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Multilateral Investment Fund

**Mexico**

ENOVA – Learning and Innovation Centers: Reducing the Digital Divide for the Mexican BOP

**(ME-M1093)**

**Donors Memorandum**

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Project Summary

ENOVA – Learning and Innovation Centers: Reducing the Digital Divide for the Mexican BOP

(ME-M1093)

*This project is presented for approval under the regional facility RG-M1217 “Accelerate Businesses Providing Services to Poor and Low Income Populations”[[1]](#footnote-1), a collaboration with Opportunities for the Majority (OMJ) that supports innovative companies, at a pre-commercial stage, that serve poor and low-income populations, transitioning them to receive debt financing from OMJ or equity from one of the MIF’s impact investment funds.*

ENOVA is a company aimed at reducing the digital divide in Mexico by providing innovative educational services through information and communication technology (ICT) tools for the Base of the Pyramid[[2]](#footnote-2). ENOVA offers free internet access, basic education, information technology and adult education courses in two types of learning centers: RIA centers (the Learning and Innovation Network) and BDs (Digital Libraries), both located in rural and peri-urban areas in the State of Mexico. ENOVA develops and provides affordable access to educational resources, including a wide portfolio of courses ranging from basic education, such as English or Math, to others centered on technology, personal finance, job searching skills or the use of social media. As of today, ENOVA runs a total of 95 education centers, 70 RIAs and 25 BDs, and has benefited over 400,000 individuals in three years.

ENOVA is built on an innovative collaboration with public, social and private actors who fund the majority of its investment and operational costs. Based on the Mexican government´s social policies which are aimed to increase access to ICTs across the country, the company´s business model is centered on securing government contracts that award them the opportunity to design, build and operate learning centers. These are strategically located in low-income areas where they can have an effective impact in reducing the digital divide. In order to scale its operational capacity and improve the quality of educational services provided in the centers, ENOVA invests in four main pillars: infrastructure, connectivity, content and training.

This project will strengthen and improve its educational and training platforms by investing in information technology infrastructure and digital training content. Specifically, the company is developing a Virtual Training Center (VTC) to train graduated professionals to become facilitators at the RIAs and BDs. Virtual training will reduce facilitator training costs. This cost reduction will allow ENOVA to consolidate the financial and operational sustainability of their business model, enabling them to scale-up their operations and expand the provision of a quality education service to the BOP population.

Annexes

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Information Available in the Technical Documents Section of MIF Project Information System

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Acronyms and Abbreviations

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| **AOP** | Annual Operating Plan |
| **BD** | Digital Libraries (from the term in Spanish) |
| **BOP** | Base of the Pyramid |
| **DNA** | Diagnostic of Executing Agency Needs |
| **IADB** | Inter-American Development Bank |
| **MIF** | Multilateral Investment Fund |
| **OMJ** | Opportunities for the Majority |
| **OR** | Operating Regulations |
| **PCU** | Project Coordination Unit |
| **QED** | Quality for Effectiveness in Development |
| **RIA** | Innovation Learning Centers (from the term in Spanish) | |
| **TOR** | Terms of Reference |
| **VTC** | Virtual Training Center |
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Project Information

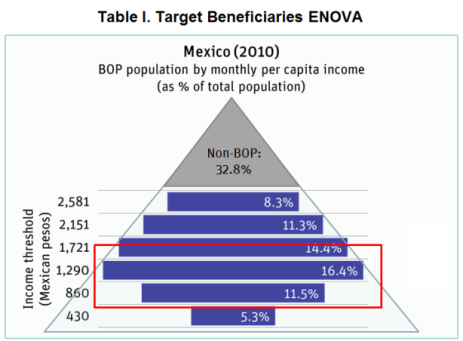
ENOVA – Learning and Innovation Centers: Reducing the Digital Divide for the Mexican BOP

(ME-M1093)

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| **Country and Geographic Location:** | State of Mexico (Mexico) | | |
| **Executing Agency:** | Grupo enm mexico s.a de c.v. (Enova) | | |
| **Access Area:** | Access to Basic Services and Green Growth | | |
| **Agenda:** | Access to Basic Services for the Poor | | |
| **Coordination with**  **Other Donors/Bank Operations** | In collaboration with Opportunities for the Majority | | |
| **Direct Beneficiaries:** | **Number of direct beneficiaries**:  166,300 new users and students primarily from the BOP with new access to virtual education through Enova’s learning centers in the State of Mexico, in 18 months.  ENOVA will also be a direct beneficiary from the project as the TC is designed to assure the sustainability of the company’s business model and prove their investment readiness in preparation for an OMJ loan. | | |
| **Financing:** | Technical Cooperation: | US$ 273,000 | 57% |
| Investment: | US$ 000,000 | 0% |
| Loan: | US$ 000,000 | 0% |
| **TOTAL MIF FUNDING:** | US$ 273,000 | 57% |
| Counterpart: | US$ 205,265 | 43% |
| Co-financing (if available): | US$000,000 | 0% |
| **TOTAL PROJECT BUDGET:** | US$ 478,265 | 100% |
| **Execution and Disbursement Period:** | The period of execution is eighteen (18) months counted from the signature of the technical cooperation agreement. The period for the last disbursement shall not exceed twenty-four (24) months counted from the execution of the technical cooperation agreement. | | |
| **Special Contractual Conditions:** | None | | |
| **Environmental and Social Impact Review:** | This operation was screened and classified as required by the IDB’s safeguard policy (OP-703). Given the limited impacts and risks, the proposed category for the project is C. | | |
| **Unit with Disbursement Responsibility:** | COF Mexico/MIF | | |

1. Background and Justification
2. **Diagnosis of the Problem to be addressed by the Project** 
   1. Despite the Mexican government’s efforts to be recognized as a high-tech nation, 64.2% and 69.3% of the population, predominantly from the BOP, still do not have access to either internet or a computer respectively[[3]](#footnote-3). Therefore, the main problem that this project aims to address is the digital divide caused by unequal access to Information and Communication Technologies (ICT) services and products. In Mexico, however, while the availability of computers at schools is high, barely more than 50% of teachers are able to use computers, which suggest that teachers are not familiar with their use due to poor or lack of training[[4]](#footnote-4). Quality teaching is fundamental to achieving higher student learning, as it is the single most important school variable influencing student achievement, above other significant factors such as class size.
   2. The digital divide has generated inequality in access and ability to use ICTs across and within countries, thereby creating the learning gap and digital divide between the different populations.[[5]](#footnote-5) The success in order to close inequality gaps will depend on how many people obtain the skills to use ICT services and products and gain sustainable access to them. According to the IADB’s Diagnosis of the ICT Sector in Mexico (DIA), there is a direct relation between income and ICT penetration in households, thus the main challenge is to incorporate ICT technologies into the daily lives of students and communities at the BOP.
   3. Furthermore, in order for access to ICT services and products that can bring significant socio-economic benefits to a large BOP population, access must be supported by teachers who know how to use these technologies and are able to integrate them into their pedagogical practices so as to realize their potential benefits. As a solution to provide the BOP with greater access to high-quality education ICTs focused on skill building and bridging the digital divide, ENOVA has developed Innovation Learning Centers (RIA from the term in Spanish) and Digital Libraries (BD from the term in Spanish) as well as technology products in telecommunications, software development, operating and information systems. Through the expansion of the RIAs and BDs, the company expects to have presence on 70% of the urban and peri-urban areas across the country. This expansion will be supported by the Mexican government´s strong interest to increase access to ICT services, which has led government bodies at the national and federal level to reach out to the private sector in order to find reliable businesses that can design, construct and operate learning centers to compensate for the deficiencies of the public schools system in terms of digital learning. For ENOVA to continue its expansion it needs to develop a training platform that reduces the cost of teacher training and evaluation in order to have a more sustainable business model and be better positioned to compete in public tenders. By developing a centralized Virtual Training Center (VTC) the company will reduce significantly the costs associated with the growth of a widely dispersed network of learning centers in the state of Mexico. This resource will award ENOVA the flexibility to bid for government contracts to finance more training centers, while maintaining the operational costs of teacher training and supervision at a sustainable level.
   4. **Market / development failure:** There are two main factors that limit access, usage and adoption of ICT services and products by BOP families in Mexico: (i) undeveloped and insufficient public and private infrastructure and resources, including digital schools and skillful teachers (especially in rural areas); and (ii) limited competition in the country’s telecommunication sector, which translates into high cost of broadband and connectivity. Therefore, for people with inadequate disposable income, ICTs may be nothing more than an expensive novelty. In addition, there is little investment to provide the BOP population access to information and communication technology tools.
   5. **Justification:** The MIF´s contribution to ENOVA´s investment readiness for scale derives is based on the socio-economic benefits that can be obtained by students, both children and adults, who graduate from the courses offered at the learning centers. Between April and July of 2013, with the support of external consultants and economists from the University of Chicago and Georgetown University, ENOVA´s *Learning Assessment Lab* conducted the Early Grade Math Assessment (EGMA)[[6]](#footnote-6) at the beginning and end of *Expedición RIA* courses, ENOVA´s most popular courses. The results of this experimental evaluation showed that close to 300 students in the 2nd, 3rd and 4th grade who were enrolled during the evaluation showed improvement in 6 of the 8 EGMA test sections. In 2012 ENOVA evaluated the effectiveness of *Expedición RIA* on improving standardized test scores[[7]](#footnote-7). The evaluation determined that students in the 4th grade improved their national score examinations by 7% in math and 6% in Spanish after only 12 weeks of courses.
   6. **Innovation**. ENOVA’s innovation is working with public private partnerships to expand the provision of education aimed at reducing the digital divide. The business model rests upon three pillars: (i) collaboration agreements with public entities (at state and federal levels) and with non-governmental organizations to structure the RIA and BD operational framework; (ii) world-class digital content development and design; and (iii) through its innovative VTC platform, ENOVA seeks to maximize learning results for each one of the portal users, while creating a tool that is aligned with the company’s scale strategy by lowering training costs even while launching new learning centers.

**B. Project Beneficiaries**

* 1. ENOVA targets individuals at the BOP, which represents 67.2% of the Mexican population, particularly those living in urban and semi-urban communities from the State of Mexico. Since 2009, ENOVA has registered more than 400,000 users for access to the facilities and equipment at the learning centers and more than 100,000 have graduated from any of the courses offered. During 2012 alone, 64,000 students took courses at the learning centers and close to 45,000 students graduated.
  2. Based on the BOP definition in Table 1[[8]](#footnote-8), which establishes the range of monthly per capita income of the BOP at MXN$430-MXN$2581, it is estimated that most of the beneficiaries reached by ENOVA have an average monthly per capita income of MXN$900[[9]](#footnote-9) and thus are part of the BOP. By the end of the project, ENOVA aims to have approximately 300,000 students enrolled, 166,300 of them first time students, who benefit from access to a new RIA or BD learning center with increasingly better training teachers after the implementation of the virtual training center.
  3. With regards to the characteristics of the beneficiaries, of the students enrolled: 56% of the students are women, 68% have never used a computer and 73% do not speak English. As far as the age group distribution goes, 61% of ENOVA’s users are less than 25 years old and 23% are less than 12 years old. In terms of academic level, approximately 92% of the students have only completed primary school (76.1%) or high school (16%) and only 4.2% hold a university degree.
  4. ENOVA itself is also considered a direct beneficiary of the project since the expected impact is the consolidation of the company´s investment readiness through an internal tool, the VTC, which improves the sustainability of the business model.
  5. In addition to the students, the current TC will also provide a parallel benefit for the teachers trained during the training process. By the end of the project in 2015, 257 new teachers will be trained, most of whom are considered BOP as well.

**C. Contribution to MIF Mandate, Access Framework and IDB Strategy**

* 1. The project contributes to MIF’s mandate on both private sector development and poverty reduction. MIF will support the proposed business model, supporting economic growth by providing Mexicans at the base of the pyramid (a majority of them women) with a higher quality education. In addition to this, the project contributes to poverty reduction as it implements a business model specifically tailored to satisfy the necessities of the population at the BOP, improving their education, reducing the digital divide and therefore improving the quality of their lives and capacities.
  2. The project is also contributing to the Agenda of Access to Basic Services for the Poor in terms of results and knowledge. More specifically, it will pilot an innovative SME business model, with the capacity for job creation, for the provision of education based on technology access.
  3. This operation is fully consistent with the IADB strategy for Mexico that calls on the private sector windows of the Bank to support SME growth. It also complements the Bank´s focus on education by piloting an SME model for teacher training to improve the quality of education of the BOP and at the same time contribute to the reduction of the digital divide.

1. Project Description

**A. Objectives**

* 1. ENOVA is a social enterprise that designs, builds and operates learning centers through collaborations with public institutions as well as the social and private sector. The impact of the project is the financial sustainability of the company’s business model in order to reach investment readiness in preparation for an OMJ loan or other source of finance. With the MIF grant, the company will be able to scale up its network and work towards reducing the digital divide in Mexico by improving access to educational services through information and communication technology tools for the BOP in Mexico.
  2. The result that will be obtained from this TC is the development of a teacher training platform that reduces the costs of teacher training while expanding the access to quality educational services to the BOP population in the state of Mexico. The MIF grant would support a market diagnostic and develop a virtual facilitators training platform that will strengthen the financial sustainability of the model by reducing training and monitoring costs while opening new centers in dispersed locations.

B. Description of Model/Solution/Intervention

* 1. The model´s foundation is built on an innovative tri-sector collaboration that leverages partnerships in the public, social, and private sectors. ENOVA’s main partners in the public sector are, at the state level, the Council of Science and Technology of the State of Mexico (COMECYT) and the Cultural Institute of the State of Mexico, and at the federal level, the Mexican Council of Science and Technology (CONACYT), and the National Ministry of Education (SEP). It is through public tenders coordinated by these government bodies that the rights to design, build and operate learning centers across the State of Mexico are awarded. More specifically, ENOVA’s budget for the design and construction of the education centers comes from CONACYT and the budget for the operation of the centers comes from the state agencies. In the social sector, ENOVA’s partner is the Fundación Proacceso, a not-for-profit organization dedicated to promote digital inclusion. In this case, Fundación Proacceso is the entity hired by the public agencies and the one that in turn hires ENOVA for the construction and management of the education centers. At the private level, ENOVA has partnerships with DELL Mexico and Microsoft México which also contribute with technical cooperation for the correct functioning of the model.
  2. Enova designs, builds and operates the centers, investing in infrastructure, connectivity, content and training. It locates its centers strategically in the most densely populated, low-income areas, after an in-depth urban study (considering population density, income and education levels, public schools, public transport systems, green areas, road access, etc.). One RIA is typically composed of 3 classrooms, a multi-purpose room, a projection room, a supply store and a waiting area. On average, it is equipped with 38 computers and can serve each year up to 5,000 users within a radius of 2 km. One BD typically features 50 computers and 5 tablets, and benefits on average 1,700 students in a radius of 3 km. Users graduate from their course if they attend 80% of the program and attend the final exam. The facilitators (3 in RIAs, 2 in BDs) teach typically 2-3 classes per day with 8-10 students per class, provide learning support and collect students’ feedback. At regional level, a team of promoters invites the communities to join the centers and create local partnerships, technical staff provides technical assistance, and supervisors control the educational and operational quality.
  3. Courses offered in the learning centers have a cost below the market price, approximately 60% lower for adults and 80% lower for children. All students enrolled have a scholarship from the government and students who come from poor and low income households have the possibility to request ENOVA for a full scholarship. Factors such as family income, family structure and role distribution, education level parents and others are taken into account in order to award full scholarships to the students who need them the most. Courses range in duration from 6 to 288 hours depending on the subject and total fees per course, in cases where there´s an enrollment cost, range between US$3 and US$476[[10]](#footnote-10).
  4. The VTC developed during the project will provide access to learning 24/7 from any computer connected to the internet, in which facilitators will be able to develop their skills for: (i) teaching through technology, (ii) teaching about technology, (iii) teaching specific discipline areas, and (iv) efficient technological community center management. The portal aims to improve the current ENOVA training program by offering more specialized and interactive training. It will offer facilitators three main resources: (i) a multimedia center that includes courses, tutorials and learning activities for the development of different skills; (ii) interaction and simulation tools in which teachers will be able to build their knowledge and practice through individual and group activities; and (iii) an assessment center in which facilitators’ performance at different levels will be evaluated through exams and quizzes.
  5. ENOVA is planning to expand its model and reach a higher number of beneficiaries within the State of Mexico and across the country by opening 105 new learning centers between 2014 and 2015. To do this, ENOVA needs to increase its teaching capacity and have sufficient well-trained, ready-to-work facilitators to meet the demand. Competent staff has to be able to design and implement high quality educational services and adopt an optimal use of technology. For this reason, ENOVA is developing a virtual training center to offer online training to facilitators at a cost that is compatible with an expanding network of learning centers.
  6. **Scalability and Replicability.** Thus far, the company has steadily grown its operations since its foundation, currently reaching 70 educational centers and 25 Digital Libraries, with each center having as much as 2,000 registered users per year and more than 600 graduated students. In order for ENOVA to scale their services and reach more students it will need to introduce the VTC into their model to keep training costs at a sustainable level. By integrating a virtual training into their business model the company will have found a solution for maintaining manageable training and supervision costs even with a larger number of active educational centers.
  7. In 2014 ENOVA plans to compete for a contract from the Secretary of Transport and Communications, who has budgeted 86,000 million pesos for the expansion of RIA centers to fulfill their commitments in the 2013-2018 National Development Plan. This contract would award ENOVA the operating rights to 32 larger new RIA centers opened across the country. The company has viable options of earning this contract due to the intellectual property behind their operating model, educational contents and technological platforms, making their centers unique in comparison to their competitors.

**C. Components / Activities**

**Component 1: Diagnosis of Training Needs and Training Program Design**

**(MIF: US$102,442, Counterpart: US$70,641)**

* 1. The main objective for this component is to design and develop the content for the online teacher training platform. In order to do so ENOVA will conduct a diagnosis to identify training needs and elements of improvement. This will be an important element for the development of the training program curriculum which will be designed according to identified needs and best practices. The program will be divided into three modules: basic training, teaching academic content and optional specialization units.
  2. The activities for this component are the following:

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| **Activity 1.1: Diagnosis of Training Needs for Teachers.** ENOVA will evaluate current processes and training standards to identify training needs. The evaluation will be conducted by an external consultant through consultations with current teachers and program supervisors. Best practices and the diagnosis of training needs will be evaluated to determine the full scope of the training program. |
| **Activity 1.2 Operational process mapping:** An expert consultancy firm will be hired to define, map and document the operation processes, from the training of teachers to the courses themselves, in both RIA and BD learning centers. |
| **Activity 1.3 Elaboration of Training Program:** Design of training program, which includes course descriptions and objectives. |
| **Activity 1.4 Higher Level Design of Course Modules:** The company will hire expert consultants that will generate course outlines for training program including objectives and index for sales, team management, teaching with technology, reading, math and English as a second language teaching. |
| **Activity 1.5 Design of Course Modules:** ENOVA will hire instructional designers and content experts for the design of the course models. |
| **Activity 1.6: Instructional Quality Assurance and Supervision:** An expert consultant will revise training programs, write instructional guidelines, revise instructional scripts and provide instructional quality assurance. |
| **Activity 1.7 Production of Courses and Software:** ENOVA will hire a multimedia specialist and consulting services for the programing of the course templates. The experts are expected to design a template for online course production that includes a detailed outline and stylized visual framework for each course. |

**Component 2: Development of a Virtual Training Center**

**(MIF: US$141,767, Counterpart: US$53,734)**

* 1. The objective for this component is to strengthen ENOVA’s training capacity by developing the technological infrastructure for a virtual facilitator training portal. This portal will allow ENOVA to centralize its facilitator training process, which will in turn lower costs and increase the quality.
  2. The activities designed for this component are:

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| **Activity 2.1: Configuration development and implementation of the Content Management System (CMS).** ENOVA will hire web designers and programmers for the development of the portal structure. |
| **Activity 2.2: Configuration development and implementation of the Learning Management System (LMS):** ENOVA will hire developers and consulting services for the implementation of e-learning standards and adaptive learning. |
| **Activity 2.3: Configuration development and implementation of Information and Statistics System (SIE):** ENOVA will hire data scientists and consulting services for data mining to create a system to provide real time indicators on user performance and progress in courses. |

**Component 3: Implementation of VTC and Teacher Evaluation**

**(MIF: US$5,791, Counterpart: US$30,714)**

* 1. The objective of this component is to begin implementing the VTC throughout the network of learning centers operated by ENOVA. The use of the VTC will contribute to effectively lowering the company´s teacher training costs and improve the educational quality of the courses offered.
  2. To achieve this objective ENOVA will focus on utilizing the newly design training platform for all of their facilitator training needs, but the company will also develop an evaluation program for the teachers to measure the knowledge and skills of the facilitators after finishing the program.
  3. The following activities are programmed to take place within the scope of this component:

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| **Activity 3.1: Elaboration of Evaluation Methodology:** ENOVA will hire consulting services with evaluation expertise to develop an evaluation methodology for the training program and design pre and post exams for each course. |
| **Activity 3.2: IT Support and Maintenance of VTC:** As part of ENOVA´s contribution to the TC, Webmasters from the company will be assigned technical support for the Virtual Training Center. |
| **Activity 3.3: Teacher Training:** During the last 6 months of the project ENOVA´s expert responsible for facilitator training will implement the newly designed training courses through the centralized VTC. |
| **Activity 3.4: Teacher Performance Evaluation and Reporting:** ENOVA will apply the newly designed evaluation methodology to assess teacher learning throughout the implementation of the VTC platform. This evaluation will allow ENOVA to measure the knowledge and skills of the teachers in order to complement the VTC and guarantee a high quality standard in their courses. |

* 1. **Knowledge Activities:** Given the scope of the project and the fact that an extensive knowledge product will be produced at the facility level covering all or several of the Accelerator projects, the knowledge product for this TC will be the elaboration of a Project Fact Sheet that will be created by ENOVA following the knowledge toolkit template at the beginning of the project and updated at the end of its execution.

**D. Project Governance and Execution Mechanism**

* 1. ENOVA will establish a Steering Committee to review the project performance on a monthly basis to make sure the project is properly executed and key performance indicators are met. The steering committee for the project will be composed of:
* Raul Maldonado – Chief Operating and Financial Officer.
* Patricia Gonzalez –Director of Education.
* Roberto Becerra – Training Manager.
* Antonio Galindo –Director of Education Technology.
* Carla Larangeira – Director of Strategic Planning.

2.19. ENOVA regularly consults with an external advisory board established through Endeavor[[11]](#footnote-11). The board will be responsible for providing strategic guidance to the operation of the portal.

E. Financial Sustainability

* 1. ENOVA’s revenues come mainly from three sources: government contracts for the installation of new RIAs and BDs, government contracts for the operation of the existing learning centers, and fees paid by the users. The expenses are associated with the existing contracts for installation and operation of the centers. Variations in revenues and expenses from one year to the other depend mostly on new installation contracts obtained and new learning centers operated. As for 2013, revenues reached US$16.36 million from operating 70 RIAs and the installment of 25 BDs[[12]](#footnote-12).
  2. In terms of its capital structure, by EFY 2013 the company had a total equity of US$1.45 million. This level of equity still does not make the company eligible for a loan from the Bank (OMJ), but with the retained earnings from the scaling up of their operations and the further attracting of new investors, the company plans to increase its capital size up to a point where it can achieve investment readiness from the Bank.

F. Experience and Lessons Learned from MIF or other Institutions.

* 1. Under the Access Framework, the MIF has 24 projects to test market based models in basic services. In the area of education, the MIF has to date focused on pre-school business models. This will be the first experience with a partnership model to provide afterschool education services and the first to address the problem of the digital divide. The MIF adds value in terms of improving the business model by reducing costs through the virtual training platform. Furthermore, this is the third project being approved under the Accelerator Facility. The facility is aimed at accelerating the development of commercially viable business models for provision of basic services to poor and low income population and bringing them to scale. The experience acquired during the design of the first two projects which also involved collaborating with an SME, was an added asset during the design.
  2. The MIF also has proven experience in the application of information and communication technologies for virtual training through previous projects implemented by the MIF´s ICT in Business cluster. In Uruguay the MIF has completed the project “*System for Technology Transfers in the Agriculture Sector by Using ICTs*” (UR-M1013), its main result was the increase in business productivity through the validation of a long-distance training system. Like ENOVA´s VTC, this system was designed as an efficient tool for the dissemination of internal knowledge and to improve the overall management capacity and business competitiveness. The MIF also has also supported a several other projects with specific component activities related to virtual training such as “*Innovative Solutions for Small Food Retailers*” (UR-M1016) and “*Democratization of access to information in the Market Model*” (UR-1034).

G. MIF Additionality

* 1. Non-Financial Additionality. Since the TC will help ENOVA reach investment readiness to absorb an IADB loan from OMJ and, both MIF and OMJ bring specific knowledge, critical for the success of the project. The MIF Basic Services Agenda brings a focus on developing sustainable models for improving access for poor and low income families, on results and impact measurement, and on knowledge sharing for systemic impact. OMJ brings credibility and technical expertise in lending to bankable projects for the BOP. Together, there is synergy for achieving results and bringing innovative basic service projects to scale.
  2. Financial Additionality. Total project cost is USD$478,265. The MIF will contribute USD$273,000, distributed in all components and activities of the initiative, and focusing on the development of the training program, development of the content, and construction of the portal. MIF financial support is critical for the launching of this new tool that will allow ENOVA to scale up and reach higher revenues and beneficiaries. MIF financial participation will add significant value to ENOVA given that there is limited non-reimbursable funding for early stage social enterprises.

H. Project Results

* 1. The result that will be obtained from this TC is the development of a teacher training platform that will improve the access to quality educational services to the BOP population in the state of Mexico, while reducing the costs of teacher training. This platform will provide access to virtual education to 166,300 new users and students primarily from the BOP through ENOVA’s learning centers in the State of Mexico. The MIF grant will be directly applied to support the company’s market diagnosis and to develop a virtual facilitators training platform that will be crucial in the financial sustainability of the model, by allowing the company to maintain reasonable training and monitoring costs despite the growing dispersion of the company´s educational centers.

I. Project Impact

* 1. The desired impact for this project is the sustainability of ENOVA´s business model in order for the company to reach investment readiness from an OMJ loan or other source of financing. The socio-economic benefits of the RIA and BD centers, for both children and adults, will be continuously measured; therefore the MIF´s priority is preparing ENOVA for a successful scale up loan from OMJ by proving the viability and sustainability of a much larger network of learning centers.

1. Monitoring and Evaluation Strategy
   1. Baseline and Monitoring: Resources will be used for the configuration, development and implementation of the Information and Statistics System (SIE); ENOVA will create a system to be able to provide real time indicators on user’s performance as they progress on courses. On the other hand, ENOVA will also implement a management system that is able to evaluate the relationship between learning tools and skill building. The financial data will be uploaded in the Monitoring and Evaluation system on a quarterly basis and should continue being uploaded into the credit phase supported by the Bank (OMJ), to monitor financial performance and social impact[[13]](#footnote-13). The non-financial indicators will be reported through the MIF’s M&E system on a semi-annual basis.
   2. Evaluation: The project will undertake a final evaluation, which will be able to use up-to-date information collected from the monitoring and evaluation system developed in the project. The final evaluation will be carried out at the end of the execution period and will be financed by the TC. The evaluation will be focused on ensuring that the project performed as planned and provide lessons learned. Some of the questions may include: How is the scale of the company linked to an effective increase in access to education by BOP students? What were the risks, obstacles and difficulties faced during implementation? How effective has the VTC been in lowering ENOVA´s training cost? How has the sustainability of the company been strengthened by the platform? In what aspects has the investment readiness been improved? What are the prospects for obtaining finance to scale the operation?
   3. Impact evaluation: This project has not been selected for an impact evaluation. This pilot will support the testing of ENOVA business model and will form part of the thematic case study that will be carried out as part of the Facility´s knowledge products.
2. Cost and Financing
   1. The project has a total cost of US$478,265, of which US$273,000 (57%) will be provided by the MIF, and US$205,265 by the counterpart. The execution period will be of 18 months and the disbursement period will be of 24 months.

|  |  |  |  |
| --- | --- | --- | --- |
| **Components** | **MIF** | **Counterpart** | **Total** |
|
| Component 1: Diagnosis of Training Needs and Training Program Design | $102,442 | $70,641 | $173,084 |
| Component 2: Development of Virtual Training Portal | $141,767 | $53,734 | $195,501 |
| Component 3: Implementation of VTC and Teacher Evaluation | $5,791 | $30,714 | $36,505 |
| Administration | $0 | $50,176 | $50,176 |
| **Sub Total – Project funds** | **$ 250,000** | **$ 205,265** | **$455,265** |
| Ex post reviews | $10,000 | $0 | $10,000 |
| Evaluation | $10,000 | $0 | $10,000 |
| Contingencies | $3,000 | $0 | $3,000 |
| Impact Evaluation Account (5%)\* | $0 | $0 | $0 |
| Agenda Account\* | $0 | $0 | $0 |
| **Grand Total** | **$273,000** | **$ 205,265** | **$478,265** |
| **\* Covered by the facility and executed by the MIF** | | | |

1. Executing Agency
   1. Grupo ENM Mexico S.A De C.V. (“Enova”) was founded in 2007 by its three founders: Moís Cherem, Chief Executive Officer; Jorge Camil, Chief Business Development Officer; and Raúl Maldonado, Chief Financial and Operating Officer, all of whom compose the company’s Board of Directors. It has 493 full time employees, of which 375 work in the RIAs and 118 in the company’s corporate offices.
   2. ENOVA’s mission is to bring educational technology to low-income communities in order to equip them with the tools needed to thrive in the knowledge society[[14]](#footnote-14). Its vision is to become an integral learning institution in Mexico and to improve the education of low-income individuals. Its objectives as stated in their balanced scorecard include:

* Market: Create digitally skilled citizens, graduate more students, increase educational offer, help generate new businesses, and increase customer satisfaction.
* Internal Procedures: Comply with service level standards, increase access and trustworthiness in the information, standardize organizational procedures, optimize project execution, and better the customers’ abilities.
* Human Resource: Promote a high performance organization and strengthen and retain the human resources in the centers.
* Financial: Capitalize the company, generate more revenues, and optimize costs.
  1. ENOVA has received important recognitions due to its social entrepreneur nature, such as the Social Entrepreneur of the Year for Latin America 2012/2013 by the World Economic Forum. In addition, it has been selected as a runner-up by other entrepreneur contests and organizations such as the Continuity Forum of the American Business Council Foundation, the Swiss company UBS Visionaris Social Entrepreneurship Award, and Ernst & Young’s mission is to bring educational technology to low-income communities in order to equip them with the tools needed to thrive in the knowledge society.

1. Project Risks
   1. **Executing agency potential weaknesses:** ENOVA’s centers experience a relatively high facilitator rotation, approximately 30% a year, which implies that not every facilitator will finish the complete training program. ENOVA´s Human Resources area is currently diagnosing the main causes for rotation and will be implementing new practices in order to lower rotation rates. The implantation of the VTC will be a crucial step towards mitigating the effect of high rotation of facilitators on ENOVA´s business model, since it will reduce the cost of teacher training and allow ENOVA to quickly substitute teachers and train newcomers at a high level.
   2. **External risks:** The principal external risk the project could confront relates to the issues of infrastructure and connectivity. Given the communities in which the RIAs are operating, connectivity and internet access can be affected by rolling power outages. In order to mitigate this risk, ENOVA predefines the location of the centers based on an in-depth analysis of the environment, considering, among other factors the availability of continuous electricity, commercial buildings, public transport, and public services.
   3. **Sector risks:** Market competition is a sector risk if the Ministry of Education in Mexico, or another education-related public entity, decides to roll out a traditional digital educational program. To mitigate this risk, ENOVA seeks to obtain intellectual property rights for all the specialized educational content developed, which will allow the company to offer unique products and generate trustworthiness among its clients. It is also mitigated by State of Mexico plans to roll out a new public private partnership with ENOVA for digital education.
   4. **Sustainability risks:** The regular updating of content is important to ensure it is applicable and relevant. As ENOVA scales up the use of the VTC nationally, the issue of customization will be increasingly complex depending on the region and particular needs of the teachers. In order to mitigate this risk ENOVA has been able to assemble a group of professionals with extensive knowledge in information technologies, telecom and systems technologies to continue to update cutting edge content and applications.
   5. **Financial risks:** ENOVA relies on government contracts for operating centers. A change in government decisions could potentially create financial risks for the project. In 2014 ENOVA plans to compete for a contract from the Secretary of Transport and Communications, who has budgeted MXN$86,000 million for the expansion of RIA centers. To mitigate the risk of not earning sufficient government support, the company has increased its likelihood of winning this contract due to the intellectual property behind their operating model, educational contents and technological platforms, making their centers unique in comparison to their competitors.
2. Environmental and Social Effects
   1. Based on the available documents, this operation is a Category C according to IDB Policy OP 703 Directive B.3, with little or no environmental and social impacts. According to the information provided, the VTC is an Internet portal and the RIAs and BDs are located in urban and semi-urban areas across the state of Mexico and thus will likely cause minimal localized environmental impacts for which effective standard and easily implementable mitigation measures exist.
   2. Furthermore, studies point out that access, adoption and usage of Information and Communication Technologies in Latin American countries, including Mexico, are means to social inclusion and economic development[[15]](#footnote-15). Also, increased access to ICT services and products improves the quality of learning in schools and can produce large positive externality effects for the societies.
3. Compliance with Milestones and Special Fiduciary Arrangements
   1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annex VII. Based on the DNA results of the project[[16]](#footnote-16), ENOVA has low procurement and financial capacity but has a high technical and knowledge capacity.
   2. Based on this, the first three procurement processes will be reviews ex-ante meaning their justification, review of steps to be taken and approval will be carried out before the actual purchase or payment. The following procurements will be reviewed ex-post every 6 months by either a member of the Country Office of an external auditor.
   3. The MIF will accept counterpart expenses incurred by ENOVA before the signing of the agreement as long as they were made after January 1st 2014 and do not exceed the amount of 30,000 USD in total. These expenses must be linked to the operational process mapping, the hiring of a project manager and the diagnosis of training needs for teachers.
4. Information Disclosure and Intellectual Property

9.1 **Information Disclosure.** This project is not deemed to have confidential information according to the Banks information policy.

9.2 **Intellectual Property.** Intellectual property will be shared with the Bank to the extent such is relevant for the replication of this type of project, without sharing private business proprietary products and details.

10. Recommendation

10.1 The Project Team Leader, David Bloomgarden, recommends the approval of this operation by the General Manager of the MIF, under the Delegation of Authority granted by the Donors Committee on October 9, 2012 (Document MIF/AT-1205), and the use of MIF funds of up to a maximum of US$273,000 to finance this project.

11. MIF General Manager Approval

11.1 I hereby approve, in accordance with the Delegation of Authority provided by the Donors Committee on October 9, 2012, under MIF/AT-1205, the amount of up to US$273,000 to finance the project “ENOVA – Learning and Innovation Centers: Reducing the digital divide for the Mexican BOP” as part of the “Program to Accelerate Businesses Providing Basic Services to Poor and Low Income Populations” (RG-M1217).

11.2 Project resources will be used to finance the activities described and budgeted in this document, to be charged against MIF funds under the “Program to Accelerate Businesses Providing Basic Services to Poor and Low Income Populations” (RG-M1217), and are non-reimbursable.

11.3 The Bank will commit and disburse these funds in U.S. dollars. The same currency will be used to establish the compensation and payment of consultants, except in the case of local consultants working in their own borrowing country, in which case compensation will be defined and paid in local currency.

11.4 No program funds other than the amount certified above will be available for implementation of this technical cooperation operation.

Approved

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Nancy Lee                                                                [Date]

MIF, General Manager

1. Facility code: BASICSERV [↑](#footnote-ref-1)
2. 73 million people in Mexico (63.5% of the total population) do not have access to Internet. [↑](#footnote-ref-2)
3. Instituto Nacional de Estadística y Geografía – Encuesta sobre disponibilidad y uso de las tecnologías de la información 2013 [↑](#footnote-ref-3)
4. Diagnóstico del sector TIC en Mexico. Jana Palacios – Instituto Mexicano para la competitividad, Ernesto Flores-Roux – Telecom CIDE, Antonio Garcia –DIB. 2013; 2) Study on International Internet Connectivity Focus on Internet connectivity in Latin America and the Caribbean. ITU, 2013; and 3) Development Connections, Unveiling the Impact of New Information Technologies. Alberto Chong. IDB, 2011. [↑](#footnote-ref-4)
5. Development Connections, Unveiling the Impact of New Information Technologies. Alberto Chong. IDB, 2011. [↑](#footnote-ref-5)
6. An international review of basic math skills test developed by experts from the United States Agency for International Development (USAID) has been conducted in over 15 countries and was applied this year for the first time in Mexico. The test is designed to measure basic skills that are essential to any international curriculum. [↑](#footnote-ref-6)
7. For this evaluation Enova contracted one of Mexico’s leading think tanks, Fundación Idea and their investigative branch, c230 consultants to conduct an external evaluation. The test was performed on two groups of students who were randomly assigned. The treatment group enrolled in *Expedición RIA* before the national standardized exam, and the control group took *Expedición RIA* afterwards. [↑](#footnote-ref-7)
8. Elaborated by OMJ based on data from PovcalNet a virtual tool from the World Bank Development Research Group [↑](#footnote-ref-8)
9. The monthly per capita income has been obtained from ENOVA´s surveys to the students enrolled, determining that they come from households with an average monthly income of MXN$3,600 and considering the average household in Mexico is composed of 4 members. [↑](#footnote-ref-9)
10. The average fee charged to the students is less than US$1 per hour. [↑](#footnote-ref-10)
11. Endeavor is a global non for profit organization oriented to the selection, acceleration and promotion of High Impact Entrepreneurs worldwide. (http://www.endeavor.org.mx/). Endeavor has helped ENOVA in the creation of a Steering Committee in order for the company to be able to make inquiries with external professionals about the strategy and results of the company. [↑](#footnote-ref-11)
12. ENOVA´s Financial Statement [↑](#footnote-ref-12)
13. Annex XI - Performance Indicators for OMJ reporting [↑](#footnote-ref-13)
14. ENOVA was a Laureate at Microsoft´s 2013 TechAwards (http://goo.gl/QMpmi3) [↑](#footnote-ref-14)
15. Ibid IDB, 2011 [↑](#footnote-ref-15)
16. Annex VI DNA [↑](#footnote-ref-16)