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The World Bank

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Report No: RES23295

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
A SCHOOL BASED MANAGEMENT PROJECT
LOAN 8446-MX

APPROVED BY THE BOARD ON OCTOBER 24, 2014

TO THE

UNITED MEXICAN STATES

July 13, 2017

ABBREVIATIONS AND ACRONYMS

AEL	Local Education Authority (<i>Autoridad Educativa Local</i>)
AGE	School Based Management Questionnaire (<i>Cuestionario de Autonomía de Gestión Escolar</i>)
CLC	Certified Accounts to be Liquidated (<i>Cuentas por Liquidar Certificadas</i>)
CTE	Technical School Council (<i>Consejo Técnico Escolar</i>)
DGDGE	General Directorate of School Management and Education (<i>Dirección General de Desarrollo de la Gestión Educativa</i>)
FM	Financial Management
FPRE	Education Reform Program Trust Fund (<i>Fideicomiso del Programa de la Reforma Educativa</i>).
FY	Fiscal Year
GDP	Gross Domestic Product
GoM	Government of Mexico
IBRD	International Bank for Reconstruction and Development
LA	Loan Agreement
NAFIN	<i>Nacional Financiera, S.N.C., I.B.D.</i>
PAD	Project Appraisal Document
PDO	Project Development Objective
PEC	Quality Schools Program (<i>Programa Escuelas de Calidad</i>)
PED	Honorable Schools Program (<i>Programa Escuelas Dignas</i>)
PEEARE	Schools of Excellence to End Educational Delay Program (<i>Programa Escuelas de Excelencia para Abatir el Rezago Educativo</i>)
PETC	Full Time Schools Program (<i>Programa Escuelas de Tiempo Completo</i>)
PRE	Education Reform Program (<i>Programa de la Reforma Educativa</i>)
SBM	School Based Management
SEB	Subsecretariat of Basic Education (<i>Subsecretaría de Educación Básica</i>)
SEP	Secretariat of Public Education (<i>Secretaría de Educación Pública</i>)
SHCP	Secretariat of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>)
SisAT	School-based Management Dashboard (<i>Sistema de Alerta Temprana</i>)
STA	Single Treasury Account
WMS	World Management Survey

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**UNITED MEXICAN STATES
School Based Management Project**

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DATA SHEET

Mexico School Based Management Project (P147185)

LATIN AMERICA AND CARIBBEAN

Education

Report No: RES23295

Basic Information									
Project ID:	P147185	Financing Instrument:	Investment Project Financing						
Regional Vice President:	Jorge Familiar	Original EA Category:	Not Required (C)						
Country Director:	Gerardo M. Corrochano	Current EA Category:	Not Required (C)						
Senior Global Practice Director:	Amit Dar	Original Approval Date:	24-Oct-2014						
Practice Manager/Manager:	Reema Nayar	Current Closing Date:	31-Dec-2018						
Team Leader(s):	Rafael E. De Hoyos Navarro								
Borrower: United Mexican States									
Responsible Agency: <i>Secretaría de Educación Pública</i>									
Restructuring Type									
Form Type:		Full Restructuring Paper			Decision Authority: Board				
Restructuring Level:		Level 1							
Financing (as of 15-Apr-2016)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P147185	IBRD-84460	Effective	24-Oct-2014	13-Mar-2015	09-Jul-2015	31-Dec-2018	31-Dec-2018		
Disbursements (in Millions)									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P147185	IBRD-84460	Effective	USD	350.00	350.00	0.00	123.43	226.57	35

Policy Waivers		
Does the project depart from the CAS/CPF in content or in other significant respects?	Yes []	No [X]
Does the project require any policy waiver(s)?	Yes []	No [X]
A. Summary of Proposed Changes		
<p>The proposed restructuring is needed to respond to the consolidation of current programs to strengthen school-based management (SBM) in Mexico. Until June 2016 (end of the 2015-16 school year), SBM in Mexico was implemented through the following four programs: (i) the Schools of Excellence to End Educational Delay Program (<i>Programa Escuelas de Excelencia para Abatir el Rezago Educativo</i>, PEEARE), (ii) the Honorable Schools Program (<i>Programa Escuelas Dignas</i>, PED), (iii) the Quality Schools Program (<i>Programa Escuelas de Calidad</i>, PEC), and (iv) the Full Time Schools Program (<i>Programa de Escuelas de Tiempo Completo</i>, PETC). Under this framework, the World Bank-financed Project supports the implementation of PEC and PETC programs. Effective at the beginning of the 2016-17 school year (August 2016), the Secretariat of Public Education (<i>Secretaría de Educación Pública</i>, SEP) has consolidated PEEARE, PED and PEC into a meta-program called the Education Reform Program (<i>Programa de la Reforma Educativa</i>, PRE). To align with this change, Project restructuring is proposed to support PRE instead of PEC (the Project will continue to support PETC which remains unchanged).</p> <p>The Bank-financed Project will support the two components of PRE that are related to SBM (school autonomy and managerial practices). Both of these PRE Components follow the same approach as the former PEC program: (i) PRE's School Autonomy component continues to provide direct support to schools to implement school improvement plans; and (ii) PRE's Managerial Practices component supports the development and implementation of capacity building activities for supervisors and school directors.</p> <p>Specifically, the following changes to the Project are needed to reflect the substitution of PEC with PRE schools:</p> <ul style="list-style-type: none"> - First, the reference to "PEC" will be removed from the Project Development Objective (PDO), the Project Components and some indicators. For consistency, reference to PEC and PETC will be replaced throughout the Project by "Participating Schools." Moving forward, "Participating Schools" will jointly refer to PRE and PETC Schools. However, the description of the PDO, components and key activities will mostly remain unchanged. - Second, the Results Framework needs to be adjusted to reflect data availability, as well as baseline conditions and progress among PRE beneficiaries. Starting this school year (2016-17) new baselines and targets have been set for PRE schools for all the Project indicators. - Third, the Project Component 1 will be revised to include direct support to foster school autonomy in "Participating Schools". Previously, the Bank-financed Project only provided direct support to PEC schools. The Government of Mexico has now decided to include direct support to both PRE and PETC schools under Component 1. - Fourth, the Project's Financial Management (FM), including flow of funds, has been modified to reflect PRE arrangements, which differ from those under PEC. In addition, FM will now include the flow of funds to support school-based management at PETC schools. The Loan Agreement will be amended to reflect these changes. 		

- Fifth, there will be a reallocation between disbursement categories to provide more financing for Direct Support to Participating Schools as described under Component 1: Increasing School Autonomy and Parent Participation.
- Sixth, the Loan Agreement will also be amended to make eligible expenses for the PETC retroactive as of January 2016.

Change in Implementing Agency	Yes [] No [X]
Change in Project's Development Objectives	Yes [X] No []
Change in Results Framework	Yes [X] No []
Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [X] No []
Change in Loan Closing Date(s)	Yes [] No [X]
Cancellations Proposed	Yes [] No [X]
Change to Financing Plan	Yes [] No [X]
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [X] No []
Change in Disbursement Estimates	Yes [X] No []
Change to Components and Cost	Yes [X] No []
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [X] No []
Change in Procurement	Yes [] No [X]
Change in Implementation Schedule	Yes [] No [X]
Other Change(s)	Yes [X] No []
Appraisal Summary Change in Economic and Financial Analysis	Yes [] No [X]
Appraisal Summary Change in Technical Analysis	Yes [] No [X]
Appraisal Summary Change in Social Analysis	Yes [] No [X]
Appraisal Summary Change in Environmental Analysis	Yes [] No [X]
Appraisal Summary Change in Risk Assessment	Yes [] No [X]

B. Project Status

The Project was approved on October 24, 2014 and became effective on July 9, 2015. Progress towards achievement of the PDO had been rated Satisfactory in all ISRs prior to June 30, 2017 when it was downgraded to Moderately Satisfactory. The ratings have been Satisfactory/Moderately Satisfactory despite a halt in disbursements during the restructuring process because the Project has contributed satisfactorily toward the Bank's broader education program in Mexico. Because of the continued progress of the Project, achievement of the PDO is expected once disbursements resume. Outcome indicators are showing good progress:

-Data from the international instrument, the World Management Survey (WMS), an instrument to measure managerial capacity, shows a baseline of 10.50 percent of schools nationwide having a director with a "sufficient" level of managerial capacity. Based on this baseline, a 40 percent target was set, to be achieved by Participating Schools at the end of the Project.

-The proportion of PEC schools with parents' associations participating in the design, monitoring and adjustment of the school improvement plan has increased from 72.70 in June 2015 to 84.01 in December 2015, already surpassing the end target of 78 percent.

-The dropout rates for participating primary schools (PEC and PETC) have decreased from 3.83 in the baseline year to 3.70 in school year 2014-15. In the same period of time, dropout rates at secondary participating schools have also decreased from 5.44 to 5.24 percent.

-The gross failure rates for primary and secondary participating schools have improved from 1.30 and 9.64 from the baseline year to 0.84 and 9.32 in 2014-15, respectively.

-Repetition rates in secondary schools have also improved, decreasing from 0.87 to 0.82 from the baseline year to 2014-15.

The Project's overall implementation progress is Moderately Satisfactory. Schools in programs to strengthen School Based Management (SBM) have experienced slight delays in receiving the direct support to undertake their annual school improvement plans. However, the Secretariat of Public Education (SEP) has now designed the school-based management dashboard (*Sistema de Alerta Temprana, SisAT*) and has started training supervisors and directors in the use of this dashboard. Moving forward, the main intervention strategy to improve schools' managerial capacity will be to consolidate all capacity building efforts through the adequate use of the SisAT. In addition, the activities under the Impact Evaluation are advancing as originally planned.

The seven States participating in the impact evaluation have finalized the intervention design and are currently receiving their school management diagnosis based on the concluded WMS baseline data collection. The interventions on treatment schools in five States were implemented between October 2015 and June 2016; one State implemented a two-year program which finished in February 2017, and two States initiated during the first semester of school year 2016-2017. The treatment schools participating in the impact evaluation (previously under PEC) will continue to receive support on School Autonomy and Managerial Practices, but now under the PRE program. This will allow the impact evaluation's design to remain intact despite the change in the Government programs.

Disbursements have been smaller than originally planned due to the changes in the exchange rate and budget reductions for the supported Programs. However, more than a third of the total credit has already been disbursed, and the loan is expected to disburse fully by the closing date.

C. Proposed Changes

Development Objectives/Results

Project Development Objectives

Original PDO

The objective of the Project is to improve schools' managerial capacity and parental participation to reduce dropout, repetition and failure rates among PEC Schools and PETC Schools.

Change in Project's Development Objectives

Explanation

The overall objective of the Bank-financed Project remains the same. The only change in the PDO is the replacement of "PEC Schools and PETC Schools" with "Participating Schools." Participating Schools will be clearly defined in the Loan Agreement (LA) and other relevant Project documents as schools that are part of PRE or PETC.

Proposed New PDO

The objective of the Project is to improve schools' managerial capacity and parental participation to reduce dropout, repetition and failure rates among Participating Schools.

Change in Results Framework

Explanation:

Changes in the Results Framework have been made to reflect the change in the Project beneficiaries from "PEC and PETC Schools" to "Participating Schools." Starting with the 2014-15 academic year onwards, data will be collected for PRE schools for all Project indicators and the revised Results Framework includes baseline data (2014-15), progress, and end of Project targets for PRE schools.

The changes to the Results Framework and its rationale are explained in detail below:

Original PDO-level indicator 1. Dropped.

Original wording: Proportion of basic education schools in programs to strengthen SBM (PEC and PETC) with a director that has a "sufficient" level of managerial capacity.

Original Baseline: 10.5 %

Original End-of-Project Target: 40% (set when the baseline was collected)

Actual value: Not available

Rationale:

The original PDO-level indicator 1 has been dropped as part of this Project restructuring since:

(i) The "sufficient level of managerial capacity" was not defined and could not be measured appropriately and the lack of a clear benchmark to measure managerial capacity can compromise the quality of the data collection, analysis and comparability.

(ii) It is not possible to measure progress against the set baseline. The Project Appraisal Document (PAD) dated October 2, 2014 specified that the baseline for this indicator was not available at the time of the Project design, but should have been collected in November 2014. A 10.5% baseline was only reported in December 2015. The baseline reflects a representative sample of schools at the national level, including schools in programs to strengthen SBM as well as schools not benefiting from these programs. Therefore, the baseline provided is not measuring the impact of the Project, as the indicator intended and only provides a picture of schools' managerial capacity nationwide. In addition, the baseline is based on the piloting of the WMS and should be taken with caution since the piloting exercise reflected the need to adapt the WMS to the Mexican context. For all the reasons mentioned above, it will not be feasible/desirable to conduct a data collection exercise to compare the 2015 baseline with the actual value.

Revised PDO-level indicator 1. Added to replace original PDO-level indicator 1.

Wording: Proportion of a representative sample of Participating Schools with a director that scores 3 or above in the World Management Survey.

Baseline: 21%

End of Project Target: 25%

Rationale:

This indicator has been added to measure more accurately the impact of Project activities on improving Participating Schools' managerial capacity. To do so, the indicator uses a survey (the WMS) with 5 managerial capacity scores, with 1 being the lowest and 5 being the highest score for managerial capacity (in the case of Mexico, and some other countries, there are two more intermediate scores 1.5 and 2.5). School directors who score 3 or more in the WMS have a sufficient level of managerial capacity. Thus, an increase in the share of Participating Schools with directors scoring 3, 4 or 5 in the WMS will reflect improvements in Participating Schools' managerial capacity. As part of the impact evaluation of the Project, the baseline for this indicator was collected in a representative sample of 1,665 Participating Schools (PRE schools) in 7 (out of 32) states using the contextualized WMS. The follow-up exercise to update data for this indicator was conducted between October 2016 and May 2017. The impact evaluation will show the causal effect of the activities designed to improve managerial capacities and managerial practices.

PDO-level indicator 2. Dropped.

Original wording: Proportion of PEC schools with parents' associations participating in the design, monitoring, and adjustment of the school improvement plan.

Original Baseline: 72.70%

Original End-of-Project Target: 78.00%

Actual value: 84.01 % in December 2015.

Rationale:

The original PDO-level indicator 2 has been dropped as part of this Project restructuring because the methodologies used to measure parental participation have been costly and problematic. Comparability of the data collected in different years is questionable as the increment in the proportion of PEC schools with parents' associations participating in the design, monitoring and adjustment of the school improvement plan went from 72.70 in June 2015 to 84.01 in December 2015. Therefore, it is deemed necessary to find alternative options to measure the parental participation aspect of the PDO.

Revised PDO-level indicator 2. Added to replace original PDO-level indicator 2.

Wording: Proportion of a sample of Participating Schools that increase parental participation (score more than 1 in the AGE).

Baseline: 83.9 %

End-of-Project Target: 90.0%

Rationale:

This indicator has been added through the proposed restructuring to measure more accurately the impact of Project activities on parents' engagement. To do so, the indicator uses a survey (*Cuestionario de Autonomía de Gestión Escolar, AGE*) with 5 modules. The indicator reflects the proportion of schools where at least 50% of the surveyed parents answer positively to 15 questions used to measure parental participation under the school autonomy model. Thus, an increase in the share of Participating Schools scoring above 1 in the AGE will reflect improvements in parental participation. The baseline for this indicator was collected in a representative sample of 1,091 Participating Schools (PRE schools) in 6 (out of 32) states using the AGE questionnaire. The follow-up exercise to update data for this indicator was conducted between October 2016 and March 2017.

PDO-level indicator 3. Revised

Original wording: Dropout rate among (primary and secondary) basic education schools in programs to strengthen SBM (PEC, PETC).

Original Baseline: Primary 3.83%, Secondary 5.44% (2012-13).

Actual (current): Primary 3.70%, Secondary 5.24% (2014-15). Will be updated with 2015-16 school year data (when available in the first trimester of 2017).

Original End-of-Project Target: Primary 3.48%, Secondary 5.04%

Revised wording: Dropout rate among (primary and secondary) Participating Schools.
Revised Baseline: Primary 3.18%, Secondary 5.31% (2014-15 school year).
Revised End-of-Project Target: Primary 2.91%, Secondary 4.80% (2017-18 School year).

Rationale:

The wording for indicator 3 has been adjusted to reflect the revised PDO. Therefore, "basic education schools in programs to strengthen SBM" has been replaced with "Participating Schools." In addition, data for this indicator will be added for PRE and PETC schools as of the 2014-15 school year to reflect the change in the Project beneficiaries.

PDO-level indicator 4. Revised

Original wording: Gross failure rate among basic education schools (primary and secondary) in programs to strengthen SBM (PEC, PETC).

Original Baseline: Primary 1.30%, Secondary 9.64%

Actual (current): Primary 0.84%, Secondary 9.32% (2014-15). Will be updated with 2015-16 school year data (when available in the first trimester of 2017).

Original End-of-Project Target: Primary 0.09%, Secondary 8.50%

Revised wording: Primary and Secondary school gross failure rate among Participating Schools.

Revised Baseline: Primary 1.10%, Secondary 3.49 (2014-15 school year).

Revised End-of-Project Target: Primary 1.00%, Secondary 3.26% (2017-18 school year).

Rationale:

The wording for indicator 3 has been adjusted to reflect the revised PDO. Therefore, "basic education schools in programs to strengthen SBM" has been replaced with "Participating Schools." In addition, data for this indicator will be added for PRE and PETC schools as of the 2014-15 school year to reflect the change in the Project beneficiaries.

PDO-level indicator 5. Revised.

Original wording: Repetition rate among secondary schools in programs to strengthen SBM (PEC, PETC).

Original Baseline: 0.87%

Actual (current): 0.82%

Original End-of-Project Target: 0.67%

Revised wording: Secondary school repetition rate among Participating Schools.

Revised Baseline: 0.63% (2014-15 school year)

Revised End-of-Project Target: 0.60% (2017-18 school year)

Rationale.

The wording for indicator 3 has been adjusted to reflect the revised PDO. Therefore, "basic education schools in programs to strengthen SBM" has been replaced with "Participating Schools." In addition, data for this indicator will be added for PRE and PETC schools as of the 2014-15 school year to reflect the change in the Project beneficiaries.

Intermediate Results Indicators

The wording for all intermediate results indicators has been adjusted to reflect the revised PDO. Therefore, reference to "basic education schools in programs to strengthen "SBM" or "PEC" have been replaced with "Participating Schools" or PRE. In addition, data for these indicators will be added to data for PRE and PETC schools as of the 2014-15 school year to reflect the change in the Project beneficiaries.

In addition, the indicator measuring the proportion of school directors that receive capacity building on the use of the SBM dashboard in schools in programs to strengthen SBM (PEC and PETC) has been dropped because (as explained in the Components Section), the explicit mention of the school dashboards has been deleted. This will allow stakeholders greater flexibility/autonomy to choose the most relevant capacity building activities to improve managerial capacity at the school level.

Change in Legal Covenants

Explanation:

The direct support to PRE schools will be provided by the Federal Government to the schools without the States' involvement. The legal covenants related to the legal agreements between the Federal Government and the States describe the changes on the flow of funds directly from SEP, through a federal trust fund, to the PRE Schools for Component 1 of the Project. As a result, the implementation arrangements in the LA will be slightly adjusted to reflect this proposed change in the flow of funds. Except for how the funds would flow, all other obligations by the States and PRE Schools remain unchanged.

Ln/Cr/TF	Finance Agreement Reference	Description of Covenant	Date Due	Status	Recurrent	Frequency	Action
IBRD-84460		Loan Agreement: Coordination Agreement Description: The Borrower, through SEP, shall enter into a separate Coordination Agreement, satisfactory to the Bank, for purposes of the carrying out of the Project, with each of the States. The Borrower, through SEP, shall exercise its rights and carry out its obligations under each Coordination Agreement. Schedule 2, I.A.2 Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		No Change
IBRD-84460		Loan Agreement: States Obligations Description: The Borrower, through SEP, shall cause each State to abide by all applicable Project provisions laid out in the Loan Agreement, including the carrying out of the Project in accordance to the Operational Manual (including the IPP and		Complied with	<input type="checkbox"/>		No Change

		the Anti-Corruption Guidelines). Schedule 2, I.A.3 Frequency: CONTINUOUS					
IBRD-84460		Loan Agreement: Direct Support Description: In order for a PEC School to receive a Direct Support: (i) the PEC School shall have entered into, and be in compliance with, an agreement with the relevant State (through its AEL) under terms and conditions set forth in the Operational Manual. Schedule 2, I.A. 4.(b) Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		Revised
IBRD-84460		Loan Agreement: Direct Support Description: In order for a Participating School to receive a Direct Support: (i) the Participating School shall have entered into, and be in compliance with, an agreement with the relevant State (through its AEL) under terms and conditions set forth in the Operational Manual. Schedule 2, I.A. 4.(b) Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		Proposed
IBRD-84460		Loan Agreement: Organizational Structure Description: The Borrower, through SEP, shall maintain and operate at all times during Project implementation an organizational structure acceptable to the Bank. Schedule 2, I.A.6.(a) Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		No Change

IBRD-84460		<p>Loan Agreement: Contrato de Mandato Description: The Borrower, through SHCP and SEP, shall enter into a contract, satisfactory to the Bank, with NAFIN. The Borrower shall exercise its rights and carry out its obligations under the Contrato de Mandato in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Schedule 2, I.B. Frequency: CONTINUOUS</p>		Complie d with	<input type="checkbox"/>		No Change
IBRD-84460		<p>Finance Agreement: Trust Agreements Description: The Borrower, through SEP, shall transfer the funds to finance Part 1 of the Project through the FNEC and through the relevant FEEC. The Borrower, through SEP, shall exercise its rights and carry out its obligations under the FNEC and under the FEECs in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Schedule 2, I.C. Frequency: CONTINUOUS</p>		Complie d with	<input type="checkbox"/>		Revised
IBRD-84460		<p>Loan Agreement: Trust Agreements Description: The Borrower, through SEP, shall transfer the funds to finance Part 1 of the Project through the FPPEARE to the Participating Schools.</p>		Complie d with	<input type="checkbox"/>		Proposed

		Schedule 2, I.C. Frequency: CONTINUOUS					
IBRD-84460		Loan Agreement: Anti-Corruption Description: The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines. Schedule 2, I.D.1 Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		No Change
IBRD-84460		Finance Agreement: Anti-Corruption Notice to States Description: The Borrower, through SEP, shall issue a notice (Oficio) acceptable to the Bank asking the States to comply with transparency and anti-corruption provisions, and stating that once the States have deposited funds in the relevant FEEC, such deposit will be interpreted as a tacit acceptance of the Oficio's transparency provisions. Schedule 2, I.D.2 Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		Revised
IBRD-84460		Loan Agreement: Anti-Corruption Notice to States Description: The Borrower, through SEP, shall ensure that each State complies with the terms and conditions of the respective written commitment letters to comply with the Anticorruption Guidelines, as each commitment letter is included in the Operational Manual, in response to the		Complied with	<input type="checkbox"/>		Proposed

		Borrower's notice Schedule 2, I.D.2 Frequency: CONTINUOUS					
IBRD-84460		Finance Agreement: Anti-Corruption Notice to FNECs and FEECs Description: The Borrower, through SEP, shall issue a notice to the financial institutions that administer the funds under the FNEC and FEECs informing them of the existence of the Anti-Corruption Guidelines. Schedule 2, I.D.3 Frequency: CONTINUOUS		Complie d with	<input type="checkbox"/>		Revised
IBRD-84460		Loan Agreement: Anti- Corruption Notice to FPEEARE Description: The Borrower, through SEP, shall issue a notice to the financial institution that administers the funds under the FPEEARE informing them of the existence of the Anti- Corruption Guidelines. Schedule 2, I.D.3 Frequency: CONTINUOUS		Complie d with	<input type="checkbox"/>		Proposed
IBRD-84460		Finance Agreement: Trust Agreements (cont.) Description: The Borrower, through SEP, shall ensure, and shall cause the States to ensure, through the exercise of the Borrower's voice and voting rights and the exercise of the State's voice and voting rights in the technical committees of the FNEC or the FEECs, as it may correspond, that Part 1 of		Complie d with	<input type="checkbox"/>		Revised

		the Project is carried out in accordance with the provisions of this Agreement. Schedule 2, I.C.(b) Frequency: CONTINUOUS					
IBRD-84460		Loan Agreement: Trust Agreements (cont.) Description: The Borrower, through SEP, shall ensure, through the exercise of the Borrower's voice and voting rights in the technical committee of the FPPEARE, that Part 1 of the Project is carried out in accordance with the provisions of this Agreement. Schedule 2, I.C.(b) Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		Proposed
IBRD-84460		Loan Agreement: Trust Agreements (cont. 2) Description: (including the Anti-Corruption Guidelines provisions and the IPP). Schedule 2, I.C.(b) Frequency: CONTINUOUS		Complied with	<input type="checkbox"/>		No Change
IBRD-84460		Loan Agreement: Trust Agreements (cont. 3) Description: The Borrower, through SEP, shall exercise its rights and carry out its obligations under the FPPEARE in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Schedule 2, I.C.(c) Frequency: CONTINUOUS		Not yet due	<input type="checkbox"/>		New
IBRD-84460		Loan Agreement: Anti-Corruption Notice to States (cont.) Description: (Oficio)		Not yet due	<input type="checkbox"/>		New

		acceptable to the Bank, asking the States to comply with transparency and anticorruption provisions. Schedule 2, I.D.2 Frequency: CONTINUOUS							
Financing									
Reallocations									
Explanation:									
The Government of Mexico requested the proposed reallocation between disbursement categories as detailed in the Legal Amendment letter and in this Restructuring Paper. A combined total of US\$5,975,000 has been reduced from two categories: (i) Project Incremental Costs, which refers to the allocation agreed upon by the Bank and SEP for incremental operating expenditures, and (ii) Consultants' services, non-consulting services, and Capacity Building which refers to expenditures incurred for such services and for capacity building activities such as workshops, conferences, and seminars related to the Project. This total has been reallocated to Category 1 which provides for all goods and services related to Direct Support for Participating Schools relevant to the Project as described under Component 1: Increasing School Autonomy and Parent Participation.									
Ln/Cr/TF	Currency	Cat. No.	Current Category of Expenditure	Allocation Current	Actual Disbursements	Pending Commitments	Allocation Proposed	Disbursement % (Type Total)	
								Current	Proposed
IBRD-84460-001	USD	1	GO, CW, CS Relevant Direct Support	342,000,000.00	122,558,490.84	0.00	347,975,000.00	100.00	100.00
		2	Incremental Costs (OP)	2,000,000.00	0.00	0.00	150,000.00	100.00	100.00
		3	CS, NCS and Capacity Building	5,125,000.00	0.00	0.00	1,000,000.00	100.00	100.00
		5	PREMIUM FOR CAPS/COLLARS	0.00	0.00	0.00	0.00	0.00	0.00
			Total:	349,125,000.00	122,558,490.84	0.00	349,125,000.00		
Disbursement Estimates									
Change in Disbursement Estimates									
Explanation:									
Disbursement estimates have been changed to reflect actual disbursements to date and estimates for the									

remaining loan balance.

Fiscal Year	Current (USD)	Proposed (USD)
2015	875,000.00	875,000.00
2016	161,500,000.00	122,558,490.84
2017	75,000,000.00	0.00
2018	75,000,000.00	192,816,509.16
2019	37,625,000.00	33,750,000.00
2020	0.00	0.00
Total	350,000,000.00	350,000,000.00

Components

Change to Components and Cost

Explanation:

Project Component 1. Increasing School Autonomy and Parent Participation. Component 1 will now support the provision of Direct Support to foster school autonomy and implement Improvement Plans in 'Participating Schools' instead of in PEC schools. The description and activities under Project Component 1 will only experience minor changes related to the school eligibility criteria and criteria for resource allocation to schools.

Eligibility criteria will change since 'Participating Schools' will now be selected in two different ways: (i) PRE schools will be selected by the Federal Government and ratified by the States, and (ii) PETC schools will be selected by the Local Education Authority (AEL) and approved by the Federal Government. Previously, schools applied voluntarily to the program and were selected by the States. Priority will continue to be given to schools serving marginalized and vulnerable populations and those with low achievement levels in the national standardized test and with high dropout rates. The Government has decided to change the eligibility criteria to ensure that schools in greatest need benefit from program participation regardless of whether they apply or not. One of the lessons learned with PEC was that the poorest schools (usually with the lowest capacity and human and social capital) opt out of the program whereas the relatively better off schools self-selected into the program.

The amounts of the direct support to PRE schools will now be defined by a resource allocation formula using only one criterion: exogenous conditions as opposed to the two criteria (exogenous conditions and performance in quality indicators) used previously under PEC. The Government has decided to only use exogenous conditions (for the moment), since PRE is a new program and finding reliable and fair proxies to measure school performance in quality indicators starting from the outset is not feasible. However, the Government is considering reintegrating the quality criteria once PRE matures. In the case of PETC, the direct support is allocated by fixed payments considering equity criteria and the financial availability of resources assigned to the school autonomy component of the PETC. The Government is also considering integrating quality criteria into this aspect of PETC.

Project Component 2. Improving Schools' Managerial Capacity. Component 2 will now support the provision of technical assistance to 'Participating Schools' to strengthen school-based management. The explicit reference to the school dashboards will be deleted because the Government has now decided that it is better to have each state decide which interventions make the most sense depending on their specific context and challenges. This does not exclude the possibility of using the dashboards to strengthen SBM

and will allow incorporation of other capacity building strategies to improve managerial skills of school directors and communities. At least 6 out of the 32 states have already been selected and are implementing concrete capacity building activities to improve school management practices.

Project Component 3 Research and Innovation. The activities of Component 3 remain the same, but now support the provision of support to States to improve adherence to Operational Rules of "Participating Schools" instead of PEC's Operational Rules through the carrying out of workshops and knowledge exchange activities. As such the description under Project Component 3 will remain unchanged.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Increasing School Autonomy and Parent Participation	Increasing School Autonomy and Parent Participation	342.00	342.00	
Improving Schools' Managerial Capacity	Improving Schools' Managerial Capacity	3.50	3.50	
Research and Innovation	Research and Innovation	3.62	3.62	
	Total:	349.12	349.12	

Other Change(s)

Change in Financial Management

Explanation:

Financial Management arrangements will be simplified. Before the restructuring, funds were transferred from PEC's National Trust Fund to a number of State Trust Funds only after States participating in the program transferred their contribution into the State Trust Funds. The funds were then transferred to eligible schools as per the instructions of the Local Education Authority (*Autoridad Educativa Local*, AEL). With the proposed restructuring, the flow of funds will operate as follows: Under PRE, every school cycle, the Program's funds will be transferred to a National Trust Fund (*Fideicomiso del PRE*) and from the National Trust Fund directly to the schools.

Under PETC, every school cycle, the Program's funds will be transferred to the State Finance Secretariats. Then, funds will be transferred to the State Education Secretariats and from there, funds will be transferred to Eligible Schools under the PETC Program.

Accountability and eligibility of expenditures will be mostly the same under both Programs, PRE and PETC, with minor differences, which will be detailed in the operational manual.

Other Change(s)

Explanation:

The Loan Agreement will be amended to make the PETC eligible expenses retroactive as of January 2016. This action is needed since the Government decided to include, as part of the Project Component 1, direct support to foster school autonomy in PETC schools. The only activities that will be paid for retroactively with the Bank Loan will be those activities considered in the original Project design, namely direct support to implement Improvement Plans for increasing School Autonomy and Parent Participation. The Loan Agreement will be amended to reflect these changes. All PETC expenditures followed the original implementation arrangements, making them eligible for retroactive financing.

Annex 1: Results Framework and Monitoring

Project Name:	Mexico School Based Management Project (P147185)	Project Stage:	Restructuring	Status:	FINAL
Team Leader(s):	Rafael E. De Hoyos Navarro	Requesting Unit:	LCC1C	Created by:	Antonella Novali on 13-Apr-2016
Product Line:	IBRD/IDA	Responsible Unit:	GED04	Modified by:	Antonella Novali on 07-Jul-2017
Country:	Mexico	Approval FY:	2015		
Region:	LATIN AMERICA AND CARIBBEAN	Financing Instrument:	Investment Project Financing		

Project Development Objectives

Original Project Development Objective:

The objective of the Project is to improve schools' managerial capacity and parental participation to reduce dropout, repetition and failure rates among PEC Schools and PETC Schools.

Proposed Project Development Objective (from Restructuring Paper):

The objective of the Project is to improve schools' managerial capacity and parental participation to reduce dropout, repetition and failure rates among Participating Schools.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
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Marked for Deletion	Proportion of basic education schools in programs to strengthen SBM (PEC and PETC) with a director that has a 'sufficient' level of managerial capacity	<input type="checkbox"/>	Percentage	Value	10.50	10.50	40.00
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
New	Proportion of a representative sample of Participating Schools with a director that scores 3 or above in the World Management Survey	<input type="checkbox"/>	Percentage	Value	21.00	21.00	25.00
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			
Marked for Deletion	Proportion of PEC schools with parents' associations participating in the design, monitoring, and adjustment of the school improvement plan	<input type="checkbox"/>	Percentage	Value	72.70	84.01	78.00
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
New	Proportion of a sample of Participating Schools that increase parental participation (score more than 1 in the AGE)	<input type="checkbox"/>	Percentage	Value	83.90	83.90	90.00
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			
Revised	Dropout rate among Participating Schools (primary)	<input type="checkbox"/>	Percentage	Value	3.18	3.18	2.91
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			
Revised	Dropout rate among Participating Schools (secondary)	<input type="checkbox"/>	Percentage Sub Type Breakdown	Value	5.31	5.31	4.80
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			
Revised	Gross failure rate among Participating Schools (primary)	<input type="checkbox"/>	Percentage	Value	1.10	1.10	1.00
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018

				Comment			
Revised	Gross failure rate among Participating Schools (secondary)	<input type="checkbox"/>	Percentage	Value	3.49	3.49	3.26
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			
Revised	Repetition rate among Participating Schools (secondary)	<input type="checkbox"/>	Percentage	Value	0.63	0.63	0.60
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	General national criteria for the application of the formula to allocate direct transfers to schools adopted by all States	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			
No Change	Design of capacity building activities on SBM for school supervisors	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
Revised	Percentage of supervisors of Participating Schools that receive capacity building activities in SBM	<input type="checkbox"/>	Percentage	Value	0.00	62.03	80.00
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
No Change	Design of capacity building activities on SBM for school directors	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			

Marked for Deletion	Proportion of school directors that receive capacity building on the use of the SBM dashboard in schools in programs to strengthen SBM (PEC and PETC)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	80.00
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
No Change	Design of capacity building activities on SBM for parents	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
Revised	Proportion of Participating Schools that provide capacity building activities to parents on SBM	<input type="checkbox"/>	Percentage	Value	0.00	46.13	90.00
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
No Change	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	6900000.00	9656040.00	8900000.00
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
No Change	Female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	48.63	49.10	48.70
No Change	New instrument to measure schools' managerial capacities designed and implemented	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
Revised	Baseline data collected, analyzed, and presented to education authorities (for the assessment of interventions on	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Aug-2014	16-Dec-2016	31-Dec-2018
				Comment			

	Participating Schools)						
Revised	First follow-up data collected, analyzed, and presented to the education authorities for policy adaptation/re-design (for the assessment of interventions on Participating Schools)	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			
Revised	Second follow-up data collected, analyzed, and presented to the education authorities for policy adaptation/redesign (for the assessment of interventions on Participating Schools)	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	01-Aug-2014	30-Apr-2016	31-Dec-2018
				Comment			