

Document of
The World Bank

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Report No: PAD1062

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$150 MILLION

TO THE

UNITED MEXICAN STATES

FOR A

REDUCING INEQUALITY OF EDUCATIONAL OPPORTUNITY PROJECT

October 2, 2014

Education Global Practice
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective August 20, 2014)

Currency Unit = Mexican Peso

MX\$1.00 = US\$0.08

US\$1 = MX\$13.08

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|-----------|--|
| AGEs | Support for School Management (<i>Apoyo a la Gestión Escolar</i>) |
| APECs | Associations of Community Members in Support of Community Education (<i>Asociaciones Promotoras de la Educación Comunitaria</i>) |
| APFs | Parent Associations (<i>Asociaciones de Padres de Familia</i>) |
| API | Mobile Pedagogical Support (<i>Asesoría Pedagógica Itinerante</i>) |
| CDI | National Commission for the Development of Indigenous Peoples (<i>Comisión Nacional para el Desarrollo de los Pueblos Indígenas</i>) |
| CONAFE | National Council for Education Development (<i>Consejo Nacional de Fomento Educativo</i>) |
| CONAPO | National Population Council (<i>Consejo Nacional de Población</i>) |
| CNCH | National Crusade Against Hunger (<i>Cruzada Nacional contra el Hambre</i>) |
| CPS | Country Partnership Strategy |
| DAF | Directorate of Finance and Administration (<i>Dirección de Administración y Finanzas</i>) |
| DECIS | Directorate for Community Education and Social Inclusion (<i>Dirección de Educación Comunitaria e Inclusión Social</i>) |
| DGEI | General Directorate for Indigenous Education (<i>Dirección General de Educación Indígena</i>) |
| DPE | Planning and Evaluation Directorate (<i>Dirección de Planeación y Evaluación</i>) |
| ECD | Early Childhood Development |
| ENLACE | National Evaluation of Academic Achievement in Schools (<i>Evaluación Nacional del Logro Académico en Centros Escolares</i>) |
| FORTALECE | Community Strengthening for Education (<i>Fortalecimiento Comunitario para la Educación</i>) |
| GDP | Gross Domestic Product |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IDB | Inter-American Development Bank |
| IMSS | Mexican Institute for Social Security (<i>Instituto Mexicano del Seguro Social</i>) |
| INEE | National Institute for the Evaluation of Education (<i>Instituto Nacional para la Evaluación de la Educación</i>) |

| | |
|--------|--|
| IPP | Indigenous Peoples Plan |
| LEC | Leaders for the Education of the Community (<i>Líderes para la Educación Comunitaria</i>) |
| MEEO | Municipal Educational Equity Office |
| NAFIN | <i>Nacional Financiera, S.N.C., I.B.D.</i> |
| OECD | Organisation for Economic Co-operation and Development |
| OEE | State Executing Entity (<i>Órgano Ejecutor Estatal</i>) |
| OM | Project Operational Manual (<i>Manual Operativo</i>) |
| PAS | Procurement Accredited Staff |
| PAREIB | Program to Reduce the Lag in Early Childhood and Basic Education (<i>Programa para Abatir el Rezago en Educación Inicial y Básica</i>) |
| PISA | Program for International Student Assessment |
| PND | National Development Plan (<i>Plan Nacional de Desarrollo</i>) |
| PSE | Sectoral Program for Education (<i>Programa Sectorial de Educación</i>) |
| SBM | School-Based Management |
| SBD | Standard Bidding Documents |
| SEP | Secretariat of Public Education (<i>Secretaría de Educación Pública</i>) |
| SEPA | Procurement Plans Management System (<i>Sistema de Ejecución de Planes de Adquisiciones</i>) |
| SEPEs | State Level Secretariats of Public Education (<i>Secretarías Estatales de Educación Pública</i>) |
| SHCP | Ministry of Finance and Public Credit (<i>Secretaría de Hacienda y Crédito Público</i>) |
| UCE | State Coordinating Units (<i>Unidades Coordinadoras Estatales</i>) |
| UPC | Compensatory Programs Unit (<i>Unidad de Programas Compensatorios</i>) |

| | |
|----------------------------------|-----------------------|
| Regional Vice President: | Jorge Familiar |
| Country Director: | Gerardo M. Corrochano |
| Senior Global Practice Director: | Claudia Maria Costin |
| Practice Manager: | Reema Nayar |
| Task Team Leader: | Ciro Avitabile |

MEXICO
Reducing Inequality of Educational Opportunity

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PAD DATA SHEET

Mexico

Mexico Reducing Inequality of Educational Opportunity Project (P149858)

PROJECT APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN

Report No.: PAD1062

| Basic Information | | | |
|--|---|---|---|
| Project ID P149858 | EA Category C - Not Required | Team Leader Ciro Avitabile | |
| Lending Instrument Investment Project Financing | Fragile and/or Capacity Constraints [] | | |
| | Financial Intermediaries [] | | |
| | Series of Projects [] | | |
| Project Implementation Start Date 30-Jan-2015 | Project Implementation End Date 31-Dec-2018 | | |
| Expected Effectiveness Date 30-Jan-2015 | Expected Closing Date 31-Dec-2018 | | |
| Joint IFC No | | | |
| Practice Manager/Manager Reema Nayar | Senior Global Practice Director Claudia Maria Costin | Country Director Gerardo M. Corrochano | Regional Vice President Jorge Familiar |
| Borrower: United Mexican States | | | |
| Responsible Agency: Consejo Nacional de Fomento Educativo (CONAFE) | | | |
| Contact: Telephone No.: | Alejandro Verde Lopez | Title: Email: | Director de Administración y Finanzas averde@conafe.gob.mx |
| Project Financing Data(in USD Million) | | | |
| <input checked="" type="checkbox"/> Loan | <input type="checkbox"/> IDA Grant | <input type="checkbox"/> Guarantee | |
| <input type="checkbox"/> Credit | <input type="checkbox"/> Grant | <input type="checkbox"/> Other | |
| Total Project Cost: | 150.00 | Total Bank Financing: | 150.00 |
| Financing Gap: | 0.00 | | |
| | | | |

| Financing Source | Amount |
|---|---------------|
| Borrower | 0.00 |
| International Bank for Reconstruction and Development | 150.00 |
| Total | 150.00 |

Expected Disbursements (in USD Million)

| Fiscal Year | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------|-------|-------|--------|--------|--------|
| Annual | 35.00 | 45.00 | 45.00 | 25.00 | 0.00 |
| Cumulative | 35.00 | 80.00 | 125.00 | 150.00 | 150.00 |

Institutional Data

Practice Area / Cross Cutting Solution Area

Education

Cross Cutting Areas

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

| Major Sector | Sector | % | Adaptation Co-benefits % | Mitigation Co-benefits % |
|---|---------------------------------|------------|--------------------------|--------------------------|
| Education | Primary education | 66 | | |
| Education | Pre-primary education | 31 | | |
| Public Administration, Law, and Justice | Public administration-Education | 3 | | |
| Total | | 100 | | |

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

| Major theme | Theme | % |
|-------------------|-------------------|------------|
| Human development | Education for all | 100 |
| Total | | 100 |

| Proposed Development Objective(s) | | | |
|---|----------------------------|-----------------|------------------|
| The objectives of the Project are: (a) to improve parental competencies in early childhood development in targeted rural communities; and (b) increase the transition rate from the primary to the secondary education level in CONAFE-administered schools in targeted municipalities. | | | |
| Components | | | |
| Component Name | Cost (USD Millions) | | |
| Early Childhood Development | 115.97 | | |
| Mobile Pedagogical Support (<i>Asesores Pedagógicos Itinerantes</i>) | 31.41 | | |
| Technical Assistance, Research and Innovation | 2.24 | | |
| Compliance | | | |
| Policy | | | |
| Does the project depart from the CAS in content or in other significant respects? | | Yes [] | No [X] |
| Does the project require any waivers of Bank policies? | | Yes [] | No [X] |
| Have these been approved by Bank management? | | Yes [] | No [] |
| Is approval for any policy waiver sought from the Board? | | Yes [] | No [X] |
| Does the project meet the Regional criteria for readiness for implementation? | | Yes [X] | No [] |
| 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 |
| Legal Covenants | | | |
| Name | Recurrent | Due Date | Frequency |
| Coordination Agreement | X | | CONTINUOUS |
| Description of Covenant | | | |

The Borrower shall cause CONAFE to enter into a separate Coordination Agreement, satisfactory to the Bank, with each of the States (through the relevant SEPE). The Borrower shall cause CONAFE to exercise its rights and carry out its obligations under each Coordination Agreement. Schedule 2, Section I.A.2

| Name | Recurrent | Due Date | Frequency |
|--------------------|-----------|----------|------------|
| States' Obligation | X | | CONTINUOUS |

Description of Covenant

The Borrower shall, and shall cause CONAFE, to ensure that each State abides 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 Anti-Corruption Guidelines). Schedule 2, Section I.A.3

| Name | Recurrent | Due Date | Frequency |
|------------------------|-----------|----------|------------|
| Project Implementation | X | | CONTINUOUS |

Description of Covenant

The Borrower shall cause CONAFE to coordinate Project implementation through the DECIS, DAF and DPE and ensure that DECIS, DAF and DPE maintain, throughout Project implementation, staff in sufficient numbers and with experience and qualifications satisfactory to the Bank. Schedule 2, Section I.A.4.(a)

| Name | Recurrent | Due Date | Frequency |
|----------------------------|-----------|----------|------------|
| <i>Contrato de Mandato</i> | X | | CONTINUOUS |

Description of Covenant

The Borrower, through SHCP, shall enter into a contract (*Contrato de Mandato*), satisfactory to the Bank, among CONAFE and 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, Section I.B.1

| Name | Recurrent | Due Date | Frequency |
|-----------------|-----------|----------|------------|
| Anti-Corruption | X | | CONTINUOUS |

Description of Covenant

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and therefore establishing that all parties (individuals and entities) involved in the Project agree, by the mere fact of participating in the Project, to be bound by, and to comply with, the Anti-Corruption Guidelines. Schedule 2, Section I.C.1

| Name | Recurrent | Due Date | Frequency |
|------------------------|-----------|---|-----------|
| Anti-Corruption Notice | | 10 business days after the date of the Loan Agreement | |

Description of Covenant

The Borrower shall, no later than the date 10 business days after the date of the Loan Agreement, issue a notice (*Oficio*) acceptable to the Bank asking the States to comply with transparency and anticorruption provisions, including a provision stating that the Bank is supporting the Project through this Agreement. Schedule 2, Section I.C.2

Conditions

| Source Of Fund | Name | Type | |
|--|------------------------------------|------------------------------------|-------|
| IBRD | <i>Contrato de Mandato</i> | Effectiveness | |
| Description of Condition | | | |
| The <i>Contrato de Mandato</i> has been duly executed by the parties thereto. Article V, 5.01 | | | |
| Source Of Fund | Name | Type | |
| IBRD | Legal Opinions | Effectiveness | |
| Description of Condition | | | |
| The Borrower, CONAFE and NAFIN, indicate that the <i>Contrato de Mandato</i> has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, CONAFE and NAFIN and is legally binding upon the Borrower, CONAFE and NAFIN in accordance with the <i>Contrato de Mandato's</i> terms. Article V, 5.02. | | | |
| Team Composition | | | |
| Bank Staff | | | |
| Name | Title | Specialization | Unit |
| Ciro Avitabile | Economist | Team Leader | GEDDR |
| Wendy Cunningham | Program Leader | Program Leader | LCC1C |
| Antonio Cristian D'Amelj | Counsel | Counsel | LEGLE |
| Janet K. Entwistle | Senior Operations Officer | Senior Operations Officer | GEDDR |
| Mariana Escalante Seyffert | Junior Professional Associate | Junior Professional Associate | GSPDR |
| Jimena Garrote | Senior Counsel | Senior Counsel | LEGLE |
| Peter Anthony Holland | Senior Education Specialist | Senior Education Specialist | GEDDR |
| Nancy Montes de Oca | Team Assistant | Team Assistant | LCC1C |
| Reema Nayar | Practice Manager | Practice Manager | GEDDR |
| Antonella Novali | Program Assistant | Program Assistant | GEDDR |
| Victor Manuel Ordonez Conde | Senior Finance Officer | Senior Finance Officer | CTRLN |
| Gabriel Penaloza | Procurement Specialist | Procurement Specialist | GGODR |
| Juan Carlos Serrano-Machorro | Sr Financial Management Specialist | Sr Financial Management Specialist | GGODR |
| Non Bank Staff | | | |
| Name | Title | City | |
| | | | |
| Locations | | | |

| Country | First Administrative Division | Location | Planned | Actual | Comments |
|----------------|--------------------------------------|--------------------------------|----------------|---------------|-----------------|
| Mexico | Yucatan | Estado de Yucatan | X | X | |
| Mexico | Veracruz-Llave | Estado de Veracruz-Llave | X | X | |
| Mexico | Tlaxcala | Estado de Tlaxcala | X | X | |
| Mexico | Tamaulipas | Estado de Tamaulipas | X | X | |
| Mexico | Tabasco | Estado de Tabasco | X | X | |
| Mexico | Quintana Roo | Estado de Quintana Roo | X | X | |
| Mexico | Queretaro | Estado de Queretaro de Arteaga | X | X | |
| Mexico | Puebla | Estado de Puebla | X | X | |
| Mexico | Oaxaca | Estado de Oaxaca | X | X | |
| Mexico | Nuevo Leon | Estado de Nuevo Leon | X | X | |
| Mexico | Morelos | Estado de Morelos | X | X | |
| Mexico | Mexico | Estado de Mexico | X | X | |
| Mexico | Hidalgo | Estado de Hidalgo | X | X | |
| Mexico | Guerrero | Estado de Guerrero | X | X | |
| Mexico | The Federal District | Distrito Federal | X | X | |
| Mexico | Chiapas | Estado de Chiapas | X | X | |
| Mexico | Campeche | Estado de Campeche | X | X | |
| Mexico | Zacatecas | Estado de Zacatecas | X | X | |
| Mexico | Sonora | Estado de Sonora | X | X | |
| Mexico | Sinaloa | Estado de Sinaloa | X | X | |
| Mexico | Sinaloa | Estado de Sinaloa | X | X | |
| Mexico | San Luis Potosi | Estado de San Luis Potosi | X | X | |
| Mexico | Nayarit | Estado de Nayarit | X | X | |
| Mexico | Michoacan | Estado de Michoacan de Ocampo | X | X | |

| | | | | | |
|--------|---------------------|--------------------------------|---|---|--|
| Mexico | Jalisco | Estado de Jalisco | X | X | |
| Mexico | Guanajuato | Estado de Guanajuato | X | X | |
| Mexico | Durango | Estado de Durango | X | X | |
| Mexico | Colima | Estado de Colima | X | X | |
| Mexico | Coahuila | Estado de Coahuila de Zaragoza | X | X | |
| Mexico | Chihuahua | Estado de Chihuahua | X | X | |
| Mexico | Baja California Sur | Estado de Baja California Sur | X | X | |
| Mexico | Baja California | Estado de Baja California | X | X | |
| Mexico | Aguascalientes | Estado de Aguascalientes | X | X | |

I. STRATEGIC CONTEXT

A. Country Context

1. **Prudent economic policies in Mexico over the past two decades contributed to the progressive attainment of macroeconomic stability and a synchronization of the business cycle with the country's main trading partners.** After the 2008-09 global financial crisis, Mexico's economy rebounded quickly, reaching an average growth rate of 4.4 percent between 2010 and 2012. More recently, a global economic slowdown contributed to a deceleration of economic growth to 1.1 percent in 2013. While the weakness in economic activity extended well into the first half of 2014, growth is expected to rebound during the second half of the year, leading to a growth projection for 2014 of 2.3 percent¹ and a further cyclical recovery over the next couple of years.

2. **Despite weathering these recent crises, Mexico's long-term economic growth has been somewhat below expectations, limiting a rise in average living standards and more rapid progress on poverty reduction.** Mexico is an upper middle-income country and a member of the OECD and the G20. In 2013, its GNI per capita was approximately 39 percent of the level observed in high income OECD countries, the same proportion observed two decades ago, signaling a lack of progress in economic convergence. Over the past three decades, annual GDP growth averaged 2.4 percent and only 0.8 percent per capita. Growth decomposition exercises point to insufficient average productivity growth as the main cause of the less than satisfactory growth performance. An underdeveloped financial system, labor market rigidities, high informality, scarce skilled labor, regulatory barriers for doing business, and weak innovation and limited market competition in key input sectors such as telecommunications and energy are often cited as constraints to productivity growth.

3. **A long-term view of poverty shows that monetary poverty has not decreased in the last decade, with 2012 rates similar to the rates in 2002.** The monetary (income) measure of poverty, for which long term trends are available in Mexico, shows that poverty has not changed significantly in the last decade and has actually slightly increased from 50.0 in 2002 to 52.3 percent in 2012. In particular, monetary poverty rose significantly between 2006, when it had reached 42.9 percent, and 2012,² breaking the previous decade-long trend of poverty reduction.

4. **Multi-dimensional poverty and extreme poverty declined in recent years, although opportunities to earn an income remain limited for the poor.** Mexico was the first country in Latin America to adopt a multi-dimensional Poverty Index as its official poverty measure in 2008. The multidimensional poverty measure was defined by the National Evaluation Council (CONEVAL) as a combination of income poverty and a set of deprivations (nutrition, education, social security, basic services, access to health services, and quality and space of the dwelling). According to this multidimensional measure, poverty and extreme poverty declined from 46.1 percent to 45.5 percent and from 11.3 percent to 9.8 percent, respectively, between 2010 and 2012 (53.3 million poor and 11.5 million extremely poor in 2012). This decline is largely due to an increased access to social services, particularly health care. Poverty among the indigenous

¹ World Bank *Global Economic Prospects* June 2014

² CONEVAL, 2012. Same data source applies for data on poverty in the following paragraphs

population has fallen faster, but their poverty levels (72.3 percent) remain significantly higher than among non-indigenous populations.

5. **Implementation of an ambitious structural reform agenda introduced by the current administration has the potential to raise productivity and unleash growth in the medium term.** Over the past two years, major progress has been achieved on the enactment of legislative changes in the areas of labor market regulation, education, telecommunication and competition policy, financial sector regulation, energy, and fiscal policy. Additionally, the Government of Mexico's (GoM) 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 Government currently faces significant challenges to implement these reforms with numerous new regulatory agencies being created. There is a clear potential for these reforms to enhance potential output growth, which is currently estimated in the range of 2.5-3.0 percent.

6. **The Government has also launched a flagship nutrition program as part of its focus on alleviation of widespread poverty and inequality.** The President of Mexico launched the *Cruzada Nacional Contra el Hambre* (National Crusade Against Hunger, CNCH,) 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.

B. Sectoral and Institutional Context

7. **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 secondary 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 preschool 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.

8. **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 Program for International Student Assessment (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 increased in preschool, lower 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.

9. **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* (National Evaluation of Academic Achievement in Schools, ENLACE), the national student assessment), as opposed to 44 percent for those enrolled in general schools.

10. **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 childhood investment programs can have very large returns and contribute to reduce inequality of opportunities between children from different economic backgrounds.³ Nevertheless, the quality of services that do reach children in rural areas of Mexico is on average lower than services elsewhere.

11. **Constraints in access and low quality of supply can further explain the inequality in educational outcomes in Mexico.** According to the *Comisión Nacional para el Desarrollo de los Pueblos Indígenas* (National Commission for the Development of Indigenous Peoples, CDI) (2008), 80 percent of the indigenous population earns an income below the minimum salary. Limited monetary 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* (multigrade), as opposed to 8.4 percent in Mexico City.

12. **Since its inception, the *Consejo Nacional de Fomento Educativo* (National Council for Education Development, CONAFE), an institution under Mexico's Federal Government, 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* (Leaders for the Education of the Community, LECs), receive a scholarship to continue their studies after their posting. They are generally assigned to communities 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

³ Experiences in early years of life determine much of the later development (Heckman and Carneiro, 2003, 2010), and early investments can have long-term impacts both on education and labor market outcomes (Gertler et al., 2013).

provided by CONAFE, commonly known as *acciones compensatorias* (compensatory actions), typically consists of school materials, small-scale infrastructure projects, and school grants.

13. **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.

14. **Community schools in the 405 municipalities of the *Cruzada Nacional contra el Hambre* (National Crusade against Hunger, 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.

15. **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.

16. **Limited resources are exacerbating the learning gap.** In 2012, average spending on the 339,000 students in CONAFE's community schools was US\$650 per student per year, compared to US\$1,150 and US\$1,800 in state primary and lower secondary schools, respectively. Moreover, 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 above-mentioned average expenditure per student that state schools already receive from other sources.

17. **Other *Secretaría de Educación Pública* (Secretariat of Public Education, SEP) programs will also target state schools in need of support.** The *Programa Escuelas de Calidad* (PEC) will now prioritize basic education schools in the most marginalized areas of the country, as will two newly designed programs: the *Programa Escuelas de Excelencia* and the *Programa Escuelas de Tiempo Completo* (PETC).

18. **There is an increased need for institutional coordination between CONAFE and other actors.** In order to boost quality and efficiency, all potential duplications need to be avoided. Given that PROSPERA (*Programa de Inclusión Social*), formerly *Oportunidades (Programa de Desarrollo Humano Oportunidades – SEDESOL)*, is planning to start its own ECD program and since there is significant overlap between the target populations of PROSPERA and CONAFE, the two programs should coordinate their actions and eventually work towards a joint ECD strategy.

19. **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 *Instituto Nacional para la Evaluación de la Educación* (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* (Mobile Pedagogical Support, API) Intervention will contribute to the professionalization of teachers operating in remote areas that would otherwise have few chances to improve their skills.

C. Higher Level Objectives to which the Project Contributes

20. The Reducing Inequality of Educational Opportunity Project is aligned with the Country Partnership Strategy (CPS) for 2014-19 (Report No. 83496), discussed by the Executive Directors on December 12, 2013, particularly with the theme of Increasing Social Prosperity. Through this highly targeted focus on the improvement of the school trajectories of children living in the poorest and most marginalized municipalities in Mexico, this operation would work to eradicate extreme poverty and boost shared prosperity. The Project would also contribute to the achievement of two objectives in the NDP (2013-18): Inclusive Mexico and Mexico with Quality Education. Specifically, the proposed Project aims toward the higher level objective of improving ECD and improving educational attainments of students in the most marginalized areas of the country by improving parental competencies in ECD and increasing the transition rate from primary to lower secondary in community schools. The Figure below depicts Bank engagement in Mexico's education sector.

Figure 1: Bank Engagement in Education in Mexico

| Stages of Engagement in Education in Mexico | | | | |
|---|--|--|--|--|
| | Foundations and early support [1995–2003] | Broadening engagement [2004–2009] | Expanding support [2009–2013] | Consolidation [2013-beyond] |
| Knowledge Services | | <ul style="list-style-type: none"> Education Quality (2005) Enhancing Productivity, Knowledge, and Competitiveness in Mexico (2006) Education Quality II (2006) Mexican Alliance for Education Quality (2009) Secondary Education (2008) | <ul style="list-style-type: none"> Nuevo Leon Technical Assistance (2010) Colima Evaluation (2010) PSIA analysis of the Upper Secondary Education Reform (2011) Improving Skills for Enhanced Labor Market Productivity PKS (P128775, 2012-13) | <ul style="list-style-type: none"> Supporting Education Evaluation Agenda (P150318, 2014-16) SIEF evaluations for private school and APIs |
| Financial Services | <ul style="list-style-type: none"> Primary Education Project (1991) Initial Education Project (1992) Primary Education Project II (1994) Basic Education Development Project (P040199, US\$115 million, 1998) Higher Education Financing Project (P049895, US\$180.2 million, 1998) Knowledge and Innovation Project (P044531, US\$300 million, 1998) Basic Education Development Project II (P057531, US\$300 million, 2002) | <ul style="list-style-type: none"> Basic Education Development Project III (P85851, US\$300 million, 2004) Education Quality Project (APL I) (P088728, US\$240 million, 2005) Innovation for Competitiveness (P089865, US\$250 million, 2005) Tertiary Education Student Assistance Project (P085593, US\$171 million, 2005) | <ul style="list-style-type: none"> Upper Secondary Education DPL (P112262, US\$700 million, 2010) School-based Management PEC APL II (P115347, US\$220 million, 2010) Compensatory Education CONAFE (P101369, US\$100 million, 2010) Upper Secondary Education DPL II (P126297, US\$300 million, 2012) | <ul style="list-style-type: none"> Upper Secondary Education DPL III (P147244, US\$300 million, 2014) School Based Management Project (P147185, US\$350 million, 2015) Reducing Inequality of Educational Opportunity (P149858, US\$150 million, 2015) |
| Convening Services | | | <ul style="list-style-type: none"> Dissemination event of report: "Opening Up the Black Box: Assessing Teacher and Student Practices in the Classroom" (June 2012) Dissemination of study: "Educación Superior y Desarrollo en Oaxaca" (February 2013) Presentation to SEMS: "La Educación Media Superior Después de 5 años de Reforma" (April 2013) Learning exchange on Upper Secondary Education during a visit of SEMS authorities to World Bank Headquarters (May 2013) Workshop: "Seminario de Buenas Prácticas en Autonomía y Gestión Escolar" (June 2013) | <ul style="list-style-type: none"> Workshop on dropout rates in upper secondary education in Mexico and to present an international analysis on strategies to reduce dropouts (July 2013) Workshop on Teachers Policies with a focus on improving in-service teacher training in upper secondary (July 2013) |
| | CAS 95-97, 97-99, 99-02, 02-05 | FY03-07 CPS | FY08-13 CPS | FY14-19 CPS |

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective

21. The objectives of the Project are: (a) to improve parental competencies in early childhood development in targeted rural communities; and (b) increase the transition rate from the primary to the secondary education level in CONAFE-administered schools in targeted municipalities.

B. Project Beneficiaries

22. The Project would primarily target the most disadvantaged students in communities with high and very high levels of marginalization. The ECD Intervention would target 450,000 children in the age group 0-3 years and 11 months and their parents in targeted rural communities throughout the country. The API Intervention would provide intensive pedagogical support to students with the worst ENLACE scores in schools with at least 30 percent of students scoring “Insufficient” on ENLACE. The Project would support the API Intervention in 4,198 primary schools throughout the country, with a focus on municipalities targeted by the *Cruzada Nacional Contra el Hambre* (CNCH). 41,900 students would benefit from the APIs’ support in the targeted schools.

C. PDO Level Results Indicators

23. The Project’s objective would be measured using the following project development indicators:

- Score of parenting practices among caregivers of children ages 0-3 years and 11 months, as measured by a HOME type of instrument, in targeted rural communities in six states, as detailed in Annex 1.
- The transition rate from primary to secondary education for graduates of CONAFE-administered schools in select municipalities targeted by the *Cruzada Nacional Contra el Hambre*.

III. PROJECT DESCRIPTION

24. The Project’s objective would be achieved through the re-designing and scaling-up of interventions at the early childhood and basic education levels. The interventions supported under the Project aim at improving parental competencies in early childhood development and increasing the transition rate from primary to secondary education by strengthening the involvement and collaboration of parents, communities, and teachers in the delivery of education services.

25. The Project would seek to scale up two of the four interventions that were already included under the Mexico Compensatory Education Project (P101369, Ln. 7859-MX): ECD and APIs. The Project would continue following a multi-layered approach that recognizes the importance of multiple actors in improving student outcomes throughout the different education stages. The ECD Intervention would promote the cognitive and non-cognitive development of children ages 0-3 years and 11 months through community sessions that aim at improving of parental competencies in early childhood development. The API Intervention acknowledges that students, parents, and

teachers play a key role in the learning production function of students in basic education and would seek to strengthen the abilities of all of them in order to increase the transition rate from primary to secondary education through regular visits of the Mobile Pedagogical Units. While the intervention is extremely promising, and the OECD included it among the 30 most innovative interventions in education in the year 2013, many of its features are still experimental, thus increasing the uncertainty about the potential targets. Improvements in the selection, capacity building, and assignment of the APIs would be piloted and evaluated under the new Project. Finally, the Project would provide technical assistance to improve the design and the implementation of the *Fortalecimiento Comunitario para la Educación Program* (Community Strengthening for Education, FORTALECE), which tries to improve school outcomes of children in targeted communities by strengthening the role of community and increasing the accountability of the school authorities in the community schools.

A. Project Components

26. The Project would have three main components: (i) Early Childhood Development; (ii) Mobile Pedagogical Support (*Asesores Pedagógicos Itinerantes*); and (iii) Technical Cooperation, Research and Innovation.

Component 1: Early Childhood Development (US\$115.970 million)

27. Provision of capacity building to parents, relatives and caregivers of children aged 0 to 3 years and 11 months in selected rural communities to improve their competencies in caring for children and contributing to their comprehensive development through, *inter alia*:

- (a) the carrying out of capacity building activities to parents, relatives, and children aged 0 to 3 years and 11 months, through the provision of ECD Support to ECD promoters, module supervisors, zone coordinators and liaison coordinators;
- (b) the carrying out of capacity building activities for ECD promoters, module supervisors, zone coordinators and liaison coordinators; and
- (c) the design of educational modules to carry out the activities under Component 1(a) and (b).

Component 2: Mobile Pedagogical Support (*Asesores Pedagógicos Itinerantes*) (US\$31.410 million)

28. Carrying out of mobile pedagogical support to under-performing students, teachers, and parents of students in selected under-performing community schools through, *inter alia*:

- (a) the provision of mobile pedagogical support to selected students, teachers and parents of students in selected under-performing community schools through the provision of API Support to APIs and their supervisors;
- (b) the carrying out of capacity building activities for APIs and their supervisors; and
- (c) the design of educational modules to provide the pedagogical support under Component 2(a).

Component 3: Technical Cooperation, Research and Innovation (US\$2.245 million)

29. Provision of technical assistance to CONAFE to support Project management, including the carrying out of any analysis required.

B. Project Financing

30. This is a Project Investment Financing supported by an IBRD loan of US\$150 million (see Table 2).

Project Cost and Financing

Table 2: Project Cost and Financing

| Project Components | Project Cost (US\$ Million) | IBRD Financing (US\$ Million) | % Financing |
|---|-----------------------------|-------------------------------|-------------|
| 1. Early Childhood Development | 115.970 | 115.970 | 100% |
| 2. Mobile Pedagogical Support (<i>Asesores Pedagógicos Itinerantes</i>) | 31.410 | 31.410 | 100% |
| 3. Technical Cooperation, Research and Innovation | 2.245 | 2.245 | 100% |
| 4. Total Project Costs | 149.625 | 149.625 | 100% |
| 5. Front-end Fee | 0.375 | 0.375 | 100% |
| 6. Total Financing Required | 150.00 | 150.00 | 100% |

C. Lessons Learned and Reflected in the Project Design

31. **Several lessons from the Mexico Compensatory Education Project and previous Bank programs of support have been incorporated in the design of the proposed Project.** Lessons have been learned about the logistics of the ECD sessions and the APIs' visits. First, with respect to the ECD Intervention, the sessions specifically targeted at fathers have proven unsuccessful. They would be replaced by joint sessions for fathers and mothers, but would be held at times not conflicting with fathers' working schedules. Lessons have also been learned with regards to the ECD curriculum design and implementation and the operational cycle (see Annex 2 for more details). Additionally, wherever possible, the visits of the APIs to parents would be held on weekends in order to maximize the probability that fathers who work outside the village of origin are present at the moment of the visit, since women are less likely to receive the API when alone at home.

32. **The API Intervention improved the transition rate from primary to lower secondary.** The results of an impact evaluation, described in further detail in Annex 2, show that a proxy for the probability of transitioning from primary to secondary education is statistically higher in

schools that received the API Intervention compared to the ones that acted as control in the experimental setting.

33. **Better selection and better capacity building are essential to increase the effectiveness of the APIs.** Preliminary results from the impact evaluation mentioned above show that APIs have not been successful in involving parents. There is also some evidence of higher teacher absenteeism in schools targeted by the API Intervention. Evidence collected during the implementation of the Mexico Compensatory Education Project, either through field visits or through focus groups, points at high turnover, insufficient preparation, and little supervision as potential explanations for these results. The following immediate changes to the Intervention will be carried out as result of this evidence: i) the assignment mechanism will be improved in order to guarantee that the API can speak the local language and ii) the frequency of supervision will be increased. Additional changes, including improved capacity building practices and contents for the API, would be piloted in a select group of municipalities and evaluated through a rigorous evaluation.

34. **More time and resources for ECD *promotores* and APIs to share experiences.** During implementation of the Mexico Compensatory Education Project, the APIs and the ECD *promotores* stressed the importance of having more time and resources to share experiences and information with their peers. Additional resources to promote peer learning would be funded as part of the Project.

35. **The pilot effort to contractually delegate CONAFE functions to municipalities had many administrative setbacks and has not been scaled up.** . On the ground, the CONAFE state teams were successful in setting up teams in pilot municipalities to support the municipal authorities in the delivery of CONAFE programs. Where municipalities were more involved, activities were rolled out more cost-effectively, and operational bottlenecks tended to be resolved more quickly. Administratively, however, the design of the agreements between municipalities and the CONAFE central offices was never finalized, and the difficulty in bringing the pilot to scale, due to the technical support to municipalities that was required, resulted in the cancellation of the pilot.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

36. **The Project continues to use the implementation arrangements set up 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., I.B.D.* (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 *Contrato de Mandato* 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.

37. **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* (Directorate for Community Education and Social Inclusion, DECIS) and the *Dirección de Planeación y Evaluación* (Planning and Evaluation Directorate, DPE), 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 DPE. The administrative activities would be carried out by the *Dirección de Administración y Finanzas* (Directorate of Finance and Administration, DAF), including procurement and financial management, and would be the main counterpart for communications with the Bank, through NAFIN.

38. **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 Loan Agreement.

39. **As with the Mexico Compensatory Education Project, two types of Coordination Agreements would be in place, depending on the implementation arrangements, between CONAFE and States (through their own SEPE):** i) “scenario A” states where CONAFE directly implements all activities (including the ECD Intervention) through its *Delegaciones Estatales*, 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). Specificities as to the roles and responsibilities of participating agencies in the Project are further detailed in Annex 3. It is important to note that in both cases, the flow of funds remains within CONAFE.

B. Results Monitoring and Evaluation

40. **CONAFE would compile and calculate Project indicator data on an annual basis from three main sources: its own information system, "Estadísticas 911" produced by SEP, and the data from a standardized test that will replace the ENLACE starting in the school year 2014-15.** The CONAFE information system will provide information about student retention and absenteeism rates, while the “*Estadísticas 911*” would include primary and secondary grade failure rates and preschool and secondary school enrollment numbers. A national standardized test was not conducted in the school year 2013-14, but a new test is expected to be implemented starting in the school year 2014-15. The characteristics of the new test are still to be defined.

41. **The CONAFE information system is in need of modernization and standardization, due to the fact that data are collected at State level using different formats, some of which are**

outdated. Attempts to improve the system have been carried out both by the Bank and other donors – e.g. the Inter-American Development Bank (IDB). As part of Project preparation, a consultant was hired to conduct a diagnostic of the existing issues and provide advice on possible solutions.

C. Sustainability

42. **The sustainability of the impact is evidenced by the results of evaluations. The sustainability of the Project is assured in fiscal and political terms.** In technical terms, the interventions are likely to generate long-lasting results (see Appraisal Summary – Technical). Fiscally, the ECD Intervention has proven to be cost effective relative to other service delivery models that strive to achieve the same outcomes. As with other social programs in Mexico, demonstrating impact through rigorous evaluations is the best way to ensure that interventions are sustained over the long term. Integrated childhood development has climbed to the top of CONAFE’s development agenda, and the topic is receiving increasing attention nationally as a public policy priority.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

| Risk Category | Rating |
|--|---------------|
| Stakeholder Risk | Low |
| Implementing Agency Risks | |
| - Capacity | Moderate |
| - Governance | Low |
| Project Risk | |
| - Design | Low |
| - Social and Environmental | Moderate |
| - Program and Donor | Low |
| - Delivery Monitoring and Sustainability | Moderate |
| Overall Implementation Risk | Moderate |

B. Overall Risk Rating Explanation

43. **The overall risk of the Project is Moderate.** The overall risk of the proposed Project is Moderate. There is a risk that some of the CONAFE state delegations have insufficient capacity and might not be able to guarantee a homogeneous implementation of training programs. In order to mitigate this risk, the CONAFE central authority would conduct closer supervision in those states that are identified as those with lower institutional capacity and additional technical support in the implementation of training programs would be provided where needed. There is a substantial risk of potential duplication in the ECD provision, since the existing *Oportunidades* program is considering the possibility of providing ECD services. While the implementation might take at least four or more years, the Bank team is trying to coordinate the dialogue between the *Oportunidades* and CONAFE management in order to share information about the target

populations and eventually redefine them when overlaps are identified. Additionally, there is a moderate social risk that would be mitigated through a more rigorous assignment of the ECD promoter and the mobile pedagogical tutors to the communities based on the indigenous language spoken. There is a moderate risk in the monitoring of the program because CONAFE's information system does not provide timely information to inform policy decisions and course correct implementation. A consultant with vast experience in information systems is supporting CONAFE in the reorganization of their data sources.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

44. The economic and financial analysis shows that as result of the program, the average worker benefiting from the Project would have an additional 0.22 years of schooling in 2035. Assuming a return to the additional year of schooling in rural areas of 5.5 percent, every generation of Project beneficiaries would experience an average increase of MX\$235 ($=MX\$20,328*0.055*0.22$) per year vis-à-vis the labor remuneration that the same generation would have obtained in the absence of the Project. Since the running costs of the program would be MX\$4 billion, while the total benefits for society until 2035 can be estimated to be around MX\$14.1 billion, the estimated Rate of Return of the Project is 6.4 percent. The high running costs of the ECD intervention and the fact that a large share of its benefits will come as social benefits justifies the Public Sector financing. The Bank's involvement would come in the form of providing technical support on ECD and sharing best international practices about teachers, as well as parental and community involvement. Finally, the design of the program would strengthen the accountability and transparency in rural communities, perhaps even beyond such areas. The Bank would bring its expertise on impact evaluation design, implementation, follow-up, interpretation of results, and feedback to policy design.

B. Technical

45. The rationale for the ECD Intervention proposed in this Project builds on the well-established evidence, both from the Latin America and Caribbean region (e.g. Colombia, Jamaica) and elsewhere, that ECD programs can generate large and significant effects on the cognitive and non-cognitive development of children in the first years of life. Long run evidence from the United States and Jamaica finds that high quality ECD programs are extremely cost effective. The API Intervention, while extremely innovative, finds support in the evidence showing that small group remedial sessions can lead to substantial effects on learning outcomes when targeted at the most disadvantaged students (see Cook et al. (2014) and Bloom (1984) for the US). Vernon et al. (2011) conducted a qualitative evaluation of the CONAFE summer tutoring program, finding that the program was perceived as very useful by teachers, parents and students. The FORTALECE program, a school autonomy program targeted at community schools, builds on the evidence that documents the positive effect of School Based Management in Mexican state schools (Patrinos et al. (2012)). In general, the overall spirit of the Project, which aims at boosting the involvement and the participation of all relevant actors – students, parents, teachers – finds justification in the evidence that multilayered interventions are more effective than interventions that only target specific actors (see Duflo et al. (2012) for Kenya, Patrinos et al. (2013) for Mexico).

C. Financial Management

46. **From the Financial Management perspective, there are considerable implementation challenges.** This is particularly relevant for expenditures envisaged under Component 1 a) and b) and Component 2 a) and b),⁴ which would flow from CONAFE's central office to the CONAFE State Delegations that would operate a massive number of small payments to a large number of program beneficiaries, basically educational staff working in remote areas under the ECD and API programs. In contrast, the flow of funds for expenditures under Component 1 c), Component 2 c) and Component 3 would be simpler, as it would comprise payments from CONAFE's central office for non-consulting services and consultants' services. The FM risk is mitigated primarily by the strong institutional control systems already in place in CONAFE and the fact that there are well defined operating rules governing the program, which include strict eligibility criteria for selecting beneficiaries, clear rules for transferring the money, documenting the program's expenditures, and for program oversight.

47. CONAFE has nearly 20 years of experience working with the Bank and the IDB, and the FM Unit of CONAFE is well staffed with an adequate segregation of functions. In addition, the main fiduciary process would be documented in the Project's Operational Manual and the Project would be audited annually by an acceptable audit firm, in accordance with terms of reference acceptable to the Bank.

D. Procurement

48. **CONAFE is staffed with a procurement expert with extensive experience in Bank operations.** An assessment of the capacity of the Implementing Agency to implement procurement actions for the Project was carried out during the first quarter of 2014 by the Bank. The assessment reviewed the organizational structure for implementing the Project. The key issues and risks concerning procurement for implementation of the Project have been identified and the corrective measures which have been agreed are the following: i) Staff training in order to update staff in Bank policies and procedures; and ii) the incorporation of the Procurement Plan to the web-based *Sistema de Ejecución de Planes de Adquisiciones* (Procurement Plans Management System, SEPA) in order to achieve efficiency and transparency in the management of the Plan.

E. Social (including Safeguards)

49. The Project would have a positive social impact in reducing inequality in education by targeting interventions in the country's poorest localities and especially in the 405 municipalities under the CNCH. OP/BP 4.10 – Indigenous Peoples has been triggered. In order to ensure that Mexico's indigenous populations benefit equally or disproportionately from Project interventions, an Indigenous People's Plan (IPP) was developed based on the experiences of the previous operation and the new targeting mechanisms defined by CONAFE. The IPP discusses: i) the targeting of investments; ii) actions for improving the effectiveness of interventions in indigenous areas; and iii) the associated budget for IPP implementation. For the ECD component, the IPP mentions the importance of the materials to support parental learning. For the APIs, language

⁴ In accordance to the components and activities description included in the section "A – Project Components" of this report.

comes across as the most important issue, and context-specific solutions are recommended, as the needs change according to the geographic location. The preparation of the IPP included a consultation process with school directors, teachers, parents, and students at indigenous schools in 5 states (Estado de México, Morelos, Puebla, Hidalgo and Guerrero). The IPP incorporates their feedback and recommendations accordingly and is in line with the Project's scope. Appropriate procedures for the monitoring and the supervision of the IPP are in place.

50. **Targeting:** By placing special emphasis on municipalities in the CNCH, the Project would increase the potential benefits for indigenous populations. These municipalities comprise 60,248 localities, of which 44 percent (26,330) include indigenous populations, comprising 53 percent of the total indigenous population in Mexico. This percentage was approximately 25 percent under the Compensatory Education Project.

51. **Actions for improving effectiveness:** The community schools, the ECD intervention, and FORTALECE are culturally adequate for indigenous communities, and are therefore expected to reduce educational gaps. Some of the lessons learned under the previous operation that will help to better define Indigenous Peoples' participation strategy are:

- To respond to the cultural environment, joint sessions will be established for mothers and fathers, rather than separating fathers and mothers. Meetings will also take into account working schedules and some APIs' visits will be scheduled during weekends.
- Specific promotion campaigns designed to reach indigenous communities will be designed to promote the participation of indigenous parents and caregivers.
- Better prepared and culturally compatible APIs will be selected to facilitate relationships with parents in indigenous communities. Different selection criteria, as well as different capacity building practices and contents for the API, with an Indigenous Peoples' perspective, will be piloted in municipalities with a high percentage of indigenous population.
- Indigenous *promotores* will be incorporated locally and prepared to better respond to indigenous parents and caregivers' priorities.

52. **Process for finalizing and approving the IPP:** Consultations on the new IPP were held during Project preparation in various indigenous communities throughout Mexico. In addition to identifying lessons learned for improving the design of interventions and operational elements, the consultations served to ground truth the relevance of proposed improvements in the operational manuals of the interventions. The IPP was disclosed on June 20, 2014 on the Bank's website and on CONAFE's website on June 19, 2014.

F. Environmental (including Safeguards)

53. The proposed Project has an Environmental Assessment Category C and OP/BP 4.01 on Environmental Assessment is not triggered as the nature and scope of the Project's activities are not expected to generate adverse environmental impacts.

Annex 1: Results Framework and Monitoring
Country: Mexico
Project Name: Reducing Inequality of Educational Opportunity (P149858)

Results Framework

Project Development Objectives

PDO Statement

The objectives of the Project are: (a) to improve parental competencies in early childhood development in targeted rural communities; and (b) increase the transition rate from the primary to the secondary education level in CONAFE-administered schools in targeted municipalities.

These results are at | Project Level

Project Development Objective Indicators

| Indicator Name | Baseline | Cumulative Target Values | | | | |
|---|--------------------|--------------------------|-------|-------|-------|------------|
| | | YR1 | YR2 | YR3 | YR4 | End Target |
| Score of parenting practices among caregivers of children ages 0-4, in selected states (Number) | 9.88 (2012) | - | 8.65 | - | 7.42 | 7.42 |
| Transition rate from primary to secondary education for the graduates of CONAFE administered schools in selected CNCH municipalities (Percentage) | 60.3% (2011-12) | 63.0% | 66.0% | 68.0% | 70.0% | 70.0% |

| Indicator Name | Baseline | Cumulative Target Values | | | | |
|---|--|--------------------------|---------|---------|---------|------------|
| | | YR1 | YR2 | YR3 | YR4 | End Target |
| Intermediate Results Indicators | | | | | | |
| <i>Component One: Early Childhood Development</i> | | | | | | |
| Level of knowledge about early childhood practices among ECD <i>promotores</i> (Percentage) | Survey to be taken within 6 months of Board approval | | | | | |
| Percentage of <i>promotores</i> who attended at least 2 capacity building sessions in the previous operational cycles (Percentage) | Survey to be taken within 6 months of Board approval | | | | | |
| Number of ECD service points that are established and complete the minimum number of sessions provided for by the model at national level (Number) | 28,422 (Year 2013) | 28,787 | 28,787 | 28,787 | 28,787 | 28,787 |
| Number of fathers and mothers educated, i.e. who attended at least 80 percent of the total number of sessions of the ECD model at national level (Number) | 442,846 (Year 2013) | 445,766 | 445,766 | 445,766 | 445,766 | 445,766 |

| Indicator Name | Baseline | Cumulative Target Values | | | | |
|--|---------------------|--------------------------|------------------|--------------------|------------------|------------|
| | | YR1 | YR2 | YR3 | YR4 | End Target |
| <i>Component Two: Mobile Pedagogical Support (Asesores Pedagógicos Itinerantes)</i> | | | | | | |
| Percentage of primary education community schools in select CNCH municipalities supported by an API (Percentage) | 40% (2013-2014) | 42.5% | 45% | 47.5% | 50% | 50% |
| Percentage of APIs in select CNCH municipalities who attended at least 2 capacity building sessions in the last 11 months (Percentage) | 32% | 60% | 70% | 80% | 90% | 90% |
| Percentage of parents who participate in activities organized by API and LEC at the end of the school year in community schools in selected CNCH municipalities (Percentage) | 52% (2011-12) | 54.5% (2014-15) | 57% (2015-16) | 59.5% (2016-17) | 62% (2017-18) | 62% |
| Time spent by the APIs in one on one remedial sessions with underperforming children during the last visit to school type A (Text) | 1hr 40min (2012) | 2hrs | 2hrs 20min | 2hrs 40 min | 3hrs 20min | 3hrs 20min |

| Indicator Name | Baseline | Cumulative Target Values | | | | |
|--|----------|--------------------------|-----|-----|-----|------------|
| | | YR1 | YR2 | YR3 | YR4 | End Target |
| <i>Component Three: Technical Cooperation, Research and Innovation</i> | | | | | | |
| Focus groups among parents, teachers and community representatives in a sample of communities targeted by FORTALECE (Number) | | | 10 | | 10 | |

Indicator Description

| Project Development Objective Indicators | | | | |
|--|---|---|--|------------------------------------|
| Indicator Name | Description (indicator definition etc.) | Frequency | Data Source / Methodology | Responsibility for Data Collection |
| Score of parenting practices among caregivers of children ages 0-4, in selected states | Mean of scores from baseline of ECD impact evaluation, using an adapted version of the HOME instrument. Lower scores are associated with better parenting practices. Given the standard deviation (sd) of 2.46 in the distribution, the program aims to decrease the mean by half a sd over four years. | Baseline 2012 Follow-ups 2016 and 2018 | Application of a HOME type of instrument, in targeted rural communities in 6 states | CONAFE |
| Transition rate from primary to secondary education for the graduates of CONAFE administered schools in selected CNCH municipalities | Percentage of total students from CONAFE primary schools graduated from 6 th grade in school year T who have enrolled in lower secondary schools (CONAFE or state schools) in school year T+1 in selected CNCH municipalities – the CNCH municipalities where the APIs operate | Annual | Merge of the CONAFE records on primary school enrollment with SEP data on lower secondary enrollment in the CNCH municipalities where the APIs operate | CONAFE |

| Intermediate Results Indicators | | | | |
|--|--|-----------|---|------------------------------------|
| Indicator Name | Description (indicator definition etc.) | Frequency | Data Source / Methodology | Responsibility for Data Collection |
| Level of knowledge about early childhood practices among ECD <i>promotores</i> | Percentage of correct answers to a survey measuring knowledge about early childhood care and development, and parenting practices, based on the adaptation of the Knowledge of Infant Development Inventory (KIDI) instrument to the CONAFE curriculum. The instrument would be applied as part of a survey that would be conducted within 6 months from Board Approval. | Annual | Survey of a nationally representative sample of <i>promotores</i> | CONAFE |
| Percentage of <i>promotores</i> who attended at least 2 capacity building sessions in the previous operational cycles | Percentage of <i>promotores</i> that have participated in the CONAFE-administered capacity-building activities to enhance the quality of the sessions provided. The question would be asked as part of a survey that will be conducted within 6 months from Board Approval. | Annual | Survey of a nationally representative sample of <i>promotores</i> | CONAFE |
| Number of ECD service points that are established and complete the minimum number of sessions provided for by the model at national level | Service points are groups of caregivers meeting on a regular basis, convened by a <i>promotor</i> , to participate in the ECD sessions. The number of sessions per year varies by model, depending on whether the target is parents, children, or expecting mothers. | Annual | Project Progress Reports | CONAFE |
| Number of fathers and mothers educated, i.e. who attended at least 80 percent of the total number of sessions of the ECD model at national level | Number of participants that consistently attend the weekly sessions (80 percent of sessions or more). | Annual | Project Progress Reports | CONAFE |
| Percentage of primary | Total number of schools (A+B) that are | Annual | Project Progress Reports | CONAFE |

| | | | | |
|--|---|--------|---|--------|
| education community schools in select CNCH municipalities supported by an API | receiving support from APIs in the select CNCH municipalities. | | | |
| Percentage of APIs in select CNCH municipalities who attended at least 2 capacity building sessions in the last 11 months | Percentage of APIs deployed in select CNCH municipalities that are participating in CONAFE-administered capacity building sessions aimed at improving the effectiveness of API performance. | Annual | Baseline based on survey in 36 communities benefitted by the APIs surveyed in March 2012. Starting from Year 1, a survey administered to the APIs will include a specific question. | CONAFE |
| Percentage of parents who participate in activities organized by API and LEC at the end of the school year in community schools in selected CNCH municipalities (Percentage) | Percentage of parents of primary education students served by APIs in select CNCH municipalities that attend school-community activities at the end of the school year. | Annual | TBC | CONAFE |
| Time spent by the APIs in one on one remedial sessions during the last visit to school type A | Average time, estimated in hours and minutes, that each API invest in one-on-one tutoring sessions for worst performing students. | | Baseline based on survey in 36 communities benefitted by the APIs surveyed in March 2012. Starting from Year 1, a survey administered to the APIs will include a specific question. | |
| Focus groups among parents, teachers and community representatives in a sample of communities targeted by FORTALECE | Number of focus groups that have been interviewed in the context of the assessment of the FORTALECE evaluation, with the view of identifying lessons learned and updating the operational manual. | Twice | Project Progress Report | CONAFE |

Annex 2: Detailed Project Description

MEXICO: Reducing Inequality of Educational Opportunity Project

A. Project Background

1. **Building on the successes of decades of partnership, the proposed Project would continue to support CONAFE in its innovative efforts to bring quality services to Mexico’s poorest.** This phase of the partnership focuses on the new generation of promising interventions likely to improve the comprehensive early childhood development of children and the quality of education services they receive. In line with CONAFE’s mandate, this Project would continue to focus on Mexico’s most marginalized populations.

2. **Marginalized populations continue to face unequal education opportunities.** While differences in school enrollment between indigenous and non-indigenous populations have narrowed, a greater percentage of children who are indigenous or living in remote areas remain outside the system. Furthermore, indigenous children are more likely to be enrolled at a grade level lower than expected for their age.⁵ Similarly, the rate of timely enrollment in state schools is 97 percent, while in community schools it is 83.6 percent.⁶ Thus, 12.6 percent of children in community schools and 10.9 percent of children in indigenous schools aged 8-14 were enrolled two or more years below grade level in 2012, compared to an average of 2.9 percent in general primary schools.⁷

3. **The quality of education services that does reach these communities is low.** The supply response by formal schools in remote regions with high proportions of indigenous populations has been slow, serving more densely populated areas first. Schools located in indigenous and hard-to-reach remote communities face challenges attracting and retaining qualified teachers due to travel distances and, in some areas, security issues. For indigenous communities, pedagogical materials are often not available in their native languages, complicating fundamental reading instruction, a core prerequisite for many follow-on pedagogical activities. With regards to infrastructure, 80 percent of schools located in communities with 100 or less inhabitants are lacking basic operating conditions (such as functioning toilets or latrines), in comparison to only 15 percent of schools in localities with more than 15,000 people.⁸

4. **Parents in these areas face constraints to demanding quality education services and fostering their children’s learning.** Parents are often unable to recognize if their children are receiving quality services and are unaware of tools and methods that may be at their disposal to enhance accountability at the school level. The capacity of families and community members in marginalized municipalities to support their children’s education is limited by their own low educational attainment. Among indigenous people 25 years or older, 70 percent had not

⁵CDI and UNDP. “*Informe sobre Desarrollo Humano de los Pueblos Indígenas de México 2006.*” 2006.

⁶INEE. “*El Derecho a una Educación de Calidad. Informe 2014.*” 2014.

⁷Ibíd.

⁸Ibíd.

completed basic education⁹ and 26.8 percent ages 15 and over were illiterate, compared to 5.3 percent among non-indigenous people. Furthermore, school attainment among indigenous people was of only 5.1 years,¹⁰ versus the 8.6 years of the national average.¹¹ As a result, indigenous parents invest less in childhood development than non-indigenous parents. According to a 2009 survey,¹² 16 percent of indigenous parents of children ages 36-54 months read books to their children, as opposed to 20 percent of non-indigenous parents. Similarly, 25 percent of indigenous parents sing songs to children in the same age group, as opposed to 41 percent of non-indigenous parents.

B. Detailed Project Components

Component 1: Early Childhood Development (US\$115.970 million)

5. Context: The state of efforts to improve child development outcomes in Mexico is characterized by a multitude of actors operating in a fragmented fashion, with little coherence between interventions. Some efforts focus exclusively on nutrition, while others respond to demand for childcare. Among the public service providers are the *Instituto Mexicano del Seguro Social* (Social Security Mexican Institute, IMSS), *Sistema Nacional para el Desarrollo Integral de la Familia* (DIF), *Secretaría de Desarrollo Social* (SEDESOL), *Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado* (ISSSTE), and SEP, to name the main agencies (see Table A2.1). Within SEDESOL, discussions are also underway for how to better use PROSPERA to achieve child development outcomes. Each of these agencies has programs with varying objectives. Even when objectives are more aligned (e.g. child development vs. childcare), protocols and standards for services differ, separate curricula are developed and used for conducting parenting education, separate capacity building programs are offered for community volunteers and other actors in the operational chain, and different learning materials are used and distributed to families.

6. CONAFE's approach: Within this landscape of public agencies, CONAFE's ECD program stands out for its scale (representing about half of all services provided), enabled in large part by its low cost design. The program reaches approximately 450,000 children per year, and nearly the same number of parents/caregivers. With regards to costs, the total annual cost per child reached is about US\$112. This is achieved through using community assets such as schools, community centers, parks, or other public spaces for the group sessions, and relying on heavily committed and well-trained community members to lead the sessions, who receive a remuneration of approximately US\$80 per month.

7. Evidence of impact: Preliminary findings from the 3ie-funded randomized control trial show that the program is demonstrating results. Using the Ages and Stages Questionnaire (ASQ-3), the study measures the effects on child development by examining five areas of child development, each measured by a normalized index: i) social skills; ii) problem-solving; iii) fine motor; iv) gross motor; and v) communication. As shown in Table A2.2, all of the preliminary

⁹INEE. "El Derecho a una Educación de Calidad. Informe 2014." 2014.

¹⁰ INEE. "Breve panorama educativo de la población indígena." 2014

¹¹ INEE. "Panorama Educativo de México 2012." 2013.

¹² Information from the 2009 baseline survey collection of the PEI-CONAFE impact evaluation

effects on child development are positive, however, the only positive and significant effect is on gross motor skills, possibly reflecting a combination of the strengths of the curriculum and potential bias in the delivery of the curriculum. For the first, it may be that communication, gross motor skills, and fine motor skills develop more immediately than problem solving skills. For the second, instructors may lead with activities that favor gross motor skill development (e.g., playing with balls), since these activities tend to be easier. Leading with the gross motor skills activities can crowd out other stimulation activities that foster fine motor skills. Activities that foster problem-solving are among the harder activities for instructors to carry out, given their limited preparation in this area.

Table A2.1 Public ECD and ECE service providers in Mexico¹³

| Level | Service | # of centers | # of children | # of teachers | Ratio |
|-----------------------------|---|----------------|------------------|----------------|-------|
| Early Childhood Development | <i>Centros de Atención de Desarrollo Infantil (DIF)</i> | 163 | 4,592 | 328 | 1:14 |
| | <i>Estancias Infantiles (SEDESOL)</i> | 8,300 | 65,770 | 8,222 | 1:8 |
| | <i>Estancias para el Bienestar y desarrollo infantil (ISSSTE)</i> | 275 | 34,047 | 2,664 | 1:12 |
| | <i>Guarderías (IMSS)</i> | 1,526 | 228,503 | 32,643 | 1:7 |
| | <i>Centros de desarrollo infantil (CENDI-SEP)</i> | 143 | 14,224 | 1,422 | 1:10 |
| | <i>Educación Inicial No Escolarizada (CONAFE)</i> | 28,000 | 450,000 | 27,189 | 1:15 |
| | <i>Educación Inicial Indígena (SEP)</i> | 2,361 | 62,330 | 2,709 | 1:23 |
| | Subtotal | 40,612 | 851,418 | 75,832 | |
| | General | 88,426 | 4,745,741 | 237,280 | 1:20 |
| Early Childhood Education | Comunitario | 20,978 | 165,548 | 16,520 | 1:10 |
| | Indígena | 9,408 | 383,036 | 17,390 | 1:22 |
| | Subtotal | 118,812 | 5,294,325 | 27,1190 | |
| | Total | 159,424 | 614,5743 | 34,7022 | |

¹³ CONAFE. *Modelo de Educación Inicial de CONAFE* – México. Presentation given at Global Conference on Early Childhood Development: Innovative Models and Global Evidence in Rio de Janeiro, June 17, 2009

8. With regards to caregivers, the main findings (preliminary) are organized according to self-reported data and data capturing observed behavior of caregivers. For self-reported data, which includes information on behaviors such as reading stories, quality of parent-child interactions, support with homework, and family outings, the study finds no pattern of differences between treatment and control. However, when looking at the observed behavior, there are significant differences. The set of questions asked differed slightly for children age 0-35 months and for children age 36-42 months, so these are analyzed separately. For the younger children, positive (i.e., desired) and significant differences are found between treatment and control on four of the eight behaviors (see Table A3.3 and Figure A.2). Note that, for the second variable of interest on the list (interfering with child actions), this refers to caregivers interfering with children exploring their environments. Therefore, a negative score is desirable. Of the four variables that show insignificant effects, all have the desired sign, at least ruling out the possibility of major detrimental impacts of the program. For the older children, the sample is significantly smaller and the measured effect sizes are both insignificant, as well as having point estimates close to zero.

9. The preliminary conclusion is that the program is likely having a modest impact on both children and their parents, particularly for caregivers of younger children. If further analysis bears out these results, then it is likely that this intervention is therefore very cost effective, especially in comparison to other service-delivery options for achieving these changes, such as home visitation.

Table A2.2: Preliminary Impacts on Child Development

| | Communication | Fine Motor | Gross Motor | Resolving problems | Social |
|-------------------|----------------------|--------------------|--------------------|---------------------------|-----------------------|
| Treatment * After | 0.12 (0.07) | 0.10 (0.07) | 0.17** (0.08) | 0.01 (0.08) | 0.07 (0.07) |
| After | 0.09* (0.05) | -0.22*** (0.05) | 0.18*** (0.05) | -0.04 (0.05) | 0.08 (0.05) |
| Constant | -0.06*** (0.02) | 0.08*** (0.02) | -0.11*** (0.02) | 0.01 (0.02) | - 0.05** (0.02) |
| HH Fixed effects | Yes | Yes | Yes | Yes | Yes |
| Observations | 1,357 | 1,357 | 1,357 | 1,357 | 1,357 |

Notes: Scores for each area have been converted into z-scores with mean zero and standard deviation one.

Table A2.3: Preliminary Effects on Observed Caregiver Behavior (Children age 0-35 months)

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|--------------------------------|----------------------|-------------------------|--------------------|------------------|----------------|-------------------------|-------------------------|---------------------|
| | Mom & child together | Mom spoke positively 2x | Responded verbally | Hugged or kissed | Hit or spanked | Stopped child exploring | Gave toys or activities | Kept child in sight |
| Treatment * After | 0.05** | 0.05 | 0.13*** | 0.03 | -0.02 | -0.07** | 0.10** | 0.04 |
| | (0.020) | (0.040) | (0.044) | (0.041) | (0.014) | (0.033) | (0.041) | (0.028) |
| After | -0.07** | 0.08*** | 0.02 | -0.07** | 0.02* | -0.00 | -0.12*** | 0.05** |
| | (0.014) | (0.028) | (0.030) | (0.028) | (0.010) | (0.023) | (0.028) | (0.019) |
| Constant | 0.97** | 0.69*** | 0.69*** | 0.73** | 0.02** | 0.17*** | 0.32*** | 0.86** |
| | (0.005) | (0.010) | (0.011) | (0.010) | (0.004) | (0.008) | (0.010) | (0.007) |
| Observations | 2,058 | 2,050 | 2,057 | 2,053 | 2,053 | 2,035 | 2,032 | 2,035 |
| R-squared | 0.032 | 0.034 | 0.027 | 0.009 | 0.004 | 0.011 | 0.020 | 0.026 |
| Number of children | 1,168 | 1,167 | 1,168 | 1,167 | 1,167 | 1,165 | 1,166 | 1,166 |
| Standard errors in parentheses | | | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | | | |

10. Proposed Bank support: This component would provide capacity building for parents and caregivers of children ages 0 to 3 years and 11 months to improve their competencies in caring for children and contribute to the children's comprehensive child development. The Project would provide coverage to about 450,000 children per year in the most marginalized communities throughout Mexico. The program would continue to feature special modules for pregnant women and fathers, as well as direct early stimulation interventions with children 0 to 3 years and 11 months.

11. Activities to be financed: Activities to be financed would include: (a) delivery of capacity building sessions to parents/relatives and children over a period of nine months per year through the remuneration of promoters, module supervisors, zone coordinators and liaison coordinators; (b) capacity building of ECD promoters, module supervisors, zone coordinators and liaison coordinators, according to the provisions in the Operational Manual; and (c) consulting services to design educational materials for new program components.

12. Selection criteria and targeting: The ECD Intervention would serve CONAFE's target communities throughout the country with a minimum number of potential beneficiaries. Communities would be selected based on CONAFE's statutory Operating Rules, as outlined in its ECD intervention guidelines (see Table A2.4). For the program cycle to start, the community would require a minimum of eight families willing to participate. Participating families may change, as some leave because their child becomes older than age four or for other reasons, and new parents join in any given year. The Project would foster linkages with PROSPERA to the extent possible, both by providing ECD services to recipients of PROSPERA transfers and by creating opportunities for transfer recipients to perform community service and gain employment experience through the ECD Intervention. However, as was noted during Project preparation, CONAFE's target communities often lack the supply of health services necessary for families to participate in PROSPERA.

13. Monitoring and Evaluation: While the Project would support the ECD Intervention in targeted rural communities throughout the entire country, its impact would be measured in only six states – Puebla, Oaxaca, Veracruz, Chiapas, México and Querétaro, due to the high application costs of the selected instrument. Since four out of the six states have more than 50 percent of the population classified as poor, according to the CONEVAL – with México (45.3) and Querétaro (36.9) being the only ones below the national average (45.5), the estimated impact is likely to represent a lower bound estimate of the effect of the ECD Intervention on parental practices, as parents in better-off states are expected to benefit more from the program, as they can rely on better initial conditions. The intermediate outcome indicator for the parenting practice PDO indicator is the level of knowledge about early childhood practices among ECD *promotores* will be collected at the national level.

Table A2.4 Selection Criteria for CONAFE Basic Education Intervention

| Operating Guidelines | Selection Criteria |
|---|---|
| <p><i>Lineamientos Operativos del Programa Prestación de Servicios de Educación Inicial y Básica Comunitaria 2014</i></p> | <p>1. Communities with the lowest human development index or highest marginalization or social decline indices within municipalities identified as priorities by the state and Federal Government with a population between 0 and 3 years 11 months;</p> <p>2. Communities with high or very high marginalization with active pre-school services of any modality;¹⁴</p> <p>3. Communities with a greater population expressing demand for CONAFE’s ECD intervention; Communities receiving economic support from municipal Governments for the establishment of the ECD intervention</p> <hr/> <p>Rural communities with fewer than 500 rural inhabitants and indigenous communities with fewer than 100 indigenous inhabitants, with preference given to communities with high or very high levels of marginalization¹⁵ and social decline¹⁶</p> |

| Operating Guidelines | Selection Criteria |
|---|--|
| <p><i>Lineamientos Operativos del Programa Prestación de Servicios de Educación Inicial y Básica Comunitaria 2014</i></p> | <p>1. Early Childhood Development: children 0 to 3 years 11 months old, parents, caregivers, and pregnant women located in rural and indigenous areas, CNCH municipalities, CONAFE priority municipalities, and areas with high and very high marginalization and/or social lag.</p> <p>2. Community Basic Education</p> <ul style="list-style-type: none"> • Community Preschool: children aged 3 years old by December 31 of the year in which they start the school cycle to 5 years 11 months living in rural and indigenous communities with fewer than 500 inhabitants that register high or very high levels of marginalization and/or social lag and migrant children that reside in Migrant Agricultural Camps and Shelters. • Community Basic: children and adolescents aged 6 years old by December 31 of the year in which they start the school cycle to 14 years 11 months living in rural and indigenous communities with fewer than 100 inhabitants and migrant children and adolescents residing in agricultural camps and shelters. Service is prioritized for communities that register high or very high levels of marginalization |

¹⁴ That is, general, indigenous, or community preschool.

¹⁵ Index defined by Consejo Nacional de Población (National Population Council, CONAPO) that incorporates indicators of education, basic services, quality of housing, isolation (percentage of population living in communities with fewer than 5,000 inhabitants), and income.

¹⁶ Index defined by CONEVAL that incorporates indicators of education, access to health services, basic services, quality of housing, and household assets.

| | |
|--|--|
| | <p>and/or social lag.</p> <ul style="list-style-type: none"> • Community Secondary: educational service geared toward children and adolescents that graduated from community primary schools in areas with fewer than 100 inhabitants that register high or very high levels of marginalization and/or social lag. |
|--|--|

Source: ECD intervention guidelines, “*Educación Inicial 2009-2010: Lineamientos*”

14. Operational specifics: The capacity building of program staff, including ECD promoters, module supervisors, zone coordinators and liaison coordinators, aims to strengthen their knowledge of early childhood development and improve the quality and efficiency of service delivery. Prior to attending courses, staff would sign joint contractual agreements with the state education agency and the CONAFE state delegation.¹⁷ Zone coordinators would each supervise two municipalities, while module supervisors would each supervise ten promoters. The technical team of each state would provide a minimum of 120 hours of capacity building annually through workshops. Supervisors and coordinators would attend an update and induction meeting before the start of the program cycle, followed by the first regional capacity building, which promoters would also attend. Promoters would then participate in an initial preparation meeting. Promoters would participate in two subsequent capacity building workshops during the program cycle, one of which would also be attended by supervisors and coordinators. The promoters also receive assistance from their supervisors in twice-a-month meetings, when they can have questions answered and discuss their experience. In addition, evaluation workshops would be conducted at the end of the program cycle.

15. Capacity building sessions and activities for parents and caregivers, their young children, and pregnant women aim to strengthen family understanding of early childhood development, and demonstrate how the family can best stimulate the process. Each parent education session would follow a didactic approach consisting of four phases: reflection, sharing ideas, practice, and closing and would be supported by program materials provided by CONAFE. Evaluation would be integrated into the program cycle at the beginning (3 sessions), periodically during the course of the year (4 sessions), and at the conclusion (1 session). A promoter having received capacity building would provide 18 weekly two-hour sessions to families with children aged 0 to 3 years and 11 months, eight monthly two-hour sessions to mothers, and eight monthly two-hour sessions to expectant mothers, during nine-month yearly cycles. In addition, the Project would support 18 weekly two-hour early stimulation sessions for children under 2 years old accompanied by their parents, and five special two-hour sessions aimed at fathers.

16. Improvements under this new phase: Working from the lessons learned from the previous phases, several improvements have been proposed for this phase of Bank support. First, the curriculum will be revised in order to address any potential bias towards motor skills and against social or problem-solving skills. Second, with regards to implementation of the curriculum, instructors will be encouraged to rotate lead activities such that all parts of the curriculum are equally emphasized. Third, the operational cycle of the program will be reviewed, including the capacity building, the supervision, and the evaluation of activities. This

¹⁷ However, in the case of Aguascalientes, Baja California, Baja California Sur, Durango, Guanajuato, Guerrero, Hidalgo, Oaxaca, Querétaro, and Veracruz, staff sign agreements only with the CONAFE state delegation.

includes introducing opportunities for peer learning more systematically. In addition to the operational lessons from several years of implementation, these recommendations emerge from the findings of the impact evaluation, as well as a systematic review of the intervention undertaken by a local firm in 2013.¹⁸

Component 2: Mobile Pedagogical Support (*Asesores Pedagógicos Itinerantes*) (US\$31.410 million)

17. Context: The poor education outcomes of students living in the most disadvantaged areas are the result of multiple factors, including low quality of teaching, social disadvantage, difficult family environments, cognitive delays, and lack of personalized learning plans.

18. CONAFE's approach: The API Intervention represents a new approach, in that it leverages recent teacher graduates with the professional knowledge and motivation to support poorly performing schools in communities that are traditionally underserved due to their inaccessibility. Its strategic objective would therefore be to improve the learning of students attending the lowest-performing schools in target municipalities. The API Intervention acknowledges that an effective and long-lasting improvement of the students' outcomes with the worst results in the most disadvantaged areas requires at least 3 components: i) personalized learning support, with the API working directly in one-on-one sessions with students with the lowest learning outcomes; ii) improved pedagogical and didactic practices of teachers that, while beneficial for the whole student community, are likely to benefit more students with worse outcomes; and iii) increased parental involvement, with the API regularly visiting parents to address and discuss issues that might potentially affect student learning.

19. Available Evidence: As part of the Compensatory Education Project, an impact evaluation of the API Intervention was conducted. Initially, 80 schools were randomly allocated into treatment and control groups. The schools in the treatment groups started receiving the intervention in September 2011, while the control schools have not been incorporated to date. Out of the 80 schools, 4 have been dropped out of the sample due to contamination. Evidence based on administrative data shows that among the remaining 76 schools, the characteristics of the schools in the treatment and control groups are balanced, consistent with the randomized design of the evaluation. A first follow-up survey was conducted in March/April 2012 and collected information among students, teachers and parents. A total of 492 students, with their caregivers, and 74 teachers were surveyed. In order to evaluate the impact of the program on student learning, the team merged the data from the first follow-up with administrative data from the ENLACE 2012 and 2013.

20. Findings of evaluation: Preliminary evidence shows that the intervention led to increases in the probability of transitioning from primary to secondary, as proxied by the probability of taking the 7th grade ENLACE in 2013, conditional on having taken the 6th grade ENLACE in 2012. The transition probability is 0.65 in the treatment group, as opposed to 0.41 in the control group, with a difference that is statically significant at a 5 percent level. This effect is likely to be explained by the one-on-one remedial sessions that the APIs hold with the students who score Insufficient in the ENLACE test score, which are the ones who have a lower probability of

¹⁸ ACUDE (2013). Cite report.

making a transition to secondary education. A negative, but not statistically significant, impact is observed in student test scores. This result might be partly driven by a negative selection effect – more students taking the test in treatment than in control schools, as well as by some of the implementation weaknesses that we describe next. About 50 percent of the students interviewed in the follow-up reported that the API had never visited their parents. As a result, the APIs did not lead to any improvement in parental involvement, as measured by the number of times that parents visited the school to discuss with the teacher and the probability of supervising their children’s homework. There is also an increase in teacher absenteeism in schools supported by the API, most likely due to the lack of close supervision and of a clear definition of APIs’ tasks vis-a-vis the teachers’ tasks. Nevertheless, an improvement is observed in teacher practices, as measured by punctuality, willingness to discuss homework results, and to cover extra material. The results of this evaluation have been shared and discussed with the counterpart.

21. Following this discussion, immediate changes in the rules that regulate the selection and the assignment of the APIs to the school will be implemented. The frequency of the visits of the supervisors will be increased, in return for a 50 percent increase in remuneration. Other changes, including improved and longer capacity building, will be piloted and evaluated through a rigorous impact evaluation in 240 schools in Chiapas. The APIs in one of the treatment arms will receive two, rather than one, week of capacity building and will have bimonthly meetings during the year to share experiences with their peers.

22. Activities to be financed: The Project would support the APIs and the supervisors through direct monetary supports to the APIs, capacity building expenses for all participants, and consulting services for the design of materials. The pilot of possible changes to the model would be funded.

23. Selection criteria and targeting: The APIs would provide intensive pedagogical support to poorly performing primary community schools in the 31 states. Each state would receive a fixed number of APIs. Within each state, priority would be given according to the following criteria: i) municipalities of the *Cruzada Nacional Contra el Hambre*, and ii) all the remaining municipalities. Each API would operate in two schools: school in community A (henceforth school type A) and school in community B (henceforth school type B). Criteria for selection of schools type A feature primary schools: i) that have at least six students; ii) with small teaching bodies (two teachers or less); and iii) with at least 30 percent of students reporting poor academic achievement based on ENLACE results. The schools type B are primary schools selected exclusively based on the proximity to the schools type A.

24. Monitoring and Evaluation: While the Project would support the API Intervention in 31 states, its impact would be measured in the municipalities of the *Cruzada Nacional Contra el Hambre* where the APIs operate. According to initial estimates, 224 CNCH municipalities, out of 405 in total, would be targeted by the APIs in the school year 2014-15, with 1,200 primary community schools complying with the selection criteria. Since CNCH municipalities are the ones displaying the worst initial conditions – e.g. worst teacher quality, lowest parental participation, and highest vulnerability – the estimated impact is likely to represent a lower bound estimate of the intervention’s impact.

25. Operational specifics: The API Intervention would tap the supply of recent teacher graduates who have not yet been placed in the general education system and provide them with the systematic capacity building and monitoring necessary to provide appropriate, continuous support to teachers, students and families during the program cycle. CONAFE would advertise the Intervention among potential candidates and select tutors using a weighted average of university grade point average (60 percent) and a letter describing their motivation to participate (40 percent). Tutors serving indigenous schools would be required to speak the local language. Selected tutors would sign a contractual agreement with CONAFE State Delegations and the SEPEs to serve for one annual program cycle. CONAFE would provide an initial five-day capacity building to tutors on program norms, pedagogical approaches, parent engagement strategies, and didactic and school materials to be used, among other areas. Tutors would alternate 15 days in each community, so as to foster strong relationships and deep understanding of the students, families and teachers with whom they work. In addition to evaluation workshops at the midpoint and end of the program cycle, tutors would meet their supervisors on a bi-monthly basis to submit progress reports. An innovation of the Project, compared to the model rolled out under the Compensatory Education Project, is the fact the APIs would meet on quarterly basis to share experiences and lessons learned with their own peers. Tutors would receive an average monthly support of US\$480 over a period of ten months per year.

26. During the program cycle, tutors would follow a systematic approach supported by CONAFE-developed materials and designed to improve student outcomes and enhance teacher practice. Tutors' broad responsibilities would include: (a) provision of remedial activities to children with learning disabilities, especially in Mathematics and Spanish; (b) promotion of participation of parents in school activities; and (c) provision of general support to regular teachers. Specific responsibilities would include:

- Conducting a diagnostic of students' level and learning needs, including a review of school records and test scores, as well as home visits;
- Collaborating with the main teacher to develop a work plan for the program cycle;
- Supporting the main teacher in implementing strategies to improve Mathematics and language performance, in accordance with the work plan;
- Advising the teacher on the appropriate use of didactic materials;
- Conducting extracurricular activities aimed at bringing under-performing students to grade level;
- Identifying students with special academic needs, orienting the teacher to understand and address those needs, supporting families in helping their children, and applying remedial activities;
- Developing or obtaining pedagogical materials appropriate to the needs of the teachers and students;
- Supporting the teachers and students in the use of information and communication technologies.

27. Overall, according to the operational rules, each API should spend roughly 60 percent of his/her time providing support to the students, 30 percent in parental involvement, and 10 percent in teacher support.

28. Improvements under this new phase: As a result of the findings of the impact evaluation and the lessons learned throughout the implementation of the program phases, several improvements have been proposed for this phase of Bank support. Changes that have already been discussed with the client include: a) improved selection criteria of the APIs; b) more intense and specialized capacity building of the APIs in order to improve their ability to interact with students; c) increased possibilities to have peer-to-peer learning; d) possibility for the APIs to visit parents during weekends; and e) closer supervision of the activities of the APIs and the *Líderes para la Educación Comunitaria* (LECs).

Component 3: Technical Cooperation, Research and Innovation (US\$2.245 million)

29. Overview: This Component aims to ensure the quality and efficiency of implementation and the appropriate use of resources, as well as to build the knowledge and capacity of CONAFE and external stakeholders, through monitoring, evaluation, and management. In addition to covering monitoring and operating expenses, the Project would support: i) technical assistance to the school-based management program FORTALECE; ii) the development of a monitoring system; and iii) evaluations of new programs and program elements. The Bank's support to FORTALECE offers an opportunity to ensure consistency and coherence between Mexico's efforts toward school-based management.

30. Activities to be financed: The Project would finance supervision activities in all municipalities; costs associated with budgeting, programming and executing Project resources for the ECD intervention, in accordance with applicable norms of transparency and accountability; consulting services to develop an information module and evaluation studies; and the procurement of consulting and non-consulting services for technical assistance.

31. Operational specifics: Project monitoring would be conducted jointly in accordance with each program's guidelines by CONAFE's State Delegations and central office to measure progress, identify issues, and facilitate decision-making, and would be supported by the development of an information module for the Project. State Delegations would be responsible for collecting data, assuring data quality, and reporting to the central office. State personnel would visit sites selected at random to observe Project activities and ensure that resources have been received and used in a transparent manner and in accordance with the Operating Guidelines. Documents reviewed would include records, agreements, improvement plans, and documentation of expenditures, delivery of payments to the APIs and the supervisors, receipt of materials, and warehouse inventories. State Delegations would then submit progress reports to the central office, which would in turn consolidate and review the data. The central office would review the frequency and severity of incidents, aided by the establishment of early alert procedures. It would also develop reports monitoring Project goals and indicators and providing analysis and recommended actions. In support of these activities, and building on the progress achieved under the Compensatory Education Project and by the IDB, the Project would design, develop and implement an information system.

32. The component would also support a series of evaluation studies. Programs and program elements that will continue to be evaluated using experimental or quasi-experimental designs (such as through the 3ie-funded impact evaluation) would include the ECD Intervention,

FORTALECE, and APIs. These evaluations would utilize a treatment and control group for each program by selecting municipalities, communities, and education services with similar socioeconomic, demographic, and educational characteristics. In addition, the component would support more qualitative studies of innovative education materials aimed at improving the efficiency and quality of education that are currently being developed by CONAFE: an education model for complete rural schools, including its features and operational aspects, and a multi-grade, secondary community school model, with an updated curriculum aligned with CONAFE's ECD and basic education approach.

33. Technical Assistance to FORTALECE: The Project would provide technical assistance to improve the overall design and implementation of the FORTALECE model, which aims at increasing parent and community participation in school matters through associations of community members in support of Community Education in order to improve the school environment and enhance collaboration and accountability mechanisms at the school level. The Project would conduct qualitative and process evaluations to assess strengths and weaknesses of the FORTALECE model. The analysis of a survey conducted in 2012 covering 40 schools targeted by the program will be conducted. FORTALECE extends the reach of school based management, previously limited to formal state schools, to community schools serving the CONAFE target populations. The intervention would empower parents and community members in school-related decision-making, thereby reducing their exclusion from the education process.¹⁹ Furthermore, it would enable them to monitor and act upon the attendance and performance of their own children as well as of teachers, which is expected to lead to increased retention. Its strategic objective would therefore be to improve the efficiency and quality of the community schools through school based management, thus reducing the gap between community and state owned schools.

34. Specific activities: The Project would support technical assistance to improve the FORTALECE model. Among others, the two following activities would be supported: a) a qualitative and process evaluation of the model; and b) the analysis of a survey previously conducted in 2012 in 40 schools targeted by the program. Based on the results of the qualitative and quantitative analysis, consulting services would be contracted in order to improve the design and the implementation of the model.

35. Selection criteria and targeting: The analysis would focus, though not exclusively, on the 40 schools where a previous survey was conducted in 2012. Other schools might be surveyed.

36. Operational specifics: Under the FORTALECE model, the CONAFE State Delegation would provide capacity building to the FORTALECE entities. Capacity building focuses on the strategic use and effective management of school funds to be transferred by CONAFE, including the preparation of plans, as well as fulfilling parental responsibilities with regard to children's schooling and social participation aimed at benefiting the school. In order to formalize their participation, the president of each FORTALECE entity would sign an agreement with its CONAFE state delegation.

¹⁹ Gertler et al (2006). "Empowering Parents to Improve Education: Evidence from Rural Mexico."

Annex 3: Implementation Arrangements
MEXICO: Reducing Inequality of Educational Opportunity Project

Project Institutional and Implementation Arrangements

1. **The implementation of the Reducing Inequality of Educational Opportunity Project would be carried out by the *Consejo Nacional de Fomento Educativo (CONAFE)***, in collaboration with various other agencies at the federal, state, and municipal levels. This section outlines the roles and responsibilities of the agencies and actors involved in the implementation and operation of the Project. The Project maintains and builds on the implementation arrangements currently in place for the Compensatory Education Project (P101369, Ln. 7859-MX).

Project administration mechanisms

2. ***Secretaría de Educación Pública (SEP)***: SEP would continue to have the overall responsibility to design and implement education policy and enforce the regulation for education services, plans, and study programs. SEP's mission is to create conditions that would ensure access for all Mexicans to quality education at all levels, irrespective of geography. With respect to CONAFE, SEP would be responsible for establishing the normative framework for CONAFE's programming, providing the financial resources to implement CONAFE's programming, and coordinating activities under CONAFE and other federal education initiatives.

3. ***Consejo Nacional de Fomento Educativo (CONAFE)***: CONAFE is a decentralized, autonomous agency of Mexico's Federal Public Administration, created through presidential decree and consisting of a separate legal entity. The agency is governed by a Board of Directors consisting of the Minister of Public Education (*Secretario de Educación Pública*), who serves as chair, representatives from the *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit, SHCP) and of Planning and Budgeting (*Secretaría de Programación y Presupuesto*), the Director-General of the Bank of Mexico, S. A., the Director General of CONAFE, who serves as Secretary, and three members appointed by the Secretary of Public Education. CONAFE's mission is to i) provide compensatory financial and technical resources, national and foreign, with the view to improve education in Mexico; and ii) promote Mexican culture abroad.

Roles and responsibilities of participating agencies in Project implementation

4. The Project would continue to use country systems to the maximum extent possible and would be managed by a fully integrated Project Coordination Unit.

5. **CONAFE**: CONAFE would be responsible for the overall execution of the Project, on behalf of SEP. Responsibilities would be divided into three areas: technical activities, monitoring, and administrative activities. Project activities would be implemented by a fully integrated Project Coordination Unit called the *Dirección de Educación Comunitaria e Inclusión Social* (Directorate for Community Education and Social Inclusion, DECIS), and supported by the Planning and Evaluation Directorate (*Dirección de Planeación y Evaluación*, DPE), and the Directorate of Finance and Administration (*Dirección de Administración y Finanzas*, DAF). The

DECIS 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 SEPEs. The DECIS would also be responsible for coordinating with normative areas of SEP and communication with state-level offices, and would be the main counterpart for communications with the Bank. The monitoring of project activities, including management of information systems, would be undertaken by the DPE. Administrative activities would be carried out by the DAF, including procurement and financial management. The DAF would also serve as the coordinating body, and would be the main point of contact for NAFIN and the Bank. During Project implementation, CONAFE would be responsible for monitoring and updating the existing Coordination Agreements with the participating states, providing technical assistance to states on issues relating to educational compensatory programs and general management (see below).

6. ***Nacional Financiera, S.N.C., I.B.D. (NAFIN)***: NAFIN would act as financial agent of the Borrower with regard to the Loan. In that capacity, NAFIN would 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 projects.

Instruments governing the Inter-Agency relationships

7. ***Contrato de Mandato***: Would be signed between SHCP, NAFIN, and CONAFE. The agreement would outline the obligations of each party in the implementation of the Project in order to ensure the achievement of the stated objectives. The agreement would be signed prior to Effectiveness.

8. ***Coordination Agreements***: Each year, CONAFE would sign executive annexes to the existing Coordination Agreements, which outline the roles and responsibilities of each actor in each of the states. The Agreements, together with their 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. Given that the agreements do not govern a transfer of the loan proceeds, the timing of the signing of the agreements is not a disbursement condition nor a dated covenant.

9. Two types of Coordination Agreements have been signed in the past, depending on the implementation arrangements, between CONAFE and the States (through the state-level education ministries – SEPEs): i) “scenario A” states where CONAFE directly implements all activities (including the ECD intervention) through its state delegation, in close collaboration with the SEPEs; and ii) “scenario B” states where CONAFE would delegate the implementation of the ECD intervention to the SEPEs.²⁰ This arrangement would continue under the proposed Project.

²⁰ It is important to note that the flow of funds remains the same under both scenarios, that is, that financial management remains within the state delegation.

10. **Territorial implementation responsibility:** While the overall responsibilities for implementation of the Project would reside in the DECIS, the State Delegations would be responsible for planning and executing Project activities in the participating states, according to national guidelines and rules and regulations outlined in the CONAFE program guidelines and the Project's Operational Manual. These specify the criteria and methodologies for targeting schools, communities, and municipalities, as well as the menu of supported activities, the educational norms to be met, and the procedures to be used. The functions of the State Delegations in each state include:

- 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;
- carry out programmatic and budgetary operations;
- prepare project financial progress reports each semester; and
- prepare progress reports at the closing of each fiscal year.

Operational considerations specific to each activity:

11. **Early Childhood Development (ECD) Intervention:** Within the DECIS, the sub-directorate of Early Childhood Development (*Educación Inicial*) would be responsible for designing pedagogical and educational materials, carrying out the capacity building for the Zone Coordinators, Module Supervisors and Education Promoters, and for the overall monitoring and evaluation of the intervention. In 7 states, the State Delegation of CONAFE would act as executor of the CONAFE ECD Intervention (scenario A). In the other states, this role would be transferred to the SEPEs, through the *Órganos Ejecutores Estatales* (State Implementing Units, OEEs) (scenario B). The executor would have the responsibility to enter into agreements with the Liaison Coordinators, Zone Coordinators, Module Supervisors and Education Promoters covering the conditions pertaining to their participation in the ECD Intervention (*educación inicial*). In both cases, financial management, including the remuneration of the various actors, is handled by CONAFE's State Delegation.

12. **Mobile Pedagogical Support (APIs):** The central CONAFE team would be responsible for the overall implementation of the Intervention, the design and development of pedagogical materials for tutors, and educational materials. The State Delegations would be in charge of recruiting the APIs and the schools that they would serve, according to the selection criteria and processes established in the operational guidelines. The State Delegations and the SEPEs would be responsible for entering into agreements with the newly appointed APIs, outlining the mutual rights and obligations under the mobile pedagogical support intervention.

13. **Research and Innovation:** As discussed above, the responsibility for the overall implementation of the Project would reside within the DECIS, with the *Dirección de Administración y Finanzas* (DAF), responsible for the fiduciary aspects and for overall communication with NAFIN and the Bank. The DAF and the *Dirección de Planeación y Evaluación* (DPE) would also be responsible for submitting progress reports on an annual basis. With respect to monitoring systems, the Information Technology unit within the DPE would be

responsible for the drafting of the Terms of Reference for the integration of systems, and for the implementation of the modernization activities, in close coordination with the technical units for each of the corresponding interventions.

Operational Procedures

14. All processes and procedures governing project implementation are outlined in detail in the Project's Operational Manual (OM). Procedures governing the basic relationship between the Government and the Bank, mainly covering financial management and procurement, are further detailed in this Annex and in the OM. Norms and procedures guiding the daily exercise of responsibilities of CONAFE staff are also detailed in the OM.

15.

16. Environmental and Social (including Safeguards) OP/BP 4.10 - Indigenous Peoples has been triggered. In order to ensure that Mexico's indigenous populations benefit equally or disproportionately from Project interventions, an Indigenous People's Plan (IPP) was developed based on the experiences of the previous operation and the new targeting mechanisms defined by CONAFE. Consultation was conducted in selected localities according to the following criteria: (i) localities under the CNCH; (ii) where all Project activities are implemented; (iii) in localities with a high representation of some of the major indigenous peoples (*nahuas* in Puebla, *maya* varieties in Chiapas). The IPP discusses: i) the targeting of investments; ii) actions for improving the effectiveness of interventions in indigenous areas; and iii) the associated budget for IPP implementation. For the ECD component, the IPP mentions the importance of the materials to support parental learning. For the APIs, language comes across as the most important issue, and context-specific solutions are recommended, as the needs change according to the geographic location. Appropriate procedures for the monitoring and the supervision of the IPP are in place and are discussed in the Operational Manual.

Financial Management

17. As noted earlier, this Project is quite complex from the operational perspective, including the program's flow of funds, which involves CONAFE's central office and its State Delegations. Notwithstanding, the FM risk for this Project is Moderate considering the mitigating measures described below:

- The country's public financial management arrangements are generally strong and apply to the program as it is integrated into the national budget and operates under clearly defined operational rules that establish strict eligibility criteria for selecting eligible beneficiaries. Moreover, CONAFE's administrative staff has considerable years of accumulated experience with the Bank's FM-related policies and procedures. This Project would make extensive use of the existing country systems.
- The majority of the payments of the program under Components 1 and 2 would be made by the CONAFE State Delegations using electronic banking transfers. The records regarding these payments are managed by the State Delegations, which carry out strict reconciliatory procedures to ensure that the eligible beneficiaries received their payments. CONAFE is developing a new in-house system that intends to incorporate all the operational processes carried out by the State Delegations. Although the Bank is not supporting the implementation

of this new system, it welcomes its potential success as it aims to improve overall internal control within CONAFE.

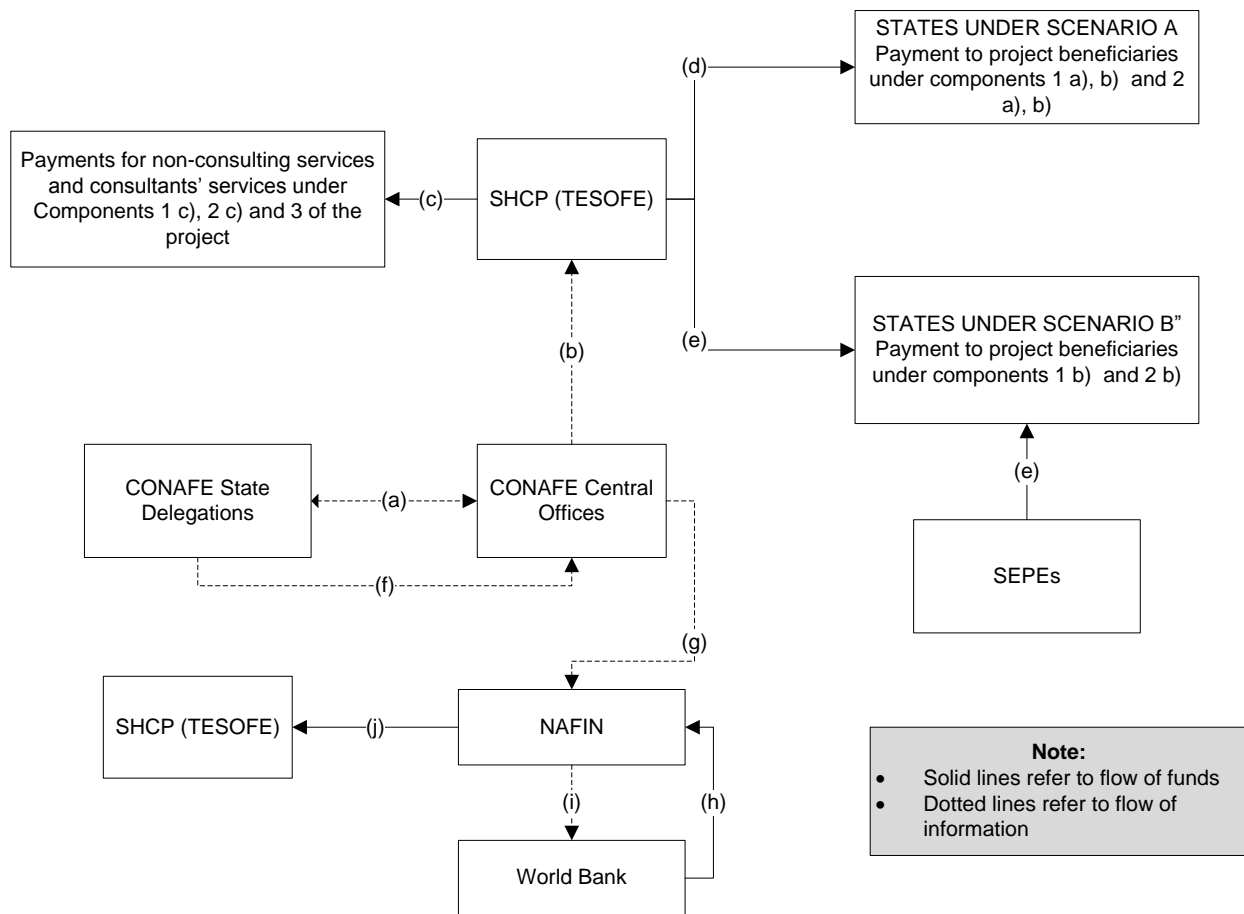
- In addition to independent external auditing and the internal control unit, the supreme audit institution regularly conducts performance, financial and compliance audits to the program.

18. The FM tasks of this Project would be carried out by a FM unit located within the structure of the FM Directorate of CONAFE, which is well staffed and has a longstanding satisfactory experience managing Bank projects. NAFIN would act as the financial agent of the Borrower for the Loan. In that capacity, NAFIN would manage loan disbursement processes and provide other implementation support and oversight, based on its many years of experience with Bank projects.

19. **Financial reporting.** CONAFE would use the COI (*sistema de contabilidad integral*) system to prepare the accounting records for this Project, which is commercial software, with adequate capabilities to recognize different levels of accounts and to issue financial reports. CONAFE would prepare bi-annual interim financial unaudited reports and the Project's annual financial statements, which would be audited by an independent audit firm selected by *Secretaría de la Función Pública* (SFP) and acceptable to the Bank under Terms of Reference acceptable to the Bank.

20. **Flow of funds.**

The following chart presents the Project's flow of funds process:



21. Based on the budget approved annually by the Congress, the Ministry of Finance will allocate funds to CONAFE. These funds will be available in the Federal Treasury (TESOFE, by its acronym in Spanish) and will be paid to beneficiaries upon CONAFE's request through the Single Treasury Account (STA)²¹ system managed by TESOFE. The process is explained below:

- a. CONAFE's Central Office will allocate the program budget to each State Delegation in accordance with a pre-defined annual calendar for payments under Component 1 a)²² and b)²³ and Component 2 a)²⁴ and b)²⁵, (subsidies under the ECD and API programs). CONAFE State Delegations will determine the lists of Project beneficiaries and prepare

²¹ The STA is a unified structure of government bank accounts that gives a consolidated view of government cash resources. The STA is managed by the TESOFE, a unit of the Secretariat of Finance and Public Credit (SHCP). The overall objective of the STA is to achieve operational efficiency in the administration of the Federal Government's funds through a centralized cash management system.

²² Delivery of capacity building sessions to parents/relatives and children over a period of nine months per year through the remuneration of ECD promoters, supervisors and coordinators.

²³ Capacity building of ECD promoters, module supervisors and zone coordinators, including the capacity building costs detailed in the Operational Manual.

²⁴ Delivery of pedagogical support to teachers, 1 to 1 remedial sessions to under-performing students and visits to parents through the remuneration of APIs and their supervisors.

²⁵ Capacity building sessions for the APIs and their supervisors.

the payment instructions (*Cuentas por Liquidar Certificadas*, CLC) which will be submitted to the Central Office.

- b. CONAFE's Central Office will consolidate the CLCs received from State Delegations, and will also prepare the CLCs corresponding to payments for non-consulting services and consultants' services under Component 1c)²⁶, 2c)²⁷ and 3.²⁸
- c. After receiving payment instructions (CLCs), the TESOFE will pay directly to consultants' and non-consultant services under Component 1 c), 2 c) and 3.
- d. TESOFE will also make payments to APIs and ECDs considering two scenarios: Scenario A in which CONAFE State Delegations implement all project activities, including the ECD and API Interventions, will include payments under Component 1 a) and b) and Component 2 a) and b).
- e. For State Delegations under scenario B, the payments will only make expenditures under Component 1 b) and Component 2 b). The other payments will be made by the SEPEs; however, they will not be part of this Project, as the Government will not require reimbursement for payments made by SEPEs.
- f. After payments have been made, CONAFE State Delegations will: (i) carry out a financial reconciliation of the information; (ii) prepare accounting registers; and (iii) send operational and financial reports to the Administrative and Financial Directorate in the Central Office, which in turn will consolidate all the information.
- g. The FM Project Unit within CONAFE's central office will review and reconcile the information, select the eligible expenditures, and prepare the financial and disbursement information required by the Bank and will send it to NAFIN.
- h. NAFIN will review and submit the SOEs to the Bank through the client connection system.
- i. The Bank will reimburse the eligible expenditures into the Project account designated by NAFIN.
- j. NAFIN will reimburse TESOFE.

²⁶ Consulting services to design capacity building materials for new program components.

²⁷ Provision of technical assistance to design materials for tutors to provide the mobile Technical Cooperation, Monitoring and Evaluation.

Table A3.2 Disbursement Arrangements²⁹

| | |
|--------------------------------------|--|
| Disbursement method | Reimbursement of eligible expenditures (financed through the Government budget) into a project account in US\$ designated by NAFIN. |
| Supporting documentation | Customized Statement of Expenditures (SOEs) ³⁰ for payments to APIs and ECDs (Components 1 a) and b) and Components 2 a) and b)). The standard template of SOEs will be used for all other expenditures including payments under Components 1 c), 2 c) and 3. These SOEs will include supporting documentation for payments for consulting firms against contracts valued at the equivalent of US\$300,000 or more, and individual consultants against contracts valued at US\$50,000 or more. |
| Retroactive expenditures | The Project would finance retroactive eligible expenditures up to an aggregate amount not to exceed \$30,000,000 for payments made prior to the date of signature of the loan agreement, but on or after January 1, 2014. These expenditures will be subject to the regular project external audit. |
| Recognition of eligible Expenditures | Project expenditures will be recognized after the payments have been made and are properly documented. |

Table A3.3 Disbursement Table

| Category | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed inclusive of Taxes |
|--|---|---|
| (1) ECD Support and Capacity building under Part 1(a) and 1(b) of the Project | 115,970,000 | 100% |
| (2) APIs Support and Capacity building under Part 2(a) and (b) of the Project | 31,410,000 | 100% |
| (3) Non-consulting services, and consultants' services under Part 1(c), 2(c), and 3 of the Project | 2,245,000 | 100% |
| (4) Front-end Fee | 375,000 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (5) Interest Rate Cap or Interest Rate Collar premium | 0 | Amount due pursuant to Section 2.08(c) of this Agreement |
| TOTAL AMOUNT | 150,000,000 | |

²⁹ For details, please see the Disbursement Handbook for World Bank Clients.

³⁰ All SOEs expenditure supporting documentation will be available for review by the external auditors and Bank staff at all times during Project implementation, until at least the later of: (i) one year after the Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Loan Account was made; and (ii) two years after the Closing Date. The Borrower and the Project Implementing Entity shall enable the Bank's representatives to examine such records.

Procurement

22. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 (revised July 2014); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 (revised July 2014) and the provisions stipulated in the Loan Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan would be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

23. *Procurement of non-consulting services:* Non-consultant services would include the dissemination, educational facilities, and strengthening activities of the Project.

24. *Selection of Consultants:* All the Components of the Project would include procurement of consultant services such as monitoring and implementation and dissemination of the programs in the communities; design and production of educational materials; education planning, monitoring and evaluation of education services delivery; support to school supervision and management. Short lists of consultants for services estimated to cost less than \$1,000,000.00 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

25. *Firms:* All contracts for firms would be procured using QCBS procedures except for small contracts for assignments of standard or routine nature and estimated to cost less than US\$300,000 equivalent that would be procured using Selection Based on the Consultant's Qualifications. Other acceptable methods would be Selection under Fixed Budget and Least Cost Selection as defined in the annual procurement plan review.

26. *Individuals:* Specialized advisory services would be provided by individual consultants selected through comparison of qualifications of at least three qualified candidates. They would be contracted in accordance with the provisions of paragraphs 5.1-5.3 of the Consultant Guidelines as defined in the annual procurement plan review

27. *Operating Costs:* Operational costs would include reasonable expenditures to carry out the Project, such as the costs for supervision activities and capacity building. These activities would be procured using CONAFE's administrative procedures which were reviewed by the Bank and found acceptable.

28. The procurement procedures and harmonized SBDs to be used for each procurement method, as well as model contracts, are presented in the Operational Manual.

Assessment of the agency's capacity to implement procurement

29. Procurement activities would be carried out by CONAFE. The agency is staffed with staff members with many years of experience in Bank operations. At least one of these staff members would be in charge of coordinating and supervising procurement activities.
30. An assessment of the capacity of the Implementing Agency to implement procurement actions for the Project has been carried out by the Procurement Accredited Staff (PAS) assigned to the Project during the preparation of the Project.
31. The key issues and risks concerning procurement for implementation of the Project have been identified and include the decentralized nature of the Project. The corrective measures which have been agreed are: Staff training in order to update staff in Bank's policies and procedures and the incorporation of the Procurement Plan to the web-based system SEPA in order to achieve efficiency and transparency in the management of the Plan.
32. The overall project risk for procurement is Moderate.

Procurement Plan

33. The Borrower, at Appraisal, developed a procurement plan for project implementation that provides the basis for the procurement methods. This plan was agreed between the Borrower and the Bank on July 18, 2014 and is available in the Project's files. It would also be available in the Project's database, in the Bank's external website and in SEPA. The Procurement Plan would be updated in agreement with the Bank annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Frequency of Procurement Supervision

34. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended one supervision mission to visit the field to carry out post review of procurement actions.
- a) Consultancy services estimated to cost above \$300,000.00 per contract and all single source selection of consultants (firms) would be subject to prior review by the Bank.
 - b) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than \$1000,000.00 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

**Annex 4: Operational Risk Assessment Framework (ORAF)
MEXICO: Reducing Inequality of Educational Opportunity Project (P149858)**

| Project Stakeholder Risks | | | | | | |
|---|--|----------------|--|-----------|------------|------------------------|
| Stakeholder Risk | Rating | Low | | | | |
| Description: There is a low risk that parents would not engage in the ECD session and teachers would oppose the interventions funded under the Project | | | | | | |
| | Resp: Both | Stage: Both | Recurrent: <input type="checkbox"/> | Due Date: | Frequency: | Status: In Progress |
| Implementing Agency (IA) Risks (including Fiduciary Risks) | | | | | | |
| Capacity | Rating | Moderate | | | | |
| Description: There is a risk of insufficient technical capacity due to the high turnover of : i) CONAFE management, ii) the service providers (e.g the ECD <i>promotores</i> , the APIs and the <i>Líderes para la Educación Comunitaria</i>) assigned to the most remote areas. There is a risk that some of the CONAFE state delegations have insufficient capacity and might not be able to guarantee a homogeneous implementation of training programs There is a risk of insufficient capacity of Financial Management and Procurement | Risk Management: The risk of insufficient technical capacity will be mitigated through a particularly close interaction with the directors who seem to have a more stable position, while making an effort to keep regular interactions with all the areas,. Increases of the financial incentives for different categories of service providers, such as APIs, APIs' supervisors, ECD <i>promotores</i> , will be funded as part of the Project. | | | | | |
| | The CONAFE central authority will conduct closer supervision in those states that are identified as those with lower institutional capacity Close accompaniment of client through the hiring of consultants and frequent training opportunities for the implementing agency, especially with regards to Bank financial management and procurement processes, will be provided. | | | | | |
| | Resp: Both | Stage: Both | Recurrent: <input type="checkbox"/> | Due Date: | Frequency: | Status: In Progress |
| Governance | Rating | Low | | | | |

| | | | | | | |
|---|--|-----------------------|-------------------------------------|-----------|------------|---------------------|
| <p>Description:</p> <p>There is a risk of potential mismatches between the CONAFE central authority and the CONAFE state coordinators. The capacity of State actors is uneven across states. This might affect the implementation of key interventions, especially those where the State authorities have bigger responsibilities in the training of service providers, such as ECD <i>promotoras</i>, APIs and <i>instructores comunitarios</i>.</p> | <p>Risk Management: The CONAFE central authority will conduct closer supervision in those states that are identified as those with lower institutional capacity, and other initial conditions that predispose them to poor implementation. In parallel, CONAFE will standardize systems for reporting, working from good practice examples in high performing states, in order to improve monitoring and evaluation of implementation of interventions.</p> | | | | | |
| | Resp: Client | Stage: Implementation | Recurrent: <input type="checkbox"/> | Due Date: | Frequency: | Status: In Progress |
| Project Risks | | | | | | |
| Design | Rating | Low | | | | |
| <p>Description:</p> <p>There is risk that the APIs and the ECD <i>promotores</i> are not adequately trained.</p> | <p>Risk Management: The inclusion of non-financial incentives is currently under discussion. Increases in the monetary compensations for the expenses sustained to attend capacity building sessions will be funded. Alternative capacity building modalities for the APIs will be piloted in selected municipalities</p> | | | | | |
| | Resp: Client | Stage: Preparation | Recurrent: <input type="checkbox"/> | Due Date: | Frequency: | Status: In Progress |
| Social and Environmental | Rating | Moderate | | | | |
| <p>Description:</p> <p>Indigenous Peoples might not benefit optimally from Project interventions.</p> | <p>Risk Management: Preparation of an Indigenous Peoples Plan (IPP) to support a) translation of ECD materials and b) ongoing programs that aim to improve the education conditions for indigenous students in basic education schools.</p> | | | | | |
| | Resp: Bank | Stage: Preparation | Recurrent: <input type="checkbox"/> | Due Date: | Frequency: | Status: In Progress |
| Program and Donor | Rating | Low | | | | |
| <p>Description:</p> <p>The interventions targeting the APIs need to be complemented with effective interventions for the <i>Líderes para la</i></p> | <p>Risk Management: The risk will be mitigated with coordinated actions with CONAFE and the IDB.</p> | | | | | |
| | Resp: | Stage: | Recurrent: <input type="checkbox"/> | Due Date: | Frequency: | Status: |

| | | | | | | |
|---|--|-----------------------|-------------------------------------|-----------------------|------------|-------------------|
| <i>Educación Comunitaria</i> . This is an area of action of the IDB. | | | | | | |
| Delivery Monitoring and Sustainability | Rating | Moderate | | | | |
| <p>Description: The current CONAFE monitoring and information system might not provide information in a timely manner to inform policymaking.</p> <p>Based on preliminary evidence, the ECD intervention seems cost-effective, thus posing little threat to its sustainability. The analysis of the cost effectiveness of the APIs intervention is to be completed.</p> | Risk Management: As part of the Appraisal Mission, the IDB, the World Bank and CONAFE held conversations to resume the attempts to improve CONAFE's monitoring system, that both institutions had previously supported | | | | | |
| | Resp: Both | Stage: Implementation | Recurrent: <input type="checkbox"/> | Due Date: 27-Jun-2014 | Frequency: | Status: Completed |
| Overall Risk | | | | | | |
| Implementation Risk Rating: | | | | Moderate | | |
| Description: The Implementation risk is Moderate. | | | | | | |

Annex 5: Implementation Support Plan

Strategy and Approach for Implementation Support

1. The strategy for Implementation Support has been developed based on the nature of the Project and its risk profile. The purpose of this Implementation Support Plan (ISP) is to focus on the inputs and actions required to facilitate better risk management, better results, and increased institutional development, while ensuring compliance with the Loan Agreement to meet the Bank’s fiduciary obligations. The ISP would be reviewed once a year and revised as necessary to ensure that it continues to meet the implementation support needs of the Project.

Implementation Support Plan

2. The Bank would conduct at least two implementation support missions per year to ensure that the implementation counterparts are satisfactorily staffed with qualified technical, procurement, financial management, and safeguards specialists and that appropriate training in their respective fields of expertise is provided. The Bank would maintain regular contact with the implementing agency to monitor the Project’s progress and to identify implementation issues and resolve them in a timely manner.

3. The Bank would conduct periodic Financial Management (FM) supervision missions and support would be provided on a timely basis to respond to Project needs. The Project would be annually audited by an acceptable audit firm in accordance with terms of reference acceptable to the Bank. Procurement supervision would be carried out semi-annually and would include annual independent reviews.

4. Implementation support would feature the promotion of continued dialogue and technical discussions between CONAFE and prospective actors involved in ECD in Mexico, such as PROSPERA. This dialogue would help avoid duplication in the service supply and would make possible potential synergies between the institutions.

5. Table A5.1 below indicates the main areas of implementation support during different phases of the Project.

Table A5.1: Main Focus in Terms of Support to Implementation

| Time | Focus | Skills Needed | Resource Estimate | Partner Role |
|---------------------|---|---|---|--------------|
| First twelve months | Project start-up, execution of Procurement Plan, hiring of auditors | Task Team Leader Education Spec. Procurement Spec FM Specialist Environment Specialist Social Specialist | 6 staff weeks 6 staff weeks 3 staff weeks 3 staff weeks 1 staff week 2 staff weeks | N/A |
| 12-24 months | Formal implementation | Task Team Leader Education Spec. | 4 staff weeks 4 staff weeks | N/A |

| | | | | |
|--------------|---|---|--|-----|
| | support and field visits; follow-up to ensure safeguard measures and arrangements are followed and that activities would focus on the implementation of the IPP | Procurement Spec FM Specialist Environment Specialist Social Specialist | 2 staff weeks 2 staff weeks 2 staff weeks 2 staff weeks | |
| 24-48 months | Formal implementation support and field visits; follow-up to ensure safeguard measures and arrangements are followed and that activities would focus on the implementation of the IPP | Task Team Leader Education Spec. Procurement Spec FM Specialist Environment Specialist Social Specialist | 4 staff weeks 4 staff weeks 2 staff weeks 2 staff weeks 2 staff weeks 2 staff weeks | N/A |

Table A5.2: Skills Mix Required

| Skills Needed | Number of Staff Weeks | Number of Trips | Comments |
|---------------------------------|------------------------------|-----------------------------------|---|
| Task Team Leader | 30 | Two Supervision Missions per year | Task and team leadership |
| Education Specialist | 30 | Two Supervision Missions per year | Technical review of Project Documents and Monitoring and Evaluation |
| Procurement Specialist | 16 | One Supervision Mission per year | Procurement support and supervision |
| Financial Management Specialist | 16 | Two Supervision Missions per year | FM and disbursement support and supervision |
| Environment Specialist | 10 | Two Supervision Missions per year | Environmental support, supervision, and reporting |
| Social Safeguards Specialist | 10 | Two Supervision Missions per year | IPP support, supervision, and reporting |