

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA7175

Project Name	Mexico Reducing Inequality of Educational Opportunity Project (P149858)
Region	LATIN AMERICA AND CARIBBEAN
Country	Mexico
Sector(s)	Primary education (66%), Pre-primary education (31%), Public administration- Education (3%)
Theme(s)	Education for all (100%)
Lending Instrument	Investment Project Financing
Project ID	P149858
Borrower(s)	United Mexican States
Implementing Agency	Consejo Nacional de Fomento Educativo (CONAFE)
Environmental Category	C-Not Required
Date PID Prepared/Updated	18-Aug-2014
Date PID Approved/Disclosed	18-Aug-2014
Estimated Date of Appraisal Completion	27-Jun-2014
Estimated Date of Board Approval	22-Oct-2014
Decision	<ul style="list-style-type: none"> a) The QER meeting endorsed the decision of preparing a stand-alone IPF following Track 1. b) The chair authorized the team to appraise the Project; c) The review discussed the risk rating of the Project and agreed to rate the Project Moderate for both preparation and implementation.

I. Project Context
Country Context

A middle-income country and a member of the Organization of Economic Co-operation and Development (OECD) with a per capita GDP of US\$9,749 (2012), Mexico is the second biggest economy in Latin America and the fourteenth in the world. Although the country made a quick recovery from the 2008-09 recession, it has not achieved expected growth rates. Mexico's real GDP growth rate (1.4 percent in 2013) has been slower than the Latin American and Caribbean (LAC) average (2.5 percent). This disappointing growth performance is attributed to stagnant total factor productivity and is partly explained by low competition, poor contract enforcement, excessive regulations, a modest level of technological innovation, and low levels of human capital. There is widespread consensus that the low quality of education services is among the main drivers of low productivity and hence one of the most important constraints to achieving long term growth.

After a constant decline in the proportion of the population with incomes below the poverty line observed between 1996 and 2006, poverty has been on the rise. According to the National Council for the Evaluation of Social Development Policy (Consejo Nacional de la Evaluación de la Política de Desarrollo Social, CONEVAL), the decentralized Government agency responsible for measuring poverty, in 2012 19.7 percent of the population in Mexico lived with incomes below those needed to satisfy basic needs, up from 14 percent in 2006. The national poverty headcount ratio hides important differences within Mexico. For instance, the “food poverty” headcount ratio in the northern state of Nuevo León is as low as 7.8, but it reaches 48.6 in the southern state of Chiapas. CONEVAL’s multidimensional poverty measure shows that in 2012, one in five Mexicans did not complete basic education, with this proportion remaining constant since 2005.

Both income inequality and the income of the bottom 40 percent have seen modest improvements when compared with the rest of the region. Between 2001 and 2012, Mexico's Gini coefficient declined from 51.3 to 49.4, while for the entire LAC region it dropped from 59 to 52.1 during the same time period. Slow growth, combined with a modest reduction in inequality, has translated into a limited progress in boosting shared prosperity. Between 2004 and 2012, the annual growth rate of the average income of the bottom 40 percent of the income distribution has grown at only 1.30 percent, as opposed to a regional average of 5.01 percent.

The Government of Mexico (GoM) has undertaken a reform process to encourage economic growth while reducing poverty and income inequality. The constitutional reforms approved so far include Education, Labor, Telecommunications, Competition, Financial, Fiscal, Political, and Energy. Additionally, the GoM’s National Development Plan (NDP) for 2013-18 has five main components: Peace, Inclusion, Quality of Education, Prosperity and Global Responsibility. A main priority for the growth and development of Mexico emphasized both in the reform process and in the NDP is improving the quality of education, reducing access and achievement gaps between rich and poor to increase productivity, and long term growth while reducing social inequalities.

The National Development Plan (NDP) for the years 2013-18 has established five top priorities, with the alleviation of widespread poverty and inequality at the front of the Government's agenda. The NDP priorities are: i) peace and security; ii) a more inclusive Mexico; iii) improvement of the quality of education; iv) promotion of prosperity; and v) consolidation of Mexico as an important international actor. To alleviate the still widespread poverty and inequality, the President of Mexico launched the Cruzada Nacional Contra el Hambre (CNCH, National Crusade Against Hunger) in 2012, an inter-sectoral and inter-governmental strategy to reach Mexico's poorest and most marginalized municipalities. The first stage of the CNCH targeted 405 municipalities and included over 70 federal programs in an effort to bring together interventions to cover food poverty and the lack of basic social needs, among them, education.

Sectoral and institutional Context

The Mexican education system is structured as follows: three grades of preschool, six grades of primary school, three grades of lower secondary, and three grades of upper secondary. Preschool, primary and lower education are normally classified as basic education. Following the Ley General de Educación (2001), the number of compulsory years of preschool has gradually increased to three. While the pre-school coverage among 4 year-olds is almost universal, it is still below 70 percent among 3 year-olds. Around 45 percent of the entire Mexican student population is in

primary education, divided into different subsystems. The Secretaría de Educación Pública (Secretariat of Public Education, SEP) carries the main responsibilities, which include, among others, the design of the curriculum, the establishment of learning achievement standards, and the planning, hiring and firing of teachers.

Mexico has made significant advances in coverage in primary and lower secondary education, but educational attainment lags behind other countries in the region and the OECD. 2012 PISA scores put Mexico among the last places in Mathematics (413 points compared to the OECD average of 494), Reading (424 points compared to the OECD average of 496), and Science (415 points compared to the OECD average of 501). Net coverage has also increased in preschool, secondary, and upper secondary levels at rates of 70, 80 and 52 percent, respectively, for the 2011-2012 period, but quality needs to be incorporated into the coverage efforts.

There are dramatic differences in educational attainments within the country. The average number of years of education varies dramatically across states: in Mexico City and Nuevo León, the average number of years of education are 10.5 and 9.8, respectively, as compared to 6.3 in Chiapas. In 2013, 28 percent of students enrolled in grades 3 to 6 in indigenous schools scored either Good or Excellent on the Evaluación Nacional del Logro Académico en Centros Escolares (ENLACE, the national student assessment), as opposed to 44 percent for those enrolled in general schools.

There are many contributing factors that explain this inequality in education outcomes, including early life conditions and the quality of service provision. Parental investments in rural areas of Mexico are constrained by limited resources, insufficient information, and low expectations on the returns to investments. As a result, parents in indigenous communities are less likely to engage in activities that can contribute to the cognitive and non-cognitive development of their children. There is well established evidence that early child investment programs can have very large returns and contribute to reduce inequality of opportunities between children from different economic backgrounds. Nevertheless, the quality of services that do reach children in rural areas of Mexico are on average worse than services elsewhere.

Constraints in access and low quality of supply can further explain the inequality in educational outcomes in Mexico. According to the Comisión para el Desarrollo de los Pueblos Indígenas (CDI) (2008), 80 percent of the indigenous population earns an income below the minimum salary. Limited financial resources and geographic distance explain some of the differences in the dropout rate in lower secondary education between students in urban and indigenous schools. However, differences in the quality of supply can also explain the differential outcomes. About half of the teachers in indigenous schools have a level of education equal or lower to upper secondary. In Chiapas, 69 percent of primary schools are multigrado, as opposed to 8.4 percent in Mexico City.

Since its inception, the Consejo Nacional de Fomento Educativo (CONAFE) has delivered education services to children living in the most remote areas of the country. When it was founded in 1971, the great majority of the Mexican population was living in rural and often very remote areas of the country. The shortage of teachers and the difficult access left the traditional school models ill-suited to provide services to these areas. CONAFE introduced a community-based model (often referred to as community schools) where young graduates – mostly from high school – spend, on average, two years teaching in the primary and lower secondary levels. In exchange, these teachers, called Líderes para la Educación Comunitaria (LECs), receive a scholarship to continue their studies after their posting. They are generally assigned to communities very far from

their birth place and parents from the community cover their basic necessities, including room and board. In addition to managing these community schools, CONAFE also supports traditional schools administered by the state-level education authorities (henceforth state schools). The support provided by CONAFE, commonly known as acciones compensatorias (compensatory actions), typically consists of school materials, small scale infrastructure projects, and school grants.

CONAFE interventions are highly targeted to communities of high and very high levels of marginalization, with a special focus on indigenous and ethnic minorities. The community-based models comply with the constitutional mandate of providing education to communities of high and very high levels of marginalization. CONAFE was among the first institutions to introduce Early Childhood Development (ECD) in Mexico, with a model that reaches more than 450,000 children at the national level annually. The community-based model features trained men and women from the community (promotores) that teach parents about healthy child development and good parenting practices, including interaction activities with their children in order to promote the different domains of child development. This and the other interventions described above are adapted to the needs of the local communities.

Community schools in the 405 municipalities of the CNCH perform worse than the national average. In the school year 2009-10, the retention rate recorded at the national level in lower secondary in community schools was 84 percent, as opposed to 94 percent in state schools. In the same school year, in the 405 municipalities of the CNCH, the retention rate for community schools was 81 percent, while state schools were more comparable to the national average.

The gap in attainments between community and state schools has increased over time, and it will further increase if the quality of teaching does not improve in CONAFE schools. In 2006, 15 percent of primary education students attending state schools scored Good or Excellent on ENLACE in Spanish, as opposed to just 5 percent in community schools. In 2012, the percentage had not changed in community schools, but it reached 44 percent in state schools. Due to their status, the LECs will not benefit from the teacher professionalization. Moreover, the increased availability of other scholarships makes the option of serving as a CONAFE teacher less appealing, as witnessed by their high turnover rate. These two factors, coupled with the systematic under-investment in community schools, are likely to lead to an increased gap in teacher quality between community and state schools.

The financing gap is exacerbating the learning gap. In 2012, 48 percent of CONAFE's budget was devoted to compensatory actions. More than 5 million students attending traditional state schools were targeted by compensatory programs, with an average transfer of US\$26 per student per year. This represents very little compared to the average expenditure per student in state schools in primary education (on average US\$1150 per year) and in secondary (US\$1800). On the other hand, 339,000 students were attending community schools in basic education, with an average expenditure per student of US\$650 per year.

Other SEP programs will target state schools in the most marginalized areas of the country. While the Programa Escuelas de Calidad (PEC) gives priority to basic education schools in the most marginalized areas of the country, two newly designed programs: the Programa Escuelas de Excelencia and the Programa Escuelas de Tiempo Completo (PETC) explicitly target state schools in the most marginalized areas of the country.

There is an increased need for institutional coordination between CONAFE and other actors. In order to boost quality, all potential duplications need to be avoided. First, given that Oportunidades is planning to start its own ECD program and since there is significant overlap between the target populations of Oportunidades and CONAFE, the two programs should coordinate their actions and eventually work towards a unique ECD strategy. Second, since the targeting mechanisms likely to be used by the new and redesigned SEP programs (e.g Programa Escuelas de Excelencia and Programa Escuelas de Tiempo Completo) are likely to lead to the inclusion of many state schools that currently receive compensatory actions from CONAFE, this may be a good time to reconsider the scope and purpose of CONAFE's compensatory actions.

Mexico acknowledges the impact that delivering quality education services has in the country's overall growth and development. Therefore, both the Education Reform and the National Development Plan for 2013-18 were developed with Quality Education as one of the central objectives. The Education Reform (ER) focuses on three changes: i) the creation of the National Teacher Service; ii) the autonomy of the National Institute for Education Evaluation (INEE); and iii) the creation of a system for the management and operation of education. These changes are linked to the main objectives for Quality Education in the NDP: strengthen teacher professionalization, modernize infrastructure, and promote ICT in the teaching process; guarantee an inclusive education system; increase access to culture and sports as a means of integral citizen development; and promote ICT and innovation. The proposed interventions to be supported through this operation fit squarely within these reform priorities. A high quality ECD intervention represents the basis of an inclusive education system. The Asesores Pedagógicos Itinerantes (API) Intervention will contribute to the professionalization of teachers operating in remote areas that would otherwise have few chances to improve their skills.

II. Proposed Development Objectives

The Project's development objective is to improve parental competencies in Early Childhood Development (ECD) in targeted rural communities and increase the transition rate from the primary to the secondary education level in CONAFE-administered schools in target municipalities.

III. Project Description

Component Name

Supporting Early Childhood Development

Comments (optional)

This Component would support community sessions aimed at improving the competencies of parents, relatives and caregivers of children ages 0-4 in subjects related to the children's comprehensive development.

Component Name

Mobile Pedagogical Support (Asesores Pedagógicos Itinerantes – APIs)

Comments (optional)

This component would support activities to provide services of mobile pedagogical support to under-performing students, teachers, and parents of students in under-performing community schools in the 405 municipalities of the CNCH. Each mobile tutor (API) is assigned to two schools.

Component Name

Technical Cooperation, Monitoring and Evaluation

Comments (optional)

This component would support activities to strengthen the design and the implementation of the three interventions.

IV. Financing (in USD Million)

Total Project Cost:	150.00	Total Bank Financing:	150.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
International Bank for Reconstruction and Development			150.00
Total			150.00

V. Implementation

The Project continues to use the implementation arrangements used under the Compensatory Education Project. As such, it would continue to use country systems to the maximum extent possible and would be managed by a fully integrated Project Coordination Unit. Nacional Financiera, S.N.C. (NAFIN) would continue to act as financial agent of the Borrower with regard to the Loan. In that capacity, NAFIN would continue to be responsible for financial administration, including managing loan disbursement processes and providing other implementation support and oversight to CONAFE, based on its many years of experience with Bank-financed projects. A new Subsidiary Agreement would be signed between NAFIN, SHCP and CONAFE, outlining the obligations of each party in the implementation of the Project in order to ensure the achievement of the stated objectives.

CONAFE would continue to be responsible for the overall execution of the Project and responsibilities would be divided into three areas: technical activities, monitoring and administrative activities. The technical activities would be implemented by a fully integrated Project Coordination Unit composed of the Dirección de Educación Comunitaria e Inclusión Social (Community Education and Social Inclusion Directorate – DECIS) and the Dirección de Planeación (Planning Directorate, DP), which would be responsible for daily management of activities, including the consolidation of the yearly work plan, program execution yearly reviews, and monitoring of project objectives, goals, processes, and timetables in coordination with SEP and the Secretarías Estatales de Educación Pública (State Level Secretariats of Public Education – SEPEs). The DECIS would also be responsible for coordinating with normative areas of SEP and communication with state-level offices. The monitoring of project activities, including management of information systems, would be undertaken by the DP. The administrative activities would be carried out by the Dirección de Administración y Finanzas (DAF), including procurement and financial management, and would be the main counterpart for communications with the Bank, through NAFIN.

During the implementation of the Project, CONAFE would maintain Coordination Agreements, outlining the roles and responsibilities of actors in each of the States. The Agreements, together with their technical annexes, constitute the normative framework for the commitment of CONAFE and participating states under the Project. Through this legal vehicle, the parties agree to carry out planning and targeting activities, as well as organization, execution, monitoring and evaluation for the fulfillment of the objectives of the Legal Agreement.

As with the previous operation, two types of Coordination Agreements would be in place,

depending on the implementation arrangements, between CONAFE and States (through the SEPEs): i) “scenario A” states where CONAFE directly implements all activities (including the ECD Intervention) through its Delegación Estatal, in close collaboration with the SEPEs; and ii) “scenario B” states where CONAFE would delegate the implementation of the ECD Intervention to the SEPEs (while maintaining responsibilities for financial management and procurement). It is important to note that in both cases, the flow of funds remains within CONAFE.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		x
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

World Bank

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Borrower/Client/Recipient

Name: **United Mexican States**
 Contact: **Secretaría de Hacienda y Crédito Público**
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Implementing Agencies

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