.
- (e) **Social Participation.** The AGEs have a direct positive impact on social participation, on the motivation of the community, and on the mobilization of resources in support of the

school. The use of funds transferred to parents' associations could be made more flexible, taking into account that some school needs cannot be anticipated.

- (f) **In-service Training of Teachers.** The training and technical assistance initiatives to help teachers improve the teaching/learning process is poorly articulated with other federal and state programs aimed at development of teachers. In general, teacher-training activities can have more impact in the classroom if integrated into a global training program under the administration of each state.
- (g) **Labor Relations.** It is important to move towards improving relations between the teacher's union and the education authorities, eliminating perverse linkages between the two, and instituting new, results-oriented modes of interaction that are more transparent and accountable. In particular, it's important to redefine education supervision, stressing its pedagogic function over administrative and union functions.
- (h) **Preschool and Initial Education.** The out-of-school initial education program helped men accept that women participate in workshops, and contributed to improved child-rearing practices within the family—such as better hygiene and activities that stimulate growth—that contribute to the development and education of children. With respect to preschool, the legal obligation to provide this level of education poses planning and financial challenges and calls for education innovation.

In the workshop with national and international education specialists and federal education authorities, the driving questions were: (a) To what extent the design and operation of the compensatory education programs ensure the desired impact on education outcomes and in equalizing education opportunities? (b) How to foster education demand and improve the social underpinning for learning? (c) How to improve the synergy of initiatives at federal, state and local levels directed to improving education outcomes? And (d) what new directions should compensatory education programs take, given the present national, regional and global contexts? The consensus of experts on these issues is summarized below:

- (a) **Reorientation of Compensatory Education Programs.** The interaction between the goals of justice, equality and equity form the core of the restructuring of compensatory education programs. In this respect, equality is understood as respect for diversity. What is needed is a compensatory policy that ensures equality of opportunities within diversity. Programs should move from an approach of “adding inputs” to an integrated concept of resource allocation that combines formal and informal education.
- (b) **Targeting Populations and Schools.** Often the targeting process is unduly complex and passive to pressures from local and state authorities. Targeting should be jointly done by all levels of government according to shared criteria.
- (c) **Impact of Compensatory Education Programs.** The evidence indicates that compensatory programs have been successful in improving the image of the school, extending education coverage, and improving education indicators, especially at the primary school level. On the other hand, in some cases they have also had some perverse effects—participating schools are often “tagged” as inadequate and almost stigmatized; expectations regarding the development of students is sometimes very low, reflecting permissive pedagogic attitudes of teachers; participating schools are sometimes overburdened because the compensated schools became the targets and preferred settings for experiments with multiple policies and initiatives.

- (d) **Social Participation.** The Mexican State has taken over the function of providing education services as a way to achieve social equality and national integration. This resulted in the exclusion of policies to foster the responsible participation of civil society in the educational process. Main social actors—parents, students, teachers and directors—have been largely marginalized in a centralized, authoritarian state education system.
- (e) **Future of Compensatory Education Programs.** Informally the federalization of compensatory programs has been discussed. If that occurs, it should be done as a gradual process, taking into account the advantages and disadvantages of each component. Some important considerations include:
- (i) If the administration of compensatory programs is federalized carelessly, there is a risk that the programs might not be effectively implemented. On the other hand, to better articulate the three levels of government around compensatory education activities, requires strengthening education management at all levels, involving the key individuals concerned.
 - (ii) Indigenous populations require specific forms of compensatory education programs that recognizes the fact that only one third of indigenous children are in the bilingual subsystem (indigenous schools) and two-third are enrolled in regular schools. Although intercultural/bilingual education is now recognized as high priority objective, the education strategies to achieve better education outcomes for indigenous children are not yet developed.
 - (iii) The focus of compensatory education should return to the school and their teachers. Education backwardness can be seen as the result of the poor operation of schools and as a reflect of the national education system. The compensatory strategy should place more emphasis on the professional development of teachers and on the pedagogic and administrative management of the school. In that sense, the compensatory programs can be useful experimental points of reference to improve current school teaching and management practices.
 - (iv) The delivery of materials inputs to disadvantaged schools is important but does not, by itself, produce the teaching/learning transformation that needs to take place with the participation of students, teachers, directors and parents. If the goal is to improve student learning achievements, interventions should be centered around and on the school.
 - (v) The program is weak in its efforts to establish a network to provide pedagogic assistance to the schools. Technical support at the school level must use different strategies and focus on specific problems of the day-to-day education practice. It also should be better integrated as part of the professional development of teachers and directors.
 - (vi) Preschool education policies require further development and that goes beyond what CONAFE can do with compensatory programs. Preschool is primarily a preparation for life, and should have a broader objective than simply making children ready to enter primary school. Although it is clear that disadvantaged children tend to benefit more from preschool than other 3-5 year olds, positive

results of preschool education improve performance in primary school only to the extent that preschool education is of good quality.

- (vii) The initial education program should build upon what parents know and value. The program needs to be continuous and comprehensive: one year is not sufficient to affect child-rearing practices. The program should also be closely related to nutrition and health programs that operate in the same community.

Enriched by the ideas generated from this process of consultation, CONAFE expressed its commitment to reorient its compensatory education programs along the following policy lines:

- (a) Continue contributing to raising education equity by expanding access to schooling, increasing the permanence of children in school, and enhancing the opportunities for success among the poorest children who are marginalized and disperse in isolated communities throughout the country. Similarly, aim to achieve a better fit between the education services provided and the needs of the poor, helping realize their right to access quality basic education.
- (b) Make the program more transparent, disseminating to civil society and institutional partners the criteria that orient the targeting of beneficiaries of compensatory interventions. Emphasis will be placed on compensatory programs as a mechanism of social justice that is the shared responsibility of the three levels of government under the vigilance of society interested in achieving education equity.
- (c) Give more emphasis to monitoring and evaluation of the program as a whole and the impact of its components on the schools. In doing that, CONAFE recognizes that compensatory initiatives lead to new forms of interaction between social actors in the education process and that transforming these relationships is as important as increasing academic learning achievements of students.
- (d) Improve the management of compensatory programs with the aim to initiate and sustain the federalized mode of operation. This will be done through continued strengthening of cadres at state level in order to guarantee the success of the program for its beneficiaries.
- (e) Balance better the educational and administrative functions of program operations, giving priority to generating the conditions that maximize student learning achievements supported by an efficient administration.
- (f) Continue strengthening social participation in basic education, understanding this goal as an exercise in citizen's rights and as the development of a culture of individual and collective responsibility among parents and school communities with respect to education outcomes. Work with parents will focus on activities that strengthen the school and enhance the value of education of the children.
- (g) Contribute to redefining the relations between teachers and the community, moving towards higher levels of accountability.
- (h) Improve program targeting and ensure the correct application of the targeting criteria, by carrying out the following priority tasks:

- (i) Review actual targeting practices in order detect difficulties and ensure that resource allocation gives priority to those who have the most need, according to the education conditions of each state;
- (ii) Adopt, on the short run, national targeting criteria and incorporate state-specific mechanism to monitor these criteria, introducing more flexibility in the targeting process. In doing so, CONAFE will take into account the view of education authorities in each of the 31 states, and the accumulated experience of the UCEs.
- (iii) Explicitly link the new targeting methodology with the monitoring and evaluation procedures used to assess the operation and impact of the compensatory programs.

The design of PAREIB III incorporates the main lessons learned from these consultations and introduces changes in the strategies used to implement the program. These adjustments and innovations are described for each component of the program.

Indigenous Peoples Development Plan (IPDP)

Summary. This annex presents the Plan for Indigenous Peoples Development (IPDP) for PAREIB III. The IPDP first reviews Mexico's legal framework for indigenous development and education; second, it provides baseline data on indigenous peoples; third, it presents results of stakeholder consultations and quantitative evaluation of CONAFE's impact on indigenous students and communities; fourth, it outlines the strategy for local participation in PAREIB III; fifth, it profiles CONAFE's institutional capacity; sixth, it summarizes plans for monitoring and evaluation; and lastly, it reviews risks and risk-mitigating strategies. This assessment generally finds that an effective program with extensive consultation and responsiveness to indigenous peoples is already operating, and that the successful prior performance of CONAFE bodes well for the future education of indigenous students.

Plan Overview. CONAFE's compensatory education programs target schools in disadvantaged and isolated rural communities, including all indigenous primary schools. During the preparation of PAREIB I, specialized staff identified local preferences early on through direct consultation. Subsequent consultations have been held for PAREIB II. A recent social assessment carried out in preparation of PAREIB III found that indigenous peoples held quite positive opinions of CONAFE's compensatory programs. Stakeholders supported expansion of several aspects of CONAFE's programs, in particular the AGEs component. CONAFE designs culturally appropriate learning materials and plans educational strategy in conjunction with Parents Associations (APFs) of indigenous parents. CONAFE offers didactic materials in indigenous languages, in addition to recognizing both indigenous and *mestizo* cultural heritage in educational content. CONAFE's strong institutional capacity, based on over 30 years of operation and 13 years implementing programs with support from the World Bank and Inter-American Development Bank, ensures its ability to execute this IPDP. CONAFE collects annual data on indigenous student test performance, dropout, repetition and failure rates. An evaluation of the entire PAREIB program, to be financed under PAREIB III, will expand on already-existing monitoring and evaluation structures.

Legal Framework

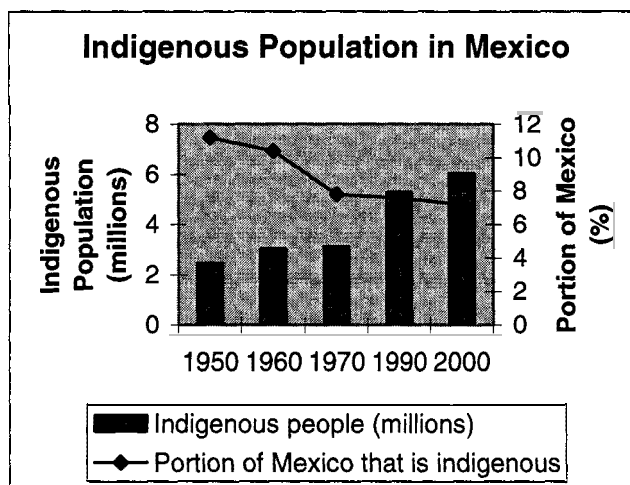
Constitutional Framework. The Constitution of the United Mexican States recognizes that Mexico has a multicultural population of indigenous origins. It affirms that a duty of the law is to promote the “development of [indigenous] language, culture, customs, resources, and social organization, and to generally guarantee to indigenous peoples full access to the states’ jurisdiction.” In April, 2001, Mexico’s Senate unanimously approved the Congressional Decree on the Rights of Indigenous Peoples and Communities, which amended Mexico’s Constitution to further emphasize the right of indigenous people to “preserve and enrich their languages, knowledge, and all elements that constitute their culture and identity.” This Constitutional Amendment also declared that Mexican authorities are obligated to improve indigenous levels of schooling, favoring bilingual intercultural education, literacy and productive training (*Diario Oficial de la Federación de México* 2001).

Legislative Framework. In 1993, Mexico approved the General Education Law (*Ley General de Educación*), which explicitly sets guidelines for bilingual education and declared that in the first years of schooling, indigenous education should use an indigenous language and then use Spanish only as a second language (*Diario Oficial de la Federación de México* 1992). Several states of Mexico – particularly Chiapas and Oaxaca – have legally recognized the obligation to offer bilingual-intercultural education to indigenous students. Mexico’s General Education Law of 1993 guides current developments in Mexican education. That law emphasizes two national strategies for increasing the effectiveness of indigenous education. First, it directs Mexico’s General Directorate for Indigenous Education (DGEI) to provide pre-service teacher training and to create opportunities for in-service training of current teachers. Second, it directs the federal government to embrace decentralization and to expand bilingualism by incorporating local culture into pedagogical content (Moya 1998).

Federal Government Strategies. Recent federal plans have further emphasized the importance of indigenous peoples in Mexico’s development. Mexico’s *Comisión Nacional Para el Desarrollo de los Pueblos Indígenas* (National Commission for Indigenous Peoples Development (formerly National Indigenous Institute), a division of the federal government, has published an indigenous development plan for the years 2001-2005 (INI 2001). President Vicente Fox begins that plan by saying: “It is a priority of my government to construct a new relation between the State, indigenous peoples, and Mexican society, founded in the recognition of cultural diversity, in dialogue between cultures and in the respect and recognition of differences.” Mexico’s Secretariat of Public Education, in its plan for the years 2001-2006, emphasizes the central importance of providing good-quality education to vulnerable populations including indigenous peoples (SEP 2001).

Baseline Data

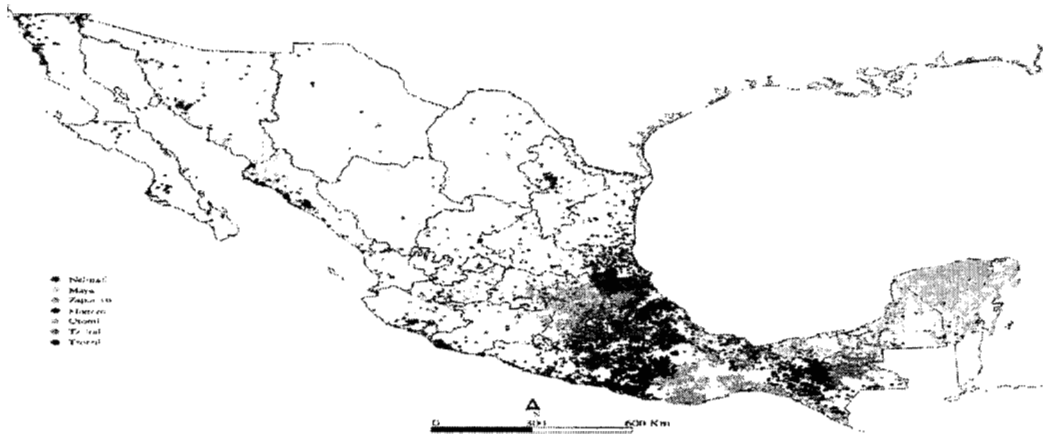
Indigenous Demography. About seven percent of Mexico’s population lives in a household where the head speaks an indigenous language, and Mexico’s 6 million indigenous language speakers fall into one of 62 indigenous language groups. The Náhuatl, Maya, Mixteco and Zapoteco are the largest groups, with 24 percent, 13 percent, 7 percent, and 7 percent of Mexico’s indigenous population, respectively. The states of Oaxaca, Chiapas, Veracruz, Puebla and Yucatán account for over 60 percent of Mexico’s indigenous language speakers. Over 60 percent of



Source: DGE censuses 1950, 1960 and 1970 ; INEGI censuses 1990 and 2000

Mexico's indigenous people live in a locality of fewer than 2500 residents (INEGI, 2000 Census). While the indigenous population of Mexico has grown rapidly from 2.4 million in 1950 to 6 million today, the portion of Mexico that is indigenous has dropped from 11 percent in 1950 to 7 percent today (Figure "Indigenous Population").

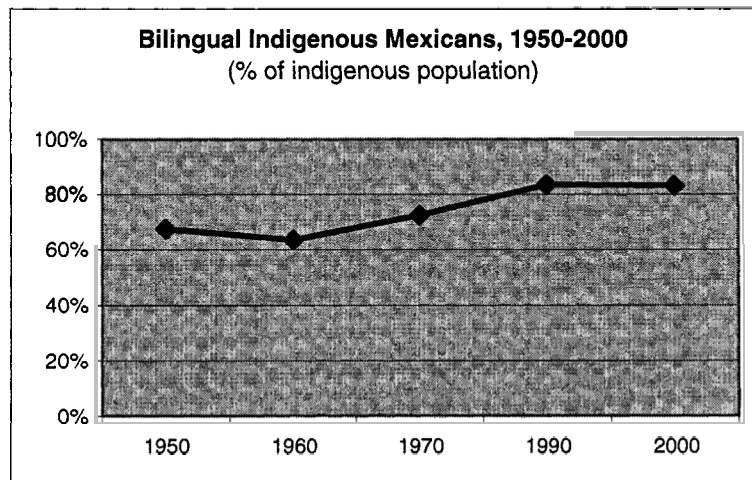
Indigenous Communities in Mexico



Source: Estrada 2001.

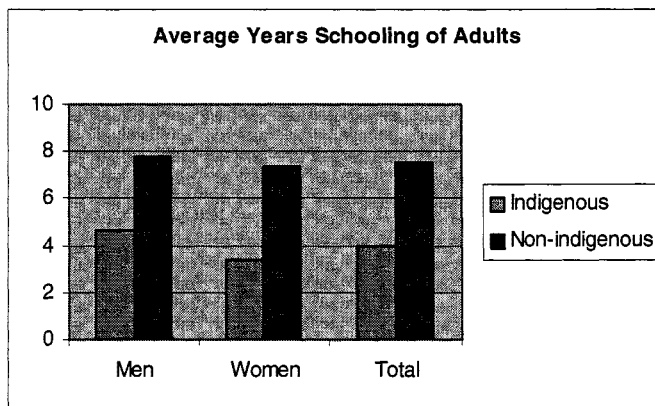
Indigenous Knowledge of Spanish.

Almost 80 percent of Mexico's indigenous people identify themselves as Spanish speakers. They learn much of this Spanish in schools—among indigenous children aged 5-9, 60 percent speak Spanish; among indigenous children aged 10-14, 85 percent speak Spanish, and among indigenous children aged 15-19, over 90 percent speak Spanish. In 2000, about 360,000 children aged



Indigenous Educational Achievement.

About 84 percent of Mexico's indigenous people aged 6 to 14 are enrolled in school, and about the same portion of indigenous people aged 8 to 14 can read and write in Spanish. Literacy rates decrease with age, and of the indigenous population aged 15 and older, only 66 percent are literate. In Chiapas, Chihuahua, Guerrero and Sinaloa, less than 60 percent of indigenous people aged 15 and older are literate. Nearly a third of indigenous adults have no schooling, and 40 percent of indigenous women have no schooling; only 10 percent of Mexican adults nationally and 12 percent of Mexican women nationally have no schooling. A ranking of municipalities by educational underachievement showed that while a fourth of municipalities nationally had low or very low educational underachievement, not one indigenous municipality did. Indigenous adults have on average 4 years of schooling, though that average ranges from 3.0 years in Chihuahua to 6.4 years in Mexico City. Nationally, all Mexicans have an average of 7.6 years schooling, nearly double the indigenous average (INEGI 2000).



Source: INEGI 2000

A ranking of municipalities by educational underachievement showed that while a fourth of municipalities nationally had low or very low educational underachievement, not one indigenous municipality did. Indigenous adults have on average 4 years of schooling, though that average ranges from 3.0 years in Chihuahua to 6.4 years in Mexico City. Nationally, all Mexicans have an average of 7.6 years schooling, nearly double the indigenous average (INEGI 2000).

Bilingual Education. Bilingual education began informally in the Chiapas highlands in 1920 but did not become a formal federal program until 1951. At that time, the National Indigenous Institute (INI) received funding from the Secretariat of Public Education to oversee bilingual education (Modiano 1988).

Bilingual instruction has rapidly expanded from 46 teachers in 1952 to 3,800 teachers in 1970 and over 50,000 teachers today. Oaxaca, where 37 percent of residents speak an indigenous language, offers a good example of that expansion. In the 1980s in Oaxaca, the number of students in bilingual programs grew by 50 percent, the number of bilingual schools grew by 32 percent, and the number of bilingual teachers increased by 55 percent. Even with this growth, however, by 1991 only 22 percent of Oaxacan indigenous students were enrolled in bilingual programs (Hernandez 1993).

Bilingual Education in Mexico, 1952-2003.

Year	Number of Teachers	Number of Students
1952	3,800	
1970	3,800	
1983	22,250	
1993	33,000	800,000
2003	51,000	1,200,000

Source: DGEI 1993, López Cárdena and Alvarez 2003.

Federal Oversight of Education. In 1978, the SEP created the General Directorate for Indigenous Education (DGEI) to oversee education for all indigenous students. Since 1983, staff hired at DGEI have been fluent in both an indigenous language and in Spanish (Varese 1990). In 2002, DGEI oversaw 50,000 teachers – 2,000 in initial education, 14,000 in pre-primary, and 34,000 in primary school – who taught 1.15 million indigenous students, giving an average distribution of 24 students per teacher (DGEI 2003).

Bicultural and Intercultural Instruction. Bicultural education instructed indigenous students in content from both their own and from *mestizo* history. Intercultural instruction, which emphasizes the linkages between indigenous and *mestizo* traditions, began in the 1990s. Intercultural education focuses on relationships between social groups such as equity, overlapping social identities, shared cultural traditions, and mixing of social values and norms (Hornberger 2000, López and Viveros n.d.). Instruction today occurs in an indigenous language for the first two years of primary school. Teachers introduce Spanish in the third grade, and by sixth grade instruction is primarily in Spanish (Schmelkes 2000).

Technical Identification of Development or Mitigation Activities

Overview. Participatory stakeholder assessments in the early planning stages of PAREIB I identified local needs and designed project components to respond to those needs. A series of quantitative evaluations of CONAFE's effectiveness, using indicators on school participation and test scores, have found that CONAFE improves the quality of indigenous education and generates measurable results in improving indigenous student learning. Generally, these qualitative and quantitative assessments have shown that indigenous students have benefited from CONAFE's compensatory programs, and that PAREIB has no adverse effect on indigenous people.

PAREIB I Consultation Arrangements. During the preparation of PAREIB I, Bank and government staff interviewed about 500 stakeholders in Oaxaca and Chiapas including students, teachers, parents, government ministers, education researchers, members of Congress, and representatives of local NGOs. In Oaxaca, these consultations covered, *inter alia*, education authorities and members of the education committees of Mixteca, Mixes, and Zapoteca communities. They also covered community-based organizations of Mixtecos, Zapotecos, Chocholtecos, and Chinantecos. In Chiapas, consultations were held with supervisors of *Escuelas Bilingües Federales* Tzeltales and Tzotiles, among other stakeholders. Throughout implementation of PAREIB I, CONAFE carried out consultations with indigenous peoples through the APFs in indigenous primary schools, and through the education authorities that are responsible for indigenous schools.

PAREIB I Consultation Findings. Interviews found that students leave school because of (a) economic reasons, such as the cost of transportation and uniforms or necessity of work; (b) family migration; (c) parents who place higher value on work than on the education of children; (d) health problems, and (e) teachers who are monolingual in Spanish and hence unable to communicate with indigenous children. Parents who were monolingual in an indigenous language felt that indigenous education should be bilingual, but considered that learning Spanish was essential for their children. Many also felt that education was equally important for male and female students, and that existing gender inequality in education attainment should not obstruct efforts to further help indigenous girl students. Parents often offered their time to support local schools. Respondents generally held positive opinions of CONAFE, in part because of its emphasis on community participation.

PAREIB II Consultations. During the preparation of PAREIB II, the Indigenous Peoples Profiles (World Bank 1999) and a study on indigenous peoples in urban Mexico (World Bank 2001) were a primary source of information on indigenous education, needs and priorities. Results of those consultations found that basic education is a high priority for indigenous peoples. Indigenous children are not absent from schools because they and their parents do not value education, but because of poverty or inadequacies of the school system, which PAREIB seeks to address.

CONAFE Consultations. CONAFE also maintains a permanent dialogue with the School Councils of indigenous schools. Based on consistent recommendations from those Councils, CONAFE makes adjustments to strategy as needed during project implementation.

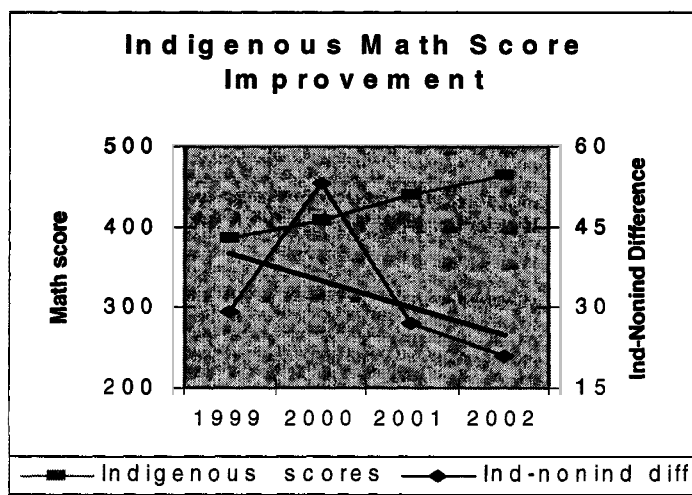
PAREIB III Consultations: Methodology. During preparation of PAREIB III, specialists visited six indigenous communities in the Mexican states of Oaxaca and Michoacán to better understand the perspectives of indigenous peoples towards CONAFE's compensatory programs. Interviewers spoke with preschool students, primary school students, *telesecundaria* students, parents of students attending schools supported by PAREIB and teachers in schools supported by PAREIB. In Oaxaca, interviewers visited communities in Tlaxiaco; in Michoacán, interviewers visited Purepecha and Nahuatl communities.

PAREIB III Consultations: Summary Findings. All groups of stakeholders expressed very positive opinions of the compensatory programs and emphasized their satisfaction with the achievements of CONAFE. Members of the APFs repeatedly noted the importance of the AGE component support and sought expansion of the program to provide them with more resources. Community members noted that CONAFE's activities cause increased local involvement in schools, though women more often participate than men do. Communities with *telesecundarias* noted that students extensively used the materials that CONAFE had provided to the *telsecundarias*.

PAREIB III Consultations: Suggestions for Expansions and Modifications. Surveyed stakeholders suggested several areas for expansion of CONAFE's program, especially in its support to APFs under the AGE component. Some parents that participate in the initial education program suggested the convening of regional workshops to learn from other communities' experiences. Others interviewed noted that when children enter schools supported by PAREIB and begin learning to read and write, illiterate parents often want to become literate, so the entrance of CONAFE into a community creates strong demand among adults for literacy education. Some participants in APFs noted that in emergency cases, when there is urgent need to spend funds, more streamlined processes for spending funds are needed. Other interviewees emphasized the positive effect of AGE support in strengthening community involvement in schools, and so requested expansion of the AGE component. Additionally, some community members expressed a desire to know more about CONAFE's activities, and suggested that CONAFE might distribute more information materials about its work in local languages. Finally, some APFs members requested that the AGE component be expanded to incorporate training on monitoring of program effectiveness.

PAREIB III Consultations: Other Comments. Interviewees – particularly teachers in schools that receive support from CONAFE's compensatory programs – commented on several aspects of schooling that are not direct targets of CONAFE's work. Some non-CONAFE teachers had poor information on CONAFE's compensatory programs and had varied reactions to the presence of CONAFE promoters in the school community. Some APFs members sought remedy for the periodic absences of unionized teachers. Others noted the poor conditions of many bathrooms in their local schools. Some teachers requested improvements to their housing units. Additionally, some interviewees noted that learning materials had in some cases arrived late. Finally, some CONAFE promoters reported having experienced delays in processing of their payments, and requested more timely disbursement of remunerations.

PAREIB III Consultations: SEP and CONAFE. CONAFE's compensatory programs finance infrastructure and several inputs schools as well as support for community participation through the APFs. Many of the suggestions offered by stakeholders focused on work areas supported by SEP and not by CONAFE. One potentially useful suggestion in this regard was to offer more extensive information in local languages covering activities that are part of the CONAFE compensatory programs, as well as those



Source: Shapiro and Moreno Trevino 2003. "Difference" is difference between indigenous scores and non-indigenous non-CONAFE scores. The black line is the trend of Difference.

under the responsibility of SEP.

Early Bilingual Education Evaluation. Before CONAFE began experts (Modiano 1964 and Dutcher 1982) evaluated the effects of bilingual education in Chiapas using a matched experimental design with two groups of Mayan students. Modiano identified similar Mayan students in bilingual and monolingual education systems considering background factors such as principal family income sources, community isolation, health, diet, size of locality, and local acceptance of public schooling. In third grade, Modiano gave a Spanish aptitude exam to the 1600 identified students. The evaluation results show that Mayan students in bilingual schools performed significantly better on the exam; they also declared their preference for learning from teachers of indigenous backgrounds.

CONAFE Evaluation. A World Bank evaluation (2002) compared CONAFE-supported schools between the years 1992 and 1995 in four Mexican states with similar schools in Michoacán, which at that time did not receive CONAFE support. The evaluation found that CONAFE intervention contributed to increase test scores of indigenous students by 25 percent. Full implementation of CONAFE, the evaluation concluded, could raise indigenous student scores by 45 to 90 percent. CONAFE interventions were also found to lower dropout rates.

PARE Evaluation. Another evaluation (Paqueo and Lopez-Acevedo 2003) examined the effectiveness of the Primary Education Project (*Programa para Abatir el Rezago Educativo*, PARE), a predecessor of PAREIB, on improving test scores. That evaluation showed that improving and increasing school supplies in Mexico could substantially improve education quality.

Additional Evaluations of CONAFE. A separate evaluation (World Bank 2002) compared indigenous student performance on the *Evaluación de Educación Pública* mathematics and Spanish exams between 1996 and 2000. That evaluation did not control for relevant background differences between indigenous and non-indigenous students, but it found that indigenous students were catching up to their non-indigenous peers by about 10 percent per year. A more recent evaluation (Shapiro and Moreno-Trevino 2003) used propensity score matching to identify the effect of CONAFE on test scores. Unavailability of sufficient background data made results represent a lower bound on the positive effect of CONAFE compensatory education programs. That study found that CONAFE contributed to significant improvements in primary student math scores and in repetition and failure.

Strategy for local participation

Coverage. The project consists of a compensatory education program supporting initial education, preschool, primary and lower secondary schools located in disadvantaged and isolated rural communities. A total of 250,000 indigenous children will benefit from the preschool program, and approximately 1 million indigenous students will benefit from the primary school program. Indigenous students at the lower-secondary level attending *telesecundaria* schools will also benefit (the exact number cannot be established because the classification of indigenous and non-indigenous students is not applied after the primary education level). In *telesecundarias*, content is delivered via satellite television to remote communities.

Funding to Parents Associations (APFs). The Mexican government has developed a program called School Management Support (*Apoyo a la Gestión Escolar*, AGE), implemented by CONAFE. Under this program, CONAFE provides a small cash grant to APFs in targeted preschool and primary schools. The APFs have discretion to spend the grant on improvements to the school building and on complementary school materials. Often the APFs also execute school infrastructure improvements under separate agreements with CONAFE. The APFs participate in the School Council, where they contribute to the

overall planning and administration of the school. The AGE program, which has existed since 1995, has proved to be an effective instrument in building deeper community involvement in schools and in improving relationships between school officials and indigenous parents.

Response to Needs Assessments. PAREIB has incorporated several components that specifically respond to needs expressed in consultations with indigenous peoples. Those components include:

- Trained bilingual teachers
- Bilingual teacher guides
- Special attention to indigenous migrant students
- Special attention to indigenous students attending general schools
- Support the expansion of the AGE component
- Continuous consultation by CONAFE with indigenous peoples to improve the content and delivery of CONAFE's compensatory mechanisms for indigenous peoples.

The support for adult literacy recommended by indigenous stakeholders does not fall within the purview of CONAFE. However, the Mexican government, through the National Institute of Adult Literacy (INEA), does support adult literacy initiatives.

Program Scalability. CONAFE has developed several initiatives to address these needs; those initiatives have now been streamlined as part of Mexico's national basic education policy. They include:

- Textbooks in 33 indigenous languages and 52 variants, covering the first three grades of primary school, are now provided at no cost by SEP through DGEI;
- Teachers are trained to develop teaching materials appropriate to local languages;
- SEP supplies region-specific books to school libraries at no cost to the school;
- SEP and CONAFE continue providing in-service training for primary school teachers; such training is particularly important when instructors in remote rural areas are unable to access teacher training through normal means;
- A PAREIB I pilot program for migrant children has become part of SEP's policy for basic education and has become a core component of CONAFE's community education program;
- The special attention to indigenous students attending general primary schools (piloted under PAREIB I) helped generate a multicultural approach to basic education, which was formalized in the National Education Program as a guideline for basic education policy;
- The post-primary lower-secondary program, adjusted to rural communities (*Posprimaria*), has become part of CONAFE's regular community education program. Evaluation of that program by indigenous parents, education promoters, and external scholars has been positive.

Specific interventions. PAREIB III will train promoters and teachers, provide appropriate didactic materials, and support APFs at the preschool level in indigenous schools. At the primary level, indigenous students and schools will benefit from a variety of project interventions:

- Infrastructure improvements, including additional classrooms, sanitary services and complementary facilities for school supervision and teacher training;
- Equipment, consisting in school furniture and sports equipment;
- Didactic materials, including student packages of school utensils and basic didactic materials for the classroom;
- In-service teacher training in multi-grade pedagogical techniques, in bilingual education, and in a multicultural approach to teaching and learning, in addition to training in selected national and

regional courses. Teacher training is also supported with technical assistance to teachers in the classroom provided by technical rural assistants (ATRs);

- Improvements in school management through modernization of supervision and assistance to supervisors and sector chiefs to facilitate frequent school visits;
- Performance incentives for primary teachers provided for teachers working in targeted school who: (a) attend the full school calendar and keep specified class hours, as certified by the corresponding APF; (b) prepare jointly with the ATR specific learning activities for resolving student learning problems; (c) provide remedial education to students who are lagging behind their peers, in after-school hours at least three days per week; (d) participate in training programs; (e) collaborate with parents associations, and (f) develop education activities with the community;

Institutional Capacity

CONAFE. As early as 1971, CONAFE began developing innovative programs for reaching isolated rural and indigenous students. CONAFE has extensive experience with indigenous education, and has produced didactic materials with culturally appropriate content and linguistically appropriate materials. CONAFE now operates in every state of Mexico and has received financial support and technical assistance from the World Bank since the PARE project began in 1991. CONAFE is a decentralized institution of SEP and has the publicly declared support of Mexico's educational and political authorities. CONAFE's capacity has also been demonstrated through the successful implementation of the previous phases of PAREIB.

Monitoring and Evaluation

Monitoring. SEP oversees *Estándares Nacionales*, a national exam of reading and math performance, applied to a sample of students at the primary and lower secondary levels. Results from that exam are comparable between 1998 and 2002, and results will continue to become available each year through 2006. SEP also collects information on dropout, repetition, failure and terminal efficiency rates by school, including data for indigenous schools. Those statistics are all disaggregated by indigenous and non-indigenous schools. Data are also available on the backgrounds of students and their communities by schools, which allows rigorous evaluation of the effect of CONAFE interventions on the performance of indigenous students.

Evaluation. PAREIB III will finance a complete independent evaluation of the entire PAREIB program, 1998-2007. Test data will be available for all of those years. Also, since the PAREIB program encompasses nine years, the evaluation will be able to follow a cohort of students through primary and lower secondary school. That evaluation will also ascertain the sustainability of the program upon completion of the third phase. These efforts build on previous and continuing impact evaluations determining the effect of CONAFE on indigenous students.

Risk Assessment

Legal and Institutional Risks. Mexico's federal and state governments have passed extensive legislation recognizing the central importance of indigenous peoples development. That legislation explicitly identifies good-quality bilingual intercultural education as an important development tool. CONAFE has extensive institutional capacity, demonstrated through over 30 years of compensatory education experience and 13 years of work with the support of the World Bank and the Inter-American Development Bank.

Additional Risks. A risk identified early in the PAREIB program was the scarcity of bilingual instructors with sufficient educational background and indigenous language experience. In order to mitigate this risk the Government of Mexico has recently taken various initiatives such as the creation of specific indigenous teacher training courses at the *Universidad Pedagógica Nacional*, the creation of the Bilingual Intercultural Education unit at SEP, and the enactment of the Linguistic Rights Law. An additional risk identified in the first phase of PAREIB was the potential unwillingness of indigenous communities to form APFs and work in tandem with CONAFE. Since then, experience has shown that indigenous peoples have embraced those APFs and eagerly worked with CONAFE on many aspects of their local schools. To give one example, when the Zapatista indigenous movement in 1994 rejected most services of the federal government, the Zapatistas sufficiently favored CONAFE to allow CONAFE's teachers to continue working in all of Chiapas.

Expenditure

Designation of Project Funds for Indigenous Peoples

Based on actual figures for PAREIB II, CONAFE estimates that, of total project expenditure of US\$235 million in 2003 on preprimary and primary schools, US\$50 million was spent on indigenous schools. So approximately 21 percent of CONAFE's expenditure on preprimary and primary schools is allocated to indigenous peoples, which is far higher than the 6.5 percent of Mexicans aged 5 to 14, according to INEGI, who are indigenous.

Environmental Safeguards

The project Operations Manual (OM) mandates that all construction contracts include norms to safeguard the environment. The OM (item 6.3.18 of the OM) also informs the state normative agencies, responsible for supervising the construction and/or rehabilitation of education infrastructure, of these norms. The norms to safeguard the environment are:

- **Security measures in dangerous areas.** The contractor will post signs, make communications, and erect protection barriers—to safeguard the security of construction workers and of members of the community who might be endangered the construction works. These measures will be taken by the contractor whenever works are carried out in dangerous zones, such as zone prone to land slides, and in areas where trees are removed and construction debris are disposed off.
- **Protect soil from erosion.** The contractor will take measures during the rainy season to avoid soil erosion caused by rain waters in the construction site and in its surroundings. The areas affected by rain water should be well compacted—to the satisfaction of the construction supervisor. The contractor will avoid carrying out works that tend to cause soil erosion, such as vertical earth cuts and land fills.
- **Minimize damaged caused by water, dust and winds.** The contractor will be responsible for avoiding by all means the damages caused by rains, winds, and dust affecting the works, its environs, and the equipment installed in the construction site. The contractor will exercise vigilance at all times to avoid damages, including during the delivery of materials and equipment.
- **Repairs.** The contractor is responsible for carrying out repairs to correct for damages caused by the works or as a consequence of the works.
- **Care in the transport of materials.** The contractor will program and carry out the transport of construction materials in such a way as to avoid any damages to the roads, streets, and other types of public and private assets that might result from the transporting o of materials from their place of origin to the construction site. Transport costs, including eventual repairs of “on-route” damages will be included in the unit price of the works.
- **Removal of construction debris.** The contractor is responsible for the removal of leftover concrete, stone, vegetation, and other construction debris; no extra payment will be allowed for this purpose.
- **Disposal of construction debris.** The contractor is not allowed to dispose of construction debris in water bodies; this type of material can only be disposed-off in dry areas that are not liable to be flooded.
- **Burning of debris.** The contractor is not permitted to burn in open areas any type of debris, trees, plans, tires, plastic or any other type of materials that represent danger to human health. These debris should be deposited in sanitary landfills that are identified during the design of the building and have been properly authorized by the building supervisor.
- **Infiltration.** The contractor will take protective measures to avoid fluids to slip in superficial or subsoil water bodies at the construction site and its areas of influence. Preventive measures should be applied to protect against flows of contaminated water, oil, and carbureted materials

steaming from the construction and/or from the transport of construction materials. In case there are accidental spillages, the contractor will inform the supervisor and will take measures to counteract contamination of the site and its environs.

- **Protection of water sources.** The contractor will take the necessary measures to protect subsoil sources of water from spillages caused by the washing of aggregates, concrete mix, soils and grease, in such a way as to collect fluids in safe containers, before they may slip into the subsoil.
- **Managing toxic materials.** The contractor will protect and secure any toxic material that might be used in the construction, so as to eliminate the possibility that these materials might contaminate in any way the natural superficial or subsoil drainage networks.
- **Building sanitary facilities and septic tanks.** The contractor will ask the supervisor to approve the selection of the site for building sanitary facilities and septic tanks, in order to protect surface and subsoil water bodies from eventual contamination by sewer fluids.
- **Petroleum-based products.** The contractor is not allowed to dispose of combustible or lubricants in existing water courses.
- **Fumes, smoke, odors.** The contractor is responsible for controlling the amount of fumes, smoke and odors associated with the use of construction machinery and equipment—including transportation equipment—as well as for controlling dust, smoke from burning, and the use of chemical products that are toxic and volatile. All toxic material needs to be properly covered/sealed when not in use, and be kept in isolated areas.
- **Maintenance of equipment.** The contractor is responsible for the maintenance of equipment and vehicles in order to ensure that they do not produce gas, odor, fumes and smoke while in operation.
- **Minimizing construction dust.** To reduce construction dust, the contractor will sprinkle water over earth surfaces where pedestrians and vehicles pass, avoiding not only excessive dust but the creation of puddles and mud. Likewise, the contractor will cover construction materials with tarp to reduce dust and damage by rain.
- **Protecting workers and school population.** The contractor will take all necessary measures to protect construction workers and the school population from construction site accidents.
- **Temporary sanitary facilities.** The contractor will obtain a permit from the local education authorities for the construction of temporary sanitary facilities to be used by the construction workers.
- **Building Materials.** The design and execution of education infrastructure will give preference to the use of construction materials originated from the region where the works are being build.
- **Excluded Construction Materials.** The design and execution of education infrastructure will not make use of the following construction materials: paint with lead, asbestos, and wood in regions where there is scarcity of native timber.

Annex 11: Project Preparation and Supervision
MEXICO Basic Education Development Phase III

	Planned	Actual
PCN review	5/12/2004	1/29/2004
Initial PID to PIC	5/27/2004	3/24/2004
Initial ISDS to PIC	5/27/2004	3/24/2004
Appraisal	10/18/2004	3/24/2004
Negotiations	11/15/2004	5/6/2004
Board/RVP approval	2/15/2005	
Planned date of effectiveness	6/30/2005	
Planned date of mid-term review		
Planned closing date		

Key institutions responsible for preparation of the project:

National Council for Educational Development- CONAFE (*Consejo Nacional de Fomento Educativo*)
 Secretariat of Public Education (*Secretaría de Educación Pública*)
 State Level Secretariats of Public Education (*Secretarías Estatales de Educación Pública*)
 Secretariat of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*)
 National Financing Agency – NAFIN (*Nacional Financiera, S.N.C.*)

Bank staff and consultants who worked on the project included:

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Peer Reviewers: Robert Prouty, Lead Education Specialist (HDNED); Eduardo Velez, Sector Manager (LCSHD); and Amit Dar, Senior Economist (SASHD)

8. Bank funds expended to date on project preparation:

1. Bank resources:	100,000
2. Trust funds:	----
3. Total:	100,000

Estimated Approval and Supervision costs:

1. Remaining costs to approval:	25,000
Estimated annual supervision cost:	80,000

Annex 12: Documents in the Project File
MEXICO Basic Education Development Phase III

A. PROJECT IMPLEMENTATION PLAN

First Year Implementation Plan and Procurement Plan Operations Manual

B. BANK STAFF ASSESSMENTS

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Annex 13: Statement of Loans and Credits
MEXICO Basic Education Development Phase III

Operations Portfolio (IBRD/IDA and Grants)
As Of Date 06/02/2004

Closed Projects 174

IBRD/IDA *

Total Disbursed (Active)	1,400.75
of which has been re	65.80
Total Disbursed (Closed)	27,998.22
of which has been re	21,443.30
Total Disbursed (Active +	29,398,970,789.77
of which has been re	21,509,108,568.83
Total Undisbursed (Active	2,198.34
Total Undisbursed (Close	2.21
Total Undisbursed (Active	2,200,552,111.20

Active Projects		Last PSR		Original Amount in US\$ Millions							Difference Between Expected and Actual Disbursements ^{a/}	
Project ID	Project Name	Supervision Rating		Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undisb	Orig.	Frm Rev'd	
		Development Objectives	Implementation Progress									
P035751	MX Community Fores #		#	2004	21.3				21.3			
P060718	GEF MX ALTERNATI S		S	2000			8.9		4.416	4.2178		
P065988	GEF MX Consolidat P S		S	2002			16.1		6.9369	2.5092		
P059161	GEF MX-Climate Mea S		S	2003			5.8		5.2994	1.999		
P066674	GEF MX-Indigenous& S		S	2001			7.5		6.0988	2.9844		
P060908	GEF MX-MESO AMEI U		U	2001		14.84			15.341	6.1191		
P063463	METHANE CAPTURE HS		S	2001		6.27			0.9312	-0.141	-0.8223004	
P050429	MP/MX OZONE PROT S		S	1998			13		7.7961	-4.2044		
P057531	MX Basic Ed. APL II S		S	2002	300				72.732	72.732		
P064887	MX DISASTER MANA S		S	2001	404.05			200	181.27	257.22		
P068290	MX E-Business for Srr S		S	2004	58.4				58.4	7.8		
P065779	MX FEDERAL HIGHW S		S	2001	218				60.516	55.516		
P007610	MX FOVI RESTRUCTI HS		HS	1999	505.05				182.4	182.4		
P066938	MX GENDER (LIL) S		S	2000	3.07				2.0167	2.0167	1.96666377	
P049895	MX HIGHER ED. FINA S		S	1998	180.2				71.54	71.54		
P035752	MX Irrigation & Draina S		S	2004	303.030303				303.03	30		
P044531	MX KNOWLEDGE & I S		S	1998	300				105.23	105.23	4.02730596	
P060686	MX Municipal Dev in RU		U	2003	400				396	196		
P074655	MX Rural Finance Dev HS		S	2003	505.06				300.01	0.0094		
P070108	MX Savings & Credit S S		S	2003	64.6				36.998	7.398		
P060577	MX Southeast Reg'l Di S		S	2002	5				4.2322	2.6822		
P077602	MX Tax Admin Instituti S		S	2002	52				51.292	25.662		
P007713	MX WATER RESOUR S		S	1996	186.5			54	30.206	84.206	15.2006428	
P066321	MX III BASIC HEALTH S		U	2001	350				321.17	129.67		
Overall Result					3856.2603		72.41	254	2245.2	1243.6	20.3723121	

MEXICO

STATEMENT OF IFC's

CAS Annex B8 (IFC) for Mexico

Mexico									
Statement of IFC's									
Held and Disbursed Portfolio									
As of 3/31/2004									
(In US Dollars Millions)									
		Held				Disbursed			
FY Approval	Company	Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
	1995 Apasco	7.2	0	0	28.8	7.2	0	0	28.8
	1998 Ayvi	5.71	0	0	0	5.71	0	0	0
	BEVA-Bancomer	37.65	0	0	0	37.65	0	0	0
1995/99	Baring MexFnd	0	1.88	0	0	0	1.88	0	0
	1998 CIMA Mexico	0	4.8	0	0	0	4.8	0	0
	1998 CIMA Puebla	6.75	0	0	0	3.25	0	0	0
1994/01	CTAPV	0.4	0	0	0	0.4	0	0	0
	Chiapas-Propalma	0	1	0	0	0	0.89	0	0
	1997 Comercializadora	1.53	0	1.09	1.88	1.53	0	1.09	1.88
	2001 Compartamos	1	0.66	0	0	1	0.66	0	0
	2003 Copamex	50	0	25	0	0	0	0	0
	2002 Coppel	30	0	0	0	30	0	0	0
	1999 Corra	7.43	3	0	0	7.43	3	0	0
	2001 Ecomex	4.75	0	1.5	0	2.75	0	1.5	0
	2000 Educacion	6.5	0	0	0	4.9	0	0	0
	1997 Fondo Chiapas	0	3.35	0	0	0	0.11	0	0
	1998 Forja Monterrey	8.36	3	0	8.36	8.36	3	0	8.36
	2001 GFNorte	50	0	0	0	0	0	0	0
	1996 GIESA	10.82	0	0	36.38	10.82	0	0	36.38
1996/00	GIRSA	35.36	0	0	47.14	35.36	0	0	47.14
1998/04	Grupo Calidra	22	0	0	0	0	0	0	0
	1989 Grupo FEMSA	0	2.85	0	0	0	2.85	0	0
	1997 Grupo Minsa	12.6	0	0	17.97	12.6	0	0	17.97
1996/99	Grupo Posadas	22.37	0	10	0	22.37	0	10	0
	1998 Grupo Sanfandila	5.69	0	0	2.2	5.69	0	0	2.2
	2000 Hospital ABC	30	0	0	14	10.29	0	0	7.21
	2000 ITR	11	0	0	3	11	0	0	3
	2000 Innopack	0	15	0	0	0	15	0	0
	Interoyal	0	0.01	0	0	0	0.01	0	0
	2003 Lomas de Real	52.7	0	20	83.46	1.41	0	0	0
	1998 Merida III	27.08	0	0	61.75	27.08	0	0	61.75
	2003 Mexmal	0	0	10	0	0	0	10	0
1995/99	Mexplus Puertos	0	1.41	0	0	0	1.41	0	0
1996/99/00/01	NEMAK	0	0	1.51	0	0	0	1.51	0
	2003 Occidental Mex	30	0	0	40	30	0	0	40
	Occihol	0	9.99	0	0	0	9.99	0	0
	2003 POLOMEX S.A.	8	0	0	0	8	0	0	0
	2000 Pan American	0	6.39	0	0	0	6.39	0	0
	2001 Plata	9.5	0	0	0	9.5	0	0	0
	2002 Puertas Finas	12.19	0	0	0	12.19	0	0	0
	2002 Qualita	0	2.5	3.5	0	0	2.5	3.5	0
	2000 Rio Bravo	47.12	0	0	54.11	47.12	0	0	54.11
	2004 SSA Mexico	45	0	0	0	45	0	0	0
	2000 Saltillo S.A.	33.16	0	0	39.12	33.16	0	0	39.12
	2000 Servicios	8.25	1.9	0	7.5	8.25	1.9	0	7.5
	2001 Su Casita	0	10.62	1.62	0	0	10.62	1.62	0
	1997 TMA	1.78	0	2.82	6.22	1.78	0	2.82	6.22
	2003 TMWC	3	0	0	0	0	0	0	0
	2003 Valle Hermoso	52.55	0	20	83.92	1.96	0	0	0
	ZN Mexico II	0	10	0	0	0	4.47	0	0
	1998 ZN Mxc Eqty Fund	0	15.3	0	0	0	15.3	0	0
Total Portfolio:		697.45	93.66	97.04	535.81	443.76	84.78	32.04	361.64

Approvals Pending Commitment				
	Loan	Equity	Quasi	Partic
2004 Calidra II	0	0	0	11
1998 Cima Hermosillo	7	0	0	0
2003 Copamex	7	0	0	60
2001 Ecomex	3.5	0	0	0
2000 Educacion	3.2	0	0	0
2001 GFNorte-CL	50	0	0	100
2004 IAMSA	37	0	0	0
2003 Mexmal	0	0	5	0
2003 Polomex	2	0	0	0
2004 Su Casita CLF	16.47	0	0	0
2003 Tizayuca	25	0	10	30
Total Pending Commitment:	151.17	0	15	201

Annex 14: Country at a Glance

MEXICO Basic Education Development Phase III

Mexico at a glance

9/3/03

POVERTY and SOCIAL

2002

	Mexico	Latin America & Carib.	Upper-middle-income
Population, mid-year (millions)	100.9	527	331
GNI per capita (Atlas method, US\$)	5,920	3,280	5,040
GNI (Atlas method, US\$ billions)	597.0	1,727	1,668

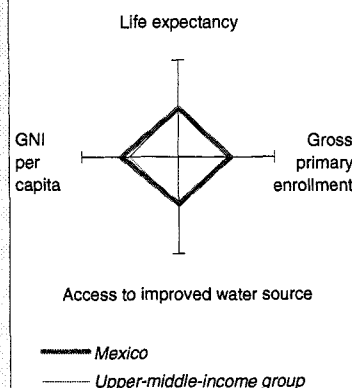
Average annual growth, 1996-02

	Mexico	Latin America & Carib.	Upper-middle-income
Population (%)	1.4	1.5	1.2
Labor force (%)	2.4	2.2	1.8

Most recent estimate (latest year available, 1996-02)

Poverty (% of population below national poverty line)	75	76	75
Urban population (% of total population)	74	71	73
Life expectancy at birth (years)	25	27	19
Infant mortality (per 1,000 live births)	8	9	..
Child malnutrition (% of children under 5)	88	86	90
Access to an improved water source (% of population)	8	11	7
Illiteracy (% of population age 15+)	113	130	105
Gross primary enrollment (% of school-age population)	114	131	106
Male	113	128	105
Female	113	128	105

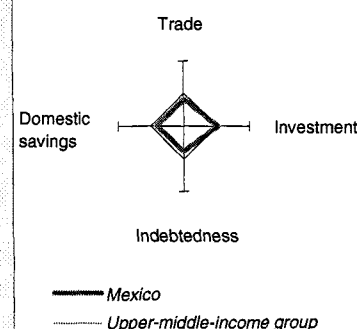
Development diamond*



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1982	1992	2001	2002
GDP (US\$ billions)	173.7	363.6	623.9	637.2
Gross domestic investment/GDP	22.9	23.3	20.9	20.3
Exports of goods and services/GDP	15.3	15.2	27.4	27.2
Gross domestic savings/GDP	27.9	18.3	18.6	18.3
Gross national savings/GDP	21.5	16.6	17.9	18.0
Current account balance/GDP	-3.4	-6.7	-2.9	-2.2
Interest payments/GDP	4.5	1.6	1.9	1.7
Total debt/GDP	49.6	30.9	25.4	24.2
Total debt service/exports	52.3	33.8	26.3	18.8
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..

Economic ratios*

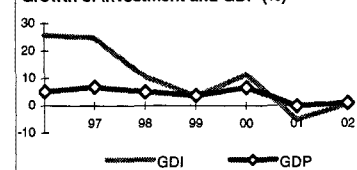


	1982-92	1992-02	2001	2002	2002-06
(average annual growth)					
GDP	1.9	3.2	-0.3	0.9	3.8
GDP per capita	-0.1	1.6	-1.8	-0.6	2.1
Exports of goods and services	5.1	13.4	-3.6	1.4	5.6

STRUCTURE of the ECONOMY

	1982	1992	2001	2002
(% of GDP)				
Agriculture	8.1	6.7	4.1	4.0
Industry	33.4	28.1	27.1	26.6
Manufacturing	21.7	20.2	19.6	18.9
Services	58.4	65.2	68.7	69.4
Private consumption	61.6	71.8	69.6	70.0
General government consumption	10.5	9.9	11.8	11.8
Imports of goods and services	10.3	20.3	29.7	29.2

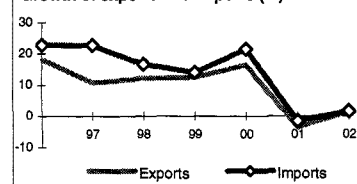
Growth of investment and GDP (%)



(average annual growth)

	1982-92	1992-02	2001	2002
Agriculture	0.7	1.7	3.3	-0.4
Industry	2.5	3.7	-3.5	0.0
Manufacturing	3.0	4.3	-3.7	-0.6
Services	2.0	3.1	0.7	1.4
Private consumption	2.7	2.9	2.7	1.2
General government consumption	2.1	1.5	-1.2	-1.3
Gross domestic investment	2.5	4.7	-5.2	0.5
Imports of goods and services	11.2	11.8	-1.5	1.6

Growth of exports and imports (%)

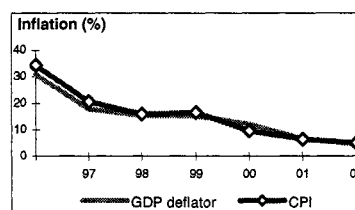


Note: 2002 data are preliminary estimates.

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

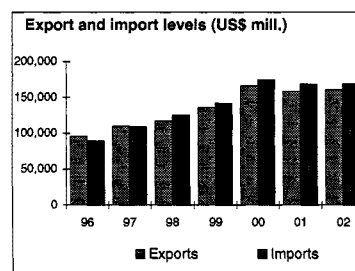
PRICES and GOVERNMENT FINANCE

	1982	1992	2001	2002
Domestic prices				
(% change)				
Consumer prices	58.9	15.5	6.4	5.0
Implicit GDP deflator	60.9	14.4	6.5	4.6
Government finance				
(% of GDP, includes current grants)				
Current revenue	27.4	23.7	21.8	22.6
Current budget balance	-6.0	5.0	1.9	0.2
Overall surplus/deficit	-14.1	1.4	-0.7	-1.2



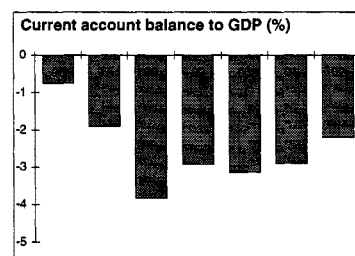
TRADE

	1982	1992	2001	2002
(US\$ millions)				
Total exports (fob)	24,055	46,196	158,443	160,813
Oil	16,477	8,307	12,799	14,475
Agriculture	1,233	2,112	3,903	3,998
Manufactures	5,843	35,420	141,353	141,951
Total imports (cif)	17,011	62,129	168,396	168,949
Consumer goods	1,517	7,744	19,752	21,178
Intermediate goods	10,991	42,830	126,149	126,778
Capital goods	4,502	11,556	22,496	20,992
Export price index (1995=100)	127	91	103	106
Import price index (1995=100)	74	91	103	104
Terms of trade (1995=100)	171	100	101	102



BALANCE of PAYMENTS

	1982	1992	2001	2002
(US\$ millions)				
Exports of goods and services	28,169	55,387	171,103	173,374
Imports of goods and services	22,841	73,617	184,614	185,419
Resource balance	5,328	-18,230	-13,511	-12,045
Net income	-12,261	-9,595	-13,835	-12,282
Net current transfers	1,043	3,386	9,338	10,268
Current account balance	-5,890	-24,438	-18,008	-14,058
Financing items (net)	2,316	26,184	25,347	19,851
Changes in net reserves	3,574	-1,745	-7,339	-5,793

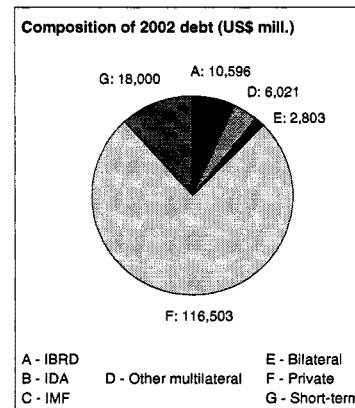


Memo:

Reserves including gold (US\$ millions)	914	18,975	44,814	50,607
Conversion rate (DEC, local/US\$)	5.64E-2	3.1	9.3	9.7

EXTERNAL DEBT and RESOURCE FLOWS

	1982	1992	2001	2002
(US\$ millions)				
Total debt outstanding and disbursed	86,081	112,315	158,291	153,923
IBRD	2,692	11,966	10,883	10,596
IDA	0	0	0	0
Total debt service	15,684	20,751	48,729	35,254
IBRD	328	1,874	2,178	2,093
IDA	0	0	0	0
Composition of net resource flows				
Official grants	76	14	..	..
Official creditors	1,577	615	-669	-432
Private creditors	6,391	-531	3,198	-3,932
Foreign direct investment	1,655	4,393	25,334	13,627
Portfolio equity	0	4,783	151	-104
World Bank program				
Commitments	540	1,313	860	1,322
Disbursements	408	1,352	749	1,247
Principal repayments	133	981	1,314	1,356
Net flows	275	371	-565	-108
Interest payments	195	892	864	737
Net transfers	80	-522	-1,429	-845



Annex 15: Targeting Methodology

MEXICO Basic Education Development Phase III

Background. Compensatory education programs use various targeting methodologies to determine beneficiaries. In the past decade, the Mexican Government has refined this methodology. The original methodology began with geographical targeting to the four poorest states - Chiapas, Guerrero, Hidalgo and Oaxaca - then focused on increasingly smaller geographic areas, to ensure inclusion of the neediest and most remote schools and exclusion of schools not needing benefits. In addition, the Government used specific criteria to target the program scope. Beginning in 1992 under the PARE project, all rural schools in the four targeted states met the targeting criteria and received program support (rural schools are those in localities with fewer than 2,500 residents). The initial education program (PRODEI) used the CONAPO municipal poverty index to target the poorest rural and urban municipalities in ten Mexican states. PAREB also focused on the poorest communities and introduced educational performance criteria into the targeting formula. PAREB covered the 10 poorest states, four in PARE, and targeted municipalities with the most widespread poverty and worst levels of primary school completion. The compensatory programs now cover the poorest 476 municipalities in the country. PIARE covered the states that neither PARE nor PAREB supported. IDB-financed PIARE project targeted all single-teacher, multi-grade schools, and those schools in the poorest municipalities with the highest rates of failure in first grade. Every compensatory program included all indigenous primary schools in rural areas.

In 1996 the government refined these targeting methodologies, making the school the basic unit to be targeted, in order to reach the poorest and worse-performing schools. The analysis consisted of a comparison among all public schools in the country with respect to several education and socioeconomic indicators, permitting the identification of the schools in the worst conditions. This refinement was possible, due to significant improvements in the information base. The government introduced additional indicators of education performance at the school level, resulting in a targeting methodology that combines poverty and educational performance data into a single index.

PAREIB Targeting Methodology: Ranking of Schools and Communities by Poverty and Educational Performance

The definition of the target schools in all phases of PAREIB uses a single set of targeting criteria for the compensatory programs in all 31 states. Variables in the ranking index, chosen for their reliability, consistency, availability and absence of autocorrelation, are as follows:

- *Poverty:* measured by the CONAPO poverty index, which reflects per capita income of the school's locality, infrastructure and housing characteristics, health conditions, literacy, educational attainment of the population, and the availability of basic infrastructure;
- *Organizational-administrative school characteristic:* measured by the school population and its student-teacher ratio;
- *Educational performance:* measured by failure, repetition and dropout rates.

The first two variables (poverty and organizational-administrative school characteristics) measure the communities in which the school is located, whereas the last one measures educational performance. The objectives and interventions for a level of education determine the weights of these variables for that level. To facilitate this weighting, the index converts all variables to standardized values. The following paragraphs summarize variable characteristics.

Initial Education (non-school based). Initial education interventions are targeted to the poorest communities with preschool education services (indigenous or community pre-schools). PAREIB uses the CONAPO (or the COESPO) poverty index to select the communities to be served.

Preschool. The efficiency indicators for the pre-school level are not relevant yet since the attendance will be mandatory until the school year 2004-2005. The preschool index combines the poverty index with the student-teacher ratio and dropout rates at pre-school level.¹ Weights and value ranges of these indicators are shown in Table 1.

**Table 1: Weights and values of indicators used in poverty-performance index:
Pre-school level**

Variable	Weight (%)	Minimum Value	Maximum Value
Poverty	60	0.7	3.0
Complexity (student-teacher ratio)	20	0.25	1.0
Education indicators	20	0.5	1.0
	100	1.45	5.0

Primary. The primary level index combines all the above variables into a single index with the weights shown in Table 2.

**Table 2: Weights and values of indicators used in poverty-performance index:
Primary level**

Variable	Weight (%)	Minimum Value	Maximum Value
Poverty	26.10	0.70	3.0
Density (student population)	8.70	0.25	1.0
Complexity (student-teacher ratio)	13.0	0.25	1.5
Failure rate	17.40	0.50	2.0
Repetition rate	17.40	0.50	2.0
Dropout rate	17.40	0.5	2.0
	100.0	2.7	11.50

Secondary. The secondary level (grades 7-9) is part of basic education, which is mandatory for all children. Compensatory programs at this level focus on *telesecundarias*, which serve mainly rural areas and have the lowest levels of terminal efficiency and student performance. At the secondary level, simply focusing on school population indicators and the student-teacher ratio may be misleading due to the prevalence of specialized, part-time teachers. Therefore, an adjusted secondary level index takes these circumstances into account, as shown in Table 3.

¹ Starting in school year 2004-2005 it will be possible to take into account dropout rates at the pre-school level and only for the third grade; the remaining grades (1st and 2nd) will be included later according to the reform introduced to Article 3 of the Constitution; the formula to measure this will be defined based on the SEP norms.

**Table 3: Weights and values of indicators used in poverty-performance index:
Secondary level**

Variable	Weight (%)	Minimum Value	Maximum Value
Poverty	29.3	0.7	3.0
Density (student population)	2.4	0.3	1.0
Teacher to group ratio	9.8	0.3	1.0
Failure rate	19.5	0.5	2.0
Repetition rate	19.5	0.5	2.0
Dropout rate	19.5	0.5	2.0
	100.0	2.8	11.00

Application of the Targeting Methodology.

The appropriate index for each level sorts schools at that level by quartiles, with the fourth quartile being the worst-off; sorting results are shown in Table 4.

Table 4: Number of schools Targeted in Phase 3, by Level and Quartile

QUARTILE	Pre-School		Primary		Secondary
	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	
4	2,970	5,057	5,703	16,085	1,404
3	4,409	1,350	1,985	13,615	2,592
2	276	807	1,311	7,381	544
1	10	443	657	892	624
	7,665	7,657	9,656	37,973	5,164
Total	15,322		47,629		5,164

General Selection Criteria. Funding at all levels gives priority to the 250 micro-regions (constituting 476 municipalities) identified as priority zones for all government social development programs in 2001. Nearly all priority municipalities are indigenous and rural. The project will primarily focus on rural areas, which tend to have the highest poverty and lowest educational performance. The indices of Tables 1-3 guide selection of beneficiary communities and schools.

2. Summary

Initial Education. The initial education program (non-school based), is an eight-month training for parents of children aged 0-4, during the school calendar year. The program targets rural communities of less than 2,500 inhabitants. To optimize the program's impact, the service will remain in the same locality for three consecutive school years. Therefore, beneficiary communities must have access to an existing or planned-to-exist pre-school. The presence of a preschool also increases the likelihood that parents' initial education training will encourage parents' participation in their children's education. The communities that lack the service but express interest in the Initial Education Program, may request municipal authorities to provide them with the service.

Preschool (3 years). Of the 76,472 institutions offering pre-school, PAREIB will target 15,322 schools or 20 percent, selected as follows:

- (a) Indigenous schools in quartile 3 and 4;
- (b) Non-indigenous schools in quartile 4; and
- (c) All schools in the 250 priority micro-regions.

The program would include about 500,000 preschool students.

Primary (grades 1-6). Of the 99,463 primary schools countrywide, PAREIB will target 36,000 or 36 percent, selected as follows:

- (a) All indigenous schools in rural areas;
- (b) All rural schools in the 250 priority micro-regions;
- (c) Non-indigenous rural schools in quartiles 3 and 4, and 50% of the rural schools in worse conditions in quartile 2;
- (d) Marginal urban schools in quartile 4 that have been receiving benefits under previous compensatory programs (1,597 schools). For the selection of primary schools, "urban" refers to localities of between 2,500 and 15,000 inhabitants; and
- (e) All multi-grade schools i.e. with incomplete organization (unitary schools, teachers with two, three, four and/or five teachers).

The program would include about 3.5 million students.

Sustainability Strategy for Primary Schools. In PAREIB III, primary schools that have received compensatory benefits in the past and now fall in the bottom half of quartile two would receive half the ordinary compensatory support package, to help continue their improvements.

Lower-Secondary (grades 7-9) - Secondary *telesecundaria*. Mexico has 15,853 *Telesecundarias*. In the first two phases of PAREIB, 11,411 rural *telesecundarias* were targeted, and Phase III will target a total of 4,681 schools, selected as follows:

- (a) All rural *telesecundarias* in priority micro-regions; and
- (b) *Telesecundarias* in quartiles 3 and 4 in other rural municipalities (A school is rural if its locality has fewer than 2500 residents).

About 300,000 students in these schools will benefit from improved infrastructure and/or provision of computer equipment.

Total. The project will benefit approximately 5.5 million children of preschool through secondary school and about 545,361 children under four years of age. Ideally, this re-targeting strategy to identify the most disadvantaged schools will enhance the educational impact of the compensatory programs.

Annex 16: Government Policy Letter
MEXICO Basic Education Development Phase III

(Translated from the Spanish original)

Office of the Secretary
Secretariat of Public Education

Mexico, Federal District, February 20, 2004

DR. ISABEL GUERRERO
Director,
The World Bank
Country Office for Colombia and Mexico

Subject: Education Policy Letter

Dear Dr. Guerrero:

The purpose of this letter is to put forward the global framework of the educational policy for the third phase of the Basic Education Development Program (PAREIB), to be financed with national resources and with a loan from the World Bank. The loan will provide the necessary financial support and continuity to the implementation of compensatory activities that, as part of the educational reform process, have been developed in the last eleven years by the Government of Mexico to achieve equality in initial and basic education, in our efforts to continuously improve the national education indicators.

During this period we have been able to create the necessary minimum conditions to provide the required educational services such as: construction of suitable and sufficient classrooms; provision of educational materials and related school supplies; economic support and advisory services to parents' associations to promote their participation in the schools; economic incentives and training of teachers to improve their teaching skills; improvement in child-rearing practices in early infancy through initial education outside the classroom, as well as strengthening the States' education teams.

We are convinced that the supplementary programs represent a useful and indispensable instrument for the redistribution of public spending, since they have made it possible to specifically serve those populations with social and educational disadvantages located in rural and indigenous areas, to even out educational opportunities and guarantee their right to education in terms of school access, retention, educational quality and satisfactory academic achievement.

GENERAL GUIDELINES OF THE EDUCATIONAL POLICY

Article three of the Political Constitution of the United Mexican States establishes that every person has the right to receive basic education. Furthermore, pursuant to Chapter III – *Equal Opportunity in Education* of the General Education Law, the Mexican State is responsible for generating the conditions that promote the total exercise of this right and establishes that the Federal Executive Branch and the States' educational authorities shall allocate additional resources to those schools suffering from greater educational shortcomings.

In addition, the National Education Program 2001-2006 (PRONAE) recognizes that there has been an inherent inequality in the structure and operation of the educational system itself, since better quality services and more resources have been concentrated in the regions with higher income, better infrastructure and easy access; the focus in the classroom has been on those students with better learning capabilities; and more resources have been assigned to those groups with greater management capacity. Hence, efforts to achieve universal coverage with basic education services have not solved the backwardness problems, and it is crucial to adopt and strengthen measures aimed at improving the quality of the educational institutions, giving preferential treatment to those located in rural and poor urban areas. In this context, the Mexican government assumes the responsibility of promoting and operating, through CONAFE, supplementary basic education programs.

The supplementary programs are aimed at strengthening the educational supply and demand and to help stamp out the causes of educational disadvantage, offering advisory services to parents in initial education outside the classroom and improving the opportunities of access, retention and success of all children in the basic education systems. The policy of the federal government should continue to support the regions with greater educational and social disadvantages, in accordance with the government's financial capacity, until the educational indicators of such areas improve in a consistent manner.

The five supplementary programs designed and implemented in the 1990s are the following:

- Primary Education Project (PARE 1991-1996)
- Initial Education Project (PRODEI 1993-1997)
- Second Primary Education Project (PAREB 1994-2001)
- Integral Program of Education (PIARE 1995-2001)
- Basic Education Development Project (PAREIB 1998-2006).

Main Achievements of Phase II

Unlike its predecessors, the Program to Reduce Disadvantage in Initial and Basic Education (PAREIB) supports educational continuity of children from basic up to secondary education, seeking their retention in school until they successfully conclude their basic education. The PAREIB began to operate in 1998 and, to date has completed two phases. Following are the relevant data of the second phase:

- In the last three years, specific support has been provided to improve the quality of education in 45,610 localities in 2,305 municipalities. This means that CONAFE has been present in 95 percent of the municipalities in the country.
- With the support of State educational authorities, the most extensive initial education service in the country seeks to improve child-rearing practices to promote better child development in early infancy. Almost half a million families have benefited from this program each year.
- During this period, support has been provided annually to more than 60,000 basic education school centers (preschool, primary, and secondary distance learning), including the totality of indigenous primary schools.
- With the construction and rehabilitation of almost 27,000 classrooms and annexes, CONAFE has provided better conditions for the operation of educational services in the most disadvantaged areas.
- Approximately five million packages of school supplies have been distributed annually; this activity assists one third of the primary education enrollment of the country and has significantly helped in increasing school assistance and retention of students.
- The implementation of the school support management program, through which resources are allocated to almost 60,000 parents' associations, has strengthened a culture of social participation that encourages and improves the conditions of school life.
- Approximately 20,000 teachers, supervisors, and sector leaders have received economic support to encourage and facilitate their performance.

The third phase of the PAREIB, whose implementation is planned for the 2004-2005, 2005-2006 and 2006-2007 school cycles, is presently being designed, maintaining the same structure of the two previous phases but including changes derived from the different consultation and evaluation exercises carried out on the compensatory programs. For example, initial education outside the classroom will be strengthened and expanded toward the schools and preschool students in areas with high social and educational disadvantage, thus complying with the mandate issued in November 2002 establishing the compulsory nature of preschool education for five-, four- and three-year old children starting in 2004-2005 and 2008, respectively.

General Objective of the Third Phase of the PAREIB

To define the objective, three key elements of the country's educational policy framed in the PRONAE 2001-2006 were considered, as follows:

- Ensure the same access, retention and educational achievement opportunities in basic education to all children and youth throughout the country.
- Guarantee all children and youth enrolled in basic education the opportunity to acquire knowledge and develop intellectual capacities; to acquire the necessary values and attitudes to enjoy a fulfilling personal and family life; to act as competent and committed citizens; to participate in productive work and to continue learning throughout life.
- Reform the educational system at the federal and state levels to ensure the effectiveness of the design and the practices of these policies, to continuously evaluate them and ensure the efficient, transparent and justifiable use of the resources, focusing the policy in the classroom and the school.

Thus, the objective of the third phase of the PAREIB is the consolidation of the efforts focusing on all rural and urban schools located in the 250 micro regions (defined by the federal government in 2001), and all the indigenous schools of the country through the supplementary education programs.

Specific Objectives

In line with the strategy of CONAFE's Medium-Term Institutional Program 2002-2006, the following specific objectives have been established:

- Contribute to improve the quality of initial and basic education outside the classroom (preschool, primary and secondary), through the continuity of supplementary activities such as the provision of educational materials, advisory services to schools, training, school and administrative infrastructure, School Management Support (AGE), Recognition of Teachers' Performance (REDES) and Strengthening of School Supervision.
- Provide financial support and advisory services to the priority projects of the national educational system to consolidate the organization and management of basic education.
- Strengthen the operation of State education systems through advisory services and technical assistance.

To appropriately implement this stage of the project, it is necessary to design the corresponding strategies jointly with State education authorities, so as to generate the necessary conditions for the schools receiving support to maintain and exceed the achievements made during the program's phase I and II in the last five years. In this regard, work will continue so that the States' Secretariats of Public Education assume a leading role in the management of these programs.

Strategies

- Continuation of the acquisition and distribution of educational materials for students, schools, household heads and educational promoters in rural and poor urban areas of the country.
- Application of the new work methodology and scheme in the training of the operational chain in initial education outside the classroom.

- Realignment of the activities of the Educational Quality Advisory Network to identify and meet the demand for advisory services and training of schoolteachers.
- Realignment of the activities to strengthen the management capacity of the States' basic education systems toward technical-pedagogical and administrative aspects.
- Improve the physical conditions of educational areas in basic education schools.
- Continue to encourage the performance of teachers through the REDES program.
- Support school supervision activities.
- Promote and encouraged the intervention of parents in school matters, targeting specific demands and fostering their participation in the school community.
- Contribute to the consolidation of the Evaluation and Territorial Planning Systems of the States.
- Define basic criteria to graduate those schools supported with supplementary activities that have shown improvement in their educational indicators so that they continue to be served by the States' education systems.

In short, support will continue to be provided to basic education schools of the targeted populations in phase II of the PAREIB, with a view to continuously contribute to the reduction of school drop-out, failure, and repetition indices.

In order to proportionately distribute the resources and carry out adequate targeting, one of the strategies of CONAFE's Medium-Term Institutional Program 2002-006 was to establish up-to-date and transparent criteria for the selection of communities and schools to be served, as identified by public education secretariats and institutes of State governments.

After more than a decade of successful operation, the compensatory programs will be realigned taking into account the changes in the socio-demographic and educational environment of the country and, naturally, the results of the consultations and evaluations of the programs.

The Mexican Government, through the Secretariat of Public Education (SEP), ratifies the National Council for Educational Development (CONAFE) as the agency responsible for the execution of the PAREIB based on its extensive experience in this type of social projects, the successful results obtained and foremost because of the commitment it has demonstrated in its efforts to achieve educational equality in Mexico.

SINCERELY

Reyes S. Tamez Guerra

Secretary of Public Education

ORIGINAL LETTER



OFICINA DEL C. SECRETARIO

Oficio No. 019/04

México, D.F., 20 de febrero de 2004.

Doctora
ISABEL GUERRERO
Directora de Oficina del Banco Mundial
para Colombia, México y Venezuela
Presente

Anexo
Banco
CIE-627

Asunto: Carta de política educativa

Estimada Dra. Guerrero:

La intención de la presente es exponer ante usted el marco global de la política educativa en que se inscribe la tercera fase del Programa para Abatir el Rezago en Educación Inicial y Básica (PAREIB), que será financiada con recursos nacionales y con el préstamo del Banco Mundial. Este préstamo dará respaldo y continuidad a la implementación de las acciones compensatorias que, como parte del proceso de reforma educativa, el gobierno de México ha venido desarrollando desde hace once años para logro de la equidad en educación inicial y básica, buscando el mejoramiento continuo de los indicadores educativos nacionales.

En este lapso se han podido crear condiciones mínimas necesarias para que la educación impartida en dichas zonas sea posible: la construcción de aulas dignas y suficientes, la dotación de materiales didácticos y útiles escolares pertinentes, el apoyo económico y la asesoría a las asociaciones de padres de familia para favorecer su participación en las escuelas, los incentivos económicos y la capacitación a docentes para propiciar una mejor atención a los alumnos, el mejoramiento de las prácticas de crianza de la primera infancia mediante la educación inicial no escolarizada, así como el fortalecimiento de los equipos estatales de educación.

Estamos convencidos de que los programas compensatorios han representado un instrumento privilegiado e indispensable para la redistribución del gasto público, pues han permitido atender diferencialmente a las poblaciones con rezago social y



educativo ubicadas en zonas rurales e indígenas, para igualar las oportunidades y garantizar el derecho a la educación en términos de acceso, permanencia, calidad educativa y egreso satisfactorio.

Lineamientos generales de política educativa

El artículo tercero de la Constitución Política de los Estados Unidos Mexicanos establece que toda persona tiene derecho a recibir educación básica. Asimismo, la Ley General de Educación, en su Capítulo III, *De la equidad en la educación*, responsabiliza al Estado mexicano de generar condiciones que favorezcan el ejercicio total de este derecho y establece que el Poder Ejecutivo Federal y las autoridades educativas estatales destinarán recursos adicionales para las escuelas que se encuentran en condiciones de mayor desventaja educativa.

Por su parte, el Programa Nacional de Educación 2001-2006 (Pronae) reconoce que la inequidad ha sido inherente a la estructura y funcionamiento del propio sistema educativo, puesto que los servicios de más calidad y los mejores recursos se han concentrado en las regiones de mayor ingreso, mejor infraestructura y fácil acceso, la atención en el aula ha priorizado a los alumnos que presentan mejor disposición al aprendizaje y se ha respondido más a los grupos con mayor capacidad de gestión. En consecuencia, los esfuerzos por lograr la cobertura universal con servicios de educación básica no han resuelto los problemas de rezago, por lo que se ha hecho imprescindible adoptar y reforzar medidas destinadas al mejoramiento de la calidad de las instituciones educativas, brindando una atención preferencial a las que se ubican en zonas rurales y urbano-marginales. En este contexto, el gobierno mexicano asume la responsabilidad de promover y operar, a través del Conafe, programas compensatorios en la educación básica.

Los programas compensatorios pretenden fortalecer la oferta y la demanda educativa y coadyuvar a abatir las causas del rezago, ofreciendo asesoría a los padres en educación inicial no escolarizada y mejorando las oportunidades de acceso, permanencia y éxito de los niños en los servicios de educación básica. La política del gobierno federal precisa continuar respaldando a las regiones con mayor desventaja educativa y social, de acuerdo con la capacidad financiera gubernamental, hasta que los indicadores educativos de dichas zonas mejoren en forma consistente.



En la década de los noventa se diseñaron y operaron cinco programas compensatorios:

- Programa para Abatir el Rezago Educativo (PARE 1991-1996)
- Proyecto para el Desarrollo de la Educación Inicial (Prodei 1993-1997)
- Programa para Abatir el Rezago en la Educación Básica (PAREB 1994-2001)

Programa Integral para Abatir el Rezago Educativo (PIARE 1995-2001)

Programa para Abatir el Rezago en la Educación Inicial y Básica (PAREIB 1998-2006).

Principales logros de la Fase II.

A diferencia de sus antecesores, el Programa para Abatir el Rezago en Educación Inicial y Básica (PAREIB) se ha planteado apoyar la continuidad educativa de los niños desde la educación inicial hasta la secundaria, buscando que permanezcan en las escuelas y que concluyan con éxito su educación básica. El PAREIB comenzó a operar en 1998 y, a la fecha, se han concluido dos fases; algunos datos relevantes de la segunda son los siguientes:

En los tres años más recientes, se han proporcionado apoyos específicos para mejorar la calidad de la educación en 45 610 localidades de 2 305 municipios. Esto significa que el Conafe ha estado presente en 95 por ciento de los municipios del país.

Apoyándose en las autoridades educativas estatales, se opera el servicio de educación inicial más amplio del país, con la intención de mejorar las prácticas de crianza para fomentar un mejor desarrollo del niño en la primera infancia. Cada año, se ha beneficiado a casi medio millón de familias.



En este periodo, se ha apoyado anualmente a más de 60 000 centros escolares de educación básica (preescolar, primaria y telesecundaria), en los que está incluida la totalidad de las escuelas primarias indígenas.

Con la construcción y rehabilitación de casi 27 000 aulas y anexos, el Conafe ha propiciado mejores condiciones para la operación de los servicios educativos en las poblaciones más desprotegidas.

Anualmente, se han distribuido alrededor de cinco millones de paquetes de útiles escolares; con esta acción se apoya a una tercera parte de la matrícula de educación primaria del país y se ha contribuido significativamente a incrementar la asistencia y permanencia de los alumnos en las escuelas.

Con la aplicación del programa de apoyo para la gestión escolar, a través del cual se asignan recursos a casi 60 000 asociaciones de padres de familia, se ha fortalecido una cultura de participación social que estimula y mejora las condiciones de la vida escolar.

Alrededor de 20 000 maestros, supervisores y jefes de sectores han recibido apoyos económicos para incentivar y facilitar su desempeño.

En la actualidad, se encuentra en diseño la tercera fase del PAREIB, cuya instrumentación se tiene prevista para los ciclos escolares 2004-2005, 2005-2006 y 2006-2007, y en la cual se pretende mantener la misma estructura de las dos fases anteriores, aunque con algunos cambios derivados de los diferentes ejercicios de consulta y evaluación a que han sido sujetos los programas compensatorios. Ejemplo de ello será el fortalecimiento de la educación inicial no escolarizada y la expansión hacia las escuelas y alumnos de preescolar en zonas de alto rezago social y educativo, con lo cual se contribuye a cumplir el mandato promulgado en noviembre del año 2002, que establece la obligatoriedad de la educación preescolar para niños de cinco, cuatro y tres años de edad a partir de 2004, 2005 y 2006 respectivamente.

Objetivo General de la tercera fase del PAREIB

Para definir el objetivo, se consideraron tres elementos clave de la política educativa del país que se encuentran enmarcados en el Pronae 2001-2006:



DE
EDUCACIÓN PÚBLICA

Asegurar las mismas oportunidades de acceso, permanencia y aprovechamiento educativo en la educación básica para todos los niños y jóvenes del país.

Garantizar a todos los niños y jóvenes registrados en la educación básica la oportunidad de obtener conocimientos y desarrollar capacidades intelectuales, los valores y actitudes necesarias para llevar una vida personal y familiar plena, actuar como ciudadano competente y comprometido, participar en el trabajo productivo y continuar aprendiendo a lo largo de la vida.

Reformar el sistema educativo en los ámbitos federal y estatal para asegurar la efectividad del diseño y prácticas de estas políticas, proporcionar su evaluación continua y el uso eficiente, transparente y justificable de los recursos, para enfocar la política hacia el aula y la escuela.

Así con la tercera fase del PAREIB se busca consolidar los esfuerzos que en materia compensatoria se han venido desarrollando a través de la atención a todas las escuelas rurales y urbanas ubicadas en las 250 microrregiones (definidas por el gobierno federal en el año 2001), y a todas las escuelas indígenas del país.

Objetivos específicos

En apego a las líneas estratégicas del Programa Institucional de Mediano Plazo Conafe 2002-2006, se establecen los siguientes objetivos específicos:

Contribuir a mejorar la calidad en la educación inicial no escolarizada y básica (preescolar, primaria y secundaria), mediante la continuidad de acciones compensatorias como dotación de material didáctico, asesoría a escuelas, capacitación, infraestructura escolar y administrativa, Apoyo a la Gestión Escolar (AGE), Reconocimiento al Desempeño Docente (Redes) y Fortalecimiento a la Supervisión Escolar.

Apoyar con financiamiento y asesoría proyectos prioritarios del sistema educativo nacional para consolidar la organización y la gestión de la educación básica.



Fortalecer la operación de los sistemas estatales de educación mediante apoyos de asesoría y asistencia técnica.

Para la adecuada operación de esta etapa del proyecto, es necesario diseñar, conjuntamente con las autoridades de educación estatales, la estrategia para que éstas generen condiciones que permitan que las escuelas apoyadas mantengan y superen los logros alcanzados durante los últimos cinco años correspondientes a las fases I y II del programa. En este sentido, continuarán los trabajos encaminados a que las Secretarías de Educación Pública de los estados asuman un carácter decisivo en la conducción de los programas.

Estrategias.

Se continuará con la adquisición y distribución de materiales didácticos para alumnos, escuelas, padres de familia y promotores educativos de zonas rurales y urbano-marginales del país.

Se aplicará la nueva metodología y esquema de trabajo para la capacitación de la cadena operativa en educación inicial no escolarizada.

- Se reorientarán las acciones de la Red de Asesoría para la Calidad Educativa, con el fin de detectar y atender la demanda de asesoría y capacitación de los docentes de las escuelas.

Se reorientarán las acciones de fortalecimiento de la capacidad de gestión de los sistemas estatales de educación básica hacia aspectos técnico-pedagógicos y administrativos.

Se mejorarán las condiciones físicas de los espacios educativos de escuelas de educación básica.

- Se continuará incentivando a maestros por su desempeño, mediante el programa Redes.

Se apoyarán las actividades de supervisión escolar.

Se generará y fomentará la intervención de padres de familia en asuntos escolares, atendiendo demandas específicas y promoviendo su participación en la comunidad escolar.



- Se contribuirá a la consolidación de los Sistemas Estatales de Evaluación y Planeación Territorial.

Se definirán los criterios básicos para graduar las escuelas apoyadas por acciones compensatorias que han demostrado mejora en sus indicadores educativos para que éstas sigan siendo atendidas por los Sistemas Estatales de Educación.

En suma, se continuará apoyando a las escuelas de educación básica del universo de atención de la fase II del PAREIB, con la finalidad de contribuir consistentemente a la reducción de los índices de deserción, reprobación y repetición escolares.

Para distribuir proporcionalmente los recursos y realizar una focalización adecuada, una de las estrategias del Programa Institucional de Mediano Plazo Conafe 2002-2006 fue establecer criterios actualizados y transparentes para la selección de comunidades y escuelas a ser atendidas, que cuenten con el reconocimiento de las secretarías e institutos de educación pública de los gobiernos estatales.

Después de más de una década de operar con éxito, los programas compensatorios se reorientarán considerando las transformaciones del entorno sociodemográfico y educativo del país y, desde luego, los resultados de las consultas y evaluaciones a las que han sido sometidos.

El Gobierno Mexicano, a través de la Secretaría de Educación Pública (SEP), ratifica como agencia responsable de la ejecución del PAREIB al Consejo Nacional de Fomento Educativo (Conafe) por su amplia experiencia en este tipo de proyectos sociales, por los resultados exitosos obtenidos y sobre todo por el compromiso que ha demostrado en su esfuerzo por lograr la equidad educativa en México.

Atentamente
El Secretario

Reyes S. Tamez Guerra
REYES S. TAMEZ GUERRA