

<b>1. CPS Data</b>	
<b>Country: MEXICO</b>	
<b>CPS Year: FY04</b>	<b>CPS Period: FY05–FY08</b>
<b>CPSCR Review Period: FY05–FY08</b>	<b>Date of this review: March 27, 2008</b>

<b>2. Executive Summary</b>
<p>i. The FY05–08 Mexico Country Partnership Strategy (CPS) was a joint strategy by the Bank and IFC. Accordingly, this review of the Country Partnership Strategy Completion Report (CPSCR) covers Bank-related aspects, which are evaluated by IEG-WB, and IFC-related aspects, reviewed by IEG-IFC and included as Attachment 1.</p> <p>ii. The FY05–08 Mexico CPS supported implementation of Mexico’s National Development Plan over that period, organized according to four broad thematic pillars: Poverty; Competitiveness; Institutions; and Environment. Recognizing that Mexico had a wide range of domestic and global options for both finance and advice, the CPS envisaged that the Bank Group’s supporting role would be to provide flexible, quality, “competitive-in-cost-and-quality” support to these efforts—primarily through the transfer of global knowledge. Heavy use of programmatic instruments was to be made in delivering both lending and non-lending services: IBRD lending of about US\$1.2 billion annually in the Base Case with roughly 10 AAA deliveries planned per year.</p> <p>iii. Evidence presented in the CPSCR indicates that the “strategy underpinning the strategy” (operate in a partnership, be flexible and responsive, be client demand driven, and offer net value-added) was implemented—which is reflected most clearly in the delivery of a number of products under fee-for-service arrangements - although the extent of implementation varied by broad thematic area, with the CPS vision most fully realized in Poverty Reduction and Competitiveness. There were, however, significant differences between the planned and actual IBRD operational programs. Lending was concentrated in FY05–06 with total lending of US\$2.38 billion and was dominated by US\$1.2 billion adjustment lending in FY06. Thereafter, lending declined substantially, and totaled US\$2.6 billion at the time of the CPSCR. The thematic distribution of lending also departed substantially from that planned, with lending proceeding in the aggregate roughly as planned in support of the Poverty and Competitiveness pillars, but much less than envisaged for supporting the Institutions and Environment pillars. There were also differences between planned and actual AAA deliveries, but in the aggregate and by theme, these differences are not material.</p> <p>iv. By and large, the program was supportive of (in general, highly relevant to) the Government’s program, and operations—as reflected by self-evaluations—have in general been satisfactory both with respect to progress toward development objectives and implementation. Representations of the CPSCR concerning engagement with the Government indicate that Bank support on poverty analysis, competition and trade, education, housing and urban, and rural finance has been particularly useful from the Government’s perspective. Country level outcomes tracked under the CPS have been varied, however, with strongest results registered in the Poverty and Competition areas, and somewhat weaker results to date in the Institutions and Environment areas. Results are also variable within each area.</p> <p>v. IEG rates both Overall Outcome and Bank Performance as <i>Moderately Satisfactory</i>. Outcomes for the Poverty and Competitiveness pillars are rated <i>Satisfactory</i> by weighing revealed preference evidence (that is, that the Government engaged closely and fairly extensively with the Bank</p>

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and viewed the Bank as a valuable partner when it need not have) more heavily than indicators on targeted outcomes. However, shortfalls in outcomes in the Institutions and Environment pillars and the large number of targets not achieved (particularly in the case of Institutions) indicate respective ratings of *Moderately Unsatisfactory* (Institutions) and *Moderately Satisfactory* (Environment). Bank performance is rated *Moderately Satisfactory*. While the Bank's flexibility in adapting to Government requests is a positive factor, the Bank remains accountable for a proposed program. The program, with better focus and a better sense of underlying demand, could have been closer to that which occurred, particularly in terms of the program proposed for Institutions and the Environment. Monitoring of the program appears to have fallen well short of what reasonably could have been expected on the basis of the monitoring framework presented in the CPS. Finally, the deterioration in the quality of the active portfolio at the end of the CPS period is of some concern.

vi. IEG concurs with the lessons stated in the CPSCR, most of which relate in one way or another to the crucial importance of the Bank's competitiveness as a supplier of development assistance, and the ways in which the Bank needs to operate to maintain itself in the competitive range. This is unexceptionable—to contribute to the achievement of development result, the Bank needs to remain engaged. Engagement per se is not a result, however. Going forward, it will be important to keep focused on contributing to substantive development results. IEG notes that the proposed FY08–12 operational strategy proposes substantial annual umbrella DPLs. This support architecture thus exhibits many of the characteristics of general budget support. Evaluation and monitoring methods appropriate to this mode of support should be adopted as needed, as the results framework of the new CPS is fleshed out during implementation. It may be desirable to have a two tiered monitoring system with country and Bank indicators. As targets for the Bank programs are difficult to identify, given the small role that the Bank plays in countries such as Mexico, project level outcome ratings and evidence of impact might be the best indicators (similar to the IDA Results Monitoring System which monitors MDG level indicators in tier 1 and project outcome ratings and availability of baselines in tier 2). The Bank also needs a better way to monitor the impact of AAA. This could be done with client surveys or the identification of target actions/outcomes that AAA is supposed to inform.

### 3. CPSCR Summary

#### *Overview of CPS Relevance*

1. Context. The FY05–08 CPS was designed to support Mexico's economic and social development in an environment of rapid domestic political and global economic change. On the domestic political front, decades of one-party domination of national elections had given way to vigorous multi-party political competition. On the economic front, globalization was rapidly changing the constraints and opportunities Mexico faced in the world economy. Poverty and inequality, though gradually declining, remained high for a middle income country (MIC), and while Mexico had established and maintained a stable macro-economic framework, growth had been modest, and Mexico faced increasingly stiff competition in world markets.

2. Mexico had considerable capacity to address these challenges. The CPS recognized this fact and that, to be relevant and hence potentially effective, the Bank would have to customize its support to meet Mexico's needs. To this end, the Bank—in collaboration with the Government—designed a “partnership” strategy. The underlying premises of the partnership approach were that Mexico's development outcomes would reflect primarily the efforts of Mexican partners, and that the Bank Group's partner role would be to provide flexible, quality, “competitive-in-cost-and-quality” support to these efforts. In view of Mexico's substantial access to finance, it was envisaged that the partnership would be based primarily on facilitating transfer of global knowledge in response to Mexico's demands.

3. Objectives of the Bank Group's Strategy. The Bank Group's strategy was aligned with the objectives of Mexico's National Development Plan and organized around four broad thematic objectives in four pillars: (i) reduce poverty and inequality; (ii) increase competitiveness; (iii) strengthen institutions; and (iv) promote environmental sustainability. Within this broad framework, the Bank and

the Government identified a number of indicative, country-level target outcomes for the CPS period, and mapped out a program of Bank Group lending (encompassing both IBRD and IFC) and non-lending support (encompassing IBRD, IFC, and WBI), with triggers for adjusting the IBRD lending program in light of performance and/or changed external conditions.

4. Realism and Relevance. The broader assumptions underpinning the strategy concerning the political and economic environment Mexico would face during this period were broadly realistic—particularly given uncertainties and volatility in energy markets—and the indicative country-level outcomes targeted were generally reasonable. The Base Case IBRD lending program (about US\$1.2 billion per year) was in line with recent Bank experience.

5. As noted in the CPSCR, the CPS predated the Bank's results framework and did not identify outcomes targeted by Bank group assistance to link Bank assistance in a results chain with the country-level targets identified in the CPS.<sup>1</sup> Moreover, as noted above, it envisaged considerable, if not complete flexibility in implementation of the Bank Group's strategy in response to changing opportunities to engage. In this strategic approach, the details of the results architecture of the strategy were not spelled out ex-ante since the Bank's program was not pre-defined; rather, it was to evolve out of the implementation of the strategy as specific programs of support developed. There is however (or should be) a constraint on this process: the support program that emerges ex post should be demonstrably realistic and relevant to achievement of country-level priority outcome objectives and consistent with the Bank's comparative advantage. Above all, it should be anchored in and consistent with the objectives and targets agreed for each of the pillars as defined in the CPS.

6. By this standard, the realism and relevance of the Bank's support varies, largely depending on the realism and relevance of country-level target outcomes. Realism and relevance are substantial for the Poverty Reduction and Competitiveness pillars, but more variable and generally less so for the Institution Strengthening and Environmental Sustainability pillars where targeted outcomes and their relationship to broader objectives and country priorities appear to have been less-well-thought out.

#### **Overview of CPS Implementation:**

7. Evidence presented in the CPSCR (client survey results, evidence bearing on client use of major Bank products such as its programmatic work on poverty, education, and competitiveness) indicates that the "strategy underpinning the strategy" (operate in a partnership, be flexible and responsive, be client demand driven, and offer net value-added) was implemented although the extent of implementation, based on the evidence provided, varied by broad thematic area. The CPS vision appears to have been most fully realized in Poverty Reduction and Competitiveness.

8. There were, as noted in the CPSCR, significant differences between the planned and actual IBRD operational programs. IBRD lending proceeded roughly as envisaged in the aggregate during FY05–06 when it totaled US\$2.38 billion. The bulk of lending during this two year period occurred in FY06—the year prior to the presidential election in July 2006 and was dominated by US\$1.2 billion adjustment lending in that year. Thereafter, lending declined substantially for reasons not elaborated in the CPSCR. In addition, the timing and instruments deployed varied correspondingly from the program presented in the CPS.

9. The thematic distribution of lending also departed substantially from that planned, although it must be noted that under a "partnership" strategy variations from the planned program were to be expected. The planned lending program envisaged concentration of Bank lending support on Poverty Reduction (about US\$1.5 billion, or 33 percent of the planned total, with most planned lending devoted to Education and Housing and Urban), Competitiveness (about US\$1.5 billion also, primarily for infrastructure, and finance), and Environmental Sustainability (about US\$1.2 billion, or 27 percent, with major lending in water and sanitation and irrigation, and the environmental DPL). Planned lending with respect to Institutional Strengthening was about US\$350 million. The program as actually implemented (including operations planned for the balance of FY08) comprised about US\$1.2 billion

for Poverty Reduction, US\$1.1 billion for Competitiveness, US\$270 million for Environmental Sustainability, and US\$30 million for Institutional Strengthening (Annex Table 1b). There are also differences between planned and actual AAA deliveries; but in the aggregate, actual and planned deliveries are not materially different, nor is the thematic composition of outputs (that is, the distribution between the four broad themes) materially different (Annex Table 2).

10. Phasing and sequencing of IBRD operations was appropriate, with lending operations well grounded in prior analytical work. No operational outputs of this CPS period were reviewed by QAG. Overall portfolio performance (12.8 percent of projects at risk/17.1 percent of commitments at risk) during the CPS implementation period compares favorably with LCR averages and is roughly comparable to Bankwide norms (see Annex Table 4). However, during CPS implementation, the quality of the portfolio deteriorated, with 6.3 percent of projects at risk in 2005 increasing to 21.4 percent in 2008, and with 12.7 percent of commitments at risk in 2005 increasing to 29.3 percent at risk in 2008. IEG evaluations of lending operations exiting the portfolio during the CPS period rate outcomes, institutional development impact, and sustainability of the Bank's operations in Mexico higher than Regional and Bankwide averages (Annex Table 3).

11. In addition to endeavoring to keep the substance of Bank support aligned with client priorities, IBRD also sought to keep the costs, both explicit in pricing and implicit in terms of user costs to the client (for example, risks, compliance with Bank policies) competitive. Considerable effort was expended in making available new Bank financing products intended to lower those costs.

**Overview of Achievement by Objective:**

12. Annex Table 9 of this Review presents a stylized logical framework for the Mexico program. It summarizes country outcomes in terms of the indicators and targets defined by the CPS,<sup>2</sup> and summarizes the operations comprising the WBG's program support program. Data presented with regard to country outcomes in the CPSCR are in many instances not fully adequate to determine whether outcomes have in fact been achieved. When data are missing or are clearly inadequate, IEG assumes that the target has not been achieved, and these cases are briefly noted in Annex Table 9.

**Pillar I: Reduce Poverty and Inequality**

13. Country Outcomes. Targets in this area envisaged improvement in several dimensions of income and non-income poverty. Extreme poverty declined by roughly an estimated 10 percentage points over a six-year period despite relatively modest per-capita income growth, achieving the CPS poverty reduction target. This is an important result to which IEG attaches substantial weight. SEDESOL developed its capacity to monitor poverty to some extent; however, the CPSCR does not report on whether a sound monitoring and evaluation system linked to decision-making is in place. The picture with regard to social services dimensions of poverty reduction (education, health, and housing) and anti-poverty program coverage targets is mixed. In education, targets for net primary enrollment of children in rural areas, primary school enrollment of indigenous children, and gender gap were achieved; while neither the outcome for primary terminal efficiency nor secondary terminal efficiency was achieved. Concerning maternal and child health, the target for under-five mortality was achieved, but that for maternal mortality was not. Infectious diseases targets for HIV and malaria were achieved, but the targets for tuberculosis and malaria morbidity were not. The target for new low and moderate income housing was not achieved on the basis of data available, which was only reported up to 2005, and the outcome for property rights modernization is not reported. Finally, the target for increasing the coverage of the extreme poor by two anti-poverty programs was not achieved. Thus, of 15 targets for pillar I as listed in Annex Table 9 of this review, 7 were achieved and 8 were not achieved (including the 3 on which the CPSCR does not report).

14. Bank Operations. Support for this pillar of Mexico's program emphasized analytical work and dialogue, with implementation via medium-term programs of AAA work on poverty analysis, monitoring and policy design, education, health and urban housing, backed with lending in education, health and

housing. In the area of poverty analysis, which the CPSCR states was requested specifically by the Government, IBRD contributed significantly to the poverty dialogue in Mexico, both official, as well as more broadly in the country, with contributions under the program of AAA on rural and urban poverty, and decentralization and service delivery. The Bank also supported the development of poverty monitoring and analysis capability through an IDF grant to SEDESOL. In education, AAA and lending appear to have been similarly helpful to the Government in identifying priorities for improving the quality of education and promoting an environment that is conducive to design and implementation of programs to improve access to and quality of education. Lending in the area of education was provided during the CPS period through *Basic Education Improvement APL III*, *Education Quality APL I*, *Higher Education Financing*, and *Tertiary Education Student Assessment APL I*. In health, support was primarily provided through *Basic Health Care APL III*, which targets improving access of the poor to the subsidized regime of Mexico's universal health insurance program, *Seguro Popular*, and restructuring the State Health System to increase the efficiency and quality of service provision, and strengthening the capability of the Health Secretariat to enhance oversight of the *Seguro Popular*. This was complemented by analytic work on decentralization and service delivery carried out under the poverty program. The Bank's involvement in dialogue and dissemination in the health area appears to have been less intense than the other areas in this pillar. In low income housing, support has been provided through a TAL (*Housing and Urban TAL*) and a program of three development policy loans—DPLs (during the CPS period), which support policy reforms and financing that have increased the access of low and moderate income groups to affordable housing.

15. The development objectives and expected outcomes of WBG operations in this area are highly relevant to targeted country outcomes, and performance of WBG operations supporting this pillar has in general been satisfactory, although there have been extended delays in the implementation of the IBRD-supported health program and some problems in implementation in the education sector. Poverty analysis and education have been influential. Measures supported under the education and housing programs have significantly improved the policy and institutional framework underpinning the performance of these sectors in providing social services.

## **Pillar II: Increase Competitiveness**

16. Country Outcomes. Indicative country level outcome targets in this area envisaged continued sound macroeconomic management, and strengthening of several elements of structural policies and institutions relevant to competitiveness. Targets for macroeconomic management, including ceilings on the government deficit and public debt, maintaining a targeted range for inflation, and public sector debt management, were all achieved, which IEG weights heavily in evaluating outcomes. However, outcomes with regard to the structural underpinnings of increased competitiveness were mixed. The outcome of a target pertaining to the adoption of a single point registration system was not reported, while a target on the time needed to register a new business was achieved. The status of the targeted outcomes on number of popular bank accounts, number of small and medium enterprises conducting electronic transactions, increase in volume of training in corporate responsibility and business ethics, highway construction/modernization, and the share of 15–19 year olds completing lower secondary education is not clear.<sup>3</sup> A target on the number of researchers in the national system was achieved. Overall, of 12 targeted outcomes in this area, data presented are sufficient to conclude that 6 were achieved, while 6 were not achieved, including 4 for which information is not available.

17. Other indicators, additional to those identified in the CPS, indicate broad progress relevant to increased competitiveness: the Cost of Doing Business and the Global Competitiveness Index both show some relative improvement in Mexico's ranking on these indicators over the start of the CPS period.<sup>4</sup>

18. WBG Operations. Support in this area has been provided mainly through a program of AAA on competitiveness and trade, finance and infrastructure, and lending in finance, competitiveness, infrastructure, and innovation. AAA supported the Government's development and dissemination of

supported measures to improve Mexico's business regulation framework; facilitate trade; reduce and simplify tariffs; strengthen innovation, technology development, and training; and improve the transparency and performance of public sector energy entities. Support via other vehicles, within this broad agenda, also addressed several components of competitiveness, including Mexico's efforts to promote innovation (through AAA and investment support for CONACYT's programs to promote business innovation, develop scientific and technical human capital, and Mexico's science and technology policy framework); to improve the quality and efficiency of productive infrastructure services (for example, review of public expenditures on infrastructure and through a loan to a state to support infrastructure development); to promote sound broad financial sector development (for example, *FSAP Update, Finance and Growth DPL*); and to develop financial services for "underserved" segments of the market—primarily rural and housing markets (for example, *Savings and Rural Finance, FOVI Restructuring*).

19. In general, development objectives and targeted outcomes of operations supporting this pillar are highly relevant to targeted country outcomes. Performance of operations supporting this pillar has in general been satisfactory. AAA appear to have been influential in the development of the reform agenda in the competitiveness area and operations have supported a number of measures that seem to have contributed to strengthening policies and institutions that underpin improved competitiveness.

### **Pillar III: Strengthen Institutions**

20. Country Outcomes. Indicative targets for country level outcomes in this area envisaged improvements in governance, public sector financial management, civil service reform, fiscal decentralization, subnational fiscal management, and judicial effectiveness.<sup>5</sup> In the governance area, three targeted outcomes with regard to Mexico's ranking on three WBI governance indicators ("Voice and Accountability," "Government Effectiveness," and "Control of Corruption") were not achieved. Targets calling for increased use of a competitive procurement system in government procurement, in the share of revenues collected at the sub-national level, and in judicial effectiveness also were not achieved. Targets for an increase in the number of institutions accredited to provide training to civil servants, a ceiling on sub-national debt, and, improved credit ratings of state and municipal governments were all achieved.

21. Targets in this area were thus, for the most part, not achieved and, particularly in the case of the governance indicators, appear not to have been as well-thought-out as and not as directly linked to development objectives or expected outcomes of Bank operations as most of targets and indicators specified in the Poverty Reduction and Competitiveness pillars. Overall, of 10 targeted outcomes in this area, 3 were achieved, and 7 were not.

22. Bank Operations. IBRD provided a very modest program of support directly relevant to governance outcomes, including IDF grants to the Federal Institute for Access to Public Information to build capacity to provide more public access to government information, and to establish a Laboratory of Documentation and Analysis of Corruption. Toward the end of the CPS period, IBRD produced an *Institutions and Governance Review* which explored the linkages between institutions and policy reform outcomes in Mexico. This review identified barriers to reform and possible approaches to addressing them. WBI supported various aspects of public sector institutional development and governance through a number of training courses and conferences.

23. IBRD's support for this pillar also included substantial programs of AAA focused on public expenditure and public sector procurement at the federal (for example, support of the *Convencion Nacional Hacendaria, Review of Federal Government Procurement, Financial Management and Disbursement Systems*), state (for example, *State Level Technical Assistance*), and municipal levels of government. Financial support was also provided through loans (for example, implementation of the *Tax Administration Institutional Development* project, *Urban Structural Adjustment II and III*) and an IDF grant to the state of Aguascalientes *Strengthening Fiscal Transparency*. IBRD also supported modernization of the judiciary (*State Judicial Modernization*), employing a new local currency lending instrument, which was approved but has foundered in implementation. As noted above, lending in this

area was considerably less than envisaged in the CPS (US\$30 million versus US\$350 million planned).

24. The linkages between Bank instrument objectives and expected outcomes on the one hand and country level targeted outcomes are not as clear in this pillar as in the pillars I and II. Performance of the few rated operations in this area has been mixed, with satisfactory progress made in the area of tax administration, but unsatisfactory performance in state judicial modernization. The *Convencion Nacional Hacendaria* (a six-month symposium that attempted to promote consensus on fiscal reforms at all three levels of government), which concluded early in the CPS period (Aug 2004), was supported by the Bank during the symposium and afterward with follow-up support, continues to contribute significantly to the debate on fiscal reform. Other Bank Group supported interventions appear to have had only modest traction to date, however, and no coherent program or strategy that develops synergies within these activities appears to have yet emerged. The nature of the client demand for these services and linkages with policy processes are not clear.

#### **Pillar IV: Environmental Sustainability**

25. Country Outcomes. Indicative targets for country level outcomes in this area encompassed progress in decentralizing (to the states) environmental management functions, increasing renewable energy capacity, development of projects for carbon financing under the Clean Development Mechanism of the Kyoto Protocol, increasing the capacity for handling solid waste, improved management of national protected areas, improved forestry management, improved management of water resources, and increasing the proportion of population with access to safe water and sewage service. Achievements fell short in most of these areas. Targets pertaining to administrative capacity for National Protected Areas, the number of operational groundwater committees, and access to safe water and sewerage were achieved, and the target for projects under the Clean Development Mechanism, substantially so. The targets for decentralization of environmental management, increase in renewable energy capacity, increase in participatory water basin council, increases in water use and pollution discharge charges, and reduction in number of overdrawn aquifers were not achieved; and outcomes with respect to targeted increases in solid waste handling capacity and compliance with legal standards in forestry management were not reported. Of the 11 targets under this pillar based on data presented in the CPSCR, only 4 were achieved or substantially so, while 7 were not (including 2 for which the CPSCR does not provide data). In its comments on a draft of this Review, the Region provided updated data (reported as received from the Region, in Annex Table 10) indicating that most targets were presumably either fully or partially achieved.

26. Bank Operations. IBRD provided support to integrate sustainable development principles into country programs and policies through the *Environmental DPL II* and *Environmental Services* operations. The former supported the development of legal and regulatory frameworks for water and forestry management and regulation of pollution discharges. The latter support the development of a system of charges for environmental services (for example, pollution discharges) to ensure that users pay for environmental services and that environmental services are adequately financed. This cross-environmental sectoral support is complemented with operations to support reduction of pollution (including greenhouse gases) and development of renewable energy, comprised mainly of GEF-, MP-, and PCF-financed projects; operations to support protected forestry management and conservation of biodiversity, comprised mainly of GEF-financed project and the IBRD *Community Forestry II* project; and operations to support improved water management, encompassing both AAA work on the economics of Mexico's water resource management policies and public expenditures in water, and IBRD lending for irrigation modernization and technical assistance on water supply and sanitation. Overall, lending during the CPS period was considerably less than envisaged at the time of CPS (US\$270 million actual versus US\$1.2 billion planned).

27. The specific objectives of Bank support, as reflected in the development objectives and expected outcomes of operations in this area are, in general, highly relevant to the specific country level outcomes envisaged by the CPS. Performance of IBRD supported operations in this area has generally been satisfactory. Bank support has contributed to the development of policies for improved

domestic environmental resource management, and Mexico's active participation in addressing global environmental problems.

<b>Achievement of CPS Objectives</b>			
<b>Objectives</b>	<b>CASCR Rating</b>	<b>IEG Rating</b>	<b>Explanation / Comments</b>
Reduce Poverty and Inequality	NR	S	Country level poverty reduction targets achieved and other targets generally at least partially achieved, to which IEG attaches great importance. Driven by client demand, the Bank established/maintained relevant coherent substantial support programs in poverty analysis, education, and housing and urban development, which have been implemented satisfactorily. Bank AAA support seems to have contributed significantly to ("informed") broad dialogue and top level decision-making on Mexico's poverty policies and programs. Education and housing programs contributed to policy and institutional development, and to sector financing, which—in turn—contributed to improved service delivery. However, outcomes in health and education sectors fell short relative to the expected outcomes of Bank operations in these sectors.
Increase Competitiveness	NR	S	Broad country level indicators of competitiveness and business regulation improved, and macroeconomic performance targets were met. The record on other targets is weaker. Overall, only 6 out of 12 targets were met. Significant programs of AAA and lending support contributed to the design and implementation of a program of policy reform, institutional development and investment to improve the environment for innovation, to facilitate trade, to improve the environment for business through improvements in the business regulatory environment, and to improve access to finance and productive infrastructure services. In view of the mixed performance on outcome targets, the rating of S



			for this pillar is borderline, with representations that the Bank's assistance in this area has been valued by the government just tipping the balance.
Strengthen Institutions	NR	MU	Country level outcome targets were mostly not achieved. Bank support in this area directly relevant to indicative country governance targets was modest, and it is not clear that a well defined client demand or coherent program (or programs) and strategy underpins the Bank's efforts. Bank support has contributed to the dialogue on fiscal reform and to improvements in tax administration, but overall it has not yet been successful in establishing a sustained coherent program or programs of engagement in this area.
Promote Environmental Sustainability	NR	MS	Country outcome targets were presumably mostly achieved either fully or substantially. However, activities in this area do not exhibit the same degree of strategic coherence or client demand as Poverty and Competitiveness. Bank support has contributed to some improvements in the framework for and implementation of natural resource management and to Mexico's participation in global programs, warranting a rating of MS.

**Comments on Bank Performance:**

28. The Bank has been effective in establishing and maintaining vibrant working partnership arrangements in selected areas of its engagement Mexico, and its willingness to pursue a "country partnership" rather than a "country strategy" was central to this success. These are most evident in its support related to Poverty Reduction and Competitiveness. Bank performance concerning Institutions and Environmental Sustainability was less impressive. While these areas may have been more difficult, the Bank's framework for the CPS, when contrasted against outcomes, suggests that a sharper focus was needed to evaluate where, and to what extent, the Bank could successfully pursue assistance programs.

29. Bank performance was generally strong with regard to design and implementation of the CPS with the exception of monitoring in the context of the framework laid out in the CPS. At the design stage, the Bank correctly identified both the "strategic" strategy objective and problem it faced (maintaining its relevance in Mexico) and the solution (provide relevant quality development support products on demand at a competitive price). However, the assistance programs for Institutions Environmental Sustainability were overambitious, and the Bank could have tried to refocus the proposed program on areas where the proposed supply of assistance would have correlated more closely with demand. The Bank was proactive in adopting new instruments and approaches in an effort to increase the net value added of Bank assistance. Bank operations deliveries (AAA, LEN, and

SPN) were generally of high quality individually (for those operations which did materialize), and appear to have been most effective when coordinated and delivered in the context of a coherent program relevant to the achievement of well-specified targeted country outcomes. In this regard, there appears to have been some scope for improvement in the design of indicative outcome targets, particularly in Institution Strengthening and Sustainable Development, which were not well specified in some cases (for example, governance) and perhaps too disparate—in the case of sustainability—to be conducive to building a coherent program. Targets were too numerous and too indirectly connected to the development objectives they were intended to promote in some instances (particularly Sustainable Development and Institutional Strengthening) to be informative with regard to specific operational strategies.

30. Actual monitoring was inadequate, as indicated by the large number of gaps and ambiguities in reporting outcomes. The weakness in monitoring and evaluation is a source of major concern for IEG, especially within the framework of a CPS with a large MIC. The flexibility to face country demands and rising opportunities needs to be balanced against the accountability of the Bank in delivering its support.

**4. Overall IEG Assessment**

<b>Outcome:</b>	<i>Moderately Satisfactory</i>
<b>Bank Performance:</b>	<i>Moderately Satisfactory</i>

31. The CPSCR represents that the WBG successfully established a partnership with the Government— as envisaged in the FY05–08 CPS—and contributed to policy reform and institutional development, primarily through transfer and broad dissemination of knowledge, usually packaged in programs of AAA and lending services—enabling or facilitating policy reform. The fact that demand for WBG services materialized despite the fact that Mexico has a wide range of choices with respect to financing, analysis and advice, including demands from top-policy makers, and that demand has developed for fee-based services, are indications that the client, at least in two of the four pillars of the program, valued Bank services—validating CPSCR representations concerning relevance and efficacy in meeting client needs. This conclusion is buttressed by the client survey conducted in conjunction with the preparation of the CPS for FY08–12. The overall outcome of Bank assistance is rated moderately satisfactory balancing two considerations. On the one hand, the strong performance achieved in the Poverty pillar and the generally strong performance in the Competitiveness pillar (which accounted for about 90 percent of new lending). On the other hand, the important shortfalls in Institutions and Environmental Sustainability, as well as in the monitoring and evaluation of the CPS.

32. Bank performance is also assessed by IEG as *Moderately Satisfactory*. The Country Team worked diligently with the Government (for example, through roll out of new financing products that better manage risks from borrowers' perspectives) and other donors (for example, through efforts to harmonize procedures and promote adoption of country systems) to address operational policy and instrument constraints that tend to reduce the perceived net-value added that clients attach to Bank Group services, although with varying degrees of efficacy. However, the Country Team could have had a sharper focus as to what would be a realistic program, even taking full account of the partnership basis for assistance. Finally, the follow up on the monitoring framework set forth in the CPS was inadequate, making it difficult or impossible to determine the extent to which objectives supported by the Bank were achieved and, based on such data, how future Bank assistance might be made more effective in supporting Mexico.

## 5. Assessment of CPS Completion Report

33. The CPSCR covers achievement of country-level indicative targets for development outcomes and the operational outputs of WBG comprehensively (including outputs of IFC) and consistently. The FY05–FY08 CPS was unusual for its time in specifying a set of monitorable indicators, most with baselines; the CPSCR followed up on current values of some of these indicators, but the degree of follow up and reporting with regard to indicators is uneven and could—overall—have been improved considerably.

34. The data shortcomings of the CPSCR are evidenced by the significant amount of additional information provided by the Region when commenting on an earlier draft of this review.

35. The CPSCR also does a reasonably good job in describing the forums and/or decision processes that were informed or otherwise potentially affected by Bank supported interventions. This dimension of its evaluation could have been strengthened by a brief presentation of the findings and/or recommendations of Bank work, enabling some assessment of the substantive relevance of the Bank's work to country development objectives.

36. The CPSCR could have been strengthened by a more thorough treatment of selected project level development and project outcome indicators (the third evaluation criterion adopted in the CPSCR), also enabling some assessment of the substantive relevance of the Bank's work. This would have been particularly useful in the case of areas addressed by programmatic operations, where conditions and triggers reflect outputs and not outcomes, and where outcomes are needed to gauge the Bank's development effectiveness.

37. The CPSCR does not present any evidence (with the exception of some average cost numbers for ESW reports) bearing on the efficiency of Bank group support to Mexico. The fairly substantial adjustments made in the Bank's program to meet client demands probably involved some additional costs—perhaps substantial.

38. The CPSCR could also usefully have addressed more of the issues that frequently arise in other MIC programs. For example: How did the Bank further its country systems agenda? Did the Bank make adequate use of national capacity in its AAA and other operational work? What are the problems the Bank faces in sustaining a demand-driven partnership model? What were the substantive linkages and synergies between IBRD's and IFC's programs and operations? Policy reform in Mexico in many areas is politically contentious. How does the Bank structure its programs to address this constraint?

## 6. Findings and Lessons

39. IEG concurs with the broad lessons and implications for the Bank Group's future Mexico program set forth in the CPSCR, with the following clarifications for implementation going forward.

40. IEG agrees that it is very difficult to identify the contribution of the Bank to overall country outcomes, and that in middle income countries, such as Mexico, the Bank must recognize that CPS/CAS outcomes primarily reflect the efforts of the client government and citizenry. The approach taken in the CPS and in the CPSCR to this situation is broadly appropriate (subject to the above stated ways in which the CPSCR could have been improved). Specification of a monitorable set of country level targeted outcomes, along the areas where the Bank has a comparative advantage and may be able to contribute, provides an essential reference point for assessing development effectiveness and the Bank's accountability in the delivery of the program. While success in competition for Mexico's development business is critical if the Bank is to be of help to Mexico, that success must be related ultimately to its contribution to substantive development results and accountability.

41. IEG also concurs that in many cases, an effective way to take a country's development program forward is to structure Bank-supported projects that can serve as a framework for implementing the findings of AAA, and that the project structure and the disciplined procedures associated with that structure can be helpful to the Government even though it may have no need to borrow for purposes of resource transfer. In addition to fostering symbiosis between Bank supported AAA and lending, the Bank could provide further flexibility to clients and other partners by offering project preparation services not linked to Bank financing. This already happens by design in development of many cofinanced operations and unintentionally in others when a borrower takes a Bank prepared project to an alternate financing source, including its own budget.

42. IEG notes that some other countries that have made fairly extensive use of programmatic instruments—as has been the case in Mexico—have found their flexibility to respond to client demands to be limited by the contingent commitments to continue with subsequent phases (i.e., contingent mortgage on future lending) under these programs. This warrants consideration of the flexibility “option value” of non-programmatic approaches in some areas of the program.

43. The FY05–08 CPS period concluded with instances of programs *in media res*—DPLs started during the CPS period, not followed up during the period with a subsequent operation (for example, *Competitiveness DPL I* and *Finance and Growth DPL I*, *Innovation For Competitiveness APL I*, *School Based Management APL I*), the futures of which are in doubt under the *modus operandi* adopted in the CPS for FY08–12. Suitable means to monitor and evaluate these should be identified and implemented during implementation of the new CPS.

44. The FY05-08 CPS and CPSCR well align Bank Group contributions with the objectives taxonomy underpinning the Mexico program, as does the new CPS. In implementing the new strategy, exploiting potential substantive synergies, particularly between related IBRD and IFC activities (e.g. close coordination between IFC technical advisory services on business regulation and IBRD-supported policy measures) could contribute materially to overall Bank effectiveness.

45. Finally, IEG notes that the proposed FY08–12 operational strategy outlines substantial annual umbrella DPLs. This support architecture thus exhibits many of the characteristics of general budget support. Evaluation and monitoring methods appropriate to this mode of support should be adopted as needed, as the results framework of the new CPS is fleshed out during implementation. It may be desirable to have a two tiered monitoring system with country and Bank indicators. As targets for the Bank programs are difficult to identify, given the small role that the Bank plays in countries such as Mexico, project level outcome ratings and evidence of impact might be the best indicators (similar to the IDA Results Monitoring System which monitors MDG level indicators in tier 1 and project outcome ratings and availability of baselines in tier 2). The Bank also needs a better way to monitor the impact of AAA. This could be done with client surveys or the identification of target actions/outcomes that AAA is supposed to inform.

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1. Although not formally required, most CPS program matrices from this period and earlier defined expected outcomes of Bank assistance, as distinguished from country level development outcomes.

2. Annex Table 9 disaggregates compound targets (i.e., targets encompassing more than one indicator) to facilitate clear identification of which have been achieved and which have not.

3. The CPSCR reports that Mexico was on track to meet the bank account target, that a substantial amount of training on corporate responsibility and business ethics was conducted, and that the highway modernization target was feasible. It cannot, however, be concluded based on the data presented that the CPS specified target was achieved.

4. For the Bank's Doing Business indicator, the CPSCR notes that Mexico ranked 44th out of 178 countries in 2008, but this was a deterioration from 41st in 2007.

5. The original CPS matrix also included a target on work areas for certified for ISO 9000 that appears to have been misplaced in the CPS and does not appear in the CPSCR Annex II and is not tracked here.

**ANNEXES**

- Annex Table 1:** a) Planned and Actual Lending, FY05–08  
b) Planned and Actual Lending by Pillar, FY05–08
- Annex Table 2:** a) Planned and Actual Analytical and Advisory Work, FY05–08  
b) Planned and Actual Analytical and Advisory Work by Pillar, FY05–08
- Annex Table 3:** a) IEG Project Rating for Mexico, FY04–07  
b) IEG Project Rating for Mexico and Comparators, FY04–07
- Annex Table 4:** Portfolio Status Indicators, FY04–08
- Annex Table 5:** IBRD/IDA Net Disbursements and Charges Summary Report for Mexico
- Annex Table 6:** Total Net Disbursements of Official Development Assistance and Official Aid, 2000–2006
- Annex Table 7:** Economic and Social Indicators
- Annex Table 8:** Mexico Millennium Development Goals
- Annex Table 9:** Summary of Achievements of the CPS Objectives  
Pillar I  
Pillar II  
Pillar III  
Pillar IV
- Annex Table 10:** Updated Achievements of CPS Pillar IV – Promote Environmental Sustainability

**ATTACHMENT**

- Attachment 1:** IEG-IFC CPSCR Review



**Annex Table 1a: Planned and Actual Lending, FY05–08**  
Base Case Scenario

	Project ID	Proposed FY	Approval FY	Proposed Amount (US\$ million)	Approved Amount (US\$ million)
<b>2005</b>					
<i>Tertiary Education Financing II - Tertiary Education Student Ass. (APL I)</i>					
	P085593	2005	Moved to FY06	200.0	180.0
<i>CONACYT II - Innovation for Competitiveness</i>					
	P089865	2005	Actual	200.0	250.0
<i>Lifelong Learning &amp; Training SWAP</i>					
		2005	Moved to FY09	200.0	
<i>Water Resources Mgmt</i>					
		2005	Dropped	100.0	
<i>Highway Finance SAL</i>					
		2005	Dropped	300.0	
<i>Environmental SAL II - Environmental DPL II</i>					
	P079748	2005	Moved to FY06	200.0	200.5
<b>Additional projects</b>					
<i>State Judicial Modernization (FY04)</i>					
	P074755	2004	Actual		30.0
<i>Basic Development Education III (FY04)</i>					
	P085851	2004	Actual		300.0
<i>Housing Technical Assistance (FY04)</i>					
	P088080	2004	Actual		7.8
<b>2006</b>					
<i>Education Quality SWAP - School-based Mgt APL</i>					
	P088728	2006	Actual	300.0	240.0
<i>Access to Land for Young Farmers</i>					
	P088732	2006	Actual	100.0	100.0
<i>Property Rights Program</i>					
		2006	Dropped	100.0	
<i>CONTIGO SAL</i>					
		2006	Dropped	300.0	
<i>Housing &amp; Urban Prog SAL II</i>					
	P089852	2006	Actual	100.0	200.5
<i>Strengthen Public Finances SAL</i>					
		2006	Dropped	300.0	
<b>Additional projects</b>					
<i>Environmental services</i>					
	P087038		Actual		45.0
<i>Modernization of Water &amp; Sanitation TAL (advanced from FY08)</i>					
	P091695		Actual	300.0	25.0
<i>Competitiveness DPL I</i>					
	P098299		Actual		300.8
<i>Finance and Growth DPL I</i>					
	P097159		Actual		501.3
<b>2007</b>					
<i>Health System SWAP</i>					
		2007	Moved to FY10	300.0	
<i>Access to Financial Services</i>					
		2007	Dropped	300.0	
<i>Water Policy Develop. SAL+TAL</i>					
		2007	Dropped	350.0	
<i>Access to Justice II</i>					
		2007	Dropped	50.0	
<i>Water Rights</i>					
		2007	Dropped	100.0	
<i>Environmental Management</i>					
		2007	Moved to FY10	100.0	
<b>Additional projects</b>					
<i>Savings and Credit Sector Strengthening</i>					
	P103491		Actual		29.0
<b>2008</b>					
<i>Decentralization Infrastructure Develop. II - Guerrero Decentralization</i>					
		2008	In progress	250.0	TBD
<i>Housing and Urban Program SAL III</i>					
	P101342	2008	Actual	200.0	200.5
<i>E-Business II</i>					
		2008	Dropped	100.0	TBD
<i>Irrigation &amp; Drainage Modern. II</i>					
		2008	Moved to FY09	300.0	TBD
<i>Community Forestry III</i>					
		2008	Moved to FY09	50.0	TBD
<b>Additional projects</b>					
<i>BANSEFI Additional Financing</i>					
			Actual		21.0
<i>Integrated Energy Services (Rural Electrification)</i>					
	P088996		Actual		15.0
<i>Basins &amp; Aquifers (GICA)</i>					
			In progress		TBD
<i>Compensation Program CONAFE</i>					
			In progress		TBD
<i>Fiscal Reform DPL</i>					
			In progress		TBD
<i>Sustainable Rural Development/ FIRCO</i>					
	P106682		In progress		TBD
<i>IT Development</i>					
			In progress		TBD
<i>Environmental DPL III—Climate Change</i>					
			In progress		TBD
<b>Total CPS</b>				<b>4,800.0</b>	<b>2,646.0</b>

Source: Mexico CPS FY05, CPSCR 08 and WB Business Warehouse as of February 21, 2008.

**Annex Table 1b. Planned and Actual Lending by Pillar, FY05–08**  
Base Case Scenario

	Project ID	Proposed FY	Approval FY	Proposed Amount (US\$ million)
<b>Pillar I. Poverty Reduction</b>				
<b>Education</b>				
Basic Development Education III (FY04)	P085851	2004	Actual	
Tertiary Education Financing II - <i>Tertiary Education Student Ass. (APL I)</i>	P085593	2005	Moved to FY06	200.0
Lifelong Learning & Training SWAP		2005	Moved to FY09	200.0
Education Quality SWAP - <i>School-based Mgt APL</i>	P088728	2006	Actual	300.0
<b>Health</b>				
Health System SWAP		2007	Moved to FY10	300.0
<b>Low income housing</b>				
Housing Technical Assistance (FY04)	P088080	2004	Actual	
Housing & Urban Prog. SAL II	P089852	2006	Actual	100.0
Access to Land for Young Farmers	P088732	2006	Actual	100.0
Property Rights Program		2006	Dropped	100.0
Housing and Urban Program SAL III	P101342	2008	Actual	200.0
<b>TOTAL</b>				<b>1,500.0</b>
<b>Pillar II. Competitiveness</b>				
CONACYT II - <i>Innovation for Competitiveness</i>	P089865	2005	Actual	200.0
Highway Finance SAL		2005	Dropped	300.0
CONTIGO SAL		2006	Dropped	300.0
Access to Financial Services		2007	Dropped	300.0
Irrigation & Drainage Modern. II		2008	Moved to FY09	300.0
E-Business II		2008	Dropped	100.0
Competitiveness DPL I	P098299		Actual	
Finance and Growth DPL I	P097159		Actual	
Savings and Credit Sector Strengthening	P103491		Actual	
<b>TOTAL</b>				<b>1,500.0</b>
<b>Pillar III. Strengthening Institutions</b>				
State Judicial Modernization (FY04)	P074755	2004	Actual	
Strengthen Public Finances SAL		2006	Dropped	300.0
Access to Justice II		2007	Dropped	50.0
<b>TOTAL</b>				<b>350.0</b>
<b>Pillar IV. Environmental Sustainability</b>				
Environmental SAL II - <i>Environmental DPL II</i>	P079748	2005	Moved to FY06	200.0
Water Resources Management		2005	Dropped	100.0
Water Policy Develop. SAL+TAL		2007	Dropped	350.0
Water Rights		2007	Dropped	100.0
Environmental Management		2007	Moved to FY10	100.0
Community Forestry III		2008	Moved to FY09	50.0
Environmental Services	P087038		Actual	
Modernization of Water and Sanitation TAL (advanced from FY08)	P091695		Actual	300.0
<b>TOTAL</b>				<b>1,200.0</b>
<b>TOTAL CPS 05–07</b>				<b>4,550.0</b>

Source: Mexico CPS FY05, CPSCR FY08 and WB Business Warehouse as of February 21, 2008.



**Annex Table 2a: Planned and Actual Analytical and Advisory Work, FY05–08**

Planned FY	Products	Project ID	Delivery Status
<b>FY05</b>			
	Poverty Programmatic II - " <i>Income Generation &amp; Social Protection for the Poor</i> "	P089805	Actual
	Quality of Education Programmatic I - " <i>Determinants of Learning Policy Note</i> "	P085592	Actual
	Land reform		Dropped
	Competitiveness & Trade Programmatic I	P095439	Delivered FY06
	Public Finances and Management Programmatic I		Delivered FY06
	Sectoral Public Expenditure Review I - <i>Infrastructure PER</i>	P089103	Actual
	Broadening Access to Justice	P087392	Actual
	Water Programmatic I - <i>Economic Assessment of Policy International Water</i>	P089901	Actual
	Environmental & Social Standards Review		Dropped
	<b>Additional Actual Deliveries</b>		
	Rural Poverty Analysis	P085943	Actual
<b>FY06</b>			
	Poverty Programmatic III - " <i>Decentralization Delivery for the Poor</i> "	P095393	Actual
	Quality of Education Programmatic II	P095599	Actual
	Competitiveness & Trade Programmatic II	P095501	Actual
	Public Finance Mgt Programmatic II		Forwarded FY07
	Sectoral Public Expenditure Review II - <i>Water PER</i>	P095895	Actual
	Streamlining Commercial Justice		dropped
	Water Programmatic II	P096999	Actual
	Economic Instruments for Environmental Mgt		dropped
	Disaster Management (Risk + insurance)		dropped
	<b>Additional Actual Deliveries</b>		
	MX State Level - Improving Fiscal Transparency and Administrative Performance	P098955	Actual
	FSAP Update Mexico	P099441	Forwarded FY07
<b>FY07</b>			
	Poverty Programmatic IV		dropped
	Quality of Education Programmatic III		dropped
	IMSS Study		dropped
	Rural Decentralization		dropped
	Competitiveness & Trade Programmatic III		dropped
	Second Generation Pension Reform - " <i>MX PFM Prog II-State Pension Survey</i> "	P101305	Actual
	CPAR Update	P101733	Forwarded FY08
	Policy Notes - <i>Political Transition</i>	P094867	Actual
	Water Programmatic III		dropped
	<b>Additional Actual Deliveries</b>		
	MX Institutional Governance Review (IGR)	P094228	Actual
	Political Transition TA Delivered FY07	P104795	Actual
	Business Process TA Delivered FY07	P101078	Actual
	Equity/Competition Conference	P104796	Actual
	An Agenda for Growth and Employment	P101306	Actual
<b>FY08</b>			
	<b>Additional Deliveries in Progress</b>		
	Country Partnership Strategy	P101384	In progress
	Agricultural Trade (FY08)	P101273	In progress
	Electricity Subsidies (FY08)	P101346	In progress
	Agriculture PER (FY08)	P101358	In progress
	Financial Sector/Competition (FY08)	P106025	In progress
	Secondary Education (FY08)	P106567	In progress
	<b>Additional Fee - Based Services</b>		
	BANOBRAS Strategy (FY08)	P106361	In progress
	Guerrero State (FY08)	P106210	In progress
	CONEVAL (FY08)	P101567	In progress
	SEDESOL (FY08)	P106419	In progress
	<i>Sociedad Hipotecaria Federal (FY08) - AML/CFT Assessment of Mexico</i>	P110383	In progress
	SHCP (FY08)	P106230	In progress
	SCT (FY08)	P110474	In progress
	FPDSN: Fee Service Advisory SHF	P106361	In progress

Sources: Mexico CPS FY05, CPSCR, WB Business Warehouse, IRIS, and Integrated Controller's Systems, as of February 19, 2008.

**Annex Table 2b: Planned and Actual Analytical and Advisory Work by Pillar, FY05–08**

Status	Products	Project ID
<b>Pillar I. Poverty</b>		
FY05	Poverty Programmatic II - <i>Income Generation &amp; Social Protection for the Poor</i>	P089805
FY05	Quality of Education Programmatic I - <i>Determinants of Learning Policy Note</i>	P085592
FY06	Poverty Programmatic III - <i>Decentralization Delivery for the Poor</i>	P095393
FY06	Quality of Education Programmatic II - <i>Improving Effectiveness of Education</i>	P095599
FY07	Second Generation Pension Reform - <i>MX PFM Prog II-State Pension Survey</i>	P101305
FY07	An Agenda for Growth and Employment	P101306
FY08	Secondary Education	P106567
FY08	Agricultural Trade	P101273
FY08	Electricity Subsidies	P101346
FY08	Agriculture PER	P101358
dropped	Poverty Programmatic IV	
dropped	Quality of Education Programmatic III	
dropped	Land reform	
dropped	Health programmatic AAA	
dropped	IMSS Study	
dropped	Rural Decentralization	
<b>Pillar II. Competitiveness</b>		
FY06	Competitiveness & Trade Programmatic I - " <i>Mexico's challenge of knowledge-based competitiveness</i> "	P095439
FY07	Policy Notes - <i>Political Transition</i>	P094867
FY07	Competitiveness & Trade Programmatic II - " <i>Mexico's competitiveness: reaching it's potential</i> "	P095501
FY07	FSAP Update Mexico	P099441
FY07	Business Process TA Delivered FY07	P101078
FY07	Equity/Competition Conference	P104796
FY08	Financial Sector/Competition	P106025
dropped	Country Economic Memorandum	
dropped	Access to financial services	
dropped	Competitiveness & Trade Programmatic III	
<b>Pillar III. Strengthening Institutions</b>		
FY05	Sectoral Public Expenditure Review I - <i>Infrastructure PER</i>	P089103
FY05	Broadening Access to Justice	P087392
FY06	Sectoral Public Expenditure Review II - <i>Water PER</i>	P095895
FY06	Public Finances and Management Programmatic I	
FY06	MX State Level - Improving Fiscal Transparency and Administrative Performance	P098955
FY07	Public Finances and Management Programmatic II	
FY07	MX Institutional Governance Review (IGR)	P094228
FY07	Political Transition TA Delivered FY07	P104795
FY08	CPAR Update	P101733
FY08	CFAA	
dropped	Streamlining Commercial Justice	
<b>Pillar IV. Promote Environmental Sustainability</b>		
FY05	Water Programmatic I - <i>Economic Assessment of Policy International Water</i>	P089901
FY05	Rural Poverty Analysis	P085943
FY06	Water Programmatic II	P096999
dropped	Environmental & Social Standards Review	
dropped	Economic Instruments for Environmental Mgt	
dropped	Disaster Management (Risk + insurance)	
dropped	Water Programmatic III	
<b>Fee based AAA</b>		
FY08	BANOBAS Strategy (FY08)	P106361
FY08	Guerrero State (FY08)	P106210
FY08	CONEVAL (FY08)	P101567
FY08	SEDESOL (FY08)	P106419
FY08	<i>Sociedad Hipotecaria Federal (FY08) - AML/CFT Assessment of Mexico</i>	P110383
FY08	SHCP (FY08)	P106230
FY08	SCT (FY08)	P110474
FY08	FPDSN: Fee Service Advisory SHF	P106361

Sources: Mexico CPS FY05, CPSCR, WB Business Warehouse, IRIS, and Integrated Controller's Systems, as of February 19, 2008.

**Annex Table 3a: IEG Project Rating for Mexico, FY04–07**

Project Name	Approval FY	Exit FY	Outcome	Sustainability*	Institutional Development Impact*	Evaluation Type <sup>2/</sup>
Medium Cities Urban Transport Project	1993	2004	MODERATELY SATISFACTORY	LIKELY	MODEST	ICR Review
MX Community Forestry	1997	2004	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL	ICR Review
MX N. Border I Environment	1994	2004	MODERATELY UNSATISFACTORY	LIKELY	HIGH	PPAR
MX Rural Dev. In Marginal Areas II (APL)	2000	2004	SATISFACTORY	LIKELY	MODEST	ICR Review
MX Basic Education APL II	2002	2004	SATISFACTORY	LIKELY	HIGH	ICR Review
MX E-Business for Small Business Development Project <sup>1/</sup>	2004	2004	NOT RATED	NOT APPLICABLE	NOT RATED	ICR Review
MX Bank Restructuring Facility II	2001	2004	SATISFACTORY	HIGHLY LIKELY	SUBSTANTIAL	ICR Review
MX Programmatic Environment SAL	2003	2004	SATISFACTORY	LIKELY	HIGH	PPAR
MX FOVI Restructuring	1999	2005	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL	ICR Review
MX Water Resources Management	1996	2005	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL	ICR Review
MX Southeast Regional Development LIL	2002	2005	SATISFACTORY	LIKELY	SUBSTANTIAL	ICR Review
MX Municipal Dev in Rural Areas <sup>1/</sup>	2003	2005	NOT RATED	NOT APPLICABLE	NOT RATED	ICR Review
MX Disaster Management (ERL)	2001	2005	HIGHLY UNSATISFACTORY	HIGHLY UNLIKELY	NEGLECTIBLE	ICR Review
MX Affordable Housing & Urban Poverty Programmatic SECAL	2004	2005	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL	ICR Review
MEXICO: Knowledge and Innovation	1998	2006	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL	ICR Review
MP/MX Ozone Protection III	1998	2006	SATISFACTORY	#	#	ICR Review
GEF MX Alternative Energy	2000	2006	SATISFACTORY	#	#	ICR Review
MX Methane Gas Capture and Use at a landfill Demonstration	2001	2006	SATISFACTORY	#	#	ICR Review
MX Federal Highway Maintenance Project	2001	2006	SATISFACTORY	#	#	ICR Review
MX Gender (LIL)	2000	2006	SATISFACTORY	HIGHLY LIKELY	SUBSTANTIAL	ICR Review
MX Rural Finance Development Structural Adjustment Loan	2003	2006	HIGHLY SATISFACTORY	LIKELY	HIGH	ICR Review
MX Higher Education Financing	1998	2007	SATISFACTORY	#	#	ICR Review

<sup>1/</sup> Not rated because project was cancelled or not implemented.

<sup>2/</sup> ICR: Implementation Completion Report PPAR: Project Performance Appraisal Report.

\*Results based on evaluations between FY05-06. With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

**Annex Table 3B: IEG Project Rating for Mexico and Comparators, FY04–07**

Region	Total Evaluated (US\$M)	Total Evaluated (No)	Outcome % Sat (US\$)	Outcome % Sat (No)	Inst. Dev. Impact % Subst. (US\$)*	Inst. Dev. Impact % Subst. (No)*	Sustainability % Likely (US\$)*	Sustainability % Likely (No)*
Mexico	3,137.1	22	98.2	90.0	94.7	80.0	99.2	93.3
Argentina	3,183.1	22	91.7	86.4	18.2	25.0	97.1	90.0
Brazil	3,499.9	34	91.6	96.9	71.5	84.0	91.8	95.8
Russian Federation	1,161.5	18	71.4	72.2	46.6	46.7	75.5	75.0
LCR	15,471.3	228	91.0	82.9	65.8	57.1	91.2	83.8
<b>Bankwide Average</b>	<b>60,384.6</b>	<b>995</b>	<b>87.1</b>	<b>79.8</b>	<b>64.8</b>	<b>56.2</b>	<b>89.1</b>	<b>81.4</b>

\*Results based on evaluations between FY05–06. With IEG's new methodology for evaluating projects, institutional development impact and Sustainability are no longer rated separately.  
Source: WB Business Warehouse tables 4a.5 and 4a.6 as of February 19, 2007.

**Annex Table 4: Portfolio Status Indicators, FY04–08**

Country	2004	2005	2006	2007	2008
<b>Mexico</b>					
# Projects	18	16	18	16	14
Net commitment amount	3,527	2,767	2,630	2,178	1,535
# Projects at risk	2	1	2	2	3
% At risk	11.1	6.3	11.1	12.5	21.4
Commitment at risk	750	350	371	270	450
% Commitment at risk	21.3	12.7	14.1	12.4	29.3
<b>Argentina</b>					
# Projects	31	29	25	26	25
Net commitment amount	5,169	4,569	3,438	3,867	3,881
# Projects at risk	12	14	13	11	10
% At Risk	38.7	48.3	52.0	42.3	40.0
Commitment at risk	1,600	1,714	1,312	832	965
% Commitment at risk	31.0	37.5	38.2	21.5	24.9
<b>Brazil</b>					
# Projects	48	49	48	46	44
Net commitment amount	4,075	4,948	4,429	4,316	3,412
# Projects at risk	9	9	3	7	7
% At risk	18.8	18.4	6.3	15.2	15.9
Commitment at risk	686	627	63	1,221	900
% Commitment at risk	16.8	12.7	1.4	28.3	26.4
<b>Russian Federation</b>					
# Projects	23	22	22	20	20
Net commitment amount	1,985	1,977	1,951	1,771	1,761
# Projects at risk	4	4	2	0	2
% At risk	17.4	18.2	9.1	0.0	10.0
Commitment at risk	364	380	250	0	180
% Commitment at risk	18	19	13	0	10
<b>LCR</b>					
# Projects	265	268	256	247	251
Net commitment amount	18,911	18,595	16,208	16,408	14,900
# Projects at risk	46	59	44	58	60
% At risk	17.4	22.0	17.2	23.5	23.9
Commitment at risk	3,580	3,832	2,558	3,584	3,801
% Commitment at risk	18.9	20.6	15.8	21.8	25.5
<b>Bankwide</b>					
# Projects	1,346	1,332	1,345	1,347	1,316
Net commitment amount	92,554	93,212	92,889	97,791	94,308
# Projects at risk	228	224	188	224	251
% At risk	16.9	16.8	14.0	16.6	19.1
Commitment at risk	14,742	12,553	10,850	15,176	16,581
% Commitment at risk	15.9	13.5	11.7	15.5	17.6

Source: WB Business Warehouse tables 3a.4 as of February 22, 2008.

**Annex Table 5: IBRD/IDA Net Disbursements and Charges Summary Report for Mexico (US\$ million)**

<b>Fiscal year</b>	<b>Disbursed amount</b>	<b>Repay amount</b>	<b>Net amount</b>	<b>Charges</b>	<b>Fees</b>	<b>Net transfer</b>
2005	750	1,858	-1,107	415	17	-1,540
2006	1,031	1,406	-375	443	7	-825
2007	1,344	5,941	-4,597	373	-7	-4,963
2008*	601	146	456	139	3	314
<b>Total (FY05-08)</b>	<b>3,726</b>	<b>9,350</b>	<b>-5,624</b>	<b>1,370</b>	<b>20</b>	<b>-7,013</b>

\* Subtotal July 07 - January 2008.

Source: WB Client Connections, Net Disbursements and Charges Report of February 21, 2008.

**Annex Table 6: Total Net Disbursements of Official Development Assistance and Official Aid, 2000–2006 (US\$ million)**

Donors	Calendar Years							Total
	2000	2001	2002	2003	2004	2005	2006	
Australia	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.2
Austria	0.4	0.2	0.3	0.2	0.2	0.3	0.3	1.9
Belgium	0.5	0.3	0.4	0.4	0.4	0.5	0.3	2.9
Canada	1.6	1.5	3.9	5.0	5.1	5.8	6.8	29.6
Czech Republic	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
Denmark	-0.2	-0.4	-0.2	-1.2	-0.1	-0.3	-0.1	-2.6
Finland	0.2	0.2	0.2	0.4	0.6	0.5	0.5	2.6
France	-11.2	-2.7	-0.2	5.3	18.7	19.4	22.2	51.6
Germany	15.3	14.2	15.0	22.7	23.3	25.3	25.8	141.4
Greece	0.0	0.0	0.0	0.2	0.0	0.1	0.1	0.4
Hungary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ireland	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.5
Italy	0.2	0.5	0.5	0.3	1.3	0.1	0.0	3.0
Japan	-92.6	-11.1	-6.6	11.3	13.0	11.8	21.4	-52.8
Korea	0.1	0.2	0.1	0.2	1.6	0.7	0.3	3.2
Luxembourg	0.1	0.0	0.1	0.4	0.0	0.0	0.0	0.6
Netherlands	-2.0	2.7	3.3	0.0	0.2	0.2	-0.2	4.2
New Zealand	0.1	0.3	0.2	0.3	0.4	0.4	0.2	2.0
Norway	0.4	0.4	0.4	0.1	0.4	0.5	0.0	2.2
Poland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Portugal	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.5
Slovak Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spain	-11.4	-9.2	-12.0	-26.5	-28.3	-24.5	-23.1	-135.0
Sweden	0.2	0.3	0.4	0.5	0.2	0.3	0.1	1.9
Switzerland	0.3	0.3	0.3	0.3	0.4	0.9	0.8	3.3
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United Kingdom	5.7	1.3	2.6	-3.6	0.2	-9.7	0.0	-3.6
United States	23.8	41.8	84.0	57.5	42.8	128.4	153.5	531.8
Other Bilateral Donors	0.5	0.4	0.3	0.7	0.4	0.4	0.4	3.1
<b>Bilaterals Total</b>	<b>-67.8</b>	<b>41.2</b>	<b>93.0</b>	<b>74.5</b>	<b>81.0</b>	<b>161.7</b>	<b>209.7</b>	<b>593.3</b>
EC	4.2	20.5	5.9	5.8	13.4	6.8	17.3	73.9
GEF	2.3	1.6	16.8	5.6	8.5	8.6	6.6	49.9
IDB Spec. Fund	-4.9	-0.2	6.1	5.3	5.1	1.9	4.9	18.1
MONTREAL PROTOCOL	0.8	0.0	0.7	0.0	0.6	1.8	0.0	3.8
UNDP	0.7	0.5	0.8	0.7	0.8	1.0	1.1	5.6
UNFPA	1.2	1.6	4.7	2.5	2.1	2.2	2.3	16.5
UNHCR	4.5	4.2	1.8	1.5	1.5	1.6	1.7	16.6
UNICEF	1.1	1.4	1.2	0.7	0.8	1.2	0.8	7.1
UNTA	2.4	2.5	1.9	2.0	2.0	2.4	2.4	15.6
<b>Multilateral, Total</b>	<b>12.3</b>	<b>31.92</b>	<b>39.8</b>	<b>24.1</b>	<b>34.6</b>	<b>27.5</b>	<b>37.0</b>	<b>207.1</b>
<b>ALL ,Total</b>	<b>-55.5</b>	<b>73.14</b>	<b>132.8</b>	<b>98.5</b>	<b>115.5</b>	<b>189.2</b>	<b>246.7</b>	<b>800.4</b>
<i>DAC Countries, Total</i>	<i>-68.39</i>	<i>40.65</i>	<i>92.6</i>	<i>73.6</i>	<i>78.9</i>	<i>160.4</i>	<i>208.9</i>	<i>586.7</i>
<i>DAC EU Members, Total</i>	<i>-2.08</i>	<i>7.49</i>	<i>10.5</i>	<i>-0.9</i>	<i>16.8</i>	<i>12.5</i>	<i>26.1</i>	<i>70.4</i>
<i>Non-DAC Bilateral Agencies, Total</i>	<i>0.63</i>	<i>0.57</i>	<i>0.4</i>	<i>0.9</i>	<i>2.0</i>	<i>1.3</i>	<i>0.7</i>	<i>6.6</i>
<i>G7, Total</i>	<i>-57.29</i>	<i>45.46</i>	<i>99.1</i>	<i>98.4</i>	<i>104.4</i>	<i>181.2</i>	<i>229.8</i>	<i>701.0</i>

Source: OECD DAC Online database, Table 2a. Destination of Official Development Assistance and Official Aid - Disbursements as of February 22, 2008.

Annex Table 7: Economic and Social Indicators

Series Name	Mexico						Mexico	Argentina	Brazil	Russian Federation	Middle Income Countries
	2001	2002	2003	2004	2005	2006	Average 2001-2006				
<b>Growth</b>											
GDP growth (annual %)	-0.2	0.8	1.4	4.2	2.8	4.8	2.3	3.4	2.9	6.2	3.7
GNI per capita, Atlas method (current US\$)	5,580	6,000	6,370	6,930	7,300	7,870	6,675	4,652	3,543	3,357	4,287
GNI per capita, PPP (current international \$)	9,160	9,330	9,560	10,160	10,630	11,410	10,042	12,205	7,792	9,312	9,121
GDP per capita growth (annual %)	-1.2	-0.2	0.3	3.1	1.8	3.6	1.2	2.4	1.5	6.7	3.0
Agriculture, value added (% of GDP)	4.2	3.9	3.9	3.9	3.8	3.9	3.9	9.2	6.3	5.7	6.5
Industry, value added (% of GDP)	27.3	26.5	25.8	26.3	26.0	26.7	26.4	33.3	28.9	35.4	30.9
Services, etc., value added (% of GDP)	68.6	69.6	70.3	69.8	70.2	69.4	69.6	57.5	64.9	59.0	62.6
<b>Macroeconomic Indicators</b>											
Gross capital formation (% of GDP)	20.9	20.7	20.5	22.1	21.8	22.0	21.3	17.0	16.9	20.6	19.9
Gross domestic savings (% of GDP)	18.6	18.8	18.9	20.0	20.3	20.7	19.6	24.5	18.9	33.2	22.6
Inflation, consumer prices (annual %)	6.4	5.0	4.5	4.7	4.0	3.6	4.7	9.8	7.9	14.0	..
Real effective exchange rate index (2000 = 100)	..	..	..	..	..	..	..	..	..	136.9	..
Official exchange rate (LCU per US\$, period average)	9.3	9.7	10.8	11.3	10.9	10.9	10.5	2.6	2.6	29.2	..
Gross national expenditure (% of GDP)	102.2	101.8	101.6	102.0	101.5	101.3	101.8	92.6	97.7	87.7	..
<b>External Balance</b>											
Exports of goods and services (% of GDP)	27.6	26.8	27.8	29.6	30.0	31.9	28.9	22.9	14.6	35.0	31.0
Imports of goods and services (% of GDP)	29.8	28.6	29.4	31.6	31.5	33.2	30.7	15.5	12.3	22.7	28.2
Current account balance (% of GDP)	-2.8	-2.2	-1.4	-1.0	-0.6	-0.2	-1.4	3.7	-0.3	9.7	..
External debt (% of GNI)	26.8	25.7	27.1	25.3	22.1	..	25.4	107.6	42.1	40.2	42.8
Total debt service (% of GNI)	7.8	6.9	6.7	7.5	5.8	..	6.9	7.6	9.6	4.7	8.4
Gross domestic savings (% of GDP)	18.6	18.8	18.9	20.0	20.3	20.7	19.6	24.5	18.9	33.2	22.6
Gross fixed capital formation (% of GDP)	20.0	19.2	18.9	19.6	19.3	20.4	19.6	17.1	16.3	18.2	18.3
IBRD loans and IDA credits (PPG DOD, million current US\$)	10,883	10,797	10,717	9,567	..	..	10,490.9	8,227.0	8,451.1	6,344.2	39,523
<b>Fiscal Accounts (% of GDP) <sup>2/</sup></b>											
1. Total Revenue and grants	..	..	23.2	23.0	23.3	24.7	23.6	..	..	..	..
<i>Of which: Federal Government</i>	..	..	16.4	16.5	16.9	17.0	16.7	..	..	..	..
<i>Of which: Public Enterprises</i>	..	..	6.8	6.5	6.4	7.7	6.9	..	..	..	..
2. Total Expenditure	..	..	23.9	23.2	23.4	24.6	23.8	..	..	..	..
<i>Of which: capital expenditure</i>	..	..	3.0	3.5	3.4	3.7	3.4	..	..	..	..
3. Traditional Balance	..	..	-0.6	-0.2	-0.1	0.1	-0.2	..	..	..	..
<b>Social Indicators</b>											
<b>Health</b>											
Life expectancy at birth, total (years)	74.3	74.5	74.8	75.1	75.4	..	74.8	74.5	70.8	65.3	69.7
Immunization, DPT (% of children ages 12-23 months)	89.0	91.0	98.0	98.0	98.0	..	94.8	88.2	97.0	97.0	92.5
Improved sanitation facilities (% of population with access)	..	..	..	79.0	..	..	79.0	91.0	75.0	87.0	81.4
Improved water source (% of population with access)	..	..	..	97.0	..	..	97.0	96.0	90.0	97.0	92.7
Mortality rate, infant (per 1,000 live births)	..	..	..	..	22.0	..	22.0	15.0	31.0	14.3	25.8
<b>Education</b>											
School enrollment, preprimary (% gross)	75.1	75.9	81.1	84.3	93.2	..	81.9	62.2	62.6	82.3	59.2
School enrollment, primary (% gross)	108.5	108.8	109.2	109.2	109.2	..	109.0	115.1	143.5	117.8	112.5
School enrollment, secondary (% gross)	73.6	75.7	78.8	79.7	80.2	..	77.6	92.7	106.0	92.7	91.4
<b>Population</b>											
Population, total (in million)	99.0	100.0	101.0	102.0	103.1	104.2	101.6	38.2	182.6	144.2	795
Population growth (annual %)	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.0	1.4	-0.5	0.8
Urban population (% of total)	75.0	75.2	75.5	75.7	76.0	76.3	75.6	89.8	83.3	73.1	74.1
Literacy rate, adult total (% of people ages 15 and above)	..	90.3	..	91.0	91.6	..	91.0	97.2	88.6	99.4	93.1

Sources: WB DDP Database as of February 21, 2008 and IMF 2007 Article IV Consultation.

1/ IMF Mexico: 2007 Article IV Consultation - Staff Report, December 2007.



**Annex 8 - Mexico Millennium Development Goals**

	1990	1994	1997	2000	2003	2005
<b>Goal 1: Eradicate extreme poverty and hunger</b>						
Income share held by lowest 20%	..	..	4	4	4	4
Malnutrition prevalence, weight for age (% of children under 5)	..	17 ..	17	8 ..	..	..
Poverty gap at \$1 a day (PPP) (%)	..	..	2	2	1	1
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	8	6	4	3
Poverty headcount ratio at national poverty line (% of population)	..	..	..	24 ..	..	18
Prevalence of undernourishment (% of population)	..	..	5 ..	..	5	5
<b>Goal 2: Achieve universal primary education</b>						
Literacy rate, youth total (% of people ages 15-24)	..	95 ..	..	..	..	..
Persistence to grade 5, total (% of cohort)	..	..	..	88	93 ..	..
Primary completion rate, total (% of relevant age group)	..	85.9	91.6	97.5	97.0	98.9
School enrollment, primary (% net)	..	..	..	98	98	98
<b>Goal 3: Promote gender equality and empower women</b>						
Proportion of seats held by women in national parliament (%)	..	12.0 ..	14.0	18.0	16.0	24.2
Ratio of girls to boys in primary and secondary education (%)	..	..	..	98.3	100.7	100.5
Ratio of young literate females to males (% ages 15-24)	..	98.4 ..	..	..	..	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employe	..	35	36	36	37	37
<b>Goal 4: Reduce child mortality</b>						
Immunization, measles (% of children ages 12-23 months)	..	75.0	90.0	91.0	96.0	96.0
Mortality rate, infant (per 1,000 live births)	..	37 ..	..	25 ..	..	22
Mortality rate, under-5 (per 1,000)	..	46 ..	..	30 ..	..	27
<b>Goal 5: Improve maternal health</b>						
Births attended by skilled health staff (% of total)	..	..	85.7 ..	..	95.0	83.3
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	83.0 ..	..	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>						
Contraceptive prevalence (% of women ages 15-49)	..	..	65	70 ..	..	73
Incidence of tuberculosis (per 100,000 people)	..	63.5	48.2	39.3	32.0	26.0
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..	0	0
Tuberculosis cases detected under DOTS (%)	..	..	15.3	77.1	103.3	110.2
<b>Goal 7: Ensure environmental sustainability</b>						
CO2 emissions (metric tons per capita)	..	4.5	4.3	4.1	4.0	4.1 ..
Forest area (% of land area)	..	36 ..	..	34 ..	..	34
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	5	5	5	6	6
Improved sanitation facilities (% of population with access)	..	58 ..	..	..	..	79
Improved water source (% of population with access)	..	82 ..	..	..	..	97
Nationally protected areas (% of total land area)	..	..	..	..	..	5.2
<b>Goal 8: Develop a global partnership for development</b>						
Aid per capita (current US\$)	..	1.9	4.7	1.1	-0.6	1.0
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	..	18	18	25	16	12
Fixed line and mobile phone subscribers (per 1,000 people)	..	65.1	101.2	117.1	269.6	459.6
Internet users (per 1,000 people)	..	0.0	0.4	6.3	51.6	121.0
Personal computers (per 1,000 people)	..	8.2	23.5	34.1	58.2	99.0
Total debt service (% of exports of goods, services and income)	..	21	26	32	30	22
Unemployment, youth female (% of female labor force ages 15-24)	..	..	8.3	7.8	4.7	6.2
Unemployment, youth male (% of male labor force ages 15-24)	..	..	6.5	5.5	4.2	4.9
Unemployment, youth total (% of total labor force ages 15-24)	..	..	7.1	6.4	4.4	5.3
<b>Other</b>						
Fertility rate, total (births per woman)	..	3.3	3.0	2.6	2.4	2.2
GNI per capita, Atlas method (current US\$)	..	2,830.0	4,600.0	3,720.0	5,110.0	6,370.0
GNI, Atlas method (current US\$) (billions)	..	235.6	411.8	349.2	501.0	643.5
Gross capital formation (% of GDP)	..	23.1	21.9	26.0	23.9	20.5
Life expectancy at birth, total (years)	..	70.8	72.5	74.2	74.0	74.8
Literacy rate, adult total (% of people ages 15 and above)	..	87.3 ..	..	..	..	..
Population, total (millions)	..	83.2	89.5	93.9	98.0	101.0
Trade (% of GDP)	..	38.3	38.4	60.6	63.9	57.2

Source: World Development Indicators database, April 2006.

**Annex Table 9: Summary of Achievements of the CPS Objectives (Pillar I)**

<b>MX CPS 05-08: Pillar I Reduce Poverty and Inequality</b>		<b>Actual Results (as of February 2008)</b>	<b>Comments</b>
<b>Objectives</b>	1. Strengthen social capital and social cohesion		
	2. Improve levels of education and well being		
	3. Increase equity and equality of opportunities		
<b>Major Outcome Measures</b>	1. Strengthen social capital and social cohesion		
	Share of population within the official Mexican food based poverty measure falls below 15% (from 24.2% in 2000)	Food based poverty measure 13.8% (2006).	Achieved
	A sound monitoring and evaluation system linked to decision-making is in place.	Monitoring and evaluation of poverty policies is in place in SEDESOL. No results linking to decision making are indicated.	Not achieved*
	2. Improve levels of education and well being		
	Net primary enrollment of children 6-12 in rural areas increases to 96% (from 91% in 2002)	Net primary enrollment of children 6-12 in rural areas 95.8% (2005).	Achieved
	Primary terminal efficiency increases to 97% (from 90% in 2003)	Not reported	Not achieved*
	Secondary terminal efficiency increases to 88% (from 80% in 2003)	Secondary terminal efficiency 78.8% (2004-2005).	Not achieved
	Gender gap for all levels of education is maintained below 5%	The medium-term country target indicator was achieved for all levels of education.	Achieved based on CPSCR reporting
	Under five-mortality falls below 15 per 1,000 (from 20.5 in 2003)	Under five-mortality 15.7 per 1,000 (2007).	Achieved
	Maternal mortality rate falls below 45 per 100,000 births (from 63.9 in 2002)	Maternal mortality rate 60.0 per 100,000 births in 2006.	Not achieved
	HIV prevalence for females (ages 15-24) is maintained low at 0.05-0.08% and for males at 0.17-0.26%	HIV prevalence for young population (ages 15-24) is 0.01% in 2004.	Achieved. Not disaggregated by gender.
	Malaria morbidity rate remains below 4.9 per 100,000	Malaria morbidity rate 3.7 per 100,000 in 2003. Results not reported for CPS period.	Not achieved
	Tuberculosis morbidity rate remains below 2 per 100,000	Tuberculosis morbidity rate 2.5 per 100,000 in 2004.	Not achieved
	New housing solutions increase to 750,000 per year	New housing solutions 678,343 in 2005; Projections for CONAFOVI for 2006 are 750,000.	Achieved
	50% of States establish property rights modernization programs	Not reported.	Not achieved*
	3. Increase equity and equality of opportunities		
	Oportunidades and Red Alimentaria programs achieve 100% coverage food-based poor families	Oportunidades achieved 31.3% coverage food-based poor families in 2005, down from 35.2% in 2004.	Not achieved
	Primary enrollment of indigenous children 6-12 increases to 80% (from 71 % in 2000)	Primary enrollment of indigenous children 6-12 increased to 80.8% in 2005.	Achieved
<b>Ongoing pre-CPS 05-08 IBRD Support</b>	2. Improve levels of education and well being		
	Basic Health Care Project III	Delivered FY01. Active. Rev Closing 12/08.	"PROCEDES." Latest PDO rating: Moderately Satisfactory
	MX Affordable Housing and Urban Poverty .Programmatic SECAL FY04	Delivered FY04. Closed 12/04.	ICR outcome: Moderately Satisfactory
	MX Housing & Urban Technical Assistance	Delivered FY05. Closed 06/08.	Latest PDO rating: Moderately Satisfactory
<b>New IBRD Lending Support</b>	1. Strengthen social capital and social cohesion		
	CONTIGO SAL (FY06)	Dropped	Government requested dropping.
	2. Improve levels of education and well being		
	Basic Development Education III APL	Delivered FY05. Closed 12/07.	Latest PDO rating: Satisfactory
	Tertiary Education Student Assessment (APL I)	Delivered FY06. Active.	Latest PDO rating: Moderately Satisfactory
	Education Quality SWAP	Delivered FY06. Active.	"School based management." Latest PDO rating: Satisfactory
	Health System (seg. Popular) SWAP (FY07)	Postponed until FY10.	
	Housing & Urban Program SAL II	Delivered FY06. Closed 06/07.	Latest PDO rating: Satisfactory
	Housing & Urban Program SAL III	Delivered FY06. Closed 06/08.	Latest PDO rating: Satisfactory
	Property Rights Loan (FY06)	Dropped	

	<b>MX CPS 05-08: Pillar I Reduce Poverty and Inequality</b>	<b>Actual Results (as of February 2008)</b>	<b>Comments</b>
	Water Policy Development SAL + TAL	Dropped	
	Access to Land for Young Farmers (FY06)	Delivered FY06. Active.	Latest PDO rating: Satisfactory
	3. Increase equity and equality of opportunities MX Gender (LIL)	Delivered FY00. Closed 12/05	ICR outcome: Satisfactory
<b>Planned AAA and TA</b>	1. Strengthen social capital and social cohesion Poverty Programmatic I	Completed FY04	"Poverty in Mexico: An Assessment of Conditions, Trends and Government Strategy"
	Poverty Programmatic II	Completed FY05	"Income Generation and Social Protection for the Poor"
	Poverty Programmatic III	completed FY06	"Decentralized Delivery for the Poor"
	Poverty Programmatic IV	Dropped	
	IDF - SEDESOL Monitoring and Evaluation	Completed	
	WBI - learning programs on impact evaluation	Completed	
	2. Improve levels of education and well being Quality of Education Programmatic I	Completed FY05	"Determinants of Learning Policy Note"
	Quality of Education Programmatic II	Completed FY06	"Improving Effectiveness of Education through Compensating for disadvantages, school-based management and enhanced accountability"
	Quality of Education Programmatic III	Dropped	
	Secondary Education	In progress FY08	
	Health for Poor Programmatic AAA (FY05-06)	NA	Not found in AAA list
	Land Reform AAA (FY05)	Dropped	
	3. Increase equity and equality of opportunities Public Expenditure Programmatic AAA I (FY05)	Actual	Sectoral Public Expenditure Review I - Infrastructure PER
	Public Expenditure Programmatic AAA II (FY06)	Actual	Sectoral Public Expenditure Review II - Water PER
	Local Social Service Delivery AAA (FY07)	Dropped	"IMSS study" in CPS
	State Pension Survey AAA (FY07)	Delivered FY07	"Second Generation Pension Reform" in CPS
	Rural Decentralization AAA (FY07)	Dropped	
	IDF- INDESOL Capacity Building	Actual	
	IDF - CONADEPI Indigenous Outreach	Actual	
<b>Additional AAA</b>	An Agenda for Growth and Employment	Actual	

\* In cases where results are not reported, IEG takes this lack of evidence as the equivalent of "not achieved"

**Annex Table 9: Summary of Achievements of the CPS Objectives (Pillar II)**

<b>MX CPS 05-08: Pillar II Increasing Competitiveness</b>		<b>Actual Results (as of February 2008)</b>	<b>Comments</b>
<b>Objectives</b>	1. Manage the Economy in a responsible manner		
	2. Increase and Expand country competitiveness		
	3. Promote balanced regional development that includes all segments of the population		
	4. Promote education for the development of personal capacities as well as individual and collective initiatives		
<b>Major Outcome Measures</b>	1. Manage the Economy in a responsible manner		
	PSBR deficit remains below 3%	PSBR deficit decreased to 1.2% of GDP in 2006	Achieved
	Inflation level remains within the central bank's medium-term band of 2-4%	Inflation remained within the central bank's medium-term band, at 3.6%	Achieved
	Augmented stock of public sector debt remains below 50% of GDP	Augmented stock of public sector debt stood at 34.4% of GDP in 2006	Achieved
	2. Increase and Expand country competitiveness		
	50% of the 150 largest municipalities implement single-point business registration systems	Rapid Business Opening Systems have facilitated new entry in 74 municipalities.	Not achieved. CPSCR s does not specify the size of the 74 municipalities.
	Average number of days required to register a new business falls below 45 days	The number of days required for starting a business fell from 58 days in 2005 to 27 days in 2006. The number of days required to register property remains unchanged over 2004-06, at 74 days	Achieved
	Number of "popular banking" accounts reaches 9.2 million	The number of "popular banking accounts" increased to 7.2 million in 2005 from 6.6 million registered in 2004	Not achieved
	Number of firms who have instituted Corporate Social Responsibility strategy (and/or code of conduct) increases by 20%	Not reported	Not achieved*
	Number of individuals (corporate programs and university/business school programs) who receive training in corporate social responsibility and business ethics increases by 50% (from 2002 levels)	10 training events on Corporate Social Responsibility, including on-line courses and face-to-face seminars and dialogues. 2,700 participants including business executives, government officials, and academic sector representatives. <i>Union Social de Empresarios de Mexico</i> (USEM) provided CSR training courses to 687 participants during 2003-2005	Achieved
	75,000 new PYMES perform electronic transactions	Not monitored and the Bank e-business project was cancelled.	Not achieved*
	3. Promote balanced regional development that includes all segments of the population		
	Over 6,300 km of highways are constructed or modernized in the 2000-2006 period	In 2000-05, 4,726.3 km of highways were constructed or modernized. Likely to achieve by 2006.	Not Achieved. Not reported for 2006.
	4. Promote education for the development of personal capacities as well as individual and collective initiatives		
	Share of 15-19 year olds that have completed lower secondary reaches 75% (from 67% in 2002)	Not reported	Not achieved*
Number of researches in national system further increases from 10,000 in 2003	The number of researchers in the national system increased to an estimated 12,096 in 2005	Achieved	
<b>Ongoing pre-CPS 05-08 IBRD Support</b>	1. Manage the Economy in a responsible manner		
	Rural Finance SAL	Delivered FY03. Closed 12/05	ICR outcome: Highly Satisfactory
	FOVI Restructuring	Delivered FY99. Closed 06/05	ICR outcome: Moderately Satisfactory
	2. Increase and Expand country competitiveness		
	Highway Maintenance Loans	Delivered FY01. Closed 12/06. FY08	ICR outcome: Satisfactory
	E-Business TALs	Delivered FY04. Active. Closes 06/08	"MX E-Business for Small Business Dev. Pr." ICR outcome: Satisfactory
	3. Promote balanced regional development that includes all segments of the population		
Decentralized Infrac. Development Loans (FY04)	Delivered FY04. Closes 12/08	ICR outcome: Satisfactory	

	<b>MX CPS 05-08: Pillar II Increasing Competitiveness</b>	<b>Actual Results (as of February 2008)</b>	<b>Comments</b>
<b>New IBRD Lending Support</b>	<u>1. Manage the Economy in a responsible manner</u>		
	Finance and Growth DPL	Delivered FY06. Closed 06/06	Replaces original Access to Financial Services (FY06)
	<u>2. Increase and Expand country competitiveness</u>		
	Competitiveness DPL	Actual. Closed 07/06	Latest PDO rating: Satisfactory
	Investment Climate Assessment (ICA) FY04	Not reported	
	Highway Finance Loan (FY04)	Dropped	
	Highway Maintenance Loans (FY08)	Not reported	
	Housing & Urban Program SAL	Delivered FY04. Closed 06/04	"HUSAL" Latest PDO rating: Satisfactory
	Housing & Urban Program TAL	Delivered FY06. Closed 06/07	"HUTAL" Latest PDO rating: Satisfactory
	Property Rights Loan (FY05)	Dropped	
	Access to financial services loan (FY07)	Dropped	
	Development Banks (FY08)	Dropped	
	Rural Savings & Credit TAL	Delivered FY06. Active. Closing 12/09	"MX (CRL1)Savings & Rural Finance (BANSEFI)" Latest PDO rating: Satisfactory
	MX-Savings and rural Finance Additional Fin. (FY07)	Delivered FY07. Active	
	E-Business TALs (FY07)	Not reported	
	<u>3. Promote balanced regional development that includes all segments of the population</u>		
	Decentralized Infrastructure Development Loans (FY08)	In progress	"Guerrero Decentralization"
	<u>4. Promote education for the development of personal capacities as well as individual and collective initiatives</u>		
	CONACYT Loan	Delivered FY06. Active. Closes 12/09	"Innovation for Competitiveness APL I" Latest PDO rating: Satisfactory
Lifelong Learning & Training SWAP	Moved to FY09		
Tertiary Education Student Assessment (APL I)	Delivered FY06. Active	Latest PDO rating: Moderately Satisfactory	
<b>Planned AAA</b>	<u>1. Manage the Economy in a responsible manner</u>		
	Country Economic Memorandum (FY07)	Not reported	Not accounted for in CASCR
	Policy Notes AAA (FY07)	Actual	
	Macro Monitoring policy Dialogue		
	Financial Instruments Services		
	<u>2. Increase and Expand country competitiveness</u>		
	Competitiveness & Trade Programmatic I AAA	Delivered FY06	"Mexico's Challenge of Knowledge-based Competitiveness: Challenges and Opportunities"
	Competitiveness & Trade Programmatic II AAA	Delivered FY07	"Mexico's Competitiveness: Reaching its potential"
	Access to financial services AAA (FY06)	Not reported	Supposed to be part of Competitiveness & Trade II but not included
	Capital Markets Development AAA (FY07)	Dropped	Part of Competitiveness & Trade III that was dropped
	State Pension Survey AAA (FY07)	Delivered FY07	"Second Generation Pension Reform" in CPS
	Public Expenditure Programmatic AAA I (FY05)	Actual	Sectoral Public Expenditure Review I - Infrastructure PER
	WBI - Learning Programs on Corporate Social Responsibility		
	WBI - Learning Program on PYMES Capacity Building		
<u>3. Promote balanced regional development that includes all segments of the population</u>			
Southern States Connectivity AAA (FY06)	Unclear whether delivered	Part of Competitiveness and Trade I (FY05)	
<b>Additional AAA</b>	FSAP Update	Delivered FY06	
	Financial Sector Competition (FY08)	Delivered FY08	
	FPDSN: Fee Service Advisory SHF	In progress	"Federal District Registry"

In cases where results are not reported, IEG takes this lack of evidence as th

**Annex Table 9: Summary of Achievements of the CPS Objectives (Pillar III)**

	<b>MX CPS 05-08: Pillar III Strengthening Institutions</b>	<b>Actual Results (as of February 2008)</b>	<b>Comments</b>	
<b>Objectives</b>	1. Establish a new framework of democratic governance			
	2. Increase citizen confidence in its institutions, reduce the level of corruption, and give transparency to public sector management and performance.			
	3. Promote a new federalism with the transfer of functions and responsibilities to state and municipal governments.			
	4. Guarantee an expeditious and efficient judicial system			
<b>Major Outcome Measures</b>	1. Establish a new framework of democratic governance Mexico's ranking on WBI Governance Indicator "Voice & Accountability" rises from 70th percentile (from 60th percentile in 2002).	Mexico's ranking on WBI Governance Indicator "Voice & Accountability" decreased to 54th percentile in 2005 from 56th percentile recorded in 2004.	Not achieved	
	2. Increase citizen confidence in its institutions, reduce the level of corruption, and give transparency to public sector management and performance. Mexico's ranking on WBI Governance Indicator "Government Effectiveness" rises from 75th percentile (from 62nd percentile in 2002).	Mexico's ranking on WBI Governance Indicator "Government Effectiveness" decreased to 57th percentile in 2005 from the 59th percentile recorded in 2004	Not achieved	
	Mexico's ranking on WBI Governance Indicator "Control of Corruption" rises from to 65th percentile (from 52nd percentile in 2002).	Mexico's ranking on WBI Governance Indicator "Control of Corruption" decreased to 44th percentile in 2005 from 50th percentile recorded in 2002.	Not achieved	
	Proportion of federal bidding processes carried out through COMPRANET increases to 75% (from 40% in 2003).	Proportion of federal bidding processes carried out through COMPRANET increased to 42% in 2005. At the end of May 06, the proportion recorded was 51%.	Not achieved	
	Increase in the number of institutions accredited to provide training to civil servants.	The number of institutions accredited to provide training to civil servants rose from 9 in 2004 to 18 in 2005.	Achieved. No baseline provided.	
	3. Promote a new federalism with the transfer of functions and responsibilities to state and municipal governments Share of revenue collected at sub national level increases by 1/5 (over 2002 level).	Share of revenue collected at subnational level remained at around 9.6% in 2005.	Not achieved	
	Sub national debt remains below 60% of participations plus own revenue.	Subnational debt as percentage of <i>participaciones</i> decreased to 50% in 2004, from 57% in 2002.	Achieved	
	Credit ratings of at least 25% of states increased by one level (from Dec. 2003 levels).	All state governments have a credit rating since 2005, compared to 31 states in 2003.	Achieved	
	Credit ratings of the 20 largest municipalities increased by one level (from Dec 2003 levels).	In 2005, at least 9 municipalities increased their credit ratings by one level.	Not achieved	
	4. Guarantee an expeditious and efficient judicial system Mexico's ranking on EOS "Judicial Effectiveness" rises to 60th percentile (from 40th percentile in 2003).	Mexico's ranking on EOS "Judicial Independence" falls to 46th percentile in 2006 (from 37th percentile in 2003).	Not achieved	
	<b>Ongoing pre-CPS 05-08 IBRD Support</b>	2. Increase citizen confidence in its institutions, reduce the level of corruption, and give transparency to public sector management and performance Public Sector Social Security Reform (ISSSTE) SAL + TAL (FY04)		
		Tax Administration Institutional Development	Delivered FY02. Closes 06/03.	
		4. Guarantee an expeditious and efficient judicial system Access to Justice Loans (FY04)	Active. Closes 09/10.	"State Judicial Modernization"
<b>New IBRD Lending Support</b>		2. Increase citizen confidence in its institutions, reduce the level of corruption, and give transparency to public sector management and performance Strengthening Public Finances SAL + TAL (FY06)	Dropped	
	Tax Administration	Dropped		
	4. Guarantee an expeditious and efficient judicial system			
	Access to Justice Loans (FY07)	Dropped		

	<b>MX CPS 05-08: Pillar III Strengthening Institutions</b>	<b>Actual Results (as of February 2008)</b>	<b>Comments</b>
<b>Planned AAA</b>	<u>1. Establish a new framework of democratic governance</u> Development Marketplace (FY05)		
	Consultations with Civil Society		
	WBI - Learning Programs On Open and Participatory Governance		
	<u>2. Increase citizen confidence in its institutions, reduce the level of corruption, and give transparency to public sector management and performance</u>		
	Public Expenditure Programmatic AAA I (FY05)	Actual	Sectoral Public Expenditure Review I - Infrastructure PER
	Public Expenditure Programmatic AAA II (FY06)	Actual	Sectoral Public Expenditure Review II - Water PER
	Strengthening Public Finances Programmatic AAA I	Delivered FY05	"State Level Technical Assistance to Establish Performance Indicators of Procurement, Public Expenditure, and Financial Management"
	Strengthening Public Finances Programmatic AAA II	Delivered FY06	"Review of Federal Government Procurement, Financial Management and Disbursement Systems"
	Strengthening Public Finances Programmatic AAA III	Delivered FY6	"Improving Fiscal Transparency and Administrative Performance and State Level"
	CPAR Update	Actual	CPAR Update
	Strengthening Fiscal Transparency through Harmonized Accounting System IDF	Delivered FY07	
	Institutional Governance Review (IGR) (FY06)	Actual	
	WBI - Learning Programs on Public Sector Management and Fiscal Administration		
	WBI - Learning Programs On Civil Service Training and Accreditation		
	<u>3. Promote a new federalism with the transfer of functions and responsibilities to state and municipal governments</u>		
	Strengthening Public Finances Programmatic AAA I	Delivered FY05	"State Level Technical Assistance to Establish Performance Indicators of Procurement, Public Expenditure, and Financial Management"
	Strengthening Public Finances Programmatic AAA II	Delivered FY06	"Review of Federal Government Procurement, Financial Management and Disbursement Systems"
	Strengthening Public Finances Programmatic AAA II	Delivered FY06	"Improving Fiscal Transparency and Administrative Performance and State Level"
	CPAR Update	Delivered FY07	
	CFAA	Delivered FY08	"Accounting and Budgetary Harmonization Study"
	Harmonization of FM + PR Standards AAA (FY05)	Not reported	
	State Pension Survey AAA (FY07)	Delivered FY07	"Second Generation Pension Reform" in CPS
	WBI - Learning Programs On Intergovernmental Fiscal Relations and Local Financial Management		
	<u>4. Guarantee an expeditious and efficient judicial system</u>		
	Justice Programmatic AAA (FY05)		
	Justice Programmatic AAA (FY06)	Delayed	"Streamlining Commercial Justice"
	WBI - Judicial Reform Learning Program		
<b>Additional AAA</b>			

\* In cases where results are not reported, IEG takes this lack of evidence as the equivalent to "not achieved."

**Annex Table 9: Summary of Achievements of the CPS Objectives (Pillar IV)**

<b>MX CPS 05-08: Pillar IV Promote Environmental Sustainability</b>		<b>Actual Results (as of February 2008)</b>	<b>Comments</b>
<b>Objectives</b>	<b>1. Promote development in harmony with nature and the environment</b>		
<b>Major Outcome Measures</b>	<b>1. Promote development in harmony with nature and the environment</b>		
	Final transfer of at least one or more environmental management functions from federal government to at least 25% of states	During 2005, there was final transfer of environmental management functions from Federal Government to six states (18.75% of states).	Not achieved.
	Increase renewable energy capacity to 1,700 MW	Renewable energy capacity increased by 964 MW in 2005.	Not achieved.
	At least ten projects for carbon financing under Clean Development Mechanism (for example, renewable energy, forestry) under implementation	There are nine projects for carbon financing under Clean Development Mechanism which are under implementation. Two are developed with World Bank involvement and signed by ERPA.	Achieved
	Levels of installed capacity for handling solid waste increases to 20% (over 2001 levels)	Not reported	Not achieved*
	Natural Protected Areas with sufficient administrative capacities increase to 90 (from 8 in 2001)	In February 2006, 83 out of the 155 federal protected areas had personnel and an annual budget from CONANP. These 83 protected areas cover 14,746,669 ha or 79% from the total area with a federal decree (CONANP, 2006).	Achieved
	Percentage of forest inspections that detect total compliance with legal standards increases to 35% (from 10% in 2001)	Not reported	Not achieved*
	Number of participatory water basin councils operating increases to 25 (from 1 in 2001)	Number of participatory water basin councils operating increased to 16 in 2004.	Not achieved.
	Number of groundwater committees operating increases to 40 (from 4 in 2001)	The number of groundwater committees operating increased to 41 in 2004.	Achieved
	Total revenue from water abstraction and pollution charges increases by 15% (over level of 6,150 million Mexican pesos in 2001)	Based on the revised figures from CNA, total revenues from water abstraction and pollution charges increased 6.9% on average for the 2001-2004 period. These revenues increased to 7,827 million pesos in 2003, but revenues contracted to 7,751 million pesos in 2004.	Not achieved.
	Number of overdrawn aquifers is reduced from 100 under this situation in 2002	The number of overdrawn aquifers increased to 104 in 2004 from 102 in 2003.	Not achieved.
	Share of people with access to safer water resources increases to 88% and to sewage services increases to 78% (from 80% and 74% in 2000, respectively)	The share of the population with access to safer water resources increased to 87.8% and to sewer services increased to 84.8% in 2005.	Achieved
<b>Ongoing pre-CPS 05-08 IBRD Support</b>	<b>1. Promote development in harmony with nature and the environment</b>		
	Community Forestry Loans (FY04)	Actual. Closes 06/08	Latest PDO rating: Satisfactory
	MX Decentralized Infrastructure Development	Delivered FY04. Closes 12/08	Latest PDO rating: Satisfactory
	MX Irrigation and Drainage Modernization	Delivered FY04. Closes 09/09	Latest PDO rating: Satisfactory
<b>New IBRD Lending Support</b>	<b>1. Promote development in harmony with nature and the environment</b>		
	Environmental SAL II (FY05)	Actual. Closed 01/06.	
	Environmental Management Loan (FY07)	Moved to FY10	
	Economic Instruments for Env. Mgmt. (FY06)	Active. Closes 06/11.	"Environmental Services". Latest PDO rating: Satisfactory
	Community Forestry Loans (FY08)	Moved to FY09	
	Water Resources Management II Loan (FY05)	Dropped	
	Water Policy Development SAL (FY06)	Dropped	
	Water Rights Loan (FY06)	Dropped	
Modernization of Water and Sanitation TAL (FY06)	Actual. Closes 06/09.	Latest PDO rating: Moderately Satisfactory	



	<b>MX CPS 05-08: Pillar IV Promote Environmental Sustainability</b>	<b>Actual Results (as of February 2008)</b>	<b>Comments</b>
<b>Planned AAA and TA</b>	<u>1. Promote development in harmony with nature and the environment</u>		
	Environmental Programmatic AAA (FY05)	Dropped	
	Environmental Programmatic AAA (FY08)	Dropped	
	Environmental and Social Standards AAA (FY05)	Dropped	
	Disaster Management AAA (FY06)	Dropped	
	WBI - Learning Programs On Environmental Management		
	Water Programmatic I	FY06	"Economic Assessment of Policy Interventions in the Water Sector"
	Water Programmatic II		
	Water Programmatic III	Dropped	
	Sectoral Public Expenditure Review I - Infrastructure PER	Delivered FY05	
Water Public Expenditure Review	Delivered FY06		
<b>Additional AAA</b>	<u>1. Promote development in harmony with nature and the environment</u>		

\* In cases where results are not reported, IEG takes this lack of evidence as the equivalent of "not achieved"

**Annex Table 10: Updated Achievements of CPS Pillar IV – Promote Environmental Sustainability**

<u>Target</u>	<u>Status</u> (as of March 27, 2008)	<u>% Achievement</u>
<ul style="list-style-type: none"> <li>Final transfer of at least one or more environmental management functions from federal government to at least 25% of states</li> </ul>	<ul style="list-style-type: none"> <li>By December 2007, environmental management functions had been transferred from the Federal Government to six states (18.75% of states).</li> </ul>	<ul style="list-style-type: none"> <li>75% Achievement</li> </ul>
<ul style="list-style-type: none"> <li>Increase renewable energy capacity to 1700 MW</li> </ul>	<ul style="list-style-type: none"> <li>Between July 2002 and August 2007, renewable energy capacity increased by 1,843.3 MW.</li> </ul>	<ul style="list-style-type: none"> <li>100% achieved</li> </ul>
<ul style="list-style-type: none"> <li>At least ten projects for carbon financing under Clean Development Mechanism (e.g., renewable energy, forestry) under implementation</li> </ul>	<ul style="list-style-type: none"> <li>Mexico's participation in the CDM has been quite active in recent years, jumping from 9 projects in 2005 to 97 projects registered at the end of 2007.</li> </ul>	<ul style="list-style-type: none"> <li>100% achievement</li> </ul>
<ul style="list-style-type: none"> <li>Levels of installed capacity for handling solid waste increases to 20% (over 2001 levels).</li> </ul>	<ul style="list-style-type: none"> <li>In 2001, over 82,000 tons/day of solid waste were generated in Mexico, of which approximately 49% was disposed in sanitary landfills. Generation of solid waste increased to 96,900 tons/day in 2005. The government has begun preparation of a national solid waste management strategy that is expected to provide updated figures on adequate solid waste disposal. However, this data is currently unavailable.</li> </ul>	<ul style="list-style-type: none"> <li>Data unavailable</li> </ul>
<ul style="list-style-type: none"> <li>Natural Protected Areas with sufficient administrative capacities increase to 90 (from 8 in 2001)</li> </ul>	<ul style="list-style-type: none"> <li>In February 2006, 83 out of the 155 federal protected areas had personnel and an annual budget from CONANP. The 83 protected areas cover 14,746,669 ha or 79% from the total area with a federal decree (CONANP, 2006).</li> </ul>	<ul style="list-style-type: none"> <li>92% achievement</li> </ul>
<ul style="list-style-type: none"> <li>Percentage of forest inspections that detect total compliance with legal standards increases to 35% (from 10% in 2001)</li> </ul>	<ul style="list-style-type: none"> <li>In 2007, 53 forest inspections were conducted detecting full compliance with environmental laws, up from 14 inspections detecting compliance in 2002 and surpassing the government's goal for 2007 (44 inspections detecting compliance) by 120%.</li> </ul>	<ul style="list-style-type: none"> <li>100% Achievement</li> </ul>
<ul style="list-style-type: none"> <li>Number of participatory water basin councils operating increases to 25 (from 1 in 2001) and number of groundwater committees operating increases to 40 (from 4 in 2001)</li> </ul>	<ul style="list-style-type: none"> <li>By December 31, 2006, the number of groundwater committees operating increased to 76.</li> </ul>	<ul style="list-style-type: none"> <li>100% achievement</li> </ul>
<ul style="list-style-type: none"> <li>Total revenue from water abstraction and pollution charges increases by 15% (over level of 6,150 million Mexican pesos in 2001)</li> </ul>	<ul style="list-style-type: none"> <li>Between 2002 and 2006, the fees collected for municipal water use amounted to 6,938 million Mexican Pesos, of which the federal government returned 6,850 million pesos to the municipalities for investments in the sector. This represented an almost 13 percent increase over the amount collected in 2001, indicating progress was on track for meeting the objective of 15 percent by the close of the CPS period.</li> </ul>	<ul style="list-style-type: none"> <li>87% Achievement</li> </ul>
<ul style="list-style-type: none"> <li>Number of overdrawn aquifers is reduced from 100 under this situation in 2002</li> </ul>	<ul style="list-style-type: none"> <li>The number of overexploited aquifers increased to 104 in 2006 from 102 in 2003.</li> </ul>	<ul style="list-style-type: none"> <li>Not achieved</li> </ul>
<ul style="list-style-type: none"> <li>Share of people with access to safer water resources increases to 88% and to sewage services increases to 78% (from 80% and 74% in 2000, respectively)</li> </ul>	<ul style="list-style-type: none"> <li>By December 31, 2006, the share of the population with access to safer water resources increased to 89.6% and with access to sewerage services increased to 86%.</li> </ul>	<ul style="list-style-type: none"> <li>100% Achievement</li> </ul>

Source: Mexico Country Management Unit as of March 2008.

<b>1. CPS DATA</b>	
<b>Country:</b> The United Mexican States	
<b>CPS Year:</b> FY05	<b>CPS Review Period:</b> March 2004 – January 2008
<b>Date of This Review:</b> February 26, 2008	
<b>2. ASSESSMENT OF THE CPSCR'S COVERAGE OF IFC'S ACTIVITIES</b>	
<p>The CPSCR provides relatively detailed coverage of IFC's activities in Mexico over the CPS period and includes a discussion of IFC's contributions to the development of the financial sector. The CPSCR clearly lays out the expectations of the Government of Mexico with regard to the quality and relevance of Bank Group activities.</p>	
<b>3. IFC AREAS OF FOCUS DURING THE CPS PERIOD</b>	
<p>Of the four IBRD strategic pillars identified in the CPS, IFC focused much of its activities on #2, <i>Increasing Competitiveness</i>. IFC planned to concentrate its resources on assisting companies better meet the challenges of growing local, regional and international competition. This would be achieved through a combination of investment and advisory services, including support to improving the business environment, and would cover a broad range of companies ranging from SME's to those in the 2<sup>nd</sup> and top tier. The four sub-themes are: a) enhancing international competitiveness of the private sector; b) further deepening the financial sector with the introduction and/or penetration of specialized products and markets, such as housing, and improved access to finance; c) promoting investments in areas newly opened for private sector participation, such as infrastructure; and d) promoting sustainable environmental and social development and good corporate governance. Whereas IFC investment activity during the period was concentrated in the financial sector, the investees ranged from regional SME lending institutions to providers of mortgages to lower income earners. These activities supported not only the deepening of the financial sector but also the promotion of social development.</p>	
<b>4. RELEVANCE OF IFC AREAS OF FOCUS</b>	
<p>The CPS does identify several sub-categories under the objective of increasing country competitiveness in which IFC is identified as a contributor. Among these are a) supporting efforts to increase market efficiency and competitiveness and, b) supporting the development and expansion of financial markets, access to financial services, and property ownership opportunities. IFC's activities during the CPS period were concentrated in the financial markets and were closely aligned with these categories.</p> <p>The CPS discusses in some length that Mexico has alternative funding options at its disposal. As such, the Bank Group needs to demonstrate significant value added to its operations. The CPS asserts that for the Bank Group to provide acceptable value-added services in Mexico, it must do exceptionally good work which draws on a combination of its global experience, analytic skills and deep knowledge of Mexico and its institutions.</p>	
<b>Reviewer:</b> Stephen F. Pirozzi	<b>Stoyan Tenev, Head, Macro Evaluation</b>
<b>Peer Reviewer:</b> Asita De Silva	<b>Amitava Banerjee, Manager</b>

## **5. IFC ACTIVITIES DURING THE CPS PERIOD**

### **A. Investment projects**

A list of IFC investments over the CPS period is presented in Table 1 below. Twenty-seven projects in Mexico were approved for a total committed amount of US\$739.4 million. In addition, IFC made a \$15 million equity investment in a carbon trade project as part of a larger regional facility.

Fourteen of the twenty-seven projects (66% by committed volume) were concentrated in financial markets. The remaining investment activity included six projects in infrastructure and four in health and education. IFC's financial markets investments directly support the objectives established in the CPS. Specifically, IFC made investments to support the development of mortgage finance, SME credit lines, micro-finance and education loans. As stated earlier, these activities directly support the deepening of the financial sector and the promotion of social development.

During the CPS period, a \$21.3 million warehouse line to support the activities of Credito Y Casa was canceled because the client was unable to meet disbursement requirements and they had found an alternative funding source. That said, IFC supported other mortgage providers during the CPS period.

### **B. Advisory Services**

Thirteen advisory service projects were approved in Mexico during the CPS period which represents approximately \$6.9 million in committed funds. (See Table 2) The three main areas of advisory activity were in access to finance (ATF), business enabling environment (BEE) and value addition to firms. Two projects were infrastructure related and included a study on Mexico's plastic recycling supply chain and an analysis of the Mexican toll road concession structure with a view to mobilize private sector participation. Eight of these project included departmental performance ratings (not validated by IEG) and two of the projects were closed during the CPS period. These two projects were in separate business lines, BEE and ATF. The former, which was conducted with FIAS, focused on raising awareness of administrative barriers in Mexico's various municipalities and provided recommendations for improving efficiency. This project concentrated on specific *Doing Business Indicators* as selected in collaboration with the Mexican government. The later was a feasibility study examining the establishment of a life insurance company for disabled Mexicans. It was anticipated that the study would result in a follow on investment but this did not occur during the CPS period.

Over 70% of total advisory expenditure, or just over \$5.0 million, was committed under the ATF business line. The six projects focused on a range of areas including SME lending, support to MFIs, increasing access to housing (mortgage) finance and insurance. Approximately \$1.5 million was committed under BEE which consisted of four projects primarily focused on the removal of administrative barriers at the sub-national level and the simplification of business regulation. One Value Additions to Firms project was focused on helping streamline government services by enhancing the efficiency of how the government provides services. IFC work closely with the IBRD to provide insight into how the project may feasibly attract private sector investment.

## **6. IFC'S CONTRIBUTION TO CPS OBJECTIVES**

a) Enhancing international competitiveness of the private sector; Through its advisory services activities, IFC was further able to help enhance market efficiency (mostly through regulation simplification) and support increased competitiveness. IFC initiated two separate advisory services projects designed to identify and offer suggestions on how to overcome administrative barriers found at the municipal level. One of these was conducted in partnership with FIAS (Administrative Barriers – Mexico) while the other (State and Municipal Business Regulation Simplification in Guerrero) was a trust fund supported project.

b) Further deepening the financial sector with the introduction and/or penetration of specialized products and markets, such as housing, and improved access to finance; In particular, IFC's investments in the financial sector helped improve access to finance, expand property ownership and support skills building and innovation. IFC supported the deepening of the financial markets via the following investments: Compartamos III, Bajio Bank and Banco Amigo (SME & microfinance); Group Su Casita and GMAC Warehouse Line (mortgage finance).

c) Promoting investments in areas newly opened for private sector participation, such as infrastructure. IFC invested in a toll road project, Irapuato-Piedad Toll Road and conducted a study via advisory services to review the structure of government ownership and management of toll roads. IFC invested in a small local airline, Vuela and also approved an equity investment in holding company, Infrainvest, which intends to invest in infrastructure projects and in PPPs in Mexico.

d) Promoting sustainable environmental and social development and good corporate governance. With regard to environmental development, IFC invested in a plastics recycling company, Petstar. IFC also made an investment in non-banking financial institution, Financiera Educativa de Mexico, to help provide higher education financing to Mexican students. IEG-IFC did not observe any stand-alone corporate governance projects during the CPS period but IFC did help create a Senior Advisory Board of nine Mexican business leaders, to foster the adoption of corporate governance practices by medium-sized family-owned companies and to promote corporate governance within the Mexican business community. IFC also has an ongoing advisory project with Sociedad Hipotecaria Federal (SHF) which has a large corporate governance component targeting five sofoles.

## **7. LESSONS AND CHALLENGES FROM PAST EXPERIENCE**

The CPSCR asserts that "the symbiotic role of AAA and lending should continue to be used in Mexico as a framework for developing a more complete program of Bank support." IEG-IFC believes this program could be further enhanced by including IFC investment and advisory services. Furthermore it would help ensure a more comprehensive *Bank Group* approach. Only in this way can all possible synergies be leveraged.

IEG-IFC believes that the CPSCR correctly highlights that fact that as Mexico continues to enjoy increased access to foreign lending, IFC would need to prove and effectively communicate that it is a competitive source of finance and advice and that it must continue to be innovative in its approach to serving the needs of the private sector in Mexico.



**Table 1: IEG- IFC List of Investment Operations in Mexico During CPS Period ('000 US\$)**

Client	Approval FY	IFC Sector Group	Tertiary Sector Name	Loans (net of cancellations)	Equity (Net of cancellations)	Total Net Commitment
Compartamos II	2004	Finance	Commercial Banking - Microfinance and Small Business	\$ 14,985	\$ -	\$ 14,985
Credito y Casa	2005	Finance	Primary Mortgage Institutions	\$ (627)	\$ -	\$ (627)
GMAC WHL	2005	Finance	Secondary Mortgage Institutions	\$ 118,820	\$ -	\$ 118,820
CentroMedico PDH	2005	Health	Hospitals and Clinics	\$ 14,500	\$ -	\$ 14,500
Sanfandila (R)	2005	Agribusiness	Poultry Farming	\$ -	\$ -	\$ -
Centro Espanol	2005	Health	Hospitals and Clinics	\$ 5,000	\$ -	\$ 5,000
Su Casita WHL	2005	Finance	Primary Mortgage Institutions	\$ 50,525	\$ -	\$ 50,525
FINEM	2005	Finance	Other Non-Depository Credit	\$ 15,075	\$ 683	\$ 15,759
UNITEC	2005	Education	Colleges, Universities, and Professional Schools	\$ 30,415	\$ -	\$ 30,415
Coppel II	2005	Trade	Retail (Including Supermarkets, Grocery Stores, etc.)	\$ -	\$ -	\$ -
Carlyle Mexico	2006	Funds	Private Equity/Venture Cap Fund - Country	\$ -	\$ 20,000	\$ 20,000
GSC Equity II	2006	Finance	Primary Mortgage Institutions	\$ -	\$ 9,603	\$ 9,603
Metro-WHL	2006	Finance	Primary Mortgage Institutions	\$ 48,967	\$ -	\$ 48,967
Bajjo	2006	Finance	Commercial Banking - General	\$ -	\$ 45,000	\$ 45,000
Irapuato-Piedad	2006	Infrastructure	Highway Operations (Includes Toll Roads)	\$ 11,959	\$ -	\$ 11,959
Vuela	2006	Infrastructure	Air Transportation	\$ 40,000	\$ -	\$ 40,000
Su Casita WHL II	2006	Finance	Primary Mortgage Institutions	\$ 131,926	\$ -	\$ 131,926
Compartamos III	2006	Finance	Commercial Banking - Microfinance and Small Business	\$ 9,981	\$ -	\$ 9,981
Nexus III Fund	2007	Funds	Private Equity/Venture Cap Fund - Country	\$ -	\$ 20,000	\$ 20,000
MicroCred Mexico	2007	Finance	Microfinance and Small Business - Non Commercial Banking	\$ -	\$ 806	\$ 806
FINEM Edu Loans	2007	Finance	Other Non-Depository Credit	\$ 15,366	\$ -	\$ 15,366
Finem Eq Rights	2007	Education	Colleges, Universities, and Professional Schools	\$ -	\$ 91	\$ 91
Infrainvest	2007	Infrastructure	Highway Operations (Includes Toll Roads)	\$ -	\$ 50,000	\$ 50,000
Petstar	2007	Infrastructure	Waste Treatment and Management (Except Wastewater)	\$ 13,500	\$ -	\$ 13,500
Petstar Swap	2007	Infrastructure	Waste Treatment and Management (Except Wastewater)	\$ 150	\$ -	\$ 150
Banco Amigo	2007	Finance	Commercial Banking - Microfinance and Small Business	\$ -	\$ 7,171	\$ 7,171
GTFP Monex Finan	2007	Finance	Commercial Banking - Trade	\$ 400	\$ -	\$ 400
Bajjo (add.inv.)	2008	Finance	Commercial Banking - General	\$ -	\$ 13,900	\$ 13,900
Vinte	2008	Construction & Materials	Construction and Real Estate	\$ -	\$ 10,000	\$ 10,000
<b>TOTAL</b>					<b>\$</b>	<b>698,196</b>

**Table 2: IEG- IFC List of Mexico Advisory Services Projects (US\$)**

FY	Facility	Project ID	Project Name	Status	Dept/Div - Name	Sector Code/Business Line & Subarea	Total Funding
2005	FIAS	538757	Administrative Barriers - Mexico	Closed	CICRS	Business Enabling Environment	\$247,000
2005	TATF	523066	Feasibility Study for Establishing an Insurance Company for the disabled	Closed	CGFOA	Access to Finance - Insurance	\$200,000
2005	TATF	523177	E-Government Study	Active	CITPT - Portfolio & Technology Div	N- Value Addition to Firms - Corporate Governance	\$100,000
2006	FIAS	545964	Mexico: Administrative barriers solution design at the subnational level - phase II	Active	CICFA - Foreign Investment AFR-IFC	Business Enabling Environment - Sub-national BEE	\$466,250
2006	FMTAAS	24909	Banco del Bajío	Active	CLALA - Latin America: Small & Medium Enterprise	O-AA Access to Finance - Domestic Banking	\$300,000
2006	TATF	546247	Administrative Simplification in the Federal District of Mexico	Active	CLALA - Latin America: Small & Medium Enterprise	Business Enabling Environment - BEE Policy, Regulation and Institutions	\$369,000
2007	FMTAAS	24756	Global MFI TA Facility - Microcred Mexico	Active	CGF	Access to Finance - Micro & Small Business Finance	\$1,734,012
2007	FMTAAS	548185	Sociedad Hipotecaria Federal (Access to capital for Mortgage Sofoles)	Active	CLALA - Latin America: Small & Medium Enterprise	Access to Finance - Housing Finance	\$1,000,000
2007	TATF	553226	PetstarTA - Scoping Study	Active	CININ - Division	C-BB Infrastructure Infrastructure	\$25,000
2007	TATF	550968	State and Municipal Business Regulation Simplification in Guerrero	Active	CLALA - Latin America: Small & Medium Enterprise	Business Enabling Environment - Sub-national BEE;	\$400,000
2007	FMTAAS	547865	Post-Hurricane Support Facility: Compartamos - Federacion Mano Amiga	Active	CLAR3 - Resident Mission in Mexico	Access To Finance - Microfinance	\$182,000
2008	FMTAAS	550866	NAFINSA SME Finance Pilot Program	Active	CLALA - Latin America: Small & Medium Enterprise	Access To Finance - Banking	\$1,635,000
2008	TATF	26232	Mex roads study	Active	CASDR - Advisory Services	E-BC Infrastructure Infrastructure	\$230,000
<b>Total Advisory Services</b>							<b>\$5,023,262</b>