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Report No: 28326-CR

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US$30 MILLION

TO THE

REPUBLIC OF COSTA RICA

FOR AN

EQUITY AND EFFICIENCY OF EDUCATION PROJECT

March 4, 2005

Human Development Unit
Latin America and the Caribbean Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective January 13, 2004)

Currency Unit	=	Costa Rican Colon (CRC)
$1 CRC	=	US$.0024
US$1	=	$419.34 CRC

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CCSS	Caja Costaricense de Seguridad Social (*Costa Rican Social Security Institute*)
CDD	Community Driven Development
CENADI	Centro Nacional de Didáctica (*National Teaching Center*)
CSE	Consejo Superior de Educación (*Council of Higher Education*)
CSR	Corporate Social Responsibility
CUE	Comité Unidades Ejecutoras (*Comittee of Executing Units*)
DANEA	National School Feeding Program
DGF	Dirección General Financiera (*General Financial Directorate*)
DNI	Defenso de Niños Internacional *(International Children's Defense*)
ECCE	Early Childhood Care and Education
EFA	Education For All
FIAS	Foriegn Investment Advisory Service
FODESAF	Fondo de Desarrollo Social y Asignaciones Familiares (*Social Fund*)
FONABE	Fondo Nacional de Becas (*National Scholarship Fund*)
FM	Financial Management
FMR	Financial Management Report
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IDB	Inter.-American Development Bank
IEC	Information, Education, Communication
IMAS	Instituto Mixto de Asistencia Social (*Social Assistance Institute*)
INEC	Instituto Nacional de Estadísticas (*National Statistics Institute*)
IRE	Index de Rezago Educativo (*Education Development Index*)
IRR	Internal Rate of Return
LAC	Latin America and the Caribbean Region
M&E	Monitoring and Evaluation
MEP	Ministerio de Educación Pública (*Ministry of Public Education*)
NGO	Non-governmental Organization
PAS	Policy Activity Schedule
PCU	Project Coordination Unit
PI	Project Implementation
POA	Plan Operativo Anual (*Annual Operation Plan*)
PRA	Participatory Rural Appraisal
PSR	Project Status Report
SIPO	Sistema de Identificación de Población Objetivo (*Target Population Identification System*)
SIDE	Sistema de Información de Desarrollo Educativo (*Education Development Information System*)
TA	Technical Assistance

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COSTA RICA
CR EDUCATION

CONTENTS

COSTA RICA

CR EQUITY AND EFFICIENCY OF EDUCATION

PROJECT APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN

LCSHE

Date: March 8, 2005	Team Leader: Joel E. Reyes
Country Director: Jane Armitage	Sectors: Secondary education (50%);Primary education (30%);Central government administration (20%)
Sector Manager/Director: Eduardo Velez Bustillo	Themes: Education for all (P);Education for the knowledge economy (S)
Project ID: P057857	Environmental screening category: Partial Assessment
Lending Instrument: Specific Investment Loan	Safeguard screening category: Limited impact

Project Financing Data

[X] Loan [ ] Credit [ ] Grant [ ] Guarantee [ ] Other:

For Loans/Credits/Others:
Total Bank financing (US$m.): 30.00
Proposed terms: FSL

Financing Plan (US$m)

Source	Local	Foreign	Total
BORROWER	21.00	0.00	21.00
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	30.00	0.00	30.00
Total:	51.00	0.00	51.00

Borrower: Republic of Costa Rica

Responsible Agency:
Ministry of Public Education
San Jose
Costa Rica
Tel: 506-222-7119/ 7308 Fax: 506-222-6501

Estimated disbursements (Bank FY/US$m)									
FY	2005	2006	2007	2008	2009	0	0	0	0
Annual	3.82	14.64	7.28	2.72	1.54	0.00	0.00	0.00	0.00
Cumulative	3.82	18.46	25.74	28.46	30.00	30.00	30.00	30.00	30.00

Project implementation period: Start June 30, 2005 End: June 30, 2011
Expected effectiveness date: June 30, 2005
Expected closing date: June 30, 2011

Does the project depart from the CAS in content or other significant respects? [ ]Yes [X] No
Ref. PAD A.3

Does the project require any exceptions from Bank policies?
Ref. PAD D.7 [ ]Yes [X] No
Have these been approved by Bank management? [ ]Yes [X] No
Is approval for any policy exception sought from the Board? [ ]Yes [X] No

Does the project include any critical risks rated "substantial" or "high"? [ ]Yes [X] No
Ref. PAD C.5

Does the project meet the Regional criteria for readiness for implementation? [X]Yes [ ] No
Ref. PAD D.7

Project development objective ***Ref. PAD B.2, Technical Annex 3***
The Project will: (i) close existing rural education gaps in access, quality and internal efficiency; (ii) improve the impact of equity programs for low-income students; and (iii) enhance the capacity of education institutional actors at the central, regional and local levels to carry out project diagnosis, planning, implementation, monitoring and impact evaluation.

Project description *[one-sentence summary of each component]* ***Ref. PAD B.3.a, Technical Annex 4***
Component 1: The Quality and Equity of Rural Education (US$39.5 Million) will finance the implementation of subprojects aimed at improved rural education attainment and institutional development.
Component 2: Improved Equity of Education Services (US$6.5 Million) will support the development of an information system that can track the diverse education outcomes across communities and municipalities, in order to better target education.
Component 3: Improved Institutional Efficiency (US$4 million) would improve the institutional capacity of the MEP through inter-departmental integration strategies, as well as training and technical assistance in participatory diagnosis, strategic planning, program implementation and monitoring and evaluation.

Which safeguard policies are triggered, if any? ***Ref. PAD D.6, Technical Annex 10***
Environmental Assessment and Indigenous Peoples

Significant, non-standard conditions, **if any**, for:
Ref. PAD C.7
Board presentation:

Loan/credit effectiveness:
a. Issue and adopt an operational manual, satisfactory to the Bank, containing, inter alia: (i) a

detailed procurement plan for the first year of Project implementation; (ii) the Environmental Management Framework; (iii) the Indigenous Peoples Development Framework; (iv) financial management procedures; and (v) the procedures to be followed for the carrying out of Subprojects.

b. The Project Implementation Plan appraised and found to be realistic and of satisfactory quality.

Covenants applicable to project implementation:

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

Key elements of the Costa Rica Education Sector Strategy and Implementation Instruments. Costa Rica seeks to improve the quality, equity and efficiency of education at all levels. Specific sector goals include: (i) increasing early childhood care and education (ECCE) for ages 0-5; (ii) universalizing at least one year of preschool (for 6 year-old children); (iii) universalizing primary education completion with quality of learning; and (iii) expanding nationwide secondary education (both academic and vocational) with quality. These specific goals will be achieved with keen focus on equity—by targeting education services to traditionally underserved populations (including rural communities and ethnic minorities)—and with increased institutional efficiency and cost-effectiveness. While some goals are nationwide (ECCE and Secondary Education), others focus on closing the gaps between regions and across income groups (preschool and finalization of quality primary education). The overarching policies of the *Consejo Superior de Educación* (CSE), the national body that defines education policies, orient these national educational aims:

- *Promoting educational initiatives that increase equal access to pertinent, high quality opportunities for education and training*, including universal access to preschool, increasing enrollment in secondary education, and improving quality at all levels. While the beneficiary group is broadly defined in terms of age, the Government will target specific, marginalized groups. Rural areas suffer from poor provision of services, especially multigrade primary schools and distance-learning secondary schools (*Colegios de Telesecundaria*);
- *Strengthening the overall development of students through a strong, balanced curriculum*, by using innovative pedagogical methodologies and developing analytical, environmental protection and civic skills;
- *Strengthening the mechanisms used to link education and training opportunities to the needs of the national and local economies*, improving the overall quality of technical education and training and building public-private strategic alliances; and
- *Guaranteeing transparency and strengthening management of the education sector through increased administrative efficiency and optimal use of resources*, via a more decentralized Ministry of Public Education that promotes greater local stakeholder participation.

To achieve the education policies' objectives, the country has committed a high share of public resources to the sector. The 2002 financial allocation increased by more than 70% of comparable resources in 1991.[1] Today the education budget comprises 5% of GDP and 27% of total Government expenditures. While a significant share of the budget (84%) is allocated to human resources (both teaching and administration), 13% of the education budget (excluding higher education) is assigned to equity programs (such as scholarships, transportation, meals and education vouchers), to transfers to school councils (*Juntas Educativas* and *Juntas Administrativas*), and to quality inputs such as teacher training, infrastructure and educational materials.

Operationally, the Ministry of Public Education (MEP) has launched a Plan called "*Relanzamiento de la Educación Costarricense*" (Revamping Costa Rican Education), which identifies clear benchmarks to increase the level, quality and equity of education. The general goals of the Plan are to: (i) close the rural-urban education attainment gaps (which continue even at the primary education

[1] Annual per-student expenditure increased from US$242 in 1991 to approximately US$462 in 2002 (in real comparable terms).

level); (ii) increase and sustain the participation in education of students from low-income families, and (iii) improve secondary and technical education. To guarantee equity, regions with low education outcomes and students and families from the lowest income quintiles will be especially targeted, most of which are rural. To improve efficiency, the human, physical, financial and technological resources available in the education sector will be strengthened and optimized. Given the low secondary education indicators (gross coverage of 65.6% in 2002 with a completion rate of only 30%), the Government is proposing to continue investing strongly at this level nationwide.

Country Efforts to Achieve Education Sector Objectives:

Improve Education Quality and Effectiveness. The CSE and the MEP are pursuing policies to close the rural-urban education attainment gap, improve education quality and increase the efficiency of the provision of education services. In terms of equity, the Government's cross-sectoral approach, called *Plan Vida Nueva*, emphasizes the provision of social services in regions characterized by low social indicators, especially in education. In rural areas, the country is operationalizing cost-effective interventions to enhance: (i) integration among education services (multigrade schools, flexible and distance modalities, etc.); (ii) teacher training programs; (iii) curricular application; and (iv) administrative and pedagogical models. To track education development across regions and municipalities, an integrated information system called SIDE (*Sistema de Información de Desarrollo Educativo*) is being conceptualized to take advantage of the rich education data generated by the MEP and other institutions and will be developed and made operational.

Equity Program Sustainability and Impact on Low Income Students. Costa Rica supports programs to generate education demand from low income families, complementing supply-side education services, including: (i) school vouchers (cash transfers) to 10,000 school children from selected poor families to purchase uniforms and school materials; (ii) scholarships (monthly stipends) to 43,000 children of poor families conditional on children attending schools; (iii) school transportation for 60,000 students, and (iv) school lunches (which absorb the most resources) for more than 500,000 students. In 2001, these programs comprised approximately 5% of the education sector budget. The Government's measures to induce demand for education are well substantiated. The Government seeks to improve targeting through updating and extending coverage of a beneficiary information system, *Sistema de Información de Población Objetivo* (SIPO) administered by IMAS (*Instituto Mixto de Ayuda Social).*[2] Within this framework, the Ministry of Public Education (MEP) is seeking alliances with other institutions managing demand-side support programs and has considered the SIPO as a viable instrument to support targeting and resource allocation of its equity programs.

Expansion of Secondary Education. The country is supporting national and targeted strategies to expand secondary education. Nationwide, the Government has increased access, which resulted in an improved secondary education net coverage from 61.2% in 1999 to 63.5% in 2002. To continue expansion and quality investments, in 2003, the MEP prepared a secondary education project to be financed by the IDB (Inter-American Development Bank). The IDB supported secondary education

[2] To optimize institutional efforts, the SIPO database will serve to target not only IMAS programs, but also to support resource allocation of other government agencies, including the social security institute (CCSS) and the social fund (FODESAF). SIPO is supported by the World Bank Strengthening and Modernization of the Health Sector project.

project is presently at the negotiating stages (or Profile II, in IDB terminology). In rural areas, the country has developed targeted and pertinent programs including television and radio-based modalities (*telesecundaria*) and non-formal education for at-risk-students (*Nuevas Oportunidades*). To increase pertinence of secondary education for employability and entrepreneurship of graduates, the MEP is building public-private strategic alliances with national and multinational firms embracing Corporate Social Responsibility (CSR).

Institutional Development and Effectiveness of Sector Resources. The policies from the CSE and the *Plan de Relanzamiento de la Educación* emphasize the continued optimization of institutional capacity at all education sector levels. The goal is to improve effective organization, planning, administration, monitoring and evaluation of the school system. The MEP has begun a process of intra-Ministerial integration to improve team work, provide integrated education services and reduce administrative and transaction costs. The MEP is also strengthening its alliances with other institutions supporting education services, such as universities, NGOs, social subsidy providers and private corporations.

Existing Constraints to Achievement of the Country's Education Sector Goals:

Uneven Education Quality. Despite substantial increases in education spending—at all educational levels—education quality is still heterogeneous across the 20 educational regions in Costa Rica. In the 2002 National Achievement tests regional scores in 6th grade ranged from as low as 45% (Aguirre) to as high as 81% (Cartago) in Mathematics, and from 64% (Aguirre) to 94% (Heredia) in Language.[3] In 9th grade, the lowest Mathematics regional score was 16% (Santa Cruz) and the highest 45% (Turrialba); Language scores ranged from 28% (Upala) to 89% (Desamparados).[4] Nationwide, high repetition and over-age rates also reflect education quality constraints. In 1999, 79% of primary school graduates and 48%[5] of secondary school graduates had repeated at least one grade. Calculations from 2002 show that repetition and temporary dropping out contribute to a high number of overage students: 30% of children by age 12, 50% by age 13, and 62% by age 18. Finally, school completion is alarmingly low: 78% of children in the primary cycle, 53% in the third cycle (grades 7-9), and 33% in secondary school (grades 11-12). These indicators are worse for the poor and rural populations. Of children from the lowest income quartile, 67% complete primary education, 41% complete the 9th grade, and only 17% complete secondary education. In rural areas, only 71% complete primary education, 37% 9th grade, and 19% secondary education.

Equity Gaps. During the 1990s, the education sector recovered from the major downturn of the previous decade, however gains were inequitable. From 1995-1999, preschool enrollment of 5 year-olds from the highest income quintile increased by 25%, but it only increased by 18% for the rest; for 6 year-olds, enrollment increased by 8% for the top income quartile and 6% for the lowest. Ninety-two percent of all children in the highest income groups complete primary school, but only 62% in the lowest income groups. During the same period, enrollment in lower secondary increased for the wealthiest quartile from 90.8% to 92.4%, but decreased for the lowest income quartile, from 67.8% to 66.8%. Nationwide, only 78% of youth, 16-18 years old, in the highest income quintile

[3] National pass rates in 6th grade standardized scores were 70.86% in mathematics and 87.52% in language.
[4] National pass rates in 9th grade standardized scores were only 31.27% in mathematics and 77.87% in language.
[5] This figure is lower than primary rates because of a higher incidence of dropout.

are enrolled in school, but only 38% in the lowest income quintile are enrolled.[6] Of the 20 year old young adults group, 80% from the highest income quartile have completed 12 years of education, and only 15% from the lowest quartile have.

Costa Rica has ethnic and multi-lingual minority populations. In the 2002 Census, 1.7% of the population identified itself as Indigenous, 1.9% as Afro-Caribbean and 0.2% as Chinese descendent. Equity concerns are also focused on these minority populations (except the Chinese community, which on average shows high levels of education indicators similar to the urban mainstream groups). There are approximately 12,000 students accessing Indigenous Education programs in the 24 Indigenous Territories in Costa Rica. Average years of schooling and illiteracy rates within the Indigenous Territories are 3.4 years and 30.2% respectively, by far the worst indicators in the country. As for Afro-descendent populations, the Province of Limón shows the greatest disparities, not only in comparison to other provinces but also with Afro-descendents living outside of Limón. For example, in Limón only 59% of school age youth are enrolled in school, in comparison with 74% of Afro-descendent populations in the rest of the country.

Efficiency Gaps. Internal inefficiencies are resulting in large costs to the system. The 50,000 primary school repeaters (at a cost of US$424 per year) represented expenditures of US$21.2 million or approximately 10% of the budget allocated to this level. In secondary education, the 22,000 repeaters (at a cost of US$672 per year) amounted to US$14.8 million or 10% of the respective budget. Dropout rates for both primary and secondary school, in 1999, implied a combined public finance burden of around US$23 million. In the demand-based equity programs, the 15% to 35% of beneficiaries—from the two highest income quintiles—cost the education sector approximately US$1.1 million to US$2.5 million dollars annually, while resources are limited to expand services to more low income students. As a result, compared to other medium income countries, Costa Rica has a higher than average outcome in primary education, but also spends more than the average. In secondary education, moreover, spending outpaces other medium income countries, but outcomes are considerably below average.

Key Universal Constraint: Secondary Education. Secondary education stands out as the largest generalized gap in Costa Rica's education system, comparing poorly to the rest of the LAC region and even worse compared to middle-income countries around the world. Costa Rica's low secondary completion rate (42.3% in urban schools and 19.1% in rural schools) is a major obstacle to developing a workforce ready for the knowledge economy. In spite of gains in access, overall rates remain low. For 13 to 15 year olds (3rd Cycle), net secondary enrollment increased from 61% to 68% between 1999 and 2002, and for 16 to 18 year olds (Diversified Education) from 31% to 38%. Nationwide net enrollment rates in overall secondary education (63.5%) lag behind the LAC region average of about 66% (MEP 2002; World Bank, 2002). Also, secondary completion in Costa Rica (33% nationwide) is over 22% lower than those countries with similar per-capita GNP, and when compared to countries with similar public expenditures, completion is lower by about 34% for females and 50% for males. Furthermore, expansion of quality secondary education is limited by the quality, equity and efficiency gaps in primary and basic education.

Institutional Development. The country has invested considerably to increase institutional resources in the education sector, at the central, regional and school levels. Nonetheless, the

[6] Nationwide average enrollment rates for 16-20 year-old youth is 50%.

planning, supportive, monitoring and evaluation functions of central offices of the MEP need to be further strengthened. The MEP also seeks to improve the analysis, dissemination and use of its rich generation of sector data and education statistics. At the regional level, the sector seeks to enhance the school and teacher technical support and supervision provided by the 20 regional offices and 155 school districts (*circuitos escolares*). At the school level, Costa Rica has had a long community participation tradition through its school councils (*Juntas Escolares* and *Juntas Administrativas*) and parent associations (*Patronatos*). The goal now is to strengthen these institutions to support education quality improvements in schools. In general, at this stage, the needed thrust is not through mandated legal institutional changes, but improving the culture and incentives for team work and alliances; for monitoring the quality, equity and efficiency of education; and promoting a management supportive to both education demand and supply services and based on results.

Government Strategy to Overcome Remaining Gaps. Closing of the education quality, equity and efficiency gaps—in addition to expanding secondary education access nationwide—have become the key priorities of the Government of Costa Rica's Development Plan. To close these gaps and improve secondary education coverage and completion, the MEP developed its *Plan de Relanzamiento de la Educación Costarricense*, which has received full support from the Social and Economic Cabinets, Education Sector staff, Teacher Unions, and civil society. The Plan focuses on closing the rural and urban education gap, on improving the equity and efficiency of education demand subsidies, and expanding secondary education, especially technical and vocational education. Two key cross-cutting goals are guaranteeing equity and optimizing and improving the efficiency of financial, technical, technological and human resources within the education sector.

At the international level, Costa Rica's Education For All (EFA) plan places the country on track to universalize primary education completion by 2015. Institutionally, the priority is to strengthen the respective pedagogical and administrative functions of institutions across the education system: technical units of the MEP, regional education offices, district supervisors, communities and schools. In support of these goals and strategies, Costa Rica requested World Bank and IDB's financial and technical support. In general, Costa Rica's political, financial, institutional and technical efforts evidence strong country commitment to, and ownership of, its education development strategy.

2. Rationale for Bank involvement

Bank Involvement and Alternatives. Following the closing of the previous WB funded education project in 2000, the Bank has been involved in the education sector. Analytical studies—prepared in close collaboration between the Government and the Bank—contributed to the education dialogue regarding: (i) social sector financing (*Costa Rica: Social Spending and the Poor)*; (ii) education, productive technology and competitiveness, with a focus on secondary education (*Closing the Gap in Education and Technology);* and (iii) education economic analysis (*Diagnóstico Económico de la Educación en Costa Rica*). This analytical work built on the Government's concerns about the uneven education performance across regions and income quintiles. Subsequently, in 2002, the Government requested the preparation of a World Bank sector investment loan as support to close the quality, equity and efficiency gaps identified.

Coordination Among Multilateral Development Banks' Support to Costa Rica. The Inter-American Development Bank has been a key education ally in Costa Rica, most recently in

secondary education. The MEP, the IDB and the Bank formed a strategic alliance to coordinate efforts: while the Bank-financed Project addresses existing gaps in education for rural and low income communities, the IDB will initiate investments at the secondary education level. The Bank's support for rural education—including flexible secondary education modalities—will complement IDB's support to secondary education development nationwide. To complement both education projects, the MEP is promoting Corporate Social Responsibility in education and is considering the preparation of a TA project to define a systematic strategy with the support of the Foreign Investment Advisory Services (FIAS) Department of the World Bank.

World Bank Contributions. The World Bank has accumulated a wide range of regional experience and knowledge in rural education, interventions to support education demand from low income families, and institutional development. The Bank is in a unique position to provide key insights on how these educational improvements can be implemented in Costa Rica. In addition, the technical and analytical studies undertaken by the Bank—during the renewal of its cooperation in the Education Sector–provide a solid analytical grounding for the Project's goal of supporting increased effectiveness, equity and efficiency of education services and resources.

3. Higher level objectives to which the project contributes

The project would contribute to achieving the objectives of the sector—to close gaps in quality, equity and efficiency of education—through its support to the implementation of the *Plan de Relanzamiento Educativo* in the rural sector. By reversing the growing education attainment gap between urban and rural regions and between high and low income groups, the Project contributes to the Country's higher level objectives of sustaining social progress and increasing the long-term effectiveness of education services. Optimizing existing human, physical, financial and technology resources in the education sector will positively impact overall institutional and financial efficiency in the sector.

Congruence with Country Assistance Strategy (CAS) Objectives. The project's objectives are consistent with the objectives of the existing CAS for Costa Rica dated April 27, 2004. While noting important improvements in the social sector, the CAS supports social development sustainability.[7] In education, key coverage indicators have improved from the downturn experienced in the 1980s. Nonetheless, education gaps remain across regions[8] and income groups, most importantly in (i) learning quality; (ii) over-age students (due to high repetition and dropout rates); and (iii) completion rates. For the period 2004-2007, the CAS proposes to support Costa Rica in closing these gaps. These quality, equity and efficiency gaps are limiting the needed expansion of quality secondary education nationwide.

B. PROJECT DESCRIPTION

1. Lending instrument

An IBRD sector investment loan will finance 60% and Government counterpart funds 40% of the proposed Project. The Government considered the investment loan strategic to achieving long-term and equitable effectiveness and efficiency in the education sector.

[7] Between 1991 and 1999, Costa Rica made substantial progress in reducing headcount poverty and improving social sector indicators, driven largely by economic growth and social investments.

[8] Regions with low educational attainment are highly rural and with lower socio-economic status.

2. Project development objective and key indicators (See Annex 3)

Project Purpose. The Costa Rica Education Equity and Efficiency Project is a key implementation tool of the MEP's *Plan de Relanzamiento de la Educación Costarricense.* The project aims to reduce existing education quality gaps in rural education (including indigenous and afro-descendent communities) and to improve the equity and efficiency in the allocation, administration and utilization of education sector resources.

Project Objectives and Key performance indicators. The Project will: (i) reduce existing rural education gaps in primary education quality, equity, and internal efficiency; (ii) develop cost-effective strategies to increase access to, and improve the quality of, secondary education rural modalities; (iii) improve the impact of equity programs for low-income students; and (iv) enhance the efficiency of the education sector's institutional and economic resources allocated to the rural sector. These general objectives will be measured by the following Project Development Objectives[9]:

- Reduce internal education efficiency gaps in primary education in the targeted macro-regions of the Project (composed of municipalities with low education indicators and indigenous and afro-descendent populations). The reduction of the educational regional gaps will be measured by the following education efficiency indicators: (i) average percentage of over-age students and (ii) drop-out rates.
- Improved efficiency of non-traditional secondary education rural modalities (*telesecundaria*) and increase access in targeted rural areas.
- Increased equity of demand based education programs and increase access of beneficiaries (including indigenous and afro-descendent populations) from the lowest income quintiles (quintile 1 and 2) in the targeted macro-regions.
- Improved cooperation among rural schools, measured by the conformation of at least 60 Rural School Collaborative Networks and improved shared utilization of key education quality inputs within the Collaborative Network, mainly: (i) infrastructure; (ii) information and technology centers; and (iii) allocation of specialized teachers (second language, culture and values, physical education, etc.)

3. Project components

The proposed project will consist of 3 components that—in an interactive manner—aim at closing the gap between rural and urban education outcomes, increasing the participation of low-income students in the education system, and optimizing educational resources.

[9] For complete input, output, processes and output indicators, see Results Framework and Monitoring, Annex 3, and Policy Activity Schedule, Annex 4B.

COMPONENT 1: The Quality and Equity of Rural Education Component (US$34.24 Million) will finance the implementation of Annual Operational Subprojects (POA Subprojects)[10] aimed at improving rural education attainment (*Rural Education Quality* and *Equity Subprojects*) and institutional development (*Institutional Development Subprojects).* To orient the preparation of the POA Subprojects, a menu of strategies and expected results to increase the level, quality and equity of basic (up to 9th grade) rural education have been included in the Policy Activity Schedule, PAS (see Annex 4B). The POA Subprojects will be prepared in two phases (of approximately 2-3 years each) by the MEP's central technical units—with participation of education stakeholders at the regional and school levels—and will be included in the Project's Annual Operational Plan (POA) and will be reflected in the MEP's sector-wide program and budget.

Objective (related to section A1): The ***Rural Education Quality and Equity Subprojects*** will improve the targeting, education quality and organizational efficiency of rural education modalities in the country, including both supply and demand side education services. The ***Local Institutional Development Subprojects*** will strengthen the institutional capacity of regional departments, schools and Collaborative School Networks, initially to support the rural education modalities, but in the medium and long-term to contribute to general institutional efficiency. These objectives will be measured by the following indicators in the four Macro-Regions targeted by the Project (Norte, Atlantico, Puntarenas and Guanacaste):

- Increase primary school completion from 69.3% to 78.6%;
- Raise the passing scores in achievement tests in of 6th grade rural students (mostly in multigrade schools) to at least the National Average in Spanish and Mathematics;
- Increase pertinent teacher skills for rural education modalities (including multigrade, telesecundaria and indigenous schools); and
- Strengthen the planning capacity and the efficient utilization of education investments at the regional, school and Collaborative School Networks, evidenced by the preparation of education improvement plans, increased investment and returns of the education inputs.

Principal Target Group. Municipalities (*Cantones*), communities and schools with the lowest education indicators identified by *Sistema de Desarrollo Educativo* (SIDE), which in addition include approximately the following number of direct beneficiaries in rural, indigenous/afrodescendent and low-income communities:

- 25,000 students grades Preschool - 6th in dispersed rural communities (mostly in multigrade schools);
- 6,000 students grades 7-11 in dispersed rural communities (mostly in Telesecundaria Schools);
- 200,000 students in primary education schools; and
- 1,000 students in secondary schools.

Implementation Arrangements. The POA Subprojects will be executed by the technical units of the MEP responsible for the provision of demand and supply-side education services in rural areas, supported by Project Coordination Unit (PCU). The Technical Units of the MEP will be ultimately

[10] The Term "Annual Operational (POA) Subprojects" does not refer to a time-bound period of execution (one year) but rather it refers to the institutionalization of subprojects through their inclusion in the Annual Operational Plans (POAs) of the MEP. A subproject's implementation period may be longer than a year.

accountable for Subproject results. Nonetheless, a Committee of these Technical Units will ensure integration, pertinence and quality of subproject investments. Bank supervision missions will work through the Technical Committee to follow up on regional and school investments, activities and impact. Regional departments, communities and schools will be involved in the diagnosis and planning of subproject and will directly benefit from the capacity building investments of the Institutional Development Subprojects. For the initial targeting of regions for subproject preparation, the *Indice de Rezago Educativo* (IRE)—which utilizes data of the MEP—placed Project targeted regions and municipalities in four Macro-Regions by socio-economic and education indicators. The identification of variance in education outcomes across communities within a targeted municipality was also analyzed (See Annex 9). During project implementation, a layered targeting strategy will further target performing and non-performing schools within each region. To measure impact, a baseline study of education performance variance across schools will be prepared as part of the preparation of the POA subprojects. The baseline will identify both low and high performing schools in difficult socio-economic contexts. The success of high performing schools will be systematized to disseminate and emulate lessons learned.

Key Inputs and Outputs. The subprojects' expected outputs and outcomes are listed in the Policy Activity Schedule, PAS (Annex 4B). The specific input mix will be decided through the subproject preparation process, but within the menu of strategic interventions included in the PAS.

COMPONENT 2: Equity of Education Services (US$4.50 Million). This component will increase the capacity of the MEP to reduce equity gaps by supporting activities to identify, reach and monitor the delivery of pertinent supply and demand education services to regions with low education indicators and students from low income households. The component will finance the development and implementation of strategies, tools, and institutional improvements to target and monitor education services—through a layered approach at the municipality, school and beneficiary levels. The goal of these targeted services is to close existing income quintile and regional gaps and to reduce transaction costs. The component will be divided in two subcomponents: The first subcomponent will provide technical support, tools, and improved processes to integrate and raise the capacity of various MEP units managing the MEP's demand-based equity programs: scholarships, vouchers, transportation and school meals. The second subcomponent will develop and implement an integrated information system that can track the diverse education outcomes across municipalities, communities and schools: *Sistema de Información de Desarrollo Educativo* (SIDE).

Objective (related to section A1): To modernize and strengthen the capacity of the MEP to adequately target the provision of education services to regions and schools with low socio-economic and education indicators, including rural areas, while improving the administration, monitoring and evaluation of the equity programs supporting education demand of students from low income families. These objectives will be measured by the following indicators:

- Improved regional targeting of the equity programs (Scholarships, Food programs, and Transfers and bonus, among others) that support education the demand of low income families;
- Integrated institutional structures for the administration of the demand-based equity programs, evidenced by increased cost-effectiveness and reduced per beneficiary administration costs of scholarship and vouchers.
- Timely and accurate information on the equity, quality and efficiency of education programs provided by the Ministry of Education.

Principal Target Group. MEP's Technical Units, Regional Departments, School Districts, and Institutions administering education demand-side programs. The direct beneficiaries include:

- *Dirección General Financiera* (General Financial Department), FONABE, DANEA and other MEP units that manages equity programs;
- Regional departments and districts monitoring of the Equity Programs; and
- Community school councils (*Juntas Escolares* and *Juntas Administrativas*) and schools.

Implementation. To target schools, the SIDE system will link to the data base of the MEP regarding school enrollment, promotion, education efficiency indicators and standardized testing. To target beneficiaries, the SIDE could utilize other beneficiary targeting systems such as the SIPO.[11] Institutionally, the MEP will integrate the various education subsidies that are targeted by demand-based profiles and needs, which are now being managed by different units. These units will share information, procedures and instruments for targeting, selection, monitoring and evaluation of beneficiaries. A study will be carried out on the feasibility and impact of integrating the various demand subsidies (scholarship, transportation, bonus and meal) into one conditional cash transfer, "an education equity scholarship". The subcomponent will finance the implementation of the study's recommendations to improve targeting of subsidies at the household level, while improving monitoring and evaluation of improved school assistance, promotion and learning, which are part of the conditions of the education demand subsidies. An initial baseline survey of a targeted area, and subsequent follow ups, will help to measure the efficiency gains of the equity program and of the impact on education demand in the four macro-regions targeted by the Project.

Key Inputs and Outputs. The key inputs to this component include technical support, training, instruments and materials needed to improve the equity targeting and follow up of the MEP. A key output is the *Sistema de Desarrollo Educativo* (SIDE), being developed as an integrated targeting, monitoring and evaluation system. Key institutional outputs include: (i) an integrated institutional structure for the administration of equity programs; (ii) updated, refined and linked targeting and equity monitoring and evaluation instruments; and (iii) improved impact, cost-effectiveness and institutional efficiency of the MEP's programs supporting education demand.

[11] SIPO is a database constructed by IMAS based on census of poor areas previously identified by non-satisfied basic needs/poverty maps by the Statistics Institute (Instituto de Estadísticas, INEC). SIPO database contains information on socio-demographic and labor force characteristics and coverage of many social programs provided by government agencies, including education. Currently, the database contains information on about 220,000 families (75 percent of those under the poverty line). The SIPO is being improved and operationalized through the World Bank supported by the Health Modernization Project.

Component 3: Improved Institutional Efficiency (US$10.96 million). This component will improve the institutional capacity of the MEP through inter-departmental integration strategies and working alliances across central, regional and school organizations. Through training, technical assistance, administrative systems and work instruments, the component will strengthen the capacity of the MEP's staff (both of pedagogical and administration units) to conduct participatory sector diagnosis, plan strategically, and implement, monitor and evaluate education programs. Additionally, the component will provide special attention to improving the efficiency of education services provided in the rural sector, by the integration and strengthening of the MEP units leading such services (*Asesoria Unidocente, Departamento de Indigenismo, Telescundaria* and *Aulas Abiertas,* among others). Finally, the MEP's coordination, fiduciary, monitoring and evaluation activities of externally financed projects will be strengthened through increased capacity of the Project Coordination Unit, which in turn will support the Technical Units of the MEP.

Objective (related to section A1). Increased institutional capacity of the MEP, especially—but not limited to—those related to the delivery of rural education services, as well as effective and efficient coordination, administration, and external monitoring and evaluation of the POA subprojects and the Project in general. This objective will be measured by the following indicators:

- Successful integration of technical units of MEP, evidenced by high quality diagnosis, strategic and action plans, and monitoring and evaluation of Rural and Institutional Development Subprojects (POA Subprojects);
- Integrated institutional structures for the provision of formal rural education services;
- Information, Communication and Education (IEC) strategies to disseminate and account for the results and impact of the Project; and
- Satisfactory project coordination and fiduciary implementation ratings: Procurement and Financial Management.

Principal Target Group. The Technical Units of the MEP, the Regional and District Offices, and Community-based school councils (*Juntas Escolares and Administrativas*). The direct beneficiaries include:

- *División de Desarrollo Curricular* (Curricular Development Division),
- *Asesoría Unidocente* (Multigrade Education Unit),
- *Departamento Indigenismo* (Indigenous Education Unit),
- *Departamento de Educación Académica* (Academic and Pedagogic Department),
- *CENADI* (National Teaching Center),
- *Telesecundaria* (Television-Based Education Unit),
- *Departamento de Desarrollo Profesional Docente* (Teacher Professional Development Unit),
- *División de Planeamiento* (Planning Division),
- *Departamento de Estadísticas* (Statistical Department),
- *Dirección General Financiera* (General Financial Department),
- *FONABE* (National Scholarship Fund),
- *DANEA* and other units related to the Equity Programs, and
- The Project Coordination Unit (PCU).

Implementation. The component will finance basic institutional resources, including appropriate working infrastructure, equipment and improved procedures and manuals. These investments will be oriented to improve the organizational climate, the end-users of education services, and the education demand. Training and on-the-job technical assistance will guarantee the capacity of the technical units of the MEP to diagnose needs in regions with diverse outcomes, to plan participatorily, to form highly effective teams with multiple capacities, to prepare and implement operational plans, to monitor outputs, and to evaluate results.

Key Inputs and Outputs. The key inputs to this component include technical support, training, instruments and materials needed to improve the institutional integration and capacity of the MEP. The component will finance needed Information, Education and Communication programs to disseminate the proposed education development objectives, outputs and results. Key institutional outputs include: (i) improved diagnostic and strategic planning; (ii) tracking of education development in rural, indigenous and low income communities; (iii) improved integration and coordination of the MEP units, initially those managing rural, indigenous and education-demand programs; (iv) effective fiduciary management and monitoring and evaluation of the Project; (v) effective promotion, training and preparation strategies for the preparation of subprojects; and (vi) sustained information, education and communication campaigns related to the results and impact of the Project.

The following table of project components summarizes the main components, areas where investments will be targeted, indicative costs, percent of total financing and distribution of external and local financing. Additional details are contained in Annex 4.

Component	Indicative Costs (US$M)	% of Total	Bank-financing (US$M)	% of Bank-financing
Component 1: Quality and Equity of Rural Education (POA Subprojects)	34.24	68.48	20.99	61.30
Component 2: Improved Equity of Education Services	4.50	9.00	4.06	90.22
Component 3: Institutional Development and Efficiency	10.96	21.92	4.65	42.42
Total Project Costs	49.70	99.40	29.70	59.75
Front-end fee	0.30	0.06	0.30	100.0
Total Financing Required	50.00	100.0	30.00	60.0

4. Lessons learned and reflected in the project design

Costa Rica Education Sector. Costa Rica has a long history of democracy and social services provision. Since 1878—through what is known as the Mauro Fernandez Reform—School Councils (*Juntas Escolares* and *Juntas Administrativas*) received legal authority to manage school funds and promoted community participation in schools. Especially after the abolitions of the armed forces in 1948, investments in education increased contributing to significant gains in school access. Most recently, Costa Rica has provided models at the international level on how to improve the use and effectiveness of technology in schools and on how to increase effectively pre-school education (for children 4-5 and 5-6 years). Today, the country is focusing its attention on issues of equity, universal primary education completion, expanding the access to pertinent secondary education and

to early childhood care and education (children age 0-4), and improving the efficiency and effectiveness of sector resources.

Previous Costa Rica Education Project. While the previous World Bank- and IDB-supported Basic Education project in Costa Rica (1994-1999) was successful in the rehabilitation of education indicators nationwide, there was a reduced impact in low socio-economic regions. The project lessons learned indicated the need for complementarities between education supply and demand interventions. Thus, this new Project continues to support access and quality education programs, but especially targets rural communities and underserved populations through a combination of education supply- and demand-side education strategies.

Lessons learned from Central America. Costa Rica has had a long-history of school and community-based organizations, including the decentralization of school resources to school councils composed of community members. Nonetheless, other experiences in Central America –El Salvador's EDUCO program, Guatemala's PRONADE and Honduras' PROHECO—provided concrete evidence that rural parents can successfully manage and be accountable for school development. During project preparation, the following Central American lessons learned were considered: (i) improved school organization, planning and management of resources, (ii) school-based quality education planning, (iii) monitoring and accountability, (iv) school councils' training and capacity building, (v) gaining the support of teacher unions, and (vi) institutionalizing community participation within the legal financial framework of the public education system. Also, exchange of lessons across Central American countries is being promoted in rural education service delivery, pertinent pedagogical modalities (e.g., multigrade teaching), rural teacher training, and student evaluations, etc.

Lessons learned in Latin America and Elsewhere. Education reforms, equity programs, community participation, and rural education quality improvements, among others, are issues being addressed worldwide. In Latin America, Uruguay, Chile, Colombia, and El Salvador are examples of successful education reforms that have generated impact both in terms of education coverage and quality. Peru and Mexico have been successful in increasing secondary education coverage, especially through non-traditional modalities for rural education. Lessons learned in education services for rural dispersed communities indicate that pedagogically well managed multigrade classrooms are positively related to student achievement; this is in part due to the flexibility of the curriculum and its tailoring to the individual needs of the students. Such findings are consistent in other countries, including Colombia (Escuela Nueva), Guatemala (NEU), Brazil (Escola Nova), Bolivia, Togo, France, New Zealand and Pakistan, among others.

School based management interventions in Colombia, Brazil, Uruguay, El Salvador, the United States (Chicago, District 2 of New York City, etc), Australia (e.g. Victoria), etc., show evidence of the benefits of parental and community participation in school improvement activities. Some risks—such as raising expectations, extremely bureaucratic procedures for school-based management, long processes for approval of school improvement plans, the risks of tied financial disbursement to schools, and resistance to shifting powers to schools by traditional education management actors—have also been assessed. Positive lessons learned and risk mitigation strategies for adverse effects encountered in the international experience will be included in the design of the Project to support Costa Rican school councils.

5. Alternatives considered and reasons for rejection

Initial alternatives considered for project investments that were rejected—based on the feasibility and technical studies—included:

Specific Sub-Sector Investment at the Secondary Education Level. While the country has almost reached universal access in preschool and primary education, the secondary education level is lagging. In the medium-term, in addition to the IDB-supported Secondary Education Project, further investment will continue to be needed. Nonetheless, the Government decided to focus the proposed World Bank-supported Project on equity and efficiency issues for rural schools and low income students at all education levels. This decision was substantiated by the documented gap in education attainment even in primary schooling among rural and lower income populations. The Project nonetheless supports secondary education, but within the rural contexts, as a complement to the general secondary education investments included in the IDB–supported secondary education project.

Broad Reform vs. Selected Entry Points. The obstacles faced by Costa Rica's education system are not limited to any one intervention; however the feasibility studies confirmed the key entry points to increase and sustain education development in the country (which had been proposed by the MEP's *Plan de Relanzamiento Educativo*): (i) closing the rural-urban education attainment gap, (ii) guaranteeing the access of low-income students into the demand-based programs, and (iii) optimizing existing institutional and financial education resources. These entry points are the foundation for deeper education reforms, for broad impact of the Country's efforts to revamp education development, and for long-term education sustainability.

Blue Print Pre-defined Design vs. Framework-Based Design with Broad Participation. Project preparation confirmed the need to tailor project investments to regional needs, as well as the potential to improve the effectiveness and involvement of existing regional, community and school organizations. Thus, a blue print (fully pre-designed) project was rejected in favor of a result-based framework design: i.e., preparation of subprojects guided by a menu of strategies with clear results benchmarks. Also the right mix of bottom-up and top-down institutional roles were identified across the central MEP technical units, regional offices, communities and schools. The MEP technical units are delegated a key role in the diagnosis and strategic planning for the proposed subprojects, but with the involvement of the regional, community and school levels. While the MEP will manage general quality investments in infrastructure, rural pedagogical methods and materials, and teacher training, community school councils (*Juntas Escolares y Administrativas*) are in charge of the administration of school budgets and of transfers for the equity programs (transportation, school meals and education vouchers). The regional departments will support the pedagogical, technical, and school management assistance and supervisory roles.

Initial Consideration of Support for Public-Private Alliances in Technical Education. Project preparation considered the inclusion of a Corporate Social Responsibility (CSR) component to promote public-private partnerships, especially in support of technical and vocational secondary education. However, to better focus this project on a manageable number of development

objectives, a separate TA Project between the Ministry of Education and the Bank's FIAS' Corporate Social Responsibility unit is being considered.

C. IMPLEMENTATION

1. Institutional and implementation arrangements

The proposed Project will be implemented by the MEP over a five year period utilizing the existing management capacity at the central, regional, community and school levels. At the central level, key technical units responsible for rural education, demand-based programs and strategic planning and administration of the MEP will be directly responsible for project implementation, within a strategic framework that guarantees on-going capacity building and participatory management. Although each technical unit of the MEP will be accountable for their respective technical components, two coordinating mechanisms—*Comité Superior Consultivo* and *Comité de Unidades Ejecutoras*—will guarantee integration among these technical units, as well as common objectives and implementation strategies. The Ministerial Office of the MEP will provide these committees policy direction and strategic result-based orientation. To support and coordinate Ministerial policies, The Project Coordination Unit within the MEP has been traditionally ascribed to the Ministerial office to support and coordinate the congruency between implementation of projects and high level policy guidance. In additional, the PCU will guarantee harmony between the Project and national judiciary procedures.

The *Comité Superior Consultivo* will be chaired by the Minister of Education and will include the Division Directors of the Curricular, Planning and Didactic Departments (División de Desarrollo Curricular, *División de Planeamiento y Programación and Centro Nacional de Didáctica*). The *Comité Superior* will provide direction to the Project and sub-projects in line with education policies. The *Comité de Unidades Ejecutoras*, CUE, will monitor project implementation—including the review of the POA sub-projects prepared by each technical unit of the MEP through participatory diagnostic and planning with regional, community and school actors. The CUE will have representation of each MEP's technical units responsible for rural education services, including the MEP's demand-side education programs (See Annex 6 for more details).

For Project monitoring and evaluation purposes, The Project Coordination Unit (PCU) will support the integration of Project data. Maintaining detailed Project information will guarantee the timely dissemination of data to high management levels of the MEP and to the World Bank, among others. The information will include type of investments, orientation of activities, monitoring and impact indicators of each component, as well Project financial management and procurement information.

While the technical and planning leadership will remain with the MEP's technical departments, based on the executive decrees 22612-MEP and 30676-MEP, the administrative and fiduciary operations of the Project would be supported by the PCU within the organizational structure of the MEP. The PCU will ensure that all procurement and financial management processes are responsive to Bank norms and procedures in each area of implementation. Nonetheless, oversight of the progress of sub-projects—in line with the menu of strategies and result indicators of the Policy Activity Schedule (PAS)—would be the responsibility of the high level management of the MEP, with support of the *Comité Consultivo Superior* and of the *Comité de Unidades Ejecutoras*. (see Annex 7 and 8).

2. Monitoring and evaluation of outcomes/results

The Project is founded on clear benchmarks for results and supported by an integrated system for Monitoring and Evaluation (M&E). The M&E will track process, output and outcome indicators, especially those that show the closing of education gaps across regions, rural and urban communities, and income-quintiles. In the communities and schools supported by the Project, the M&E system will collect and analyze data before, during and after the Project interventions. For the implementation of the POA Subprojects (see Component 1), the evaluation system will monitor the activities and outcome indicators provided by the orienting menu within the Policy Activity Schedule (PAS) (see Annex 4.B).

The Statistical Department will be responsible for data collection, supported by the Regional Departments of the MEP. The PCU will disaggregate the data for the respective Project's annual monitoring, mid-term and end-term evaluations. To target, monitor and evaluate education improvements in rural and underserved areas (including indigenous and afro-descendent communities) and across income quintiles, Component 2 of the Project will provide the financing to implement the education development tracking system (SIDE) which is key to the M&E strategy of the Project.

3. Sustainability

Evidence of borrowers commitment. The Costa Rica Education Project is an integral part of the Government's National Development Plan (*Plan Nacional de Desarrollo*) for 2002-2006 and contributes directly to the MEP's *Plan de Relanzamiento de la Educación Costarricense*. The *Plan de Relanzamiento Educativo* has placed education as a priority of the social agenda and has provided concrete and monitorable steps and goals for education development. Both Plans are fully supported by the Social and Economic Cabinets, as well as by Teacher Unions, Sector Staff and Civil Society at large.

Further commitment is evidenced by the Government's proposal to increase public education spending to 6% of GDP and to guarantee a school calendar of at least 200 days per year. The Government actively coordinated donors in the sector and organized joint missions of the World Bank and IDB to ensure complementary development assistance for its fully owned Education Development Plan. Ownership of the preparation process benefited from broad-based participation both within and outside the MEP (see Participation Plan in project files).

4. Critical risks and possible controversial aspects

Targeting of education subsidies traditionally has been a point of contention in Costa Rica. The country goal was universal provision for all. Nonetheless, the lessons learned during the 1990s regarding the growing education gaps between high and low income groups have been widely disseminated. Clarification of the benefits of a well targeted approach will continue to be supported through open discussion forums and promotion campaigns. Also, the inclusive project implementation strategy affects the distribution of decision-making across actors in the system (within central technical units and from central to regional departments, communities and school levels). The MEP is well aware that a universal reaction to broader decision making is resistance

from traditional actors. To reduce this risk, the MEP has planned a layered approach to participatory education management through roles and responsibilities distributed across all levels of the education system. Finally, a wide variety of education demand subsidies are managed by different institutions within and outside the MEP. Institutional integration and harmonization is difficult. However, discussions to harmonize procedures and targeting instruments has already started among Ministries and the Government has committed technical and financial resources to improve the institutional efficiency, and reduce transaction costs and verifiable impact of demand-based social programs.

Risk	Rating	Risk Mitigation Measure
From Outputs to Objective The Democratic Culture of the Country may cause some actors to resist targeting of services to Rural Areas and Marginalized Groups (for example, Indigenous Communities)	M	The targeting strategy is based on incremental support to non-performing regions and schools with low socio-economic indicators; it does not imply reduction of services to other areas and schools. Politically, Costa Rica has already discussed and disseminated the evidence of the growing quality, equity and efficiency gaps in its education sector. There is growing consensus that these gaps need to be closed. Operationally , the Integrated Targeting, Monitoring and Evaluation System will guarantee targeting of municipalities and communities with low socio-economic and education indicators, and monitoring and evaluation of gaps in respect to urban and higher income groups.
From Components to Outputs Component 1: Low participatory process in the preparation of POA Subprojects	M	The Implementation strategy of the project includes clear procedures, instruments and capacity building to guarantee a participatory diagnostic and subproject preparation process with involvement of regional, community and school education stakeholders. The Government and the MEP have already began promoting the benefits of a more participatory and integrated planning and management of education services.
Component 2: Each agency providing education demand services will have their own Targeting instruments and will resist integration.	M	The Integration strategy of education demand programs has already began with high level discussions among the MEP and IMAS. The component will provide the financial and technical support to develop, test and implement an integrated approach to guarantee common instruments, sharing of information, and articulated monitoring and evaluation of demand-based education subsidies.
Component 3: Low capacity to plan and implement with participation across education institutions and levels.	M	The Institutional Integration and Optimization strategy will guarantee Organizational Development support to decrease resistance to change and to promote a common vision of institutional development and education quality among all staff at the central, regional, community and school levels. The new PCU concept includes clear strategies to guarantee its full support to the institutionalization of project management, including clear decision making bodies within the MEP (e.g., the Technical Unit Committee and the Strategic Education Committee).
Overall Risk Rating	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

5. Loan/credit conditions and covenants

Effectiveness:

a. Issuance and adoption of an operational manual, satisfactory to the Bank, containing, *inter alia:* (i) a detailed procurement plan for the first year of Project implementation; (ii) the Environmental Management Framework; (iii) the Indigenous Peoples Development Framework; (iv) financial management procedures; and (v) the procedures to be followed for the carrying out of Subprojects; and
b. The Project Implementation Plan appraised and found to be realistic and of satisfactory quality.

D. APPRAISAL SUMMARY

1. Economic and financial analyses (see Annex 9)

Results of Part I: Economic Analysis of the Education Sector. The economic analysis of the Project provided evidence to support the hypothesis related to (i) the growing gap between rural and urban education, (ii) the errors of inclusion and exclusion of the equity-side programs, and (iii) the heterogeneous education outcomes across regions. Annex 9 presents a succinct summary.

Result of Part II: Cost-Benefit Analysis of Proposed Interventions. The second part conducted an indicative cost-benefit analysis related to the proposed objectives and interventions of the Project and the resources allocated to them, especially for the benefits derived from the Rural Education Subprojects and the Local Institutional Development Subprojects.

The ratio of benefits to costs, considering the full cost of the project, would yield nearly 1.6 dollars of benefits for each dollar invested. The project would yield a present value of net benefits, after investments, of US$29.8 million over ten years and produce an internal rate of return (IRR) of 41 percent.

Even in the worst case scenario—tested in the Sensitivity Analysis—which assumes that benefits associated to the project are reduced by 30%, the present value of total benefits declines from a base estimation of nearly US$82 million to US$57.3 million approximately, with a corresponding reduction in the IRR from 41% to 15%. Under this worst possible scenario, indicators of profitability of the project remain positive. If we consider a delay in the period of implementation of the project the indicators remain positive, except for the case of a delay of more than 3 years, where the IRR is below the discount rate used in the analysis.

Results of Part III: Fiscal Impact. The Third Part analyzes the fiscal impact of the project; it was based on the calculation of counterpart costs and the implicit additional fiscal costs to sustain project investments and outcomes (for example higher enrollments generated by the project; maintenance of infrastructure, equipment and materials; other recurrent costs and debt service).

The total costs of the project, including investment and recurrent costs, represent approximately less than 1% of the Education Ministry expenditures, which indicates that the implementation of the project is viable.

2. Technical

The Project's technical studies include diagnostic work by experts in rural education, teacher training, intercultural and bilingual education, education planning and finance, and organizational development. Full studies that benefited project preparation include: (i) *Costa Rica: Social Spending and the Poor;* (ii) *Closing the Gap in Education and Technology;* and (iii) MEP studies on rural education, including important analysis and benchmarking of Costa Rica's performance in education. A rural education assessment undertaken during preparation--including a data and indicators review and a participatory evaluation with rural actors--provided important insights into the status of rural education today.

3. Fiduciary (See Annexes 7 and 8)

Financial management. The key conclusion of the Bank's financial management (FM) assessment is that the MEP's sound FM and internal control framework, adequate staffing, pertinent experience managing funds from multilateral development banks, and good external audit record, all combine to reduce the Project's FM risks. Still, fiduciary arrangements for implementation of POA subprojects—given its innovative character—should be strengthened and closely monitored. This and other issues are addressed in the FM Action Plan (Annex 7 for full details).

Procurement. The proposed implementation arrangements for the project are acceptable and take into account the existing institutional capacity in the Ministry of Public Education (MEP). Project implementation is the responsibility of the MEP. The existing PCU has been implementing Bank financed projects since 1994 and will be responsible for managing the implementation of the Project, including procurement and financial management. The PCU is responsible for ensuring compliance with the Bank requirements of procurement procedures, bidding documents, evaluation reports and contracts, and will maintain procurement records/files, contracts, monitor the performance of suppliers, monitor deliveries of goods and services, and prepare and furnish procurement progress reports to the concerned institutions, including the Bank (see Annex 8 for full details).

4. Social (See Annex 10)

Education is conceived by the Government of Costa Rica as a mechanism for social integration. In light of that, a comprehensive social analysis and a Participatory Rural Appraisal (PRA) were carried out by Defense of the Children International (DNI) between April and August, 2003. The Social Assessment included interviews with education stakeholders at the central and regional levels, and school communities at the local levels. Both studies were carried out in close collaboration with the Multi-grade and Indigenous Education Departments of the Ministry. The PRA was implemented in 39 rural schools (pre-school, primary and tele-secondary) multi-grade and traditional, indigenous and non-indigenous, in 8 departments: Limón, Coto, Aguirre, Pérez Zeledón, Turrialba, San Carlos, Cañas, and Puriscal.

The main findings of the assessment are:

Educational Gaps and Socio-Economic Constraints

- 28% of primary school-age children in rural areas are not enrolled, as compared to 10% in urban areas;
- Desertion, repetition and attrition are highest inside indigenous reservations, and higher for rural indigenous and Afro schools;
- Reasons for indigenous and afro-descendents lower participation in schools include poverty conditions, social exclusion, low self-esteem, and violence;
- Participation of educational community in school life is almost non-existent at present;
- There are 45,000 immigrant children in the Costa Rican school system, of which 80% are Nicaraguan and of those 99% attend public schools;
- Most of the Nicaraguan immigrants live in urban centers, and most of the Afro-Costa Rican students (75%) live in the Province of Limón.

Limited Support to Pertinent Rural Education Strategies

- Training in multi-grade teaching skills is non existent in Rural Teacher Training programs, which results in poor teaching skills;
- The national curriculum has not been adapted to suit the needs of indigenous and Afro-Costa Rican multi-grade schools;
- Besides the 800 multi-grade schools that need repair and 100 to be replaced, teachers remarked on the need to redesign the multi-grade classroom to allow for more space, hexagonal tables, and equipment.

Limitations on Provision of Education Inputs

- The largest deficit of education services, infrastructure, equipment and education materials takes place in dispersed rural areas of the country, and in multi-grade schools attended by indigenous and Afro-Costa Rican peoples;
- The present targeting of equity programs depends mostly on discretionary decisions of the school principal and Board (the best opinions were received of the school feeding program, and the worst of scholarships);
- The deficit of secondary schools is particularly notorious in indigenous and Afro-Costa Rican regions.

Some of the main recommendations incorporated in project design are:

Further Studies. Given the low education indicators for indigenous schools, and the presumed low indicators for rural Afro-Costa Rican, and marginal urban Nicaraguan population, the education needs of these populations and schools will be studied within the POA Subprojects and the Collaborative School Networks. The studies will propose strategies to improve indicators (i.e. community-based, intercultural bilingual curricular adaptation, school networks, etc).

Active Outreach for Minorities' Participation in Project Benefits. The project will ensure that minorities who qualify for demand-based nutrition, vouchers, transportation and scholarships are aware and benefit from those programs. The MEP will monitor and evaluate disaggregated educational attainment data for indigenous and Afro-Costa Rican populations targeted by the project. The outreach activities for the preparation of POA Subprojects and the creation of rural Collaborative School Networks will reach indigenous and Afro-descendent communities and families.

5. Environment (See Annex 10)

Component 1 (POA Subprojects: Rural Education and Institutional Development) may include investments in school infrastructure, especially for rehabilitation and expansion of classrooms. Infrastructure needs were identified by the social and economic analysis during Project preparation, especially in multigrade, *telesecundaria* and indigenous schools in rural areas. The Government and the MEP have agreed to adopt the Bank's abbreviated environmental assessment templates (QAT-HD Education Guidelines) and to integrate them with their own process of Environmental Assessment for school construction. Any construction identified during the preparation of the subprojects will be subject to an appropriate screening criteria capable of detecting the possibility of environmental and social impacts of construction.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[X]	[ ]
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	[X]	[ ]

The triggered safeguard policies have generated the following criteria and instruments:

- Safeguard Screening Category: S2
  Environmental Screening Category: B
- Adaptation and Adoption of an Abbreviated Environmental Assessment Template, including a Resettlement Framework and Bank/Country Environmental Guidelines
- Abbreviated IPDP: Plans and Resources to Monitor and Evaluate Relevant Project Interventions and Impact on Indigenous and Afro-descendent populations
- The Government has agreed with the Bank's Disclosure Policies

7. Policy Exceptions and Readiness

- This project complies with all applicable Bank policies
- Project meets most regional criteria for implementation, pending items noted in effectiveness conditions

Annex 1: Country and Sector or Program Background

COSTA RICA: CR EDUCATION

Overview

With a population of approximately 3.9 million and per capita GNP of US$4060, Costa Rica is considered one of the most developed countries in the Central America and Caribbean Region. Recovering from a lackluster economic performance during the 1980s, the Costa Rican economy grew at an average rate of 4.5% during the 1990s. However, since 2000 the economy has been stifled by the worldwide economic downturn, experiencing only 0.3% real growth and a 2% decrease of per capita GNP during the 2000-01 period.

These economic fluctuations have resulted in major swings in real public expenditure over the last two decades. The economic crisis of the late 1970s and early 1980s choked Costa Rica's public spending, stagnating the country's progress towards its social goals. In the education sector, Costa Rica had enjoyed steady progress towards higher enrollment at all levels of education in the years preceding the crisis. However, education quality and equity suffered during the first half of the 1980s, and there were significant decreases in enrollment at the secondary level.

Costa Rica's education sector in the 1990s is best characterized by slow, uneven progress. Increasing public spending on education by more than 70% in real terms between 1990 and 1999, Costa Rica focused on recuperating educational services across the system. While this approach did yield some sector improvements, it favored those with higher education demand curves and easier access, leaving serious equity concerns across income level and geographic location. In fact, from 1995 to 2000, the enrollment rates for the poorest 20% of the population did not improve, and the poor remained only half as likely to enter secondary school as did the richest 20%. The following section presents a more detailed diagnosis in terms of (i) effectiveness and efficiency, (ii) education management, (iii) equity and education-demand of the poor, (iv) rural education, and (v) secondary education constraints.

Education Effectiveness And Efficiency

Education Expenditures. Higher investments in physical and human educational resources during the 1990s represented about 4% of GDP. Real education expenditures increased by 76% over the past decade, driven by a near doubling of primary and secondary spending and a four-fold increase in preschool spending. The Government is further committed to raise education expenditures to 6% of GDP over the next decade, which would place Costa Rica above the OECD average.

In terms of equity, the distribution of resources is progressive for primary education, but at the secondary and university level a disproportionate share of resources is allocated to the wealthy. Distributional analysis indicates that 70% of primary education resources go the meet the needs of the poorest 50% of the population; at the university level, however, 70% of the resources are allocated to the population's wealthiest 30%. Recurrent salary costs consume an increasing share of the total sector budget. Non-salary expenditures for general education increased at the beginning of the 1990s, but have returned today to the 1993 level of 9.5%.

The high spending and poor performance suggest serious inefficiencies in the use of resources. While systematic data is still being processed, it is likely that most of the increases in education

financing have gone to salary items, with limited allocations for strategies to impact the quality of learning, promotion and retention in schools. Furthermore, budget inefficiencies are compounded by not sustained human resource allocation practices. For example, the number of sections assigned per designate teacher is between 0.8 and 0.9, while the optimum parameters established by UNESCO indicate that it should be between 1.2 and 1.5. On average a Costa Rican teacher attends 0.8 sections which indicates that a high percentage of them are not teaching classes either because they are on some type of leave or because they are assigned administrative rather than pedagogical tasks.

Outcomes. Despite substantial increases in spending at all educational levels, outcomes have been mixed. Compared to other medium income countries, Costa Rica has a higher than average outcome in primary education, but also spends more than the average. In secondary education, however, the results are less favorable: spending outpaces other medium income countries, but outcomes are considerably below average. It is especially important to detail the uneven outcomes related to learning, promotion and retention.

National achievement tests, carried out in 2002 by the country's Quality Assessment Unit, demonstrate low levels of student performance, both at the primary and secondary levels. In the 20 educational regions of the country, tests in each of four basic subjects (Mathematics, Spanish, Science, and Social Sciences) were administered to students at the end of the second, third and fourth cycle. Since Costa Rica has not participated in international comparative assessments, only national tests were analyzed. In 6th grade, Mathematics has a national pass rate of 70.86%, with regional scores as low as 44.7% (Aguirre) and as high as 81.39% (Cartago). The pass rates in language averaged 87.52% ranging from 64.39% (Aguirre) to 94.36% (Heredia). In 9th grade, Mathematics has the lowest national pass rate of 31.27%, with a regional low of 15.58% (Santa Cruz) and high of 44.57% (Turrialba). Language scores averaged 77.87% ranging from 27.98% (Upala) to 88.65% (Desamparados).

Poor quality education and the resulting low academic achievement of students is also reflected in high repetition rates, especially in the first grades of each cycle: grade 1 (cycle I), grade 4 (cycle II) and grade 7 (cycle III). Available data shows that repetition is over 16% in grades 1 and 7. In 1999, 79% of primary school graduates had repeated at least one grade; for secondary education, the respective percentage is 48% (held lower than primary rates because of a higher incidence of dropout). Until 1997, an average of 7.74 years were necessary to complete the 6 years of primary education, and 8.6 years to complete the 6 years of secondary. Internal inefficiencies carry heavy costs to the system. Using an approximate calculation of unit expenditures per student of US$424 per year, the 50,000 repeaters in the system represent a cost of US$21.2 million, approximately 10% of the primary school education budget. The equivalent figures for the high school level are a unit cost of US$672 per year with 22,000 repeaters, which amounts to US$14.8 million, or approximately 10% of the high school education budget. Though there were reductions in the repetition rate during the 1997-1999 period, they only achieved a return to the levels in 1994.

In terms of dropouts, in 1999, there were 23,000 at the primary level and 19,000 at the high school level. According to data from household surveys, 50% of youth between 16 and 18 years of age do not attend school (62% for the lowest income quartile). Most students drop-out across cycles, evidenced by the low transition rates from lower secondary education to high school (i.e., from grade 9 to 10). Dropout rates in 1999 implied a combined public finance burden of around US$23 million.

Education Management

The section above provides evidence that although Costa Rica has increased its financial commitments to education in recent years, improvements in educational outcomes do not commensurate with such increments. Thus, the country seeks to optimize and increase the efficiency of resources—economic, material, technological, and human—allocated to the sector.

Management System Description. In 1994, the administrative organization of the MEP underwent two significant reforms (No. 23489-MEP and No. 23490-MEP) to define its current central and regional structures. The role of establishing education policies is assigned to the office of the Minister of Education, along with the office of the Vice-Ministers, and at the tertiary level to the Council of Higher Education *(Consejo Superior de Educación)*. An evaluative role is assigned to the Educational Planning and Legal divisions of the Ministry, which together provide technical criteria and strategic advice to Ministry officials. The role of executing education policies is assigned to the office of the Vice-Ministers, the divisions of Curriculum Development, Information Management, Quality Control and Evaluation, School Feeding and Nutrition, National Pedagogical Centers, Human Resources, Financial Management, and the 20 the regional directorates.

The regional directorates are responsible for the implementation of education policies at the regional and local levels. Each of the regional units consists of two departments, Educational Development and Administration, and each is sub-divided into territorial units (*circuitos escolares*) within the region, for a total of 155 nationwide. A supervisor in each *circuito escolar* assesses the performance of school principals in implementing national education policies, as well as the performance of teachers and administrators. The regional units are also responsible for providing professional development for staff, including facilitating exchange of experiences amongst personnel in the area.

At the school level, the most important entities for management and administration are the school boards (called *Juntas Escolares* in primary schools and *Juntas Administrativas* in secondary schools) and parent associations (called *patronatos*). The school boards were established by law, approximately 100 years ago, to control the administration of school resources, in particular financial transfers from the MEP. The boards are composed of 5 members of the community, and the school principal participates in board meetings in an advisory capacity without vote. The board performs all functions associated with financial management and allocation of public resources transferred from the MEP to the school. A school or group of schools hire an accountant to perform the financial recording and accountability of school budgets.

The *Patronatos* are integrated by school parents, selected in open assembly. *Patronatos* do not have legal status to manage public funds, rather they have authority to raise and use community resources acquired through self-managed fund-raisers. The resources provided by the *Patronatos* can be used more flexibly to satisfy schools needs and even to complement the limited funds transferred by the MOE for school administration and maintenance. *Patronatos* are, thus, an important venue for parental participation and for a concrete role in decision making and support for school improvement activities.

Higher Potential of Regional and School Based Management. In spite of the existence of the regional directorates, school boards and parent associations, the administration of the education

system remains centralized through budgetary and decision making restrictions. MEP's regional units and school boards have little flexibility in how resources are used. Regional and school budgets are earmarked to a list of expenditures pre-determined by the Ministry of Finance and Ministry of Education. Annual planning is also limited since the Ministry of Finance determines the allocation of transfers to regions and schools, based on previous allocations and a fixed annual increment. At the school level, basic average transfers cover less than 30% of real recurrent costs. Even with average annual increments of 10 to 20% over the last year budgets, parents (through *Patronatos*) must raise community funds to cover the unmet school financial needs. Many schools carry financial debts incurred across school years. For example in 2003, the Government had to approve an annual increase of 48% in school budgets, in order to allow schools to pay their accumulated debts.

The regional offices handle the local implementation processes of central decision-making. For example, to achieve economies of scale, the MEP directly purchases school materials and other goods, while the regional directorates perform a distribution role. In terms of information flows, important advances in technology (for example the Kiosk of Information through internet) disseminate information related to the curriculum, subject areas, pedagogical methods, information for teachers, etc., for the different grades and cycles of primary and secondary education. However, the MEP also seeks to operationalize a full functioning Management Information System controlled and utilized at all institutional levels, especially within the 20 regional directorates. Rich statistical data already available also requires further analysis and dissemination.

School planning has only recently been introduced at the local level. Still, the plans are based on inputs rather than outputs, and focused on the utilization of predetermined expenditure categories. Schools do not prepare a Long-term School Development Plan, which could provide school administrators, teachers and parents with a horizon against which to program, implement and evaluate their efforts and resources each school year. Finally, there is no systematic training program for members of school boards or "patronatos" on participation, planning, resource management and evaluation. There is a lack of pertinent school planning and management manuals and instruments, as well as other supporting inputs to strengthen the value-added of school based organizations. In general, the existing school and parental organizations in Costa Rica are an untapped potential, which if modernized and supported can increase the quality and efficiency of education services at the school and community level.

Equity And Education Demand

The data provides clear evidence that the low cost-effectiveness of the education system in Costa Rica has affected the poor disproportionately. During the period 1995-1999, preschool enrollment of 5 year-olds from the highest income quintile increased by 25%, and only by 18% for the rest; for 6 year-olds, it increased by 8% for the top income quartile and 6% for the lowest. Ninety-two percent of all children in the highest income groups complete primary schools, but only 62% in the lowest income groups. During the same period, enrollment in the 3rd cycle (lower secondary) increased for the wealthiest quartile from 90.8% to 92.4%, but decreased for the lowest income quartile, from 67.8% to 66.8%. Even with generally low enrollment rates for 16 and 18 years olds, which stand at 50% nationwide, the situation is more tragic for the lowest income quintile, at 38%, and much better-off for the highest quintile at 78%. Only 15% of 20 year olds from the lowest

income quartile have completed 12 years of education, whereas the proportion is 4 times higher for the highest income quartile.

Low Education Demand for the Poor. Education demand factors help explain the low participation of the poor in the education system. The poor experience a higher cost of education, mainly the costs of learning materials, fees and other expenses which can consume a significant percentage of their income. Opportunity cost is also high for poor people who attend school (only 36% of the poorest households dedicate time exclusively to schooling, whereas this proportion is 70% for richer households). Poor groups concentrate in regions and schools with deficient quality of basic education; subsequently, the poor become consecutive repeaters and have a greater risk of abandoning school. This is particularly true for older children since the opportunity cost of schooling increases with the child's age.

Existing Equity Programs. To reduce repetition and dropout rates and to protect vulnerable groups, Costa Rica has introduced demand–side programs to complement supply-side education services. These include: (i) the school voucher program which provides cash transfers to 10,000 school children from selected poor families to purchase uniforms and school materials at the beginning of the school year; (ii) the scholarship program which provides monthly stipends to 43,000 children of poor families conditional on children attending schools; (iii) the transportation program for 60,000 students; and (iv) the school lunch program (which absorbs the most resources) for more than 500,000 students. In 2001, these programs amounted to approximately 5% of the education sector budget.

The Government's measures to induce demand for education are well substantiated. However, the impact of equity programs has been limited by a series of factors. First there has been a lack of strategic planning which determines priorities in terms of groups to be attended, duration of attention and interventions most effective. Second, unlike many other LAC countries, Costa Rica has relatively few institutions managing the social assistance programs and there is little flexibility to adjust expenditure priorities according to changing needs of the poor. Third, there has been a lack of uniform criteria for selecting beneficiaries for such programs and is partly due to the universal concept under which these programs function and because targeting criteria for the most vulnerable groups have not been applied.

Targeting, Effectiveness and Efficiency Issues. Problems in targeting, efficiency and monitoring and evaluation have become evident with the introduction of a system called SIPO (*Sistema de Informacion de Poblacion Objetivo*), which is achieving notable improvements in targeting efforts, especially for the school voucher and scholarship programs. For the school voucher program, beneficiaries in the lowest income quintile were receiving less than 40% of overall benefits. For transport subsidies, preliminary analysis indicates that about one–third of the 60,000 users do not need it, and other students who actually need it are not covered. The school lunch program is also not well targeted since only 34% of beneficiaries are from the lowest income quintile families. Better targeting of equity programs is a key intervention to increase overall cost-effectiveness of education services; this is particularly true of the school lunch program, since its already high cost (US $23 million per year) makes it impossible to increase the number of poor children benefited without adjusting the target population.

Educational Services For Underserved Rural Populations

The evidence is overwhelming that education services in Costa Rica must target the poor. Like other Latin American countries, poverty in Costa Rica affects more rural than urban residents. Over 65% of the poor in Costa Rica reside in rural areas which hold only 49% of the population *(Social Spending and the Poor,* Vol. 1, 2002). At the same time, rural areas are characterized by lower educational attainment regardless of income level. In fact, most rural household heads in all income groups have only primary education, and rural children are almost twice as less likely to be enrolled in high school as urban children. Thus, improving the quality of teaching and learning for primary rural schools and funding cost-effective strategies to expand secondary rural education are urgent needs.

Primary Education. Primary education enrollment in rural schools constitutes 63% (339,000 students) of total national enrollment (536,000 students) in public schools. Of primary rural students, 40% (136,254) attend one- and two-teacher schools. In fact, one- and two-teacher schools represent 83% of rural schools nationwide (2,800 of 3,347 rural schools). Multi-grade schools are located in all areas of the country, mostly in places difficult to access and with very low population density. In the case of one-teacher schools, the average enrollment is 19 students, and 44% of these schools are attended by less than 20 students (see table below).

Distribution of Multigrade School is Costa Rica by Number of Students

Number of Students	% of Schools
1-10	15%
11-20	29%
21-30	24%
31-40	15%
41-50	17%

Quality in Multigrade Schools. One- and two-teacher schools show modest quality improvement over the past decade. As of 2001, the average promotion rate for these schools is 87.5%, up from 86.6% in 1992, and repetition has dropped significantly from 13.6% to 9.1% over the same time period. Multigrade teaching methodology is key to generating better forms of classroom organization, student-centered and participatory learning processes, and maintaining a harmonized environment for many students of different ages and grades in the same room. Initial support for multigrade teaching methodology during the 1990s has been hindered by a poorly structured and uncoordinated system for teacher training. Training workshops take place both at the beginning and during the school year and are administered by either the regional offices or teams from the MEP. The training provided in these workshops is not necessarily related to multigrade teaching methodology, yielding limited results for many rural educators. Furthermore, there are no courses in the public universities specializing in multigrade teaching. The closest degree offered is at the National University, where one can concentrate on first and second cycle rural education. Support to the pedagogical model of Costa Rica's multigrade schools and pertinent teacher training is required to prevent stagnation or deterioration of rural education.

Indigenous and Minority Populations. Two percent of the Costa Rican population is indigenous, approximately 70,000 inhabitants; 42% live inside indigenous reservations and the rest inhabit surrounding and peripheral territories. Indigenous peoples belong to eight different groups

(*Cabécares, Bri Bris, Bruncas* or *Borucas, Guaymíes* or *Ngabe, Huétares, Malecus, Chorotegas, Teribes* or *Térrabas*) speaking 6 different languages (*Cabécar, Bribri, Ngabe* or *Guaymí, Malekú, Brunca* or *Boruca* and *Térraba*). A preliminary inventory provided by the Department of Indigenous Education at MEP indicates that the total number of students attending indigenous schools is approximately 8,600. There are 35 preschools (710 students); 170 primary schools (7,370 students) of which 74% are single-teacher schools; and 2 high schools (500 students) in Boruca and Amubre. Exclusion of the poor from education services is compounded for indigenous groups, who are further marginalized due to their special cultural and linguistic education needs.

Secondary Education Nationwide

Secondary education stands out as the largest gap in Costa Rica's education system, comparing poorly to the rest of the LAC region and even worse compared to middle-income countries around the world. Costa Rica's low secondary completion rate is a major obstacle to developing a workforce ready for the knowledge economy. Furthermore, expansion of secondary education also depends on correcting inefficiencies in the overall system, since efficiency gains in primary and tertiary education can free resources to address pending secondary education needs.

Composition. In 2002, some 284,841 students were enrolled in 580 public and private secondary institutions. Of these institutions, 398 are public, 162 are private and the remaining 20 are subsidized private institutions. Private institutions account for less than 10% of total secondary enrollment (23,337 students), and the 20 private-subsidized schools carry about 5% of total secondary coverage (12,643 students). Enrollment in these institutions is skewed along geographic lines: urban areas concentrate 78% of enrollment in private secondary schools (18,142 students) and 73% of enrollment in private-subsidized institutions. Of the 580 secondary institutions, 497 are academic schools, 81 are technical and 2 are artistic schools. Public schools make up 56% of all academic schools and 94% of technical schools. In fact, there are only 2 private technical schools and 3 private-subsidized technical schools in the entire country. The 398 public secondary schools tend to 87% (248,861 students) of total secondary enrollment, and almost 70% of these students are enrolled in the 277 public academic schools.

Extremely Low Access. During the 1990s, the country began to experience increments to the extremely low secondary education access at the beginning of that decade (27%). In spite of this national average growth, the lowest income quartile actually suffered a decrease in gross coverage from 67.8% to 66.8%, while the wealthiest quartile, able to access the growing private education supply, experienced continued gains from 90.8% to 92.4%.

Today, the net enrollment rate in overall secondary education is 63.5%, lagging behind the LAC region average of about 66% (MEP 2002; World Bank, 2002). For 13 to 15 year olds (3rd Cycle), net secondary enrollment increased from 61% to 68% between 1999 and 2002, and for 16 to 18 year olds (Diversified Education) from 31% to 38%; this latter indicator is markedly low relative to Costa Rica's level of development and income. Also, secondary completion in Costa Rica (33%) is over 22% lower than those countries with similar per-capita GNP, and when compared to countries with similar public expenditures, completion is lower by about 34% for females and 50% for males. For example, while Costa Rica outpaces Colombia, Ecuador, Dominican Republic and Peru in terms of per capita income, it lags behind all of these countries in net secondary enrollment (De Ferranti, et al, 2003).

Unbalanced Education Transition. Since the 1960s, Costa Rica has followed an unbalanced education transition, whereby the bulk of skill upgrading took place at the tertiary level. As a result, by 2000 there were fewer adults with some secondary school education (11.3%) than adults with some tertiary education (18.6%). In fact, Costa Rica performs as expected in terms of tertiary enrollment relative to GDP per capita, but carries one of the largest secondary enrollment deficits in the LAC region (De Ferranti, 2003). This type of transition perpetuates inequality, relegating the majority of the work force to low-skill, low-wage jobs, with the more privileged segments of society attending university and gaining high-wage employment. Thus, increasing labor market demands for graduates at the secondary education level—based on a pertinent curriculum and quality preparation—is a priority in Costa Rica.

Rural Secondary Education. Although secondary education access is a nationwide problem, gaps in enrollment primarily affect lower income groups and rural populations. Rural secondary net coverage is 34%, compared to 66% in urban areas. While two-thirds of public secondary schools are located in rural areas (238 out of 398 schools), rural enrollment of 91,737 students only accounts for 34% of total secondary enrollment (266,000 students). For the rural student entering a secondary school, his or her probability of graduating on time is only 12%, compared to 43% for an urban student.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

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Sector Issue Addressed (listed in Section B.2)	Project	Latest Supervision (PSR) or OED Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed			
Rehabilitation of Education Sector After Economic and Investment Downturn of the 1980s	Basic Education Project (CPL-34140 and SCPD-3414S)	S	S
Other development agencies			
Rehabilitation of the Education Sector After Economic and Investment Downturn of the 1980s	Basic Education Project (IDB 667/OC-CR)		
Preschool Education Expansion	Preschool Education (IDB 1010/OC-CR)		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

Annex 3: Results Framework and Monitoring

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Results Framework

PDO	Outcome Indicators	Use of Outcome Information
• Increase equitably the effectiveness and efficiency of the education sector. (see base-line data and proposed indicators in next section)	• Reduce internal education efficiency gaps in primary education in the four macro-regions targeted by the Project (composed of municipalities with low education indicators and indigenous and afro-descendent populations). • Improved coverage and quality in non-traditional secondary education modalities (Telesecundaria) in targeted rural areas. • Increased number of beneficiaries from the lowest income quintiles (quintile 1 and 2) within the Education Demand Programs in the targeted macro-regions (20-24 municipalities with the lowest education indicators of the country and including indigenous and afro-descendent populations). • Improved cooperation among rural schools, measured by the conformation of at least 60 Rural School Collaborative Networks and improved shared use of key education quality inputs in the Collaborative Network, mainly: (i) infrastructure; (ii) information and technology centers; and (iii) allocation of specialized teachers (second language, culture and values, physical education, etc.).	In order to achieve these outcomes, the following processes should be monitored and outcome information fed back into each component: **Component 1:** • To improve internal education efficiency gaps, repetition and dropout rates should be reduced annually in the four targeted macro-regions. • Improving education quality will depend on the pertinent interventions of the POA subprojects in the following areas: (i) improve rural teacher skills, (ii) accessible quality education inputs—pedagogical methods, instructional materials, pertinent learning evaluation, etc.—for dispersed rural schools; and (iii) targeted demand-side education services on low income students and families. • The POA subprojects should support expansion in rural secondary schools through cost-effective strategies (for example, through the Collaborative School Networks), and emphasizing the dispersed rural sector, indigenous and Afrodescendent communities, and telescundaria methodologies. **Component 2:** • The targeting and evaluation system (SIDE)—at the regional, school and household level—should be working properly, with improved institutional planning and implementation capacity. **Component 3:** • The Technical Units of the MEP, including the PCU, should maintain effective and efficient planning, implementation and evaluation processes, including fiduciary management, while preparing rural and institutional investments with the participation of regional, community and school actors.
Intermediate Results	**Results Indicators for Each Component**	**Use of Results Monitoring**
Component One: Increase access and education efficiency of rural education modalities in the four macro-regions targeted by the Project: Norte, Limon, Puntarenas and Guanacaste.	**Component One:** • Increase primary school completion rates in 6th grade. • • Raise the passing scores in standardized tests in targeted multigrade (6th grade) in the four macro-regions; • Pertinence of teacher skills for rural education modalities (multigrade, *telesecundaria*, and indigenous education); and to reach the national average in both Spanish and Mathematics.	**Component One:** In order to achieve these results in Component 1, the following indicators should be monitored in the targeted Macro-Regions: (i) collaboration among school networks and other local strategic allies, (ii) teaching skills pertinent to the rural context, through sustainable and integrated training, assistance and support modalities; (iii) targeting of education demand subsidies in the lowest income students (quintile 1 and 2); and (iv) cost-effective strategies of education services delivery, monitoring and evaluation.

(see base-line data and proposed indicators in next section)	• Strengthen institutionally local administrative entities: School Councils (Juntas Escolares and Juntas Administrativas), Parent Associations (Patronatos) and Regional offices of the MEP.	
Component Two: Strengthen the capacity of the Ministry of Education to Target, Monitor and Evaluate education services—demand and supply—in the low socio-economic regions, schools and families. (see base-line data and proposed indicators in next section)	**Component Two:** • Improved targeting of education demand and supply services on the lowest socio-economic regions. • Integrated institutional structures of the demand-based equity programs with increased administrative efficiency, evidenced by reduced administrative costs per beneficiary; and • Timely and accurate information on the equity, quality and efficiency of education programs provided by the Ministry of Education.	**Component Two:** In order to achieve these results in Component 2, the following processes should be monitored: (i) SIDE should be fully functional and information disseminated and utilized across institutional levels; (ii) linkage of the SIDE with beneficiary targeting instruments, such as the SIPO and INEC; (iii) effective staff training on collection, analysis, use and update of information data bases; (iv) promote stronger link with systems that monitor family income and poverty (for example SIPO); and (v) an integration of the institutional departments that manage and evaluate the Equity Programs.
Component Three: Effective and Efficient MEP's Institutional Structures at the Central, Regional, Community and School levels. (see base-line data and proposed indicators in next section)	**Component Three:** • • Improved and integrated capacity of the MEP for diagnosis, planning, implementation and evaluation of education programs in rural areas with regional and local participation. • Integrated Technical Units of the MEP, especially those providing education services in the rural sector *(Multigrado, Telesecundaria, Indigenismo and Escuelas Abiertas*, among others). • Information, Education and Communication of of Project commitments and results. • Satisfactory project implementation ratings (including fiduciary procedures).	**Component Three:** In order to achieve these results of Component 3, the following processes need to be monitored: (i) the *Comité Superior* and the *Comité de Unidades Ejecutoras* needs to function properly; (ii) the subprojects diagnosis and planning should be done in a participatory fashion with regional and school staff; (iii) integration of rural education services units; (iv) availability and appropriate operationalization of fiduciary instruments need; (iv) appropriate Technical Units and PCU staff skills; (v) sharing of information between PCU and the technical units of the MEP; and (iv) monitoring and evaluation of the Project and Subprojects, with appropriate and timely feedback to policy levels, management, regional offices, and local units (schools and community).

Arrangements for results monitoring

		Target Values					Data Collection and Reporting		
Outcome Indicators	**Baseline**	**YR1**	**YR2**	**YR3**	**YR4**	**YR5**	**Frequency and Reports**	**Data Collection Instruments**	**Responsibility for Data Collection**
Reduced primary education efficiency gaps in four targeted macro-regions	Overage Students[12]: 11.8%	11.8%	11%	10%	9%	8%	Bi-Annually	SIDE Study of closing of regional gap between macro-region and the rest	*Division de Planeamiento y Programacion* (MEP). *Departmento de Estadisticas* (MEP) Regional Departments (MEP)
	Dropout[13]: 5.3%	5.3%	5%	4.9%	4.5%	4.2%	Bi-Annually		*Division de Planeamiento y Programacion* (MEP). *Departmento de Estadisticas* (MEP) Regional Departments (MEP)
Increase e access to non-traditional secondary education modalities (telesecundaria)	3,000 students	3,200 students	3,5000 students	4,000 students	5,000 students	6,000 students	Bi-Annually	Education Statistics	

[12] Overage refers to students with 2 or more years of age over the corresponding age for the grade they are attending (which is the result of a combination of late entry, repetition and/or temporarily dropping out).

[13] Dropout rates refer to children that abandon the education system during the school year. It is proposed to reduce at least the rate in the targeted macro-regions to the national average.

• Increased number of low income students beneficiaries (quintile 1 and 20) in education demand side programs in targeted macro-regions	10%[14]	15%	30%	35%	40%	50%	Bi-Annually	Institutional Assessment	*Dirección General Financiera* (MEP) *Division de Planeamiento y Programacion* (MEP). *Departmento de Estadísticas* (MEP)Regional Departments (MEP)
• Improved collaboration among schools	0 collaborative school networks	10 collaborative school networks	20 collaborative school networks	40 collaborative school networks	50 collaborative school networks	60 collaborative school networks			

[14] Based on available limited information, this is the assumed participation of the lowest income quintile in the equity programs of the MEP (Scholarships and Vouchers) in the macro-regions. During the preparation of the first phase of subprojects, the MEP will conduct a baseline analysis which will update, as needed the proposed target values.

		Target Values					Data Collection and Reporting		
Results Indicators for Each Component	**Baseline**	**YR1**	**YR2**	**YR3**	**YR4**	**YR5**	**Frequency and Reports**	**Data Collection Instruments**	**Responsibility for Data Collection**
Component One: Increase primary school completion in the four targeted macro-regions	69.3%	69.5%	70%	72%	75%	78.6%	Annually	Education Statistics of MEP	*Departmento de Estadísticas* (MEP)
Increased tests scores in 6th grade in the targeted macro-regions	2003 application	N/A	N/A	Mid-Term Evaluation of improvements in test scores	N/A	Reach at least national average test scores.			
Pertinent teacher skills for education modalities in rural sector	Aprox. 2,500 multigrade, telesecundaria, and indigenous education teachers in macro-regions	5% trained	20%	40%	50%	80%	Annually	Education Statistics of MEP *Telesecundaria* Unit Statistics and Reports	*Departmento de Estadísticas* (MEP) *Centro Nacional de Didactica*, CENADI, *Telesecundaria*/Regional Offices
Institutional Development of Local and School Institutions	Increased planning and improved locally managed school investments	Available plans and increased investments	Satisfactory Assessment of local institutional capacity	Available plans and increased investments	Available plans and increased investments	Satisfactory Impact Evaluation of local institutional capacity	Annually	Physical Progress Reports and Regional Departments Inventory	PCU Education Infrastructure Department Regional departments

		Target Values					Data Collection and Reporting		
Results Indicators for Each Component	**Baseline**	**YR1**	**YR2**	**YR3**	**YR4**	**YR5**	**Frequency and Reports**	**Data Collection Instruments**	**Responsibility for Data Collection**
Component Two: Improved regional targeting of equity programs.	Gini Coefficient (equity indicator) of 0 for vouchers and of 0.16 for scholarships	Apply targeting instruments	Apply targeting instruments	Evaluate change in gini coefficient	Evaluate impact of program in beneficiaries	Gini Coefficient of minus (-) 0.15 for vouchers and minus (-) 0.10 for scholarships.	Annually	SIDE and Links to Targeting Systems	MEP (FONABE and Financial-Administrative Department)
Reduced administrative costs of equity pograms.	Per beneficiary administrative Cost: 20%	Design Integration Strategy	Implement Integration Strategy	Strengthen cost-effective administrative strategies	Evaluate impact	Per beneficiary administrative cost: 10%	Bi-Annually	Institutional Assessment	▪ *Dirección General Financiera* ▪ *Division de Planeamiento y Programacion* ▪ *Departmento de Estadísticas* ▪ Regional Departments
Timely and Accurate information of targeting and impact of education services	Information not integrated and not updated	Design System	Implement Integrated information system	Mid-term evaluation of timeliness and accurateness of information	System Institutionalized	Timely and Accurate Information on Education Program Beneficiaries and Impact	Bi-Annually	Institutional Assessment	

		Target Values					Data Collection and Reporting		
Results Indicators for Each Component	**Baseline**	**YR1**	**YR2**	**YR3**	**YR4**	**YR5**	**Frequency and Reports**	**Data Collection Instruments**	**Responsibility for Data Collection**
Component Three: Institutional Integration of Technical Units of the MEP and of Formal Rural Education Units	No integration structures or organizational culture	*Comite Superior Consultivo* and *Comite de Unidades Ejecutoras* Functioning Design for Integration of Formal Rural Education Units	Satisfaction of Central and Regional Staff with Integration Process Integration Strategy for Formal Rural Education Programs Applied	Integration strategy for technical units and formal rural education programs expanded	Satisfaction of Central and Regional Staff	Institutionalization of integration strategy	Annually	Institutional and Organizational Climate Assessment	Ministerial Office, *Comite Superior Consultivo*, and *Comite de Unidades Ejecutoras*
Diagnostic , programming, and implementation, and evaluation of rural education programs with regional participation	No preparation or evaluation of subprojects with regional staff	Phase I of Subprojects POA launched successfully	Phase II of Subprojects POA launched sucessfully	85% of Investments of Phase I POA Subprojects implemented	85% of Investments of Phase II POA Subprojects implemented	Satisfactory Evaluation of POA Subprojects, both participatory planning process and impact	Annually	Project and Subprojects Monitoring Reports	Ministerial Office, *Comite Superior Consultivo*, and *Comite de Unidades Ejecutoras*
Communication, Information and Education (IEC) Campaigns	IEC Strategies being designed	Information, Education and Communication campaign implemented	IEC campaign implemented with positive public response	IEC campaign implemented	IEC campaign implemented	IEC campaign implemented with positive public response	Bi-Annually	Public Opinion survey	Ministerial Office, Public Relations Unit of the MEP
Satisfactory Project Implementation (PI) Rating	No rating	Satisfactory PI rating and Financial Management Report (FMR)	Satisfactory PI and FMR Rating	Satisfactory PI and FMR Rating	Satisfactory PI and FMR Rating	Satisfactory PI and FMR Rating	Semester	PCU Fiduciary Reports (FMRs) WB Project Supervision Reports (PSR)	PCU

Annex 4: Detailed Project Description
COSTA RICA: CR EDUCATION

Project Context

The proposed project would support the education development process in Costa Rica defined in the education policies enacted by the *Consejo Superior de Educación*. These policies are complemented by the present Government's Education Development Plan 2002-2006 and are operationalized within the context of the *Plan de Relanzamiento Educativo* prepared by the Ministry of Public Education (MEP). During the 1990s, Costa Rica halted the decline of education indicators experienced during the 1980s. However, education improvements were uneven across regions and income levels. The country now seeks to sustain education sector indicators for all in primary and basic education—especially focusing on quality, equity and cost-effectiveness—while continuing to increase secondary education nationwide.

Higher Level Objectives of the Project. The Project will assist the Government of Costa Rica in sustaining and improving education indicators in terms of access, quality, completion and equity of basic education, while expanding secondary education nationwide. In the long-term, the project contributes to improved institutional development and to the cost-effectiveness of education sector resources.

Project Purpose. The Costa Rica Education Equity and Efficiency Project is a key implementation tool of the MEP's *Plan de Relanzamiento de la Educación Costarricense.* The project aims to reduce existing education quality gaps in rural education (including indigenous and afro-descendent communities) and to improve the equity and efficiency in the allocation, administration and utilization of education sector resources.

Project Objectives and Key performance indicators: The Project will: (i) reduce existing rural education gaps in primary education quality, equity, and internal efficiency; (ii) will develop cost-effective strategies to increase access to, and improve quality of, secondary education rural modalities; (iii) improve the impact of equity programs for low-income students; and (iv) enhance the efficiency of the education sector's institutional and economic resources allocated to the rural sector. These general objectives will be measured by the following Project Development Objectives: [15]

- Reduce internal education efficiency gaps in primary education in the targeted macro-regions of the Project (composed of municipalities with low education indicators and indigenous and afro-descendent populations). The reduction of the educational regional gaps will be measured by the following education efficiency indicators: (i) average percentage of over-age students and (ii) drop-out rates.

[15] For complete input, output, processes and output indicators, see Results Framework and Monitoring, Annex 3, and Policy Activity Schedule, Annex 4B.

- Improved efficiency of non-traditional secondary education rural modalities (*telesecundaria*) and increase access in targeted rural areas.
- Increased equity of demand based education programs and increase access of beneficiaries (including indigenous and afro-descendent populations) from the lowest income quintiles (quintile 1 and 2) in the targeted macro-regions.
- Improved cooperation among rural schools, measured by the conformation of at least 60 Rural School Collaborative Networks and improved shared utilization of key education quality inputs within the Collaborative Network, mainly: (i) infrastructure; (ii) information and technology centers; and (iii) allocation of specialized teachers (second language, culture and values, physical education, etc.)

Monitoring and Evaluation. The Project is founded on an integrated system for Monitoring and Evaluation (M&E), building on established education and social targeting information systems. This integrated system will measure progress toward project objectives, but will also provide the MEP with an ongoing strategy to improve targeting, measuring of inputs and outputs, and evaluation of outcomes. The M&E will track process, output and outcome indicators closely measuring indicators that evidence the closing of education gaps across regions, rural and urban communities, and income quintiles. In the communities and schools directly supported by the Project, the M&E system will collect and analyze data before, during and after Project interventions. For the implementation of the POA Subprojects (see Component 1), the evaluation system will monitor the menu of strategic activities and outcome indicators that guide the preparation of the subprojects (see Policy Activity Schedule (PAS) in Annex 4B).

By Component. The proposed project will consist of 3 components that—in an interactive manner—aim at closing the gap between rural and urban education outcomes, increasing the participation of low-income students in the education system, and optimizing institutional resources in the education sector.

Project Component 1 – The Quality and Equity of Rural Education Component – US$34.24million

Objective. The objective of this component is to improve the targeting, education quality and organizational efficiency of rural education modalities in the country. To this end, the component empowers the technical units of the MEP responsible for rural education services to prepare subprojects—supported by regional, community and school stakeholders—guided by the Policy Activity Schedule, PAS (see Annex 4B). The PAS provides a menu of subproject areas (or components) with the following objectives: (i) improved rural education access; (ii) teacher staff development; (iii) pertinent pedagogical and academic modalities for rural contexts; (iv) improved targeting and monitoring of impact of demand-based equity programs; and (v) improved capacity of institutional actors involved delivering rural education services.

This objective will be measured by the following indicators:

- Increase primary school completion from 69.3% to 78.6%;
- Raise the passing scores in achievement tests in of 6th grade rural students (mostly in

multigrade schools) to at least the National Average in Spanish and Mathematics;
- Increase pertinent teacher skills for rural education modalities (including multigrade, telesecundaria and indigenous schools); and
- Strengthen the planning capacity and the efficient utilization of education investments at the regional, school and Collaborative School Networks, evidenced by the preparation of education improvement plans, increased investment and returns of the education inputs

Implementation. Two type of subprojects will be prepared: The Rural Education Subprojects and the Institutional Development Subprojects. The ***Rural Education Quality and Equity Subprojects*** will improve the targeting, education quality and organizational efficiency of rural education modalities in the country, including both supply and demand side education services. The ***Institutional Development Subprojects*** will strengthen the institutional capacity of regional departments, schools and Collaborative School Networks, initially to support the rural education modalities, but in the medium and long-term will contribute to general institutional efficiency.

The subproject implementation strategy will allocate Component resources (both from the IBRD Loan and from Government Counterpart Funds) to address specific education needs in targeted regions. The targeting will be done through a layered approach by region, municipality, community and schools. As part of Project preparation, a targeting analysis resulted in the placement of regions and municipalities in three groupings by socio-economic and education indicators, as well as identification of variance in education outcomes across communities within a municipality (See Annex 9). During project implementation, a baseline study of education performance variance across schools will be carried out to identify both low performing schools and any school that may be succeeding in spite of a difficult socio-economic context. The success of the latter type of schools will be systematized to disseminate and emulate lessons learned. The Integrated System for Education Development (*Sistema Integrado de Desarrollo Educativo,* SIDE) will support the monitoring and evaluation of the expected closing of education attainment gaps across high and low socio-economic regions in Costa Rica. This implementation strategy will also promote an institutional culture and skills within the MEP conducive to participatory diagnosis, strategic planning, monitoring, evaluation, and institutional integration both horizontally—across technical units of the MEP—and vertically—across central, regional, community and school institutional actors.

The POA Subprojects (both Rural Education Subprojects and Institutional Development Subprojects) will be executed by the technical units of the MEP responsible for the delivery of rural education services, in alliance with the regional education offices of the MEP. Subproject outcomes will be closely supervised by a strategic committee (*Comité Superior Consultivo*), represented by the key departments of the MEP overseeing rural education services and, and by the *Comite de Unidades Ejecutoras*, represented by the technical units coordinating and implementing rural education pedagogical, curricular, teacher training, equity programs, and other education services. See Annex 6 (Implementation Arrangements) for more details.

Monitoring and Evaluation. The proposed project will develop a comprehensive targeting, tracking and M&E System (*Sistema de Desarrollo Educativo*-SIDE) that will not only measure the impact of the Rural Education Subprojects and Institutional Development Subprojects, but will be a key institutional tool to improve targeting and monitoring of education resources to

rural, indigenous/Afro-descendent, and low income municipalities, communities and schools. Although the subprojects will be demand-based, an indicative planning of direct beneficiaries—based on available component resources and the orienting aims of the PAS—include[16]:

- 25,000 students grades Preschool - 6th in dispersed rural communities (mostly in multigrade schools);
- 6,000 students grades 7-11 in dispersed rural communities (mostly in *Telesecundaria* Schools);
- 200,000 students in primary rural schools; and
- 1,000 students in secondary schools.

Key Inputs and Outputs. The subprojects' expected outputs and outcomes are listed in the Policy Activity Schedule, PAS (Annex 4B). The specific inputs mix will be decided through the subproject preparation process, but within the PAS menu of strategic interventions.

Menu of POA Subproject: Policy Activities Schedule (PAS) Areas. The following description includes the Menu of Strategic Interventions and the Indicators of Results to Guide the preparation of POA Subprojects. The key menu of activities within the PAS are detailed next (including the indicative costs associated with each type of POA subproject).

A. Rural Education Quality and Equity Subprojects (US$28.78 million)

Objective. The objective of this PAS matrix is to support the immediate investment needs of rural education in order to (i) close the existing gaps in retention and full cycle completion of students in multigrade schools, (ii) increase the transition between primary and secondary education by expanding secondary education places in distance-education programs (*telesecundaria*), and (iii) increase the cost-effectiveness of rural education provision through strategies to integrate access and transition in hard-to-reach rural areas through the various rural education modalities in primary and secondary education (multigrade schools, *telescundaria*, indigenous schools, multi-teacher and regular rural primary and secondary schools, etc.).

Main Activities. The Rural Education Subprojects will develop concrete actions to support the following activities:

A.1 Integrated Education Quality Investments. This subproject's component will support integrated investments within a Collaborative School Network. Appropriate infrastructure needs of rural education will be addressed through a re-organization of existing and new facilities shared in common by schools within a network, including technology and information centers, extra-curricular activity spaces, libraries, etc. For secondary education, modalities such as *telesecundaria*, new centers will be built to serve various primary education schools within a network. Enrollment in the *telesecundaria* program is expected to increase from about 2000 to approximately 6,000 secondary students.

[16] Direct beneficiaries are defined as the schools and students that will receive a full package of subproject interventions; however, the indirect beneficiaries of the generalized impact of the Project—in terms of improved rural education services, target demand-side education programs, and increased institutional capacity in the sector—will be significantly more.

A.2 In-Service Professional Development Programs for Teachers Assigned to Rural Areas. This subproject's component will aim to strengthen the existing Professional Development Programs for rural teachers. A review of the profile of rural teachers and the appropriate training curriculum and methodology needs will support the update of teacher training supply especially targeted to rural teachers. Based on preliminary diagnosis, key skills to be strengthened include: curricular and pedagogical planning, multigrade teaching and learning, distance-based, television and radio supported teaching and learning, and intercultural and bilingual education, among others. The professional development program will primarily target teachers involved in these education modalities. In addition, training of principal and of school supervisors and advisors will be included to support teaching and learning in the rural classroom. Mutual support and exchange of experiences among teachers will be actively supported, as well as formative evaluation of the teacher training programs.

A.3 Promote the Education Demand of Low Income Family and Students Through the Equity Programs. This subproject's component will promote the correction of the exclusion and inclusion of errors of existing demand-side equity programs in Costa Rica (school vouchers, transportation, and scholarships). Preliminary studies showed that almost 10% of beneficiaries of these programs come from families of the highest income quintiles, while over 15% of low income students do not access these programs. Through the preparation of subprojects, the MEP will transfer Equity Program resources to School Councils (*Juntas Escolares* and *Administrativas*) to reach low income students (from the two lowest quintiles) in their schools. Regional and school actors will be trained and supported to increase their capacity to monitor and evaluate the Equity programs and to reduce the errors of inclusion and exclusion of beneficiaries.

A.4 Improve Teaching and Learning Models of Rural Schools. This Subproject's component will improve the pedagogical and organizational model for multigrade schools and *telesecundaria* in rural areas and indigenous communities, which require specific methods, training and materials for highly student-centered pedagogical processes, allowing a single teacher to facilitate independent work by students in different learning and grade levels. The proposed interventions would include revision of existing methodologies, training of teachers, provision of teacher and student materials, and more efficient use of technology and second language programs available in some schools or in rural school networks. Related goals of this area include (i) incrementing pertinent use of technology in rural schools and developing high quality and pertinent education material for teachers and students for these pedagogical modalities at the primary and secondary education level, and (ii) applying standardized testing for rural areas complemented with appropriate instruments and processes in rural education modalities, and disseminating results to improve teaching and learning in the classroom.

B. Local Institutional Development and Optimization Subprojects (US$5.46 million)

Objective. This PAS matrix provides the menu for the preparation of subprojects to improve and modernize the planning, budgeting and accountability strategies and tools of the Education Systems, at the central, regional and school levels (*Juntas Escolares*, school boards responsible

for administration of financial transfers to schools, and *Patronatos*, the parental participation in school body). Systems, equipment, materials and manuals, training, participatory planning and organization development support will be provided. In addition, a key objective is the definition of an innovative, efficient and cost-effective institutional model for the administration of the demand-based equity program managed by the MEP (scholarships, vouchers, transportation and school meals). MEP transfers to community-based school councils (*Juntas Escolares* and *Juntas Administrativas*)—including resources for the Equity Programs and for school expenses—will be optimized by improving the skills and aptitudes of their staff and administrators.

Main Activities. The Institutional Development Subprojects will develop concrete actions to support the following activities:

B.1. Regional Capacity Strengthening. This subproject's component will increase the advisory, supervisory and technical assistance role of regional education departments, especially in the areas of rural education services and education demand subsidies. Investments include (i) training of Regional Departments and District Supervisors—initially in the regions with lowest socio-economic indicators (IRE II and IRE III); (ii) on-the-job support, equipment, information systems, systematized procedures and tools to support alternative rural education modalities (multigrade, *telesecundaria*, and indigenous schools) and demand-side equity programs; and (iii) a system to monitor school improvement planning, execution and evaluation of results.

B.2. Community And School Support For Education Quality. This subproject's component will increase the capacity of *Juntas Escolares*, *Juntas Administrativas*, *Patronatos*, and School Principals to prepare school development plans, implement school quality activities, monitor school performance and support the education demand equity programs. Strategic investments will include: (i) training of School Councils, *Patronatos*, and Principals—initially in the regions with the lowest socio-economic indicators (IRE II and IRE III)—in school improvement planning, execution and evaluation of results; (ii) development of programs to strengthen the impact and cost-effectiveness of MEP transfers to School Councils and Parental Committees (*Patronatos*); and (iii) on-the-job support, equipment, procedures, and tools to implement a school-based monitoring system for key education effectiveness and efficiency indicators.

B.3. Collaborative School Networks Development. This subproject's component will support the development of collaborative school networks in rural areas. The Collaborative School Networks will support the cohesion between different formal and alternative education modalities in rural areas, guaranteeing an articulated system to ensure efficient access, promotion and permanence of students across education levels. Under this subcomponent, a mapping and assessment of supply and demand for rural education will be conducted, based on the proposed school-network organization and a more efficient geographic allocation of educational resources to be shared by a network of schools.

B.4. Education Management Transfers to School Councils (*Juntas Escolares* and *Juntas Administrativas*). This subproject's component will transfer resources to school councils to finance school operational costs and school-based investments such as improved infrastructure and maintenance.

Project Component 2 – Improved Equity of Education Services Component -- US$4.50 million

Objective. This component will modernize and strengthen the capacity in the MEP to adequately target the provision of education services to regions and schools with low socio-economic and education indicators, including rural areas, while improving the administration, monitoring and evaluation of the equity programs supporting education demand of students from low income families. The component will finance the development and implementation of strategies, tools, and institutional improvements to target and monitor education services—through a layered approach at the municipality, school and beneficiary levels. The goal of these targeted services is to close existing income quintile and regional gaps and to reduce transaction costs. The component will be divided in two subcomponents: The first subcomponent will provide technical support, tools, and improved processes to integrate and raise the capacity of various MEP units managing the MEP's demand-based equity programs: scholarships, vouchers, transportation and school meals. The second subcomponent will develop and implement an integrated information system that can track the diverse education outcomes across municipalities, communities and schools: *Sistema de Información de Desarrollo Educativo* (SIDE).

These objectives will be measured by the following indicators:

- Improved regional targeting of the equity programs (Scholarships and Vouchers) that support education the demand of low income families;
- Integrated institutional structures for the administration of the demand-based equity programs, evidenced by increased cost-effectiveness and reduced per beneficiary administration costs of scholarship and vouchers.
- Timely and accurate information on the equity, quality and efficiency of education programs provided by the Ministry of Education.
-

Subcomponent 2.1 – Institutional Efficiency and Integration of Equity Programs (US$1.30 million)

Objective. This subcomponent will increase the impact, cost-effectiveness and institutional efficiency of demand-side education programs. It will increase the capacity of institutions administering the various education demand-side programs by integrating institutional services, reducing transaction costs, and sharing monitoring and evaluation procedures and data. Institutional capacity will be especially optimized by improved integration among various institutions administering the provision of demand-side education services, which include:

- *Dirección General Financiera* (General Financial Department), FONABE, DANEA and other MEP units that manage equity programs;
- Regional departments and districts monitoring the Equity Programs; and
- Community school councils (*Juntas Escolares* and *Juntas Administrativas*) and schools.

Implementation. The first subcomponent will provide technical support, institutional and administrative tools, and process improvement to raise the capacity of institutions administering the various education demand-side programs. Institutionally, the MEP will integrate the various

education subsidies that are targeted by demand-based profiles and needs, which are now being managed by different units. These units will share information, procedures and instruments for targeting, selection, monitoring and evaluation of beneficiaries. A study will be carried out on the feasibility and impact of integrating the various demand subsidies (scholarship, transportation, bonus and meal) into one conditional cash transfer, "an education equity bonus". The subcomponent will finance the implementation of the study's recommendations to improve targeting of subsidies at the household level, while improving monitoring and evaluation of improved school assistance, promotion and learning, which are part of the conditions of the education demand subsidies. An initial baseline survey of a targeted area, and subsequent follow ups, will help to measure the efficiency gains of the equity program and of the impact on education demand in the four macro-regions targeted by the Project.

The subcomponent will finance technical assistance, technology, training, material and operating costs for the design and operationalization of the integrated model for administration, monitoring and evaluation of demand-side Equity Programs of the MEP: school vouchers, transportation, school meals and scholarships.

Subcomponent 2.2 – Development and Implementation of the *Sistema de Informacion de Desarrollo Educativo* (US$3.20 million)

Objective. This sub-component will design and operationalize the SIDE (*Sistema de Información de Desarrollo Educativo*), an information system that can track education output and outcome indicators across communities and municipalities. This information will support the MEP in better targeting education services across regions with different socio-economic and education indicators and across income groups.

Implementation. The first subcomponent will develop and implement an integrated information system that can track the diverse education outcomes across municipalities and communities: *Sistema de Información de Desarrollo Educativo* (SIDE). To target schools, the SIDE system will link to the data base of the MEP regarding school enrollment, promotion, education efficiency indicators and standardized testing. To target beneficiaries, the SIDE could utilize other beneficiary targeting systems such as the SIPO.[17] An initial baseline survey of a targeted area, and subsequent follow ups, will help to measure the impact of the project.

The MEP will hire consultant services to design and implement an integrated information system (*Sistema de Información del Desarrollo Educativo,* SIDE) that can track the diverse education outcomes across communities and municipalities; link to the SIPO (*Sistema de Indentification de Poblacion Objetivo*) or the INEC as needed; and provide a more uniform criteria for selection of regions, municipalities and schools for the development of POA subproject and general specialized support by the MEP. Additionally, the SIDE will support the targeting of

[17] SIPO is a database constructed by IMAS based on census of poor areas previously identified by non-satisfied basic needs/poverty maps by the Statistics Institute (Instituto de Estadísticas, INEC). SIPO database contains information on socio-demographic and labor force characteristics and coverage of many social programs provided by government agencies, including education. Currently, the database contains information on about 220,000 families (75 percent of those under the poverty line). The SIPO is being improved and operationalized through the World Bank supported by the Health Modernization Project.

beneficiaries of the MEP's Equity programs, allowing not only monitoring of the subsidies provision, but also evaluating its educational impact (access, retention, promotion and school cycle completion). The subcomponent will finance the investment cost related to the implementation of the targeting, monitoring and evaluation strategies, including needed data collection and impact studies.

Monitoring and Evaluation. For this component, the process monitoring and evaluations will track the following equity indicators: (i) MEP's capacity to monitor the reduction of education gaps (enrollment, repetition, dropout, completion and learning) across regions; (ii) increased information sharing across institutions providing demand-side education programs; (iii) reduced transaction costs of equity programs; and (iv) improved targeting of low-income students and evaluation of impact of such services on beneficiary students.

Key Inputs and Outputs. The key inputs to this component include technical support, training, instruments and materials needed to improve the equity targeting and follow up of the MEP. A key output is the *Sistema de Desarrollo Educativo* (SIDE), being developed as an integrated targeting, monitoring and evaluation system. Key institutional outputs include: (i) an integrated institutional structure for the administration of equity programs; (ii) updated, refined and linked targeting and equity monitoring and evaluation instruments; and (iii) improved impact, cost-effectiveness and institutional efficiency of demand–side education programs.

Project Component 3 – Institutional Development and Efficiency US$10.96 million

Objective. This component will increase the institutional capacity of the MEP, especially—but not limited to—those related to the delivery of rural education services, as well as effective and efficient coordination, administration, and external monitoring and evaluation of the POA subprojects and the Project in general. Improved institutional capacity of the MEP will be achieved through inter-departmental integration strategies and working alliances across central, regional and school organizations. Through training, technical assistance, administrative systems and work instruments, the component will strengthen the capacity of the MEP's staff (both pedagogical and administration units) to conduct participatory sector diagnosis, plan strategically, and implement, monitor and evaluate education programs. Additionally, the component will provide special attention to improving the efficiency of education services provided in the rural sector, by the integration and strengthening of the MEP units leading such services (*Asesoria Unidocente, Departamento de Indigenismo, Telescundaria* and *Aulas Abiertas,* among others). Finally, the MEP's coordination, fiduciary, monitoring and evaluation activities of externally financed projects will be strengthened through increased capacity of the Project Coordination Unit, which in turn will support the Technical Units of the MEP.

This objective will be measured by the following indicators:

- Successful integration of technical units of MEP, evidenced by high quality diagnosis, strategic and action plans, and monitoring and evaluation of Rural and Institutional Development Subprojects (POA Subprojects);
- Integrated institutional structures for the provision of formal rural education services;

- Information, Communication and Education (IEC) strategies to disseminate and account for the results and impact of the Project; and
- Satisfactory project coordination and fiduciary implementation ratings: Procurement and Financial Management

Implementation. The principal target group of this component includes the Technical Units of the MEP, which are responsible for the provision of education services to rural areas, including the Regional and District Offices, and the Community-based and school councils. These include:

- *División de Desarrollo Curricular* (Curricular Development Division),
- *Asesoría Unidocente* (Multigrade Education Unit),
- *Departamento Indigenismo* (Indigenous Education Unit),
- *Departamento de Educación Académica* (Academic and Pedagogic Department),
- *CENADI* (National Teaching Center),
- *Telesecundaria* (Television-Based Education Unit),
- *Departamento de Desarrollo Profesional Docente* (Teacher Professional Development Unit),
- *División de Planeamiento* (Planning Division),
- *Departamento de Estadísticas* (Statistical Department),
- *Dirección General Financiera* (General Financial Department),
- *FONABE* (National Scholarship Fund),
- *DANEA* and other units related to the Equity Programs, and
- The Project Coordination Unit (PCU).

Additionally, the component will provide investment to increase the capacity of the *Comite Superior Consultivo, Comité de Unidades Ejecutoras*, and to integrate the units of the MEP responsible for rural education services. Finally, the component will increase the capacity of the PCU to actively support the different departments of the MEP involved in project implementation. A close alliance is expected between the Department of Finance (*Dirección General Financiera*) and the PCU to increase the capacity of the former to manage and negotiate external resources from multilateral Banks and other development institutions.

Monitoring and Evaluation. The process monitoring and evaluations for this project will track the following institutional building indicators in the MEP: (i) improved participatory diagnostic and strategic planning; (ii) improved tracking of education development in rural, indigenous and low income communities; (iii) improved targeting of equity programs; (iv) improved integration and coordination of the MEP units, initially those managing rural, indigenous and education-demand programs; and (v) improved communication and collective work across institutional levels, between the MEP central offices and regional departments, and between departments and community and school organizations.

Key Inputs and Outputs. The key inputs to this component include technical support, training, instruments and materials needed to improve the institutional integration and capacity of the MEP. Key institutional outputs include: (i) improved diagnostic and strategic planning; (ii) tracking of education development in rural, indigenous and low income communities; (iii) improved integration and coordination of the MEP units, initially those managing rural, indigenous and education-demand programs; (iv) effective fiduciary management and

monitoring and evaluation of the Project; (v) effective promotion, training and preparation strategies for the preparation of subprojects; and (vi) sustained information, education and communication campaigns related to the education policies of the sector and of the *Plan de Relanzamiento Educativo.*

The following table of project components summarizes the main components, areas where investments will be targeted, indicative costs, percent of total financing and distribution of external and local financing. Additional details are contained in Annex 4.

Component	Indicative Costs (US$M)	% of Total	Bank-financing (US$M)	% of Bank-financing
Component 1: Quality and Equity of Rural Education (POA Subprojects)	34.24	68.48	20.99	61.30
Component 2: Improved Equity of Education Services	4.50	9.00	4.06	90.22
Component 3: Institutional Development and Efficiency	10.96	21.92	4.65	42.42
Total Project Costs	49.70	99.40	29.70	59.75
Front-end fee	0.30	0.06	0.30	100.0
Total Financing Required	50.00	100.0	30.00	60.0

ANNEX 4B: MENU OF POA SUBPROJECTS: POLICY AND ACTIVITY SCHEDULE (PAS)
Menu of Strategies and Results Indicators for the Preparation of POA Subprojects

The PAS provides a menu of areas, objectives and strategic components and targets that would guide the preparation of POA subprojects. The MEP may decide to prioritize some areas in a give year, based on the need of the sector. The overall impact of the subprojects will be evaluated both at Project Mid-Term and at Project end. The operational goal of the PAS is to finance subproject providing concrete strategies, work plans and instruments to achieve agreed education objectives.

MATRIX A: RURAL EDUCATION QUALITY AND EQUITY				
Component	**Objectives**	**Menu of Strategic Components**	**Target First Evaluation (Project Mid-Term)**	**Target Second Evaluation (Project End)**
A.1 Integrated Rural Education Investments	• Increase the effectiveness and efficiency of integrated investments within a Collaborative School Network.	• Development of network investment plans for common needs better provided within a Network of schools. • Provision of quality school infrastructure, equipment and furniture, pertinent to student-centered and flexible rural education modalities: multigrade, *telesecundaria*, *telebachillerato*. • Investments in common facilities such as technology centers, network libraries, common spaces for extracurricular activities, etc.	Multigrade, *telesecundaria* and Indigenous school with integrated model of work. Common facilities used by schools within a network. First evaluation of provision of quality education inputs though a network approach.	Approximately 60 Collaborative School Networks functioning in the 4 macro-regions targeted. Evaluation of increased quality, use and cost-effectiveness of quality inputs provided
A.2 Teacher and Principal Professional Development	• Strengthen pedagogical and school administration skills and attitudes of rural teachers and principals.	• Rural Pertinent Training to develop pedagogical skills of teachers in rural classrooms, especially in multigrade, *telesecundaria*, and indigenous schools. • Leadership and School Administration Training to increase capacity and leadership of principals in rural areas. • Strengthen the technical assistance and supervisory capacity and formative attitude of school supervisors and advisors at the district	Evaluation of first cycle of teacher training programs in multigrade, *telesecundaria* and intercultural education. Results of Leadership and School Performance Survey of school principals in targeted schools 50% of targeted Regional departments and districts	80% of teachers in targeted school trained and utilizing multigrade, *telesecundaria* and intercultural pedagogical skills. 80% of principals trained and utilizing leadership and school management skills.

		and regional levels	trained in rural education service delivery strategies.	80% of targeted regional departments and districts trained and utilizing improved rural education services delivery strategies.
A.3 Inclusion of Low Income Students in Education Demand-Side Equity Programs	• Increase the participation of beneficiaries of the poorest income quintiles into the Demand-Based Equity Programs of the MEP (school vouchers, transportation and scholarships).	• Targeted equity program transfers (scholarships, vouchers, transportation and school meals) with impact evaluation on student school permanence and achievement. • Follow up Programs to support local education institutions (regional departments, districts and school) to identify, monitor and evaluate the impact of Equity programs in low income students.	Reduce adhoc identification of beneficiaries at the regional and school levels. 50% of targeted Regional departments, districts and principals trained in targeting and monitoring strategies for equity program.	50% of low income children of the school age population with access to Demand Based Equity programs of MEP.
A. 4 Quality and Pertinence of the Teaching and Learning Process in Rural Schools	• Pertinent curricular application and pedagogical models being implemented in rural schools, with quality education technology and materials.	• Development and application of a pertinent pedagogical model for student-centered and flexible rural modalities. • Development and distribution of quality pertinent educational materials for Rural schools. • Technology centers for rural education, through school network strategies to improve cost-effectiveness and high utilization ratios. • Adaptation of curricular and subject evaluations for rural education modalities (multigrade, *telesecundaria*, indigenous schools, etc.). • Systematic formative feedback at the regional, district and school levels of standardized testing in rural schools.	Model, instruments and training modules on student-centered and flexible pedagogical process available. 50% of targeted schools with appropriate multigrade, *telesecundaria* and intercultural education materials and technology centers. Adaptation model for standard evaluation tested and applied to pilot schools.	96% of targeted schools with appropriate pedagogical models supported by pertinent materials and technology centers. 96% of targeted schools evaluated with adapted standardized testing instruments.

MATRIX B: LOCAL INSTITUTIONAL DEVELOPMENT AND OPTIMIZATION SUBPROJECTS				
Component	**Objectives**	**Menu of Strategic Components**	**Target First Evaluation (Project Mid-Term)**	**Target Second Evaluation (Project End)**
B.1. Regional Capacity Strengthening	• Increase the advisory, supervisory and technical assistance role of regional education departments, especially in the areas of rural education services and education demand subsidies.	• Training of Regional Departments and District Supervisors—initially in the regions with lowest socio-economic indicators (IRE II and IRE III). • Strengthen capacity to support alternative rural education modalities (multigrade, *telesecundaria*, and indigenous schools) and demand-side equity programs. • Develop a system to monitor school improvement planning, execution and evaluation of results. • Implement the strategy for monitoring inputs, outputs, processes and outcomes of rural education and institutional development subprojects.	50% of targeted regional departments and district with increased capacity, equipments, manuals of procedures, and tools to support multigrade, *telesecundaria* and indigenous schools.	96% of targeted regional departments and district with increased capacity, equipments, manuals of procedures, and tools to support multigrade, *telesecundaria* and indigenous schools
B.2. Community and School Support for Education Quality	• Increase the capacity of *Juntas Escolares, Juntas Administrativas, Patronatos*, and School Principals to prepare school development plans, implement quality school activities, monitor school performance and support the education demand equity programs.	• Training of School Councils, *Patronatos*, and Principals—initially in the regions with lowest socio-economic indicators (IRE II and IRE III)—in school improvement planning, execution and evaluation of results. • Development of Programs to strengthen the impact and cost-effectiveness of MEP transfers to School Councils and Parental Committees (*Patronatos*). • Implement school-based monitoring systems for key education effectiveness and efficiency indicators in at least 90% of the schools supported by the Project.	Comprehensive and user friendly manuals, instruments and tools available for school administration and quality planning and monitoring by School Councils, *Patronatos* and Principals. Improved processes in place for MEP school budget transfers to school councils. School performance	96% of targeted schools with available models, instruments, tools, for: (i) school administration, (ii) education quality planning and monitoring, (iii) management of MEP school budget transfers, and (iv) school performance evaluation.

			monitoring and evaluation model and instruments, tested and available in 50% of targeted schools.	
B.3 Integrated Rural Education Modalities to Guarantee Access, Promotion and Permanence	• Pertinent rural education modalities, both formal and non-formal, developed and strengthened.	• Integration and coordination of formal and non-formal rural education modalities: multigrade, *telesecundaria*, indigenous schools, and formal primary and secondary schools in rural areas. • Development of instruments, manuals and reference documents to promote, organize and strengthen Collaborative Schools Networks. • Development and implementation of training, technical assistance and supervision strategies for a Collaborative School Network.	School Network Councils functioning. Integrated education improvement plans among schools within a network. Satisfaction of Collaborative School Network Actors.	Impact evaluation of at least 60 Collaborative School Networks.
B.4. School-Based Transfers	• Increase the capacity of *Juntas Escolares, Juntas Administrativas, Patronatos*, and School Principals to effectively manage and implement resources for education quality at the school level.	• Transfers for School Operational Expenses. • Transfers for school-based infrastructure improvements and maintenance. • Implement school-based social audits.	Efficient transfers to schools. Integration of Planning and Budget Processes at the School level. Improved integration of Juntas, Patronatos, Principals and Teachers around school improvements.	96% of targeted schools with increased resources for school operations and minor infrastructure improvements.

Annex 5: Project Costs

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Project Cost By Component and/or Activity	Local US $million	Foreign US $million	Total US $million
Component 1: Rural Education Equity and Quality	27.42	6.82	34.24
POA Subprojects for Rural Education Quality	23.06	5.72	28.78
POA Subprojects for Institutional Development	4.36	1.10	5.46
Component 2: Equity of Education Services	3.77	0.09	3.86
Equity Programs Institutional Integration	1.11	0.04	1.15
Targeting, Monitoring and Evaluation System (Sistema de Información de Desarrollo Educativo, SIDE)	2.66	0.05	2.71
Component 3: Institutional Development and Efficiency	9.79	0.41	10.20
Total Baseline Cost	40.98	7.32	48.30
Physical Contingencies	0.60	0.12	0.72
Price Contingencies	0.59	0.09	0.68
Total Project Costs[1]	42.17	7.53	49.70
Interest during construction			0.00
Front-end Fee			0.30
Total Financing Required			50.00

Annex 6: Implementation Arrangements

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The Implementation arrangements for the Costa Rica Education Equity and Efficiency Project have been prepared with a focus on three key principles: (i) Institutionalized Implementation by the MEP; (ii) Efficient and Transparent Fiduciary Management, and (iii) Equity and Participation. The MEP will be responsible for project implementation over a five-year period.

Institutionalized Implementation

The proposed Project will be implemented by the MEP over a five year period utilizing the existing management capacity at the central, regional, community and school levels. At the central level, key technical units responsible for rural education, demand-based programs and strategic planning and administration of the MEP will be directly responsible for project implementation, within a strategic framework that guarantees on-going capacity building and participatory management. Although each technical unit of the MEP will be accountable for their respective technical components, two coordinating mechanisms—*Comité Superior Consultivo* and *Comité de Unidades Ejecutoras*—will guarantee integration among these technical units, as well as common objectives and implementation strategies. The Ministerial Office of the MEP will provide these committees policy direction and strategic result-based orientation. To support and coordinate the congruency between implementation of projects and high level policy guidance, the Project Coordination Unit within the MEP has been traditionally ascribed to the Ministerial office. In addition, the PCU guarantees harmony between the Project and national judiciary procedures.

The *Comité Superior Consultivo* will be chaired by the Minister of Education and will include the Division Directors of the Curricular, Planning, Financial, and Didactic Departments (*Desarrollo Curricular y Planificación, la Dirección General Financiera* and *Centro Nacional de Didáctica*). The *Comité Superior* will provide direction to the Project and sub-projects in line with education policies. The *Comité Unidades Ejecutoras*, CUE, will monitor project implementation—including the review of the POA sub-projects prepared by each technical unit of the MEP through participatory diagnostic and planning with regional, community and school actors. The CUE will have representation of each MEP's technical units responsible for rural education services, including the MEP's demand-side education programs. The table below shows each of these technical units and their strategic role to play in project implementation.

INSTITUTIONALIZED PROJECT IMPLEMENTATION DESIGN Composition and Strategic Value Added of Members of *Comité Consultivo Superior* and *Comité Unidades Ejecutoras*		
Representation in *Comité Consultivo Superior*	**Representation in *Comité Unidades Ejecutoras***	**Role and Value Added in Institutionalized Implementation of the Project**
Curricular División (*División de Desarrollo curricular*)	**Multigrade Unit** (*Asesoría Unidocente*)	Strategic Orientation, Technical Assistance and Training Support to Teachers in Multigrade Rural Schools. Technical and Pedagogical Follow Up to Rural Education Modalities.
	Indigenous Education Unit (*Departamento Indigenismo*)	Strategic Orientation, Technical Assistance and Training Support to Teachers in Indigenous Multigrade Schools. Technical and Pedagogical Follow Up to Indigenous Education Modalities. Promote pluralistic and intercultural development across the education system in general.
	Academia Education Unit (*Departamento de Educación Académica*)	Curricular design management for subject areas, pedagogical programs and plans, across education cycles and diverse education delivery modalities.
National Pedagogical Division (*Centro Nacional de Didáctica, CENADI*)	**Television and Radio-Based Secondary Education Unit** (*Telesecundaria*)	Provide secondary education access opportunities for students in dispersed rural communities. Innovate teaching-learning methodologies and processes, including technological resources.
	Teacher Professional Development Unit (*Departamento de Desarrollo Profesional Docente*)	Monitor and evaluate MEP policies on teacher professional development programs. Management and co-management of teacher and principal training programs.
Planning and Programming Division (*División de Planeamiento y Programación*)	**Statistical Education Unit** (*Departamento de Estadística*)	Statistical data collection, processing and analysis. Dissemination of information to MEP for management decision making. Annual update of education statistics and education development analysis.
Administrative Viceministry (*Viceministerio Administrativo*)	**Financial Department (*Dirección General Financiera*):** **Teacher Payment Unit** (*Departamento de Planillas*) **School Council Unit** (*Departamento de Juntas*) **International Cooperation Unit** (*Departamento de Cooperación Internacional*) **Budget Unit** (*Departamento de Presupuesto*)	MEP administration, budget, and financial controls. Administration, control and disbursement of transfer to school councils. Administration and financial transfer to equity programs (school meals, transport, and education vouchers). Processing of scholarship transfers (paid by regular budget).

Efficient and Transparent Fiduciary Management

The administrative and fiduciary operations of the project would be supported by the Project Coordination Unit (PCU) under the organizational structure of the MEP. The leadership of the MEP in technical and administrative areas but supported by the PCU is proposed to ensure the integration and coherent implementation of project activities in the MEP, avoiding the creation of parallel administrative and implementation structures but guaranteeing focused support on the

fiduciary regulations of externally financed projects. The PCU will play an important role of coordinator, facilitator and fiduciary advisor to line departments in the MEP.
The PCU's principal functions include administrative support, coordination and communication with financing agencies (BIRF), procurement and financial administration of financing of central subprojects, advice on adminstrative and fiduciary procedures for regional and school network subprojects, and integration of monitoring and evaluation data to measure the implementation and development objective indicators within the Project. The PCU will ensure that all procurement and financial management are responsive to Bank norms and procedures in each area of implementation.

For Project monitoring and evaluation purposes, The Project Coordination Unit (PCU) will support the integration of Project data. Maintaining detailed Project information will guarantee the timely dissemination of data to high management levels of the MEP and to the World Bank, among others. The information will include type of investments, orientation of activities, monitoring and impact indicators of each component, as well Project financial management and procurement information.

While the technical and planning leadership will remain with the MEP's technical departments, based on the executive decrees 22612-MEP and 30676-MEP, the administrative and fiduciary operations of the Project would be supported by the PCU within the organizational structure of the MEP. Nonetheless, oversight of the progress of sub-projects—in line with the menu of strategies and result indicators of the Policy Activity Schedule (PAS)—would be the responsibility of the high level management of the MEP, with support of the *Comité Consultivo Superior* and of the *Comité de Unidades Ejecutoras*.

Equity and Participation: Targeting, Monitoring and Evaluation
Project implementation—especially the diagnosis, strategic planning, implementation and evaluation of POA subprojects—will include specific guidelines, procedures and instruments to guarantee equitable targeting, monitoring and evaluation, as well as participation of stakeholders across the education sector (central, regional, community and school).

To target regions, MEP is operationalzing an index of (i) socio-economic indicators, (ii) provision of quality inputs by the MEP (teachers, technology centers, and infrastructure), and (iii) participation of equity demand programs to correlate the allocation of education inputs and socio-economic gaps. This index is called IRE, *Indice de Rezago Educativo*. The IRE, however, will be eventually linked to the general information system to be developed within the Project: the SIDE (*Sistema de Informacion del Desarrollo Educativo*). The SIDE will incorporate information on education outcomes, such as coverage, learning, and promotion. To target schools, the SIDE system will link to the data base of the MEP regarding school enrollment, promotion, education efficiency indicators, and standardized testing. To target beneficiaries, the SIDE will consider linking to other beneficiary targeting systems such as the SIPO[18] and INEC.

[18] SIPO is a database constructed by IMAS based on census of poor areas previously identified by non-satisfied basic needs/poverty maps by the Statistics Institute (*Instituto de Estadísticas*, INEC). The SIPO database contains information on socio demographic and labor force characteristics and coverage of many social programs provided by government agencies, including education. Currently the database contains information on about 220,000 families (75% of those under the poverty line). The SIPO is being improved and operationalized through the World Bank supported Health Modernization Project.

For project purposes, an initial baseline survey of a targeted area, and subsequent follow ups, will help to measure the impact of the project.

Annex 7: Financial Management and Disbursement Arrangements

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7.1 Financial management arrangements

7.1.1 Implementing entity. The Borrower for the Loan will be the Republic of Costa Rica. The project will be implemented by the Ministry of Public Education (MEP), with certain Government-financed transfers to school councils managed by the latter under a community-driven development (CDD) framework. Within the MEP, project financial management (FM) responsibilities will be as follows:

- The Project Coordination Unit (PCU), an existing department within MEP's organizational chart, will manage the FM and procurement activities specific to project activities and the preparation of project financial statements. Under the Basic Education Improvement Program (PROMECE, co-financed initially by the Bank and IDB, now only by IDB), the PCU has been granted decocentrated legal status, which allows it to directly contract and manage resources assigned to the Program – always under the FM norms applicable to central government institutions in the country (see para. 7.1.4). The MEP will request—through the same draft law seeking loan approval by the Legislative Assembly—the cited legal status to the Project. In effect, this legal status will streamline financial and procurement procedures, since the MEP, through the PCU, will have delegation of standard approval procedures by the Government.

- As with other funds incorporated into MEP's budget, project financial transactions will be recorded by the General Financial Department (DGF) in the Government's accounting system.

- Internal audit responsibilities will belong to the MEP's Internal Audit Department.

7.1.2 Staffing. The PCU Financial Management Unit is composed of a Unit Chief, and Budgeting, Accounting and Treasury officers, all of whom conform to the qualification requirements established in the PCU's Positions Manual, which are adequate to the project FM tasks. No need for additional staff in the FM area is envisioned.

7.1.3 Funds flow. Loan funds will be disbursed to a Special Account maintained in US Dollars in a commercial bank (see para. 7.2.2). The payments in US Dollars to providers of goods and services will be made directly out of the Special Account. The payments in local currency will be made out of the Colones Account (maintained in the same commercial bank) assigned exclusively to loan funds. On a regular basis, preferably once per week, the PCU will transfer funds from the Special Account to the Colones Account in accordance with the sum of documents in local currency pending payment; i.e., transfers to the Colones Account will only be to cover accrued expenses. The payment to the contractor, supplier or other would be made less than 30 days from the day the amount was drawn from the Special Account.

7.1.4 **Accounting policies and procedures.** The main FM normative framework for the DGF and PCU consists of the country's Financial Management Law and Internal Control Law and regulations, which establish sound FM policies and procedures applicable to project transactions. At the same time, the MEP has developed norms specific to the transfers to school councils that, while comprehensive, are in need of rationalization and cost-effective optimization, an area in which the Project will provide assistance drawing from international best-practice in CDD fiduciary management.

FM arrangements specific to the Project that are not contemplated in the cited regulations will be documented in the Operational Manual.

7.1.5 **Information Systems.** MEP uses the Government's integrated financial management system (SIGAF) to process its financial transactions. The PCU uses an off-the-shelf accounting software (BOS) for project-related transactions, which are recorded to SIGAF regularly on an aggregated basis. The PCU maintains separate accounting records because of its decocentrated legal status (see para. 7.1.1). These information systems are adequate to produce pertinent financial information for project monitoring.

7.1.6 **Project Financial Reporting.** Financial statements will be prepared in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS), which provides a more comprehensive basis than, while still being compatible with, the Government's own public sector accounting standards.

On a quarterly basis, the MEP will prepare and submit to the Bank a Financial Monitoring Report (FMR) containing: (i) Statement of Sources and Uses of Funds (with expenditures classified by component) and Cash Balances; (ii) Statement of Budget Execution per subcomponent (with expenditures classified by the Government's budgetary lines); (iii) Special Account Activity Statement (including a copy of the bank statement); (iv) Summary Statement of Special Account Expenditures for Contracts Subject to Prior Review; (v) Summary Statement of Special Account Expenditures for Contracts Not subject to Prior Review; (vi) Physical Progress Report; and (vii) Procurement Report. The FMRs will be submitted to the Bank not later than 45 days after the end of each quarter.

On an annual basis, the MEP will prepare Project Financial Statements which accumulate, for the year and as of the end of that year, the statements (i) through (v) cited in the previous paragraph, with the corresponding explanatory notes to the financial statements and MEP's assertion that Loan funds were expended in accordance with the intended purposes as specified in the Loan Agreement. These financial statements, properly audited, will be submitted to the Bank not later than six months after the end of the Government's fiscal year (which coincides with the calendar year).

The supporting documentation of the quarterly and annual financial statements will be maintained in MEP's premises and made easily accessible to Bank supervision missions and external auditors.

7.1.7 **Internal Audit.** In the course of its regular internal audit activities vis-à-vis the institutional budget, the MEP's Internal Auditor may include project activities in its annual work plan. The MEP will provide the Bank with copies of internal audit reports covering project activities and financial transactions.

7.1.8 **External Audit.** The audit report on funds managed by the PCU under the IDB-financed PROMECE as of December 31, 2002 contains unqualified (clean) audit opinions and one minor internal control observation. No audit compliance issues relevant to the Project have arisen by appraisal.

The annual Project Financial Statements (see para. 7.1.7) will be audited in accordance with International Standards on Auditing (ISA), by an independent firm and in accordance with terms of reference (TORs) both acceptable to the Bank. A single audit opinion, containing a reference to the eligibility of expenditures, will cover all Project Financial Statements. While the audit reports are to be issued annually, the external auditors are expected to perform at least one review visit per semester, producing memoranda on internal controls ("management letters") accordingly.

In addition, operational audit reports (under ISA 920 "Engagements to perform agreed-upon procedures regarding financial information") on the procedures followed in preparation and execution of subprojects (including counterpart funding), would be produced annually during project implementation.

The audit work described in the previous two paragraphs will be co-financed with Loan proceeds under the "consultant services" category. The MEP will appoint the external auditors within three months after loan effectiveness. Each audit contract is expected to cover at least two reporting periods.

The table below summarizes audit requirements:

Audit Report	***Due Date***
1) Project Financial Statements	6 months after the end of the Government's fiscal year (coincides with CY)
2) Operational (subprojects)	Same as above

7.1.9 **Strengths and Weaknesses.** A sound FM and internal control framework, adequate staffing, pertinent experience managing funds from multilateral development banks, and good external audit record, all combine to reduce the Project's FM risks. Still, certain areas such as the CDD fiduciary arrangements are in need of optimization. This and other issues are addressed in the following Action Plan.

7.1.10 FM Action Plan.

Action	*Responsible Entity*	*Completion Date*
1. Finalize FM/Subproject sections of the Operational Manual.	PCU	Before effectiveness
2. Confirm PCU's decocentrated legal status	MEP/Legislative Assembly	Before effectiveness
3. Provide evidence of availability of sufficient budget resources for the Project (counterpart and loan).	PCU/DGF	Before effectiveness
4. Finalize audit TORs and short list of external auditors.	PCU	Before effectiveness
5. Contract external auditors.	PCU	3 months after effectiveness
6. Analyze, consolidate and modernize fiduciary arrangements for the system of transfers (CDD).	DGF	1 year after effectiveness

7.1.11 FM Supervision Plan. A Bank FM Specialist should perform a supervision mission prior to effectiveness. After effectiveness, the FM Specialist must review the annual audit reports, should review the financial sections of the quarterly FMRs, and should perform at least one supervision mission per year.

7.2 Disbursement arrangements

7.2.1 Method. Since adequate FM capacity and procedures are in place, and per agreement with the PCU, loan proceeds will be withdrawn on a quarterly basis under the *report-based disbursement method.* During project implementation, the PCU will (a) sustain satisfactory FM arrangements to be verified through project supervision; (b) submit FMRs consistent with the agreed form, content and due date (see para. 7.1.6); and (c) submit acceptable Audit Reports by their due date (see para. 7.1.8). If the PCU does not continue to meet these criteria during project implementation, the method will be changed to transaction-based disbursements only (provided the Bank does not suspend disbursements because of non-compliance with the obligation to maintain an adequate FM system).

7.2.2 Special Account. The PCU will open and maintain a Special Account in US Dollars in a local commercial bank to be used exclusively for deposits and withdrawals of Loan proceeds for eligible expenditures. After the conditions of effectiveness and disbursement have been met, and the Special Account has been opened, the MEP will submit the first disbursement request (Form 1903B) to the Bank, together with the project's expenditure forecast for the next six months. For subsequent withdrawals, the MEP will submit Form 1903B to the Bank, along with the FMR for the quarter just ended.

7.2.3 Other procedures. By appraisal, no need has been identified for the use of direct payments and special commitment procedures. Should the need arise during project implementation, the Bank will evaluate it and, if granted, agree to the use of the cited procedures with the Borrower through a modification of the Disbursement Letter.

7.2.4 Disbursement schedule.

	Expenditure Category	Loan Amount	Disbursement percentage	Counterpart			Total costs
				"Pari pasu"	Additional	Total	
1	Works	350,000	90%	38,889	-	38,889	388,889
2	Goods	1,650,000	90%	183,333	220,000	403,333	2,053,333
3	Consultant services	4,400,000	90%	488,889	130,000	618,889	5,018,889
4-A	REQ Subprojects	18,250,000	100%	-	10,551,222	10,551,222	28,801,222
4-B	ID Subprojects	2,750,000	100%	-	2,700,000	2,700,000	5,450,000
5	Training	1,950,000	90%	216,667	450,000	666,667	2,616,667
	Operational costs			-	5,021,000	5,021,000	5,021,000
6	Front-end fee	300,000		-	-	-	300,000
7	Unallocated	350,000			-	-	350,000
	Total	30,000,000		927,778	19,072,222	20,000,000	50,000,000

7.2.5 All disbursements under categories 1, 2, 3 and 5 will be financed at a single disbursement percentage of 90%.

7.2.6 Of the components of Rural Education Quality and Equity (REQ) Subprojects, the loan will finance 100% of the investments in network interventions, professional teacher development, and strengthening of teaching/learning models, while the Government will finance 100% of investments in equity programs (vouchers, scholarships, transportation, school lunches). Of the components of the Institutional Development (ID) Subprojects, the loan will finance 100% of the investments in strengthening of regional directorates, school administration, and organization of networks, while the Government will finance 100% of transfers to school councils.

7.2.7 At all times, the cumulative loan disbursements under the sum of categories 4-A and 4-B would not exceed 65% of the cumulative project disbursements under Component 1 (Subprojects). The periodic review of FMRs and audit reports will verify that the Government contribution progresses in parallel and complementing loan financing.

7.2.8 The training category includes the expenditures for cost of venue, cost of travel, room and board and perdiem as applicable, incurred by: (i) trainees and other participants in connection with the training and the course fees charged by academic or other institutions; and (ii) the MEP technical units during field visits in connection with project activities.

7.2.9 Retroactive financing. Retroactive financing up to US$800,000 would be covered for project activities under categories 1, 2, 3 and 5 from April 1, 2004.

7.3 Guidelines

7.3.1 The financial management and disbursement provisions of the Loan Agreement, the Operational Manual, and the arrangements described above are to be complemented by the following Bank documents:

- Financial Monitoring Reports: Guidelines to Borrowers
- Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities
- Fiduciary Management for Community-Driven Development Projects: A Reference Guide
- Disbursements Handbook

Annex 8: Procurement

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Procurement

This section describes the procurement arrangements for the Costa Rica Equity and Efficiency of Education Project (total cost US$50 million equivalent including contingencies and taxes), which is financed by a Bank Loan of US 30 million equivalent, including a one percent front end fee. Bank-financed Works and Goods contracts will be procured in accordance with the World Bank Guidelines: *Procurement under IBRD Loans and IDA Credits, dated January 1995, revised in January 1999* (henceforth referred to as Procurement Guidelines). Bank-financed contracts for Consulting Services will be awarded following the World Bank Guidelines: *Selection and Employment of Consultants by World Bank Borrowers, dated January 1997, revised in January 1999 and May 2002* (henceforth referred to as Consultant Guidelines). Project activities and procurement contracts not financed by the Bank would be procured in accordance with the current national regulations. The project inputs, estimated costs and procurement methods under the project are summarized in Table A and Table A1. Other procurement information, including prior review thresholds for Bank-financed procurement contracts (Table B), and a summary assessment of the procurement capacity of the coordinating and implementing agencies and the Bank's review processes, are also included.

Procurement Plan. A draft Procurement Plan has been prepared for the project and will form the basis for procurement under the Project. The Plan, which is part of the Project Operational Manual (POM), will be updated every six months to reflect changes in procurement process, which could significantly affect the timely and successful implementation of the project. The revisions/updates in the Procurement Plan would be agreed with the Bank prior to its implementation.

Scope of Procurement. Procurement during the five-year implementation period of the Project includes the acquisition and delivery of goods, small works and services. These expenditure items comprise the following:

- **(a) Small works/renovations of MEP premises**
- **(b) Purchase of goods including information technology (IT), equipment and software, vehicles, systems furniture for the rehabilitated offices, office equipment, audio-visual equipment and supplies. Printing services of several types of materials**
- **(c) Consultant services and training**
- **(d) Incremental recurrent expenditure items including salary and non-salary operational and maintenance costs**
- **(e) Front-end fee on the Bank Loan**

The project will also finance **(f) proposals for Demand-driven Sub-projects** which will comprise of works, goods and consulting services or training, or any combination of categories, following agreed upon criteria and in accordance with procedures and documentation agreed with the Bank and stated in the Operational Manual. Sub- projects

may also include direct transfers (for school improvements, scholarships, transport vouchers and/or school meals) to the school councils as well as to the beneficiary students. These direct transfers are not subject to procurement arrangements and will be entirely financed by the Government. No aggregates for the different expenditure categories have been set for the inputs on a particular sub-project. The estimated average value of a sub-project is approximately US$ 4.0 million, so it is envisaged that it may contain large contracts, therefore the thresholds for the country will apply.

Table A: Project Costs by Procurement Arrangements[1]
(US$ million equivalent)

Procurement Method

Expenditure Category	ICB	NCB	Other	N.B.F.	Total Cost
1. Works	0.00	0.00	0.38[2]	0.00	0.38
	(0.00)	(0.00)	(0.34)	(0.00)	(0.34)
2. Goods	1.50	0.33	0.03	0.22	2.08
	(1.35)	(0.29)	(0.01)	(0.00)	(1.65)
3. Services	0.00	0.00	4.89	0.13	5.02
	(0.00)	(0.00)	(4.40)	(0.00)	(4.40)
4. POA Subproject[3]					
a) Rural Education Quality			18.23	10.47	28.71
			(18.23)	(0.00)	(18.23)
b)Institutional Development			2.76	2.70	5.46
			(2.76)	(0.00)	(2.76)
5. Training	0.00	0.00	2.58	0.45	3.03
	(0.00)	(0.00)	(2.32)	(0.00)	(2.32)
6. MOE/PCU staff salaries				4.07	4.07
				(0.00)	(0.00)
6. Operating Costs				0.95	0.95
				(0.00)	(0.00)
7. Front End Fee	0.00	0.00	0.30	0.00	0.30
	(0.00)	(0.00)	(0.30)	(0.00)	(0.30)
Total	1.50	0.33	29.18	18.99	50.00
	(1.35)	(0.29)	(28.36)	(0.00)	(30.00)

[1] Figures in parenthesis are the amounts to be financed by the Loan
[2] Small works contracts of less than US$ 250,000 awarded on the basis of comparison of quotations obtained from at least 3 domestic contractors in response to an invitation
in response to a written invitation.
[3] Sub-projects will consist of works, goods and services up to an aggregate of US$ 28.71 for Rural Education and US$ 5.46 for Institutional Development.

Procurement Methods. The methods of procurement for the above expenditure items are described in the following paragraphs.

Works

Procurement of works under the project consist of renovations for the existing premises of the Ministry of Education to reflect the new organization/consolidation of spaces required for the technical units. Small works estimated to cost less than US$250,000 equivalent per contract, may be procured under lump sum, fixed price contracts awarded on the basis of comparison of quotations obtained from at least 3 qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank and the relevant drawings where applicable.

Proposals for Sub-projects may contain contracts for works estimated to be above US$ 250,000 but less than US$3 million. Such contracts may be procured through National Competitive Bidding procedures in accordance with the criteria under sub-project selection and the stipulations of the Operational Manual.

Goods

International Competitive Bidding (ICB). Goods will be grouped to the extent feasible, into bid packages or lots that will promote competition, achieve economy of scale and facilitate contract management. Goods packages which are estimated to cost more than US$250,000 equivalent will be procured using ICB procedures in accordance with the Procurement Guidelines. In the comparison of bids for equipment, furniture, software and supplies procured through ICB, a domestic preference would apply in accordance with the provisions of the Procurement Guidelines and as stated in the Loan Agreement. Bid documentation for ICB will be prepared in accordance with the Bank Standard Bidding Document (SBD) for the Procurement of Goods, January 1995, and its latest updates.

National Competitive Bidding (NCB). Goods contracts under US$250,000 may be procured through National Competitive Bidding procedures and using standard bidding documents acceptable to the Bank.

Shopping Procedures. Goods contracts valued at US$50,000 or less, may be procured through shopping procedures where included in the Procurement Plan or as identified in the subcomponents of an individual sub-project. This method is based on comparing price quotations obtained from several suppliers, usually al least three, to assure competitive prices, and is an appropriate method for procuring readily available off-the shelves goods or standard specifications commodities that are small in value. Request for quotations shall indicate the description and quantities of the goods as well as desired delivery time and place. The Bank's sample invitations to quote documents may be adapted to country circumstances.

Direct Contracting. If it is determined and reflected in the Procurement Plan that due to needs for standardization of equipment or spare parts to be compatible with existing equipment, or the required equipment/software is proprietary and obtainable from only one source, contracts may be procured through direct contracting with the Bank's prior approval.

Consulting Services and Training

The procurement of Bank-financed consultant services contracts will be done in accordance with the provisions of the Consultant Guidelines. The Bank Standard Request for Proposals (RFP), Selection of Consultants, dated July 1997 and revised July 1999, as well as the Sample Form of Evaluation Report for Consultant Services (July 1998) will be used for Bank financed procurement of services. The following selection methods will apply to the procurement of Bank-financed consultant services:

Firms

(a) **Quality and Cost Based Selection (QCBS).** Most contracts for technical assistance provided by firms will be procured under this method. Areas may include institutional strengthening, impact evaluations, design of information systems, and participative diagnostics, among others.

(b) **Least Cost Selection (LCS)** procedure, as described in Section III, para. 3.6 of the Consultant Guidelines, would be used for selection of an auditor to carry out audit of the Financial Statements of the Project. Only firms approved by the Bank for auditing Bank projects may be included in the short list. The audit contract may be awarded to cover the audit of project accounts over the entire five-year project implementation period or an audit contract covering a one year period may be extended subject to satisfactory performance of the auditor and clearance with the Bank.

(c) **Selection Based on Consultants Qualifications.** Technical assistance contracts valued under $100,000 may be procured through this method in accordance with Bank Guidelines.

In accordance to paragraph 2.7 of the Guidelines, short lists for consulting assignments may be entirely comprised of national consultants if the estimated contract amount is below US$ 200,000.

Individuals

Specialized advisory services provided by individual consultants will be selected on the basis of their qualifications for the assignment comparing CVs in response to an advertisement. All individual assignments should be shown in the Procurement Plan or list of components of a particular sub-project.

Annex 8, Table A1: Consultant Selection Arrangements (optional)
(in US million equivalent)

Consultant Services Expenditure Category	Selection Method								Total
	QCBS	QBS	SFB	LCS	CQ	SS	Other	N.B.F.	
A. Firms	4.33 (3.90)			0.12 (0.11)	0.24 (0.22)			0.13 (0.00)	4.82 (4.23)
B. Individuals							0.20 (0.18)		0.20 (0.18)
Total	4.33 (3.90)			0.12 (0.11)	0.24 (0.22)		0.20 (0.18)	0.13 (0.00)	5.02 (4.40)

Note: QCBS = Quality- and Cost-Based Selection
QBS = Quality-based Selection
SFB = Selection under a Fixed Budget
LCS = Least-Cost Selection
CQ = Selection Based on Consultants' Qualifications
SS = Sole Source Selection
Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.
N.B.F. = Not Bank-financed.

Figures in parenthesis are the amounts to be financed by the Bank credit.

Training
Project costs and expenses related to study tours, seminars, workshops and other training activities which may be carried out through a consultant services contract, or with agreement of the Bank, by other means. It includes expenditures for cost of venue, cost of travel, room and board and per diem as applicable, incurred by trainees and other participants in connection with the training and the course fees charged by academic or other institutions.

Operational Costs
Incremental recurrent costs generated by the project include the day-to-day operational costs for consumables, as well as the incremental costs of operating and maintaining the equipment provided under the project and financed by the Government. Office rent and staff salaries of the PCU will also be financed by the Government.

Custom Duties and Taxes
It is understood that goods would be exempt from local taxes and duties. All other expenditure items would not be tax exempt. All custom duties and taxes for goods specifically imported for the project and for all technical assistance would be financed by the Borrower.

Front-End Fee on Bank Loan
The front end fee of one percent on the Bank Loan is included in the Loan amount and will be disbursed up front upon Effectiveness.

Non-Bank Financed Procurement (NBF)
Expenditure items financed entirely by the Borrower would be procured in accordance with the Borrower's procedures as appropriate. The procedures for the procurement and contracting of these non-Bank financed goods, works, services and operating costs would be done in accordance with the Government's normal procedures.

Notification of Business Opportunities/Advertisement
A General Procurement Notice (GPN) will be published in Development Business announcing works, goods and consultants services to be procured and inviting interested eligible suppliers, contractors and consultants to express interest and to request any complementary information from the Borrower. Specific Procurement Notices will be published at a later date. For goods to be procured through ICB, individual bidding opportunities would also be advertised in a major local newspaper thirty (30) days prior to availability of bidding documents and transmitted to potential bidders who expressed interest in bidding in response to the published GPN. The local advertisement procedure would be repeated for all bidding packages utilizing ICB (at least 30 days in advance of availability of the bidding documents). The local advertisements would be in the national language. For consulting assignments exceeding US$200,000, expressions of interest will be obtained by advertisement in the Development Business online, supplemented with notices issued in the national press (in the national and English language where appropriate). Notices for services contracts less than US$200,000 will be published in the national press following the issuance of the GPN.

Procurement Documentation
For all procurement under the Loan, the Borrower would use: (a) for ICB, the Bank Standard Bidding Document (SBD) for the Procurement of Goods, January 1995, revised March 2000, January 2001 and March 2002; (b) for procurement of Bank-financed works contracts - the Bank sample bid documents for Small Works and NCB for works adapted to the country situation; c) for procurement of consultant services - the Bank Standard Form of Consulting Contracts and Requests for Proposals (RFP), July 1997, revised April 1998, July 1999 and March 2002; (d) Standard Bid Evaluation Form for Goods or Works, April 1996; and (e) Sample Evaluation Report Selection of Consultants, October 1999. The Borrower will use the latest versions of the SBDs and procurement documents available on the Bank's procurement website and sample regional documents for invitations to quote.

Procurement Reporting
Procurement reports will be agreed with the Bank and quarterly reports will be provided on procurement progress. The use of the Procurement Management Reports would facilitate the implementation of high procurement standards. Those reports would be generated by the PCU information system. Progress of procurement activities will be monitored by the PCU.

Review of Bank Financed Contracts

The Bank's **prior review** of procurement documentation will cover the following: (a) for works and goods: (i) draft bidding documents, (ii) master lists of equipment if applicable, (iii) technical specifications and relevant drawings where applicable, and (iv) bid evaluation reports, recommendation for award and draft contract; (b) for consultant services: (i) terms of reference for all consulting assignments, (ii) RFP documents for consultant services, (iii) Shortlists of Consultants, and (c) technical and financial evaluation reports, recommendations for award, and draft contract agreements before awards and signing of consultancy contracts. With respect to prior review of works, goods contracts and of consultant contracts, the procedures set forth in paragraphs 2 and 3 of Appendix 1 of the Procurement and Consultant Guidelines, respectively, shall apply. Programs for training and list of participants shall also be reviewed by the Bank.

Full documentation should be submitted for the Bank's prior review of the following Bank-financed procurement contracts. All other Bank-financed contracts will be subject to **post-award reviews**, in accordance with the procedures described in Appendix 1, para. 4 of the Procurement and Consultant Guidelines:

Works; First contract through NCB and first contract through Small works
Goods; All ICB packages and first contracts through NCB and all direct contracting, respectively
Consulting Services:
Firms: All TORs, draft RFPs, short lists, evaluation reports and draft contracts for consulting packages above US$ 100,000 each
Individuals: All TORs, consultant's qualifications and experience (CVs) and draft contracts for consulting assignments above US$ 50,000 each
Sub-Project proposals: the first one of each sub-component regardless of value

Procurement Implementation and Management Arrangements

The proposed implementation arrangements for the project take into account the existing institutional capacity in the Ministry of Public Education (MEP). Project implementation is the responsibility of the MEP.

The existing PCU has been implementing Bank financed projects since 1994. The Director of the PCU reports to the Minister. The PCU will be responsible for managing the implementation of the Project, including procurement and financial management. The PCU is responsible for ensuring compliance with the Bank requirements of procurement procedures, bidding documents, evaluation reports and contracts. The PCU will maintain procurement records/files, contracts, monitor the performance of suppliers, monitor deliveries of goods and services, and prepare and furnish procurement progress reports to the concerned institutions including the Bank. Technical experts from the relevant departments of the MEP, will be nominated by the MEP to assist the PCU in finalizing scope of works, equipment lists and technical specifications, drafting of terms of reference for consultant services and training, technical evaluation of proposals, and in the acceptance of goods and services delivered to recipient institutions.

The Project Coordination Unit (PCU), an existing department within MEP's organizational chart, will manage the FM and procurement activities specific to project activities. Under the Basic Education Improvement Program (PROMECE, co-financed initially by the Bank and IDB, now only by IDB), the PCU has been granted decocentrated legal status, which allows it to directly contract and manage resources assigned to the Program. The MEP will request—through the approval of the project by the Legislative Assembly—the cited legal status to the Project. In effect this legal status, will streamline financial and procurement procedures, since the MEP, through the PCU, will have in essence a delegation by the Government of its standard approval procedures.

Table B: Thresholds for Procurement Methods and Prior Review [1]

Expenditure Category	Contract Value Threshold (US$ thousands)	Procurement Method	Contracts Subject to Prior Review (US$ millions)
1. Works	>$250,000	NCB	First
	<$250,000	Small Works (3 quotations)	First
2. Goods	>$250,000	ICB	All
	<$250,000	NCB	First
	<$50,000	Shopping	First
		DC	All
3. Services	>$100,000 (Firms)	QCBS,LCS	All
	<$100,000 (Firms)	CQ	None
	>$50,000 (Individual)		All
4. Operating Costs			
5. Front End Fee			

Total value of contracts subject to prior review:	Not able to determine since the major portion of Loan is for demand driven sub-projects,

Overall Procurement Risk Assessment: Average

Frequency of procurement supervision missions proposed: One every 6 months (includes special procurement supervision for post-review/audits)

DESCRIPTION OF PROCUREMENT STATUS:

Procurement Environment. Procurement of works, goods and services in Costa Rica, when using total or partial public funds, is governed by the Law of Administrative Contracting and its regulations (*Ley de Contratación Administrativa y su reglamento- Ley No. 7494 del 2 de Mayo de 1995*). The law, effective since May 1996, states that public bidding is the method that best meets the public interest and therefore the method of choice. The law stipulates the requirements to initiate any process. The needed budgetary provisions are a requirement to start any procurement

activity and the exceptions to this are also stated. The Law contains the rights and obligations of the administration and the rights and obligations of the contractors. There are provisions on thresholds for procurement methods, advertising, procurement review and reporting to the Office of the Controller General. Contracts above US$70,000 need to be reviewed by "*Contraloria*". The law and its regulation also cover bid and performance securities, audits, negotiations, appeals, and accountability. Anti corruption statutes are stipulated in the Law, as well as its sanctions. Although the regulations accompanying the Law, define the contents of the bidding documents, there are no standard bidding documents. Each public entity prepares their own for every bid process. MEP has adapted the standard bidding documents of the World Bank.

The existing PCU has been implementing Bank financed projects since 1992. There has been continuity of key staff since 1993 and it is proposed that the same organization is going to be maintained. Although the procurement staff has received training and has applied the rules and procedures of the Bank for traditional projects, this project presents a challenge with the demand-driven sub-projects. Therefore the risk rating is average.

Section 3: Training, Information and Development on Procurement

Estimated date of Project Launch Workshop: September 2004
Estimated date of publication of General Procurement Notice: June 2004
Indicate if there is procurement subject to mandatory SPN in Development Business:
Yes: **X** No:
Domestic Preference for Good, if applicable:
Yes: **X** No:
Domestic Preference for Works, if applicable:
Yes: No:
Retroactive financing:
Yes: X No: Explain:
Advance procurement:
Yes: No: **X** Explain:
Explain briefly the Procurement Monitoring System:

The PCU will oversee all procurement under the Project and will maintain a complete procurement file for all components, and in collaboration with the Implementing Units within MEP, shall monitor deliveries of works, goods and services procured, to the beneficiaries. PCU shall manage its Special Account. Periodic Bank supervision missions will review procurement progress and PCU/project financial records.
Co-financing:

None

Section 4: Procurement Staffing

Indicate name of Procurement Staff or Bank's staff part of Task Team responsible for the procurement in the:
Project: Costa Rica: Equity and Efficiency of Education Project Name: Evelyn Villatoro LCOPR HQ Office
Explain briefly the expected role of the Field Office in Procurement:

The Guatemala Country Office's Procurement Specialist will assist as needed, although his assignments do not include the HD sector. The Task Team Leader will also be stationed in Guatemala.
Country Procurement Assessment Report or Country Procurement Strategy Paper status:
None prepared to date. CPAR is being prepared by the IDB
Are the bidding documents for the procurement actions for the first year ready by negotiations
Yes : No : **X**

The major portion of the Loan is allocated to Demand Driven Sub-projects, therefore the procurement plan can only be defined for components 2 and 3.

Procurement Capacity Building Action Plan. The key elements of an Action Plan for strengthening procurement capacity to implement the project include the following:

(a) The existing PCU's procurement staff will need to familiarize itself with the Bank's updated guidelines and standard as well as sample bidding documents. The procurement unit will have the responsibility to organize workshops for the PCU, MEP technical units and beneficiaries with regards to all procurement processes under the project.

(b) Project Launch. Prior to Loan Effectiveness the PCU will conduct procurement/implementation workshops, as part of the project implementation and capacity building initiatives. The workshop topics would include, inter alia:
   (i) procurement procedures described in the Loan Agreement and in the Bank Procurement and Consultant Guidelines;
   (ii) preparation of procurement documents, bidding packages, technical specifications, TORs, schedules requirements, etc.;
   (iii) procedures for conducting the bidding processes including, inter alia, prequalification of suppliers, organization of pre-bidding conferences, bid evaluation, contract preparation, etc.;
   (iv) Contract management and supervision of the performance of supplier's, contractors, consultants; and
   (v) Contract/procurement filing and preparation and dissemination of reports.

(c) An Operational Manual describing all procurement procedures, thresholds and standard bidding documents to be used under the project must be prepared for Bank's review. A draft must be presented before effectiveness. The Manual should also describe in detail, with the required instructions and formats, the cycle for sub-projects from identification to approval, the menu of activities eligible for financing, the procurement methods to be followed and standard/sample bidding documents agreed with the Bank.

(d) The PCU will set a reference library containing all the WB procurement related documentation, including the updated versions of the Guidelines, templates for procurement notices, standard bidding documents (SBDs) (RFPs), standard evaluation forms, check lists and Memoranda, as well as required forms for input into WB systems of monitoring contracts.

(e) The procurement plan included in the Project Operational Manual must be adhered to and updated periodically.

(f) Update the MIS/FM system to provide for the tracking and monitoring of all contracts. The system should have the capability for record and monitor the contracts within the particular sub-projects. Samples from other similar WB financed projects shall be obtained to design the most appropriate system that will enable updates and linkages to the other systems used by MEP as required.

(g) Ensure that the legal wording of the articles of the law that approves the proposed Loan includes specifically the description and functions of the PCU, the continuation of its legal entity and a relevant article regarding the prevalence of the Bank's Guidelines over national Law, to avoid problems with implementation.

Annex 9: Economic and Financial Analysis

COSTA RICA: CR EDUCATION

The Project's economic analysis was carried out in three parts. The first part provided evidence to support the hypothesis related to (i) the growing gap between rural and urban education, (ii) the errors of inclusion and exclusion of the equity-side programs, and (iii) the uneven education outcomes across regions. The second part prepared the cost-benefit analysis of the project and calculated internal rate of return. The third part identified the fiscal impact of project investments.

Results of Part I: Economic Analysis of the Education Sector:

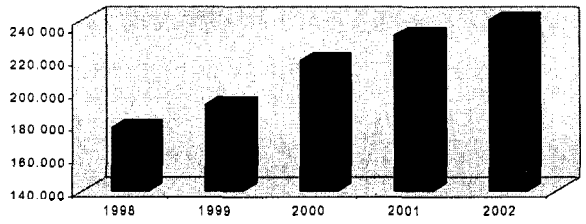
The economic analysis confirmed that (i) resources have increased for the education sector of Costa Rica; (ii) the allocation of these resources does not seem to have been allocated to increased access (with the exception of secondary education); (iii) however, quality has not increased as much as expected, especially for low income groups. Therefore, the study looked at the education demand subsidies of the Government—scholarships, vouchers, transportation and school meals—and attempted to identify their effectiveness and efficiency. Subsequently, the most important finding was the accentuated targeting problems of these programs, which prevent their full impact on the poor. The conclusions of the study thus confirmed the need for improved and efficient use of resources allocated to the sector and in closing the education quality gap across regions and income groups.

First, indeed increased resources to education[19] resulted in increments in education access (especially for preschool and lower secondary education, with marginal increments in upper secondary education). However, financial costs for these gains seem to be high, while quality and efficiency outcomes seemed to be lower than expected. For example, examining the impact in access, per student expenditures from 1998 to 2002 increased by 45% in preschool and primary education, but access increased only by 5% during the same period. Lower and upper secondary education (grades 7-12) show better results with per student increments of 36% and increased access of 24%.

[19] Costa Rica has been increasing its public resources to education (from 1991 to 2002, Costa Rica improved by 70% its percentage allocation based on GDP: from 3.4% in 1991 to 4.8% in 2002).

Unit Cost in Preschool and Primary Education (Cycles I and II) Ciclos

(colones of 2003)

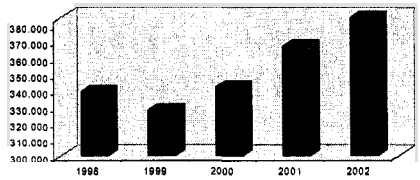


%Δ Gasto completo	45,9%
%Δ Matrícula	4,5%
ξ 1998 - 2002	0,10

37

Per Student Cost in Secondary Education III Cicle and High School

(colones of 2003)



%Δ Gasto completo	36,3%
%Δ Matrícula	23,8%
ξ 1998 - 2002	0,66

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In terms of education quality inputs, the evidence seems to be more critical, since by 2003 a study of adequate infrastructure, equipment and education materials shows a growing gap between public and private schools (to the detriment of public schools)[20].

[20] Francisco Esquivel, based on calculations of data provided by the MEP.

Present Quality and Availability of Education Inputs In Public and Private Schools in Costa Rica

I y II Ciclos
Dependencia: pública
2002

	% Aulas Buenas	Inodoros / Mat	Pupitres / Mat	Comput / Mat
	67,7%	0,013	0,16	0,008
Coto	58,7%	0,016	0,16	0,007
Aguirre	70,1%	0,020	0,17	0,003
Nicoya	42,0%	0,012	0,14	0,005
San Carlos	59,7%	0,015	0,12	0,004
Guápiles	65,6%	0,013	0,15	0,006
Upala	60,9%	0,022	0,18	0,003
Pérez Zeledón	65,2%	0,017	0,13	0,005
Santa Cruz	58,6%	0,008	0,20	0,010
Limón	54,3%	0,010	0,18	0,004
Puntarenas	64,9%	0,015	0,14	0,007
Puriscal	72,5%	0,020	0,17	0,003
San Ramón	69,7%	0,014	0,15	0,006
Cañas	58,1%	0,016	0,10	0,005
Cartago	80,6%	0,014	0,18	0,008
Liberia	60,1%	0,011	0,16	0,004
Desamparados	68,9%	0,007	0,13	0,012
Turrialba	66,7%	0,015	0,11	0,007
Alajuela	80,2%	0,011	0,17	0,012
Heredia	71,6%	0,013	0,21	0,010
San José	78,6%	0,009	0,14	0,013

I y II Ciclos
Dependencia: privada y privada subvencionada
2002

	% Aulas Buenas	Inodoros / Mat	Pupitres / Mat	Comput / Mat
	99,5%	0,059	0,52	0,074
Coto	66,7%	0,076	0,30	0,167
Aguirre	100,0%	0,113	0,73	0,226
Nicoya	100,0%	0,101	0,76	0,189
San Carlos	100,0%	0,079	0,25	0,094
Guápiles	96,4%	0,080	0,76	0,098
Upala				
Pérez Zeledón	97,3%	0,083	0,21	0,097
Santa Cruz	100,0%	0,057	1,46	0,170
Limón	100,0%	0,050	0,69	0,077
Puntarenas	100,0%	0,033	0,18	0,061
Puriscal	86,7%	0,072	0,24	0,042
San Ramón	100,0%	0,067	0,03	0,100
Cañas	100,0%	0,092	0,42	0,120
Cartago	100,0%	0,103	0,92	0,088
Liberia	100,0%	0,096	0,88	0,104
Desamparados	100,0%	0,039	0,12	0,036
Turrialba	100,0%	0,040	0,00	0,051
Alajuela	99,5%	0,077	0,72	0,100
Heredia	100,0%	0,049	0,41	0,092
San José	100,0%	0,056	0,57	0,065

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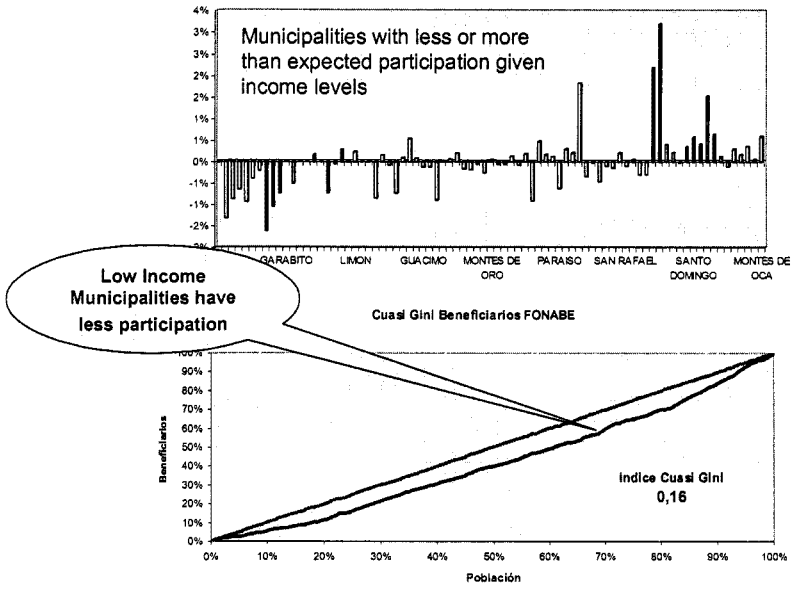
In terms of quality output, despite the substantial increase in education spending—at all educational levels—education quality is still uneven across the 20 educational regions in Costa Rica. In the 2002 National achievement tests, in 6th grade, regional scores ranged from as low as 45% (Aguirre) to as high as 81% (Cartago) in Mathematics, and from 64% (Aguirre) to 94% (Heredia) in Language.[21] In 9th grade, the lowest Mathematics regional score was 16% (Santa Cruz) and the highest 45% (Turrialba); Language scores ranged from 28% (Upala) to 89% (Desamparados).[22] Nationwide, high repetition and over-age rates also reflect education quality constraints. In 1999, 79% of primary school graduates and 48%[23] of secondary school graduates had repeated at least one grade. Calculations from 2002 show that repetition and temporary dropping out contribute to a high number of overage students: 30% of children by age 12, 50% by age 13, and 62% by age 18. Finally, school completion is alarmingly low: 78% of children in the primary cycle, 53% in the third cycle (grades 7-9), and 33% in secondary school (grades 11-12). These indicators are worse for the poor and rural populations. Of children from the lowest income quartile, 67% complete primary education, 41% complete the 9th grade, and only 17% complete secondary education. In rural areas, only 71% complete primary education, 37% 9th grade, and 19% secondary education.

Second, there have been important investments in demand-side education programs (scholarships, vouchers, transportation and school meals), which are the right policies to support the participation of low income families in the education system. However, there is evidence of an error of inclusion of high income students and error of exclusion of a large percentage of low income students. This targeting problem prevents the full impact of demand subsidies at a high cost to the system. For example, the detailed analysis of the scholarship program for children 6-

[21] National pass rates in 6th grade standardized scores were 70.86% in mathematics and 87.52% in language.
[22] National pass rates in 9th grade standardized scores were only 31.27% in mathematics and 77.87% in language.
[23] This figure is lower than primary rates because of a higher incidence of dropout.

18, shows that approximately 15 to 35% of the scholarships are assigned to students in the top three economic quintiles, and that approximately 15% children of the low economic quintiles are not served. Assigning resources to higher-income families costs the sector approximately US$1.2 to US$2.5 annually. Based on a *Cuasi-Gini* study of the distribution of resources among the four demand side equity programs of the MEP (scholarships, vouchers, transportation and school means), all were below the line of equal distribution showing a regressive pattern.

Concentration Analysis of the Demand-Side Equity Programs in Costa Rica



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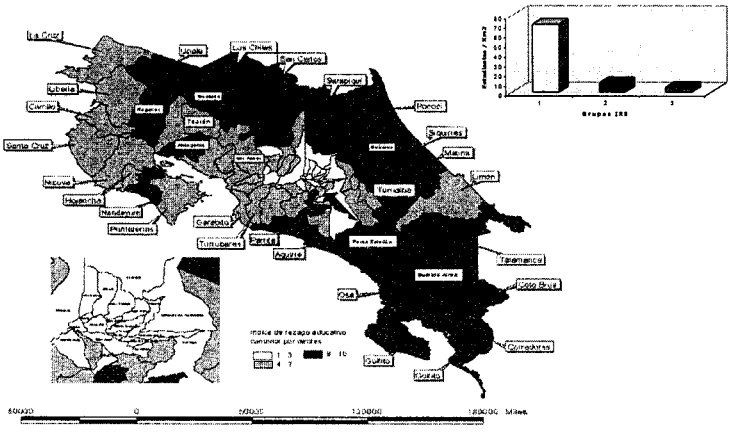
Finally, the study attempted to put all these finding together and identify any equity gaps in terms of provision of education services across regions in Costa Rica. The economic analysis prepared an Education Gap Index (IRE), based on the analysis of the education quality inputs assigned to municipalities (*Cantones*) and towns (*Distrito*) with different socio-economic indicators. The analysis showed that the areas with higher socio-economic indicators were receiving a higher share of education inputs, such as scholarships, assignment of teachers, and quality infrastructure and technology. These low socio-economic regions with lower allocation of education resources tended to be more rural and with a high percentage of alternative education delivery modalities, such as multigrade, *telesecundaria*, indigenous education, and others. These regions experienced lower access, standardized test scores and completion rates, as well as higher repetition, dropout rates and overage students.

Grouping of Municiapalities by Socio-Economic and Education Indicators in Costa Rica



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As a result of this study's consclusions and the incorporation of the IRE into the planning process of the MEP, municipalities in Costa Rica have been divided into three groups (IRE Group) in an attempt to provide special education services to those regions with larger education and socio-economic gaps. The IRE will be incorporated into the proposed *Sistema de Informacion de Desarrollo Educativo* (SIDE) that the MEP will be operationalizing with support of this project. SIDE will incorporate not only socio-economic and education input indicators, but also education outcomes such as access, learning (standardized test scores), repetition, dropout, promotion and completion rates. The following figure presents the three IRE grouping that will be utilized initially to improve targeting of MEP programs to these regions.

Socio-Economic and Education Indicators Index: Grouping of Municipalities in Costa Rica

	Grupo 1 Indice	Posicion		Grupo 2 Indice	Posicion		Grupo 3 Indice	Posicion
MONTES DE OCA	2,00	1	DESAMPARADOS	4,56	25	OSA	6,67	57
PALMARES	2,22	2	GRECIA	4,56	26	TURRIALBA	6,78	58
HEREDIA	2,33	3	POAS	4,56	27	NANDAYURE	6,78	59
SANTO DOMINGO	2,78	4	ALVARADO	4,56	28	PEREZ ZELEDON	6,89	60
BELEN	2,89	5	JIMENEZ	4,67	29	AGUIRRE	6,89	61
MORAVIA	3,00	6	VALVERDE VEGA	4,78	30	GOLFITO	6,89	62
SAN JOSE	3,11	7	LIBERIA	4,78	31	GUACIMO	7,00	63
CORONADO	3,11	8	HOJANCHA	4,89	32	ASERRI	7,11	64
FLORES	3,11	9	CARRILLO	5,00	33	EL GUARCO	7,11	65
ALAJUELA	3,22	10	MORA	5,11	34	TALAMANCA	7,11	66
ALFARO RUIZ	3,22	11	LA UNION	5,11	35	LEON CORTES	7,22	67
BARVA	3,22	12	SANTA CRUZ	5,11	36	PARRITA	7,22	68
SAN PABLO	3,22	13	SAN MATEO	5,44	37	SAN CARLOS	7,33	69
TIBAS	3,44	14	CREAMUNO	5,44	38	BAGACES	7,33	70
GOICOECHEA	3,56	15	TILARAN	5,44	39	POCOCI	7,56	71
SANTA BARBARA	3,78	16	TURRUBARES	5,56	40	MATINA	7,67	72
DOTA	3,89	17	LIMON	5,67	41	ABANGARES	7,89	73
CARTAGO	3,89	18	CROTINA	5,89	42	CORREDORES	8,11	74
ATENAS	4,11	19	PARAISO	5,89	43	SIQUIRRES	8,11	75
CURRIDABAT	4,22	20	PURISCAL	6,00	44	GUATUSO	8,22	76
SAN ISIDRO	4,22	21	ACOSTA	6,00	45	BUENOS AIRES	8,33	77
SANTA ANA	4,44	22	GARABITO	6,00	46	COTO BRUS	8,33	78
ALAJUELITA	4,44	23	NICOYA	6,11	47	UPALA	8,56	79
SAN RAFAEL	4,44	24	ESPARZA	6,11	48	SARAPIQUI	8,56	80
			PUNTARENAS	6,22	49	LOS CHILES	9,33	81
			SAN RAMON	6,44	50			
			CAÑAS	6,44	51			
			LA CRUZ	6,44	52			
			TARRAZU	6,56	53			
			NARANJO	6,56	54			
			MONTES DE ORO	6,56	55			
			ESCAZU	6,67	56			

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B. Results of Part II: Cost-Benefit Analysis of Proposed Interventions

This section presents the preliminary results of the economic analysis of the Equity and Education Project, based upon the program's costs and the measurable economic benefits expected from the program's implementation. The project's economic analysis analyzes the following aspects (a) the project's overall economic evaluation including cost-benefit analysis, and (b) sensitivity analysis to determine impact of project risks on project outcomes.

Project Interventions and Direct and Indirect Beneficiaries: The proposed Education Equity and Efficiency Project aims to close the growing gap between rural and urban education outcomes by financing the preparation of POA Subprojects in regions with low education indicators, mostly rural, which will include the following menu of components: (i) rural education access, (ii) teacher staff development, (iii) pertinent pedagogical and academic

modalities for rural contexts, (iv) targeting and monitoring of impact of demand-based equity programs, and (v) capacity building of institutional actors involved delivering rural education services. Also, the project will support targeting of education demand subsidies and will finance capacity building strategies for institutions delivering rural education services. These interventions are expected to have quantifiable benefits that guarantee a positive internal return on project investments.

Project Interventions Yielding Direct Quantifiable Benefits	
Interventions	Quantifiable Benefits
• POA SUBPROJECTS • Targeting of Education Demand Subsidies • Improved Capacity and Efficiency of Technical Units of MEP managing the provision of rural education services	• Reduced Repetition • Reduced Dropouts • Increased Primary Education Completion Rates
	• Reduced Errors of Inclusion of Education Demand Subsidies
	• Increased lifetime earnings of 6th grade and 9th grade graduates

Assumptions for Economic Analysis of Equity and Education Project. The following parameters are considered relevant in estimating the economic benefits of the proposed project: (i) the length of the project horizon, (ii) the time of impact of the project on the student population, (iii) the size of the target population, (iv) the existing patterns of repetition and dropout rates of the rural population, (v) the average number of years completed in rural areas, (vi) the existing patterns of errors of inclusion in the education demand subsidies, and (vii) the existing cost structure in the Education sector. Given the medium-to-long-term effect of the changes, the estimates presented in terms of reduced repetition and dropout rates and improved targeting of the education demand subsidies—which assume a project horizon of only 5 years—are conservative. The analysis of the project uses the following assumptions to measure the direct and indirect benefits:

Beneficiaries and Targets	
Direct Target Population	61,000 low income students from 1,400 rural schools selected by the project: 45,000 primary and 16,000 secondary

Expected Benefits, Baseline and Expected Change in Rural Schools		
Benefit	**Baseline**	**Expected Change**
Reduced Repetition Rates	8.3%	Minus 2% points in 5 years
Reduced Dropout Rates	4.7%	Minus 2% points in 5 years
6th grade Completion Rates	71%	Plus 4% points in 5 years
9th grade Completion Rates	37%	Plus 4% points in 5 years
Reduced Error of Inclusion in Education Demand Subsidies	15%	Minus 5% in 5 years

Unit Costs and Cost of Intervention		
Cost of the Project	**US$70,000,000** (World Bank: US$30million; Government: US$20 million during the project life and US$20 as recurrent costs after the project ends.	
Unit Cost of a student in primary	US$413	
Unit Cost of a student in secondary	US$672	
Average incremental earning of primary education graduates over non-graduates:	US$600	
Unitary Cost of Education Demand Subsidies in Primary School:	Transportation: Scholarships: Bonos: School meals:	US$3 per student/year US$12.00 per student/year US$32.5 per student year US$60 per student/year
Unitary Cost of Education Demand Subsidies in Secondary School:	Transportation: Scholarships: Bonos: School meals:	US$3 per student/year US$19.00 per student/year US$32.5 per student/year US$40 per student/year

Other Parameters:

(i) Discount rate of 10%

(ii) Projections of enrolled students are based in annual growth rate estimations of the enrollment statistics during 1990-2002 period

(iii) Time horizon: 10 years

Cost-Benefit Analysis

CBA is potentially the most powerful tool available to policymakers that are deciding between alternative project structures, or the "with and without" scenario of project analysis. The criteria used to evaluate the economic efficiency of the project include Net Present Value (NPV) and the Economic (or internal) Rate of Return (ERR). The ability of CBA to convert outcomes into a common unit of value, typically expressed in dollars, provides a useful summary of overall benefits. In the case of education projects costs are easily identified but benefits are harder to measure.

Summary of Costs and Benefits. The preliminary estimations made considered two sources of direct benefits. The first one is associated with the savings to the educative system from the reduction of repetition rates in rural areas. The second benefit considers the reduction in dropout rates that implies an amount of monetary resources saved to the system. Unitary costs per student in primary education for rural areas are estimated at US$413 and for the case of a student in secondary education the unitary costs are estimated at US$672.

The other two sources of direct benefits will include: (i) savings generated by reducing the error of inclusion of education demand subsidies (scholarship, bonuses, transportation and meals); and (ii) increased future earnings of 6th grade graduates as opposed to non-graduates in rural areas.

The direct investment costs are distributed over a 5-year period and we made the assumption that the government will have an additional recurrent cost to continue the benefits achieved after the final year of the project. This recurrent cost was assumed to be similar to the government investment realized during the life of the project (around US$4 million). From this perspective, the two critical indicators that are evaluated include the net present value (NPV) of all benefit and investment flows and the internal rate of return (IRR). While this approach involves a greater degree of complexity, it allows policymakers to compare the monetary value of the benefits from the project with the benefits from alternative investments, in either the same sector or in other sectors.

The direct costs are the US$70 million investment costs associated with the project. These costs would be incurred over the period 2005 - 2014. Given the expected disbursement profile, the present value of the future investment is US$52 million when discounted with a ten percent discount rate.

In the absence of the project, there would be a total of 523,780 students that repeat the annual course at the year 2014 (assuming that the rural repetition rates of year 2002 remain constant during the time horizon of the project). Assuming that the 2002 dropout rate remains constant, a total of 447,558 students dropout of the system at the year 2014 without the project.

In terms of education demand subsidies and future earnings, in the absence of the project, 15% of demand-side subsidies will be absorbed by students in the two highest income quintiles, at a cost of nearly US$6.5 million over the lifetime of the project. Foregone earnings of rural students still not completing a full primary education cycle will amount to US$600 annually. Moreover, trend analysis of primary completion rates shows that these are deteriorating showing a 2% points reduction within the last 5 years.

On the other hand, assuming project implementation achieves the desired results, the expected benefits (further manifesting themselves in terms of avoided unitary costs for the educational system) would be:

(i) The number of repetitions would be reduced to an estimated 341,733 students. It is this reduction of an estimated 105,826 repetitions that constitutes one of the main benefits of the project;
(ii) Potential dropouts reduced by the project would be around 148,353 students (from a total of 447,558 students that drop out of the system by the year 2014 without the project, maintaining 2002 rates constant);
(iii) A total savings of US$6.5 million spent on education demand subsidies for high-income students, which can be redirected to provide coverage to low income students still not benefiting from the Project;
(iv) An increment of 4% of the student population graduating from primary education with incremental yearly earnings of US$600, especially benefiting families from the two lowest income quintiles that are targeted by the Project.

The ratio of benefits to costs, considering the full cost of the project, would yield nearly 1.7 dollars of benefits for each dollar invested. The project would yield a present value of net benefits, after investments, of US$38.4 million over ten years and produce an internal rate of return (IRR) of 51 percent.

The main results include:

Table 1.1: Summary of Cost-Benefit Analysis

		Present Value	
Year	Investments	Total Benefits	Net Benefits
2005	10,000,000	5,073,836	-4,926,164
2006	9,090,909	6,755,480	-2,335,429
2007	8,264,463	8,198,131	-66,332
2008	7,513,148	9,423,153	1,910,005
2009	6,830,135	10,457,513	3,627,378
2010	2,483,685	10,370,987	7,887,302
2011	2,257,896	10,253,354	7,995,458
2012	2,052,632	10,115,832	8,063,200
2013	1,866,030	9,970,272	8,104,243
2014	1,696,390	9,809,427	8,113,036
Total	**52,055,288**	**90,427,985**	**38,372,697**

BC	**1.7**
IRR	**51%**

Sensitivity Analysis

This section evaluates to what extent the project's inherent risks could affect the overall project benefits and the overall desirability of the project in economic and financial terms. We estimated two possible risks: (i) the reduction in benefits obtained through the project; and (ii) a delay in the implementation of the project. For the first one we established three alternatives that considered reductions of 10%, 20% and 30% of benefits. In the case of delay in the period of implementation we assumed 2, 3 and 4 years of delay.

The project would be sustainable under the alternative scenarios of reductions in benefits. The principal risk would be associated with a failure to continue interventions after the project has finished, thereby lowering the probable success of controlling repetition and dropout rates in rural areas. The following table provides the summary results for the sensitivity analysis.

Table 1.2: Summary of Sensitivity Analysis

	Scenarios of reduction of benefits			
	Base	**10%**	**20%**	**30%**
PV Total benefits	90,427,985	81,385,186	72,342,388	63,299,589
BC	1.74	1.56	1.39	1.22
IRR	51%	40%	30%	21%
	Scenarios of delay in the project			
	Base	2 years	3 years	4 years
PV Total benefits	90,427,985	58,387,013	45,478,928	34,341,302
BC	1.74	1.41	1.24	1.05
IRR	51%	37%	27%	15%

Assuming that benefits associated to the project are reduced by 30%, the present value of total benefits will be reduced from a base estimation of US$90.4 million to US$63.3 million approximately, with a corresponding reduction in the IRR from 51% to 21%. Under this worst possible scenario indicators of profitability of the project remain positive. If we consider a delay in the period of implementation of the project the indicators remain positive, even in the case of a delay of more than 3 years.

C. Results of Part III: Fiscal Impact

The Third Part analyzes the fiscal impact of the project, based on the calculation of counterpart costs and the implicit additional fiscal costs to sustain project investments and outcomes (for example higher enrollments generated by the project; maintenance of infrastructure, equipment and materials; other recurrent costs and debt service).

The first step in the analysis for the sustainability of the project was to establish the base level expenditures prior to the implementation of the project. After this evaluation, forecast estimates were made on the additional costs that result from this project.

In 2003, Education Ministry allocations by the Central Government represented around 5% of the Gross Domestic Product. Projections were made through the calculations of compounded annual growth rates of the expenditures of the Ministry of Education during the 1998-2003 period.

Table 1.3: Summary of Fiscal Impact

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Education Ministry Expenditures (EME)	477	568	677	806	961	1,145	1,364	1,625	1,936	2,307
Investment (US$ million)	6	6	6	6	6					
Recurrent Costs (US$ Million)	4	4	4	4	4	4	4	4	4	4
Increase in EME	77	91	109	130	154	184	219	261	311	371
Recurrent Costs as a % of EME						0.3%	0.3%	0.2%	0.2%	0.2%
Recurrent Costs as a % of increase of EME						2.2%	1.8%	1.5%	1.3%	1.1%
Investment and Recurrent Costs as a % of EME	2.1%	1.8%	1.5%	1.2%	1.0%	0.3%	0.3%	0.2%	0.2%	0.2%
Investment and Recurrent Costs as a % of increase of EME	13.1%	11.0%	9.2%	7.7%	6.5%	2.2%	1.8%	1.5%	1.3%	1.1%

The total costs of the project, including investment and recurrent costs, represent approximately less than 1% of the Education Ministry Expenditures, which indicates that the implementation of the project is viable but highly dependent on maintaining political support and a priority allocation of incremental budget revenues.

Annex 10: Safeguard Policy Issues

COSTA RICA: CR EDUCATION

This annex presents the details regarding the Safeguard Policies Triggered by the Project and the criteria and instruments to implement them: (i) Environmental (OP/BP/GP 4.01) and (ii) Indigenous Peoples (OD. 4.20, being revised as OP 4.10).

ENVIRONMENTAL ASSESSMENT AND CRITERIA

The project will support the renovation of dilapidated infrastructure in rural schools (a key area of need identified during both the economic and social assessments for the Project). Also, the project will finance the construction or renovation of centers for *Telesecundaria.* Given that the Project will support these construction activities, and possibly others to be identified within the POA subprojects, a stand-alone EAF was prepared, which includes the following components:

a. An abbreviated environmental assessment template (QAT-HD Education Guidelines), which the MEP is incorporating into their own environmental criteria for school infrastructure. This template includes appropriate screening criteria capable of detecting the possibility of environmental or social impacts of construction activities such as involuntary resettlement, presence of historical monuments, cementeries or other cultural aspects, flood-prone or otherwise hazardous areas, and critical natural habitats. The screening criteria will describe which situations will be excluded and which will be mitigated, by whom and how.

b. A resettlement framework, to use if and when required; and

c. Environmental guidelines to be used by contractors for any civil works component of the project or POA subprojects.

SOCIAL ASSESSMENT AND INDIGENOUS PEOPLES DEVELOPMENT FRAMEWORK

A Social Analysis and a Social Assessment (both self-standing documents) were carried out by a local independent firm Defense of Children International (April-September 2003) and the results are reflected in the project design. Also, a complementary participatory appraisal was conducted by the Bank in February 2004 in the province of Limón. The Social Analysis consisted of an in-depth review of social issues in the rural education sector, interviews with Ministry of Education officials at the central and regional levels, interviews with providers of education services (eg. universities) and equity programs' providers, such as the school feeding, education bonus, transportation, scholarship programs. The Social Assessment included interviews with education stakeholders such as School Principals, teachers, students, parents, School Boards (primary school), Administrative Boards (secondary school), Parent Associations (*Patronatos*), Regional Supervisors, and School Assistant Supervisors. Both studies were participatory processes carried

out in close collaboration with the Multi-grade and Indigenous Education Departments of the Ministry. Data was disaggregated for non-indigenous and indigenous population.

The Social Assessment was conducted by interdisciplinary teams (two anthropologists, two educators, a statistician and two surveyors) during the months of July and August 2003, and February 2004. A total of forty-two rural schools were visited including 19 indigenous and six where Afro-Costa Rican population were the majority. A wide purposeful sample of schools was selected to illustrate different educational settings including 10 preschools, 22 primary and 10 secondary. Several innovative education experiences were part of the multi-faceted sample: 8 one-teacher with assistant schools; 11 one-teacher schools; 9 two-teacher (one is a Director) schools; 1 multi-teacher school; 6 tele-secondary schools; 2 traditional schools; 1 CINDEA night school; 1 New Opportunities school; and 2 Technical Agriculture Schools. Six out of the 10 preschools were multi-grade ('heterogeneous') and four traditional preschools. The sample was distributed in 8 departments–6 of which have indigenous territories—Limón, Coto, Aguirre, Pérez Zeledón, Turrialba, San Carlos, Cañas, and Puriscal.

Ethnographic characterization of the Costa Rican population

Costa Rica is a multi-ethnic and multi-lingual country. In the 2000 Census, 1.7% of the population identified itself as indigenous, 1.9% as Afro-Caribbean and 0.2% as Chinese. Although statistics at the MEP do not disaggregate data by ethnicity, the census provides some data per region.

The Chinese population. The majority of Chinese reside in urban areas and the education indicators compare to that of the white urban population.

The Afro-Costa Rican population. Of Jamaican origin, they migrated to Puerto Limón in 1872 to build the railroad from the Atlantic Coast to San José in the Central Valley. According to INEC, 1.9% of the population or 72,784 are Afro-descendants, and 43% of them reside in rural areas, which are the concern of the proposed project. 15% (10,400) of Afro-Costa Ricans live in San José, 75% (54,130) live in the Province of Limón, and 35% (22,100) of those live in rural areas. Only 59% of school-age youths in Limón are enrolled, compared to 74% of enrollment of Afro-Costa Ricans in the rest of the country. Unfortunately, education indicators are not disaggregated for Afro-Costa Rican students.

The Indigenous population. According to the 2000 census, there are approximately 64,000 indigenous peoples equivalent to 1.7% of the Costa Rican population. Of those, 27,000 (42.2%) correspond to eight indigenous groups clustered within twenty-four indigenous territories; the other 57.8% live in peripheral territories, contiguous districts and cantons and scattered throughout the rest of the country. There are close to 12,000 students receiving indigenous education inside the reservations. Statistics at the MEP do not disaggregate data on indigenous outside the territories, making it difficult to compare both groups. However, the 2000 census indicates that illiteracy is twice as high inside the reservations (30.2%) as in indigenous peripheral areas (15.3%) and both are the highest in the nation. Also, average schooling inside reservations is the lowest for the nation (3.4 for indigenous and 4.5 for non-indigenous) and lower than indigenous in peripheral areas (5.0), and elsewhere (5.9) and non-indigenous (7.6) in

the rest of the country. Indicators for the indigenous population at large are the worst in the nation.

The eight ethnic groups are:

- The Cabécares. They are the largest group (9,861) living in 8 reservations: Nairi-Awari, Chirripó, Alto Chirripó, Tayni, Telire, Talamanca Cabécar, Ujarrás and China Kicha.
- The Bribris (9,636), live in 4 reservations: Cocles, Talamanca, Salitre and Cabagna.
- The Guaymíes (2,563), live in 5 reservations: Coto Brús, Abrojo Montezuma, Altos de San Antonio, Conte Burica, and Alto Laguna de Osa
- The Bruncas or Borucas (2,017), live in the reservations of Boruca and Curre.
- The Huétares (1,006), live in the reservations of Quitirrisí and Zapatón.
- The Chorotegas (868), live in the reservation of Matambu.
- The Teribes or Térrabas (621) live in the reservation of Térraba.
- The Malecus (460), live in the reservation of Guatuso.

Costa Rica ratified the International Labor Organization's Agreement No.169 on Indigenous Peoples and Tribal Groups in 1992 and in 1993 the subsystem of Indigenous Education was created by Executive Decree No. 22072 with the goal of protecting the pluri-cultural heritage of the country and preserving indigenous languages. Efforts made by the Government Of Costa Rica and NGOs to preserve the languages and cultures from extinction since the 1940s have had an integrative approach. The special attention on indigenous education for the social assessment responds to a request made by the Government of Costa Rica. The present IPDF is consistent with the Bank Operational Directive 4.20 on Indigenous Peoples.

Given the priorities of the MEP (April 2003), the main focus of the social assessments was rural multi-grade,indigenous and Afro-Costa Rican preschools, primary and secondary schools. Some of the issues researched were education coverage; perceived efficacy of the quality programs geared to prepare students for the workforce; efficacy of programs managed by the MEP; relevance of the curriculum to respond to local needs of multi-grade and indigenous schools; de-concentration of the administrative functions in the local level; and efficacy and efficiency of the administration of equity programs created to close the gap between urban and rural education.

The three following sections present: (i) the main findings of the Social Assessments for Rural Education; (ii) the findings on Indigenous Peoples Development and Education in Costa Rica, and (iii) the proposed Indigenous and Afro-Costa Rican Peoples Development Framework to guarantee positive benefits from the general investment of the proposed Education Equity and Efficiency Project.

I. Main findings of the Social Assessment For Rural Education and Key Education Delivery Modalities

A. General Findings

School-age population and education coverage. Public education for children 0 to 15 years old is free and granted under Articles 76, 77 and 78 of the Constitution. Despite achievements of the

educational system in Costa Rica, according to the 2000 census, the total number of children ages 5 through 17 not attending a school was approximately 110,640 or 10% of the school age population of 1,081,866. It is estimated that the largest age groups with low school attendance are 5-6 and 16-17 years of age, which are considered transitional years between pre and primary school and within secondary school years.

Forty-nine percent of the population lives in urban and peri-urban areas where education opportunities are more widely available. Of the rural population, 37% live in dispersed and 7% in concentrated areas. There are 40,200 students in one-teacher schools. The largest deficit of education services, adequate infrastructure, equipment and materials takes place in dispersed rural and indigenous areas where most of the poor live. According to interviews with parents, some of the reasons for not sending children to school are: (a) financial; (b) subjects taught are not useful; (c) child labor is needed for family's support; (d) parents don't see a long-term education plan for their children.

School drop-outs at transition points. The largest number of drop-outs occur at transition between preschool and first grade and between 6th and 7th grade. The main reason for dropping out in first grade in multi-grade schools is the absence of preschool education. Attrition in 7th grade is 12% in concentrated rural areas and over 30% in dispersed rural areas. The Department of Educational Innovations and Learning Resources is working on strategies to solve the attrition problem.

Supply of education services in dispersed rural regions. School attendance for all age groups is lower in rural dispersed regions than in rural concentrated or urban settings. The student-teacher proportion in rural dispersed areas is low on average making transitional education delivery modalities costly and inefficient. School circuits joining several dispersed schools exist, but a well-integrated national plan of school networks is needed in order to provide basic services to the nuclei of preschool, primary and secondary schools.

B. Rural Education Modalities

Innovative programs. Numerous efforts have been made by the MEP to close the urban and rural gap with the creation of innovative programs such as: (a) heterogeneous preschool and itinerant preschool; (b) director/teacher and teacher combination; (b) teacher and teaching assistant for schools of 31+ students for primary school; (c) technical middle schools (too theoretical); (d) tele-secondary schools; plus innovative features such as (i) Interactive English radio lessons (unsuccessful due to lack of materials and adequate learning setting); (ii) computer instruction by INTEL or FOD (highly appreciated by teachers, but more computers and maintenance are needed). Tele-secondary and technical schools are popular among people interviewed because of their practical connection with the workforce.

Equity programs. Four programs were assessed: Scholarships, Student Bonus, Transportation, and School Feeding Bonus. The Nutrition program is universal, however, the newly assigned School Boards need training to perform duties. Transportation is granted only for secondary schools, and in urban areas, limiting school attendance of rural pre and primary school students. 13,000 students receive the bonus in 90% of schools. Targeting of programs is unclear and

depends mostly on discretion of the School Principle and Board. The Parent Council may participate. In the 39 schools visited, stakeholders did not know what the programs policies were, except for the school feeding bonus. The worse case is that of scholarships: only 154 (0.38%) students of 19 one-teacher schools (out of 1,647) receive scholarships. The rationale for targeting scholarships is questioned. Radical changes and information dissemination are suggested to enforce fair targeting of the equity programs.

C. Institutional Setting

School circuits. There are 137 school circuits of teachers grouped by geographic area. They may include: the council of circuits, school nuclei, or teacher committees. For higher efficiency of these circuits, teachers interviewed recommend they be organized separately for multi-grade and conventional school teachers as planning, teaching and evaluation techniques differ for multi-grade. It is recommended that dispersed rural schools be organized into 'school networks'.

Institutional Plans. These annual plans are perceived as important planning tools, but the large majority of plans don't get implemented due to lack of funding. In most schools visited, there is little to no participation of the School Board and Parent Council in the elaboration of the Institutional Plan. Students and other parents have no participation at all, but they express a desire to participate. The size and implementation capacity vary from school to school and funding comes from Parents' Councils fund-raisers. It is recommended that the Ministry create a fund to finance implementation of at least one primary need reflected in the Institutional Plan of each school, as an incentive to efficacious participatory school planning. The students and school communities at large assert they would like to participate in planning decisions and the implementation of institutional plans.

Participation in decision-making of school matters and equity programs. Decisions about the infrastructure, school administration matters and assessments are usually made by the School Principal but only sometimes with the support of the School Board and Parents Council. The school community only participates in fund-raising activities and minor school refurbishing. Teachers, parents and students interviewed in non-indigenous and indigenous schools assert that the school community should be involved in and become knowledgeable about administrative school matters in order to exercise social auditing.

Suggested school networks. Given that the provision of school facilities such as computing centers, science and language labs, libraries and sports centers are not provided to small multi-grade schools, it has been suggested that these facilities be organized in centers where a school network would converge.

D. Multi-grade Schools

There are 2,398 multi-grade schools operating mostly in rural areas. Most multi-grade schools are either one-teacher, or a Director/teacher and teacher school (*Dirección 1*) schools. In both cases the Director has both the administrative and the academic responsibilities in the school. Most teachers stated that administrative issues are dealt with after school hours. In order to accommodate students in two shifts, an academic load of 280 lessons less per year is delivered.

A universal curriculum and pedagogical model is applied to traditional and multi-grade, urban and rural schools. It is the perception of multi-grade teachers visited that multi-grade schools need to adapt the curriculum to the local needs. Special subjects such as religion, art, music, physical education, and agriculture are rarely present in rural multi-grade schools. All those subjects were absent in the 10 primary schools visited, except for an art class in two schools. Due to lack of resources, children are being deprived of non-academic formative education.

Teacher training for multi-grade education. Teachers in multi-grade rural schools have received the same training as traditional school teachers without pedagogical foundations to teach multi-grade classes, particularly in rural areas. Most multi-grade teachers learn to teach multi-grade classes on the job. It is the impression of the evaluation team that many observed teachers do not have the knowledge and expertise needed to monitor a multi-grade classroom. 60% of teachers interviewed receive assistance from the National Teachers Advisory three times a year. Teachers request training in: curricular adaptation, assessment, participatory and innovative methodologies, computers, English and design of teaching materials. School Boards and Parent Councils request training on school administration and accounting.

Infrastructure of multi-grade classrooms and tele-secondary schools. Approximately 800 multi-grade schools need repairs and 100 schools should be replaced. Most teachers interviewed commented on the need for larger classrooms where space may de divided for the different groups/ subjects. The evaluation team observed that it is difficult for most teachers to control different groups working on different tasks within a reduced classroom space. It was observed that the infrastructure of most multi-grade schools visited was built twenty-years ago by the communities themselves. Many of the schools are deteriorated, one had no roof, two had no latrine and several had bad sanitary conditions. Only 20% of those visited had adequate shelves and chairs. It was recommended by most teachers that new infrastructure built by CENIFE be large and spacious, light and with adequate ventilation, with hexagonal tables, to accommodate multi-grade groups. A common claim is that CENIFE takes between one and two years to respond, and CENIFE works only on standard designs without adaptations to the local needs. In Limón, the social assessment found tele-secondary schools which were operating from books only, without a TV and VCR.

School materials and basic equipment. A common observation at visited multi-grade schools is the short supply of school materials. A shortage of equipment (TVs, computers, recorders, white boards, teaching and learning materials) is observed in most schools. Most schools visited are too small to have science and language labs, or libraries. Only 59 multi-grade schools received the Omar Dengo Foundation Computer Program; and 32 schools received a computer from INTEL. In general, only 6% of students have access to a computer.

Social capital in multi-grade schools. As resources are scarce and space is limited, interviewed teachers commented on the high degree of tolerance and respect that students are forced to develop in a multi-grade classroom. They observed that "students become leaders, more independent, happy and assertive". Another teacher commented "students learn the value of solidarity, of sharing resources, and independent research." Students' opinions were diverse.

Some stated "it (multi-grade) is good because the older kids teach the younger ones", and another said "we push one another up and ensure nobody is left behind."

Standard Student Evaluation. Teachers observed that there is a disconnect between the national standard tests, and those promoted by the Evaluation Department of the MEP. Multi-grade students receive on average 280 lessons less than those attending traditional school. It is mandated that all teachers (including multi-grade) elaborate exams for each grade and each subject at the end of each quarter. This task is quite difficult for most multi-grade teachers. Also, multi-grade students are mandated to take the same standard tests as in traditional schools although the extent of the instruction is not the same as in the traditional school.

E. Tele-secondary Schools

Non-pertinent infrastructure. They are centrally managed from the MEP. They are widely accepted particularly for Math, computer science, and technology. There is consensus that the standard infrastructure built by MEP is not practical. Parents and teachers in different communities coincide on a suggested design: one very large classroom with rolling doors to divide it in three classrooms as needed, non-zinc roof, a safe room for the TV and videos, a dining room, kitchen and bathrooms, plus a Principal's office and a teacher's dwelling.

Disparity of Equipment. The biggest disparity between non-indigenous and indigenous schools was at the secondary level where the non-indigenous had a computer, printer, TV, overhead projector, maps, a globe, small lab equipment, encyclopedia, small sports equipment, while the indigenous only had an old globe and few worn maps.

Low supply of Cycle IV (grades 10 to 12) in rural dispersed areas. A subject of great concern is the low supply of education services after 9th grade, particularly in indigenous territories. A tele-bachillerato (grades 9-12) under the New Opportunities modality has been suggested to fill in the gap.

Other Alternative Secondary Education Modalities: Adult Education Centers (CINDEA) and Professional Institutes of Community Education (IPEC). These centers provide highly vulnerable over-age population the opportunity to study primary or secondary school. These night schools are popular among minors who already work in the informal sector (cooks, painters, electricians, tailors, etc.). Academic success rate is low due to the disparity between the national curriculum priorities and those of these students.

II. Indigenous and Afro-Costa Rican Peoples Development and Education

The Department of Indigenous Education (DEI) was created by Executive Decree No. 23489 in 1995 with the purpose of "contextualizing and incorporating in the educational system the elements, values and cultural contributions of the indigenous peoples to Costa Rica". At present, the DEI operates under the Department of Curriculum at the MEP. Data for Afro-Costa Rican Peoples is not disaggregated at MEP, however, consultations carried out in the Province of Limón were able to provide valuable information towards the project design. Whereas special attention is provided to indigenous students (within territories) through the Department of Indigenous Education within MEP, the Afro-Costa Rican population does not have a separate Unit.

The following paragraphs provide a snapshot of indigenous education in Costa Rica:

(a) The concept of 'indigenous education' in Costa Rica is circumscribed to indigenous territories. Since 1997, it is characterized by the teaching of three subjects added to the primary and secondary curricula: 'native language', 'culture' and 'environmental education', which may be taught in the language of the students.
(b) Native language classes are taught by "itinerant language teachers" (that is, teachers serving several schools) three-hours/week. There are 53 itinerant language teachers serving 120 schools (71% of the total 170 schools). Culture classes are taught by community members twice a week. Environmental education is taught by the teacher him/herself.
(c) Preschool. In 1995, a bicultural-bilingual transitional curriculum was created to include the psychological and socio-cultural needs of the indigenous preschooler. At the moment, there are 36 preschools and 710 students.
(d) Primary school (cycles I and II). There are 176 multi-grade schools serving over 7,000 indigenous students. 62% of those are one-teacher schools. 33% are Director-teacher (Dirección 1), and 3% are two-teacher schools (Dirección 2).
(e) Secondary school (cycles III and IV). There are 6 schools (3 academic, and 3 tele-secondary) with 697 students. 95% of indigenous secondary schools are multi-grade.

Some social characteristics of the Afro-Costa Rican population are:

(a) 57% of Afro-Costa Ricans live in urban areas. 75% reside in Limón. There are some cultural differences between Afro-Costa Ricans of the Central Plateau and those residing on the Atlantic Coast (Limón). The latter speak Creole English (British) and follow the Protestant religion. The Afro-Costa Rican-Caribe connection is a source of income and cultural linkage. The province of Limón is a pluri-cultural multi-lingual environment where mestizos, Indigenous, Afro-descendants, and immigrants share schools. Their goal is "to improve education in order to improve the quality of life", and the emphasis is on providing "local solutions to local problems".

(b) Some teachers demand bilingual education and an education program tailored to their cultural needs. Also, some demands are presented by Afro-Costa Rican civil movements geared towards preserving their language and culture, and solving social problems among youths such as violence, prostitution, drug addiction and trafficking. These demands have not been met by the

MEP in the past. The present assessment recommends a study be carried out among the Afro-Costa Rican community to identify those particular needs, and develop a proposal of a strategy to improve the learning environment for Afro-Costa Rican students.

The main issues highlighted by the Social Assessments are:

General Education Findings

1. **Boundaries of Indigenous Education**. The concept of Indigenous Education is officially applied only to schools and ethnic groups living inside the indigenous territories. Those living outside reservations attend traditional schools. Given those results, there is no consensus in the country as to whether indigenous education should be extended to indigenous students outside the reservations or not. However, the general consensus is that education standards inside the reservations need to improve substantially. The assessment recommends a study be carried out to identify problems and propose strategies (i.e. improving intercultural bilingual education, contextualization of the curriculum, teacher training in intercultural multi-grade education, use of intercultural bilingual materials, etc.) to improve education indicators inside the reservations. The assessment found many weaknesses in the Indigenous Education Unit that require attention from the MEP.

2. In the province of Limón, 59.1% of teens 13 to 17 years of age attend school (primary or secondary), compared to 68.1% at the national level.

3. **Performance indicators inside indigenous territories are below national averages, below those outside territories, and below those of Afro-Costa Rican population (*Ver Estado de la Nación*, Vol. 8, 2002)**. There is a disconnect between teachers, students and the curriculum. Teachers interviewed indicate indigenous students have greater difficulties in Spanish and Math because (a) the traditional curriculum is not pertinent; (b) the native language is not used as a prop for the transition from the native language to Spanish; (c) the native language is taught as a subject but not used as the language of instruction, therefore, instruction is not truly bilingual; (d) teachers' command of the native language is poor; (e) the curriculum and methods of instruction are not adapted for bilingual students. An indigenous education strategy to improve student performance is needed.

4. **Desertion is high for Indigenous students**. Desertion, repetition and attrition are higher in indigenous schools than the national averages. It is calculated that only 10% of those registered in first grade will finish 6th grade. Of those graduates, 615 (55%) will start 7th grade, and of those only 45 will start 10th grade and only 10 students are expected to finish 12th grade. Teachers interviewed request higher efforts be made in curricular adaptations to improve student performance. Math, Science and Spanish tests applied are national standard tests and the results are consistently worse than the national median. The biggest failure is in Spanish.

5. **Middle and Secondary school enrollment is very low**. According to DEI, the reasons are: insufficient infrastructure in the territories, rural dispersion of the population, and geographic barriers. School transportation is needed to secure attendance. A joint project between the

DEI and the Department of Tele-secondary is being articulated in order to create Tele-secondary schools in indigenous territories.

6. **Poverty**. Poverty is stated by parents as the main reason for not sending children to school. Several interviewed teachers stated: "children come to school without supplies. Teachers sometimes buy supplies for students or pay for the photocopies from their own pockets."

Pedagogical Needs

7. **Curricular adaptation**. There is neither an intercultural bilingual curriculum nor a specific model of indigenous/ intercultural education. The DEI claims that Indigenous Education requires more autonomy and institutional support to adapt the basic curriculum to the local needs of the different ethnic groups. Indigenous and Afro-Costa Rican students demand subjects that will make them competitive in the workforce, "training for life and for the workforce".

8. **Teachers for indigenous schools are scarce**. There are several issues: (a) only about half of the teachers speak the language of the students; (b) it is very difficult for non-native teachers to adapt the curriculum to the local needs, without community assistance; and (c) about 70% of the 350 teachers at indigenous schools have some university education, however, they still need teacher training for multi-grade bilingual education. There is great demand for teacher training on-the-job or on weekends. There are also native youths interested in becoming bilingual teachers. It is recommended that the MEP provide scholarships to professionalize indigenous itinerant instructors.

9. **Absence of Intercultural Bilingual Education professionals**. Teachers in indigenous schools have undergone regular teacher training programs without particular orientation to teach intercultural bilingual education. English teachers teaching Afro-Costa Rican schools need 'intercultural' training.

10. **Language and Culture Classes**. These classes are taught for 3 and 2 hours per week respectively. Indigenous language instruction is taught by indigenous itinerant teachers many of whom may not have secondary education. Culture classes are taught by a community member who speaks the indigenous language, but who may or may not have formal education. It is recommended that 100 teachers be given the opportunity to finish secondary school and receive primary school education training. Communities recognize the quality of language instruction (indigenous or English) must be improved.

11. **Culturally appropriate instructional materials are scarce**. Higher level of financial support is needed to produce intercultural materials needed in six different languages—English, Malekujaika, Cabécar, Bribri, Movere, Bocotá and in Spanish.

12. **Measures needed to solve the problems of low enrollment, high dropout rates, and poor attendance**. Innovative solutions are needed to improve these problems, particularly for transition years and secondary school, such as: (i) improving quality of instruction and learning materials; (ii) providing sufficient school materials; (iii) improving quality of pre-

training and on-the-job teacher training in multi-grade bilingual education; (iv) ensuring equity programs (nutrition, transportation, education bonus, scholarships, etc) reach needy indigenous and Afro-Costa Rican schools; and (v) providing roomy, light, comfortable infrastructure to be shared by multi-grade classes simultaneously. Community involvement is highly recommended.

Institutional Gaps

13. **Community participation in school activities is almost non-existent**. Both teachers and parents request that MEP promote community participation for the elaboration and implementation of the Institutional Plans. They request participation not only for manual tasks (refurbishing the school and fund raising) but also for discussion of cultural and academic matters.

14. **Few Indigenous and multi-cultural school circuits already exist and are successful.** School circuits congregate all teachers. The relationship between Indigenous and Afro-descendants is optimal in many schools, thus, Indigenous teachers stress the need to have "indigenous/ multicultural school circuits" to discuss specific multicultural education issues, apart from all school circuits. The social assessment documented an existing innovative Multi-grade teacher Committee (20) representing a network of 9 teacher circuits organized by the Multi-grade Unit of MEP. A similar experience is being organized in Coto (another multi-cultural region).

15. **Isolation of indigenous schools.** Most teachers state their commitment to education, but also state the "solitude" of their work. Administrative and academic demands burden them, leaving little room for curricular adaptations. Teachers interviewed feel indigenous schools demand more attention from the MEP.

16. **Monitoring and Evaluation System at MEP**. The present M&E system at MEP includes disaggregated indicators for indigenous and gender, for each institution, region and circuit but not for Afro-descendants. A monitoring system of disaggregated data for ethnicity is needed to monitor progress towards the millennium development goals.

INDIGENOUS AND AFRO-COSTA RICAN PEOPLES DEVELOPMENT FRAMEWORK (IPDF)

A special strategy for Indigenous and Afro-Costa Rican peoples was included in the Project for the following reasons: (i) The *índice de rezago educativo* (IRE 3) for both groups is the most acute in the scale; (ii) Both groups are classified within the poorest population quintile; and (iii) Both groups live mostly in dispersed rural areas of difficult access, which make investment operations more costly. The following strategy has been included in the project design in order to ensure that rural indigenous and Afro-Costa Rican students benefit from the Bank-funded project in a culturally appropriate manner. The Indigenous Education and the Multi-grade Departments are the counterparts responsible for monitoring changes in indicators as a result of project interventions.

All activities have been budgeted; however, certain activities that will benefit also Indigenous and Afrodescendent communities cannot be budgeted separately from the general investments of the Project. The participatory diagnostic and demand strategies for the preparation of subprojects will determine the final investments allocated to each community, within the targeted macro-regions of the Project, including Indigenous and Afrodescendent schools, collaborative networks and municipalities. Where possible, a separate calculated costs and expected investments for indigenous and afrodescendent communities have been noted, especially studies, educational materials and training and school construction..

1. RURAL EDUCATION ACCESS, COMPLETION AND QUALITY

(a) Targeting of beneficiaries will be done by using the *Indice de Resago Educativo* (IRE), and the poverty map.

(b) Rural school networks which include Indigenous and/or Afro-Costa Rican alone or intermingled with immigrants and nationals will be organized with strong emphasis on participation of multi-cultural school communities (parents, teachers, school Directors, students) and the collaboration of surrounding civil society whose participation will be important for the implementation and sustainability of the Rural Education Subprojects or Institutional Development Subprojects under the project. Planning, targeting and organization provisions for the organization and administration of regional and rural school networks is done by demand, as stated in the project design.

(c) In order to improve the knowledge and awareness of the needs and demands of Indigenous and Afro-Costa Rican school population, the project will finance an active study of the Collaborative School Networks formed within Indigenous territories and periphery, and in sampled Afro-Costa Rican communities. The objective of the latter is to evaluate the current education needs and to propose strategies to address education issues in intercultural settings (i.e. the need for Intercultural Bilingual Education), and adequate education delivery mechanisms. Aspects of the strategies may include community-based mechanisms, curricular adaptation, teacher training in intercultural multi-grade education, adequate materials, etc. The goal will be to improve education indicators (increase primary completion, increase enrollment in Television-Supported Schools, decrease

repetition and drop-out rates, and raise passing scores on standardized tests in Spanish and Mathematics) while preparing for higher education or to join the workforce. The study will also identify school-age students presently not counted in the school system, as well as the real demand for secondary education **(US$20,000)**.

(d) Analysis, Monitoring and Evaluation of the participatory subproject proposals (POA), school networks, and investments in intercultural contexts, in order to identify and systematize the most pertinent strategies for intercultural contexts in Costa Rica. The above mentioned activities will be the responsibility of the Indigenous Education and of Multi-grade Education Departments at MEP.

(e) Rural Education and Institutional Development subprojects financed in micro-regions with Indigenous and Afro-Costa Rican population (i.e. Limón) will include investments in teacher professional development and pedagogical mediation. In these regions, investments will be targeted to teacher training for multi-grade Indigenous, Afro-Costa Rican and other intercultural schools. Present teacher training programs, i.e. CENADI and National University, will be revised in light of the demands presented by the diagnostic analyses provided in the local and regional subproject proposals presented to MEP. Although investments for teacher training are set up to respond to demand, in the case of Indigenous and Afro-Costa Rican schools, MEP has committed to make significant investments in teacher professional development for teachers assigned to schools with Indigenous and Afro-Costa Rican student population. In light of the results obtained above, MEP will carry out an evaluation of teacher training, existing teaching methodologies and materials presently used for instruction in multi-grade schools in ethnic communities. **(US$30,000)**.

(f) Construction and Renovation of Schools. The project will provide resources, within the REQ subprojects, for the construction and renovation of multigrade and telesecundaria schools in Indigenous and Afrodescendent Communities. The Indigenous Community and the MEP will enter into an agreement for the use of Indigenous land that will be allocated for the use of school construction and the community will guarantee the exclusive use of the school of such property. **(US$50,000).**

All of the above may also be done through Rural Education Subprojects or Institutional Development Subprojects under the project. The latter are selected through a diagnosis and prioritization by the rural school communities (and networks) and the regional networks.

2. IMPROVE THE IMPACT OF EQUITY PROGRAMS FOR THE POOR

(a) Poverty targeting mechanisms will ensure that students in indigenous schools **(12,000),** and Afro-Costa Rican students **(15,000)** who qualify for the nutrition and transportation programs are counted as beneficiaries, and will ensure the schools receive adequate funding for the entire school year. These programs are financed with Government counterpart funds.

(b) Likewise, demand-based education vouchers (**approximately 6,000**) and scholarships (**approximately 6,000**) should be granted to those indigenous and Afro-Costa Rican students who would otherwise not be able to remain in school.

3. EFFICIENCY IN THE ALLOCATION, MANAGEMENT AND UTILIZATION OF EDUCATION RESOURCES

(a) The ethnic variable will be included in the Information and Monitoring systems (SIDE). The *Indice de Rezago Educativo* (IRE) is programmed to identify IRE cantons and within them the schools with Indigenous and Afro-Costa Rican population. This is a significant value added by this project, as the system is able to identify and monitor progress of those schools. During project implementation, SIDE will ensure (i) the successful monitoring and evaluation of disaggregated educational attainment indicators for indigenous and Afro-Costa Rican student population; (ii) monitoring of the Institutional Development Subprojects (POA subprojects); and (iii) monitoring of targeting of equity programs for ethnic population. The cost of SIDE will include the addition of ethnic indicators in the system. Finally, an ethnic module will be included in the impact evaluation to be carried out at project completion.

(b) The MEP will promote outreach activities of the parent councils and school boards to incorporate the school community in the elaboration and implementation of the institutional plans.

(c) Identification and formation of the rural school networks for indigenous students inside and in peripheral territories, and for Afro-Costa Rican students particularly in the rural areas of the Department of Limón, to benefit from the integrated education quality investments for technology, laboratories and other integrated services.

Annex 11: Project Preparation and Supervision

COSTA RICA: CR EDUCATION

	Planned	Actual
*PCN review		June 12, 2003
Initial PID to PIC		July 25, 2003
Initial ISDS to PIC		July 16, 2003
Appraisal		February 24, 2004
**Negotiations	September 1, 2004	February 22, 2005
Board/RVP approval	February 2, 2005	March 31, 2005
Planned date of effectiveness	June 30, 2005	
Planned date of mid-term review	June 30, 2008	
Planned closing date	June 30, 2011	

* This stage was the Project Concept Document Review, as this project began preparation before the implementation of the new PCN procedures on July 1st, 2003. Nonetheless, the new PAD format was used as it provided a more logical presentation of project design and its preparation process.

** Negotiations—based on Technical Discussions—were completed on September 1, 2004; nonetheless, the ratification of the Minutes and the Loan Selection Sheet were received on February 22, 2005 (to allow for internal country procedures to ratify negotiations).

Key institutions responsible for preparation of the project:

- Ministry of Public Education (MEP)
- Regional Departments
- Bank staff and consultants who worked on the project included:

Name	Title	Unit
Joel E. Reyes	Sr. Institucional Dvlp. Specialist & Team Leader	LCSHD
Helena Ribe	Country Sector Leader During Preparation	LCSHD
Manuel Salazar	Social Protection Specialist and Co-Team Leader for Equity Component	LCSHD
Vicent Paqueo	Lead Economist	LCSHD
Raja Bentaouet Kattan	Education Specialist	HDNED
Evelyn Villatoro	Procurement Specialist	LCOPR
Manuel Vargas	Financial Mgmt. Specialist	LCOAA
Joshua Gallu	Junior Professional Associate	LCSHD
Aracelly Woodall	Costing Specialist	LCSHD
Christina Alquinta	Program Assistant	LCSHD
Darlyn Meza	Rural Ed. and Participation Spec.	Consultant
Ximena Traa	Social Evaluation Specialist	Consultant
Denise Vaillant	Teacher Staff Devlp. Specialist	Consultant
Jose Arnulfo Simon Sucuc	Intercultural and Bilingual Ed. Specialist	Consultant
Jose Luis Guzman	Education Planning Specialist	Consultant
Francisco Esquivel	Targeting Analysis Specialist	Consultant
Sandra De Barraza	Education Mgmt. Specialist	Consultant
Sanigest & Defensa de los Niños Internacional	Economic and Social Evaluations, Respectively	Consulting Firms

Bank funds expended to date on project preparation:

1. Bank resources: $293,698.04
2. Trust funds: $0
3. Total: $293,698.04

Estimated Approval and Supervision costs:

1. Remaining costs to approval: US$40,000
2. Estimated annual supervision cost: US$90,000

Annex 12: Documents in the Project File

COSTA RICA: CR EDUCATION

Alvarado Ruiz, Rocio:

1. Didactic Plan for Single Teacher Schools. MEP, National Association of Single Teacher Schools. San José, Costa Rica, 1999.
2. Report on What to Do to the National Association of Single Teacher Schools. MEP. San José, Costa Rica, June 2002.
3. Strategy Report: Longer School Hours in Single Teacher Schools. MEP, National Association of Single Teacher Schools. San José, Costa Rica, June 2002.

Defense of Children International.

1. Social Analysis of Education in Costa Rica.
2. Social Participation Evaluation of the Equity and Efficiency of Education Project in Costa Rica.

Garnier, Leonardo. Costa Rica Within the "New Economy": The Role of Education, Training and Innovation Sytems. Document in Process: April 15, 2002.

National Learning Institute of Costa Rica. Oferta Curricular 2003. San Jose, Costa Rica.

Ministry of Public Education de Costa Rica (MEP):

1. Results of the National Education Exams Second Cycle. San José, Costa Rica; 2001.
2. Results of the National Education Exams Third Cycle. San José, Costa Rica; 2001.
3. Support for the National Report on Educational Development. San José, Costa Rica; September 2000
4. Integrated Education in Public and Private Schools in Costa Rica: An end has not been reached. San José, Costa Rica; May 2001.
5. The Value of Responsibility to Students 7-10 years old in public schools in Costa Rica. San José, March 2002.
6. Educational Centers, Classified by Regional and Local Locality. Publication 226-02. San José, Costa Rica; July 2002.
7. National Education Development Plan 2002-2006. San José, Costa Rica; September 2002.
8. Expansion of the Costa Rican Educational System 2002. Publication 228-02. San José, Costa Rica; October 2002.
9. Infrastructure in the Costa Rican Educational System 2002. Publication 230-02. San José, Costa Rica; October 2002.
10. Equity and Quality for Children who Attend Single Teacher Schools. National Association for Single Teacher Schools; San José, Costa Rica, December 2002.
11. Total Personnel who Work in Educational Institutions 2002. Publication 231-02. San José, Costa Rica; January 2003.
12. Participation Plan and Report. MEP/World Bank, Costa Rica, January 2004.

SANIGEST. Economic Analysis of Education in Costa Rica.

Sauma, Pablo. "Support for a Poverty Reduction Strategy in Costa Rica"; Document produced for the Project "Determinants of Poverty and Inequality in Central America" of UNDP, in coordination with IPEA, San José -- Rio de Janeiro, December 2000.

Trejos, Juan Diego. Elements of a National Poverty Reduction Strategy in Costa Rica: Final Report". Work for UDNP, Costa Rica, 2001.

World Bank

1. Social Spending and the Poor in Costa Rica, June 2003.
2. Institutional Capacity and Strengthening Study, January 2004.

Annex 13: Statement of Loans and Credits

COSTA RICA: CR EDUCATION

Project ID	FY	Purpose	Original Amount in US$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P073892	2002	CR-Health Sector Strengthening & Moderni	17.00	0.00	0.00	0.00	0.00	15.94	-1.06	0.00
P052009	2000	CR ECOMARKETS	32.63	0.00	0.00	0.00	0.00	13.68	5.53	0.00
P061314	2000	GEF CR-ECOMARKETS	0.00	0.00	0.00	8.00	0.00	5.85	6.65	0.00
P039876	1998	GEF CR BIODIVERSITY	0.00	0.00	0.00	7.00	0.00	0.63	6.07	0.00
		Total:	49.63	0.00	0.00	15.00	0.00	36.10	17.19	0.00

COSTA RICA
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

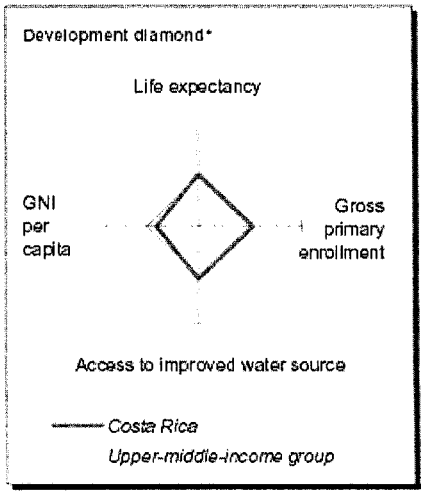
		Committed				Disbursed			
		IFC				IFC			
FY Approval	Company	Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2001	Aeropuerto IJS	35.00	0.00	0.00	85.00	26.33	0.00	0.00	63.93
1998	CIMA Costa	0.00	1.20	0.00	0.00	0.00	1.20	0.00	0.00
2003	Cuscatlan Costa	0.00	0.00	5.00	0.00	0.00	0.00	5.00	0.00
2002	Gutis	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1994	HIDROZARCAS	0.55	0.00	0.65	0.00	0.55	0.00	0.65	0.00
2001/04	INTERFIN	15.00	0.00	5.00	0.00	5.80	0.00	5.00	0.00
1999	Superunidos	23.63	0.00	10.00	0.00	10.63	0.00	10.00	0.00
	Total portfilio:	81.18	1.20	20.65	85.00	43.31	1.20	20.65	63.93

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
	Total pending committment:	0.00	0.00	0.00	0.00

Annex 14: Country at a Glance

COSTA RICA: CR EDUCATION

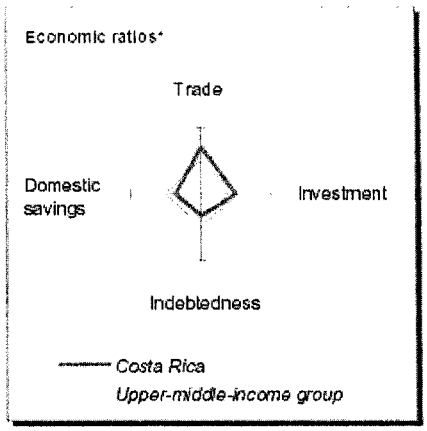
POVERTY and SOCIAL	Costa Rica	Latin America & Carib.	Upper-middle-income
2003			
Population, mid-year *(millions)*	4.0	534	335
GNI per capita *(Atlas method, US$)*	4,280	3,260	5,340
GNI *(Atlas method, US$ billions)*	17.1	1,741	1,788
Average annual growth, 1997-03			
Population *(%)*	1.9	1.5	1.2
Labor force *(%)*	2.5	2.1	1.8
Most recent estimate (latest year available, 1997-03)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	61	77	76
Life expectancy at birth *(years)*	78	71	73
Infant mortality *(per 1,000 live births)*	9	28	19
Child malnutrition *(% of children under 5)*	..	..	..
Access to an improved water source *(% of population)*	95	86	89
Illiteracy *(% of population age 15+)*	4	11	9
Gross primary enrollment *(% of school-age population)*	108	129	104
Male	108	131	104
Female	108	126	104



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

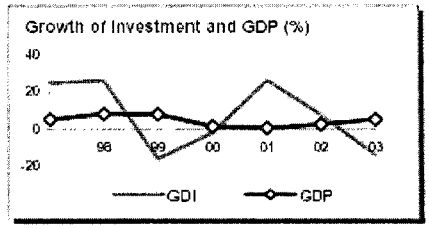
	1983	1993	2002	2003
GDP *(US$ billions)*	3.1	9.6	16.8	17.5
Gross domestic investment/GDP	24.2	20.9	21.9	18.1
Exports of goods and services/GDP	36.0	35.8	42.4	46.0
Gross domestic savings/GDP	23.4	14.4	16.8	16.2
Gross national savings/GDP	13.6	13.4	14.7	12.6
Current account balance/GDP	-11.1	-7.0	-5.6	-5.9
Interest payments/GDP	16.8	1.9	1.4	1.4
Total debt/GDP	133.1	40.1	28.7	30.6
Total debt service/exports	60.5	15.4	8.9	9.1
Present value of debt/GDP	..	..	30.3	..
Present value of debt/exports	..	..	68.1	..

	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	4.6	4.4	3.0	5.6	3.8
GDP per capita	1.8	2.3	1.2	3.9	2.2
Exports of goods and services	10.0	8.6	5.1	8.5	9.3

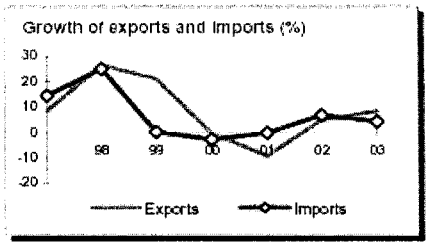


STRUCTURE of the ECONOMY

	1983	1993	2002	2003
(% of GDP)				
Agriculture	25.7	13.0	8.4	8.3
Industry	33.4	30.2	29.1	28.9
Manufacturing	25.5	22.2	21.6	21.4
Services	40.9	56.8	62.4	62.7
Private consumption	61.5	72.4	68.4	68.9
General government consumption	15.1	13.2	14.7	15.0
Imports of goods and services	36.8	42.2	47.4	47.9

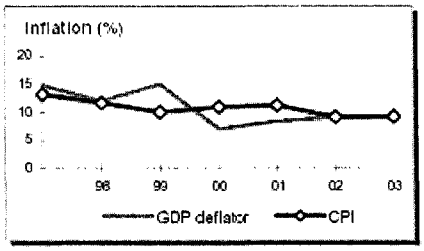


	1983-93	1993-03	2002	2003
(average annual growth)				
Agriculture	4.1	3.0	-2.0	4.0
Industry	4.5	5.0	2.3	4.5
Manufacturing	4.6	5.2	2.3	4.5
Services	5.1	4.4	4.3	5.5
Private consumption	4.5	3.5	3.1	9.5
General government consumption	2.3	2.0	1.6	4.0
Gross domestic investment	9.7	4.6	7.9	-13.5
Imports of goods and services	10.6	6.2	7.0	4.5



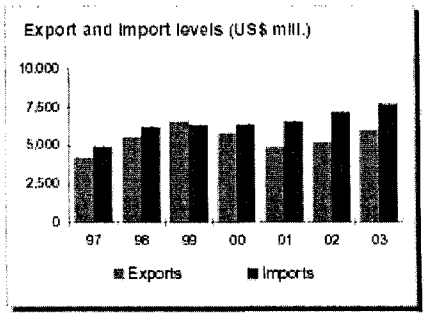
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices	32.6	9.8	9.2	9.2
Implicit GDP deflator	28.9	10.6	9.1	8.9
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	..	22.0	21.7
Current budget balance	..	..	-1.4	-1.2
Overall surplus/deficit	..	..	-5.7	-5.0



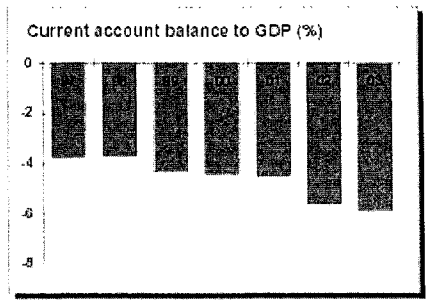
TRADE

	1983	1993	2002	2003
(US$ millions)				
Total exports (fob)	834	2,625	5,259	6,029
Coffee	230	202	165	..
Bananas	240	560	478	..
Manufactures	239	1,384	4,011	4,618
Total imports (cif)	969	3,569	7,188	7,723
Food	148	508	915	..
Fuel and energy	184	215	372	..
Capital goods	151	786	1,277	403
Export price index *(1995=100)*	17	71	192	202
Import price index *(1995=100)*	17	74	219	228
Terms of trade *(1995=100)*	98	97	88	88



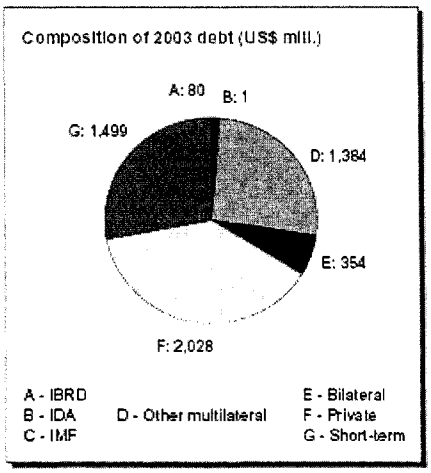
BALANCE of PAYMENTS

	1983	1993	2002	2003
(US$ millions)				
Exports of goods and services	1,118	3,482	7,141	8,055
Imports of goods and services	1,156	4,065	7,724	8,385
Resource balance	-37	-583	-583	-330
Net income	-334	-239	-532	-898
Net current transfers	23	143	169	196
Current account balance	-348	-679	-946	-1,032
Financing items (net)	420	711	1,109	1,067
Changes in net reserves	-72	-32	-163	-35
Memo:				
Reserves including gold *(US$ millions)*	-8	588	1,264	1,300
Conversion rate *(DEC. local/US$)*	41.1	142.2	359.8	398.7



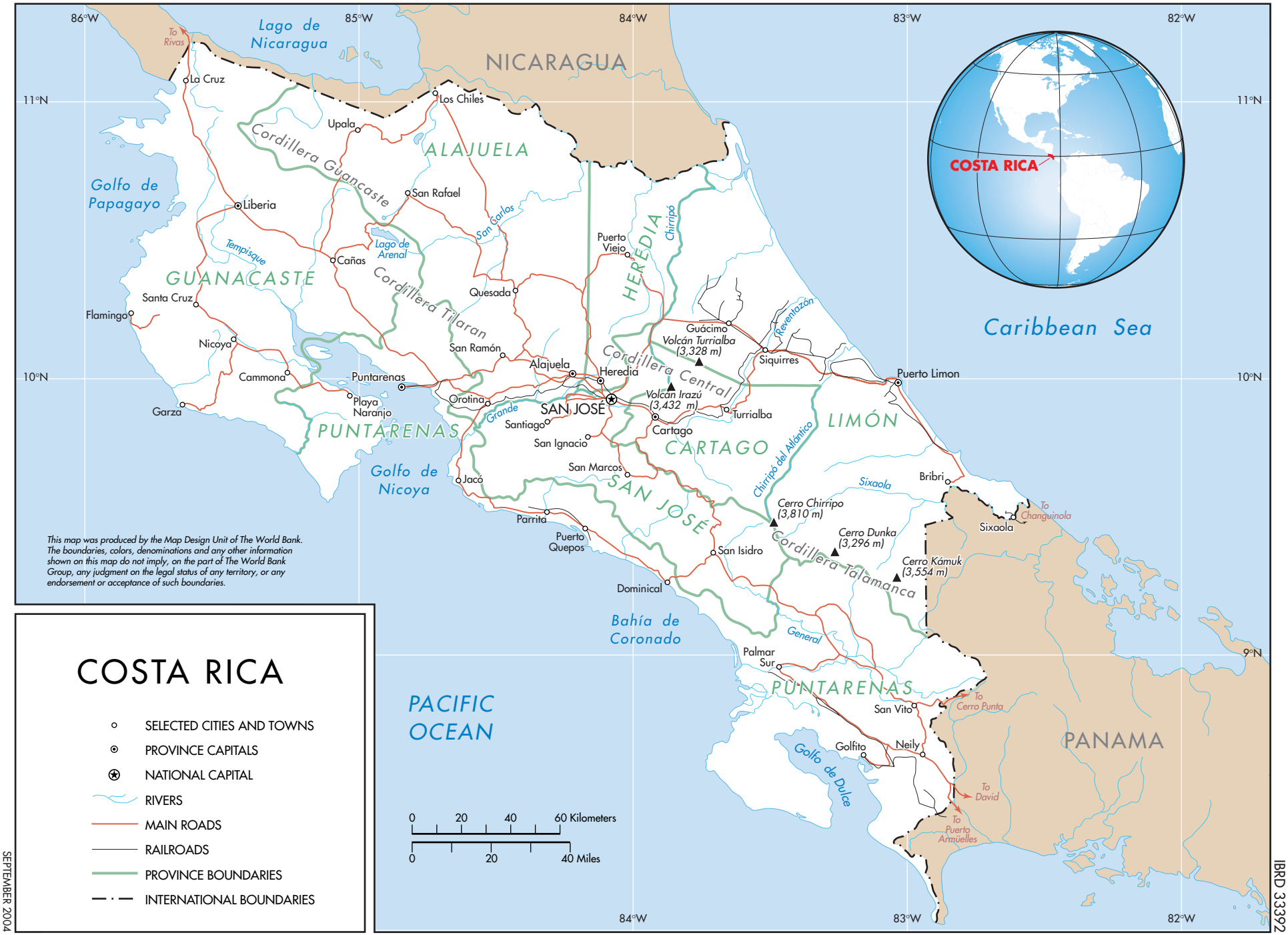
EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US$ millions)				
Total debt outstanding and disbursed	4,188	3,863	4,834	5,346
IBRD	206	344	91	80
IDA	5	3	1	1
Total debt service	700	552	670	763
IBRD	33	76	31	24
IDA	0	0	0	0
Composition of net resource flows				
Official grants	47	31	21	..
Official creditors	194	-86	-160	94
Private creditors	96	-46	-59	331
Foreign direct investment	61	247	662	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	25	148	0	0
Disbursements	24	11	12	7
Principal repayments	18	48	23	18
Net flows	6	-37	-11	-12
Interest payments	16	29	8	6
Net transfers	-10	-66	-20	-18



Annex 15: Map IBRD 33392

COSTA RICA: CR EDUCATION


86°W
85°W
84°W
83°W
82°W
11°N
10°N
9°N
Lago de Nicaragua
NICARAGUA
To Rivas
La Cruz
Los Chiles
Upala
Cordillera Guancaste
ALAJUELA
Golfo de Papagayo
Liberia
San Rafael
San Carlos
Tempisque
Lago de Arenal
Cañas
GUANACASTE
Cordillera Tilaran
Quesada
Puerto Viejo
HEREDIA
Chirripó
Santa Cruz
Flamingo
Nicoya
San Ramón
Alajuela
Heredia
Cordillera Central
Guácimo
Volcán Turrialba (3,328 m)
Reventazón
Siquirres
Puerto Limon
Caribbean Sea
COSTA RICA
Cammona
Puntarenas
Orotina
SAN JOSÉ
Volcán Irazú (3,432 m)
Turrialba
Playa Naranjo
Garza
Grande
Santiago
Cartago
LIMÓN
PUNTARENAS
San Ignacio
CARTAGO
Golfo de Nicoya
San Marcos
Jacó
Chirripó del Atlántico
Sixaola
Bribri
SAN JOSÉ
Parrita
Puerto Quepos
Cerro Chirripo (3,810 m)
Cerro Dunka (3,296 m)
Sixaola
To Changuinola
San Isidro
Cordillera Talamanca
Cerro Kámuk (3,554 m)
Dominical
Bahía de Coronado
General
Palmar Sur
PUNTARENAS
To Cerro Punta
San Vito
PACIFIC OCEAN
Golfito
Neily
PANAMA
Golfo de Dulce
To David
To Puerto Armüelles
0 20 40 60 Kilometers
0 20 40 Miles
COSTA RICA
SELECTED CITIES AND TOWNS
PROVINCE CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES
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SEPTEMBER 2004
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