Report Number: ICRR0023048

1. Operation Information

Operation ID	Operation Name
P172863	COVID-19 Financial Access DPF
Country	**Practice Area (Lead)**
Mexico	Finance, Competitiveness and Innovation

Non-Programmatic DPF

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-91040	31-May-2021	1,000,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
19-May-2020	31-May-2021	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	1,000,000,000.00	0.00
Revised Commitment	1,000,000,000.00	0.00
Actual	1,000,000,000.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program development objective (PDO) of this Development Policy Lending (DPL) operation as stated in the Program Document (PD, page 2) was:

" To contribute to the government's efforts: (i) to support liquidity in the financial sector; and (ii) to establish instruments for improved financial access ".

b. Pillars/Policy Areas

There were two pillars/policy areas (PAs) (PD, page 3):

PA #1. Supporting liquidity in the financial sector.

PA # 2. Enabling instruments for improved financial access.

c. Comments on Program Cost, Financing and Dates

Financing. An IBRD loan of US$1,000.00 million financed this operation. The loan was fully disbursed.

Dates. The operation was approved on May 19, 2020, became effective on May 28, 2020 and closed as scheduled on May 31, 2021.

Other changes. The implementation of prior actions eight and nine (discussed in section 3) were delayed due to suspension of the operation of civil registries to avoid contagion following the COVID-19 outbreak. Civil registries were not included in the list of essential activities posted by the Ministry of Health. To address the situation, the Ministry of Interior (SEGOB) sent official letters to the 32 federal entities prompting them to denominate civil registries as essential activities.

3. Relevance of Design

a. Relevance of Objectives

Country and sector context. This operation supported part of the Government's response to the COVID-19 pandemic. In addition to the adverse public health consequences, the pandemic had financial consequences. To address these, it was important to have liquidity buffers in banks and efficient digital financial channels to pass through that support households and firms. Adopting financial measures for short-term relief and initiating policy reforms for a resilient financial recovery were important to the Government strategy.

Government strategy. The 2019- 2024 National Development Plan (NDP) proposed reorienting public spending towards new social programs. The 2020 - 2024 National Financial Inclusion Policy (PNIF) strategy articulated the need for financial inclusion. This operation supported four of the six PNIF objectives: (i) facilitating access to financial products and services to people and micro, small and medium-size enterprises (MSMEs); (ii) increasing digital payments among the population; (iii) enhancing the financial skills of the population; (iv) addressing the financial inclusion of vulnerable people.

Bank strategy. The development objectives were well-aligned with the County Partnership Framework (CPF) for 2020-2025. The objective one of the CPF explicitly highlighted the need for "fostering financial intermediation and inclusion".

Previous Bank experience. The Bank has supported Mexico's financial inclusion agenda through ongoing dialogue and other operations. The support included: (i) Technical Assistance (TA) through the Financial Inclusion Global Initiative (FIGI) for expanding the financial inclusion agenda: (ii) A Financial Inclusion DPF in June 2019; and (ii) Expanding Rural Finance Investment Project. Concurrent with this operation, the Bank was also preparing: (i) a parallel DPF for supporting economic and social measures in the wake of the COVID-19 pandemic; and an (ii) An Investment Policy loan - the Mexico National Digital Identity System - that complemented this operation.

Given the urgent need, this operation - the first COVID- related DPF financed by the Bank - was prepared in 3.7 months. In this context, the Bank deemed a stand-alone DPF as the most suitable instrument for achieving the PDO. This operation supported two types of upstream financial reforms: One, short-term efforts to protect jobs and boost household incomes following the pandemic, and two, measures aimed at contributing to a resilient recovery through increasing financial access of the population.

Macroeconomic Outlook. Mexico renewed a Flexible Credit Line (FCL) with the International Monetary Fund (IMF) in 2019. The Bank's assessment at appraisal concluded that despite the deterioration of the global and domestic economic conditions following the COVID-19 pandemic, Mexico's macroeconomic outlook was adequate for supporting a DPF operation. The prior actions were based on solid analytical underpinnings (discussed below).

b. Relevance of Prior Actions

Rationale

Pillar 1. Supporting liquidity in the financial sector. This pillar aimed to strengthen the banking system's liquidity to encourage them to lend more to MSMEs and households following the COVID-19 pandemic. There were two prior actions (PAs).

PAs # 1 and 2. As a PA (# 1), the Central Bank reduced the monetary regulation deposit (DRM) in April 2020 that banks were required to maintain with the Central Bank. This prior action also required the banks to inform the Central Bank of the destination of the resources they had received for the return of the DRM. According to the clarifications provided by the team, the Central Bank set a deadline in November 2020 to unwind the DRM only for those institutions that provided a lower proportion of loans to households and MSMEs during the first months of the pandemic.

As a PA (# 2), the Central Bank reduced the cost of its Ordinary Additional Liquidity Facility (FLAO) in April 2020. According to the clarifications provided by the team, FLAO was part of the menu of instruments established by the Central Bank to prevent a systemic credit crunch and that it was originally established by the Central Bank during the Global Financial Crisis in 2008 as an additional liquidity window via secured credits.

The analytical underpinnings of the prior actions were based on: (1) World Bank (2020) " *Macroeconomic Policy in the Time of Covid-19: A Primer for Developing Countries.* This work suggested that, following the pandemic, the Central Bank was to ensure that banks have adequate resources to lend more to firms to preempt massive layoffs and bankruptcies. The prior actions together would enable banks to lend more to MEMEs and households. Therefore, the relevance of the PAs is satisfactory.

2. Establish instruments for improved financial access. While the measures described above were short-term measures, reforms in this pillar aimed at establish instruments for improving the financial access of the population. There were nine prior actions.

PA # 3. The government enacted the Credit Institutions Law in March 2020, enabling minors (between 15 and 17 years): (i) to open a bank savings account; and (ii) manage the funds without adult representation. The law required that minors could only receive wage payments and electronic transfers from government and social programs through this account.

Before this law, minors were not allowed to open bank accounts. This undermined the financial inclusion of almost seven million minors who were legally part of the work force, and 1.4 million had a formal job. Moreover, 3.4 million minors were eligible for government social programs. The analytical underpinnings of this prior action were based on the: (i) World Bank/IMF's (2017) *Financial Sector Assessment Program* (FSAP) *for Mexico*; and (ii) World Bank's (2019) analytical work "*Achieving effective financial inclusion in Mexico: The payments perspective"*. This prior action was appropriate as allowing minors to open a bank account would not only help minors receive wages and other government benefits in the short run, it would also help in their financial inclusion in the medium term. Therefore, the relevance of this PA is satisfactory.

PA # 4. As a prior action, the Government issued regulations on July 9, 2019, mandating the National Commission for the Defense and Protection of Financial Users (CONDUSEF) for strengthening the Financial Technology Institutions' (ITFs) transparency. ITFs, besides providing services that were needed during the pandemic, such as digital payments, deposits, crowdfunding lending and investments would help in facilitating financial intermediation in the recovery phase. According to the clarifications provided by the team, crowdfunding is a type of lending whereby the funds are provided by individuals (investors if there is a return) that collectively fund a specific project. While Mexico's existing Fintech Law contained general consumer protection provisions, this prior action mandated CONDUSEF to issue secondary regulation for strengthening the transparency of ITFs.

The analytical underpinnings of this prior action were based on the World Bank/IMF (March 2017) " *Financial Sector Assessment* for *Mexico*". and World Bank 2017 " *Good Practices for Financial Consumer protection*". These works recommended public disclosure of the regulatory requirements of the ITFs for strengthening financial consumer protection. Given that this information is important for consumers with limited financial skills, this prior action was appropriate. Therefore, the relevance of this PA is satisfactory.

PA # 5. The Central Bank issued regulations for implementing an electronic payments platform ("CoDi") on October 3, 2019. Cash-based transactions were high in Mexico, with only a third of the merchants accepting electronic payments. In 2016, payments with debit and credit cards in Mexico were about 8.9% of the Gross Domestic Product (GDP), as compared to 17.6% in Brazil, 20.1% in India and 75.7% in China. The Central Bank in 2019 established "Codi" in 2019 as an alternative payment method that could be operated from any smartphone. This prior action aimed to increase electronic payments transactions.

The analytical underpinnings of this prior action were based on World Bank (2018) " *Achieving Financial Inclusion in Mexico: The Payments Perspective*". Given that electronic payments is recognized worldwide as more efficient than cash-based transactions, this prior action was appropriate and would help in the financial inclusion of the population. Therefore, the relevance of this prior action is satisfactory.

PA # 6. The Government amended the Credit Institutions Law in June 2019, mandating prioritization of projects targeting the financial needs of women. While financial access gaps between men and women exist in many countries, these gaps were larger in Mexico (as compared to the average of Latin American and Caribbean (LAC) and Organization of Economic Cooperation and Development (OECD) countries). Due to their financial exclusion, women were more vulnerable to adverse external shocks. The analytical underpinning of this prior action based on the World Bank (January 2019) "*Achieving financial inclusion in Mexico. The Payments Perspective"*. This prior action was appropriate for the intended outcome of financial inclusion of women. Therefore, this prior action is satisfactory.

PA # 7. The Government enacted the Education Law on September 2019 and issued the Training Program Operational Guidelines in December 2019. This guidelines identified financial education be part of the school curriculum from preschool through high school. According to a World Bank study (2018), "*Improving Financial Education Delivery in Mexicans: A Financial Education Report and Roadmap",* Mexicans exhibited lower financial ability. The study observed large gaps in the delivery of financial education in Mexico's public education system, which had not yet integrated financial education as part of their curriculum. This prior action sought to incorporate financial education as part of curriculum in all schools (including all private and public preschool, primary, secondary and high schools).

The analytical underpinnings of this prior action were based on the World Bank/IMF (March 2017) "*Financial Sector Assessment - Mexico"* and World Bank (2019) *"Achieving Effective Financial Inclusion in Mexico: The Payments Perspective"*. This prior action had strong analytical underpinnings. Therefore, this prior action is satisfactory.

PA # 8 and 9. These prior actions were part of a broader policy and institutional reforms aimed to create a national personal identification (ID) system. Mexico had a highly fragmented personal identify management system, with many government agencies issuing identification credentials and little coordination between them. This led to significant overlapping and fraud. Moreover, over 3.7 millions did not have a legal ID. The lack of a single ID system hampered people's access to financial services and social program transfers for large segments of the population.

PA # 8. As a prior action (# 8), the Government established the National Service of personal ID for verifying personal identify by third parties (including financial institutions) on May 31, 2019. The Government also mandated the National Population Registry (RENAPO) in the Ministry of Health with the tasks of establishing and maintaining the ID system.

PA # 9 sought to link the civil registries with the national registration system. As a prior action (# 9), the Government established mechanisms for exchanging data between civil registries related to individual's identify and its verification with biometric data through agreements with the states.

Civil registration in Mexico was decentralized in Mexico and mandatory in the states, which are divided into 2,460 municipalities. Each municipality was responsible for creating civil registration records of residents. While the National Population Registry (RENAPO) was responsible for overall coordination of civil registries, it lacked effective mechanisms for ensuring that data pertaining to births, vital events and deaths from different registries were conducted in a standardized manner. This prior action aimed at harmonizing the data in the national identification registry through bilateral agreements between the states.

The analytical basis for the Prior Actions 8 and 9 were solid and based on the World Bank (2018) " *Digital Identification System Mexico*". This work recommended that an interoperable, national database system was appropriate, that linked relevant civil registries and identity systems as a key action to enable digital financial inclusion. The two prior actions were appropriate. While prior action # 8 would help in mitigating the issue from a highly fragmented personal identification system, prior action # 9 would help in harmonizing the data in the national identification registry. The prior actions were appropriate and are therefore rated as satisfactory.

The PDO was highly relevant to the Government and the Bank strategy for Mexico. The prior actions combined the urgent need to provide rapid liquidity to the financial system, with other measures aimed at setting the groundwork for increased access and usage of financial services by the population both during the pandemic and in the recovery phase. The selected prior actions were based on solid analytical underpinnings and there is an explicit, comprehensive and convincing results chain linking the prior actions to the achievement of the PDOs. Therefore, the overall relevance of design is satisfactory.

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Pillar One. Supporting liquidity in the financial sector. There was one Results Indicator (RI).

RI # 1. Reducing DRM and creating an additional source of liquidity would improve the bank's liquidity position following the pandemic and enable them to increase lending to households and MSMEs. This indicator directly supported the short-term measure supporting liquidity and was verifiable. Therefore, the relevance of this RI is satisfactory.

Pillar Two. Enabling instruments for improved financial access. Reforms in this area aimed at establishing instruments for financial inclusion of vulnerable groups. There were ten RIs.

RI # 2 and RI # 3. RI # 3 measured the number of minors (between the ages of 15 to 17) with a bank account in their name when the operation closed. RI # 4 measured the share of female minors with a bank account. The indicators could be monitored and were directly linked to the intended outcome of financial inclusion of minors. Therefore, the relevance of these RIs are rated as satisfactory.

RI # 4 and RI # 5. RI # 4 measured the percentage of licensed Electronic Payments Funds Institutions (IFPEs) that complied with the transparency requirements in December 2021. Complementing this indicator, RI # 5 measured the number of payments that were processed electronically through the "CoDi" platform in December 2021. The RIs directly supported the outcome of monitoring and promoting FINTECH products. The indicators were verifiable and appropriate for the financial inclusion of the population with limited financial ability. Therefore, the relevance of this RI is satisfactory.

RI # 6. This indicator measured the percentage of women benefitting from the state development bank's financial access programs. This indicator could be monitored and was appropriate for the intended outcome of financial inclusion of women. However, this indicator was defined as a simple average, as opposed to a weighted average (due to the limitations set by the the ack of gender-disaggregated data at the time of the preparation). Moreover, the baseline included one institution which did not lend to individuals. Therefore, the relevance of this indicator is moderately satisfactory.

RI # 7. This indicator required that all schools (including all private and public preschool, primary, secondary and high schools) incorporate financial education in their curriculum, when the operation closed. The target was unrealistic, given the critical additional steps that were required before financial education could be incorporated intp school curriculum (such as developing a strategy for teacher training, preparing documents for trainers, and reviewing and developing materials for textbooks). Therefore, the relevance of this indicator is moderately unsatisfactory.

R! # 8 and 9. RI # 8 measured the number of entities (including financial institutions) requesting verification services from the National Population Registry (RENAPO). This indicator was broadly defined, as a more narrowly focused indicator on financial institutions would have been more appropriate for monitoring the operations' achievements. RI # 9 measured the number or enquiries to the National Identification Service. Given that the indicators were for the most part appropriate, relevance of these indicators is satisfactory.

RI # 10. This indicator measured the number of states that rolled out the ID services to record vital events in a standardized manner and the percentage of population they were covering. This indicator was a direct measure of the prior action. Therefore, this indicator is satisfactory.

Of the ten results indicators, eight were satisfactory, one moderately satisfactory and one moderately unsatisfactory. Therefore, the relevance of the results indicators is substantial.

Table. Results Indicators (RIs), the Prior Actions (PAs) they support, baseline values, target values, actual change in RI relative to target and RI achievement rating

RIs	Associated PAs	RI relevance	Baseline (including units and dates)	Target (including units and dates)	Actual value of target	Actual change in target relative to targeted change	RI achievement Rating
PDO 1. Supporting liquidity in the financial sector							
RI # 1. The Central Bank reduced the total amount of DRM	PA # 1	Substantial	Baseline (March 2020): 320 billion Mexican Peso (MXN)	Target (August 2020): 15% reduction in the stock of DRM	Actual (August 2020): 270 billion MXN	15.6% reduction of the stock of DRM	Satisfactory
RI # 1. The Central Bank enabled bank's access to	PA # 2	Substantial.	Baseline (March 2020): 320	Target (August	Actual (August	Target: 270 billion	Satisfactory

liquidity by reducing the cost of its ordinary liquidity facility			billion Mexican Peso (MXN)	2020): 270 billion MXN	2020): 270 Billion		
PDO 2. Enabling instruments for improved financial access.							
RI # 2. Number of minors ages 15 to 17 that had a bank account in their own name	PA # 3	Substantial	Baseline (March 2020): 0	Target (December 2021): 1,200,000	Actual (December 2021): 4,439,206	Target exceeded	Satisfactory
RI # 3. Share of female minors ages 15 to 17 that had a bank account in their own name	PA # 4	Substantial	Baseline (March 2020): 0	Target (December 2021): 50%	Actual (December 2021): 52%	Target exceeded	Satisfactory
RI # 4. Percentage of licensed Electronic Funds Institutions (IFPEs) in compliance with transparency and disclosure in contracts	PA # 5	Substantial	Baseline (March 2020): 0%	Target (December 2021): 100%	Actual (December 2021): 89%	Over two thirds of the target	Satisfactory
RI # 5. Number of payments processed through the CoDi platform	PA # 5	Substantial	Baseline (March 2020): 260,000	Target (December 2021: 450,000	Actual (December 2021): 3,606,134	Target exceeded	Satisfactory
RI # 6. % Of women benefitting from state development banks' financial access programs	PA # 6	Modest	Baseline (March 2020): 46%	Target (December 2021): 60%	Actual (December 2021): 74%	Target exceeded	Satisfactory
RI # 7. Percentage of schools incorporating financial education in their curriculum	PA# 7	Modest	Baseline (March 2020): O%	Target (December 2021): 100%	Actual (December 2021): 0%	Far short of the target	Negligible
RI # 8. Number of entities requesting verification services	PA # 8	Substantial	Baseline (March 2020): 0	Target (December 2021): 50	Actual (December 2021): 204	Target exceeded	Satisfactory
RI # 9. Number of identification enquiries to the National Service of Personal Identification	PA# 9	Substantial	Baseline (March 2020): 0	Target (December 2021: 300,000 daily	Actual (December 2020): 6,300,000 daily	Target exceeded	Satisfactory

RI # 10. Number of states that rolled out the ID services to record vital events in a standardized manner and the percentage of population they were covering.	PA# 10	Substantial	Baseline (March 2020): Six states, 18% of the population	Target (December 2021): 25 states, 65% of the population	Actual (December 2021): 24 states, 72% of the population	Target realized	Satisfactory

Rating

Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To support liquidity in the financial sector.

PA # 1 -2: RI # 1.

Rationale

Theory of change. The causal links between the reforms and outcomes were logical, and the outcomes were monitorable. Reducing the Monetary Regulation Deposit (DRM) and creating additional source of funding through the Ordinary Additional Liquidity (FLAO), could be expected to increase the liquidity of banks and this in turn would enable them to increase lending. These measures can be expected to aid in mitigating the impact of COVID-19 on credit to households and MSMEs.

Outcomes (ICR pages 26 - 27 and page 41).

- The Central Bank reduced the DRM in April 2020, and provided access to cheaper short-term financing through FLAO to banks. In addition, the Central Bank: (i) expanded access to development banking institutions so that they could obtain liquidity through guaranteed loans or repurchase agreements; (ii) increased the number of securities that were eligible as collateral; (iii) provided liquidity to financial institutions holding government debt, so that they could access short-term funding without having to dispose of their securities: (iv) Through the window for temporary exchange of guarantees, provided liquidity to stock market instruments that saw their liquidity decrease in the secondary market; and (v) provide liquidity to corporate stock certificates and long-term corporate debt through the Corporate Securities Repurchase Facility.
- The stock of DRM held with the Central Bank decreased from 320 billion (Mexican Peso) on March 31, 2020, to 270 billion MXN, on August 31, 2020. This represented a 15% reduction as targeted. According to the clarifications provided by the team, the stock of DRM outstanding remained at almost 270 billion MXN.

The operation significantly contributed to strengthening the liquidity position of banks following the pandemic. The efficacy of this PDO is satisfactory.

Rating

Satisfactory

OBJECTIVE 2

Objective

To establish instruments for improved financial access.
PA # 3 -9. RIs 3 - 10.

Rationale

Theory of change. Reforms aimed at enabling minors to open bank accounts and incorporating financial education in school curriculum can be expected to increase the financial inclusion of minors. Reforms aimed at strengthening the transparency of Fintech products, can be expected to protect the vulnerable population accessing Fintech products. Growth in the number of CoDi users, were aimed at increasing the extent of electronic payments transactions. Reforms aimed at increasing the number of women benefitting from the state development bank's financial access programs, were aimed at their financial inclusion. Reforms aimed at exchanging data between civil registries sought to improve the effectiveness of ID verification process. The combination of these reforms can be expected to increase financial access in Mexico and thereby enhance financial inclusion. The link between the reforms and intended outcomes were logical and the indicators could be verified.

Outcomes.

- The number of minors with bank accounts increased to 4.3 million exceeding the target of one million. 52% of the minors (2.3 million) were women, as compared to the target of 50%. The ICR (paragraph 27) notes that the targets were exceeded due to the launch of a large public transfer program and introduction of new products by commercial banks.
- Nine Electronic Payment Fund Institutions (IFPEs) were licensed under the FINTECH law in December 2021. Of these, eight complied with the transparency and disclosure requirements of the National Commission for the Defense and Protection of Financial Services Users (CONDUSF), short of the target of nine. The remaining IFPE that was licensed, presented the supervisor with inaccurate information that had not been rectified when the operation closed. Given that over two-thirds (89%) of the target was achieved, efficacy is satisfactory.
- Over 3.6 million electronic payments were processed through the "CoDi" platform by December 31, 2021, as compared to 260,000 at the baseline in March 2020, and exceeding the target of 450,000. The average number of daily electronic transactions more than tripled from 2,265 in March 2020 to 7,903 in December 2021. The number of accounts with at least one electronic payment also increased steadily since the launch of the system, reaching 769,734 in December 2021. Given that the target was surpassed, efficacy is satisfactory.
- The Development Unit (UBD) at the Ministry of Finance provided gender-disaggregated data when the operation closed on the number of women beneficiaries from six state development bank's financial access programs. Of the total number of beneficiaries, the weighted average of the share of women

beneficiaries increased from 46% at the baseline to 74.1% in December 2021, exceeding the target of 60%. Starting from a total of 1,760,000 in March 2020, the number of beneficiaries increased 33%, to over 2,340,000 in December 20211. The ICR (paragraph 31) observed that this increase was mainly due to the Trusts instituted in relation to agriculture (FIRA). FIRA catered to over 2,000,000 women in December 31, up from 1,300,000 in March 2020. The ICR notes that this increase was due to the expansion of FIRA's microcredit program, which reached almost 1,850,000 women receiving loans. The efficacy is satisfactory.

- None of the schools incorporated financial education as part of their school curriculum (as compared to the target of all schools). The ICR notes that this reform is not expected to be operational before August 2023 or even later. The efficacy of this PDO is negligible.
- 204 entities requested verification services from the National Population Registry by December 31, 2021, exceeding the target of 50. Of these 204, 68 were from banks. The rest were from public institutions, educational establishments, other public entities, the judiciary and one autonomous agency.
- The identification verification enquiries to the National Service of Personal Identification went up to to a monthly average of 630,000 enquiries, far exceeding the target of 300,000 enquiries.
- By December 31, 2021, 24 states had rolled out the standardized identification service to record vital events, marginally short of the target of 24 states. The standardized identification service covered 72% of the population, exceeding the target of 65%.

Eight of the nine intended outcomes were realized or exceeded. Given this, efficacy is satisfactory.

Rating

Satisfactory

Overall Achievement of Objectives (Efficacy)
Rationale

Of the nine results indicators, seven were realized or surpassed. Overall efficacy is satisfactory.

Overall Efficacy Rating
Satisfactory

6. Outcome

Rationale

The operation's development objectives are highly relevant to the Government and the Bank strategy for Mexico. The prior actions were based on solid underpinnings and were appropriate along the results chains for realizing the intended objectives of: (i) strengthening the liquidity position of the banks as a short term measure in the wake of the pandemic: and (ii) establishing instruments for improved financial access which in turn would aid in the overarching objective of financial inclusion of the population. Overall outcome is satisfactory.

a. Rating

Satisfactory

7. Risk to Development Outcome

Government commitment. The ICR (paragraph 47) observed that the Mexican authorities are committed to improving access to finance, especially for vulnerable segments of the population, and promoting digital technologies in the financial sector in the wake of the pandemic. However, there is modest risk to the sustainability of development given that: (i) reforms pertaining to incorporating financial education in schools. Given that the outcome of this reform depends on the coordinated work different stakeholders, there is risk that the outcome may not be realized even by the end of 2023; and (ii) The reform pertaining to setting a personal identification system could be undermined due to inadequate funding to National Population Registry (RENAPO).

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Given the urgency, the Bank expedited the preparation of this operation. The operation was prepared in just 3.7 months, despite the team adjusting to the challenges of remote work. The Bank prepared this operation based on the experiences from previous and ongoing Bank engagements through DPF operations in Mexico. The operation was prepared in close collaboration with the IMF (on macroeconomic issues) and with the International Finance Corporation (IFC) in areas relating to access to finance. The prior actions were based on sound analytical underpinnings (discussed in section three) and appropriate along the results chain for realizing the intended outcomes. The design included considerations for the short-term needs in the face of the COVID-19 pandemic. and the importance improving financial access of vulnerable groups in the medium term. The preparation team appropriately identified the macroeconomic risk as substantial at appraisal, given the high degree of uncertainty regarding the ultimate implications of the pandemic, including how long it would last and how the different transmission channels would evolve (such as trade, financial flows and commodity prices).

There were moderate shortcomings at design. The two results indicators RI # 6 pertaining to the percentage of women benefitting from state development banks' benefitting from state development banks and RI # 7 pertaining to the percentage of schools incorporating financial education in their official curriculum were unrealistic. While the shortcoming pertaining to RI # 6 was partly due to the lack of gender-disaggregated information at the time of preparation, the shortcoming pertaining to RI # 7 was due to unrealistic timeframe. The preparation team underestimated the several pieces of work that needed to be completed before the outcome could be realized.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

The ICR (paragraph 41) noted that although an implementation status report (ISR) was not required. the Bank team worked in close contact with the Mexican authorities during implementation and requested for information on the results indicators as of June 2021 for an interim assessment of effectiveness. The Bank team also held several meetings with authorities to track indicators from different institutions in Mexico, in the absence of active monitoring from the government unit responsible for monitoring (the unit of Banking. Securities and Savings (UBVA). The early engagement and discussion on loan performance initiated by the team soon after June 2021 ensured that the review of this operation could be completed by June 2021.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Overall bank performance is moderately satisfactory, given the shortcomings at design.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

The policy measures following the COVID-19 pandemic aimed to avoid a liquidity crunch which could disrupt the payment systems, leading to job losses were aimed at the poor and vulnerable, who have limited resources to cope with negative shocks. Including financial education in school curriculum when completed is likely to have sizeable impacts of financial inclusion of youth. Likewise, the improvements on access to a national identification can contribute to addressing a key constraint in the effective implementation of social programs.

b. Environmental

The PD (paragraph 75) observed that no significant negative effects on the environment, forests and other natural resources were expected from the prior actions of this operation. The ICR does not report any adverse environmental impacts during implementation.

c. Gender

The three reforms supported by this operation - enabling youth to open bank accounts, percentage of women benefitting from state development banks' financial access programs and incorporating financial education in all schools - were aimed at financial inclusion of women.

d. Other

The reforms enabling the Ministry of Interior (SECOP) establish the National Service of Personal Identification (SNIP), enabled exchange data between civil registries related to individual's identity were part of a broader policy and institutional reform agenda to create a unique system of personal identification in Mexico (ICR, paragraph 40).

10. Quality of ICR

Rationale

The ICR is well-written. The theory of change articulated in the text clearly articulates the links between prior actions, the chosen indicators and the intended outcomes. The ICR also candidly discusses the shortcomings of some indicators and discusses the ways the indicators could have been improved upon. The quantitative evidence provided in the text is adequate to assess the project performance. The ICR draws good lessons from the experience of implementing this project.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Relevance of Results Indicators	---	Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

The ICR draws the following three lessons from the experience of implementing this operation.

1. Engagement with all stakeholders involved in implementation of the prior actions can help in ensuring feasibility. The prior action seven in this operation - incorporating financial education in school curriculum - relied on the feedback provided by the Banking, Securities and Savings Unit (UBVA), which was coordinating the efforts to include financial education in schools. Broader consultations with the other entities working on this reform would have helped in providing more evidence that the development objective and the result indicator was unrealistic within the proposed time frame.

2. Previous engagements and strong analytical underpinnings can help in designing a fast-disbursing crisis-response Development Policy Financing (DPF) operation. The preparation of this DRF within 3.7 months underscored the importance of the Bank's long-standing dialogue with Mexico. Additionally, the analytical foundations were strengthened by a previous Bank-financed operation of enhancing financial access to vulnerable segments of the population.

3. The assumptions underlying the targets of the outcome indicators need to be spelled out to avoid overly ambitious targets. This DPF implicitly assumed that identity verification services (prior action eight) would incorporate the use of the biometric data, which was supported by a World Bank project. The operation did succeed in establishing a Unique Population Registration Number (CURB) as a more robust way to verify the identification of people. However, CURB did not have the sophisticated feature of biometric data, and as a result the target was overly ambitious.

13. Project Performance Assessment Report (PPAR) Recommended?

No