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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US$85.0 MILLION

TO THE

REPUBLIC OF EL SALVADOR

FOR AN

EXCELLENCE AND INNOVATION IN SECONDARY EDUCATION (EXITO) PROJECT

OCTOBER 20, 2005

Human Development Sector Management Unit
Central America Country Management Unit
Latin America and the Caribbean Region

EL SALVADOR CURRENCY UNIT = US$

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACE	Community Education Association (Asociación Comunal para la Educación)
AFI	Indirect Public Support
APL	Adaptable Program Loan
APREMAT	Support to the Process for Education Reform in Technical Secondary Education (Apoyo al Proceso en Reforma Educativa en Educación Media Técnica)
BCR	Central Reserve Bank
CAFTA	Central American Free Trade Agreement
CAS	Country Assistance Strategy
CDE	School Directive Counsel (Consejo Directivo Escolar)
CECE	Catholic Counsels for Education (Consejos Educativos Católicos Escolares)
CONACORE	National Commission for Education Coordination
CPR	Country Portfolio Review
DGT	General Treasury Department
DYGESTIC	National Directorate for Statistical and Census (Dirección General de Estadísticas y Censos)
ECAP	Academic and Pedagogical Competencies Assessment (Evaluación de Competencias Académicas y Pedagógicas)
EDUCO	Community-Managed Education Program in Rural Areas (Programa Educativo con participación de la Comunidad)
EHPM	National Household Survey (Encuesta de Hogares de Propósito Múltiple)
FDI	Foreign Direct Investment
FEPADE	Business Foundation for the Educational Development (Fundación Empresarial para el Desarrollo Educativo)
FISDL	Social Investment Fund and Local Development
FMR	Financial Monitoring Report
FUNDASAL	Salvadoran Foundation of Development and Low-Income Housing (Fundación Salvadoreña de Desarrollo y Vivienda Mínima)
FUSADES	Salvadoran Foundation for Economic and Social Development (Fundación Salvadoreña para el Desarrollo Económico y Social)
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GNI	Gross National Income
GOES	Government of El Salvador
GPP	Global Procurement Plan
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IDB	Inter American Development Bank
INSAFORP	Salvadoran Institute of Professional Education (Instituto Salvadoreño de Formación Profesional)
IPSAS	Cash Basis International Public Sector Accounting Standard
IRE	Educational Lag Index (Índice de Rezago Educativo)
ISA	International Standards on Auditing
ITCA	Centroamerican Technological Institute (Instituto Tecnológico Centroamericano)

FUNPRES	The Special Education Foundation (Fundación Pro-Educación Especial)
LACAP	Public Administration Procurement and Contracting Law (Ley de Adquisiciones Contrataciones para la Administración Pública)
MEGATEC	Gradual Educational Model of Technical and Technologic Learning (Modelo Educativo Gradual de Aprendizaje Técnico y Tecnológico)
MH	Ministry of Finance
MINED	Ministry of Education
NCB	National Competitive Bidding
NER	Net Enrollment Rate
NGO	Non-Governmental Organization
OM	Operational Manual
PAC	Procurement Plan
PAES	Test of Skills and Learning for Secondary Education Graduation (Prueba de Aptitudes y Aprendizajes para Egresados de Educación Media)
PGCR	Primary Gross Completion Rate.
PGER	Primary Gross Enrollment Rate
PHRD	Special Fund for Policy and Human Resources Development
PIC	Public Information Center
PID	Project Information Document
PISA	Program for International Student Assessment
PNER	Primary Net Enrollment Rate
RVP	Regional Vice President
SBD	Standard Bidding Document
SBM	School-Based Management
SGCR	Secondary Gross Completion Rate
SGER	Secondary Gross Enrollment Rate
SIAF	Financial Management System (Sistema de Información Administrativa Financiera)
SIAP	Integrated Project Administration System
SINEA	National System for Evaluation of Learning Achievement (Sistema Nacional de Evaluación de Aprendizaje)
SNER	Secondary Net Enrollment Rate
TIMSS	Third International Mathematic and Science Study
TWP	Technical Work Programs
UACI	Procurement and Institutional Contracting Unit (Unidad de Adquisiciones y Contrataciones Institucional)
UCA	Central American University "Simeon Cañas"(Universidad Centro Americana Simeón Cañas)
UFI	Institutional Financial Unit
UTEC	El Salvador Technical University (Universidad Tecnológica de El Salvador)

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EL SALVADOR
Excellence and Innovation in Secondary Education (EXITO) Project

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EL SALVADOR

EXCELLENCE AND INNOVATION IN SECONDARY EDUCATION (EXITO) PROJECT

PROJECT APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN

LCSHE

Date: October 20, 2005	Team Leader: Emanuela di Gropello
Country Director: Jane Armitage	Sectors: Secondary education (100%)
Sector Manager/Director: Evangeline Javier	Themes: Education for all (P)
Project ID: P078993	Environmental screening category: Partial Assessment
Lending Instrument: Specific Investment Loan	Safeguard screening category: No impact

Project Financing Data

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

For Loans/Credits/Others:
Total Bank financing (US$m.): 85.00
Proposed terms:

Financing Plan (US$m)

Source	Local	Foreign	Total
BORROWER	12.00	0.00	12.00
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	85.00	0.00	85.00
Total:	97.00	0.00	97.00

Borrower:
Republic of El Salvador

Responsible Agency:
Ministry of Education
San Salvador
El Salvador

Estimated disbursements (Bank FY/US$m)

FY	2006	2007	2008	2009	2010				
Annual	23,627.00	33,334.00	17,926.00	12,857.00	9,253.00				
Cumulative	23,627.00	56,961.00	74,887.00	87,744.00	96,997.00				

Project implementation period: Start March 1, 2006 End: April 1, 2011
Expected effectiveness date: April 1, 2006
Expected closing date: October 1, 2011

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

Does the project require any exceptions from Bank policies? ***Ref. PAD D.7*** Have these been approved by Bank management? Is approval for any policy exception sought from the Board?	[ ]Yes [X] No [ ]Yes [] No [ ]Yes [] No
Does the project include any critical risks rated "substantial" or "high"? ***Ref. PAD C.5***	[ ]Yes [X] No
Does the project meet the Regional criteria for readiness for implementation? ***Ref. PAD D.7***	[X]Yes [ ] No

Project development objective ***Ref. PAD B.2, Technical Annex 3***
Project development objective is to "increase equitable opportunities for young people to complete their secondary education with high quality general and/or relevant specialized competencies." As such, appropriate key indicators include: (i) increasing secondary school (grades 7 to 11/12) enrollment and completion rates particularly among the most disadvantaged socio-economic groups; (ii) raising the percentage of secondary students achieving an intermediate or advanced level score on secondary education exams (grade 9 and grade 11/12 exams); and (iii) augmenting the proportion of technical education graduates who continue into tertiary.

Project description *[one-sentence summary of each component]* ***Ref. PAD B.3.a, Technical Annex 4***
Component I - Quality, Relevance and Competitiveness of Secondary Education (US$42.7 million). This component would promote high-quality relevant secondary education by applying a combination of learning-enhancing interventions.

Component II - Broad-Based Coverage in Secondary Education (US$36.7 million). This component would promote broad-based coverage in secondary education by supporting three key strategies: (a) the development of flexible delivery models; (b) the development of a new demand-side subsidy scheme; and (c) where needed, the expansion and rehabilitation of public infrastructure.

Component III - Management and Evaluation for Effectiveness (US$13.5 million). This component will enhance the effectiveness of all the project's interventions by developing solid evaluation, certification and accreditation systems, and by improving school management and decentralization.

Component IV: Project Administration (US$3.9 million). This component will support the management and coordination of project implementation to ensure capacity within the Ministry of Education to execute the project and achieve the development objectives.

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

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

Loan/credit effectiveness:
The Loan Agreement contains the two following effectiveness conditions:

(a) the agreements referred to in Section 3.01 (b), (c), (d), (e), (f) and (g) of this Agreement have been executed on behalf of MINED and the respective Participating Agencies; and

(b) the Operational Manual has been adopted by MINED in a manner satisfactory to the Bank.

Covenants applicable to project implementation:
See Disbursement Conditions in Annex 7.

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

I. GENERAL CONTEXT

Secondary education is key to growth and poverty alleviation. Following the 1992 Peace Accords, El Salvador enjoyed several years of rapid economic growth and poverty reduction. Considered a stellar example of a country implementing macroeconomic, fiscal and social policies advocated by the development institutions, El Salvador's outlook was promising. Beginning in the later half of the 1990s, however, growth slowed. Progress made towards poverty reduction has also slowed in recent years, and income inequality has slightly increased. New ideas are now emerging on the causes of and solutions to El Salvador's lagging economic growth and social development. Key amongst these is the principle that an educated labor force, with applicable skills for the competitive and technological world market, is a necessary component for both economic growth and for poverty alleviation, particularly in the long term. As detailed in key studies of the education sector in El Salvador[1], this principle has several implications for education policy. These include the need for: (1) expanding access to education, especially at the secondary level where there is currently still an enrollment and completion deficit; (2) ensuring that students from disadvantaged sectors can enroll and excel in school; (3) improving the quality of education at all levels; and (4) strengthening linkages between the education sector and the private sector to guarantee that students have the appropriate skills to succeed in the work place.

II. DIAGNOSTIC OF THE EDUCATION SECTOR

Enrollment and years of schooling have increased, but there is still a secondary enrollment and completion deficit, particularly for the poorest 40 percent of the population. El Salvador has taken important steps in improving and expanding its education system in recent years. Programs, such as *Programa Educación con participación de la Comunidad,* (EDUCO), and indicators, such as primary and secondary net enrollment and average teacher education and accreditation, serve as models for many of the Central American countries and beyond.

Most of the educational progress has taken place at the primary education level. By 2002, primary net enrollment had increased to 87 percent and the gross enrollment rate had declined to 105 percent, indicating that more students were not only enrolling but were enrolling on time and not repeating grades (Table 1). The Ministry of Education (MINED) reports the 2004 net enrollment rate (NER) in primary education at 91 percent and this enrollment rate is expected to reach 95 percent by 2009. The primary completion rate reached 75 percent in 2002 and about 77 percent in 2004. It is expected to reach at least 85 percent by 2009. Enrollment and completion gains have taken place within a context of increasing educational equity between the rich and the poor at the primary level in recent years.

[1] The World Bank's Central American Strategy Paper (2005d), the El Salvador Country Economic Memorandum (2003b), Country Assistance Strategy (2005d), Poverty Assessment (2004a), and Ricardo Hausmann's, *A National Development Agenda for El Salvador* (2003).

Table 1: Primary and Secondary Net and Gross Enrollment Rates (NER, GER) in El Salvador

Year	Primary		Secondary	
	GER	NER	GER	NER
1995	112	82	51	40
2002	105	87	64	52
2004	(103)	(91)	(69)	(60)

Source: EHPM, Household Survey.
Between parentheses, MINED data.

Despite substantial increases in secondary[2] enrollment, there is a persistent secondary enrollment deficit in the country. Net secondary enrollment reached 60 percent in net terms in 2004 according to Ministry of Education data. Predicting net and gross enrollment rates in the various levels using international data and controlling for per capita income, El Salvador is clearly outperforming countries with similar per capita incomes by between 10 and 15 percent at the pre-primary and primary levels, but the comparative advantage disappears at the secondary and tertiary levels where enrollment rates are either on par with similar countries or are below predicted levels (see Annex 1 for more details).

Internal efficiency is low and inequity is high in secondary education. Improvement in access to and completion of primary education (at almost 80 percent in 2004) is creating pressure on the secondary education cycle to make room for the larger number and more diverse pool of students entering secondary education. Although the country's transition rate between grade 6 and grade 7 has reached about 95 percent, there is still: (a) persistent drop-out during the lower secondary cycle; (b) insufficient transition between grade 9 and 10; and (c) substantial differences in transition and drop-out between urban and rural areas and socio-economic strata.[3] Additionally, a very substantial fraction of students are over-age in secondary school (about 60 percent in each grade), producing a strong disincentive to continue in school because of opportunity costs which increase with age[4] (see Annex 1 for more details on internal efficiency).

Finally, there is also evidence of low quality in secondary education in El Salvador. This is particularly true for the lower secondary education cycle, which has particularly low private rates of return. Also indicative of low quality, the percentage of students reaching "intermediate" achievement on national standardized exams in 2002 was lower in grade 9 than it was in grade 3, particularly in mathematics, indicating that the quality of teaching and learning may be higher at the primary level than at the secondary level, particularly considering that the average secondary student is more likely to succeed based on background factors, than the average primary school student. Achievement is slightly higher in grade 11 at the secondary education terminal exam (PAES) but averages "lower intermediate" for both academic and technical streams of secondary schools and in all subject areas. If evaluated on a standard curve, the majority of Salvadoran students would fail.

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[2] In this PAD we refer to secondary education as grades 7 though 11 or 12. In the current structure of education in El Salvador grades 7-9 comprise the last three years of Basic Education, grades 10-11 comprise general secondary school, and grades 10-12 comprise technical secondary school.

[3] Secondary net enrollment was just above 30 percent in 2002 for the poorest income quintile and secondary completion was just above 10 percent for this same group. Indicators are generally very low for the bottom 40 percent. Differences are also very clear between urban and rural areas in secondary. The rural secondary GER is half the GER of urban areas and four times as many children from the urban areas complete secondary school in comparison to rural children in rural secondary schools.

[4] The evidence on El Salvador indicates a sharply increasing drop-out rate from the age of 14 (The World Bank, 2005a, *Central American Strategy Paper*).

Taken together these facts suggest a clear next step for the Salvadoran education system: increasing equitable access to and completion of a high-quality and relevant secondary education. This challenge has been identified by the Ministry of Education as one of four pillars of the newly launched, long-term education strategy, *Plan 2021,* as well as in multiple analyses of national development, including the 2005 CAS which sets the objective of "11 years of schooling for the entire population."

III. RATIONALE FOR FOCUSING ON SECONDARY

Broad-based secondary education is an urgent challenge for the country. Increasing access to secondary schooling leads to equality of opportunities and social cohesion. Recently several studies have posited that a population with full secondary education is also key to boosting national competitiveness and GDP in an increasingly technological world.[5] Low unemployment rates (about 4 percent) and high rates of return in upper secondary in El Salvador[6] (12 percent) suggest low supply of secondary graduates and high demand for them on the labor market. The demand for educated workers is likely to only increase with the CAFTA (Central American Free Trade Agreement) because reforms to liberalize trade regimes, encourage foreign direct investment, and facilitate licensing of technologies, may further unleash the demand for schooling.

Demand for highly-skilled workers has increased in El Salvador in recent years. Higher education levels are being increasingly rewarded on the labor market, as shown by the increasing private rates of return to schooling in tertiary education and an increasing gap between rates of return of lower and higher education levels (an analysis of rates of return is provided in Annex 1).[7] This demonstrates a strong rise in the demand for individuals with advanced skills in the country. The trend towards greater differentiation between rates of return to different levels of schooling is in line with Latin American and international trends and emerges from the changing needs of the global economy. El Salvador's challenge, therefore, is to build the skills and educational attainment of all Salvadorans.

Few Salvadorans have the skills needed to support competitiveness and economic growth. The current 25 year cohort only has about eight years of schooling. The poor quality of schooling and limited enrollment in and completion of secondary education (and therefore also access to tertiary), prevent large segments of the population from acquiring the skills necessary to support innovative, technological development. On the 2003 secondary exit exam (PAES) only eight percent of students reached "advanced" markings.

IV. STRATEGIES TO IMPROVE SUPPLY OF SKILLS

Meeting the increasing demand for a more highly educated population, means first helping students reach higher levels who otherwise would not or could not. This means not only scholarships or some other mechanism at higher education levels, but also getting more students, including disadvantaged ones, to enroll in and complete upper secondary education. It also means continuing to the higher education level and improving the linkages between secondary and tertiary education. Details on types of public interventions are provided in Annex 1.

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[5] See Fuller and Holsinger (1993), The World Bank (2003a), and The World Bank (2005c).

[6] Higher than the Latin American average, which is about 8 percent, and in line with the returns of Honduras and Nicaragua which both have lower supply of secondary graduates.

[7] Whereas the rate of return for older individuals who finished secondary education is twice that of individuals with a primary education, for the 18-30 cohort, upper secondary education graduates have a private rate of return four times that of primary graduates, indicating that secondary graduates have an increasing edge on primary ones.

The priorities of the Government of El Salvador (GOES) support increasing educational attainment. The GOES' 2004-2009 National Education Plan and the GOES' long term education plan, *Plan 2021,* outline three policy priorities, which will help students reach higher education levels by expanding infrastructure, improving integration between education levels and reducing the opportunity costs of schooling. These policy priorities are: (i) the expansion of educational services through flexible delivery modalities; (ii) the expansion of basic and secondary education in rural areas through rural education networks and EDUCO schools; and (iii) the strengthening of technical-technological networks. The proposed EXITO project supports these policy priorities, which will be described in more detail below. Other key policy priorities which will improve educational attainment by improving the quality and relevance of delivery are mentioned below.

Meeting increased demand for skills also requires improving the quality and relevance of secondary and tertiary education. This objective is important per-se and because it is related to educational attainment. Possible interventions include developing and improving general/basic competencies across the whole system, developing key specific skills (in particular in the areas of technology, mechanics and science, as pointed out by the business association for education of El Salvador, FEPADE, and Perla and Morera[8], through their firm survey), improving teachers' skills to deliver the curriculum, improving the teaching-learning environment (by improving, for instance, the availability and quality of teaching resources), and finding innovative ways of improving linkages between education levels, training, and the labor market.

The priorities of the GOES also support improving the quality and relevance of secondary education. The GOES' 2004-2009 National Education Plan and the GOES' long term education plan *Plan 2021* outline several policy priorities which will help students upgrade their skills. These policy priorities include: (i) developing a competency-based curriculum; (ii) advancing student's command of the English language, using technologies and promoting connectivity within the education system; (iii) strengthening monitoring, evaluation and accreditation systems; (iv) strengthening management and autonomy; and (v) strengthening technical-technological networks. Once again, the proposed project supports these policy priorities, which will be analyzed in more detail below.

Only a comprehensive policy package will successfully overcome the range of constraints facing secondary enrollment. The barriers that prevent more youth from enrolling in secondary education are multiple, and they will need to be addressed using multiple interventions. What is ultimately needed is a combination of strategies, including: (i) increased public financing; (ii) quality and relevance-enhancing measures, including improving the relevance of technical education; (iii) supply-side measures such as the development of flexible delivery strategies and/or the expansion of physical spaces; and (iv) demand-side interventions. Under the proposed project, the GOES and the Bank seek to apply a comprehensive combination of strategies to meet the challenges of secondary education in El Salvador.

2. Rationale for Bank involvement

The GOES and the Bank are advancing a project focused on secondary education, because of this new and urgent challenge in secondary education rather than a continuation of the previous Education Reform Project APL that focused heavily on primary education. This new project would deepen the Bank's support of secondary education, focusing on grades 7 though the last grade of secondary (11 or 12, depending on the modality). It would also support greater donor harmonization, less duplication of efforts, and concentrate the Bank's efforts on the area of secondary education where we have a greater value-added.

[8] See Perla and Morera (2005).

The GOES is requesting technical assistance from the World Bank for the urgent challenges in secondary education. The GOES' 2004-2009 National Education Plan and the *Plan 2021* outline key policy priorities for the improvement and expansion of secondary education. However, El Salvador needs the assistance of the Bank to operationalize these plans and reach the same successful framework for educational improvement that has been established in primary education. The proposed project is squarely in line with the GOES education sector plans, which it would help implement.

The new project will allow the GOES to focus its borrowing in the area where it most needs additional financing. The GOES has shown strong commitment to education advancement. Its long term education plan *Plan 2021* commits to even faster growth in the steady gains in education investment over the last decade (see Table 2). However, El Salvador faces severe budgetary constraints. Per capita GNI in 2003 was just over US$2000 and national GDP in 2000 was US$13.3 billion. While this shows marked growth from a GDP of US$3.6 billion in 1990, El Salvador still lacks sufficient funds to support educational reforms to expand access to secondary to all primary graduates, improve the relevancy of the curricula and teaching methods to address twenty-first century social and economic needs, and support national development and competitiveness. A recent simulation analysis suggests that El Salvador will need to spend between 0.9 and 1 percent more of its GDP by 2015 on secondary education to achieve universal coverage in lower secondary (that is, also including full transition of the poor) and wide coverage in upper secondary (gross enrollment rate of 70 percent)[9]. The new project will help the GOES reach these financing objectives.

Table 2: El Salvador's Public Education Expenditure as a Proportion of GDP (%)

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
%	2.3	2.5	2.6	2.7	2.9	3.1	3.3	3.2	2.9	3.1	3.4	3.7	3.9	4.2

Source: World Bank (2005a) *Central American Strategy Paper* for 1996-2003, 2004-2009 from MINED (2005) *Plan 2021*

3. Higher level objectives to which the project contributes

Investing in secondary education will support growth and social development. The El Salvador CAS from 2001 and 2005 both identify education as a fundamental investment area for national growth, competitiveness, and poverty reduction, and the 2005 CAS puts special emphasis on the development of broad-based secondary education. Furthermore, the World Bank's Latin American flagship study, *Closing the Gap in Education and Technology* identifies secondary education as a core weakness in Latin American education systems and as a requisite for national advancement.

Already World Bank education investments have made important contributions to El Salvador's education system since the end of war, particularly in the areas of expanding community-managed rural primary schools, general secondary education reform, and the curricular modernization of basic education.[10] Moving forward, this new project would work on "closing the gap" to accessible, quality, and relevant secondary education for all Salvadorans, and ultimately aim at improving the productivity, international competitiveness, and social development of the country.

[9] See The World Bank (2004b).

[10] *Plan Nacional de Educación 2021: Un salto a la modernización de la educación en el nuevo milenio: PERFIL DE PROYECTO* (2004).

B. PROJECT DESCRIPTION

1. Lending instrument

The GOES has identified an investment loan, with strong focus on results, as the most suitable lending instrument for this new project. An investment loan would allow the GOES to capitalize on the technical assistance provided by the Bank in facing this urgent and growing challenge of broad-based, quality secondary education in El Salvador.

2. [If Applicable] Program objective and Phases

N/A

3. Project development objective and key indicators

The project development objective is to increase equitable opportunities for young people to complete their secondary education with high quality general and/or relevant specialized competencies. As such, appropriate key indicators include: (i) increase secondary school (grades 7-11/12) enrollment and completion particularly for the most disadvantaged socio-economic groups; (ii) increase the percentage of secondary students scoring at the intermediate or advanced level on the grade 9 and PAES exams; and (iii) increase the proportion of technical education graduates who continue into tertiary. These indicators are detailed in Annex 3.

4. Project components

The project would consist of three, closely inter-related components. The first component focuses on improving the quality and relevance of secondary education; the second on improving equitable coverage; and the third on improving the effectiveness of all the project's interventions by enhancing the management and evaluation of secondary education delivery.

COMPONENT I: Quality, Relevance and Competitiveness of Secondary Education (US$ 42.7 million)

This component would promote high-quality relevant secondary education by supporting measures to improve learning in core subjects, teaching-learning environments, and the relevance of technical education through stronger linkages with tertiary education and the private sector. Improved learning and relevance will not only contribute to upgrading the country's skills, but also contribute to increasing educational attainment and coverage, and laying the basis for improving the productivity, growth and competitiveness prospects of El Salvador.

I.A Learning in Core Subjects

This sub-component would improve quality and relevance of secondary education by improving learning in five key areas (Spanish, math, science, social science, and English). Ensuring high learning levels in core subjects is the basis for improving the productivity and competitiveness prospects of the country. Despite important reforms in the secondary education curricula beginning in 1997, more support is needed in El Salvador to ensure that secondary students have sufficient mastery of the core disciplines.

Student learning will be improved by developing basic competencies and targeting low achievers. Student learning in the four basic disciplines will be improved by focusing on the development and

application of general/basic competencies in Spanish, math, science and social studies. Competencies will be developed by grade and be the same across modalities (regular, flexible) to ensure equivalent learning levels. New study programs, methodological guides, other teaching materials, teacher and directors' training and updated study plans of pre-service teacher education will support the application of competencies (making sure that teacher training covers the schools' lower performing tier). Additionally, part of this sub-component will improve the English language communication skills of youth completing secondary school by strengthening teaching and learning of English in public schools and offering English instruction as an extracurricular course for secondary students. Finally, this sub-component will also target those students who are academically behind, as measured by poor scores in the PAES and grade 9 exams, and the disabled (students with special needs), by developing special academic reinforcement programs in schools.

The sub-component contemplates the following activities: (i) development of general/basic competencies in 5 core disciplines, for each grade and common across modalities (general and technical education, flexible modalities), with associated new study plans; (ii) application of basic competencies, through teacher and director training, development and distribution of teaching guides and other teaching materials (textbooks and school cards), and update of study plans of pre-service teacher education; (iii) teacher training, development and distribution of teaching and audio-visual materials and updated study plans for pre-service teacher education for the teaching of the English language; (iv) contracting of external agencies (purchase of educational places) to provide intensive courses in English; (v) academic reinforcement to academically behind students (program development, teaching materials, technical assistance, monitoring and evaluation system); and (vi) program development and equipment of learning resource centers for disabled students.

I.B Relevance of Technical Education

Technical education is a viable option. In El Salvador, 21 percent of all secondary students are enrolled in upper secondary technical institutes (63 percent of which enrolled in the public sector). While it is difficult to assess how relevant technical education is to the needs of the changing economic environment, Annex 1 provides some key facts which suggest that technical secondary education is a viable and relevant option for the country[11]: (a) test scores on core subjects are similar or higher than for the academic track, while the socio-economic background of students is generally lower; (b) a recent curricular reform has enormously simplified and rationalized the supply of technical tracks; and (c) technological institutes, which are the natural destination of secondary technical graduates at the tertiary level, have similar, or higher, rates of return than university tertiary education, while providing shorter-term requirements of study which can respond more effectively to the needs of students who cannot afford long-term studies. One key weakness, however, is the lack of coordination and integration between levels of technical education, which complicates the transition between secondary technical education and technological institutes[12] and the insertion into the labor market.

This sub-component would improve the relevance of technical secondary education by ensuring higher levels of integration between secondary technical education and tertiary technological education. This reform would be supported by the development of three regionally-based, technical-technological networks (also called MEGATEC, or *Modelo Educativo Gradual de Aprendizaje Técnico y Tecnológico*), within a broader technical and technological national policy. These networks would include

[11] Although cost data would be necessary to assess if technical education is also cost-effective.

[12] In particular, technical secondary graduates have to enroll in grade 1 of the technological institutes, even though they have already completed three years of technical education at the upper secondary level.

technical institutes (traditional and APREMAT[13]), technological institutes and, when possible, universities offering technical careers, such as engineering, integrated from both the curricular and physical resources perspective. They will be developed in three regional development poles in the country[14], as determined by the new National Development Plan (*Plan de Nación*). Key to the implementation of these networks will be a competency-based approach, a rationalization and coordination of the supply of technical-technological tracks (including expanding mechanical tracks[15]), teacher professional development, the targeted expansion and equipment of the network hubs (o *institutos de sede*) for the benefit of the network, and the development of a program for academically promising students in technical-technological areas.

These networks would also allow for higher levels of integration of technical education with the labor market and professional training, to some extent, laying the basis for a life-long learning framework. Integration with the labor market and the private sector would be promoted through five main strategies: (a) private administration (and co-financing) of the networks, mostly through ITCA, which is in turn managed by FEPADE, the business association for education; (b) specialization in appropriate economic areas for each targeted region to satisfy regional demands for skills; (c) sale of services directly to the private sector, in particular small to medium enterprises (SMEs), which may need to use the network to train their employees and upgrade their technology and administration systems; (d) feed-back from technological education to technical education on how to provide better quality technical tracks, more relevant to labor market needs; and (e) set-up of a flexible system, which allows technical graduates who decide to join the labor market immediately after the completion of their secondary studies to have their labor market experience recognized for the purposes of enrolling later on in the tertiary level. Integration with professional training would be promoted through three main strategies: (a) authorization given to INSAFORP (*Instituto Salvadoreño de Formación Profesional*) to make use of the network for the professional training courses that it finances; (b) recognition of the competencies/skills acquired through training within the network.[16]; and (c) making use of the experience of INSAFORP in labor competencies, curricular design, professional orientation and SMEs, among others.

Setting-up the three technical-technological networks will include several activities. The project contemplates the following activities: (i) the set-up of national technical and technological national policy; (ii) the harmonization and collective use of school facilities within the network, which will include the expansion, rehabilitation and refurbishing of physical spaces and the provision of new teaching-learning spaces in the network hub (*instituto de sede*); (iii) the development of a competency-based approach in technical/technological education and the rationalization and coordination of technical-technological tracks; (iv) the development of teacher professional opportunities within the networks; (v) the development of a program for academically promising students; (vi) the design and implementation of professional orientation programs in lower secondary schools located within the regional networks; and (vii) the implementation of agreements with INSAFORP and technical assistance to the SMEs.

I.C Technology for Learning

This subcomponent will support curriculum development, and, therefore, the quality and relevance of secondary education, through the adequate use and implementation of Information and

[13] APREMAT institutes are institutes which have been greatly strengthened, in terms infrastructure, pedagogical development and equipment, under a recent IDB project.
[14] Zacatecoluca, Cabanas and Sonsonate.
[15] The networks will specialize in electronics and logistics, telecommunications and industrial mechanics, and electricity and agro-industry, which are already supported by the existing secondary technical tracks.
[16] A technical graduate who interrupted his studies and undertook some professional training could, for instance, enroll in technological education later on with credits for the training undertook.

Communication Technologies (ICTs) and the development of skills in the use and application of the ICTs. The effective use of ICTs can potentially have the greatest impact on the following skills: critical thinking, collaboration, team work, information reasoning, information literacy, and cultural awareness. Some evidence on the impact of ICTs is reported in Annex 4.

Technology labs with effective use policy. The sub-component will provide new technology labs in secondary schools (including infrastructure improvement when needed, computers and audiovisual equipment), with emphasis on urban-marginal institutes and rural institutes with the necessary capacity. A coherent use policy will be put in place, ensuring integration with the curriculum, appropriate examinations that test the skills/knowledge that are expected to be developed, adequate training of teachers and students and the incentives for the teachers and students to effectively use the investment. Integration with the curriculum will be supported by the development and adoption of user guides written, jointly, by the national education and technology departments.

The sub-component contemplates the following activities: (i) construction and rehabilitation of technological labs in secondary schools; (ii) procurement of computer and audiovisual equipment (networks, servers, workstations, etc) for schools and for the central and regional level of the Ministry; (iii) procurement of educational software (simulators, specialized encyclopedia, etc.) and office productivity software; (iv) design, development and printing of pedagogical guides to support the integration between curriculum and technology; (v) training to heads of technological labs and teachers on the use of pedagogical guides and in general the use of ICTs for education; (vi) technical assistance and monitoring of the beneficiary schools; and (vii) design of a base line and evaluation study of the subcomponent.

I.D Schools' Social Environment for Learning

This sub-component will improve the quality and relevance of secondary education by improving the teaching-learning environment in poor marginalized schools through an improvement of the social environment. El Salvador has unique challenges present in marginalized, urban secondary schools where poverty, violence, poor infrastructure and services, and insecurity make it difficult for students to learn, teachers to teach, and schools to function at their highest capacity. A recent analysis on the determinants of the PAES results[17] confirms that classroom environment is strongly related to test scores. Poor learning and educational attainment in urban marginal schools contribute to the overall lower performance of the poor, providing strong justification for a public intervention in these low quality schools.

Prevention of at-risk behavior (*Convivencia Escolar*). This sub-component would strengthen the social environment in 30 poor, urban secondary schools with violence problems and low academic achievement levels by applying an integrated set of measures supporting the prevention of risky behavior, including the set-up of "social environment councils" (*Comites de Convivencia*) to support collaboration between families, schools and communities, the strengthening of teachers, students and families' skills in conflict resolution, and the development of schools' social environment improvement plans. It will also enhance a sense of participation and solidarity by supporting the design and implementation of school youth projects.

The sub-component will contemplate the following activities: (i) establishment of "*Comites de Convivencia*" (social environment councils) and support of parents and students' organizations; (ii) training to directors, teachers, students and families in conflict resolution; (iii) development of schools' social environment plans; (iv) elaboration of teaching materials and organization of study tours and

[17] El Salvador, MINED (2001).

dissemination activities related to activities (i) to (iii); (v) organization of extra-curricular and health-related activities; (vi) financing of school youth development projects (amounts transferred per project within pre-established thresholds); and (vii) monitoring and evaluation of the activities implemented and results obtained.

COMPONENT II: Broad-Based Coverage in Secondary Education (US$36.7 million)

This component would promote broad-based coverage in secondary education by supporting three key strategies: (a) the development of flexible delivery models; (b) the development of a new demand-side subsidy scheme; and (c) where needed, the expansion and rehabilitation of public infrastructure. By being mostly targeted to disadvantaged populations (poorest 40 percent, rural groups, marginal-urban areas), the combination of these three strategies has the potential of improving secondary enrollment in El Salvador in an equitable manner, together with the quality-enhancing measures developed in Component I.

II.A Flexible Delivery Models

Low rates of return and high direct and opportunity costs prevent youth from attending school. The combination between low rates of return in lower secondary, substantial opportunity costs (increasing with age), and substantial direct private costs for low-income people, provides strong disincentives for over-age and lower/lower-middle income youth to attend school. Confirming these findings, the bulk of the secondary coverage gap in El Salvador is in the bottom 40 percent of the population and in the rural areas; and the drop-out increases massively from the age of 14.

Flexible modalities are a promising means of providing relevant, quality schooling to disadvantaged groups. This subcomponent seeks to expand secondary education coverage in a broad-based way by developing flexible delivery modalities, including accelerated, semi-distance and distance education modalities, for youth who did not complete, or are at risk of not completing, secondary education. Flexible delivery models have proven to be a promising means of providing relevant, quality schooling to rural, lower/lower-middle income, and over-age students.

Details on the characteristics of the three flexible modalities are provided in Annex 4. All modalities will be available for lower and/or upper secondary education, have specific target populations and prioritize geographic areas with worse than average education indicators and better than average labor market prospects for secondary graduates. All three modalities would be implemented through accredited agencies, as part of the contracting-out strategy of the MINED. To ensure quality, the institutions would go through a thorough accreditation process (see sub-component III.A) and all the programs would be based on the same general competencies as the traditional programs and be subject to the same tests in grades 9 and 11.

The project would support the following activities under this sub-component: (i) the development of curricular and pedagogical adaptations for all three modalities, including the development of the web-based platform for distance education; (ii) the development and distribution of teaching-learning materials for teachers and students for all three modalities, including audiovisual materials for distance education; (iii) teacher training in two of the three modalities; (iv) the implementation and development of an information, monitoring and evaluation system for the three programs; (v) promotion activities for the three programs; and (vi) the contracting (purchase of education places) and training of implementation agencies for the three programs.

II.B Demand-Side Scheme

Demand-side interventions can help address direct and opportunity costs while providing an incentive to continue to be enrolled in the traditional system. Lower-income families face higher direct and opportunity costs of schooling, as well as lower rates of return. Demand-side interventions can help address schooling costs. This sub-component aims at expanding secondary education coverage by developing a demand-side scheme for lower-income students. El Salvador already has experience with demand-side interventions and the present scheme would build on this experience.

Targeting methodology: This subcomponent will provide yearly grants to support secondary completion for youth from the bottom two income quintiles. Students would need to be in school (or have been out of school for at most one year) and some minimum academic performance criteria would be applied. Details on the targeting methodology are provided in Annex 4. It is proposed to use electricity bills as main targeting criteria, since the amount of electricity used is highly correlated with income and electricity bills are easy to monitor. Other complementary targeting criteria would be household composition and ethnic group, and mechanisms could be put in place to double-check some of the information if needed (such as involving schools' teachers and local communities). In case of excess demand of eligible students, a lottery would help select the beneficiary students.

Public-private partnerships: Students would have the choice between public and private schools, which have been previously selected according to strict quality criteria and space availability. Grants would be available starting in grades 7 and 10 and would cover the main private direct costs of schooling. Details on the allocation and amount of the grants are provided in Annex 4. To ensure sustainability, the grant scheme will be managed by a non-profit institution (FEPADE), which has extensive experience with managing grants, and a mixed public-private fund would be envisaged. Finally, a monitoring and evaluation scheme would also be set up to monitor student and school performance in time and an impact evaluation of the grant scheme undertaken.

The sub-component will contemplate the following activities: (i) the set-up of the program, including the development of instruments for the selection of students and schools; (ii) the transfer of yearly per-capita grants to cover direct costs of schooling; and (iii) the implementation of a monitoring and evaluation system to monitor the institution which manages the program, as well as the participating students and schools, including rigorous impact evaluation of the program.

II.C Expansion of Infrastructure

Infrastructure supply is still an issue. Although lack of infrastructure is not the main cause for low secondary enrollment in the country, it is still an issue in upper secondary education, as also indicated by a sharper transition rate between grade 9 and 10. While there is more supply in urban than rural areas, classrooms are often over-crowded (over 45 pupils per classroom) in urban and marginal-urban schools requiring urgent attention as well.

The project will expand and rehabilitate infrastructure in a targeted way. The interventions exemplified above would address the lack of public infrastructure in rural and urban areas, but will not be sufficient to address the supply issue. This sub-component aim is to increase secondary education coverage by expanding and improving the infrastructure and equipping formal, public general and technical secondary schools. Creating more access for young people to the formal education system, while also improving teaching-learning conditions, will require, constructing, expanding and/or rehabilitating classrooms in urban-marginal and rural areas.
The sub-component will therefore support: (i) the rehabilitation, refurbishing and equipping of existing classrooms in upper secondary schools, giving priority to low performing ones; and (ii) the construction,

refurbishing and equipping of new classrooms in upper secondary schools, most of them located in urban and urban-marginal areas with high projected population growth.

COMPONENT III: Management and Evaluation for Effectiveness (US$13.5 million)

This component will enhance the effectiveness of all the project's interventions by developing solid evaluation, certification and accreditation systems, and by improving school management and decentralization. These interventions will strengthen the capacity of the MINED and of several external education agencies.

III.A Evaluation and Accreditation for Effectiveness

This sub-component will maximize the effectiveness of the interventions of the project by developing solid monitoring, evaluation, certification and accreditation systems. Most of the interventions of the project require a strong evaluation and monitoring system to ensure that they achieve their objectives. Additionally, some of them rely on strong accreditation processes to be carried-out effectively; while others rely on teacher quality, which is closely related to teacher evaluation and certification.

Monitoring and evaluation: The monitoring and evaluation system of El Salvador is already fairly advanced (Annexes 3 and 4 detail the characteristics of this system), although there are persistent key weaknesses, such as limitations in the extension, completeness and relevance of external evaluation, the lack of continuity in elaborating and monitoring key indicators, and the insufficient dissemination and operational use of the information. The project will strengthen the country's monitoring and evaluation system by improving external evaluation and the use and dissemination of indicators (details are provided in Annex 4). It will also develop a new institutional set-up for monitoring and evaluation to ensure better coordination, continuity of monitoring and dissemination of results (see Annexes 3 and 4).

Accreditation of institutions: The country still needs to develop an effective accreditation system for private and non-profit institutions (NGOs, other institutions) to ensure high quality standards. The project will help the country set up an effective policy and institutional framework for accreditation of institutions.

Teacher evaluation and certification: Finally, the country also needs to improve its system of teacher evaluation and certification (details on the teacher performance system are provided in Annex 4). The project will support more continuous teacher evaluation by helping define clear performance profiles and standards on which to base solid performance evaluation, which would make it possible to certify in-service training and reward actual classroom performance. It will also support an adequate institutional framework for certification (of students and teachers) and accreditation (of institutions).

In sum, this sub-component will contemplate several activities, including: (i) the improvement of the student evaluation methodology in the PAES exam; (ii) the development of tests to certify basic, technical and English competencies; (iii) the development of basic education indicators at the school level; (iv) the analysis and dissemination of results and its use for certification purposes; (v) the participation in international academic assessments (TIMSS); (vi) the establishment of a methodology for the accreditation of institutions, based on clear quality criteria; (vii) the establishment of a methodology for teacher evaluation and certification; and (viii) the development of a strengthened institutional set-up for monitoring, evaluation and accreditation, with internal and external components.

III.B Management and Decentralization for Effectiveness

This sub-component will enhance the effectiveness of the project's interventions by improving school management and decentralization. The 2001 analysis on the determinants of the PAES results indicates that school management is related to secondary education academic results, with strong evidence for the variables measuring directors' leadership and school autonomy. These variables have a positive impact on academic achievement by improving teacher effort and commitment, school and classroom environment, and the availability and use of teaching-learning materials, that is by strengthening most of the interventions of Component I. Additionally, management and, particularly, autonomy, can help expand coverage in difficult to reach areas, therefore strengthening the impact of the interventions of Component II.

A combination of policies is required to strengthen management and decentralization. The education system is fairly decentralized in El Salvador, with all schools benefiting from at least some level of administrative autonomy, strengthened this year by the transfer of unified school budgets (more details are provided in Annex 4). EDUCO schools, established in rural isolated areas, are the most autonomous ones as they can hire teachers. Effective management and decentralization in secondary education will require a mix of interventions aimed at: (a) helping directors develop their leadership skills; (b) strengthening school councils to allow them to manage more effectively their education budgets and implement successfully their yearly education plan; (c) providing better tools for quality control; and (d) when needed, deepening school autonomy.

To this purpose, the project will support several interventions. It will contemplate the following activities: (i) the provision of technical assistance to schools' managing organizations and supporting teams in key areas of school management; (ii) the development of a quality control and monitoring system at the school, regional and MINED level, including necessary technical assistance, materials and equipment; (iii) technical assistance, refurbishment and provision of teaching materials in basic EDUCO schools, which will be expanded to upper secondary; and (iv) the implementation of a monitoring and evaluation system to monitor EDUCO expansion, including rigorous impact evaluation of the program.

5. Lessons learned and reflected in project design

The proposed project incorporates several lessons from previous projects and interventions in El Salvador in its overall design and in the design of the specific components and sub-components.

***Political commitment and stakeholders' participation*:** political commitment and stakeholders' participation are key in determining the success of a project and had a clear impact on the past and current education projects in El Salvador. When political commitment has been high implementation has been greatly facilitated (as was the case for the Basic Education Project which closed in 2001); when it has been low, the result was slow implementation (as in 2003/2004 for the existing education projects). The current MOE team is highly committed and the new project is at the core of the long term country education plan (*Plan 2021*), indicating strong ownership. Additionally, the *Plan 2021* was prepared in a very participatory way involving key stakeholders in the discussion of the country priority issues. This will facilitate implementation over the life of the project.

Institutional strengthening to support a result focus: other projects in Latin America have shown that adequate institutional capacity is key in determining the success of a project. Under the proposed project a lot of emphasis is placed on strengthening monitoring, evaluation and accreditation systems to promote result-based management and high quality standards at all levels (MINED, implementing agencies, and schools). Focus on results is also supported through a strong set of outcome indicators within the *Plan 2021* and the new project.

***Management and decentralization*:** effective service delivery has shown to be key to the success of several education projects in El Salvador and elsewhere. There have been innovative experiences of school-based management with community participation in all Central American countries with positive results on community and school empowerment, and, through strengthened accountability, teacher performance and educational achievement. Primary and basic EDUCO schools in El Salvador are probably the most successful example of SBM in Central America. Although widely known for this model, El Salvador has also experienced with SBM through partial school autonomy in traditional schools. The new project will build on these experiences in two main ways. It will pursue and deepen partial administrative autonomy in all basic and secondary traditional schools by strengthening their planning and administrative capacity and increase full autonomy in secondary schools by expanding EDUCO schools to the upper-secondary level, with the necessary adjustments required by the higher complexity of this education level.

***Management and public-private partnerships*:** the experience in secondary education reforms has shown that the private sector has an important role to play in the delivery of secondary education. In El Salvador, about 20 percent of the enrollment is provided by private sector schools, with this share increasing to more than 30 percent in upper secondary. While public financing will in any case need to increase to provide for further secondary expansion, previous interventions have not sufficiently exploited the existing capacity of private schools for service provision. The proposed project will support higher involvement of private schools in the delivery of secondary education by supporting a demand-side scheme which finances the enrollment of low-income students in high-quality public and private schools. In contrast, there is more tradition in the country of involving nongovernmental agencies in the management of education services. This is, for instance, the case of the successful cooperation with FEPADE and the UCA in the existing secondary education project. The project will build on this experience by consolidating its partnership with FEPADE, FEPADE-ITCA and UCA, while also contracting-out the delivery of flexible education modalities and extracurricular courses to accredited nongovernmental implementing agencies.

***Demand-side subsidies for low-income students*:** demand-side interventions can play an important role in secondary education delivery where direct and opportunity costs of schooling are high. The scholarship program supported by the current secondary education project has been considered successful, with a high number of secondary graduates. However, a couple of weaknesses were the lack of financial sustainability and the lack of rigorous impact evaluation of the program. The new project will expand and improve this program by involving private sector schools (see above), envisaging a mixed public-private fund to ensure financial sustainability and incorporating the impact evaluation of the program upfront in its design, implementation and outcome indicators. Particular attention will also be given to the selection of students, trying to improve on the selection criteria established under the existing secondary project.

***Flexible modalities for secondary education*:** flexible delivery models have proven to be a promising means of providing relevant, quality schooling to rural, lower/lower-middle income, and over-age students. El Salvador has implemented accelerated education programs in primary and semi-distance education programs in secondary, which are currently being evaluated, and which, apparently, have had promising results. Building on these programs and the lessons of their evaluations, the new project will develop and implement three flexible modalities for specific target groups, paying special attention to teaching methodologies and quality levels.

***Technical education*:** lessons from successful experiences suggest that technical education needs to deliver strong general skills, while also delivering specific skills relevant to labor market needs, and provide a variety of options, such as integrating the labor market or continuing into tertiary education (immediately or after having acquired work experience). The proposed project supports a competency

based demand-driven technical education, where students have the option of integrating the labor market or continuing into technological tertiary education, with a set of core specific skills requested by the labor market and/or tertiary institutions. To some extent, the project would lay the basis for a life-long learning framework, by articulating the different levels of technical education and, in turn, integrating them with professional training and the private sector.

6. Alternatives considered and reasons for rejection

New project vs. second phase of the APL. The Bank and the GOES have decided to advance a new education project focused on secondary education rather than continuing to a second a second phase of the Education Reform Project APL that focused heavily on primary education. There are two key reasons for a new project rather than a second phase APL. First, a successful framework for educational improvement has been established in primary education and the GOES feels satisfied with the technical assistance provided by the World Bank in the first phase of the APL. At this point, the ongoing objectives of the first phase APL in primary education are largely financial rather than technical. These objectives will not be abandoned. The first phase APL has been extended up to June 2006 to provide continuous support and prepare the ground for the secondary intervention; and the IDB is currently engaged in a project supporting quality primary education for all in El Salvador (grades 1-6).

Second, the GOES is requesting technical assistance from the World Bank for the urgent challenges in secondary education. The Secondary Education Project, financed by the Bank will be closing in December, 2005, and without this new project there will be a dangerous gap in support for secondary education. Additionally, as a poor and highly indebted country (public debt was 44 percent of GDP in 2003), the GOES faces very real constraints in how much it can and should borrow. This new project would allow the GOES to focus its borrowing in the area where it most needs additional financing.

Investment loan vs. development policy lending. The GOES sees the value in the combination of technical assistance and financial support that the Bank can provide through a Sector Investment Loan v. Development Policy Lending, whereby financial assistance would be rapidly disbursed through policy-based financing, but without the larger benefit of TA. The Government favors seeking additional technical assistance from the World Bank for the urgent challenges that secondary education now present and has concluded that the SIL with the flexibility to include some results based disbursement would be the most effective instrument for the new loan.

Large scale expansion and equipment of technical and technological institutes vs. support of technical-technological linkages. The project will support technical education by helping develop linkages between the different levels of technical education and between technical education, training and the private sector. Although there may be a need for expanding and equipping further several technical and technological institutes, the decision was taken not to focus on expansion or equipment but on the articulation between education levels, which requires a competency-based system, teacher training and expansion and equipment limited to the technical-technological network hubs.

Large scale rehabilitation/extension of secondary school infrastructure vs. targeted approach. The project will support increasing access to secondary education through the rehabilitation and expansion of secondary school infrastructure. Although the need for secondary school infrastructure rehabilitation and expansion is greater than the project will cover, an alternative to undertake all the present needs of secondary school rehabilitation and construction was rejected in favor of using a targeted approach giving priority to the urban and urban marginal areas with high projected population growth. The decision was taken in part based on the premise that it could be more cost effective to address the supply shortage in rural areas through alternative education programs including distance education programs being supported through another subcomponent of the project.

C. IMPLEMENTATION

1. Partnership arrangements (if applicable)

N/A

2. Institutional and implementation arrangements

Implementation Arrangements: The Implementation arrangements for the EXITO Project have been developed with a focus on three key principles: (a) consolidated MINED institutionalized project implementation; (b) promotion of strategic alliances for increased capacity; and (c) results-based management (including emphasis on targeting, monitoring and evaluation). The project implementation period is five years. In addition, the institutional assessment reviewed the readiness of the technical-technological network, as a key innovative focus of the Project.

a. Consolidated Institutionalized Project Implementation: MINED has continuously managed IBRD and IDB-financed projects over the last 15 years (with no need for a Project Coordination Unit - PCU). During this period, a key goal was to gradually institutionalize the implementation of externally financed projects within its line departments (rather than with a parallel PCU). MINED seeks to consolidate its experience in institutionalized project management, and has defined specific management responsibilities for the EXITO project within its line departments, divisions, and chief units ("*jefaturas*"). Details on the proposed distribution by components, subcomponents, and responsible MINED units are provided in Annex 6.

With Bank support, the MINED is preparing a series of implementation analyses based on the scope of the EXITO Project. At least two products will assist MINED to define an on-going institutional strengthening and institutionalized implementation consolidation plan: an "Institutional Analysis" prepared by a specialist at the Bank, and an "Institutional Capacity Assessment" being prepared by an external team.

The Institutional Capacity Assessment (on Project Files) concluded that the Ministry of Education has the strategic, planning, operational and administrative capacity to undertake the components and activities of the proposed Project. It gave high marks on planning and organization (93.2%) and implementation capacity (88%). An improved system will be developed, based on lessons learned for monitoring of the project annual operating plans (POA, acronym in Spanish). This will include an institutionalized and systemic strategy for preparation of terms of references and specifications, any reviews and changes to the POA during implementation, and close follow up of disbursements (including deviations—additional costs or savings—from original planning).

b. Promotion of Strategic Alliances: as part of the "improved capacity" strategy, MINED seeks to institutionalize its to-date successful work with other education institutional actors: Education Foundations, Universities, NGOs, and other education specialized institutions. For example, in training and development, MINED has worked with FEPADE (*Fundacion Empresarial para el Desarrollo Educativo*); in research and analytical work, with FUSADES (*Fundacion para el Desarrollo Economico y Social*); in standardized testing and other technical and pedagogical support with UCA (*Universidad Centroamerica Jose Simeon Cañas*); and in infrastructure construction, rehabilitation and expansion with FISDL, HABITAT, FUNDASAL and others. Annex 6 provides the rationale to promote and expand strategic alliances for the implementation of the country's education sector plan, including this Project.

It was agreed that there will be three types of strategic alliances congruent with the proposed vision, mission, and value added of each agency and its relation with the Ministry of Education.

- High Quality Service Providers and Strategic Allies in Sectoral Reforms (UCA, FEPADE and ITCA).
- Community Participation and Local Sub-Project Implementation Service Providers (mostly NGOs).
- Infrastructure Co-Executing Agencies (FISDL, FUNDASAL and HABITAT).

c. *Results-based Management:* Project implementation -- diagnosis, strategic planning, implementation, monitoring and evaluation -- includes specific guidelines, procedures, instruments and resources to guarantee the quality of targeting, accreditation, monitoring and evaluation, as well as participation of stakeholders across the education sector (central, regional, community and school). More details on instruments and resources for these functions are provided in Annex 6.

Technical-technological networks: A key innovative focus of the project is the promotion of technical and technological networks, including technical secondary schools, post-secondary programs in technology areas, foundations with technical-technology expertise, and the productive and business sector. The institutional assessment included a review of the readiness evidenced for this network and opinions from representatives of each of the proposed institutions. It was confirmed that El Salvador has already advanced towards the goal of setting up the proposed technical-technological networks—with stakeholders understanding, committing, and already implementing the initial activities to achieve the proposed objectives of this innovative proposal.

Financial Management Arrangements: Project administration will be undertaken by MINED under its established institutional structure. Accordingly, MINED's Institutional Financial Unit (UFI) will be directly in charge of financial management (FM) tasks. These will basically include: (i) budget formulation and monitoring; (ii) cash flow management (including processing loan withdrawal applications); (iii) maintenance of accounting records; (iv) preparation of in-year and year-end financial reports; (v) administration of underlying information systems; and (vi) arranging for execution of external audits.

The fact that MINED has ongoing experience managing projects financed by the WB, for which it makes use of suitable administrative structures and systems, puts it in an advantageous position to take over, with relative ease, the cited FM functions. Still, certain project-specific actions to be executed by loan effectiveness have been identified in a FM Action Plan. Annex 7 describes in detail the FM arrangements and the FM action plan.

Procurement Arrangements: Formal institutional arrangements for bidding and contracting will be conducted by the UACI, reporting directly to the Office of the General Director of Administration (OGDA) in MINED. The UACI is managed by a *Gerente* and maintains the functions and structure as mandated by the LACAP. All aspects of the procurement cycle have been evaluated for this report and found satisfactory. In the case of the three infrastructures co-executing agencies, MINED will be responsible for institutional coordination and supervision of the Procurement Plans (PAC-18), as assigned periodically by MINED to each agency. The Minister of Education provides authorization for all contract awards in all procurement categories with OGDA's Director signing all contracts. Similar arrangements will be in place for infrastructure executing agencies, with the exception that agencies legal representative will sign contracts on behalf of MINED. UACI is responsible for safekeeping of all procurement documentation, including copies of contracts issued by co-executing agencies. It will also conduct prior review of contract awards for selected contracts not subject to prior review by the Bank under as provisioned in each co-executing agreement and the OM.

3. Monitoring and evaluation of outcomes/results

Monitoring and evaluation will have a key role in the new project. Project outcome and intermediate outcome indicators will be monitored through bi-annual or annual reports, by using widely used existing statistical databases and information gathered through the monitoring and evaluation systems of the key sub-components (flexible delivery modalities, demand-side scheme, EDUCO expansion, etc). The available statistical information includes the yearly enrollment census, the grade 9 and PAES score databases and the national yearly household survey. This information is generally reliable, although it can be further improved, and the country has the capacity to generate it. A first census-based grade 9 evaluations and the PAES evaluation are both being undertaken in 2005 to help set-up the baseline for the new project.

Existing institutional structure for monitoring and evaluation: Responsible for data collection vary with the sub-component, with strong involvement of the MINED (and the UCA in the application of standardized testing). The MINED structure for monitoring and evaluation includes three interrelated departments: (a) the National Evaluation Department; (b) the Education Planning Department; and (c) the Statistical Unit. More details on these units are provided in Annex 3. While this set-up appears to be generally efficient, it still needs to become fully functional.

Areas for improvement and key project's interventions: Four main identified issues of the monitoring and evaluation system are: (a) the size, completeness and presentation of some of the databases (to be improved); (b) the coordination between the different statistical sources (poor); (c) the continuity in elaborating and monitoring the key indicators (insufficient); and (d) the use and dissemination of the information (insufficient). The project will support improvements along these four main lines by: (i) financing improvements in the databases; (ii) helping improve information systems and the institutional set-up to ensure better coordination, continuity of monitoring and dissemination (Annexes 3 and 6); (iii) supporting school involvement in monitoring and evaluation by developing a school quality control and monitoring system also at the school level; and (iv) supporting the impact evaluation of the new demand-subsidy scheme and secondary EDUCO schools as examples of effective use of the information.

4. Sustainability

The long-term *Plan 2021* provides an effective framework for the institutional and financial sustainability of the new project. First, the development objective of the new project fits fully within the vision of the education sector development supported by the Plan, ensuring strong government ownership and support of the project. Second, the Plan projects an increasing share of education expenditure in terms of GDP up to 2009 (from 2.86% of GDP to 4.17% of GDP), which confirms a strong commitment to the education sector and should provide a positive financial environment for the project.

Strategic alliances with external specialized agencies, such as FEPADE and UCA, will also support sustainability by maintaining the support of local constituencies beyond the 5-year governmental period.

The project design itself should also enhance its sustainability. In particular, the decreasing disbursement percentage for selected categories will help ensure gradually increasing government financing of key long-term programs or activities, such as English, the maintenance of technological labs, the technical-technological networks, and the provision of flexible modalities and grants. By the end of the project, these programs or activities will be largely financed on national funds. In addition, some activities, such as the technical-technological networks and the demand-side scheme, make explicit reference to private sector contributions to support financial sustainability.

5. Critical risks and possible controversial aspects

POTENTIAL RISKS	MITIGATION/ACTIONS	RISK RATING WITH MITIGATION
Fiscal space is tight in El Salvador, which could cause delays in counterpart funding.	The Ministry and the GOES are highly committed to the *Plan 2021* and the education sector reform. The *Plan 2021* includes provisions for increased education spending.	Moderate
The Ministry will be charged with preparation and implementation of the proposed project without any separate PCU to fortify the effort.	The Ministry has strengthened its capacity to prepare and implement the project through the use of targeted studies and training of personnel supported by a PHRD grant.	Moderate
As evidenced through the implementation of the on-going projects, the Ministry still needs to strengthen its capacity in the areas of procurement and financial management. Insufficient capacity has contributed to delay implementation and slow the pace of disbursements, leading to multiple extensions to the closing date.	Procurement and financial management have improved. Close technical support and provision of training in procurement and financial management as needed.	Moderate
The Ministry will have to coordinate several co-executing agencies.	UACI would be expected to move towards strengthening its competencies in supervision of the Annual Procurement Plans (PACs) that executing agencies would be conducting, and in ex-post review activities of procurement conducted by the latter. Three executing agencies will only be supervised according to work programs.	Moderate
There may be potential opposition from stakeholders (teachers' union) in relationship to scholarships for both public and private school attendance as well as the expansion of EDUCO schools.	There is strong parental and community support for both EDUCO schools and the provision of scholarships to needy families whether for public or private school places. The union has been part of the consultation process and continues to be.	Low
As evidenced through the history of the previous projects, the delay can be long between board approval and effectiveness. A divided Congress can delay project effectiveness.	There is strong political support for this project, which should facilitate congress approval. Permanent dialogue and alliance building with key stakeholders should ensure broad-based support for this operation.	Substantial
Overall Risk		Moderate

6. Loan/credit conditions and covenants

The Loan Agreement contains the two following effectiveness conditions:

(a) the agreements referred to in Section 3.01 (b), (c), (d), (e), (f) and (g) of this Agreement have been executed on behalf of MINED and the respective Participating Agencies; and

(b) the Operational Manual has been adopted by MINED in a manner satisfactory to the Bank.

There are some disbursement conditions, indicated in Annex 7.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

Economic Analysis:
The economic analysis, included in Annex 9, provides a cost-benefit analysis of the EXITO project, comparing costs (capital, recurrent and opportunity costs) with the benefits of three subcomponents affecting secondary coverage (flexible education models, demand-side scheme and expansion of infrastructure) and four interventions affecting educational quality (teaching materials, technological labs, school climate and directors' leadership). Coverage benefits are assessed by identifying the number of additional students expected to enroll and graduate thanks to the program, assessing rates of return to additional years of education from household survey data, and calculating the estimated impact on private earnings generated by the projected additional graduates. Quality benefits are assessed by establishing the number of graduates benefiting from each quality-enhancing intervention, calculating the value added of each of these types of quality interventions on high school exit exam scores using exam data, and estimating the impact of each intervention on future private earnings by relating degree of impact on test scores to impact on earnings basing this estimate on an average of well-received studies of the rate of return to quality in developing countries. The analyses evaluate the difference between the projected benefits of quality enhancement and additional coverage with the total project costs and use this to calculate the NPV and IRR. In all instances the analysis attempts to be conservative, by assessing the benefits from only six of the nine sub-components and estimating private, rather than both private and social benefits (most notably the social returns to schooling are quite high at the secondary level and we can expect many positive externalities associated with better and more education at that level).

With strong benefits due to both coverage and quality interventions the benefits of EXITO are projected to far exceed the costs, indicating that this is an economically viable and desirable project. The cost-benefit analysis concludes that, at a 10 percent discount rate, the benefits of the project are expected outweigh the costs with a lower bound net present value (NPV) of US$1.36 billion and an internal rate of return (IRR) of 44.6 percent. The results were checked for robustness to alternative values of the critical variables.

Despite the limitations inherent in basing an economic analysis on many assumptions, the conservative nature of many of the estimates in our analysis suggests that this project will generate significant benefits for the new generation in El Salvador. The project clearly is designed to incorporate more young people into secondary education, particularly those who face difficult barriers and who, historically, have not had access to high quality secondary education opportunities. The project also is designed to improve the quality of secondary schooling, by making schools safer, improving school management and teaching,

and providing more resources for students and teachers. This analysis suggests that the EXITO project is a wise and sound investment.

Table 3: El Salvador EXITO Project Cost-Benefit Summary (US$ mil)

		Present Value
Benefits	9th Grade Graduates	$ 28,698,185
	11th Grade Graduates	$ 467,897,533
	Quality enhancement	$ 1,078,157,653
	Total	$ 1,574,753,371
Costs	Capital	$ 78,454,932
	Recurrent	$ 15,888,365
	Opportunity	$ 117,980,257
	Total	$ 212,323,554
NPV		$ 1,362,429,817
IRR		44.55%

Financial Analysis:
A financial analysis analyzing public education expenditure levels and trends and comparing capital and recurrent costs of the project with the overall and recurrent national education budget is undertaken to establish the fiscal sustainability of the project (Annex 9).

The financial burden of EXITO is acceptable. The share of the education budget associated with project EXITO is within reasonable limits both in the implementation period (where it will amount to an average of 3.2 percent) and in the operational period (where it will amount to an average of 0.17 percent). On the recurrent side, the estimated incremental recurrent costs of the project will represent only about 0.26 percent of the projected recurrent budget in the implementation period and 0.19 percent in the operational one.

2. Technical

The design of the project is firmly tied to recent comprehensive education sector diagnostics of El Salvador. Analytical work includes an integrated education sector diagnostic undertaken by several donors (including the World Bank and USAID), which provided the analytical basis of the *Plan 2021*, and the recent Central America Education Strategy Paper of the World Bank. These diagnostics provide extensive analysis on the main issues facing secondary education (coverage, internal efficiency, quality, equity), while also providing useful insights on policy options to address these challenges (public-private partnerships, demand-side interventions, flexible delivery modalities, focus on general and specific competencies, etc). The proposed secondary education project incorporates these key policy options in its design.

All sub-components have a strong analytical and technical basis. Specific studies financed through a PHRD preparation grant provided key analytical and technical insights. In particular, the sub-components on flexible delivery models and demand-side scheme are incorporating the findings of two on-going studies to improve specific design aspects, such as targeting and the determination of per-capita amounts. Other studies evaluating semi-distance and accelerated education will also be useful to finalize the design of the flexible modality sub-component. Similarly, the sub-component on technological labs is building on the lessons from a study evaluating the impact of the CRAs (technological learning resource centers financed under the current secondary education project), which shows that establishing a comprehensive and well thought through use policy is key to the success of the introduction of technology.

The involvement of external specialized agencies and international specialists helps provide a strong technical justification for the components. The experience of external specialized agencies, such as FUSADES, FEPADE, ITCA and UCA, as well as the one of international specialists involved in project preparation, is also helping provide a strong technical justification for the different sub-components. The design of the sub-component on the relevance of technical education, for instance, is a collaborative exercise between FUSADES, which provides the macroeconomic and competitiveness framework; ITCA, which provides the productive sector, demand for technical skills and articulation between technical levels framework; MINED, which provides overall strategic guidance on the organization of technical education; and technical assistance from a technical education specialist, which provides the life-long-learning framework. As a result of this collaboration, we are advancing towards a technically sound design, which should establish a flexible demand-driven framework for providing technical skills in the country. Similarly, the sub-component on evaluation and accreditation is also the product of a close collaboration between the MINED, the UCA, and technical assistance from an evaluation specialist. This collaboration should help improve the assessment methodology and the use of the information at the country and school level.

3. Fiduciary

Financial Management. The Bank has assessed the suitability of using MINED's existing financial management systems and procedures for project implementation. While these systems and procedures are generally adequate, certain additional safeguards have been incorporated into project design, and a FM action plan has been agreed. Annex 7 describes in detail the FM arrangements and the FM action plan.

Procurement. The fiduciary responsibility for procurement activities under the EXITO project rests with MINED's *Dirección Nacional de Administración.* GOES mandates this office in MINED to assume coordination and supervision the *Unidad de Adquisiciones y Contrataciones* (UACI). Based on the provisions of the national procurement law (LACAP), UACI is responsible for ensuring quality and substance in all procurement activities related to planning, costing, bidding and contracting of civil works, goods, and services other than consultant services, and consulting services. These same activities are conducted by UACI in projects financed by Bank, using Bank Procurement and Consultant Guidelines. For this project, UACI will also be responsible for direct supervision of procurement activities conducted by three infrastructure co-executing agencies. Agreements for supervision, included in the Action Plan, require UACI to conduct ex-ante review of selected contracts not requiring Bank's for prior review. The Minister of Education s authorizes all contract awards, excluding purchase orders of small value. DGA's Director signs all contracts. The established and new working arrangements and controls with co-executing agencies are included in the Operational Manual. These arrangements envisage satisfactory performance of all parties involved in procurement implementation.

4. Social

A social assessment has assisted the government to analyze social issues and solicit stakeholder views to inform the design of the project and make it more responsive to social development concerns. The extensive consultation process undertaken to formulate the Ministry's Education Strategy, Plan 2021, has also contributed to shaping project design.

The social assessment includes three main elements: (a) the *analysis* of context and social issues, (b) a participatory *process* of stakeholder consultations and involvement, and (c) *operational* guidance on designing project components, implementation, and the monitoring and evaluation framework.

Project beneficiaries are expected to be vulnerable groups including those in the lowest quintiles, rural and urban marginal populations, and youth affected by violence. The social assessment reviews the social

imbalances associated with vulnerable groups, but focuses more specifically on the indigenous, at-risk youth, and the rural poor. Project design has already to some extent drawn from the findings and recommendations to adequately incorporate the particular characteristics of these groups.

The World Bank Operational Directive 4.20 (and Draft Operational Policy 4.10 recently approved) calls for informed consultations and the inclusion of indigenous groups from the initial phases of project design, through implementation and project monitoring. The social assessment includes consultations with indigenous leaders, stakeholders and indigenous families to ensure their inclusion in a culturally adequate manner.

A summary of the findings from the assessment (Annex 10) refer to the three main vulnerable groups: indigenous populations, youth-at-risk, and rural populations. An emphasis is also placed on recommendations and guidance for designing youth-at-risk interventions across the project.

5. Environment - Category B

The project will support three types of school rehabilitation: replacement of existing infrastructure, rehabilitation of existing infrastructure, and expansion of existing infrastructure. Due to the nature of construction works supported by the project, it has been rated as Category "B" and will include environmental procedures and guidelines for any construction activities in the operational manual. These procedures include appropriate screening and mitigation measures for negative impacts and recommendations for enhancement measures for positive impacts.

In compliance with Bank practice and following the LAC Environmental Guidelines for Education Projects, the Government has prepared an Environmental Management Framework (EMF) as the project's stand alone Environmental Assessment (EA) report. As described in Annex 10, the EMF includes a description of institutional arrangements and environmental guidelines for construction activities (including procedures to follow in case of findings of cultural property). Specifically it contains:

a. An Environmental Screening Checklist to be used for all rehabilitation subprojects. The checklist builds upon national environmental requirements as well as the LAC guidelines, and it identifies potential environmental and resettlement issues.
b. A Manual for Technical Specifications for Construction, including environmental aspects, such as prohibition of lead-based paints.
c. A Model Contract that would be signed between the MINED and the Firm contracted to provide construction services, including environmental rules for contractors.
d. Environmental Procedures. This section describes how environmental issues will be addressed during design and construction under the EXITO project. It includes information on: (i) the institutional responsibilities and timing for undertaking screening for each subproject; (ii) incorporation of screening results into the project design; and (iii) institutional responsibilities for monitoring.

It should be noted that if screening identifies the need for any resettlement, the subproject will not be eligible for Bank funding. The EMF, which is legally binding, specifically prohibits these activities.

Additionally, while there is no expectation that the project would affect Cultural Property, as defined by OPN 11.03, during rehabilitation activities, the EMF includes "chance find" provisions, in the unlikely event that any such property is encountered.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[X]	[ ]
Natural Habitats (OP/BP 4.04)	[ ]	[X]
Pest Management (OP 4.09)	[ ]	[X]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[ ]	[X]
Involuntary Resettlement (OP/BP 4.12)	[ ]	[X]
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	[ ]	[X]
Forests (OP/BP 4.36)	[ ]	[X]
Safety of Dams (OP/BP 4.37)	[ ]	[X]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[ ]	[X]
Projects on International Waterways (OP/BP/GP 7.50)	[ ]	[X]

7. Policy Exceptions and Readiness

There are no policy exceptions.

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

Annex 1: Country and Sector or Program Background

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

I. GENERAL CONTEXT

Secondary education is key to growth and poverty alleviation. Following the 1992 Peace Accords El Salvador enjoyed several years of rapid economic growth and poverty reduction. Considered a star example of a country implementing macroeconomic, fiscal and social policies advocated by the development institutions, El Salvador's outlook was promising. But beginning in the later half of the 1990s growth slowed. Along with growth, progress made towards poverty reduction also slowed in recent years and income inequality has slightly increased. What originally looked like a promising path towards greater opportunities, security, and legitimacy for El Salvador's population of 6.5 million, El Salvador's initial quick growth is now seen as a short-term rebound after over a decade of civil war.[18] Wide-ranging efforts to boost growth and development since the mid 1990s have not produced the expected results.

Table 1: Economic growth and poverty reduction efforts have slowed in recent years

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GDP growth (%)							1.7	4.2	3.7	3.4	2.2	1.7	2.2	1.8
GDP per capita growth (%)	3.0	1.7	5.4	5.2	3.8	4.0	-0.4	2.2	1.9	1.7	0.6	0.1	0.5	0.0
Total poverty		64.4				50.6					39.6	38.9	37.2	
Extreme poverty		31.2				20.5					15.9	15.7	15.4	
Gini coefficient of income inequality		0.51				0.51				0.51	0.52	0.52	0.52	

Source: The World Bank, CAS 2005 and WDI for GDP growth rates and World Bank, 2004a *El Salvador Poverty Assessment: Strengthening Social Policy* for poverty figures

New ideas are now emerging on the causes of and resolutions to El Salvador's lagging economic growth and social development. Key amongst these is the principle that an educated labor force, with applicable skills for the competitive and technological world market, is a necessary component for both economic growth and for poverty alleviation, particularly in the long term. As detailed in the World Bank's Central American Strategy Paper (2005a), and the El Salvador Country Economic Memorandum (2003b), Country Assistance Strategy (2005d), Poverty Assessment (2004a), and Ricardo Hausmann's *A National Development Agenda for El Salvador* (2003), this has several implications for the education sector. These include the need for (1) expanding access to education, especially at the secondary level where there is currently still a enrollment and completion deficit; (2) ensuring that students from disadvantaged sectors can enroll and excel in school; (3) improving the quality of education at all levels; and (4) strengthening linkages between the education sector and the private sector in order to guarantee that students are gaining the appropriate skills to succeed in the work place.

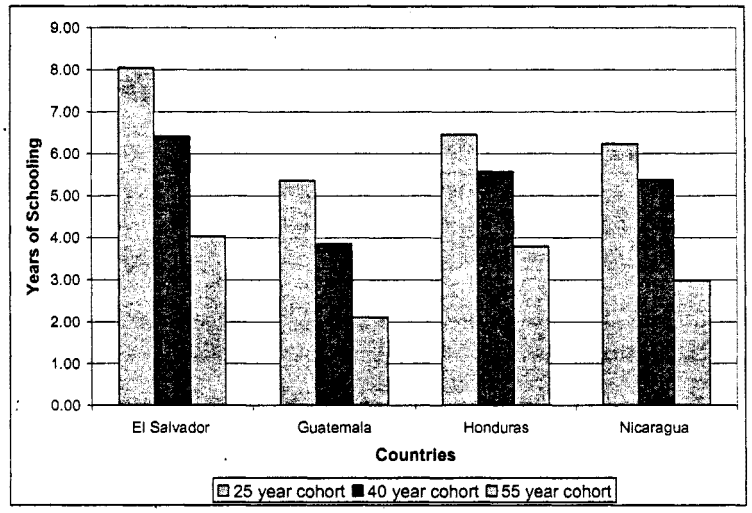
[18] Hausmann (2003) identifies opportunity for all, security, and legitimacy as the main development goals in El Salvador. These have implications on the need for economic growth, reduced macroeconomic risks, improved functioning of the political and economic system, and social services and protections.

II. DIAGNOSTIC OF EDUCATION SECTOR

Enrollment and years of schooling have increased, but there is still a secondary enrollment and completion deficit, particularly for the poorest 40 percent of the population. El Salvador has taken important steps in improving and expanding its education system in recent years. Programs, such as EDUCO, and indicators, such as primary and secondary net enrollment and average teacher education and accreditation, serve as models for many of the Central American countries and beyond.

Most of the educational progress has taken place at the primary education level. Figure 1 illustrates rapid advancement in educational attainment across cohorts, and Table 1 shows advances in gross and net enrollment rates. By 2002, primary net enrollment had increased to 87 percent and gross enrollment rate declined to 105 percent indicating that more students were not only enrolling but were enrolling on time and not repeating grades (Table 1). The Ministry of Education reports net 2004 enrollment in primary education at 91 percent and this enrollment rate is expected to reach 95 percent by 2009. The primary completion rate reached 75 percent in 2002 and about 77 percent in 2004.[19] It is expected to reach at least 85 percent by 2009.

Figure 1: Average years of schooling attained across cohorts in Central America, 2002



Source: The World Bank, 2005a *Central American Strategy Paper*

Table 2: Primary and Secondary Net and Gross Enrollment Rates (NER, GER) in El Salvador

Year	Primary		Secondary	
	GER	NER	GER	NER
1995	112	82	51	40
2002	105	87	64	52
2004	(103)	(91)	(69)	(60)

Source: EHPM, Household Survey.
Between parentheses, Ministry of Education data.

[19] Calculated as the ratio between graduate students in grade 6 and the 12 year school-age population.

Despite substantial increases in secondary[20] enrollment, there is a persistent secondary enrollment deficit in the country. Enrollment also increased substantially in secondary (Table 1), reaching 60 percent in net terms in 2004 according to Ministry of Education data (52 percent in lower secondary and 30 percent in upper secondary). The secondary education completion rate (at grade 11) reached about 46 percent in 2004.[21]

Predicting net and gross enrollment rates in the various levels using international data[22] and controlling for per capita income El Salvador is clearly outperforming countries with similar per capita incomes by between 10 and 15 percent at the pre-primary and primary levels (see Table 3). But this comparative advantage disappears at the secondary and tertiary levels where enrollment rates are either on par with similar countries or are below predicted levels. So while El Salvador has made significant headway up through the end of primary, there is still a clear obstacle beginning at the secondary level.

Table 3: Actual versus Predicted Enrollment and Efficiency Indicators (2002) based on International Trend Controlling for Per Capita GDP

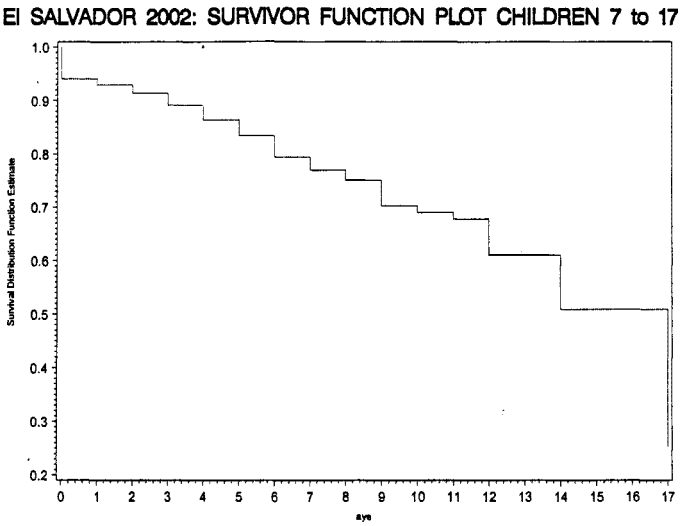
	Actual	Predicted	Difference
Primary Net Enrolment Rate	90.42	79.43**	10.99
Secondary Gross Enrolment Rate	***59.01***	***58.16******	***.85***
Secondary Net Enrolment Rate	***48.57***	***48.83******	***-.26***
Pre-primary Gross Enrolment Rate	48.64	33.67***	14.97
Tertiary Gross Enrolment Rate	17.42	19.13***	-1.71
Primary Repetition Rate	6.97	10.00*	-3.03

Source: World Development Indicators, own calculations
~<.1, *<.05, **<.01, ***<.001

Internal efficiency is low in secondary education. Improvement in access to and completion of primary education –at almost 80 percent in 2004 - is creating pressure on the secondary education cycle to make room for the larger number and more diverse background of students entering secondary education. Although the country's transition rate between grade 6 and grade 7 has reached about 95 percent, there is still: (a) persistent drop-out during the lower secondary cycle, as illustrated by a survivor plot (see Figure 2) and by the fact that more than 50 percent of the youth who were eligible to start lower secondary but are not attending have started the cycle but not completed it[23]; (b) insufficient transition between grade 9 and 10, as illustrated by the survivor plot and by the fact that about 70 percent of the youth who were eligible to start upper secondary but are not attending it have not even started the cycle[24]; and (c) substantial differences in transition and drop-out between urban and rural areas and socio-economic strata (see below). Additionally, as also indicated by the difference between the gross and net enrollment rate, a very substantial fraction of students are over-age in secondary (about 60 percent in each grade[25]), producing a strong disincentive to continuation in school because of opportunity costs which increase with age[26].

[20] In this PAD we refer to secondary education as grades 7 though 11 or 12. In the current structure of education in El Salvador grades 7-9 comprise the last three years of Basic Education, grades 10-11 comprise general secondary school, and grades 10-12 comprise technical secondary school.
[21] Calculated as the ratio between the graduate students in grade 11 and the 17 year school-age population.
[22] Which use Ministry of Education data and World Bank population data and therefore do not fully coincide with national indicators.
[23] See Edwards (2005) using 2002 household survey data.
[24] See Edwards (2005) using 2002 household survey data
[25] See The World Bank, 2005a, *Central American Strategy Paper*, on the basis of the 2002 household survey.
[26] The evidence on El Salvador indicates a sharply increasing drop-out rate from the age of 14 (The World bank, 2005, *Central American Strategy Paper*).

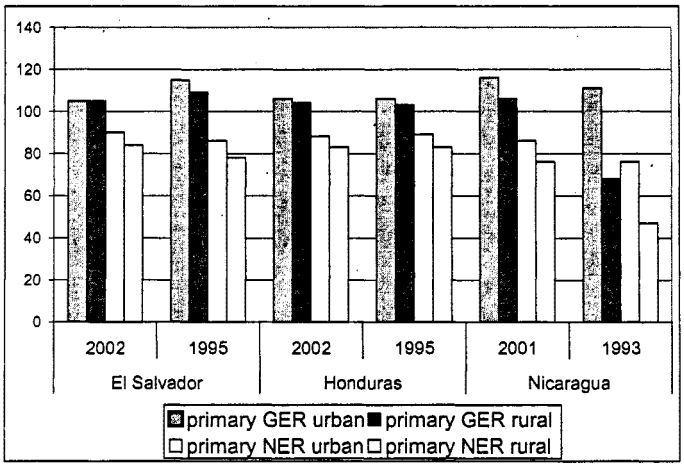
Figure 2: Survivor function plot by grade



Source: The World Bank, 2005a, *Central American Strategy Paper*

Equity has generally improved over the 1995-2002 period, but disadvantaged students have persistent low access to and completion levels of secondary. Figure 3 shows that by 2002, there was virtually no difference between urban and rural primary gross enrollment rates in El Salvador. Figures 1 and 3 further show that El Salvador is in a favorable position compared to some of its Central American neighbors. This favorable regional comparison also holds true for educational inequalities for different income groups. Figure 4, which depicts enrollment and completion indicators in 1995 and 2002 across income quintiles[27], shows that enrollment and completion gains have taken place within a context of increasing educational equity between the rich and the poor at the primary level in recent years.

Figure 3: Evolution of primary gross and net enrollment in three Central American countries



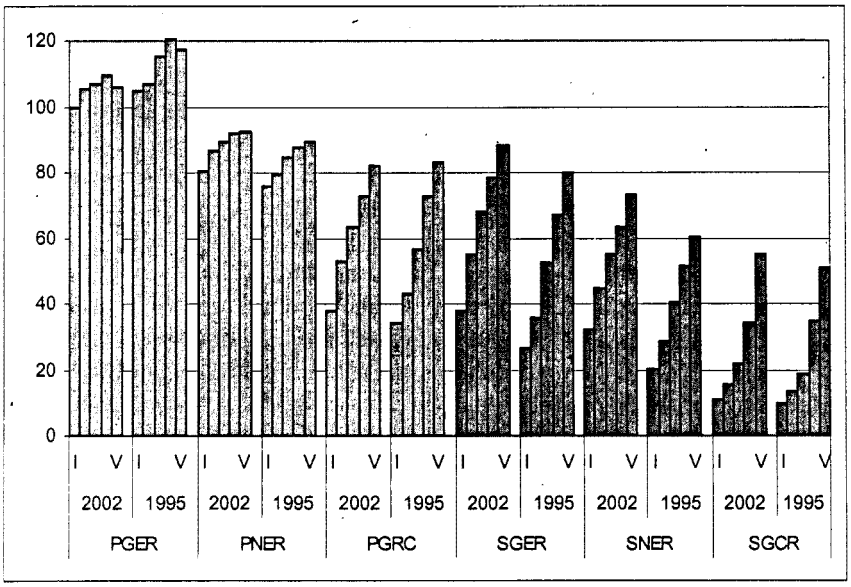
Source: The World Bank, 2005a, *Central American Strategy Paper*

[27] The completion rates, calculated on the 12-21cohort (primary) or 17-21 cohort (secondary), are not directly comparable with the enrollment rates and the above completion rates. Their distribution across quintiles is the important element here.

Figure 4 also shows a convergence across quintiles in the secondary education gross enrollment rate, although more of stagnation when it comes to net enrollment and completion rates. Additionally, the figure shows that while primary enrollment figures are high and quite equitable across income quintiles, enrollment at the secondary level, and primary and secondary completion rates, continue to be highly unequal. Secondary net enrollment was just above 30 percent in 2002 for the poorest income quintile and secondary completion was just above 10 percent for this same group. In fact, the bottom 40 percent of the population has enrollment and completion indicators which are very low. Differences are also marked between urban and rural areas in secondary. The rural secondary GER is half the one of urban areas (slightly above 40 percent in 2002) and four times as many children from the urban areas complete secondary than from the rural ones (completion rate slightly above 10 percent in rural areas).

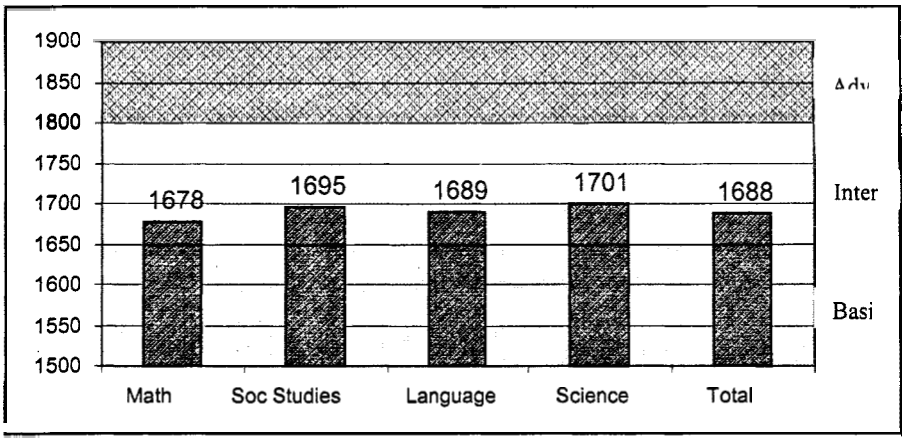
Finally, there is also evidence that the quality of the secondary cycle - both lower and upper - is low in El Salvador. This is particularly true for the lower secondary education cycle, which has particularly low private rates of return in El Salvador (discussed below). Also indicative of low quality, the percentage of students reaching "intermediate" achievement on national standardized exams in 2002 was lower in grade 9 than it was in grade 3, particularly in mathematics, indicating that the quality of teaching and learning may be higher at the primary level than at the secondary level, particularly considering the fact that the average secondary student is more likely to succeed based on background factors than the average primary school student. Achievement is slightly higher in grade 11 at the secondary education terminal exam (PAES) but averages lower intermediate for both academic and technical streams of secondary schools and in all subject areas (see Figure 5). If evaluated on a standard curve the majority of Salvadoran students would fail.

Figure 4: Primary Gross and Net Enrollment Rates (PGER, PNER), Primary Gross Completion Rate (PGCR), Secondary Gross and Net Enrollment Rates (SGER, SNER), and Secondary Gross Completion Rate (SGCR) by income quintile (I -V) in 1995 and 2002.



Source: EHPM, household survey

Figure 5: Test score results by subject are on grade 11 national achievement exam (PAES 2003)



Source: MINED

Taken together these facts and figures suggest a clear next step for the Salvadoran education system: increasing equitable access to and completion of a high-quality and relevant secondary education. This challenge has been identified by the Ministry of Education as one of four pillars of the newly launched *Plan 2021* as well as in multiple analyses of national development including the 2005 CAS which sets the objective of "11 years of schooling for the entire population".

III. RATIONALE FOR FOCUSING ON SECONDARY

Broad-based secondary education is an urgent challenge for the country. Mass secondary schooling leads to equality of opportunities and social cohesion. Recently several studies have posited that a population with full secondary education is also key to boosting national competitiveness and GDP in an increasingly technological world.[28] Low unemployment rates (about 4 percent) and high rates of return in upper secondary in El Salvador[29] (12 percent) suggest low supply of secondary graduates and high demand for them on the labor market. The demand for educated workers is likely to increase with the CAFTA agreement because reforms to liberalize trade regimes, encourage FDI and facilitate licensing of technologies may further unleash the demand for schooling.

The economic growth El Salvador seeks is not based around agricultural exports which require few skilled workers but rather to meaningfully participate in the new knowledge economy and develop and attract technology and innovation. But innovation and technological advancement requires a labor force with sufficiently advanced skills, in particular a population that has at least completed secondary education, with a group of highly skilled individuals with tertiary education.[30] The World Bank's *Investment Climate Assessment* for El Salvador identifies the need for skilled graduates of both the secondary and tertiary level to promote sequential technological upgrading, and to attract trade and investment. It asserts that as the Salvadoran economy integrates more with global markets the demand for skilled labor will only increase.

[28] See Fuller and Holsinger (1993): "Secondary Education in Developing Countries", The World Bank, ESP Discussions Papers Series N.7, The World Bank (2003a) and The World Bank (2005c).
[29] Higher than the Latin American average, which is about 8 percent, and in line with the returns of Honduras and Nicaragua, which, both, have lower supply of secondary graduates.
[30] The World Bank (2003a).

Demand for highly-skilled workers has increased in El Salvador in recent years. Demand for highly-skilled workers has increased in El Salvador as well as in Latin America as a whole in recent years. Higher education levels are being increasingly rewarded on the labor market, as shown by increasing private rates of return to schooling in tertiary education and by greater differentiation between rates of return to different levels of schooling.

Rising returns to tertiary. Table 4 compares the same cohort across two points in time. The steady and increasing demand for a skilled workforce is evident in high and climbing private rates of return at the tertiary level. The table further shows that returns to secondary education have increased slightly over this period. These two findings are particularly meaningful given the fact that educational attainment – and therefore the supply of individuals with secondary and tertiary level education – has also increased over this same time period.

Table 4: Private rates of return in 1992 and 2002 for the 25-36 age cohort

Education Level	1992	2002
Primary	1	1
Secondary	1.44	1.52
Tertiary (non Univ)	1.5	2.89
Tertiary (Univ)	1.44	2.36

Source: Hausmann (2003)

Higher levels of education are increasingly important. Table 5, which compares three cohorts at the same point in time, further shows that for younger cohorts higher levels of education are increasingly important (note that due to differences in methodology the actual values are not comparable in Tables 4 and 5, nonetheless the relative sizes of the numbers within each table are meaningful). First, rates of return on tertiary are high and increasing for younger cohorts, indicating higher salaries at the time of graduation now than several years ago. Second, whereas the rate of return for older individuals who finished secondary education is twice that of individuals with a primary education, for the 18-30 cohorts upper secondary education graduates have a private rate of return four times that of primary graduates, indicating that secondary graduates have an increasing edge on primary ones.

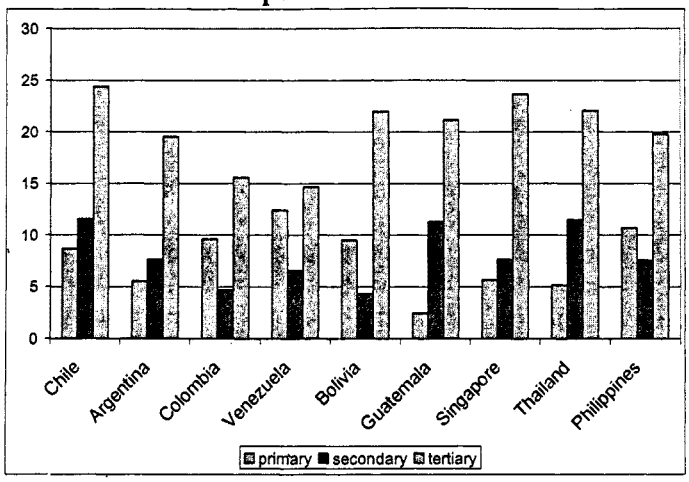
Table 5: Private rates of return to different levels of schooling for different cohorts, 2002

Cohort	18-30	31-45	46-60	18-60
Average	6.8	10.8	11.4	9.4
Primary	2.2	6.5	9.4	6.2
Lower Secondary	4.5	6.0	7.5	4.8
Upper Secondary	8.9	14.3	18.0	11.9
Tertiary	17.9	18.9	13.0	18.9

Source: EHPM, household survey

It is unlikely that the trend towards greater differentiation between rates of return to different levels of schooling will reverse itself over time as this is in line with the Latin American and international trends (Figure 6) and emerges from the changing needs of the global economy. El Salvador's challenge, therefore, is to build the skills of all Salvadoran.

Figure 6: Rates of return per education level in selected countries

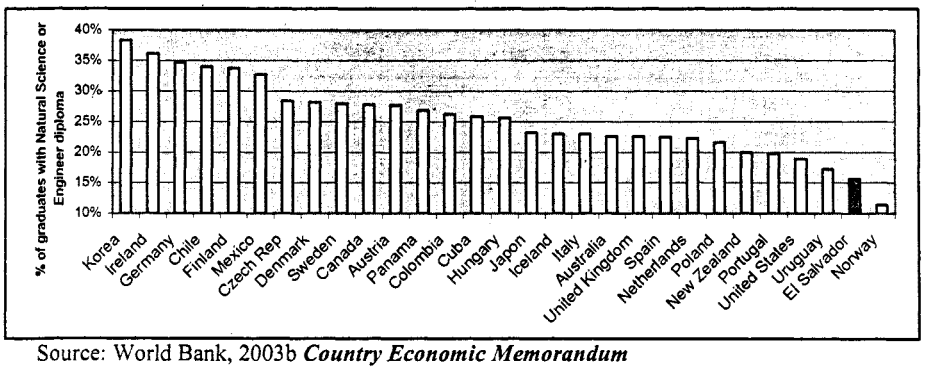


Source: The World Bank (2005f).

But few Salvadorans have the skills needed to support competitiveness and economic growth. The current 25 year cohort only has about 8 years of schooling and only about 30 percent of that cohort has completed secondary. The poor quality of schooling and limited enrollment in and completion of secondary (and therefore also access to tertiary) prevent large segments of the population from acquiring the skills necessary to support innovative, technological development. On the 2003 secondary exit exam (PAES) only 8 percent of students reached "advanced" markings.

The World Bank flagship study, *Closing the Gap,* identifies a shortfall in tertiary level enrollment. Even within the population that attends higher education, El Salvador compares poorly to other regional and global countries in terms of the percentage of students enrolled in science, engineering or technological fields (see Figure 7), thus limiting its capacity of creating and adapting new technologies. El Salvador's long term education plan, *Plan 2021*, calls for a more than doubling of university students enrolled in technological fields between 2004 (21.8 percent) and 2021 (50 percent).

Figure 7: Percentage of university graduates with science or engineering degrees



Source: World Bank, 2003b ***Country Economic Memorandum***

IV. STRATEGIES TO IMPROVE SUPPLY OF SKILLS

Meeting increased demand for higher educated people means first helping students reach higher levels who otherwise wouldn't or couldn't. This means both scholarships or some other mechanism at higher education levels, but importantly, it also means getting more students, including disadvantaged ones, to enroll in and complete upper secondary and, therefore, also to accede to the higher education level; and improvement in the linkages between secondary and tertiary education (by aligning skills, sharing resources, etc).

Policies to increase the timely completion of primary. Public intervention will be needed to get more students through secondary education. A first set of key interventions will need to take place at the primary level. In particular, reaching substantially higher net enrollment levels in secondary education will also require increasing the timely completion of the primary cycle, through quality-enhancing policies. As an example, we calculated the NER in lower secondary in both the traditional way and considering only the population of 13 to 15 year old who qualifies for entry in secondary (that is who completed primary and still did not complete lower secondary). While the traditional NER was about 46 percent in 2002, the "qualified" NER reached 77 percent, indicating that a substantial fraction of the gap is due to delays in primary.

Policies to correct for market failures. Specific interventions will, however, also be needed in secondary, where there is margin for improvement independently of the situation in primary. First, it is evident from Table 5 that rates of return remain low at the lower secondary level demonstrating a market failure. The table shows that returns to lower secondary are, for many individuals, lower, than returns to primary, suggesting that those three years of schooling offer very little back in terms of useful and meaningful knowledge and skills once on the labor market. This phenomenon is likely to result in a situation in which prospective secondary and tertiary students do not begin or drop out early from secondary level studies because they do not perceive a worthwhile return to the additional years of schooling. A public intervention may then act at different levels to ensure the social optimum: (a) implement policies which improve the quality and relevance of lower secondary encouraging higher demand from families and the labor market for this sub-cycle; and (b) reduce the opportunity costs of schooling[31] by providing demand-side subsidies, and/or developing alternative secondary education modalities, such as distance education and well designed accelerated education programs.

Policies to improve equity. Second, rates or return to secondary are shown to be lower for low-income groups[32] in El Salvador, while direct private costs are particularly high for these same groups[33], and opportunity cost are likely to be higher, creating additional disincentive to attend for low-income people. Therefore, there will be scope for public intervention on pure equity grounds. Public intervention may encourage higher participation of low-income groups in secondary education by implementing policies that improve the quality of the schools that they attend and/or reducing the burden of private and opportunity costs through demand-side subsidies, alternative secondary education modalities or other policy measures.

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[31] The need to work is another key reason for dropping-out of school in secondary and it becomes increasingly important with age (EHPM, 2002). It is estimated that a young person between 12 and 17 could earn the equivalent of more than two family monthly salaries if he was working, and a young person between 15 and 20 could earn the equivalent of three months of family monthly salaries if he was working (see Edwards, 2005).

[32] About 1 percentage points lower (see The World Bank 2005a, *Central America Strategy Paper*).

[33] Representing up to 14 percent of the yearly household income of the lowest quintile (EHPM, 2002) for only public sector schools. This raises up to 18 percent for private schools. These ratios remain substantial also for the second but lowest quintile.

Meeting increased demand for skills will also mean improving the quality and relevance of secondary and tertiary education per-se (independently of its impact on educational attainment). Possible interventions include developing and improving general/basic competencies across the whole system, developing key specific skills (see below), improving teachers' skills to deliver the curriculum, improving the teaching-learning environment (by improving, for instance, the availability and quality of teaching resources) and find innovatory ways of improving linkages between education, training and the labor market.

When analyzing relevance issues, it is important to look at both academic and technical-technological education. 21 percent of all secondary students are enrolled in upper secondary technical institutes in the country (63 percent of which enrolled in the public sector). It is difficult to assess how relevant is technical education to the needs of the changing economic environment, but we can provide some insights on this issue.

Technical education does at least as well as academic education in general skills. PAES results on general skills (math, language, science) were, overall, only slightly higher for the academic track (5.34 points in the academic track versus 5.16 in the technical track[34]) in 2000, although technical institutes are generally attended by students of lower socio-economic background, and public technical institutes do better than public academic ones (5.05 points for the academic track versus 5.11 for the technical track). Additionally, PAES scores have been generally higher for the industrial track than for the academic track for the last 6 years (with up to 40 points more on the new SINEA scale in electronics and architecture vis-à-vis the academic track in 2003).

Technical education has been greatly simplified in recent years suggesting improved cost-effectiveness. A recent curricular reform simplified enormously and rationalized the supply of technical tracks (into four main tracks)[35]. Assessing the cost-effectiveness of technical versus general education would require a full analysis of unit costs, which, unfortunately we do not have. Costs are likely to be higher in technical education, but the recent curricular simplification should have resulted in higher efficiency levels.

Technical education is relevant to labor market needs. The above simplification should also have promoted higher relevance to labor market needs, although a recent labor market analysis undertaken by FEPADE[36], the business association for education in El Salvador, shows that more emphasis should be put on the (already well performing) industrial track, and, in particular, on careers such as program analyst, industrial engineering, mechanics, and civil engineering, because they are more demanded. A recent study by Perla and Morera (2005), which undertakes a comprehensive firm survey, confirms that firms need more and more youth with complete secondary and a critical mass of graduates in engineering, technology and science through the secondary and post-secondary technical tracks.

Unfortunately, household surveys do not allow us to differentiate private returns and employment trends between tracks (technical and academic) in El Salvador, making it difficult to assess fully their relative relevance. What we know from partial Latin American and East Asia evidence is that rates of return tend to be higher for technical secondary education than for general one (see Figure 8), although less wealthy youth tends to be enrolled in technical schools.

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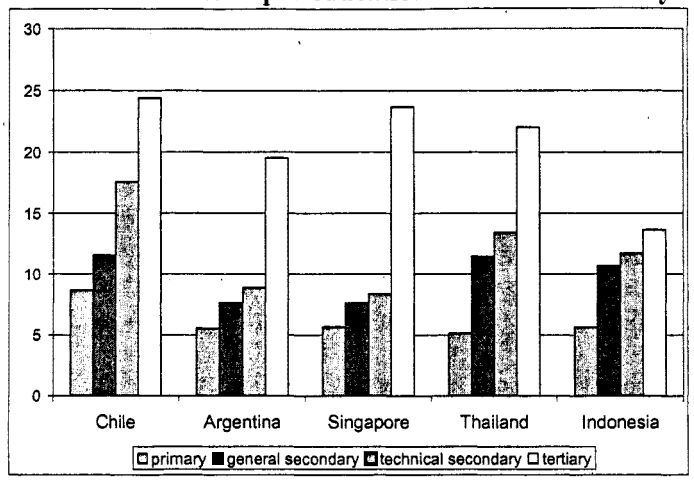
[34] And this difference is largely due to lower relative performance of technical education in two departments (La Libertad and San Salvador), while technical institutes have an equivalent or even higher performance in the other departments.

[35] Administration and accounting, industrial (general mechanics, applied mechanics, technical-electronics, electronics, architecture), agriculture and health.

[36] *Dinamica Empresarial* 2003.

Figure 8: Rates of return per education level and secondary track



Source: The World Bank (2005f).

Rates of return on general education are somewhat under-estimated by the fact that general secondary graduates have larger access to tertiary education, which provides even higher rates if return, suggesting that policies to improve the transition rate from technical education to tertiary would be needed. Assuming the possibility of transition exists, some partial evidence on Latin America[37] also suggests that tertiary technical education, of easier access to technical secondary graduates, may be as relevant to the labor market than tertiary university education. This is also the case in El Salvador, where we find that, although for students would have chosen a university career—and finished it—the average wage would have been higher than the one for non-university graduates (by US$ 8,100 per year[38]), the difference in the returns to non university tertiary education and university tertiary education is statistically insignificant once we control for observable factors, such as age and experience[39] (or even slightly higher for non-university education, according to the 2002 estimates provided in Table 4). We also find that, within non university tertiary, graduates from strictly technical-technological studies experience a higher wage increase than graduates from non-technical-technological studies: about US$5,600 compared to US$ 4,750 per year respectively, which suggests that technical-technological careers offered in technological institutes, such as engineering, mechanics and electronics, may be more demanded (confirming the analysis of FEPADE and Perla and Morera).

This evidence suggests that technological institutes (there are currently 9 in the country) are a viable option for the country (in particular if we take account of the fact that they are shorter-term carriers which can respond more effectively to the needs of students who cannot afford long-term studies) and, therefore, that, upper secondary technical education, which leads, preferentially, to this type of careers, is also viable.

Improving linkages between technical and technological education will increase educational attainment and relevance. While there is further room for improving the quality of the technological

[37] This is the case for Colombia and Bolivia, for instance (see The World Bank, 2005f).

[38] The completion of the final year of the university education is especially rewarding, (the so-called "diploma-effect" or "sheepskin effect"). This effect is so important that dropouts from university will earn less than graduates from tertiary institutes even though they have completed the same number of years of schooling.

[39] The World Bank (2003b).

institutes of El Salvador, as well as their enrollment share[40], with strong integration with and support of the private sector, and promoting more technological careers in universities, the main question is how to ensure strong linkages between technical and technological education so that technical students can effectively continue specializing themselves and find good jobs on the labor market. There is scope for public intervention here to address bottlenecks and ensure smooth transitions. Some countries are currently trying to improve these linkages, following the US experience. In Colombia, for instance, an agreement between the Technological University of Cartagena and secondary technical institutes is allowing for the development of technical tracks which are fully consistent and integrated across levels and for the sharing of teaching resources (libraries, laboratories, etc) across these same levels, with positive preliminary results. An additional benefit of an association with technological institutes is that they are also able to provide guidance for establishing more demand-driven technical tracks, through their better knowledge of the labor market and the productive world.

Only a comprehensive policy package will successfully overcome the range of constraints facing secondary enrollment. The barriers that prevent more youth from enrolling in secondary are multiple and they will need to be addressed using multiple interventions. What El Salvador ultimately needs is a combination of strategies, including increased public financing; quality and relevance-enhancing measures, including improving the relevance of technical education; supply-side measures such as the development of flexible delivery strategies and, when needed, rehabilitation of physical spaces; and demand-side interventions.

The priorities of the GOES support increasing educational attainment and the quality and relevance of secondary education. The GOES' 2004-2009 National Education Plan and the GOES' long term education plan *Plan 2021* outline several policy priorities, which will help students reach higher education levels and upgrade their skills. These policy priorities include: (i) develop a competency-based curriculum; (ii) move forward student's command of the English language and use of technologies and promote connectivity within the education system; (iii) strengthen monitoring, evaluation and accreditation systems; (iv) strengthen management and autonomy; (v) strengthen technical-technological networks; and (vi) expand educational services through flexible delivery modalities. The proposed secondary project supports these policy priorities.

[40] Only 8 percent of the student population attends short-term courses (2-3 years), including technological careers, while most Latin American countries enroll at least the double. Many high-income countries enroll four times as much.

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

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

The EXITO Project is part of an agenda that also includes the following related projects supported by the World Bank:

Project Name	Amount	Latest Supervision Ratings		Sector Issue
	US$ millions	IP	DO	
Programmatic Broad-Based Growth Development Support Loan (7275-SV)	100.0	S	S	Support reigniting growth, particularly through increased trade and investment. Reinforce macroeconomic stability and strengthening fiscal sustainability. Increase the efficiency and transparency of public sector management.
Education Reform (4320-SV)	88.0	S	S	Promote greater equity, quality, and efficiency in the provision of education services. Expand coverage of preschool and basic education for low-income students.
Environmental Services (7300-SV)	5.0	N/A	N/A	Focus on reducing land degradation, conserving forested areas, reverting marginal agricultural areas to forest, and encouraging more sustainable land use in agriculture.
Judicial Modernization	18.2	MS	MS	Improve El Salvador's judicial system by promoting measures aimed at enhancing the effectiveness, accessibility, and credibility of its judicial branch.
Land Administration II (7278-SV)	40.2	S	HS	Improve land tenure security and land transactions by providing efficient, equitable, and accessible land administration services.
Public Sector Modernization (4082-SV)	24.0	S	S	Define new roles of the public sector and its most important entities. Strength operations for those entities that remain in the public sector. Involve the private sector in the provision of public services.
Secondary Education (4224-SV)	58.0	S	S	Expand coverage with improved quality and efficiency of public and private secondary schools (grades 10-12).
Earthquake Emergency Recovery and Health Services (7084-SV)	142.6	MU	MU	Rebuild and improve health sector infrastructure damaged or destroyed by the earthquakes. Extend the coverage of essential health and nutrition services and institutional capacity of the Ministry of Health to develop and implement policies and priority programs for the health sector.

Implementation Progress (IP) / Development Objectives (DO) Ratings: HS (Highly Satisfactory), S (Satisfactory), MS (Moderately Satisfactory), MU (Moderately Unsatisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory).

Related projects by other international agencies include:

Project Name and Loan Number	Amount	Agency	Approval Date	Sector Issue
Modernization of the Health Sector (1092/0C-ES-1/2)	US$20.7	IDB	03/04/98	Improve the health of low-income Salvadorans by improving the efficiency, equity and quality of the Ministry of Public Health and Social Assistance's health services through the implementation of institutional, policy and service delivery changes.
Local Development II (1352/0C-ES)	US$70.0	IDB	09/26/01	Improve living conditions of poor populations by strengthening local development and improving access to basic services.
Competitive Basic Education (ES-0159)	US$100.0	IDB	06/16/05	Support the universalization of primary education (Grades 1-6) and increase quality and completion rate of Grade 9 for children facing the greatest socioeconomic disadvantages in the 100 poorest municipalities located in rural and marginal urban areas.
Rural Roads Program (ES-L1001)	US$55.4	IDB	06/16/05	Improve part of El Salvador's tertiary road network in order to better serve rural communities, raise their standard of living and revitalize agriculture.
APREMAT –Technical Assistance for the Reform of Technical Education.		EU		Reform and modernization of technical education in El Salvador, through the piloting of a modernized technical education curricula, including, reformulation of learning modules, didactic materials, training in curriculum and strategies for professional development of technical teachers, coordinators and directors of technical education centers.
Technical Assistance		USAID		Technical Assistance to improve the quality of primary education. The project includes assessing learning in Grade 1 and improving curricula in reading and writing.
Methodologies for Boys and Girls for the Prevention of Disasters		The Gates Foundation		Training for students in Grades 3, 4, and 5 to promote understanding, prevention and survival skills for epidemics and natural disasters. Themes include: nutrition communication, security and environmental protection, prevention of local disasters, self-esteem, reading and motor skills.

Annex 3: Results Framework and Monitoring

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

Results Framework

PDO	Project Outcome Indicators	Use of Project Outcome Information
Increase equitable opportunities for young people to complete their secondary education with high quality general and/or relevant specialized competencies.	1) Proportion of the 17 to 25 age cohort who has completed secondary 2) Net enrollment rate in grades 7 to 9 and 10 to 11 3) Proportion of the 17 to 25 age cohort in rural areas and of the poorest 40 percent population who has completed secondary 4) Proportion of test takers with intermediate or advanced results in Spanish and math at the grade 9 and PAES exams 5) Proportion of technical education graduates who continue into tertiary	-Indicators 1 and 2 will be used to monitor the impact of all the project's interventions on educational coverage and retention. While the net enrollment rate will focus on the in-school youth, whose timely enrollment should increase following the rehabilitation of new infrastructure, the introduction of demand-side subsidies and the new EDUCO schools; the completion rate indicator also focuses on over-age and out-of-school youth, capturing, more adequately, the impact of flexible delivery modalities. Both indicators are also sensitive to quality improvements. -Indicator 3 will be used to monitor the impact of all the interventions of the project on equity -Indicators 4 and 5 will be used to monitor the implementation of component I, assessing its impact on the quality and relevance of secondary education.
Intermediate Outcomes	**Intermediate Outcome Indicators**	**Use of Intermediate Outcome Monitoring**
Drop-out rate and over-age decrease.	1) Drop-out rate (average value for grades 7 to 9 and 10 to 11) 2) Proportion of over-age youth (average value for grades 7 to 11)	These indicators will allow us to monitor if we are on track for achieving project outcome indicators 1 and 2.
Sub-Component 1.A: Learning in core subjects improved.	1) Basic competencies developed and disseminated 2) Proportion of total secondary education teachers certified in basic competencies 3) Repetition rate and academic performance in low performing schools 4) Proportion of students enrolled in extra-curricular English who complete the course	These indicators will allow us to monitor if we are on track for achieving project outcome indicator 4, as well as (indirectly) project outcome indicators 1 to 3. Indicator 3 may flag that quality interventions are poorly targeted.

Sub-component 1.B: Technical education more relevant and better integrated with tertiary education.	3 MEGATEC networks are fully functional (school network set, physical expansion and rehabilitation completed, curricular adjustments and rationalization of technical tracks undertaken, agreements with INSAFORP and private sector signed).	This indicator will allow us to monitor if we are on track for achieving project outcome indicator 5.
Sub-component 1.C: Technology effectively integrated in the teaching-learning process.	1)Use policy fully established and applied. 2) Proportion of students covered by technological services.	These indicators will allow us to monitor if we are on track for achieving project outcome indicator 4. The absence of a coherent use policy may flag an absence of will to maximize the effectiveness of computer use.
Sub-component 1.D: Social environment for learning improves in poor urban schools.	Average PAES and repetition rate in targeted schools.	This indicator will allow us to monitor if we are on track for achieving project outcome indicators 1 to 4. It may also flag that social skills' programs are poorly designed and/or implemented.
Sub-component 2.A: Flexible delivery models provide broad-based coverage while granting quality learning.	1) Three flexible modalities are fully functional (curricular adaptations and teaching materials completed, teacher training undertaken, monitoring and evaluation system set and accredited institutions contracted). 2) Proportion of students enrolled in flexible modalities who complete the relevant sub-cycle. 3) Grade 9 and PAES scores are comparable between traditional and flexible modalities.	Indicators 1 and 2 will allow us to monitor if we are on track for achieving indicators 1 to 3. Indicator 3 may flag that flexible modalities are effective in increasing enrollment and completion but do not provide quality learning.
Sub-component 2.B: Demand-side scheme provides access to quality education to low-income students.	1)Minimum beneficiary students receiving a grant. 2) Proportion of students benefiting from the grant who complete secondary education. 3) Secondary completion rate of beneficiary students is higher than the rate of a comparable control group.	These indicators will allow us to monitor if we are on track for achieving indicators 1 to 3. Indicator 3, which will stem from the impact evaluation, may flag that the demand-side scheme is not really making a difference.
Sub-component 2.C: Secondary infrastructure expanded and improved.	Proportion of target new classrooms provided every year.	This indicator will allow us to monitor if we are on track for achieving indicators 1 to 3.
Sub-component 3.A: Evaluation and accreditation	1) Improved PAES exam is undertaken and its results analyzed,	These indicators will allow us to monitor if we are on track for project

mechanisms provide effective quality-control.	disseminated and used for certification purposes. 2) MOE information system completed and disseminated to all stakeholders. 3) Policy for accreditation of institutions is established on sound quality criteria.	outcome indicator 4, and (indirectly) indicators 1 to 3. Indicator 3 may flag that the accreditation policy is not being effective in granting high quality levels and needs to be revisited.
Sub-component 3.B: Management and decentralization enhance the effectiveness of education delivery.	1)Proportion of target school councils strengthened in institutional and participatory planning. 2) Improved school quality index for low performing schools. 3) Proportion of target EDUCO basic education sections expanded to upper secondary. 4) PAES scores are at least as high in EDUCO secondary schools than in a comparable control group, controlling for socio-economic characteristics.	These indicators will allow us to monitor if we are on track for indicators 1 to 4. Indicator 4, which will stem from the impact evaluation, may flag that EDUCO needs to be further strengthened to produce higher quality.

Arrangements for results monitoring.

Monitoring and evaluation will have a key role in the new project. Project outcome and intermediate outcome indicators will be monitored through bi-annual or annual reports, by using widely used existing statistical databases and the information gathered through the monitoring and evaluation systems of the key sub-components (flexible delivery modalities, demand-side scheme, EDUCO expansion, etc). Responsible for data collection vary with the sub-component, with strong involvement of the MINED.

As reported in the table below, the project will be drawing on statistical information produced by the MINED (enrollment census), the MINED in collaboration with the UCA (grade 9 and PAES database) and the *Dirección de Estadísticas y Censos*, DYGESTIC (household surveys). This information is generally reliable, although it can be further improved, and the country has the capacity to generate it. A first census-based grade 9 evaluations and the PAES evaluation are both being undertaken in 2005 to help set-up the baseline for the new project.

The MINED structure for monitoring and evaluation includes three interrelated units or departments: (a) the National Evaluation Department; (b) the Education Planning Department; and (c) the Statistical Unit. The evaluation department is responsible for managing the academic assessment system and the national enrollment census. It works closely with the UCA for the application of the grade 9 and PAES exams. The statistical unit helps with the processing and analysis of all the statistical information (including the household surveys). Finally, the planning department produces and monitors key education indicators (for the *Plan 2021* and all existing projects) on the basis of the databases managed by the department of evaluation and processed by the statistical unit. While this set-up appears to be generally efficient, it still needs to become fully functional, with the planning department duly strengthened, a clear division of responsibilities between the evaluation department and the UCA, a much better coordination among the three departments and between the MINED and schools.

Four main identified issues of the monitoring and evaluation system are: (a) the size, completeness and presentation of some of the databases (grade 9 only survey based, enrollment census presented by school and not by student, etc); (b) the coordination between the different statistical sources (poor); (c) the continuity in elaborating and monitoring the key indicators (insufficient); and (d) the use and dissemination of the information (insufficient).

The project is going to support improvements along these four main lines by: (i) financing improvements in the databases (in particular PAES, as indicated in the component III); (ii) helping improve information systems and the institutional set-up to ensure better coordination, continuity of monitoring and dissemination (see also Annex 6); (iii) supporting school involvement in monitoring and evaluation by developing a school quality control and monitoring system also at the school level; and (iv) supporting the impact evaluation of the new demand-subsidy scheme and secondary EDUCO schools as an example of effective use of the information.

The institutional set-up will include strengthening the MINED structure for monitoring and evaluation, including strengthening the planning unit, improving the coordination among the evaluation, statistical and planning departments and supporting a strong school quality monitoring team in the MINED, which would play the role of an intermediary between the monitoring and evaluation units of the MINED and the schools. It will also include further capacity building in the UCA, which could lead to the creation of a specialized external evaluation unit ensuring a larger and better defined role for the UCA in standardized testing and continuity in the application of the grade 9 and PAES exams. Finally, school involvement in monitoring and evaluation will be supported by helping the schools develop and monitor key basic education indicators, including exam and internal efficiency results.

Arrangements for results monitoring

		Target Values					Data Collection and Reporting		
Project Outcome Indicators	**Baseline (2004)**	**YR1 (2006)**	**YR2 (2007)**	**YR3 (2008)**	**YR4 (2009)**	**YR5 (2010)**	**Frequency and Reports**	**Data Collection Instruments**	**Responsibility for Data Collection**
1) Proportion of the 17 to 25 age cohort that has completed secondary	34.8%	35.8%		37.9%		40.1%	Monitoring reports produced each two years	Household Survey (EHPM)	DYGESTC Collects the data MINED calculates the indicator
2) Net enrollment rate in grades 7 to 9 and 10 to 11	7-9: 49% 10-11: 28.1%	7-9: 52.5% 10-11: 31.5%		7-9: 59.5% 10-11: 38.3%		7-9: 66.6% 10-11: 45%	Monitoring reports produced each two year	Enrollment Census and Population Census	MINED
3) Proportion of the 17 to 25 age cohort in rural areas and of the poorest 40 percent of the population that has completed secondary	Rural: 15.5% 40% poor: 21.1%	Rural: 15.8% Poor: 22.3%		Rural: 18.4% Poor: 24.9%		Rural: 21% Poor: 27.5%	Monitoring reports produced each two years	Household Survey (EHPM)	DYGESTC Collects the data MINED calculates the indicator
4) Proportion of test takers with intermediate and advanced results in Spanish and math at the grade 9 and PAES exam	G9: 62.3% (SP), 42.9% (M) (2003) PAES: 59.5% (SP) 52.2% (M) 25%	PAES: 62%, 54% 26%		G9: 72.3%, 52.9% PAES: 67%, 59% 28%		PAES: 72%, 64% 30%	Monitoring reports produced every two years for PAES; in 2008 for G9	Grade 9 database PAES database	UCA collects the data MINED calculates the indicators
5) Proportion of new enrollees in tertiary education							Monitoring reports produced each two years	Data from tertiary institutions and MINED enrollment	MINED calculates the indicator

[41] This indicator is an estimate based on partial information from higher education institutions. Once the final information is received the baseline and targets for this indicator will be updated.

who come from technical secondary schools[41]								census	
Intermediate Outcome Indicators									
1) Drop-out rate (average value for grades 7 to 9 and 10 to 11)	7-9: 6.1%, 10-11: 6.35%	7-9: 5.9% 10-11: 6.05%	7-9: 5.7% 10-11: 5.75%	7-9: 5.5% 10-11: 5.45%	7-9: 5.3% 10-11: 5.15%	7-9: 5.1% 10-11: 4.85%	Yearly monitoring reports	Enrollment Census	MINED
2) Proportion of over-age youth (2 or more years, and 3 or more years)	>=2 years: 26.4% >=3 years: 13.5%	2: 25.6% 3: 12.7%	2: 24.7% 3: 11.8	2: 23.8% 3: 10.9%	2: 22.9% 3: 10%	2: 22% 3: 9%	Yearly monitoring reports	Enrollment Census	MINED
Sub-component 1.A: 1) Basic competencies developed and disseminated in 5 core subjects	0	4 developed 0	5 developed and 3 disseminated 17% (2,000 out of 12,000)	5 developed and 4 disseminated 34% (4,000 out of 12,000) - cumul	5 developed and disseminated 47% (5,600 out of 12,000) - cumul		Yearly reports Yearly reports	Teacher census	MOE MOE
2) Proportion of total secondary education teachers certified in basic competencies	Percent with intermediate and advanced (overall) PAES: 32%	34%		38%		45%	Bi- annual reports	Enrollment census, PAES database and school database (m & e system)	MOE
3)Repetition rate and academic performance in low performing schools (1/3 lower performers)	Repetition rate in upper secondary: 5%	5%		4%		3%	Bi- annual reports	Enrollment census, PAES database and school database (m & e system)	MOE

4) Proportion (and number) of students enrolled in extra-curricular English who complete the course			80% (4,000 out of 5,000)	80% (3,252 out of 4,066)	80% (3,252 out of 4,066)	80% (1,495 out of 1,868)	Yearly reports from 2007		MOE
Sub-component 1.B: 3 MEGATEC networks are fully functional (school network set, physical expansion and rehabilitation completed, curricular adjustments and rationalization of technical tracks undertaken, agreements with INSAFORP and private sector signed)				2 Zacatecoluca Sonsonate	3 Zacatecoluca Sonsonate Cabañas		Yearly reports	School surveys	ITCA/MOE
Sub-component 1.C: 1)Use policy fully established and applied 2) Proportion of total upper secondary students covered by	62%	Established (methodological guides ready) and partially applied (84 teachers trained) 65% (12 labs)	Applied (182 new teachers trained and all guides produced and distributed) 71% (26 labs)	Applied (140 new teachers trained) 75% (20 labs)	Applied (140 new teachers trained) 80% (20 labs)		Yearly reports Yearly reports	School surveys School surveys	MOE MOE

technological services									
Sub-component 1.D: Academic performance and repetition rate in the 30 targeted schools	Percent with intermediate and advanced (overall) PAES: 57% Repetition rate in upper secondary:3%	57% 3%		61% 2.3%		67% 1.5%	Bi-annual reports Bi-annual reports	PAES database, School database (monitoring and evaluation database)	MOE
Sub-component 2.A: 1) Three flexible modalities are fully functional (curricular adaptations and teaching materials completed, teacher training undertaken, monitoring and evaluation system set and accredited institutions contracted) 2) Proportion of a student cohort enrolled in flexible modalities who completes the relevant sub-cycle	0	2 (accelerated; and semi-distance)	3 (accelerated, semi-distance and distance) 80% (acc, upper secondary) PAES (acc): PAES (trad):	3 (*) 80% (acc, upper secondary and lower secondary); 70% (sd, upper secondary) G9 (trad): G9 (acc): PAES(acc,sd): PAES (trad):	3 (*) 80% (acc, upper and lower secondary); 70% (sd, upper and lower secondary); 70% (d, upper secondary) PAES(acc,sd,d): PAES (trad):	3 (*) 80% (acc, upper and lower secondary); 70% (sd, upper and lower secondary); 70% (d, upper secondary) PAES (acc,sd,d): PAES (trad):	Yearly reports Yearly reports from 2007 Yearly reports from 2007	Flexible delivery database (monitoring and evaluation system) Flexible delivery database (m & e system) Grade 9 and PAES databases	MOE/UCA MOE/UCA MOE/UCA

3) Grade 9 and PAES average scores *are comparable* between modalities								Flexible delivery database (m & e system)	
Sub-component 2.B: 1) Minimum number of beneficiary students receiving a grant per year 2) Proportion of a beneficiary student cohort who completes the relevant secondary sub-cycle 3) Secondary completion rate of beneficiary students is *higher* than the rate of a comparable control group for the relevant sub-cycle	0	0	1,041	609 90% (upper secondary) Xx (g) (upper secondary) Xx (ng) (upper secondary)	550 90% (upper and lower secondary)	528 90% (upper and lower secondary) Xx (g) (lower secondary) Xx (ng) (lower secondary) Xx (g) (upper secondary) Xx (ng) (upper secondary)	Yearly reports Yearly reports from 2008 Bi-annual reports from 2008	Grant database (m & e system) Grant database (m & e system) Grant database (impact evaluation)	FEPADE FEPADE FEPADE
Sub-component 2.C: Proportion of target new classrooms provided every year	0	32% (35 out of 110)	53% (58 out of 110)	15% (17 out of 110)			Yearly reports	Infrastructure census	MOE

Sub-component 3.A: 1)Improved PAES exam is undertaken and its results analyzed, disseminated and used for certification purposes 2) MOE information system completed and disseminated to all stakeholders 3) Methodology for accreditation of institutions is established on sound quality criteria		PAES improved and disseminated System designed and disseminated Established	PAES disseminated and used to certify all modalities System disseminated and training of stakeholders completed Applied	PAES evaluation system working System is kept updated and information disseminated Applied	Same System is kept updated and information disseminated Applied	Same System is kept updated and information disseminated Applied	PAES report Yearly report Yearly report	PAES database	MOE/UCA MOE MOE
Sub-component 3.B: 1)Proportion of target schools' management organizations strengthened in institutional and participatory planning every year 2)School quality	0	23% (103 out of 450) Baseline of school quality index	24% (108 out of 450)	25% (112 out of 450) Improve by 15%	28% (126 out of 450)	Improve by 30% (cumul.)	Yearly reports Bi-annual reports	School survey School surveys	MOE MOE

index for 1/3 lower performer schools improves 3) Proportion of target EDUCO sections expanded to upper secondary 4) PAES scores are *at least as high* in EDUCO secondary schools than in a comparable control group, controlling for socio-economic characteristics	0	0 PAES (E): PAED (trad): (using existing secondary EDUCO schools)	50% (50 sections out of 100)	PAES (E): PAES(trad): (on new 50 EDUCO sections)	50% (50 sections out of 100)	PAES (E): PAES(trad): (on new 100 EDUCO sections)	Bi-annual reports Bi-annual reports	EDUCO database (m & e system) EDUCO database (impact evaluation)	MOE MOE

(*) Assuming the distance education program has proved to be cost-effective, otherwise 2.

Annex 4: Detailed Project Description

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

COMPONENT I: Quality, Relevance and Competitiveness of Secondary Education (US$42.7 million)

This component would promote high-quality relevant secondary education by applying a combination of learning-enhancing interventions, including measures to improve learning in core subjects and teaching-learning environments, and improving the relevance of technical education through stronger linkages with tertiary education and the private sector. Ensuring high learning levels is the main challenge of Central American countries, as specified in the Central America Education Strategy Paper[42]. Improved learning and relevance will not only contribute to upgrade the country's skills but also contribute to increase educational attainment and coverage, laying the basis for improving the productivity, growth and competitiveness prospects of El Salvador.

I.A Improving Learning in Core Subjects

This sub-component would improve quality and relevance of secondary education by improving learning in five key areas (Spanish, math, science, social science, and English). Ensuring high learning levels in core subjects is the basis for improving the productivity and competitiveness prospects of the country. Despite important reforms in secondary education curricula beginning in 1997 more support is needed in El Salvador to ensure that secondary students have sufficient mastery of the basic disciplines (language, math, science and social studies), as indicated by Grade 9 and PAES results, which are still unsatisfactory (the recent 2003 PAES results show that between 35 and 50 percent of students score poorly). Additionally, there is evidence that English knowledge is still fairly unsatisfactory.

Competency-based curriculum: this sub-component will improve student learning in Spanish, math, natural sciences and social science by focusing on the development and application of general/basic competencies. Competencies will be developed by grade and be the same across modalities (regular, flexible) to ensure equivalent learning levels (and transfer of students between the technical and general tracks if needed[43]). New study programs, methodological guides, other teaching materials, teacher and directors' training and updated study plans of pre-service teacher education will support the application of competencies. Care will be taken to train the teachers of the schools' lower performing tier.

English: additionally, the GOES has identified knowledge of the English language as a national priority area. In the increasingly "globalized" Salvadorian economy, the knowledge of English becomes a key condition of successful productive development. In recent years the GOES has designed, produced materials for, and piloted new curricula for English language instruction in El Salvador's schools. Part of this sub-component, therefore, is also to improve the English language communication skills of youth completing secondary school, by strengthening teaching and learning of English in public schools and offering English instruction as an extracurricular course for secondary students. English learning in public schools will be improved through the development and application of basic competencies in English, teacher training, the development

[42] See The World Bank (2005).

[43] Students who complete the first year of technical education can enroll in the second year of general education if they change their minds.

and distribution of teaching materials and updated plans for pre-service teacher education. English as an extracurricular course will be provided by accredited agencies under the form of intensive courses.

Academic reinforcement: finally, this sub-component will also put special attention on those students (and schools) who are academically weak, as measured by poor scores in the PAES and grade 9 exams and high drop-out and repetition rates, and students with special needs, by developing special academic reinforcement programs, including the development and dissemination of teaching materials and the set-up of learning resource centers.

The sub-component contemplates the following activities: (i) development of general/basic competencies in 5 core disciplines, for each grade and common across modalities (general and technical education, flexible modalities), with associated new study plans; (ii) application of basic competencies, through teacher and director training (5,600 teachers trained), development and distribution of teaching guides and other teaching materials (textbooks and school cards), and update of study plans of pre-service teacher education (14); (iii) teacher training (about 600 teachers), development and distribution of teaching and audio-visual materials and updated study plans for pre-service teacher education for the teaching of the English language; (iv) contracting of external agencies (purchase of educational places) to provide intensive courses in English for about 15,000 students; (v) academic reinforcement to academically behind students in about 1,600 schools (program development, teaching materials, technical assistance, monitoring and evaluation system); and (vi) program development and equipment of learning resource centers for disabled students.

I.B Relevance of Technical Education

This sub-component would improve the quality and relevance of secondary education by ensuring higher levels of integration between secondary technical education and tertiary technological education. We have seen above that one key weakness is the lack of coordination and integration between levels of technical education, which complicates the transition between secondary technical education and technological institutes[44] and the insertion in the labor market. Improving linkages between technical and technological education will increase relevance and educational attainment in the country.

This sub-component will strengthen this integration, and the integration with training and the labor market, by supporting the development of three regionally based, technical-technological networks (or *nodos*) (also called MEGATEC, or *Modelo Educativo Gradual de Aprendizaje Técnico y Tecnológico*), within a broader technical and technological national policy. The three networks will include technical institutes (traditional and APREMAT[45]), technological institutes and, when possible, universities offering technical careers, such as engineering, integrated from both the curricular and physical resources perspective; and will be developed in three regional development poles in the country[46], as determined by the new National Development Plan (*Plan de Nación*).

[44] In particular, technical secondary graduates have to enroll in grade 1 of the technological institutes although they have already completed three years of technical education at the upper secondary level.
[45] APREMAT institutes are institutes which have been greatly strengthened, in terms infrastructure, pedagogical development and equipment, under a recent European Union project.
[46] Zacatecoluca, Cabanas and Sonsonate.

The networks aim at: (i) providing the human capital needed in the technical-technological areas; (ii) fulfilling the expectation of technical graduates (and general graduates with strong technical skills) to pursue their education at the tertiary level; (iii) relating technical-technological education to training and the private sector; and (iv) relating education and training efforts to local development needs. To some extent, they are laying the basis for a life-long learning framework, by articulating the different levels of technical education and, in turn, integrating them with professional training and the labor market.

Articulation of the different levels of technical education: key to this articulation will be a competency-based approach,, a rationalization and coordination of the supply of technical-technological tracks (including expanding mechanical tracks[47]), teacher professional development, the targeted expansion and equipment of the network hubs (o *institutos de sede*) for the benefit of the network, and the development of a program for academically promising students in technical-technological areas. The competency-based approach will include the harmonization of the specific competencies taught in technical secondary with the ones taught in technological tertiary education, which will allow the enrollment of technical education graduates in the second year of technological studies.[48]

Integration with training: integration with training would be promoted through allowing INSAFORP (*Instituto Salvadoreño de Formación Profesional*) to make use of the network for the professional training courses that it finances, and by recognizing the competencies/skills acquired through training within the network[49] (which also requires a development of the competency-based approach). Additionally, the networks will make use of the experience of INSAFORP in labor competencies, curricular design, professional orientation and SMEs, among others.

Integration with the labor market and the private sector: this integration would be enhanced through five main strategies: (a) private administration (and co-financing) of the networks, mostly through ITCA, which is in turn managed by FEPADE, the business association for education; (b) specialization in appropriate economic areas for the region of location to be in the position of satisfying regional demands for skills (see below); (c) sale of services directly to the private sector, in particular SMEs, which may need to use the network to train their employees and upgrade their technology and administration systems; (d) feed-back from technological education to technical education on how to provide better quality technical tracks, more relevant to labor market needs; and (e) set-up of a flexible system, which allows technical graduates who decide to join the labor market immediately after the completion of their secondary studies to have their labor market experience recognized for the purposes of enrolling later on in the tertiary level.

Linkages with development needs: further linkages with the labor market will also be encouraged by the regional vocation of the networks, which should be able to address the regional demands for skills as determined in the National Development Plan. The *Plan de Nación* identifies key regions based on current and future development prospects and needs for skills. La Unión, for instance, is already starting to benefit greatly from the development of the new port, and this is producing demand surges in the areas of tourism, agro-industry and logistics. In the region of

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[47] The networks will specialize in electronics and logistics, telecommunications and industrial mechanics, and electricity and agro-industry, which are already supported by the existing secondary technical tracks.

[48] The graduates from the general education stream who have strong technical skills would still have the possibility to participate in this new articulated structure, but entering in the first year of technological education.

[49] A technical graduate who interrupted his studies and undertook some professional training could, for instance, enroll in technological education later on with credits for the training undertook.

Comalapa, similar demand surges are expected following the further development of the airport. By specializing in appropriate economic areas for the region where they are located the networks would be in the position of satisfying these demands for skills.

Setting-up the 3 technical-technological networks will include several activities. The project contemplates the following activities: (i) the set-up of national technical and technological national policy; (ii) the harmonization and collective use of school facilities within the network, which will include the expansion, rehabilitation and refurbishing of physical spaces and the provision of new teaching-learning spaces in the network hub (*instituto de sede*); (iii) the development of a competency-based approach in technical/technological education and the rationalization and coordination of technical-technological tracks; (iv) the development of teacher professional opportunities within the networks; (v) the development of a program for academically promising students; (vi) the design and implementation of professional orientation programs in lower secondary schools located within the regional networks; and (vii) the implementation of agreements with INSAFORP and the SMEs.

I.C Technology for Learning

This subcomponent will support curriculum development, and, therefore, the quality and relevance of secondary education, through the adequate use and implementation of Information and Communication Technologies (ICTs) and the development of skills in the use and application of the ICTs. A recent study on ICTs which surveyed 126 schools across 11 countries[50] finds that ICTs are still a new phenomenon in the developing world but that the use of computers is associated with improved skills and learning as self-reported by teachers. Additionally, a recent analysis on the determinants of PAES scores[51] finds that resources for the educational process such as computer labs lead to higher test scores. Skills where effective use of ICTs can potentially have the greatest impact are critical thinking, collaboration, team work, information reasoning, information literacy, and cultural awareness.

Technology labs with effective use policy. The sub-component will provide new technology labs in secondary education institutes (including infrastructure improvement when needed, computers and audiovisual equipment), with emphasis on urban-marginal institutes and rural institutes with the necessary capacity. A coherent use policy will be put in place, ensuring integration with the curriculum, appropriate examinations that test the skills/knowledge that are expected to be developed, adequate training of teachers and students and the incentives for the teachers and students to effectively use the investment. Integration with the curriculum will be supported by the development and adoption of user guides written, jointly, by the national education and technology departments.

The sub-component contemplates the following activities: (i) construction and rehabilitation of technological labs in 78 secondary schools; (ii) procurement of computer and audiovisual equipment (networks, severs, workstations, etc) for 78 schools and for the central and regional level of the Ministry; (iii) procurement of educational software (simulators, specialized encyclopedia, etc.), and office productivity software; (iv) design, development and printing of pedagogical guides to support the integration between curriculum and technology (12); (v) training to heads of technological labs and teachers (about 546 teachers) on the use of pedagogical guides and in general the use of ICTs for education; (vi) technical assistance and

[50] See The World Bank (2004): "*Global Networked Readiness for Education Report*".
[51] El Salvador, MINED (2001).

monitoring of the beneficiary schools; and (vii) design of a base line and evaluation study of the subcomponent.

I.D Schools' Social Environment for Learning

This sub-component will improve the quality and relevance of secondary education by improving the teaching-learning environment in poor marginalized schools through an improvement of the social environment. El Salvador has unique challenges present in marginalized urban secondary schools where poverty, violence, poor infrastructure and services, and insecurity make it difficult for students to learn, teachers to teach, and schools to function at their highest capacity. A recent analysis on the determinants of the PAES results[52] confirms that classroom environment is strongly related to test scores. Poor learning and educational attainment in marginal urban schools contribute to explain the lower performance of the poor (with much lower completion levels as seen above), providing strong justification for a public intervention in these low quality schools.

Prevention of risky behavior. This sub-component aims at strengthening the social environment in 30 poor urban secondary schools with violence problems and low academic achievement levels, by applying a comprehensive set of measures supporting the prevention of risky behavior: the set-up of "social environment councils" *(Comites de Convivencia),* composed by teachers, students and family members, and the support of parents and students' councils, to support collaboration between families, schools and communities; the strengthening of teachers, students and families' skills in conflict resolution; the development of schools' social environment improvement plans; and the organization of extra-curricular and health-related activities. It will also enhance a sense of participation and solidarity by supporting the design and implementation of school youth projects. Finally, a comprehensive monitoring and evaluation system of the program will also be put in place.

The sub-component will contemplate the following activities: (i) establishment of 30 "*Comites de Convivencia*" (social environment councils) and support of parents and students' organizations; (ii) training to directors, teachers, students and families in conflict resolution in 30 schools; (iii) development of 30 schools' social environment plans; (iv) elaboration of teaching materials and organization of study tours and dissemination activities related to activities (i) to (iii); (v) organization of extra-curricular and health-related activities in 30 schools; (vi) financing of about 300 school youth development projects (amounts transferred per project within pre-established thresholds); and (vii) monitoring and evaluation of the activities implemented and results obtained.

COMPONENT II: Broad-Based Coverage in Secondary Education (US$36.7 million)

This component would promote broad-based coverage in secondary education by supporting three key strategies: (a) the development of flexible delivery models; (b) the development of a new demand-side financing scheme; and (c), where needed, the expansion and rehabilitation of public infrastructure. By being mostly targeted to disadvantaged populations (poorest 40 percent, rural groups, marginal-urban areas), the combination of these three strategies has the potential of improving secondary enrollment in El Salvador in an equitable manner, together with the quality-enhancing measures developed in component I.

[52] El Salvador, MINED (2001).

II.A Flexible Delivery Models

This subcomponent seeks to expand secondary education coverage in a broad-based way by developing flexible delivery modalities, including accelerated, semi-distance and distance education modalities, for youth who did not complete, or are at risk of not completing, secondary education.

Low rates of return and high direct and opportunity costs prevent youth from attending school. The section on context indicates that the combination between low rates of return in lower secondary, substantial (and increasing with age) opportunity costs, and substantial direct private costs for low-income people provides strong disincentives to attend for over-age and lower/lower-middle income youth (as a matter of fact over-age youth often comes from these two population strata). A recent econometric analysis of the determinants of secondary attendance in El Salvador finds that age plays a negative role in the decision to enroll and/or continue in secondary, as well as living in a rural area, while family income and parental education play a positive role[53]. Confirming these findings, the bulk of the secondary coverage gap in El Salvador is in the bottom 40 percent of the population and in the rural areas; and the drop-out increases massively from the age of 14.

Flexible delivery models have proven to be a promising means of providing relevant, quality schooling to rural, lower/lower-middle income, and over-age students. Three different models will be developed with three different key target populations. An accelerated education program targeted to the 15 to 25 over-age students (15 to 25 for lower secondary and 19 to 25 for upper secondary); a semi-distance education program targeted to the 15 to 25 age range out-of-school population in rural and marginal urban areas (15 to 25 for lower secondary and 19 to 25 for upper secondary); and a distance education program targeted to the 19 to 25 age range out-of-school population in rural areas (only for upper secondary). Semi-distance programs could also be made available to schools which cannot offer formal upper secondary education to their ninth grade graduates.

Accelerated education program: over-age is pervasive in El Salvador. About 60 percent of the students are over-age vis-à-vis their grade in secondary, with about 25 percent of the students over-age of two or more years.[54]

Over-age is a major cause for non-enrollment and/or drop-out. Additionally, over-age students occupy places that could be occupied by timely students. While over-age needs to be addressed, primarily, at the primary level and with quality interventions, a viable option in the shorter-term is to introduce an accelerated education program, which improves the chances of enrollment and completion of over-age youth. The main challenge is to ensure that the program is of comparable quality with the traditional one.

The accelerated education program will be available for both lower and upper secondary education for over-age youth (defined, in this case, as youth who is at least two years older than the norm for a certain grade) in selected geographic areas. These geographic areas will be identified according to an "educational risk" aggregate indicator (composed by indicators of over-age, drop-out, out-of-school population, academic achievement and deficit in school infrastructure) and a "labor market prospects" indicator (measured by the average years of

[53] See Edwards (2005).
[54] According to the 2004 Enrollment Census.

schooling of the population working in the formal local sector)[55]. This latest indicator captures the fact that, although the demand for skills seems to be large at the national level, it may be heterogeneous across areas, suggesting the need for prioritization.

The accelerated education program is a full-time program, which will make it possible to undertake lower secondary education in 18 months and upper (general) secondary education in 12 months. The teaching methodology and materials, as well as teacher training requirements for the program, are currently being developed by the UCA. To ensure quality, the program will be based on the same general competencies than the traditional programs and be subject to the same tests in grade 9 and 11.

Semi-distance and distance education program: lower-income families have higher direct and opportunity costs to send their youth to school, while having lower rates of return. Semi-distance and distance education programs can meet the needs of these communities by offering a free or low-cost alternative to traditional secondary. Even more important, they allow students to continue working or raising a family while also studying and earning their secondary degree. Finally, they use new pedagogical approaches designed to better serve rural and low-income communities as well as working individuals.

El Salvador already has some experience with semi-distance education programs, financed on the current secondary education project. About 4 percent of all secondary students were enrolled in a semi-distance education program in 2004. This program aims at expanding the coverage of upper basic and secondary education targeting the working population of rural areas. Classes are held during the week-end with the help of specially trained teachers. The program is currently being evaluated. The proposed new semi-distance program would build on this existing program, covering the 15 to 25 out-of-school population in selected rural and marginal-urban areas (where the vast majority of the bottom 40 percent lives). Like the existing one, the program would take place during week-ends with specially trained teachers, and one grade would ideally be completed in a time period of 8 to 12 months. UCA is also developing the teaching materials and teacher training options.

In contrast, El Salvador has very little previous experience with "pure" distance education programs. It will therefore need to develop this program from scratch, making use of the Latin American and international experience in this area, and starting with a pilot program at the upper secondary level. The program will cover the 19 to 25 out-of-school population in selected rural areas and use technological means to provide at least 4 weekly hours of instruction and 8 hours of homework. The instruction process will take place in learning centers located in schools or other institutions, selected according to pre-established criteria, and be web-based (asynchronous). The program will only cover about 100 beneficiaries the first year and be subject to joint MINED-World Bank evaluation at the end of its first year of execution to assess the cost-effectiveness of the investment.

For both programs, the geographic areas would be selected according to the "educational risk" and "labor market prospects" composite indicators.

Implementation of the three modalities: finally, all three programs would be implemented through accredited agencies, as part of the contracting-out strategy of the MINED. To ensure quality, the institutions would go through a thorough accreditation process (see sub-component III.1) and all

[55] Known together as Indice *EDUCAME* (Briones, 2005).

three programs will be based on the same general competencies than the traditional programs and be subject to the same tests in grades 9 and 11.

The project contemplates the following activities under this sub-component: (i) the development of curricular and pedagogical adaptations for all three modalities, including the development of the web-based platform for distance education; (ii) the development and distribution of teaching-learning materials for teachers and students for all three modalities, including audiovisual materials for distance education; (iii) teacher training in two of the three modalities; (iv) the implementation and development of an information, monitoring and evaluation system for the three programs; (v) promotion activities for the three programs; and (vi) the contracting (purchase of education places) and training of implementation agencies for the three programs, providing: (a) accelerated education to about 6,120 over-age youth in lower secondary and about 8,500 over-age youth in upper secondary; (b) semi-distance education to about 3,600 youth in lower secondary and about 4,800 youth in upper secondary; and (c) distance education to about 650 youth in upper secondary.

II.B Demand-Side Scheme

This sub-component aims at expanding secondary education coverage by developing a new demand-side scheme for lower-income students.

Demand-side interventions can help address direct and opportunity costs while providing an opportunity for continuing to be enrolled in the traditional system. Lower-income families face higher direct and opportunity costs of schooling, as well as lower rates of return. Demand-side interventions can help address direct and opportunity costs while providing an opportunity for continuing to be enrolled in the traditional system. The Bank has already been involved in educational grants for disadvantaged youth in El Salvador (since 1999 through the current secondary education project), providing more than 4,000 scholarships in the last four years to low-income students. Scholarships are awarded on the basis of both merit and need, and the criteria for identifying recipients include residence in a poor locality, satisfactory academic performance and approval by a local committee comprised of teachers and student representatives.

Targeting methodology: this subcomponent will look to expand and improve this scholarship program. It will provide yearly grants to support secondary completion for youth from the bottom two income quintiles. Students would need to be in school (or have left school no more than one year before) and be no older than 14 for lower secondary and 17 for upper secondary. Some minimum academic performance criteria would also be applied. An effort will be made to identify with precision the target student group. A proxy-mean methodology, based on household survey estimations, is being developed by FUSADES for targeting subsidies at the primary level. This methodology has identified 10 main variables correlated with poverty levels. To make things simpler in secondary where the geographic coverage is more spread-out, a second easier option would be adopted. This option proposes to use electricity bills (three last bills) as main targeting criteria, since the amount of electricity used is highly correlated with income and electricity bills are easy to monitor. Regression analysis estimating the relation between monthly income and monthly electricity bills makes it possible to establish what electricity bill amount would correspond to the target income level.[56] Inclusion and exclusion mistakes would be comparable to the FUSADES methodology. Families without electricity could automatically qualify for the

[56] Preliminary estimation on the 2002 household survey suggests the following regression:
Predicted monthly income = 183.75 + 17.34x(Electric bill) (see Edwards, 2005).

grants. Other complementary targeting criteria would refer to household composition (in particular if head of household is a woman) and ethnic group (indigenous populations would be favored). Mechanisms could be put in place to double-check some of the information if needed (such as involving schools' teachers and local communities). In case of excess demand of eligible students, a lottery would help select the beneficiary students. Finally, some geographic targeting could also be applied if needed, due to the limited supply of private schools and coverage of the program (such as restricting the program to the main cities of key regions).

Public-private partnerships in delivery: students would have the choice between public and private schools[57], which have been previously selected according to strict quality criteria (above average PAES results) and space availability. Due to increased space availability in the private sector, public-private partnerships make a lot of sense in El Salvador.[58] One unique grant scheme would be set, and grants covering direct costs would be allocated to the participating schools, instead than to students themselves, to facilitate monitoring. Students would be given the opportunity of expressing preferences for schools, although they may not be able to get their first choice.

Grant amount and allocation: grants would be available starting in grades 7 and 10 and would cover the main private direct costs of schooling (enrollment and monthly fees, textbooks, uniforms and transportation). The funds would be split in two parts, one covering enrollment and monthly fees (within a pre-established maximum, corresponding to a high quality basket of services offered, and a pre-established minimum, ensuring minimum levels of quality[59]), transferred to the schools; and one covering all the other expenditures (textbooks, uniforms, transportation), transferred to the families themselves (also within pre-established maxima and minima). This option would make it possible to better control the fees charged by the schools and make them more responsible for the students, while also empowering the families, which can select the schools and manage part of the funds.

Public-private partnerships in implementation and financing: to ensure sustainability, the grant scheme will be managed by a non-profit institution (FEPADE), which has extensive experience with managing grants (through the two above mentioned transfer mechanisms). FEPADE will also help design a mixed public-private fund (trust fund) by matching the funds invested by the MINED with private funds.

Finally, a monitoring and evaluation scheme will also be set up to monitor student and school performance in time and an impact evaluation of the grant scheme will be undertaken.

The sub-component will contemplate the following activities: (i) the set-up of the program, including the development of instruments for the selection of students and schools; (ii) the transfer of yearly per-capita grants to cover direct costs of schooling (schooling fees, teaching materials, transportation, uniforms) (to benefit at least 1,310 students in upper secondary and

[57] Although actual choice may be restricted by availability of schools and places in certain areas.

[58] A recent analysis on El Salvador shows that, in certain regions of the country, private sector schools have lost enrollment over the years due to increasing direct costs and improvement in the quality of public schools, therefore having important idle space a this point (see The World Bank, El Salvador, Informal Policy Note, 2004). Public schools tend to be more crowded, although this would also depend on the region, and efforts will be underway for expanding and rehabilitating some of them.

[59] The maximum would be the same for public and private schools, but the minima would be different. The minimum for public schools would be some proportion of the maximum authorized public schooling fees.

1,073 students in lower secondary[60]); and (iii) the implementation of a monitoring and evaluation system to monitor the institution which manages the program, as well as the participating students and schools, including rigorous impact evaluation of the program.

II.C Expansion of Infrastructure

Infrastructure supply is still an issue. This sub-component aims at expanding secondary education coverage by expanding and improving the infrastructure and equipment of formal public general and technical secondary schools. Although lack of infrastructure is not the main cause for low secondary enrollment in the country, it is still an issue in upper secondary education, as also indicated by a sharper transition rate between grade 9 and 10. While there is more supply in urban than rural areas, classrooms are often over-crowded (over 45 pupils per classroom) in urban and marginal-urban schools requiring as well urgent attention.

The project will expand and rehabilitate infrastructure in a targeted way. The interventions exemplified in sub-components II.A and II.B are contributing to address the lack of public infrastructure in rural and urban areas (through distance education modalities and public-private partnerships). However, these interventions will not be sufficient to address the supply issue. Creating more access to young people to the formal education system, while also improving teaching-learning conditions, will require constructing, expanding and/or rehabilitating classrooms in urban-marginal and rural areas.

The sub-component will therefore support: (i) the rehabilitation, refurbishing and equipping of 469 existing classrooms in upper secondary schools, giving priority to low performing ones; and (ii) the construction, refurbishing and equipping of 110 new classrooms in selected upper secondary schools, most of them located in urban and urban-marginal areas with high projected population growth.

COMPONENT III: Management and Evaluation for Effectiveness (US$13.5 million)

This component will enhance the effectiveness of all the project's interventions by developing solid evaluation, certification and accreditation systems, and by improving school management and decentralization. These interventions will strengthen the capacity of the MINED and of several external education agencies.

III.A Evaluation and Accreditation for Effectiveness

This sub-component will maximize the effectiveness of the interventions of the project by developing solid monitoring, evaluation, certification and accreditation systems. Most of the interventions of the project require a strong evaluation and monitoring system (quality enhancing interventions of sub-component I.1, technology for learning, flexible modalities, demand-side interventions) to ensure that they achieve their objectives. Additionally, some of them rely on strong accreditation processes to be carried-out effectively (flexible modalities and demand-side interventions); while others rely on teacher quality, which is closely related to teacher evaluation and certification (quality enhancing interventions of sub-component I.1, technology for learning, and flexible modalities).

Monitoring, evaluation and certification of student performance: El Salvador already has a fairly developed evaluation and monitoring system, with standardized testing carried-out in grades 3, 6,

[60] These amounts have been determined on the basis of maximum per-capita amounts of direct costs.

9 and 11 (PAES) since the mid nineties (sample based in basic education and census based in secondary education). In 2001, a new national evaluation system was set-up (the SINEA), replacing the previous norm based exam with a criterion based one. Additionally, the country also collects detailed enrollment information on a yearly basis (enrollment census). There are, however, some key weaknesses in this evaluation and monitoring system, as also stated in Annex 3. The most important are limitations in the extension, completeness and relevance of external evaluation; the lack of coordination between different statistical sources (household survey information and expenditure information, in particular, are hardly used for monitoring purposes by the MINED); the lack of continuity in elaborating and monitoring key indicators; and the insufficient dissemination and operational use of the information (for diagnostic, accountability or certification purposes).

The project will strengthen the country's monitoring and evaluation system by improving the assessment of academic skills in the secondary terminal exam (PAES)[61]; improving the quality of the complementary information (for policy and diagnostic purposes[62]); developing tests to certify basic, technical and English competencies; improving the information system of the MINED (for analysis and dissemination purposes); and developing basic education indicators (including grade 9 and PAES results) to be monitored at the school level (school institutional characterization, school quality index). It will also develop a new institutional set-up for monitoring and evaluation (see below) to ensure better coordination, continuity of monitoring and dissemination of results.

Accreditation of institutions: the country still needs to develop an effective accreditation system for private profit and non-profit institutions (NGOs, other institutions) to ensure high quality standards. The project will help define this policy.

Evaluation and certification of teachers: the country also needs to improve its system of teacher evaluation and certification. El Salvador is ahead of the other Central America countries for its teacher management policies. In particular, El Salvador is the only country that has implemented an explicit policy to enhance teacher selection criteria. Since 2001, prospective teachers must meet a minimum cut off point on the secondary exit exam in order to study education. In addition, candidates must also, since 2001, pass a special accreditation exam called the ECAP (*"Evaluación de Competencias Académicas y Pedagógicas"*) at the end of the third year of teacher training school. This is a positive step in the direction of higher teacher quality. However, while strong at the initial training stage, performance evaluation becomes weak subsequently, with a career path and structure of teacher salaries, which reward seniority and initial education level with little regard to teachers' actual performance in the classroom or teachers' participation in subsequent training programs[63]. The project will promote more continuous teacher evaluation by helping define clear performance profiles and standards on which to base solid performance evaluation, which would make it possible to certify in-service training and reward actual classroom performance. An index of teacher professionalism (weighting dimensions of seniority, initial education, certified training and actual performance) could be used to relate teacher career development to teacher performance.

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[61] Which will include aligning the exam with the set of competencies developed in component I.

[62] Including analyses of associated factors, which should be undertaken on a regular basis.

[63] El Salvador has introduced, recently, a merit-pay mechanism (el *Bono al buen desempeño institucional*), which by linking salaries to school efficiency indicators in several areas is designed to provide a performance incentive. The effectiveness of this incentive still needs to be fully assessed, but it seems that the school-level variables selected are not effectively capturing performance.

Institutional set-up for evaluation and accreditation: finally, monitoring, evaluation and accreditation will only be improved if there is an adequate institutional set-up for managing them. The project will support, on the one hand, an internal reorganization of the MINED, strengthening the monitoring and evaluation units (see Annex 3); and, on the other hand, further capacity building in the UCA, which could lead to the creation of a specialized external evaluation unit undertaking basic and secondary education standardized testing. Key measures to promote school involvement in monitoring and evaluation will also be supported in sub-component III.B. The project will also help the country set-up an adequate institutional framework for certification (of students and teachers) and accreditation (of institutions).

In sum, this sub-component will contemplate the following activities: (i) the improvement of the student evaluation methodology (PAES), including complementary information; (ii) the development of tests to certify basic, technical and English competencies; (iii) the development of basic education indicators at the school level; (iv) the analysis and dissemination of results and its use for certification purposes; (v) the participation in international academic assessments (TIMSS); (vi) the establishment of a methodology for the accreditation of institutions, based on clear quality criteria; (vii) the establishment of a methodology for teacher evaluation and certification; and (viii) the development of a strengthened institutional set-up for monitoring, evaluation and accreditation, with internal and external components.

III.B Management and Decentralization for Effectiveness

This sub-component will enhance the effectiveness of the project's interventions by improving school management and decentralization. The 2001 analysis on the determinants of the PAES results indicates that school management is related to secondary education academic result. The evidence is particularly strong for the variables measuring directors' leadership and school autonomy. These variables have a positive impact on academic achievement by improving teacher effort and commitment, school and classroom environment, and the availability and use of teaching-learning materials that is by strengthening most of the interventions of Component I. Additionally, the successful expansion of EDUCO schools in rural areas (with the consequent increase in primary rural enrollment) also indicates that management and, particularly, autonomy, can help expand coverage in difficult to reach areas, therefore strengthening the impact of the interventions of Component II.

A combination of policies is required to strengthen management and decentralization. The education system is fairly decentralized in El Salvador, with all schools benefiting from at least some level of autonomy. All schools are managed by directors and schools' organizations composed predominantly or solely by parents (CDE, CECE or ACE). Directors have a somewhat more academic role, while school councils an administrative one. Starting this year, all school councils will be receiving a unified school budget (including funds for teaching materials, equipment and operation and maintenance), allocated according to efficiency (per student allocations) and equity criteria. The most autonomous school councils are the ACEs, which manage the EDUCO schools (established in primary and lower secondary education in isolated rural areas), and can hire teachers.

Effective management and decentralization in secondary education will require a mix of interventions aimed at helping directors develop their leadership skills; strengthening school councils to allow them to manage more effectively their education budgets and implement successfully their yearly education plan; developing quality control at the school level; and, when needed, deepening school autonomy.

To this purpose, the project will support several interventions. First, it will support technical assistance to school councils and managing teams in several key areas such as institutional and participatory planning. Second, it will support the development of comprehensive quality control at the school level by supporting a strong school quality monitoring team in the MINED, strengthening regional quality teams (*equipos de seguimiento a la calidad*) in key pedagogical areas, and strengthening school capacity in interpreting, using and monitoring education indicators to improve pedagogical practices. Technical assistance to schools in institutional, participatory and pedagogical issues would be targeted to low performing schools.

Expansion of EDUCO: Third, it will encourage the development of fully autonomous upper secondary schools, expanding the EDUCO concept to that education level. EDUCO schools have substantially expanded in poor rural areas in the country and now represent about 40 percent of all rural students in grades 1 to 9. Results have been promising in terms of community empowerment, teacher effort and educational achievement[64]. Expansion of existing EDUCO schools is the preferred option for expanding autonomy in secondary (although others, such as the conversion of non-EDUCO schools, may be envisaged later). Therefore, this subcomponent would implement the new Autonomous School Centers (CEA) administrative modality in 50 existing EDUCO basic rural schools. This expansion would be gradually implemented over the next five years in rural areas, making sure that we can compare the performance of the CEA schools with the one of non-expanded existing EDUCO schools, on the one hand, and of traditional CDE upper secondary schools, on the other hand. The first comparison would allow us to measure the impact of having or not having upper secondary; while the second one would allow us to measure the impact of decentralized management. Details on the impact evaluation methodology have been discussed with the MINED. Expanding EDUCO in secondary will require establishing coordination strategies with the rural school networks, flexible modalities and the demand-side subsidy scheme.

In sum, the subcomponent will contemplate the following activities: (i) the provision of technical assistance to schools' management organizations (about 450 organizations, with priority to low performing schools) and supporting teams in key areas of school management, including necessary teaching materials; (ii) the development of a quality control and monitoring system at the school, regional and MINED level, including necessary technical assistance, materials and equipment (with technical assistance to the school level prioritizing low performing schools); (iii) technical assistance, refurbishment and provision of teaching materials in basic EDUCO schools, which will be expanded to upper secondary (50 basic education schools expanded, or 100 sections); and (iv) the implementation of a monitoring and evaluation system to monitor EDUCO expansion, including rigorous impact evaluation of the program.

COMPONENT IV: Project Administration. (US$3.9 million)

This component will support the management and coordination of project implementation to ensure capacity within the Ministry of Education to execute the project and achieve the development objectives. The support will finance primarily staff, project reporting, and upgrading of computer equipment.

[64] See The World Bank (2005).

Annex 5: Project Costs

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

Project Cost By Component and/or Activity	Total US $million
I. Quality, Relevance and Competitiveness of Secondary Education	
I.A Learning in Core Subjects	13.9
I.B Relevance of Technical Education	15.4
I.C Technology for Learning	8.5
I.D Schools' Social Environment for Learning	4.9
Subtotal	**42.7**
II. Broad-Based Coverage in Secondary Education	
II.A Flexible Delivery Models	20.1
II.B Demand-Side Scheme	5.6
II.C Expansion of Infrastructure	11.0
Subtotal	**36.7**
III. Management and Evaluation for Effectiveness	
III.A Evaluation and Accreditation for Effectiveness	7.2
III.B Management and Decentralization for Effectiveness	6.3
Subtotal	**13.5**
IV. Project Administration	**3.9**
Total Project Costs	**96.8**
Front-end Fee	**0.2**
Total Financing Required	**97.0**

Annex 6: Implementation Arrangements

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

The Implementation arrangements for the El Salvador EXITO Project (Excellence and Innovation in Secondary Education) have been developed with a focus on three key principles: (i) consolidated MINED institutionalized project implementation; (ii) promotion of strategic alliances for increased capacity; and (iii) result-based management (including emphasis on targeting, monitoring and evaluation). In addition, the institutional assessment reviewed the readiness of the technical-technological network, as a key innovative focus of the Project. The project implementation period is five years.

I. Consolidated Institutionalized Project Implementation

The Ministry of Education (MINED) of El Salvador has continuously managed IBRD and IDB-financed projects over the last 15 years. During this period, a key goal was to gradually institutionalize the implementation of externally financed projects within its line departments (rather than with a parallel Project Coordination/Execution Unit).

To-date, MINED has managed almost 200 million in IBRD loans in the last 15 years, including a Highly Satisfactory Rating for the Basic Education Project and Satisfactory ratings for the Education Reform and Secondary Education projects. During this period, MINED has institutionalized all of the technical-pedagogical aspects of project development, implementation and supervision within its line departments. For financial management and procurement, the Financial-Administrative Department has also been accountable for fiduciary issues, with a small team of specialist on IBRD norms.

For horizontal coordination, MINED will continue to effectively use the role of CONACORE (Comisión Nacional de Coordinacion Educativa – *National Commission for Education Coordination*), which is chaired by the Minister of Education and includes the participation of all Department and Division Directors of MINED. It also provides a participation forum to external actors, including representative of decentralized education institutions (Departmental Directors, School Government Councils, and Parental Organizations).

MINED seeks to consolidate its experience in institutionalized project management, and has defined specific management responsibilities for the EXITO project within its line departments, divisions, and chief units ("*jefaturas*"). Details follow on the proposed distribution by components, subcomponents, and responsible MINED unit.

A. Institutional Units Responsible for Component I

The units responsible for the **Quality, Relevance and Competitiveness of Secondary Education Component** include: (i) the National Education Department (*Dirección Nacional de Educación*), (ii) the National Evaluation Department (*Dirección Nacional de Evaluación*), (iii) the Department of Tertiary Education (*Dirección de Educación Superior*), (iv) the Department of Education Technology (*Dirección de Tecnología Educativa*), and (iv) the National Department of Youth (*Dirección Nacional de Juventud*). The following table shows the breakdown of accountability by component and subcomponent, and by Department, Division and Chief Unit involved in Project implementation.

Component I: Institutional Units Responsible for the Implementation of the ÉXITO Project			
Component	**Sub-Component**	**Strategic Areas**	**Responsible Units**
1: Quality, Relevance and Competitiveness of Secondary Education	1.1. Improving Learning in Core Subjects	Learning in Core Curricular Areas	*Dirección Nacional de la Educación (MINED)/Jefatura de Niveles Educativos and Universidad Centro Americana (UCA)*
		English As a Second Language (COMPITE)	*Dirección Nacional de la Educación (MINED)/Gerencia de Programas Complementarios/Jefatura para el Programa COMPITE* and ITCA/FEPADE
		Special Education and Learning Strengthening	*Dirección Nacional de la Educación (MINED)/Jefatura de Educación para la Diversidad*
	1.2. Relevance of Technical Education	Technical Education Academic Improvement	*Dirección Nacional de la Educación (MINED)/Gerencia de Modalidades y Niveles Educativos/Jefatura de Educación Media and FEPADE/ITCA*
		Relevance through Integration with Post-Secondary Technological Education and Life-Long Learning	*Dirección de Educación Superior y Dirección Nacional de la Educación (MINED) and FEPADE/ITCA*
	1.3. Technology for Learning	Curricular Integration	*Dirección Nacional de Educación y Dirección de Tecnología Educativa*
		Technology Labs	*Dirección de Tecnología Educativa*
	1.4. School's Social Environment for Learning	Capacitación en Prevención y Manejo de Indicadores de Riesgos Juveniles (Directores y Docentes)	*Dirección Nacional de Juventud*
		Financiamiento de Sub-Proyectos Juveniles	
		Monitoreo y Evaluación del Ambiente Social	

B. Institutional Units Responsible for Component II

The *Direccion Nacional de Educacion* (National Education Department of MINED), in general, is the key department responsible for the **Broad Based Secondary Education Coverage Component** – with the support of the *Direccion Nacional de Infraestructura* (National

Infrastructure Department) for investments in school rehabilitation and expansion. The Infrastructure Department will be supported by three co-executing agencies—FISDL, FUNDASAL, and HABITAT—which have been strategic allies in the education sector during the last two Government administrations. The following table shows the breakdown of accountability by component and subcomponent, and the Division and Chief Unit of the *Dirección Nacional de Educacion* involved in Project implementation.

Component II: Institutional Units Responsible for the Implementation of the ÉXITO

Component	Sub-Component	Strategic Areas	Responsible Units
2: Broad-Based Coverage	2.1. Development of Flexible Delivery Modalities	Accelerated Education Program	*Dirección Nacional de la Educación (MINED)/Gerencia de Programas Complementarios/Jefatura para EDUCAME with support of specialized NGOs and UCA*
		Semi-Distance Education	
		Distance Education	
	2.2. Demand-Side Scheme	Scholarships	*Dirección Nacional de la Educación (MINED)/Gerencia de Gestion Institucional/Jefatura de Niveles Educativos and FEPADE*
	2.3. Expansion of Infrastructure	Rehabilitation	*Direccion Nacional de Infraestructura (MINED) with 3 co-executing agencies FISDL, FUNDSAL, and Habitat*
		School Expansion	

C. Institutional Units Responsible for Component III

There are two National Departments of MINED responsible for the development and implementation of the **Management and Evaluation for Effectiveness** Component: *Dirección Nacional de Monitoreo y Evaluación* and *Dirección Nacional de la Educación (Gerencia de Modalidades y Niveles Educativos y Gerencia de Seguimiento a la Calidad).* The implementation strategy is based on a more than 10-year experience of MINED in decentralized management, including community participation. The internationally-acclaimed EDUCO project will be expanded at the secondary education level, using the experience to-date on community and parental participation. See table for specific details on responsible units by component, sub-component and strategic area.

Component III: Institutional Units Responsible for the Implementation of the ÉXITO Project			
Component	**Sub-Component**	**Strategic Areas**	**Responsible Units**
3: Management of Evaluation for Effectiveness	3.1. Evaluation and Accreditation for Effectiveness	Monitoring	*Dirección Nacional de Monitoreo y Evaluación, Dirección Nacional de Educación/Gerencia de Seguimiento a la Calidad and UCA*
		Evaluation	
		Certification	
		Accreditación	
	3.2. Management and Decentralization for Effectiveness	Strengthening of School Councils	*Dirección Nacional de la Educación (MINED)/Gerencia de Gestion Institucional*
		Education Quality and Monitoring	
		EDUCO Secondary	

Implementation Capacity: Albeit the Project-Implementation capacity accumulated to-date, during project preparation, an Institutional Capacity Assessment was prepared. The Assessment (on Project Files) concluded that the Ministry of Education had the strategic, planning, operational and administrative capacity to undertake the components and activities of the proposed Project.

The assessment reviewed (i) operational manuals (which are being updated based on the specific requirements of the EXITO project); (ii) the integrated information system for program administration (which its being pilot tested); (iii) the size, composition and skills of human resources; (iv) fiduciary management; and (iv) internal and external controls. The assessment results gave high marks on planning and organization (93.2%) and implementation capacity (88%). The following systems were assessed as satisfactory and contributing to the capacity of the MINED to implement the Project:

- Administrative Organization
- Planning and Programming (including budgetary)
- Personnel Administration
- Administration of Goods and Services (procurement)
- Financial Administration
- Program Execution

An improved system was developed –based on lessons learned for monitoring of the project annual operating plans (POA, acronym in Spanish). This will include an institutionalized and systemic strategy for preparation of terms of references and specifications, any reviews and changes to the POA during implementation, and close follow up of disbursements (including deviations—additional costs or savings—from original planning).

The Operational Manual for previously IBRD-Financed projects is being updated to reflect any requirements within the proposed EXITO Project. A full draft will be available for negotiations, and any comments received will be included. It is expected the manual will be ready shortly after and no condition of effectiveness will be needed on this key instrument.

II. Promotion of Strategic Alliances

As part of the "improved capacity' strategy, MINED seeks to institutionalize its to-date successful work with other education institutional actors: Education Foundations, Universities, NGOs, and other education specialized institutions. For example, in training and development, MINED has worked with FEPADE (*Fundacion Empresarial para el Desarrollo Educativo*); in

research and analytical work, with FUSADES (*Fundacion para el Desarrollo Economico y Social*); in standardized testing and other technical and pedagogical support with UCA (*Universidad Centroamerica Jose Simeon Cañas*); and in infrastructure construction, rehabilitation and expansion with FISDL, HABITAT, FUNDASAL, and others. The following table presents the rationale to promote and expand strategic alliances for the implementation of the country's education sector plan, including this Project.

Rationale for Promotion of Strategic Alliances in the El Salvador Education Sector		
Technical Expertise	**Institutional Capacity**	**Sustainability**
• External education agencies in El Salvador have developed a Unique and High Quality Expertise • Evidenced Efficiency and Effectiveness in Service Delivery • Local Institutional Actors (e.g., NGOs) have developed Regional Networks with specific local presence and knowledge. • Continued Building Know-How, Intellectual and Technical Expertise (across Government and MINED Administrations)	• **Institutional Policies of the Public** Sector Administration call for and promote strategic alliances for co-management of public resources for improved efficiency and service delivery capacity. • External institutional actors have organizational visions and missions congruent with the development of the education sector. • **Private sector foundations support** is not for profit within their mandates of social corporate responsibility. • External agencies contribute their existing institutional capacity to develop instruments, strategies, and pedagogical and administrative procedures that become part of MINED technical and management available resources.	• External agencies maintain knowledge and locus of lessons learned across Government and MINED Administrations. • Sustained authority on specific technical-pedagogical or education management element or strategy. • Key agencies have already a recognized status as co-implementers of public programs and funds. • External agencies contribute their own resources, instruments, procedures to the public sector, and can continue to improve them on the medium and long-term. • External allies can maintain the support of local constituencies and are not bound by a 5-year governmental period.

It was agreed that there will be three types of strategic alliances congruent with the proposed vision, mission, and value added of each agency and its relation with the Ministry of Education.

- High Quality Service Providers and Strategic Allies in Sectoral Reforms
- Community Participation and Local Sub-Project Implementation Service Providers
- Infrastructure Co-Executing Agencies

The High Quality Service Provider/Sector Allies include FEPADE, ITCA and UCA. These agencies have special expertise and have managed high quality services to specific sub-sectors in the country: e.g., youth training and scholarships (FEPADE), technical and technology education (ITCA), and teacher training and standardized testing (UCA).

The Community Participation and Local Implementation Agencies are mostly NGOs with high experience in local development, community participation, school-based management, youth-at-risk, and other areas where—in addition to technical know-how—close knowledge of the social and cultural contexts of the communities to be served is required.

Finally, the Infrastructure Co-Executing Agencies—such as FISDL, HABITAT and FUNDASAL—have supported education infrastructure, with close planning and administrative ties with the Ministry of Education, in addition to an already developed technical and community mobilization capacity.

III. Results-based Management: Targeting, Accreditation, Monitoring and Evaluation

Project implementation—diagnosis, strategic planning, implementation, monitoring evaluation—includes specific guidelines, procedures and instruments to guarantee the quality of targeting, accreditation, monitoring and evaluation, as well as participation of stakeholders across the education sector (central, regional, community and school).

To target municipalities and schools, MINED has operationalized an index of (i) socio-economic indicators, (ii) provision of quality inputs by MINED (teachers, technology centers, and infrastructure), and (iii) results in standardized testing, teachers and institutional evaluations. This index—called *Indice the Rezago Educativo* (IRE)—is already supporting equitable distribution of resources, including school budgets—based on equitable criteria. Additionally, to target beneficiaries for the demand-side programs (such as scholarships), a targeting and monitoring system will guarantee that resources reach the poor, and that these youth are able to graduate from lower and upper secondary education.

MINED is developing systematic criteria and strategies for the accreditation of technical competencies (English, Technological, etc.), efficient schools, education service providers, and other student and institutional accreditations. The information systems and pertinent indicators are being integrated to provide the needed and pertinent information for this process.

For monitoring and evaluation purposes, improvements—and articulation between—to the National Evaluation Department, the Department of Education Planning, and the Statistical Unit will guarantee appropriate and timely data and analysis. Project supervision, monitoring, feedback and formative and summative evaluations of project will be supported by units and personnel experienced baselines, data collection, analysis and beneficiary and management feedback.

IV. Technical-Technological Networks

A key innovative focus of the project is the promotion of technical and technological networks, including technical secondary schools, post-secondary programs in technology areas, institutions with technical-technology expertise, and the productive and business sector. The institutional assessment included a review of the readiness evidenced for this network and opinions from representatives of each of the proposed institutions.

Technical schools have been supported by different agencies in the country (including the APREMAT program, supported by the European Union). These schools are ready to participate in the network and welcome the value added that interaction with post-secondary technology programs and the private sector will bring.

Post-secondary technology schools and some key institutions (such as ITCA) are already working in an advisory role to review and integrate competencies and accreditations between technical secondary schools and post-secondary programs. The advice has already started—even before project effectiveness—which signals a full commitment to the network.

The private sector has seen the development of the Technical-Technology network as a key development to tie formal education to the labor market needs. Corporations in El Salvador had already developed good Corporate Social Responsibility practices in education, but these were usually in the more basic levels – such as adoption of schools, financing of scholarships, and some shorter-term support. The new proposal by the Education Ministry has been able to increase corporate interest in supporting the formal education sector, as their own competitiveness is seen closely intertwined with this innovative proposal and network.

INSAFORP (the professional training institution financed by corporations) has openly welcomed the proposed technical-technology network—including the proposed development of competencies, standards and accreditation mechanisms. The open support is based on the proposed increased quality of secondary and post-secondary students, which will allow INSAFORP to provide more high level professional training, rather than provide remedial education to the labor force.

In general, El Salvador has already advanced towards the goal of setting up the proposed technical-technological networks—with stakeholders understanding, committing, and already implementing the initial activities to achieve the proposed objectives of this innovative proposal (such as development of competency-based approaches, design of professional orientation programs, and rationalization and integration of technical tracks across education and professional levels).

Annex 7: Financial Management and Disbursement Arrangements

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

Organizational Arrangements

The loan borrower will be the Republic of El Salvador, represented by the Ministry of Finance (MH). Overall project coordination and administration will fall under the Ministry of Education (MINED). Within MINED, the Institutional Financial Unit (UFI) will be directly in charge of financial management (FM) matters, a role that it currently plays with respect to the Secondary Education (Loan 4224-ES) and Education Reform (Loan 4320-ES) projects.

The fact that MINED has ongoing experience managing projects financed by the WB, for which it makes use of suitable administrative structures and systems, puts it in an advantageous position to take over, with relative ease, the EXITO Project FM tasks. These will basically include: (i) budget formulation and monitoring; (ii) cash flow management (including processing loan withdrawal applications); (iii) maintenance of accounting records, (iv) preparation of in-year and year-end financial reports, (v) administration of underlying information systems, and (vi) arranging for execution of external audits.

In MINED, staff capacity and structure are adequate for project FM purposes. However, the prospective increase in transactions may call for additional medium-level staff assistance, which would be eligible for loan financing.

Budget Planning

During the second quarter of the year, MINED will prepare its tentative investment program for the next year. The program should be consistent with the budget policy provided by the MH, be incorporated into the public investment information system (SIIP), and –once approved– be reflected in MINED's budget proposal. This budget, in turn, will be incorporated by the MH into the national budget for the President's submittal to the National Assembly in September.

On the basis of the approved budget, MINED will adjust as needed its project annual work and procurement plan (POA), which will be reviewed by the WB.

Accounting and Financial Reporting

Accounting Policies and Procedures. The main FM regulatory framework for the project will consist of: (i) the Financial Management Law (*Ley AFI*), which governs the formulation, approval, execution and monitoring of the budget, the treasury operations, the government accounting system, and the investment and public credit functions; (ii) the annual Law of the General Budget of the State; (iii) MH's regulations and manuals based upon the cited laws; and (iv) MINED's manuals of project financial procedures and practices.

Project-specific FM arrangements that are not contemplated in the documents cited above will be documented in a concise FM section of the project's operational manual. Particularly, an effort will be made to enhance the internal controls (e.g., payment terms and clearance of advances) related to agreements with entities that execute decocentrated project activities.

Information Systems. MINED will operate financial transactions using its Integrated Project Administration System (SIAP), which contains modules for budgeting, treasury, and accounting

functions. SIAP is being upgraded to establish automatic links to the government-wide integrated FM system (SAFI) and to produce all project financial reports automatically. In the meantime, data is extracted from SIAP to prepare project financial statements.

Financial Reports. On a *quarterly basis*, MINED will prepare and submit to the WB a financial monitoring report (FMR) containing: (i) a statement of sources and uses of funds and cash balances (with expenditures classified by subcomponent); (ii) a statement of budget execution per subcomponent (with expenditures classified by the major budgetary accounts); (iii) a physical progress report; and (iv) a procurement monitoring report. An annex to the FMR will contain data specific to WB disbursements: (i) a special account activity statement (including a copy of the bank statement); (ii) a summary statement of special account expenditures for contracts subject to prior review; and (iii) a summary statement of special account expenditures for contracts not subject to prior review. The FMRs will be submitted not later than 45 days after the end of each quarter.

On an *annual basis*, MINED will prepare project financial statements including cumulative figures, for the year and as of the end of that year, of the financial statements cited in the previous paragraph. The financial statements will also include explanatory notes in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS), and MINED's assertion that loan funds were used in accordance with the intended purposes as specified in the Loan Agreement. These financial statements, once audited, will be submitted to the WB not later than six months after the end of the Government's fiscal year (which equals the calendar year).

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

Flow of Funds

WB Disbursement Method. Loan proceeds will be withdrawn by MINED on a quarterly basis using the report-based disbursement method. During implementation, MINED will: (i) sustain satisfactory FM arrangements to be verified through WB supervision; (ii) submit FMRs consistent with the agreed form, content and due date; and (iii) submit acceptable audited financial statements by their due date. If MINED does not continue to meet these criteria, the method will be changed to transaction-based disbursements only (provided the WB does not suspend disbursements because of non-compliance with the obligation to maintain an adequate FM system).

WB Special Account. The MH's General Treasury Directorate (DGT) will open and maintain a special deposit account in US Dollars in the Central Reserve Bank (BCR), to be used exclusively for deposits and withdrawals of loan proceeds for eligible expenditures. After the conditions of effectiveness have been met, and the special account has been opened, MINED will submit its first disbursement request (Form 1903B) to the WB, together with the expenditure and financing needs forecast for the next six months. For subsequent withdrawals, MINED will submit Form 1903B to the WB, along with the FMR for the quarter just ended.

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

Flow of Funds – In General. As needed, MINED will send periodic requirements to the DGT for transfers from the Special Account to the project's operational account. The latter will be opened by

MINED in a commercial bank, and will be used to issue checks or make deposits to providers for expenditures eligible for WB financing.

For the portion of counterpart financing, MINED will operate a DGT-funded counterpart account. The latter will be opened by MINED in a commercial bank, and will be used to issue checks or make deposits to providers for the percentage of counterpart financing of eligible expenditures.

Flow of Funds – Specifics. The payment terms of activities executed by other agencies in a deconcentrated fashion will be detailed in the project's operational manual and in the respective agreements. In brief, MINED will advance amounts in accordance with commercial practice to the designated agencies who, upon executing expenditures, will present the supporting documentation to MINED to clear the advances.

The contracting and payment terms for purchases of educational places (*cupos*) and delivery of student education grants will be detailed in the project's operational manual. In brief, the payments will be based on contractually agreed per capita rates, with a maximum advance to each provider of *cupos* and to the scholarship administrator in accordance with commercial practice, followed by monthly (tbd) payments and advance clearances against invoices or service delivery reports (payrolls).

The grants for school youth development subprojects will be regulated by agreements between MINED and the recipients. These agreements would be entered on the basis of, among others, subproject eligibility, formal cost estimates, and the defined outcome or delivery of end product. Given the expected small amount of each subproject (around $5,000), single lump-sum based grant payments will be made. The recipients would be required by the agreements to provide a report upon completion of the subproject.

WB Disbursement Schedule

Expenditure Category	Loan Amount (US$)	% of Expenditures to be Financed
1A1. Goods, consultant services, non-consulting services, training and operating costs under Component 1A	8,100,000	100%
1A2. Education places for English courses and textbooks for English under Component 1A	2,800,000	(a) 100%
	1,500,000	(b) 50% after (a) has been fully disbursed and condition (*) has been complied with
1B1. Works, goods, consultant services, non-consulting services, training and operating costs under Component 1B	13,700,000	100%
1B2. MEGATEC teacher training and "Young Talents" operating costs, both under Component 1B	500,000	(a) 100%
	600,000	(b) 50% after (a) has been fully disbursed and condition (**) has been complied with
1C1. Works, goods, consultant services, non-consulting services, training and operating costs under Component 1C	8,500,000	100%
1D. Goods, consultant services, training, subproject grants, and operating costs under	4,900,000	100%

Component 1D		
2A1. Goods, consultant services, non-consulting services, training and operating costs under Component 2A	2,900,000	100%
2A2. Educational places under Component 2A	5,000,000	(a) 100%
	4,100,000	(b) 50% after (a) has been fully disbursed
	1,200,000	(c) 30% after (b) has been fully disbursed and condition (***) has been complied with
2B. Education grants, consultant services and operating costs under Component 2B	800,000	(a) 100%
	1,500,000	(b) 50% after (a) has been fully disbursed
	500,000	(c) 30% after (b) has been fully disbursed and condition (****) has been complied with
2C. Works, goods, consultant services and operating costs under Component 2C	11,000,000	100%
3A. Consultant services, non-consulting services, training and operating costs under Component 3A.	7,200,000	100%
3B. Goods, consultant services, non-consulting services, training and operating costs under Component 3B.	6,300,000	100%
4. Goods, training, services and operating costs under Component 4	3,900,000	100%
Total	85,000,000	-

(*) Basic competencies developed and disseminated in 4 secondary core subjects and at least 20% of secondary teachers certified in basic competencies.
(**) One MEGATEC has been fully set-up by 2008.
(***) At least 60% of students enrolled in accelerated education in 2008 complete lower secondary and upper secondary by 2010 and PAES results are comparable across accelerated and traditional programs.
(****) At least 70% of beneficiary students receiving the grant in 2007 complete the lower and upper secondary sub-cycle in 2010.

The decreasing disbursement percentage for selected categories would help ensure gradually increasing government financing of key long-term programs –in these cases, a dated covenant in the agreement would require proper budgetary allocations from internal sources. On the other hand, disbursement conditions are proposed to release loan funds for some categories upon reaching certain levels of performance.

Audit Arrangements

Internal Audit. In the course of its regular internal audit activities vis-à-vis the institutional budget, MINED's internal auditors may include project activities in their annual work plans. MINED will provide the WB with copies of internal audit reports covering project activities and financial transactions.

External Audit. The annual project financial statements prepared by MINED will be audited following International Standards on Auditing (ISA), by an independent firm or the Court of Accounts of the Republic (subject to prior agreement with the Bank) and in accordance with terms of reference (TORs)

both acceptable to the WB. The audit opinion covering project financial statements will contain a reference to the eligibility of expenditures.

In addition, memoranda on internal controls ("management letters") will be produced on a quarterly basis.

The audit work described above can be financed with loan proceeds. MINED will arrange for the first external audit within three months after loan effectiveness. Each audit engagement is expected to cover at least two years.

With respect to ongoing WB-financed projects executed by MINED, the audit reports as of December 31, 2004 were received by the Bank on time, were deemed acceptable, and contained unqualified ("clean") opinions. Some internal control issues were reported.

Financial Management Action Plan

Action	Responsible Entity	Completion Date
Reach final agreement on financing percentages and disbursement conditions.	MINED/WB	By negotiations
1. Prepare and reach agreement on the format of financial monitoring reports (FMRs).	MINED/WB	Before negotiations
2. Upgrade SIAP for streamlined production of FMRs.	MINED	Before effectiveness
3. Identify and, if possible, incorporate required incremental staff assistance.	MINED	Before effectiveness
4. Finalize FM section of the project operational manual, including internal controls related to decocentrated execution by other agencies, and management of education places purchasing, student scholarship delivery, and subproject grant financing.	MINED	Before effectiveness
5. Incorporate project expenditures into MINED's budget.	MINED	Before effectiveness
6. Prepare plan for strengthening of IT and internal audit units (per institutional fiduciary evaluation).	MINED	Before effectiveness
7. Finalize audit TORs and short list of external auditors.	MINED	Before effectiveness
8. Contract external auditors.	MINED	3 months after effectiveness

WB FM Supervision Plan. A WB 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.

Annex 8: Procurement Arrangements

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

A. Procurement Arrangements

Procurement for the proposed project will be carried out in accordance with World Bank "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines); "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultants' Guidelines), and the provisions stipulated in the Legal Agreement. A general description of items to be procured, by procurement category, is provided in this Annex, under Table A with the estimated values for each category. For this project, the Disbursement Schedule included in the PAD is by Component, thus not reflecting procurement categories in the traditional form of SILs. Each component expenditure category indicates the procurement category that may apply to purchases under the Component. Notwithstanding this special disbursement arrangement, all procurement arrangements have been reviewed and agreed, including procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frames. The Operational Manual (OM) will detail these distinct arrangements.

Procurement of Small Works: Small works may include construction, expansion, rehabilitation or refurbishing of school facilities. ICB is not expected. Attachment 1 (Global Procurement Plan – GPP-Procurement) includes details on specific thresholds for applicable civil works activities in the project. MINED will conduct procurement of three institutes under subcomponent I.B of the Project, in support of the *Modelo Educativo Gradual de Aprendizaje Técnico y Tecnológico* (MEGATEC). FISDL and two specialized infrastructure agencies have been designated as co-executing by MINED to assist it in the implementation of the Infrastructure Program of school construction under Component II.C of the project. Their participation in the project, under the framework of Strategic Alliances, has been agreed with the Bank at appraisal. Details of institutional arrangements for these partnerships are included below.

Procurement of Goods: Goods procured under shown under Table A of this Annex. Goods may also include consumable materials. Attachment 1 (GPP- Procurement) includes details on specific thresholds for applicable procurement of goods in the project. MINED will conduct all procurement of goods in the project.

Procurement of non-consulting services (SOTCS): The services that may be required under the project are shown in Table A of this Annex. . MINED will procured items in this procurement category using the non-Consulting services bid document dated June 2003. Attachment 1 (GPP) includes details on specific thresholds for procurement of non-consulting services.

1. Didactic materials and books fairs (FERIAS). An innovative procurement procedure known as "Feria de Apoyos Didácticos y Libros Escolares" (FERIA), piloted under the on-going Secondary Education Project (Ln. 4224-ES), will be conducted under a special procurement arrangements in the project. The strategy of the FERIA seeks to resolve a supply-side procurement issue of these educational inputs via a participatory scheme in the educational chain of MINED. Participatory arrangement for this activity require that representatives of all levels of MINED's institutional structure, from central, regional and school level, evaluate educational samples provided by the editorial industry upon request by public invitation. Under strict but competitive technical selection criteria, agreed with the Bank in advance, MINED puts together a catalogue of didactic materials and books selected on technical merits and price reasonability during the team's evaluation following technical criteria for selection of books that includes pedagogic, curricular,

and graphic factors, including price. All books, materials and other education items in the catalogue are then shown during a FERIA Week to all school community teams (ACEs and CEs), invited *ex-profeso* by MINED. MINED may use again the services of a specialized logistics firm to provide support during the FERIA events and later distribute to schools the books delivered by all editorial homes that were awarded purchase orders/contracts at time of FERIA. With the financing provided by MINED to schools, according to specific school/student quotas, school teams decide to buy books and materials that their schools want and need, without any intervention at this stage of MINED central areas. Schools place direct purchase orders with each editorial home representative attending the FERIA. When these purchase orders and contracts are finalized, the editorial homes are made responsible for making arrangements to delivery of all materials and books, either directly to each school or to the designated warehouse, depending on the option selected by MINED for distribution. Details on the FERIA arrangements and criteria for evaluation will be included in the technical section of the OM.

2. Purchase of education places *(cupos)*. Arrangements have been discussed with the Bank team (including its consultants) to carry out this special procurement activity, under the subcomponent II.A. Flexible Modalities. The outcome of this procurement will be the engagement of qualified specialized educational institutions in El Salvador that could offer special education themes (including English as a second language) for teachers and students. MINED has already conducted a national survey of educational institutions and prepared a long list of technically qualified institutions from which a selected group of would be contracted directly to provide educational services. Parallel to this activity, MINED has also researched market prices for these educational inputs and put together a basket of per capita unit prices for *cupos* in different regions of El Salvador. The final catalogue of regional per capita unit prices will be ready before any contract is considered. Technical directives for these service providers on educational themes will be formally agreed with the Bank prior to issuing contracts to institutions selected by MINED to conduct this activity. A catalogue of regional unit prices for each type of "cupo" will also be used by MINED and will be formally agreed with the Bank prior to issuing contracts to purchase "*cupos*." The value of each contract will depend on the allocation of teachers/students that is assigned annually by MINED to each of these institutions. Performance of this program will be monitored and supervised by a specialized institution that has already been identified (UTEC).

3. Participation of school communities in procurement. A number of subprojects will be eligible for financing under Component I.D, under a special procurement arrangement conducted by schools. For this purpose schools and students would compete for funds to carry out subprojects, known as "*Proyectos Juveniles Concursables.*" MINED has prepared a very complete guide that accompanies these strategies, including the process of selection of subprojects. Thematic lines include integral education, identity, culture and art, school activities for young people, and other of similar nature. The costs of these subprojects will be not more than US$20,000, with an aggregate value of approximately US$2.1 million during the life of the project. These subprojects will be financed through transfers made by MINED to schools for payment of associated purchases.

Selection of Consultants: Consultants services will be contracted in a variety of skill areas required to accompany technical advance of the project. Table A below shows the areas in which consultants may be contracted by MINED. Initial agreements have been taken during appraisal to engage two Consultants, under sole source selection method, to carry out two activities. These contracts have been justified based on the critical nature of the activities proposed and the qualifications and special expertise of the consultants. Consultants will be dealing with school violence (FUNDPRES), and with auditing of compliance of standards, guidelines, and other critical covenants agreed with providers of educational

services strategy (*cupos*) (UTEC). MINED has fully demonstrated that these Consultant meet the requirements for sole source selection includes in paragraph 3.10(c) of the Consultants' Guidelines. Formal requests for these selections will be sent to Bank prior to contracting. MINED has also justified the continuation of contracts long-term consultants (*planilla*) that assists MINED in project management. Any changes in this group would be monitored through the PAC-18. The summary GPP in the Attachment of this Annex contains a details and statistics of consultants' services to be procured by firms and individuals and applicable methodologies.

B. Assessment of the agency's capacity and its co-executing agencies to implement procurement

An assessment of the capacity of the MINED and its co-executing infrastructure agencies to carry out procurement actions for the project was carried out by Rosa V. Estrada, Procurement Specialist (Accredited Consultant) in April, 2005, updated on August 31, 2005. The assessment reviewed the organizational and functional structure for implementing the project. The relevant information of the report is the following:

For MINED:

1. MINED has satisfactory institutional capacity to carry out project contracting activities using May 2004 Bank Guidelines. MINED has acquired substantial knowledge and expertise in the use of Bank's Guidelines in three WB operations (Lns. 3945-ES, 4320-ES and 4224-ES). Based on its present, structure, organization and working arrangements of the *Unidad de Adquisiciones y Contrataciones* (UACI), and the outcome of its performance during the ongoing projects, the assessment confirmed that there are no major deficiencies that should be redressed in the organization and staffing of the procurement function in MINED during execution of the EXITO project.

2. UACI operates institutionally as mandated by the *Ley de Adquisiciones Contrataciones para la Administración Pública* (LACAP). Co-executing agencies operate according to their internal procedures; however, all those that have participated in the ongoing projects normally use standard Bank documentation; this is the case of infrastructure agencies. For the latter MINED would play a key role in the institutional coordination and supervision of their Procurement Plans (PACs-18) carried out on behalf of MINED under Component II of the project. Throughout implementation of three Bank operations, MINED has also acquired substantial ownership of its procurement activities in an administrative environment where several donors and multilateral institutions are simultaneously contributing to the financing of MINED's activities. Notwithstanding the satisfactory status of MINED, the assessment proposes an Action Plan (Attachment 2 of this Annex) to continue to support its institutional growth (see attachment).

Strategic Alliances under Plan 2021

Under the framework of implementation of the national education Plan 2021, MINED has proposed a number of key partnerships with several public, NGOs and private entities in El Salvador that have been found willing and competent to assist MINED in delivering specific outcomes of Plan 2021. Four of these agencies have already conducted similar partnerships with MINED in the ongoing Secondary Education project (4224-ES). For the EXITO project, these agencies will be again co-executing agencies in several technical thematic and infrastructure activities, and two more will join the group. For the three technical co-executing agencies (UCA, FEPADE and ITCA), involved in delivering Technical Work Programs (TWP), agreed in each co-executing agreement, their technical activities would be conducted in-house; that is, with resources available in their own institutions with details on type of resources and costs agreed in each TWP. All goods, non-consulting services, and consultants'

services required to support their technical activities in the project would be contracted by MINED. Therefore, these agencies would not be involved in procurement activities with funds made available to them through their TWP. The participation of other three co-executing agencies will be focused on the management and implementation of a portion of MINED's infrastructure program and, therefore, will be involved in procurement in the project and subject to all provisions in Bank Guidelines.

For Infrastructure Co-Executing Agencies

The assessment for the three infrastructure co-executing agencies is the following:

a. FISDL is GOES' social investment and local development fund. It has been assisting MINED in carrying out a limited share of its physical infrastructure program in the ongoing Bank operations. FISDL has had extensive experience in working with bilateral and multilateral organizations (IADB, GTZ, etc) and has recently negotiated a Bank operation in the poverty sector. Its organization and staffing is satisfactory to conduct the PACs that may be assigned by MINED under the new project. However, Bank assessment of the ex-post review of procurement activities of FISDL indicates limitations in conducting NCB procedures under Bank's mandated standard procedures. In addition, FISDL institutionalized registry of contractors has limited open competition as provisioned by Bank principles. To this end, the assessment recommends that FISDL abandons the practice of prequalification of contractors for purposes of MINED's PACs, opening competition to all interested bidders and conducting post qualification during bid evaluation. MINED's technical assessment of FISDL performance as co-executing agency indicates satisfactory outcomes; however, the operational line of internal decisions in FISDL has posed limitations to fast-track results of investment activities. FISDL would work closely with MINED, with the latter ensuring adherence to Bank Guidelines' provisions, especially as related to evaluation of civil works bids under NCB procedures.

b. FUNDASAL is an NGO operating under its by-laws. It has assisted MINED in the procurement of civil works and supervision of its physical infrastructure program, financed by several donors and the IADB. MINED has proposed that FUNDASAL continues to assist MINED in the supervision of a limited share of its infrastructure program. Bank's assessment of FUNDASAL's procurement capacity indicates some institutional limitations due to the fact that its functional and organization manuals are still in process of update. Its information systems is also on the way to be fully operational Annex 7 details the actions that are being taken by FISDL with regards to these issues. MINED's technical assessment of FUNDASAL performance is satisfactory. MINED recognizes the diligence and pertinence of FUNDASAL's efforts to contribute to the delivery of its infrastructure program. This dedication moved them swiftly in the past to achieve goals set by MINED for other operations and thus reduced MINED's risk in general terms. In view of the fact that this agency has not have exposure or experience to Bank's Guidelines and standard documentation, this assessment recommends that FUNDASAL participates, with other co-executing agencies, in training activities directed to strengthen its capacity and the competencies of its staff. Specific activities are included in the Action Plan, which include prior review of the first two contracts, by modality, in civil works (NCB and shopping), and first two contracts (FP and LC) for consultants' services.

c. HABITAT is an NGO involved in housing and school construction activities in El Salvador. It has been participating in the last few years, as partner with MINED, in the procurement of the school infrastructure programs for MINED under co-executing agreements, with financing of PACs of other donors and IADB. Bank's assessment indicates some limitations in its functions and organization resulting from the update of its manuals, presently underway. In addition, its MIS has been found to be still in process of integrating modules to include procurement and

financial procedures. Actions to redress these informational deficiencies will be monitored by the financial management team, as proposed in Annex 7. MINED's technical assessment of HABITAT's performance is satisfactory since and, in spite of the limitations noted here, has made every effort to overcome problems delivering the programs on a timely basic with observance of technical directives of MINED. HABITAT's presence at local level has proved substantially important during implementation, responding to construction or rehabilitations problems of school communities. In the same manner as FUNDSAL, specific institutional strengthening activities are included in the Action Plan, which in addition, includes covenants for prior review of the first two contracts by modality in civil works (NCB and shopping), and first two contracts for FP and LC for consultants' services, per executing agency.

Implementation Arrangements with Infrastructure Co-Executing Agencies

Details of implementation arrangements of operational and fiduciary nature with these agencies are included in the Fiduciary Annex of their co-executing agreements. MINED has submitted to the Bank negotiated drafts of these agreements; signing is a condition of for the project to be effective. These agencies will be reimbursed incremental eligible operational costs associated to the administration of MINED's PACs not expected to exceed 4.5% of the value of the PAC-18 they deliver. All their procurement activity will be subject to Bank's review in the same manner as MINED's, as specified in the PAC-18 agreed periodically with the Bank. MINED will assume responsibility for prior review of selected awards proposed by co-executing agencies on works and consultants' contracts not reviewed ex-ante by the Bank, with procedures and thresholds described in the respective chapter of the OM. These agencies will participate with MINED in Bank supervision missions and will contribute with reports on advance and outcomes, as required.

Country Systems. While MINED's track record in using the LACAP is good, the assessment does not propose the use of country systems in the project since there are still some key inconsistencies of the national procurement law with Bank Guidelines, as reported in the CPR El Salvador (draft Nov. 2004). Indeed, in spite of the advance that the LACAP has represented to the contracting environment in El Salvador, the CPR does not find that the national procurement legislation is equivalent to applicable Bank policy framework. In addition, the unpredictable potential issues that may evolve during implementation due to the absence of a *reglamento* to regulate the LACAP do not support the use of country systems for procurement activities in this project. However, the Bank may agree later on the use of country systems by MINED in this project when El Salvador strengthens its national procurement with the issuance of a *"reglamento"*.

Procurement Cycle. Formal institutional arrangements for bidding and contracting will be conducted by the UACI, reporting directly to the Office of the General Director of Administration in MINED. The UACI is managed by a *Gerente* and maintains the functions and structure as mandated by the LACAP. All aspects of the procurement cycle have been evaluated for this report and found satisfactory, with the exception of procurement planning, which still manual (using spreadsheets) is limiting the ability of the UACI to work on the basis of a critical path, yet substantial advance has been made in MINED's *Sistema Integral de Administración de Proyectos (*SIAP*)* that comprises components and modules that would allow UACI to monitor and control all contracting in the project. Co-executing agencies will make the necessary adjustments in their flow of actions charts to mirror project cycle management in UACI; in addition will be responsible for following all procurement procedures as detailed in the OM.

Procurement Documentation. Standard procurement documentation will be used for all contracting in the project and MINED has satisfactory experience in application to procurement activities. Co-executing agencies involved in infrastructure will also be required to use all designated standard documentation and agreed RfQ for civil works and RFP for contracting consultants conducting design and supervision tasks.

Contracting Chapter in Operational Manual (OM). The review of internal directives used by MINED in its procurement indicates satisfactory information and controls of procurement activity. UACI has issued a number of internal directives to assist technical areas to conduct procurement. UACI has already completed preparation of the section on Procurement in the OM, including updating information regarding May 2004 Guidelines, in addition to other special procurement procedures that apply under the design of the Project. Also, UACI has already prepared an instruction book to assist the infrastructure co-executing in handling specific procedures for their PACs. The on-line contracting section in the OM of the *SIAP* has also been completed.

Support and Control Systems. MINED is subject to regular financial *ex-post* audits, either internal or external auditors. The *Corte de Cuentas* no longer requires public sector entities to submit their procurement activities for prior review. Details of these controls appear in the FM (Annex 7) report prepared for this operation. Quality control of all contracting documents and of technical and financial evaluation reports, including establishment of control mechanisms to supervise and support of participating co-executing agencies is the responsibility of the UACI, as agreed in Operational annexes in Co-Executing Agreements.

Procurement Staffing. The organization and staffing of the UACI in MINED demonstrates that it is sufficiently prepared and seasoned to absorb the level of effort required under the project, therefore predicting satisfactory outcomes. Co-executing agencies will be participating in the management of their PACs-18 with competent staff that was assessed by Bank staff. However, the Action Plan for this project includes a number of activities directed to ensure qualified competencies of staff in co-executing agencies as well as others directed to strengthening skills in the procurement of the PACs on behalf of MINED.

Risk Assessment. Most of the implementation issues/ risks arising from procurement for the project for MINED have been identified. While the *Corte de Cuentas* has delegated ex-ante review to the institutional UACI, the assessment does not reveal that this measure would pose extraordinary risks during implementation. However, regarding the two new executing agencies, FUNDSAL and HABITAT, and FISDL limitations, the Action Plan includes already measures to reduce risks during implementation. Based on this assessment, the overall project risk for procurement is MEDIUM.

Procurement Plan. The Borrower has completed its Global Procurement Plan (GPP), which provides the basis for the procurement methods that are proposed in the project. It includes detailed activities by MINED and the three infrastructure co-executing agencies involved in the project. Due to the size of the GPP in the EXITO Project, a summary of the GPP showing statistics on methodologies, values and time tables is shown in the Attachment to this Annex. Based on this GPP, the Borrower has prepared a Specific Procurement Plan (PAC-18) for first 18 months of project implementation. This PAC-18 will be discussed at negotiations. All updates to this PAC-18 will be agreed with the Project Team during supervision.

Procurement Methodologies. The menu shown in the Attachment of this Annex are included in the menu of Annex 4 (Procurement) of the Legal Agreement. The Bank will agree all activities in the 18 month PAC periodically, and may modify, as applicable and supported, the thresholds presently proposed.

Review Thresholds. The attachment below show also Review by the Bank arrangements. Based on the above risk assessment and the nature of the operation, it is expected that procurement supervision by the Bank of activity in the project will be less than presently exerted in on-going projects, since there will not be prior review of terms of reference, and the fact that a number of technical activities in the project will

be conducted by three other co-executing agencies involved with delivery of Technical Work Programs (PTTs), not involving procurement. The application of proposed prior review thresholds in the attachment will be subject to satisfactory performance of MINED and co- executing agencies in the project; therefore, MINED's role in supervision of infrastructure executing agencies would be key during implementation.

PROCUREMENT SUPERVISION PLAN

The assessment recommends at least one annual procurement supervision mission is conducted for ex-post review purposes and validate permanence of institutional procurement capacity and described in this Assessment. SPN will include at least a 20% sample of contracts carried by MINED and its co-executing agencies under ex-post review arrangements, in addition to the reports that UACI will be preparing from outcomes of its own supervision plan. Bank will contribute to the strengthening of UACI in its new role of reviewer, especially during the first year of implementation.

Table A: Project Costs by Procurement Categories
(In US $million equivalent)

The principal Procurement Activities in GPP (shown in the Attachment 1 of this Annex) are encompassed in the following Procurement Expenditure Categories:

Procurement Category	Description	Total Estimated Value in US$ million
Civil Works (small)	• Education physical infrastructure: construction, expansion, rehabilitation and refurbishing of project school.	18.6
Goods	• Computing, audiovisual and technological equipment; software; office and school furniture; didactic materials (FERIAS - Book Fairs), etc. and • Consumable educational supplies and promotional student incentives, etc.	15.2
Non-consultant services	• printing, reproduction of audiovisual materials, logistics support or similar assignments; purchase of educational places (*cupos*), etc.	22.8
Community Participation	• school and students subprojects, known as *Proyectos Juveniles Concursables* in Component I.D.	2.1
Consulting Services	• individuals and firms • technical assistance, accreditation, evaluation, monitoring and supervision, training, school youth initiatives, etc.	19.5
	Total Cost of GPP:	**78.2**
	Percentage of Project Costs of US$97 million:	**81%**

ATTACHMENT 1 TO ANNEX 8 - PROCUREMENT

EL Salvador - Excellence and Innovation in Secondary Education (EXITO) Project

Global Procurement Plan

I. General

1. **Agreed Date of the procurement Plan**
Original: October 13, 2005

2. **Date of General Procurement Notice**: October 30, 2005.

II. Works, Goods and Non-consulting Services.

1. **Prior Review Threshold**: Procurement Decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines for Procurement dated May 2004:

1. A - Works

Procurement Method	Prior Review Threshold	Conditions
ICB	More than US$5,000,000	All contracts
NCB	Less than US$5,000,000	▪ First contract for MINED (MEGATEC) ▪ First contract for each of 3 infrastructure co-executing agencies.
Shopping	Less than US$350,000	None
Direct contracting	N/A	All contracts

1. b. -Goods and Services (not related to consultants' services)

Procurement Method	Prior Review Threshold	Conditions
ICB	More than US$250,000	All contracts
NCB	Less than US$250,000	None
Shopping	Less than US$50,000	None
Community participation (school subprojects)	Less than US$20,000	None
Direct contracting	N/A	▪ All contracts ▪ For didactic materials and books, technical criteria and distribution strategy, under "Feria" mechanism.

2. **Pre-qualification.** No applicable in this project.

3. **Any Other Special Procurement Arrangements**:
   (a) Goods. Didactic Materials and Books for the project will be conducted under the FERIA mechanism described in the PAD. Components I and II.
   (b) Participation of the School Communities in Procurement, under the strategy described in Annex 8 of the PAD (Component I.D).
   (c) Purchase of education places *(cupos)* as described in Annex 8 of PAD, under procedures for non-consultants services.
   (d) UACI in MINED will oversee procurement activities, including prior review, of three infrastructure co-executing agencies, as agreed in their Co-Executing Agreements under strategy described in the in Annex 8 of the PAD. Component II.A.

4. Works, Goods and Consultants Services Contracts with Procurement Methods and Time Schedule

CATEGORIES OF SMALL WORKS, GOODS AND SERVICES NOT RELATED TO CONSULTING SERVICES

EL SALVADOR - MINISTRY OF EDUCATION

EXCELLENCE AND INNOVATION IN SECONDARY EDUCATION (EXITO) PROJECT

SUMMARY OF GLOBAL PROCUREMENT PLAN 2006-2011 (*)

PROOCUREMENT CATEGOORY / COMPONENT	Procurement Method US$				BOOK FAIRS / Community Participation	Total Category/ Component
	ICB	NCB	SHOP	DC		
CIVIL WORKS	0	18,520,777	55,029	0	0	18,575,806
Component 1. Quality, Relevance and Competitiveness of Secondary Educatic	0	9,499,594	55,029	0	0	9,554,623
Component 2. Broad-Based Coverage	0	9,021,183	0	0	0	9,021,183
Component 3: Managemetn and Evaluation for Effectiveness	0	0	0	0	0	0
GOODS	8,401,949	1,490,284	856,194	0	4,448,781	15,197,208
Component 1. Quality, Relevance and Competitiveness of Secondary Educatic	7,761,908	931,774	398,637	0	4,309,713	13,402,032
Component 2. Broad-Based Coverage	0	324,410	123,559	0	0	447,969
Component 3: Managemetn and Evaluation for Effectiveness	640,041	234,100	321,474	0	139,068	1,334,683
Component 4: Project Administration	0	0	12,524	0	0	12,524
NON-CONSULTANT SERVICES	2,153,185	1,954,753	1,048,414	17,610,631	0	22,766,983
Component 1. Quality, Relevance and Competitiveness of Secondary Educatic	464,074	756,611	544,751	411,885	0	2,177,321
Component 2. Broad-Based Coverage	537,119	0	44,392	17,198,746	0	17,780,257
Component 3: Managemetn and Evaluation for Effectiveness	1,151,992	1,198,142	456,617	0	0	2,806,751
Component 4: Project Administration		0	2,654	0	0	2,654
COMMUNITY PARTICIPATION					2,130,000	2,130,000
Component 1. Quality, Relevance and Competitiveness of Secondary Education					2,130,000	2,130,000
Component 2. Broad-Based Coverage					0	0
Component 3: Managemetn and Evaluation for Effectiveness					0	0
Number of Contracts	18	52	80	25	12	187
Procurement Method	10,555,134	21,965,814	1,959,637	17,610,631	6,578,781	58,669,997
Percentage	18%	37%	3%	30%	11%	100%
Total / Prior Review	10,555,134	1,300,000	0	17,610,631	4,448,781	33,914,546
Percentage	100%	6%	0%	100%	68%	58%
Total / Ex-Post Review	0	20,665,814	1,959,637	0	2,130,000	24,755,451
Percentage	0%	94%	100%	0%	32%	42%

ICB: International Competitive Bidding
NCB: National Competitive Bidding
SHOP: Shopping:
DC: Direct contracting

(*) Complete record of this summary is available in project files.

III. Selection of Consultants

1. Prior Review Threshold: Selection Decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

	Selection Method	Prior Review Threshold	Conditions
1.	QCBS	▪ More than US$100,000	All contracts
2.	Fixed Budget (FB)	▪ More than US$200,000	All contracts
		▪ First contracts of each co-executing agency for design / supervision services.	▪
3.	Least Coast(LC)	▪ More than US$100,000 ▪ First contracts of each co-executing agency for design / supervision services	▪ All contracts for MINED and co-executing agencies.
4.	Consultants' Qualifications	▪ More than US$100,000	All contracts
5.	Single Source (Firms)	N/A	All contracts
6.	Individual consultants	▪ More than US$50,000	All contracts
7.	Single- Source (Individuals)	N/A	All contracts

2. Short list comprised entirely of national consultants: Short lists of consultants for services, estimated to cost less than US$200,000 equivalent per contract, may include only national consultants in accordance with the provisions of paragraph 2.7 of Consultant Guidelines.

3. Any Other Special Selection Arrangements:

(a) Two consultants contracts to be awarded by single-source selection have been identified for specialized institutions to be involved in critical project activities directed to monitor and supervise educational institutions engaged in the provision of educations services (*cupos*) in Component I.A., and in school youth activities to prevent risky behavior in Component I.D.

(b) UACI to clear in advance with Bank any potential conflict of interest that may result in the proposed participation of project co-executing agencies at time of short-listing of any contract financed by the Bank.

(c) Employment of public servants as consultants for the project shall not be acceptable, unless individual consultant has resigned his/her position and official confirmation of this resignation is delivered to the Bank, prior to issuing contract.

5. Consultancy Assignments with Selection Methods and Time Schedule:

CATEGORY OF CONSULTANTS' SERVICES
Summary of Contracts

EL SALVADOR - MINISTRY OF EDUCATION
EXCELLENCE AND INNOVATION IN SECONDARY EDUCATION (EXITO) PROJECT
SUMMARY OF GLOBAL PROCUREMENT PLAN 2006-2011 (*)

PROCUREMENT CATEGORY / COMPONENT	Selection Method (Firms)						IC (Individual Consultants)			Total Category/ Component
	QCBS (a)	LCS (b)	FBS (c)	CQS (d)	SSS (e)	Total (a+b+c+d+e)	Comp.Selec (f)	SSS (g)	Total (f+g)	
CONSULTANTS SERVICES	6,699,532	1,227,924	3,022,905	745,604	2,838,099	14,534,064	1,765,749	3,235,318	5,001,067	19,535,131
Component 1. Quality, Relevance and Competitiveness of Secon	4,777,735	556,550	761,424	222,002	2,397,404	8,715,115	731,223	0	731,223	9,446,338
Component 2. Broad-Based Coverage	0	255,630	386,333	469,071	336,557	1,447,591	286,096	0	286,096	1,733,687
Component 3: Managemetn and Evaluation for Effectiveness	1,921,797	415,744	1,875,148	54,531	104,138	4,371,358	334,864	0	334,864	4,706,222
Component 4: Project Administration	0	0	0	0	0	0	413,566	3,235,318	3,648,884	3,648,884
Number of Contracts	22	18	22	15	9	86	75	98	173	259
By Selection Method	6,699,532	1,227,924	3,022,905	745,604	2,838,099	14,534,064	1,765,749	3,235,318	5,001,067	19,535,131
Percentage	34%	6%	15%	4%	15%	74%	9%	17%	26%	100%
Total / Prior Review	6,699,532	0	0	0	0	6,699,532	0	3,235,318	3,235,318	9,934,850
Percentage	100%	0%	0%	0%	0%	46%	0%	100%	65%	51%
Total / Ex-Post Review	0	1,227,924	3,022,905	745,604	2,838,099	7,834,532	1,765,749	0	1,765,749	9,600,281
Percentage	0%	100%	100%	100%	100%	54%	100%	0%	35%	49%

QCBS: Quality- and Cost-Based Selection
LCS: Least Cost Selection
FBS:
CQS: Consultants' Qualifications Selection
SSS: Single-source selection
Comp. Selec.: Competitive Selection (minimu 3 cvs)

(*) Complete record of this summary is available in project files.

El Salvador – EXITO PROJECT (P078993) PROCUREMENT ACTION PLAN FOR STRENGTHENING OF INSTITUTIONAL CAPACITY		
Area of Interest / Responsible Party	Agreed Action	Deadline
Legal framework – Bank Procurement and Consultants Guidelines, May 2004 ***BANK***	▪ Training seminar for procurement staff in MINED and the co-executing agencies (FISDL, FUNDASAL and HABITAT, with emphasis on new and enhanced provisions of Bank Guidelines of May 2004.	▪ Not later than effectiveness.
Capacity building of MINED's staff by Bank and external trainers. ***BANK***	▪ Transfer of knowledge and development of skills of UACI staff to supervise infrastructure co-executing agencies, including on protocols and techniques to conduct post-review activities.	▪ Before effectiveness.
Capacity building of Infrastructure Co-executing Agencies ***MINED***	▪ UACI to be responsible for training of staff and close supervision of PACs of all infrastructure executing agencies in general. ▪ UACI to provide prior review of selected procurement activities of infrastructure co-executing agencies, as provisioned in the OM. ▪ UACI to carry out ex-post review of procurement activities of infrastructure co-executing agencies.	▪ As soon as respective PACs become effective.
Planning of Infrastructure Activities ***MINED-INFRASTRUCTURE CO-EXECUTING AGENCIES***	▪ MINED to ensure that each infrastructure co-executing agency submits annually the specific PAC-18, and any updates that may be required periodically.	▪ Ongoing.
Data Bases ***MINED***	▪ To ensure sufficient availability of qualified firms for short lists of T.A. and studies in the project, UACI shall establish a data base on consultant firms and individuals that encompasses backgrounds, skills and experience in the topics to be analyzed or discussed under the project.	▪ Ongoing.
Updates of PAC-18 ***MINED***	▪ UACI shall be responsible to make periodic updates to MINED's PAC-18, and request the agreement of the Bank to any change thereafter.	▪ Prior to date of effectiveness, and at least every 4 months, thereafter.
Controls – Auditing ***MINED***	▪ TORs for auditors to include verification of specific compliance of procurement covenants included the legal documentation.	▪ Annually, in each Audit Report.
Contracts of individual consultants financed by project (including those of co-executing agencies) ***MINED***	▪ Standard template to include fraud and corruption clauses, and conflict of interest provisions.	▪ Formulary included in MO under section for hiring of individual consultants.
Supervision of co-executing agencies. ***MINED-BANK***	▪ For each co-executing agency, Bank to review first contracts for each methodology NCB and shopping in civil works; and first contracts for each methodology FP and LC for consulting services.	▪ Included in Procurement Plan.

Annex 9: Economic and Financial Analysis

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

ECONOMIC ANALYSIS:

This annex summarizes the economic analysis carried out to identify the expected economic viability of the EXITO Secondary Education Project in El Salvador. With strong benefits due to both coverage and quality interventions the benefits of EXITO are projected to far exceed the costs, indicating that this is an economically viable and desirable project. This analysis concludes that, at a 10% discount rate, the benefits of the project are expected to outweigh the costs with a lower bound net present value (NPV) of US$1.36 billion and an internal rate of return (IRR) of 44.6 percent.

In all instances we attempted to be conservative in the estimations in this analysis. In particular, benefits from only six of the nine sub-components were estimated and only private, rather than both private and social benefits, were predicted.

Project Costs:

Table 1 shows the estimated costs of the EXITO project, discounted at 10%.

The capital costs of the project were obtained from the costing exercise for the project. Capital costs taper from US $23 million in the first year of the project (2006) to US $5.4 million in the final year of the project (2010). Together, these capital costs sum to US $78.5 million, comprising the bulk of the total project amount - US$97 million - including both IBRD and counterpart funds.

Recurrent costs during project years were also obtained from the project costing exercise. These recurrent costs include costs such as materials, operations, and maintenance. To these figures we added teacher salary costs due to increased coverage through program components. For post-project years, recurrent costs include recurrent per secondary pupil spending for all the additional pupils enrolled by the project (see coverage section) plus a standard maintenance, operations, and materials budget calculated at ten percent of the average annual project cost.

Opportunity costs are calculated by multiplying the number of new enrollees projected for each grade in each year, 2006-2015, by the average income of youth at the appropriate age and education level for that grade.

Combined, the total discounted cost of the project is US$212 million. The opportunity costs of the project are the largest component of project costs, amounting to roughly 56 percent of the total due to the considerable size of coverage expansion envisioned in the project. Capital costs are 37 percent of total project costs and recurrent cost are the remaining 7 percent of total costs.

Table 6: Discounted Projected Costs of the EXITO Project (10% Discount Rate)

Year	Capital Costs	Recurrent Costs	Opportunity Costs	Total
2006	23,022,923	773,325	7,489,219	31,285,467
2007	28,807,885	1,771,907	12,350,446	42,930,239
2008	13,193,251	1,943,419	15,505,061	30,641,731
2009	8,051,660	1,958,526	15,458,108	25,468,294
2010	5,379,212	1,259,724	15,650,413	22,289,349
2011	-	2,030,845	12,048,697	14,079,542
2012	-	1,838,973	12,300,652	14,139,625
2013	-	1,595,940	10,276,096	11,872,035
2014	-	1,427,767	8,959,341	10,387,108
2015	-	1,287,940	7,942,223	9,230,163
Total	78,454,932	15,888,365	117,980,257	
Present Value				212,323,554

The main assumptions made to estimate program costs were: (1) that average income by age and education level remain constant at the 2002 level (from El Salvador's household survey data); and (2) that average per pupil recurrent spending also remains constant at the 2004 level, as measured in the Central American Education Strategy Report (World Bank 2005).

Benefits from Expanded Coverage:

To estimate the private benefits of the EXITO program generated by expanded secondary coverage in El Salvador standard procedure is to identify how many new individuals will finish school with more schooling due to the program and then estimate how much additional income they will earn over their lifetimes due to the additional schooling. The assumption behind this external efficiency analysis is that by gaining additional years of schooling, individuals will be more productive and have more access to better paid jobs and therefore will have higher earnings during their lifetime.

The first step in this process is to establish a likely baseline scenario which represents our best guess of what secondary coverage would be in El Salvador through 2015 without the EXITO project. This is complicated by the fact that El Salvador has benefited from another Bank loan for secondary which began in 1998. Because of this, current growth trends in secondary are in all likelihood in part due to Bank funding. The baseline model, therefore, had to use coverage trends that were not affected by Bank funding. On the other hand, El Salvador suffered a devastating civil war in the 1970s and 1980s which negatively affected education coverage. The baseline, therefore, uses average per grade promotion rates from the period 1991-1999, after the civil war ended but prior to any effects of the Bank's first secondary education project.

Component II of EXITO, "Broad-Based Coverage" contains the three sub-components with the most direct influence on secondary coverage. These include: (1) flexible delivery models, (2) student scholarships; and (3) construction of new classrooms. Using the final plans of the Ministry of Education we created models of new student flows generated by these sub-components. Table 2 shows the number of additional lower and upper secondary enrollees expected from these three initiatives.

Table 7: Estimated New Enrollees and Graduates of Secondary Education Projected by Component II, by Grade and Year[65]

Year/Grade	7	8	9	10	11	Total Enrollees	9th Gr Grads	11th Gr Grads
2005	0	0	0	0	0	0	0	0
2006	1276	-900	0	381	948	1705	0	948
2007	990	248	96	592	1689	3616	21	1689
2008	700	-459	1222	685	2311	4460	667	2311
2009	682	-495	1024	1225	2376	4812	559	2376
2010	500	-623	761	1630	2754	5022	416	2754
2011	0	450	753	2761	1141	5104	411	1141
2012	0	0	432	2691	1932	5055	236	1932
2013	0	0	0	2605	1883	4488	0	1883
2014	0	0	0	2475	1823	4298	0	1823
2015	0	0	0	2475	1733	4208	0	1733
Total	4148	-1779	4289	17519	18591	42768	2310	18591

Expansion of infrastructure: The expansion of infrastructure sub-component is designed to build 110 new classrooms in marginalized urban areas where there is a high under-served demand for secondary schooling. The 110 new classrooms are assumed to serve up to 45 students per classroom, the average secondary class size in 2004. All the classrooms are to be upper secondary classrooms (grades 10 and 11). The first classrooms are assumed to be ready for use beginning in 2007 and classrooms are assumed to be ready at a rate of 22 classrooms per year. Grade 10 is assumed to fill one hundred percent as this is the first grade of the upper secondary cycle, and the schools to receive new classrooms are those facing a high unmet demand. Grade 11 is assumed to fill gradually, based on current promotion rates. Under these assumptions the new classrooms will support access to nearly 28,944 student-years from 2005-2015.[66] This subcomponent is the largest enrollment generator in the EXITO project.

Demand-side scheme: The demand-side scheme will offer scholarships to a total of 1073 students for all three years of lower secondary and 1310 students for the two or three years of upper secondary. The new scholarships will be awarded relatively evenly from 2007 to 2010. As a conservative estimate, scholarship recipients are assumed to dropout at current national rates. The real dropout rate is likely to be substantially lower as the program is designed to target students likely to dropout and to provide them with an incentive and the means to stay in school. We assume that the program is 80 percent effective at this target, that is, that only twenty percent of the scholarship recipients would have remained in school had they not been given the scholarship. In addition, we assume that 30 percent of lower secondary scholarship recipients will continue to upper secondary school, even without a scholarship. Between 2005 and 2015 this program is estimated to create roughly 4,300 student-years.

Flexible delivery models: The flexible delivery model sub-component is made up of three alternative modalities for offering secondary: distance, semi-distance, and accelerated. The impact of distance and semi-distance modalities can be projected together but the accelerated modality was estimated separately as it has a very different target population and structure. The key difference in target population between the two models is that distance and semi-distance models target out-of-school youth while the accelerated

[65] The negative numbers in 8th grade result from the accelerated education program which, as explained below, is expected to result in lower coverage (due to fewer student-years) but more graduates.

[66] A student-year is a student enrolled in a grade in a year. New student years do not refer to the number of new students enrolled but rather to the sum of all the years that all the new students will be enrolled.

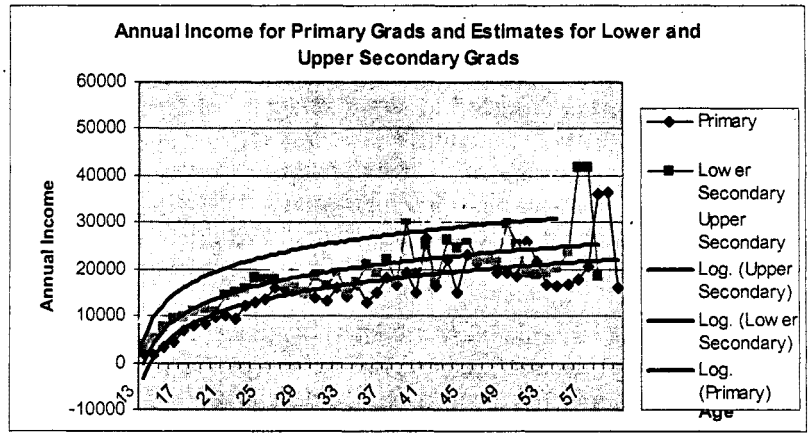
program targets in-school youth who are two or more years overage. The structural difference between the programs is that the distance and semi-distance programs take the same amount of time as a traditional school while the accelerated program covers one academic year of material in half a year. These two differences have implications on the models developed to estimate new enrollees and graduates.

The semi-distance education program is predicted to have immediate full enrollment because the program already exists in El Salvador. The distance education program is new, however, and is estimated to run only as a pilot and to function only at the upper secondary level. As with the new classrooms, grades 7 and 10, the first grade levels of the lower and upper secondary cycles respectively, are assumed to fill to capacity each year. The other grades, 8, 9, and 11 are subject to the same promotion rate as the baseline. After 2010 no new students begin the program in the 7^{th} or 10^{th} grades but students already enrolled in the programs are assumed to be able to finish the sub-cycle. The distance education pilot will only admit between 100 and 200 new students per year, while the semi-distance program will admit between 500 and 1000 students per hear. In total, the program creates 19,800 student-years.

The accelerated education program targets in-school youth who are several years overage and at risk of dropping out. This program accelerates their learning process, offering grades 7, 8, and 9 in 18 months and grades 10 and 11 in 12 months. Because the program accelerates current students through the secondary education process it results in a decrease in enrollees, but an increase in secondary graduates. Based on current accelerated education enrollment in El Salvador, it is also expected to result in a one percent decrease in the repetition rate for program participants. This program is expected to begin in 2006 and to build to full capacity by 2008. The program is designed to serve 6,125 lower secondary students and 8,500 students in upper secondary across the five EXITO project years.

After building models for each sub-component we calculated the total number of new lower and upper secondary graduates estimated to result from the project. These figures are shown in the last two columns of Table 2. In total, the project is expected to result in roughly 18,600 new upper secondary graduates and an additional 2,300 students who graduate from lower, but not upper, secondary.

Figure 2



Lower secondary graduates earn more, on average, than primary school graduates and upper secondary graduates earn more, on average, than lower secondary graduates. Figure 1 shows average annual income for primary, lower secondary and upper secondary graduates using regression analysis on the 2002 household survey. We estimated the precise earnings differential for lower and upper secondary school graduates. The differential earnings are first discounted and then summed for the expected number of

work years, age 16 to 60 for lower secondary graduates and 18 to 60 for upper secondary graduates. We find that lower secondary graduates are likely to earn an additional US $19,000 across their lifetimes and upper secondary graduates are likely to earn an additional US $44,000 (both discounted at 10 percent). We then multiply the number of new graduates of each level by the respective discounted lifetime differential earnings and discount the resulting benefits once more at 10 percent. Because El Salvador's academic schedule begins and ends in one calendar year, we assume that graduates enter the labor market the year after they complete their studies. In total, we predict that lower secondary graduates will generate approximately US$28.7 million in private earnings benefits and upper secondary graduates will generate approximately US$497 million. Together, these represent the total estimated benefits of the EXITO project resulting from additional coverage at the secondary level. This is presented in Tables 3 and 4.

Table 8: Estimated Total Discounted Private Earnings Benefits Due to New Lower Secondary Graduates

Year	New Lower Secondary Graduates	PV of differential earnings	Discounted Total Benefits of New Lower Secondary Grads
2006	0	$ 18,980	$ -
2007	0	$ 18,980	$ -
2008	21	$ 18,980	$ 332,326
2009	667	$ 18,980	$ 9,518,279
2010	559	$ 18,980	$ 7,248,891
2011	416	$ 18,980	$ 4,899,107
2012	411	$ 18,980	$ 4,402,224
2013	236	$ 18,980	$ 2,297,357
2014	0	$ 18,980	$ -
2015	0	$ 18,980	$ -
Total			$ 28,698,185

Table 9: Estimated Total Discounted Private Earnings Benefits Due to New Upper Secondary Graduates

Year	New Upper Secondary Graduates	PV of differential earnings	Discounted Total Benefits of New Upper Secondary Grads
2006	0	$ 44,079	$ -
2007	948	$ 44,079	$ 38,000,447
2008	1,689	$ 44,079	$ 61,529,374
2009	2,311	$ 44,079	$ 76,539,187
2010	2,376	$ 44,079	$ 71,539,221
2011	2,754	$ 44,079	$ 75,370,802
2012	1,141	$ 44,079	$ 28,394,668
2013	1,932	$ 44,079	$ 43,710,511
2014	1,883	$ 44,079	$ 38,730,109
2015	1,823	$ 44,079	$ 34,083,215
2016	1,733	$ 44,079	$ 29,442,999
Total			$ 497,340,532

Benefits from Expanded Quality:

In cost-benefit analyses there is increasing recognition that improvements in education quality generate both private and social returns. A growing body of literature investigates and finds that higher test scores, a proxy for increased learning and content knowledge, is linked to higher future earnings. Additionally, several analyses show that improving quality will have a substantial impact on educational attainment by reducing repetition and drop-out.

Because of its prominent role in the EXITO project it is essential that any cost-benefit analysis of the project estimate the benefits of the project resulting from sub-components that directly address secondary education quality. We chose four sub-components: (1) Improving Learning in Core Subjects; (2) Technology for Learning; (3) School Social Environment for Learning; and (4) Management and Decentralization for Effectiveness.

To be conservative, we only estimated the benefits of these sub-components on earnings. Other important benefits are also expected, such as decreases in repetition and drop-out rates, but we did not measure these. Estimating the impact of quality improvements on earnings required first ascertaining the probable number of students that would benefit from each sub-component, determining the likely size of the impact of the sub-initiative on test score gains and then estimating the relationship of those test score gains on future earnings. The methods and assumptions used to predict these earnings benefits are detailed below.

Improving Learning in Core Subjects: The Improving Learning in Core Subjects sub-initiative will target most of its resources to the 60 percent lowest performing secondary schools in the country. Among other activities, the subcomponent will provide competency-based teacher guides in the four core subject areas, develop and implement academic reinforcement programs, and provide teacher training to about 6,000 teachers. Because most of these resources target the 60 percent lowest-performing schools we assume that the beneficiaries of the subcomponent will be 60 percent of the secondary school population.

According to multiple studies, improved and expanded teacher and classroom resources are associated with higher achievement on test scores, controlling for other factors. Indeed, in El Salvador, we estimate that for each consecutive ranking on a scale of classroom resources (very unsatisfactory, unsatisfactory, satisfactory, very satisfactory) that a teacher selects as accurately reflecting the level of resources in their classroom, there is an associated 66 percent of a standard deviation increase in the high school exit exam (PAES) score. Many resources are necessary in a classroom, however, and therefore we do not assume that this subcomponent on its own will have this same level of impact. Instead, we assume that the addition of these resources would result one eighth of this impact. This translates into 8 percent of a standard deviation increase on the PAES.

Next, we looked at how tests that measure knowledge and skill level are related to future earnings. Unfortunately, due to data collection limitations, there is no data source in El Salvador that allows for the linkage of PAES or other test score with earnings. Instead we turned to the existing literature on this subject in developing countries. Estimates of the relationship between higher test scores and future earnings suggest that there is between a 10 and 30 percent increase in private lifetime earnings per standard deviation increase in test score, averaging at 20.5 percent. For the purposes of this analysis we chose the average.

Putting together the expected number of beneficiaries, the expected impact on test scores, and the impact of test scores on future earnings, we predict that the added classroom resources are likely to increase each lower and upper secondary education graduates lifetime earnings by US$2,468 and US$3,127, respectively. In order to be conservative, we apply these figures only to those graduates who benefited from the resources from the 7^{th} grade onward, and only to those who graduate from the 9^{th} or 11^{th} grade

(rather than 7th or 8th graders who dropout). Table 5 calculates the economic benefits of the component at over US$560 million.

Table 10: Estimate of Discounted Benefits of Improving Learning in Core Subjects Sub-Component

	9th grade graduates	11th grade graduates	Total earnings differential
2009	32,091	0	$ 59,515,171
2010	32,091	0	$ 54,104,701
2011	32,091	38,594	$124,112,813
2012	32,091	38,594	$112,829,830
2013	32,091	38,594	$102,572,573
2014	0	38,594	$ 56,293,555
2015	0	38,594	$ 51,175,959
Total			$560,604,603

The same methodology was employed to estimate the benefits of all four sub-components.

Technology for Learning: The Technology for Learning subcomponent supplies computer labs to about 75 lower secondary schools. We assume that either 18 or 19 labs will be built each year over four years and that they will take one year to construct, resulting in the first 7th graders being exposed to new facilities in 2007. Again we only count graduates. From principals' survey answers regarding the number of installations (including computer labs) we predict that a computer lab is expected to improve PAES exam results by 17 percent of a standard deviation. Relating that to the same estimate of a 20.5 percent increase in earnings per standard deviation increase on test scores, we predict that the creation of a computer lab will result in a 4.6 percent increase in lifetime earnings, or US$6,771 for 9th grade graduates and US$8,577 for 11th grade graduates (both discounted). In total, this sub-component is expected to result in a benefit of US$108 million (see Table 6).

Table 11: Estimate of Discounted Benefits of Technology for Learning Sub-Component

	9th grade graduates	11th grade graduates	Total earnings differential
2009	0	0	$ -
2010	2,962	0	$ 13,696,185
2011	2,962	0	$ 12,451,077
2012	2,965	3,562	$ 28,576,987
2013	2,967	3,562	$ 25,985,893
2014	0	3,566	$ 14,269,150
2015	0	3,569	$ 12,980,534
Total			$107,959,826

Social Environment for Learning: The Social Environment for Learning initiative aims to decrease the level of violence and negative behavior frequent in many poor urban areas. This initiative will focus on 30 schools (12,090 students) providing student, teacher, and family violence prevention training, establishing social environment committees, developing and distributing specialized curricula, and organizing extra-curricular activities. We assume that 2,400 students benefit each year from these resources and services over the course of the five project years. Using the same methodology as with the precious initiatives we

find that teachers' reports of improvements in school climate are closely linked to test scores, such that each consecutive ranking of a school's climate is associated with an approximate 62 percent of a standard deviation gain in the PAES test score. We assume that the violence prevention training results only in one quarter of an increase in the ranking of school climate resulting in an estimated 3.2 percent increase in lifetime earnings, or US$4,671 and US$5,917 for 9th and 11th grade graduates, respectively. In total, this subcomponent is expected to result in over US$31 million in private earnings benefits (see Table 7). Clearly this analysis does not encompass many of the most important expected social and personal, non-monetary benefits of the initiative resulting from lower violence and crime levels.

Decentralization and management: Finally, we looked at one aspect of the Decentralization and Management for Effectiveness sub-component. In an effort to improve secondary school management, pedagogical leadership, and administration, this initiative provides leadership and management training, materials, technical assistance, and a quality control and monitoring system to at least 367 low-performing schools. The quality of school leadership is increasingly recognized as key to successful teaching and learning. In El Salvador, analysis of the PAES reveals that for each consecutive ranking teachers give concerning how effective the leadership of their school is, there is, on average, an associated 61 percent of a standard deviation increase on students' PAES scores. Here again, we assume that the training, materials, and assistance provided through the initiative will only result in a quarter of this impact resulting in a 3.1 percent increase in lifetime earnings, or US$4,606 and US$5,834 for 9th and 11th grade graduates, respectively. Assuming that these schools are of average size (403 students), that the assistance will reach roughly 73 schools per year, Table 8 illustrates that in total, this sub-component is likely to result in over US$378 million in private economic benefits.

Table 12: Estimate of Discounted Benefits of School Social Environment for Learning Sub-Component

	9th grade graduates	11th grade graduates	Total earnings differential
2009	948	0	$ 3,328,890
2010	948	0	$ 3,026,264
2011	948	1,141	$ 6,942,060
2012	948	1,141	$ 6,310,964
2013	948	1,141	$ 5,737,240
2014	0	1,141	$ 3,148,694
2015	0	1,141	$ 2,862,449
Total			$ 31,356,561

Table 13: Estimate of Discounted Benefits of Decentralization and Management for Effectiveness Sub-Component

	9th grade graduates	11 grade graduates	Total earnings differential
2009	11,603	0	$ 40,154,540
2010	11,603	0	$ 36,504,127
2011	11,603	13,954	$ 83,738,193
2012	11,603	13,954	$ 76,125,630
2013	11,603	13,954	$ 69,205,118
2014	0	13,954	$ 37,980,934
2015	0	13,954	$ 34,528,122
Total			$378,236,663

Another important aspect of this sub-component, though one whose potential benefits are not calculated in this analysis, is to expand the autonomous, community-managed, EDUCO school model to the secondary level. The associated factors surveys completed with the PAES exam did not ask about school autonomy directly since there are few, if any, upper secondary schools that use the EDUCO model. However, directors were asked whether they felt they had "sufficient" autonomy. Without controlling for other factors those schools where directors reported sufficient autonomy were more likely to have high results on the PAES. This suggests that EDUCO at the secondary level – if it can successfully result in meaningful autonomy for school directors – may also have a positive impact on PAES results.

Table 9 summarizes the total estimated discounted benefits from quality enhancing measures. These quality benefits amount to nearly US$1.08 billion.

Table 14: Total Estimated Discounted Private Economic Benefits from Quality Improvements Due to Select Sub-Components, by Lower and Upper Secondary Level and Year (US$ mil)

	Classroom Resources		Computer Labs		School Climate		School Leadership		TOTAL QUALITY BENEFITS BY YEAR
	9th	11th	9th	11th	9th	11th	9th	11th	
2006	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-
2009	59.52	-	-	-	3.33	-	40.15	-	103.00
2010	54.10	-	13.70	-	3.03	-	36.50	-	107.33
2011	49.19	74.93	12.45	-	2.75	4.19	33.19	50.55	227.24
2012	44.71	68.12	11.33	17.24	2.50	3.81	30.17	45.96	223.84
2013	40.65	61.92	10.31	15.68	2.27	3.46	27.43	41.78	203.50
2014	-	56.29	-	14.27	-	3.15	-	37.98	111.69
2015	-	51.18	-	12.98	-	2.86	-	34.53	101.55
Total									1,078.16

Comparing Costs and Benefits:

The final stage of the cost-benefit analysis is to compare the projected costs with the project benefits of the project. Table 10 shows this final analysis. Discounted at the standard 10 percent discount rate the benefits of EXITO exceed the costs by over US$1.36 billion. The associated internal rate of return (IRR) is 44.6 percent, meaning that the interest rate would have to reach 44.6 percent for this project not to be worth the investment.

There are other important benefits likely to emerge from the project that are not analyzed here. Most notably, social returns to schooling are quite high at the secondary level. The positive externalities associated with better and more education are vast and include such things as (1) increased national levels of technical knowledge and skills, which can help El Salvador compete in the global knowledge economy; (2) healthier people and better planned families; (3) higher-education levels in subsequent generations; and (4) reduced probability of incarceration. Conservative estimates suggest that social returns to secondary schooling are close to 20 percent in Latin America. These are important benefits of the EXITO project that, although not analyzed here, should not be overlooked.

Table 15: El Salvador EXITO Project Cost-Benefit Summary

		Present Value
Benefits	9th Grade Graduates	$ 28,698,185
	11th Grade Graduates	$ 467,897,533
	Quality enhancement	$ 1,078,157,653
	Total	$ 1,574,753,371
Costs	Capital	$ 78,454,932
	Recurrent	$ 15,888,365
	Opportunity	$ 117,980,257
	Total	$ 212,323,554
NPV		$ 1,362,429,817
IRR		44.55%

Sensitivity Analysis:

It is important to test to what extent our findings are conditional on the projections or assumptions we make regarding issues such as wage differentials, pace of implementation, or unemployment rate. In economic analyses, it is customary to conduct some sensitivity or value switching exercises to see how much the NPV and IRR change.

We conducted five such analyses.

1. Assuming a wage compression effect with more secondary graduates, we decreased the earnings differential for lower and upper secondary graduates by 30 percent.
2. Assuming our quality premiums were overestimated, we halved the estimated impact of all quality enhancement initiatives.
3. Assuming a slower project implementation, we decreased graduates by 30 percent in the first two years of project graduates.
4. Assuming a constant unemployment rate, we subtracted the 2002 household census unemployment figures of 3.5 percent unemployment rate for individuals with at least some lower secondary and a 4.5 percent unemployment rate for individuals with at least some upper secondary percent from both coverage and quality benefits.
5. Finally, assuming that our interest rate was underestimated, we used a 15 percent, rather than a 10 percent, interest rate.

Main findings (see Table 11):

1. With a 30 percent wage compression effect the NPV is US$1.2 billion and the IRR is 41 percent.
2. With a 50 percent decrease in the estimated quality premiums for the four quality enhancing sub-components the NPV is US$823 million and the IRR is 36 percent.
3. With a slower implementation of project sub-components, and a resulting 30 percent decrease in the number of expected graduates in the first two years of graduates, the NPV remains US$1.3 billion and the IRR is 43 percent.
4. Applying 2002 unemployment figures, NPV remains nearly unchanged at US$1.3 billion with an IRR of 43 percent.
5. With a higher overall discount rate of 15, rather than 10 percent, the IRR remains at 44.6 percent but the NPV drops to US$615 million.

These sensitivity analyses clearly show that the benefits of the program projected in this analysis are not heavily dependent on any of our main assumptions and that changing these main assumptions does not negate the project benefits.

Table 16: Description and Results of Five Different Sensitivity Tests

Sensitivity Factor	Methodology	NPV	IRR
Principal Analysis	Described in text.	$ 1,362,429,816.88	44.55%
Wage Compression	Differential earnings for both upper and lower sec grads decreased by 30%.	$ 1,213,451,101.48	40.86%
Decreased Quality Premium	Estimates of quality enhancing programs impact on income for all 4 programs halved.	$ 823,350,990.28	35.52%
Slower Implementation	30% decrease in number of 9th and 11th graduates in the first two years of graduates.	$ 1,329,615,689.08	43.09%
Unemployment	Quality and coverage recipients' benefits decreased by 3.4% for 9th and 4.5% for 11th.	$ 1,289,070,419.87	43.31%
Higher Discount Rate	Applied a 15% discount rate to benefits and earnings rather than 10%.	$ 615,328,878.96	44.55%

FINANCIAL ANALYSIS:

A) Overview

Table 17: Education Expenditure Data for El Salvador, 1996-2005 (constant 2003 US$)

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total public expenditure in education	US$ million	279.51	320.64	351.37	370.23	413.46	445.33	481.72	484.49	463.55	468.45
Total public recurrent expenditure in education	US$ million	273.30	280.81	290.86	344.81	369.83	386.53	392.46	391.48	392.58	421.01
Total public expenditure in salaries in education	US$ million	187.54	210.11	221.09	265.78	280.36	278.25	279.78	278.00	272.33	273.28
Total public capital expenditure in education	US$ million	6.06	39.60	60.06	25.21	43.39	58.79	89.29	93.00	70.97	47.46
Recurrent expenditure in education/total education expenditure	%	97.78%	87.58%	82.78%	93.13%	89.45%	86.80%	81.47%	80.80%	84.69%	89.87%
Salary expenditure in education/recurrent expenditure in education	%	68.62%	74.82%	76.01%	77.08%	75.81%	71.99%	71.29%	71.01%	69.37%	64.91%
Capital expenditure in education/total expenditure in education	%	2.17%	12.35%	17.09%	6.81%	10.49%	13.20%	18.54%	19.20%	15.31%	10.13%
Total public education expenditure/GDP	%	2.3%	2.5%	2.6%	2.70%	2.97%	3.07%	3.28%	3.23%	2.97%	2.92%
Total public education expenditure/National budget	%	14.1%	16.0%	16.4%	17.2%	18.6%	19.4%	18.8%	19.5%	16.8%	16.2%
Total public recurrent expenditure	US$ million	1528.86	1490.55	1541.68	1644.68	1716.38	na	1725.60	1623.83	1683.72	1825.56
Recurrent education expenditure/Total public recurrent expenditure	%	17.88%	18.84%	18.87%	20.97%	21.55%	na	22.74%	24.11%	23.32%	23.06%
Total public capital expenditure	US$ million	454.94	513.57	596.20	510.91	507.54	na	469.41	415.25	485.23	448.00
Capital education expenditure/Total public capital expenditure	%	1.33%	7.71%	10.07%	4.93%	8.55%	na	19.02%	22.40%	14.63%	10.59%
Recurrent expenditure in upper secondary education	US$ million	19.10	18.53	20.25	23.27	26.55	27.75	Na	28.24	28.57	28.64
Salary expenditure in upper secondary education	US$ million	na	na	na	na	na	na	Na	27.01	27.40	27.48
Salary expenditure in upper secondary education media/Recurrent expenditure in secondary education	%	na	na	na	na	na	na	na	95.64%	95.90%	95.94%

Source: MINED

Investment in education has increased. Total real education expenditure has increased nearly 68 percent in the last decade (US$280,000,000 in 1996 to US$468,000,000 in 2005), while the proportion of GDP dedicated to the public education sector in El Salvador has increased by about 1 percent (from 2.3 percent in 1996 to 3.2 percent in 2003). The percentage of the national budget dedicated to education expenditure also grew from 14.1 percent in 1996 to a high of 19.5 percent in 2003. These two ratios have decreased somewhat in 2004, but the decline in 2004 is largely due to a return to normality after three years of intensive investments after the 2001 earthquake.

This increase needs to be sustained. In spite of the increase, these indicators still compare poorly to other Central American countries and to countries with similar per capita GDPs in Latin America (see Tables 12 and 13 and Figure 2). Of five Central American countries only Guatemala invests a lower percentage of GDP in education than does El Salvador. Of Latin American countries with similar per capita GNPs El Salvador's 1999/2000 relative investment in education, as a percentage of GNP, is the lowest; resting considerably lower than the Latin American and Caribbean average.

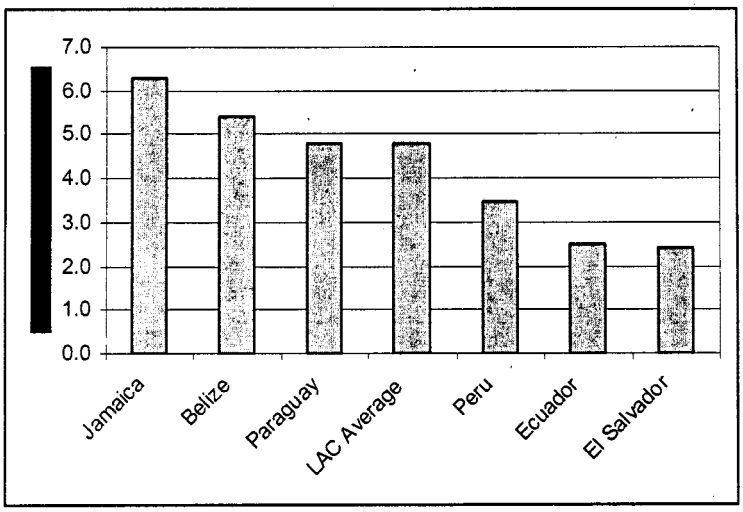
In its long-term education plan, *Plan 2021*, El Salvador has committed itself to a gradual but sustained increase in the proportion of GDP dedicated to the public education up to 4.2 percent in 2009. Given the estimates for 2005, this increase will require an increase of about 0.3 percent of GDP per year over the next four years, higher than the past average yearly increase.

Table 18: Public Education Expenditure as a Percentage of GDP (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
El Salvador		2.3	2.5	2.6	2.7	3.0	3.1	3.3	3.2
Guatemala	1.7	1.6	1.8	2.2	2.5	2.6	2.6	2.5	2.6
Honduras	4.3	4	4.2	4	5.4	6.1	7.2	7.2	
Nicaragua	4.9	4.9	5.6	5.4	6.8	6.7	6.4	6.5	6.9
Costa Rica	3.5	3.9	3.8	3.8	3.7	4.1	4.5	4.8	

Source: World Bank, 2004, Central American Strategy Paper

Figure 3: Education Spending As A Percent of GNP in Countries with Similar Per Capita GNP to El Salvador and the Latin American Average (1999/2000)



Source: World Bank, 2004, Central American Strategy Paper

The proportion of recurrent expenditure spent on non-salary items is satisfactory overall. Table 12 also shows that recurrent education expenditure has fluctuated widely over the past decade from a high of 98 percent of total education expenditure in 1998 to a low of 81 percent in 2003. The decrease of the time period 2001-2003 can be explained by the increasing reconstruction costs following the 2001 earthquake. The proportion of recurrent costs was up to 90 percent in 2005, which is in line with much of Latin American and OECD countries. In the education sector as a whole the proportion of the recurrent budget spent on teachers' salaries is not overly high - 70 percent[67] - leaving about 30 percent for other recurrent expenditures such as texts, teaching materials, and infrastructure maintenance. This is a positive finding.

The proportion is less satisfactory in upper-secondary. However, at the upper secondary education level (grades 10-12) the corresponding figure is much higher, at around 95 percent in recent years (no past information is available), leaving few resources for other types of recurrent expenditures such as those mentioned above. These types of expenditures, it should be noted, have been found to be closely associated with educational achievement according to several recent education production function studies This underscores the need for sufficient investment at the upper secondary level, in non-salary recurrent education expenditure budget allocation.

[67] This ratio is slightly under-estimated, however, by not accounting for the salary transfers to EDUCO schools.

B) Projections

Table 19: Financial Projections on Education Expenditure and Project EXITO

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP growth (%)	1.97%	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
GDP (constant 2003 US$ mill)	15150	15529	15995	16474	16969	17478	18002	18542	19098	19671	20262	20869
Education budget (2003 US$ mill)	463.55	468.45	518.23	588.12	660.09	735.82	799.28	864 05	920.52	979.61	1041.46	1106.05
Recurrent education budget (2003 US$ mill)	392.58	421.01	466.41	529.3	594.08	662.24	719.35	777.65	828.47	881.65	937.32	995.45
Education budget/GDP (%)	2.97%	2.92%	3.24%	3.57%	3.89%	4.21%	4.44%	4.66%	4.82%	4.98%	5.14%	5.30%
Project Cost (Investment)			23.0	31.7	16	10.7	7.9					
Project Cost (Recurrent)			0.62	1.62	1.94	2.17	1.39	2.03	1.84	1.6	1.43	1.29
Total Project Costs			23.62	33.32	17.94	12.87	9.29	2.03	1.84	1.6	1.43	1.29
Project Cost share of Education Budget (%)			4.56%	5.67%	2.72%	1.75%	1.16%	0.23%	0.20%	0.16%	0.14%	0.12%
Project Recurrent Cost share of Recurrent Education Budget (%)			0.13%	0.31%	0.33%	0.33%	0.19%	0.26%	0.22%	0.18%	0.15%	0.13%

Sources: SIMA, MINED, World Bank 2005 El Salvador CAS. In Italic: estimates.

The share of the education budget associated with EXITO is within reasonable limits. Medium term projections of GDP growth in El Salvador are assumed to be 3 percent yearly (see Table 14). This estimate was made by the Ministry of Finance in El Salvador and is used in the Bank Country Assistance Strategy 2005. It is somewhat higher than GDP growth in recent years, which averaged just under 2 percent between 2000 and 2004 and it is also higher than Ministry of Education estimates for an average 1.5 percent GDP growth between 2004 and 2021. Nonetheless, the figure is substantially lower than the estimated 4 percent of the recent World Bank Country Economic Memorandum.

The new administration in El Salvador has placed education as a central priority and the government's long-term education plan – *Plan 2021* – outlines prominent increases in the education share of GDP. Between 2004 and 2009 the *Plan 2021* lays out an increase from 2.97 to 4.21 percent, with growth then slowing to reach 6.29 percent of GDP by 2021.

Improved prospects for economic growth and commitment on the part of the government to invest more heavily in education yield important increases in the estimated education budget between now and 2015. According to our estimates the budget would more than double by 2015. The share of the education budget associated with Project EXITO is within reasonable limits both in the implementation period

(where it will amount to an average of 3.2 percent) and in the operational period (where it will amount to an average of 0.17 percent). This should not create an excessive financial burden on the MINED budget. On the recurrent side, the estimated incremental recurrent costs of the project will represent only about 0.26 percent of the projected recurrent budget in the implementation period and 0.19 percent in the operational one.

Annex 10: Safeguard Policy Issues

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

Environmental Assessment

The project will support three types of school rehabilitation, all of which will take place on existing school sites: replacement of existing infrastructure, rehabilitation of existing infrastructure, and expansion of existing infrastructure. Due to the nature of construction works including in the project, it has been rated as Category "B", In accordance with OP 4.01 (Environmental Assessment), the client has undertaken an Environmental Analysis (EA), and will include in the operational manual environmental procedures and guidelines for any construction activities. These procedures include appropriate screening and mitigation measures for negative impacts, as well as recommendations for enhancement measures for positive impacts.

In compliance with OP 4.01 and building upon the LAC Environmental Guidelines for Education Projects, the Government has prepared an Environmental Management Framework (EMF) as the project's stand-alone Environmental Assessment (EA) report. The EMF includes a description of procedures to be followed, institutional arrangements and environmental guidelines for construction activities (including procedures to follow in case of unanticipated discovery of cultural property). Specifically it contains:

a. An Environmental Screening Checklist to be used in all rehabilitation subprojects. This checklist builds upon national environmental requirements and the LAC guidelines. It identifies potential environmental and resettlement issues and includes sections covering general and special characteristics of the project site, a thorough description of the area, actions for mitigating any significant environmental impacts, and recommendations for managing the moderation of environmental impact at the site.
b. A Manual for Technical Specifications for Construction, including environmental aspects, such as prohibition of lead-based paints.
c. A Model Contract that would be signed between the MINED and the Firm contracted to provide construction services, including environmental rules for contractors.
d. Environmental Procedures. This section describes how environmental issues will be addressed during design and construction under the EXITO project. It includes information as to: (i) institutional responsibilities and timing for undertaking screening for each subproject (ii) incorporation of screening results into the project design; and (iii) institutional responsibilities for monitoring.

The screening of each potential subproject site will be conducted by the contractor responsible for designing the rehabilitation/construction using the checklist. When completed, it will be reviewed by the Ministry of Education's National Direction for Educational Infrastructure or the co-executing agency contracted by MINED.

The subproject design will reflect the results of the screening exercise. Specifically, any needed mitigation measures will be incorporated in the design proposal. The incorporation of these aspects into the project design is the responsibility of MINED, as is construction monitoring. The specific environmental construction monitoring requirements would be further incorporated into the contract between MINED and the contractor.

- So as to avoid involuntary resettlement, the screening checklist flags any potential resettlement issues. In the case that the need for resettlement is identified during subproject screening, that subproject would be ineligible for project funding. Instead, an alternative educational facility for rehabilitation will be chosen.

Additionally, while there is no expectation that the project would affect Cultural Property as defined by OPN 11.03. In the unlikely event that such resources are encountered during project activities, the EMF includes "chance find" provisions. These provisions set forth the procedures that would be followed to prevent further harm to such resources and to alert the agency responsible for such patrimony, CONCULTURA, of the find. Construction would begin again only following resolution by CONCULTURA.

Social Assessment

The main objective of this project is to increase equitable opportunities for young people to complete a quality secondary education. Specific objectives include increasing the enrollment of and attainment for disadvantaged socioeconomic groups.

The social assessment is the main instrument used to analyze social issues and solicit stakeholder views for the design of the project and ensure that the disadvantaged are included. The extensive consultation process undertaken to formulate the Ministry's Education Strategy, Plan 2021, has also contributed to shaping project design.

The social assessment consists of three parts, combining: (i) the *analysis* of context and social issues with (ii) a participatory *process* of stakeholder consultations and involvement, to provide (iii) *operational* guidance for designing project components, implementation, and the monitoring and evaluation (M&E) framework. A more in-depth focus on the youth-at-risk population, ages 12-21, is included in the third part.

Project beneficiaries are expected to be vulnerable groups including those in the lowest quintiles, rural and urban marginal populations, and youth affected by violence. Indigenous peoples, although a small proportion of the population and highly integrated into mainstream society are among the most disadvantaged groups in the country. In keeping with the World Bank Operational Directive 4.20 (and Draft Operational Policy 4.10 recently approved), the social assessment has conducted informed consultations with indigenous leaders, stakeholders and indigenous families to ensure their inclusion in a culturally adequate manner.

I. ANALYSIS AND CONTEXT OF SOCIAL ISSUES

Demographic profile of El Salvador. The population of El Salvador according to the 2005 projections of the Dirección General de Estadística y Censos is 6,874,926 people. Slightly more than half (53.2%) are women and about 60 percent of all inhabitants reside in the urban areas with 30 percent of the total population living in San Salvador. The country's population is young with 30 percent (2,064,284) between 10 and 24 years old. Of this age group, 30 percent live in the capital and 70 percent are spread out among the other 13 Departments. It is difficult to know the exact population of indigenous peoples in El Salvador. According to recent estimations[68], the indigenous population reached about 600,000 persons in the time period 1999 to 2003, which represents about 10 percent of the overall population. Geographically speaking, the indigenous peoples mostly live in rural areas and are scattered in 13 of the

[68] See, for instance, the National Salvadoran Indigenous Coordination Council (CCNIS) and CONCULTURA (National Council for Art and Culture at MOE).

14 departments (Cabañas excluded). They are highly integrated into the mainstream society in El Salvador.

Characterization of Vulnerable Groups.

A. Indigenous populations:

History: Salvadoran Indigenous People are descendants of the Pipils, a nomadic tribe of the Nahua of Central Mexico, the Mesoamerican Lenca and the South-American Chibcha. From the beginning of the Spanish conquest in El Salvador, the Indigenous and the Spaniards lived in the same areas. Racial mixing known as '*mestizaje*' began in the XVI century. With the development of the indigo plantations in the early XVII century, many indigenous villages were destroyed, and many were forced to farm and work on these plantations. In the infamous "*la matanza*" masacre of 1932, some 50,000 indigenous were killed in retaliation for an indigenous upheavel protesting government policies. After this event, the indigenous began to hide their traditions and to assimilate to the dominant *ladino* society quietly. This process accelerated during the 1980-1992 civil war, when death squads killed thousands of indigenous. During and after the war, the indigenous peoples were discouraged from displaying their traditional customs for fear of being associated with targeted grassroots organizations.

Legal framework: The present Salvadoran Constitution makes no specific provisions for the rights of Indigenous Peoples, or for their ability to participate in decisions affecting their lands, culture, traditions, or the allocation of natural resources. Unlike neighboring countries in Central America with similar ethnic makeup, El Salvador has not ratified any international agreements for the social protection of these groups.

Indigenous groups: Presently, there are only three main indigenous groups existing in El Salvador:

The Nahua/Pipiles are the most numerous. They reside in the departments of Ahuachapán, Santa Ana, Sonsonate, La Libertad, San Salvador, Cuscatlán, La Paz, Chalatenango, San Vicente. Their language "Nahuat" is the only language that is in social use. Only approximately 200 families speak Nahuat. Under the Departmental Directorate of Education and with the support of CONCULTURA and CCNIS, a program for the 'Revitalization of Nahuat-Pipil language', has been promoted in five schools in Izalco and Nahuizalco, department of Sonsonate. A series of texts and materials have been developed in Nahuat, as the initial step to an intercultural bilingual education program.

The Lencas are of Mesoamerican descent. They reside in the Eastern departments of Usulután, San Miguel, Morazán and La Unión. Although their language 'Potón Lenca' is practically extinct (only a few people speak it), a few texts have been published in Potón Lenca with the support of the Lenca of Guatajiagua Community Association "ACOLGUA" with the purpose of promoting and protecting the language and culture.

The Cacaopera community resides in the department of Morazán. In few schools, the Cacaopera communities have taken advantage of the standard school Institutional Project of the MINED to organize community rehabilitation programs of the language 'Ulwa', by having the few speakers or '*caciques*' (elders) teach the community.

Economic situation: Indigenous populations make their living mostly through agriculture, handicrafts, fishing, and raising animals. Recent estimations report that about 38 percent of them live in extreme poverty in comparison to the national average of 18.9 percent and another 62 percent live in poverty[69].

[69] See Comité Técnico Multisectorial para los pueblos Indígenas de El Salvador, 2003.

Education situation: Estimations of the OPS (1999) suggest that as many as 40 percent of the indigenous are illiterate (figures close to the average illiteracy rate for Salvadorans ages 25-30). Additionally, a recent indigenous profile[70] shows that about 70 percent of the household heads have at most three years of schooling, which is comparable to the national average for rural areas. The national average for urban areas is six years.

The educational situation is likely to be better for the younger cohorts but, unfortunately, the available statistical information does not allow us to calculate schooling, enrollment or completion indicators on indigenous groups. We can however, report some educational indicators for the municipalities with a higher density of indigenous people (Table 1). In almost 60 percent of the cases, the educational deficit index is high. Additionally, on average, about 25 percent of the youth between the age of 16 and 18 did not even complete primary school and more than 50 percent of this same age range is out of school (with about half of them not even working). These figures, which are well above the national average, indicate pressing educational issues in primary and secondary education in these municipalities, which are bound to be much more acute for the indigenous groups themselves.

Table 1. Educational indicators in municipalities with higher density of indigenous population

	Municipalities with Higher Density of Indigenous Populations	Educational Deficit Index	Percent children ages 7-15 not enrolled in school (EHPM 2001-04)	Percent youth ages 16-18 not enrolled in school (EHPM 2001-04)	Percent of youth 16-18 with incomplete primary (EHPM 2001-04)	Percent of youth ages 16-18 not studying or working (EHPM 2001-04)	Percent of youth ages 19-25 not studying or working (EHPM 2001-04)	Average schooling of youth ages 19-25 (EHPM 2001-04)
Ahuachapán	Apaneca	Average	10.74	48.90	28.60	19.67	26.28	6.94
	Concepción de Ataco	Average	11.36	52.42	15.91	31.57	34.85	6.89
	San Pedro Tuxtla	High	24.49	56.61	25.91	37.96	38.67	5.64
	Tacuba	High	16.65	59.76	32.63	25.29	35.72	5.47
Sonsonate	Sonsonete	High	16.33	43.77	20.84	34.83	30.14	8.22
	Caluco	High	21.51	51.30	31.69	28.53	42.56	5.55
	Cuishnahuat	High	20.62	57.82	28.37	21.00	36.56	5.95
	Izalco	High	19.71	54.71	30.33	25.89	34.00	6.66
	Juayúa	Average	10.46	57.77	24.82	24.82	31.24	7.01
	Nahuizalco	High	24.75	65.53	42.26	23.44	26.88	5.52
	Nahuilingo	Average	17.92	43.83	15.23	17.10	24.24	7.56
	Salcoatitán	Average	16.26	49.39	22.14	22.68	31.17	7.89
	San Antonio del Monte	Average	10.21	43.39	14.55	21.28	29.45	8.09
	San Julián	High	14.06	66.04	23.25	35.18	37.82	5.17
	Santa Catarina Masahuat	High	20.70	67.10	36.11	29.07	31.31	5.71
	Santa Isabel Ishuatán	High	11.85	69.82	20.81	37.81	43.77	6.83
	Santo Domingo de Guzmán	High	9.91	44.39	17.78	33.83	32.52	6.08
La Libertad	Chiltiupán	High	11.62	50.84	27.14	25.30	38.02	4.92
	Jayaque	High	17.06	55.39	19.11	30.71	34.79	6.96
	Jicalapa	High	28.88	76.85	57.35	41.28	45.70	3.84
	Teotepeque	High	18.09	49.26	24.73	25.81	38.37	5.32
	Tepecoyo	High	24.44	45.14	30.69	21.37	30.41	5.92
San Salvador	Delgado	Average	12.10	27.02	6.26	12.80	21.66	9.78
	Panchimalco	Average	11.83	44.30	21.96	22.34	27.54	7.60
	Rosario de Mora	High	13.47	42.38	21.63	21.22	33.12	6.13
	Santiago Texacuangos	Average	8.37	52.42	20.40	28.62	27.87	7.42
	Zacatecoluca	Average	14.01	41.21	17.27	16.87	25.04	8.43

[70] See Perfil del Indígena (2003).

La Paz	San Antonio Masahuat	Average	8.43	44.82	13.76	18.53	31.06	8.07
	San Pedro Masahuat	Average	16.39	44.61	26.23	22.79	29.61	7.20
	San Francisco Chinameca	High	20.37	56.52	21.20	17.39	22.10	6.60
	San Juan Tepezontes	High	8.73	46.98	20.84	24.87	24.76	8.51
	San Pedro Nonualco	Average	24.74	50.53	18.48	26.43	26.14	7.56
	Santiago Nonualco	Average	10.93	46.56	21.43	20.97	26.82	7.74
	San Juan Nonualco	High	9.85	41.89	20.12	20.30	34.44	6.86
Morazán	Cacaopera	Average	19.20	59.48	31.03	19.40	33.06	4.65
	Chilanga	Average	24.32	56.13	36.73	28.11	42.05	5.48
	Guatajiagua	High	22.39	62.20	37.89	30.45	41.59	4.42
Santa Ana	Texistepeque	Average	13.99	62.93	23.50	26.37	41.57	6.07

B. Youth Affected by Violence (urban marginal).

The social, political, educational, and economic challenges in El Salvador are especially problematic for a select group of youth at risk. These youth are more likely to drop out of school, face difficulties in securing meaningful employment, and be drawn into violent and criminal activities. Although some youth pass through a phase of experimentation with antisocial and illegal behavior during adolescence, for other youth this behavior continues to escalate, making it increasingly difficult for them to become engaged and productive citizens.

In the last few years, the nation's youth have been exposed to diverse situations which have placed them at risk. However, not all youth are the same nor do they suffer the same level or intensity of risk. While some are at risk, others are developing implicitly risky behaviors (Krausckpof, D., 2000). Youth who break the law demonstrate at-risk behaviors, but those who live in extreme poverty and are surrounded by violence and/or delinquency-prone stimuli are also at-risk.

By 2003, the country had 979 youth offenders placed in various delinquency centers; from that number, almost seven out of 10 (68.1 percent) were on probation (Aguilar, 2003). The juvenile justice enforcement authorities have measures to monitor and control behaviors, which is said to result in low recidivism.

Despite all, police statistics as of 2003 and 2004 warn that at least 40-45 percent of crimes in the country are committed by youth gangs. During the first trimester in 2003, 1,267 underage youth were arrested for a series of crimes listed in the table below:

Table 2: Statistics of crimes committed by underage youth during January 1-April 30, 2003

Criminal offense	Months				Total	Total
	January	February	March	April	Amount	%
Illicit associations	25	111	163	94	**393**	**31.01**
Injuries	35	66	76	58	**235**	**18.55**
Robbery	44	54	53	63	**214**	**16.89**
Theft	46	43	46	52	**187**	**14.76**
Other crimes	11	48	63	56	**178**	**14.05**
Rape	14	6	5	6	**31**	**2.45**
Homicide	2	2	11	14	**29**	**2.29**
TOTALS	**177**	**330**	**417**	**343**	**1267**	**100**

Source: PNC Statistics and Operations Unit

Three out of 10 crimes are categorized as "illicit associations", which translates into membership in gangs or some other crime organization. This is the highest percentage.

When the same data are displayed considering gender and age group criteria (youth 12-16 and 16-18 years of age), the following interesting aspects are observed:

1. Overall, 87.3 percent of crimes, regardless of age, are committed by men.
2. Crimes committed by children and youth between 12 and 16 years of age amount to 367, 311 of which are committed by men (84.7 percent).
3. Crimes committed by youth between 16 and 18 years of age amount to an exact 900, 88.3 percent of which are attributed to men.
4. Regarding illicit activity crimes, 75 percent are attributed to youth 16-18 years old and 25 percent are attributed to youth 12-16 years old.
5. Higher male participation, especially 16-18 years old, is observed systematically. At this age range, youth should be going through and graduating from high school.

The *Policía Nacional Civil* (PNC) expresses relative fears that a significant number of crimes are being committed by youth who, aside from being members of a gang, are members of some school. This allows them a certain degree of coverage and guarantees an extent of influence. According to the PNC, many schools that are characterized by violence and social risk can be found in the main municipalities of the San Salvador metropolitan area. The PNC has identified and generated a typology based on risk and/or danger levels exhibited by each school. This took place in 2005.

Classification:

- "C" represents the least complicated level due to the basic presence of street fights
- "B" represents an intermediate level which implies the presence of disturbances in areas close to schools, sale and consumption of drugs, etc.
- "A" represents a higher risk level compared to those mentioned before. This last classification (A) warns of permanent harassment by gangs, sale and consumption of drugs, disturbances, intimidation, robberies, injuries, vehicle thefts, etc.

In the list prepared by the PNC, 64 schools are identified, six of which are private and 58 of which are public. Twenty-one schools are classified "A", 18 are classified "B", 21 are classified "C", and four schools are not classified. The majority of schools are located in municipalities where the overcrowding index is high.

Legal framework: *Plan Mano Dura* was initiated July 23, 2003, as a mandate of the Executive and Strategic units of the PNC to combat the gang related crime problems. The objective was to decrease gang crime activity, protect citizens and conserve fundamental human rights. In October 2003, the Legislative Assembly, through Decree No. 158, established the Anti-gang Law (LAM) which legally gave the PNC the ability to arrest gang members for no other reason than being tattooed. Under heavy, public criticism against both Plan Mano Dura and LAM, the Supreme Court declared them unconstitutional in April 2004. In the same month, following the Supreme Court ruling, Decree No. 305, "Law to Combat Delinquent Activities of Groups or Special Illicit Associations" was created by the Legislative Assembly as a revision to LAM and it still exists today. Its purpose is to reduce levels of violence committed by individuals belonging to delinquent groups known as gangs. In June 2004, the President of El Salvador founded Plan Mano Super Dura, a modification of the previous law enforcement plan in response to rising street gang violence. The GOES also implemented Plan Friendly Hand (Plan Mano Amiga) to provide alternatives to membership in street gangs, including prevention programs for young people, treatment for narcotics trafficking and substance abuse, and programs of social reinsertion. It is also important to note

that since 1991, with the ratification of *Convención Sobre los Derechos del Niño*, El Salvador has put in place law to protect the rights of children and adolescents.

C. Rural Areas

The poorest of El Salvador's population lives in the rural areas and to a lesser extent they are also found in the extremely marginalized urban areas. While poverty in the country has decreased over the last decade, poverty in the rural areas has decreased at half the rate than the urban areas. This could signify that government and private sector efforts to reduce poverty in the rural areas has been less effective and sustainable.

About 41 percent of El Salvador's population is rural with four of every 10 youth living in rural areas in the municipalities considered the poorest. The number of rural youth studying at the secondary level is low, especially in impoverished areas. For example, in the municipality of Torola (Dept. of Morazán), there are only nine centers offering education and of those nine, only one reports students (less than 10) taking classes at the secondary level.

The situation for youth in 1998 demonstrated that a little over half (55 percent) of rural youth ages of 13 – 18 attend school only, and an additional 7 percent attend school and work. That leaves a very large percent of rural adolescents out of the school system, with 17 percent working and 21 percent neither working nor studying.[71]

According to a 2004 study, of 152,067 youth between ages 10 – 17 that were employed, 67 percent were considered unqualified; a percentage that increases to 79 for those in the rural areas.

II. PARTICIPATORY PROCESS OF STAKEHOLDER CONSULTATION AND INVOLVEMENT

Each of the main vulnerable groups has been consulted during project preparation. Youth at risk and rural populations were consulted during the design of the Ministry of Education's Strategy, "Plan 2021", which provides the framework for the proposed secondary education project.

A. Consultation with Indigenous People

In compliance with the Bank's Indigenous Peoples Policy (OD 4.20), the social assessment includes consultations with indigenous leaders, stakeholders and indigenous families to analyze their perceptions on the project and ensure that they are being included in a culturally adequate manner. Indigenous peoples have participated in the process of project preparation and their concerns on the design of components such as activities to improve access to secondary schooling and including teaching materials with intercultural contents have been taken into consideration. The indigenous leaders already consulted are largely related to the *Consejo Coordinador Nacional Indígena Salvadoreño* and to CONCULTURA. The process included a series of meetings and interviews.

The consultations enlighten us on the perceptions of indigenous populations on the proposed secondary education project. The project's objectives and activities were seen as favorable with the following shared concerns:

1. There is recognition of the importance of quality, relevance and competitiveness as objectives of an education reform, however, Indigenous leaders find these objectives focused on business and

[71] Source: OPS, OMS, ASDI, and MSPAS, 2000.

labor market demands, with less focus given to spiritual/personal values, including solidarity aspects that schooling can provide.

2. There is recognition that increasing secondary education coverage is important and that flexible modalities, such as distance and accelerated education, can be a promising way of doing that and would benefit indigenous communities. That said, there is some concern that education quality could decrease and that indigenous populations may not have full possibilities of access to or success in these new modalities for cost and educational standards related reasons. Another concern is that new secondary graduates may not be able to get employment in the local labor market and this could produce social discontent. Finally, improving education infrastructure will have positive and visible benefits.
3. It was recognized that learning new languages, such as English, can be an important asset in today's society, but Indigenous leaders also expressed concern that autochthonous languages should receive more support in El Salvador. This would be positive not only for cultural identity but also for tourism.
4. There is recognition that strengthening the curricular reform is important, but a feeling that still too little is being done to address multiculturalism. Better integration of multiculturalism in the curriculum, teaching materials and methods may help indigenous students to complete at least nine years of schooling.
5. There is recognition that the *convivencia escolar* sub-component aimed at improving the social environment in schools could be very useful to prevent violence and encourage more culturally sensitive behaviors. Competing for well designed school projects could be a way of favoring the cultural development of communities, in particular if they include cultural heritage projects.
6. Finally, there is also recognition that the demand-side subsidy scheme will be central to improve access to schooling, but that the criteria for student selection need to be more flexile and creative, with positive discrimination in favor of indigenous students.

In sum, although the project's objectives are shared, the perception is that its impact on the schooling of indigenous populations could be enhanced if four types of factors were more closely taken into account: (a) cultural (sense of identity); (b) economic (cost of schooling); (c) curricular (focus on multiculturalism); and (d) living conditions (improved but respecting cultural identity).

B. Consultation Process for Youth.

Process. The consultation process took into account reviews of various local youth studies where in-depth analysis and focal groups concentrated on youth in the poor urban communities of two municipalities[72] in the department of San Salvador. It also involved interviews with a sampling of both youth associated with gang activity and poor youth not involved in gangs. The interviews began with a summary presentation of the objectives and potential activities of the EXITO project.

Feedback from poor youth:

1. There was much positive feedback regarding the policies to expand coverage at the secondary level through various means allowing more youth the chance to graduate. Especially noted was the provision of necessary educational materials and the scholarship program given that any extra payments needed for secondary school means more time working to raise the funds to attend school.
2. Youths who work and attend school said that academic activities should be adapted to make them more pertinent to children who work.

[72] Quiñonez Municipal in the municipality of San Salvador and Montreal in the municipality of Mejicanos.

3. Alternative education programs were very appealing, but the group wondered if they would achieve as much as formal programs. They mentioned night school as an attractive methodology if it also offered good quality instruction, teachers, and security coming and going to the facility.
4. Youth are interested in studying technical education, even if they only understand it to be simple learning on the computer. They were concerned about how to provide security against theft for the equipment that would be needed.
5. English was seen as a good skill to develop not only for assisting them to gain entry to commercial activity where English was needed, but also for easing integration into the North American market or to emigrate north.

Feedback from youth involved in gangs. Youth gang members who were interviewed recognized the importance of the educational efforts put forth by the Ministry of Education in the design of the project. They associated the focus on improving quality and competitiveness as a solution to their economic problems, to accessing the job market, the cessation of social discrimination, and respect for their interests and needs. However, they did not see the connection between educating themselves and leaving gang activity, only a reduction in the level of violence and aggression.

They recognize the positive intention of assisting troubled youth to continue their education through the tertiary level, but feel it would not be worth it if, in the end they still could not find employment after completion of schooling due to social discrimination. They see the quality and competitive education as a way to help them obtain dignified living conditions in a short period of time, but often cannot find well-paying jobs because employers do not recognize their skills and scorn them due to their tattoos. They see it as a problem of also educating the public to understand the process of social reinsertion of former gang members.

Gang members identified some potential tensions in the process of inserting youth associated with gangs into the education system (formal or alternative programs). They wondered about their own security considering gangs operate in certain territories (location of schools, if classes will be just for youth in their own gang, mixed with other gangs, or mixed with other youth not in gangs), the content of learning (relevance), and if teachers were trained to understand and work with them.

The idea of learning English was received with much enthusiasm, however, not many connected learning English with gaining more favorable employment or as an element of raising competitiveness. It was seen as helpful more in the context of activities within the gang or raising their self-esteem.

C. Consultation with Rural Areas.

Consultations with rural youth, took place in the Departments of Sonsonate and Chalatenango at educational centers where it was verified that the population was fundamentally rural. Youth interviewed were students in the third cycle of basic education and a few from secondary. Most students commented that the rural area was a good place to live and grow up, however, they lament the almost non-existent opportunity to find work other than in agriculture which is the lowest paying. Given the situation, they consider the efforts to increase coverage at the secondary level to be important, but it is also important to take into account the labor and social demands.

It is not enough just to open programs or institutes in the rural areas to develop secondary education where it is not currently available. To achieve success they consider it relevant to try to promote experimental strategies for the rural areas that would not limit the necessity to work. Given the cost implications to attend lower and upper secondary school, many families are not interested in having their children attend school. However, the possibility of support for educational materials and subsidies for living expenses would motivate people to attend.

Rural youth consider the proposed accelerated learning programs as a very attractive strategy for rural communities. They wonder, however, if they would reach an adequate level of achievement through the programs to be competitive for finding employment outside the agriculture sector.

Improvement in school infrastructure is welcomed, especially if they include areas and equipment for recreation, are open for use on the weekends, and allow the community to use the area to gather for activities.

Learning English is viewed positively. Also many rural youth indicated that they already had some exposure to information technology. Courses offered by INSAFORP or use of computers often sent by relatives outside of El Salvador were the most common sources. For rural youth the computer represents modernity and a way to break free of their limitations.

With the foreseen increase in rural youth graduating from secondary education, rural areas would benefit by their knowledge. It was recognized that the rural communities would have better results in farming, animal husbandry and other areas that may not be traditionally agricultural as a result.

III. GUIDANCE FOR PROJECT DESIGN, IMPLEMENTATION AND MONITORING AND EVALUATION.

This section was derived from the social assessment process and puts forth guidance and recommendations to ensure adequacy of the project design, and that implementation and monitoring and evaluation mechanisms will satisfy needs of the three vulnerable groups.

A. Inclusion of Indigenous Populations

Given the results of the consultation process with Indigenous groups, the following are recommendations (some of them already taken into account) to ensure further adequacy of the project design in terms of the mechanisms that will be used to include this vulnerable group:

(i) More focus on multiculturalism in the upcoming competency-based curricular reform. This will also include promotion of multiculturalism and sensitivity in the development of didactic materials and through the teacher guides;
(ii) Focus on cultural heritage in school education projects;
(iii) Ensure that flexible delivery models for expanding access to secondary education are good quality models, with cost, curricula and teaching methodologies accessible to indigenous groups; and ensure that their development is prioritized in areas with employability prospects;
(iv) Ensure that selection criteria for the demand-side scheme support the participation of indigenous groups. Scholarships will deemphasize academic merit, favor need, and include positive discrimination toward the inclusion of indigenous children;
(v) Include a monitoring indicator to track the percentage of indigenous children benefiting from the demand-side scheme. This will help to ensure that adequate levels of indigenous children participate.

B. Youth At-Risk

*1. **Reaching those most at-risk.*** A comprehensive strategy to improve educational and social opportunities for youth must specify in detail how the needs of those who are most at-risk of adverse outcomes will be addressed. A first step is to develop a mechanism for classifying and identifying those most at risk. The National Civil Police (PNC) has already initiated a mechanism (in 2005) for classifying

schools based on level of social dysfunction and organized criminal behavior. One should also expect a great deal of variation in level of individual risk within schools, independent of overall risk level of the school. Even in the highest risk schools, some youth are more likely than others to engage in antisocial and illegal behaviors. Programs at the school level must account for this variation and include specialized efforts for those youth who are most likely to experience academic, social, and behavioral difficulties.

Recommendation 1: Risk should be defined at both the community/neighborhood level, as well as at the individual level. A brief, individual risk-screening measure should be developed (by MINED in collaboration with consultants) and implemented for all youth (or a sub sample of youth) participating in each component of the EXITO project to assure that the program is reaching those individual youth most at risk, or at least including a set percentage of higher-risk youth.

Risk should be determined by key indicators for adverse outcomes, including economic status, family support, gangs in the neighborhood, educational attainment, and previous antisocial behavior. It is important that risk not be limited solely to socioeconomic status. At the very least, a percentage of the becas/cupos funds should be allocated based on economic and social/behavioral need. As currently conceptualized, the program only provides funding for youth with high socioeconomic need and demonstrated academic excellence.

Risk screening also is particularly important for the **Convivencia Escolar** program given that it is the program most designed to prevent violence and reduce risk for maladjustment. As currently designed, this program provides large scale capacity building at the school/staff level and involvement of large numbers of students in classroom lessons and special projects; however, it is important to develop and institute a screening mechanism that also allows for inclusion and targeting of youth most at-risk.

*2. **The ecology of youth violence and delinquency.*** Because violence, delinquency, and other adolescent problems emerge from a multitude of individual, family, peer, and community risk factors, it is important to develop a comprehensive array of programs and services that address the assortment of needs/risk factors for youth identified via risk assessment. This is particularly critical for the *Convivencia Escolar* program that specifically targets at-risk youth.

Recommendation 2: Given that *Convivencia Escolar* and other components of the EXITO Project will not be able to address every potential risk or protective factor for youth violence and delinquency, it would be beneficial for MINED (in collaboration with schools, agencies, communities) to develop a priority list of risk factors that will be targeted specifically by *Convivencia Escolar* and other programs. It may be that some of the risk factors not targeted for modification (for instance, family overcrowding) can be used as part of the risk assessment tool; however, it is important to develop a risk profile of areas that will be directly targeted by the intervention(s) versus those that will be used to identify participants.

It would also be helpful to align these risk factors with specific levels of developmental ecology, meaning **individual, peer, school, community, family, and societal** risk. In other words, what are the risk factors of greatest significance at each ecological level for youth violence? Potential factors for inclusion in a modified list that can be addressed via intervention include the following:

Individual risk factors for violence:
• Low academic achievement • Lack of skills in emotion regulation, self-control, social problem solving and conflict resolution • Low levels of empathy and concern for others • Norms and beliefs supporting violence • Negative identity development (i.e., lack of positive future aspirations, alignment with negative groups such as gangs)
Peer risk factors for violence:
• Significant time spent in groups of antisocial peers • Peer norms supporting violence and delinquency • In group/out group rivalries that promote violence
School risk factors for violence:
• Low teacher skills for conflict resolution and modeling appropriate behaviors • Disorganized school environment with vague and confusing policies and practices regarding student behavior and student discipline • High levels of fear or violence at school • Low levels of resources for remedial and proactive engagement
Family risk factors for violence:
• Child physical and sexual abuse • High levels of domestic violence • Low levels of involvement in children's schooling • Low levels of monitoring and supervision of children's activities • Family norms supporting violence and delinquency
Community risk factors for violence:
• High levels of community violence exposure and fear of violence • Lack of public spaces for positive engagement (parks, etc.) • Lack of "presence of state", i.e., police and governmental response to crime and violence.

As planned, *Convivencia Escolar* primarily focuses on school risk factors, with a heavy emphasis on capacity building and training of teachers, and to a lesser extent, on individual risk factors that will be modified via the *proyectos consursables* and the Student Brigades. It is also important to include more intensive, individualized, and remedial programming for individual risk factors as part of a comprehensive intervention program.

An overall list of 10 or fewer risk factors should be identified for primary intervention focus across projects. Following this, it is recommended that at each site, the local conditions be understood and incorporated into prevention planning. A potential mechanism to accomplish this is to develop site specific action plans.

*3. **Site-based planning.*** There are common risk factors for youth violence that can be identified; however, these are likely to vary in importance from site to site. Existing programs and services that address these risk factors may also vary significantly from place to place. As such, it is important to develop site-based action plans for promoting healthy behavior and preventing youth problems including violence.

Recommendation 3: Within each school participating in the EXITO project, including those involved in *Convivencia Escolar*, a site specific ***Prevention and Healthy Development Plan*** should be articulated.

A site-specific planning group should be formed and a brief process should be initiated to develop the action plan. It is important to include students, teachers/staff, and families in the planning process

specifically focused on *Convivencia Escolar* so that a representative group is established. The coordinators of the Convivencia Escolar program should take primary responsibility for establishing the planning group, providing training, and working with each group through this planning process. A goal of the process should be to produce a document that includes:

(i) A description of the primary youth problems at the site level, including youth violence, bullying, substance use, school drop out, etc; a description of factors at the site level that contribute to risk for these behaviors; and factors that serve to protect against this risk. These data may be gathered from surveys and through qualitative assessments, including focus groups and dialogue with stakeholders.
(ii) A description of assets and supports available at the local level, including social capital (e.g., parent support groups), school programs, and programs and services provided through other public and private agencies.
(iii) A description of policies and procedures, including legal sanctions, for promoting positive student conduct and preventing violent and delinquent behavior.
(iv) Recommendations for short-term and long-term actions that can be implemented at the local level and that provide for integrated solutions to youth problems while simultaneously promoting healthy development. These solutions should provide benefits for all students at the school site, but also address additional needs for youth most at-risk via targeted interventions.

4. Integration of EXITO project, Convivencia Escolar, and other efforts into a larger national effort. One of the biggest challenges in violence and delinquency prevention is to coordinate efforts both within a specific setting or agency as well as across multiple agencies. This includes aligning intervention programs with public policies so that they are all working in concert. For instance, although recent efforts to address gang activity in El Salvador at the national level have gone beyond Plan Mano Dura with the initiation of Plan Mano Amiga and an emerging focus on rehabilitation, there is still little in the way of strategic planning at the national or local level for early prevention and intervention programming in El Salvador. Efforts such as Plan Mano Dura should operate as a last resort for youth who fall between the cracks rather than as a primary crime prevention strategy. One of the most important international lessons learned is that prevention must begin early and be sustained over time. The EXITO project, with its focus on prevention and intervention, provides an opportunity to simultaneously advance a prevention agenda in El Salvador.

Prevention efforts must focus on developing individual skills and increasing environmental supports to support healthy development from birth onward. The importance of early prevention in the home, school, and community, must be emphasized through social marketing campaigns that impact citizens, service providers, and policy makers.

Recommendation 4: The EXITO project and specifically *Convivencia Escolar* should be integrated, whenever possible, with other public and private prevention and rehabilitation efforts. These programs can provide a platform for advancing a larger "prevention agenda" that address the complexity of youth violence risk and provide direction for solutions.

5. Evaluation of the EXITO project and Convivencia Escolar. Program evaluation should emphasize both quantitative and qualitative assessment of key risk factors targeted for intervention. As currently conceptualized, the *Convivencia Escolar* program emphasizes the importance of changing school climate and teacher engagement, such that school is a safer and more responsive environment for students, fear is reduced, teachers gain skills in helping students solve conflicts, etc. This suggests that a teacher perception of school climate is important to include in the evaluation and that **improvement in school climate and enhancement of teacher skills** is one key indicator of success.

Any violence prevention program ultimately must assess whether violence levels have changed. Given the difficulties with archival data as well as potential differences in gathering these data across sites, it is also necessary to provide for regular assessment of **student attitudes, skills, and violence-related behaviors.**

Recommendation 5: A yearly assessment of student attitudes, skills, and violence-related behaviors should be instituted at a subset of sites (as determined by feasibility, willingness to participate, level of intervention intensity, and level of risk). A similar assessment of teacher perceptions and skills should be instituted at the same sites. These key indicators can also be examined via qualitative monitoring of intervention progress and changes as noted by students, teachers, parents, and other community members.

C. Rural Areas

From the interviews it was evident that rural youth are looking for opportunities to learn and gain skills that will enable them to have options for employment that extend beyond agriculture and will help them to live a more comfortable life. Rural youth place great importance and see the most significant educational impact for them coming from the subcomponents supporting the learning of English and information technology.

To enable rural youth to benefit from the efforts of the EXITO project, it was emphasized that while alternative programs like distance education and accelerated study would help increase secondary school coverage and would be very popular for rural youth, the programs should be designed to take into account the labor and social/family demands of rural families and particularly youth. Scholarships for the poor and subsidies to offset the opportunity cost to keeping adolescents in school should be well developed and available to families in need.

Another recommendation is to make sure that alternative programs produce graduates with equivalent achievement levels as traditional programs so that they can compete for a variety of opportunities for employment.

ANNEX 11: Summary Project Cost Tables

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO)

Project Components by Year -- Totals Including Contingencies

	Totals Including Contingencies						
	2006	2007	2008	2009	2010	Total	
A. Componente 1. Calidad, Pertinencia y Competitividad							PRESTAMO 100%
1.1: Fortalecimiento de Asignaturas Basicas	7,059,870	3,008,423	1,540,443	1,639,005	625,176	13,872,916	8,053,327
1.2: Pertinencia de la Educacion Tecnica y Tecnologica	1,614,889	11,263,340	1,607,637	455,647	455,834	15,397,346	13,722,171
1.3: Entorno Tecnologico para el Aprendizaje	1,038,975	2,983,362	2,113,399	2,345,179	21,179	8,502,094	8,502,094
1.4: Convivencia Escolar	2,173,241	902,434	1,824,588	-	-	4,900,263	4,900,263
Subtotal Componente 1. Calidad, Pertinencia y Competitividad	11,886,976	18,157,559	7,086,066	4,439,830	1,102,189	42,672,619	35,177,855
B. Componente 2: Cobertura con Equidad							
2.1: Estrategias Flexibles	3,661,814	3,505,231	4,360,086	4,328,569	4,243,939	20,099,640	2,864,559
2.2: Estrategias de Subsidio a la Demanda	121,648	623,930	1,252,196	1,818,720	1,783,244	5,599,738	0
2.3: Mejoramiento de Ambientes Fisicos	2,882,629	5,933,726	2,182,103	-	-	10,998,458	10,998,458
Subtotal Componente 2: Cobertura con Equidad	6,666,091	10,062,887	7,794,385	6,147,290	6,027,183	36,697,835	13,863,016
C. Componente 3: Gestion y Evaluacion para Efectividad							
3.1: Fortalecimiento de los Sistemas de Evaluacion, Certificacion y Acre	2,367,838	1,868,605	1,280,048	872,046	809,875	7,198,413	7,198,413
3.2: Gestion Escolar y Supervision de la Calidad	2,039,694	2,441,029	925,358	519,087	395,263	6,320,432	6,320,432
Subtotal Componente 3: Gestion y Evaluacion para Efectividad	4,407,532	4,309,634	2,205,406	1,391,133	1,205,139	13,518,845	13,518,845
D. Componente 4. Administracion del Proyecto							
4.1: Administracion del Proyecto	454,645	804,900	841,121	878,971	918,525	3,898,161	3,898,161
4.2 FRONT END FEE	212,500	-	-	-	-	212,500	-
Subtotal Componente 4. Administracion del Proyecto	667,145	804,900	841,121	878,971	918,525	4,110,661	3,898,161
Total PROJECT COSTS	23,627,743	33,334,980	17,926,978	12,857,224	9,253,035	96,999,960	66,457,877
Categorias co-financiadas							
1.1: INGLES	1,217,650	1,618,092	1,209,951	1,192,807	581,089	5,819,589	
1.2: CAPACITACION DOCENTES Y JOVENES TALENTOS	148,287	388,808	473,103	325,172	339,805	1,675,175	
2.1: CUPOS ESCOLARES	1,805,669	3,177,725	4,119,462	3,997,826	4,134,399	17,235,081	
2.2: Estrategias de Subsidio a la Demanda (BECAS)	121,648	623,930	1,252,196	1,818,720	1,783,244	5,599,738	
	3,293,254	**5,808,555**	**7,054,712**	**7,334,525**	**6,838,537**	**30,329,583**	
					50%		
	100%	100%	50%	50%	30%		
PRESTAMO	3,293,254	5,808,555	3,527,356	3,667,263	2,235,740	18,532,167	
CONTRAPARTE	-	-	3,527,356	3,667,263	4,602,797	11,797,416	12,009,916
PRESTAMO - ACUMULADO:							
1. 1.1: INGLES		2,835,742		1,201,379	290,545	4,327,666	
2. 1.2: CAPACITACION DOCENTES Y JOVENES TALENTOS		537,095		399,138	169,903	1,106,135	
1. 2.1: CUPOS ESCOLARES		4,983,394		4,058,644	1,240,320	10,282,358	
2. 2.2: Estrategias de Subsidio a la Demanda (BECAS)		745,578		1,535,458	534,973	2,816,009	
						18,532,167	84,990,045
							96,999,960

Expenditure Accounts by Components - Totals Including Contingencies

	Componente 1. Calidad, Pertinencia y Competitividad				Componente 2: Cobertura con Equidad			Componente 3: Gestion y Evaluacion para Efectividad		Componente 4. Administracion del Proyecto		
	1.1: Fortalecimiento de Asignaturas Basicas	1.2: Pertinencia de la Educacion Tecnica y Tecnologica	1.3: Entorno Tecnologico para el Aprendizaje	1.4: Escuelas Efectivas Solidarias	2.1: Estrategias Flexibles	2.2: Estrategias de Subsidio a la Demanda	2.3: Mejoramiento de Ambientes Fisicos	3.1: Fortalecimiento de los Sistemas de Evaluacion, Certificacion y Acreditacion	3.2: Gestion Escolar y Supervision de la Calidad	4.1: Admon del Proyecto	4.2 FRONT END FEE	Total
I. Investment Costs												
A. OBRAS CIVILES												
Rehabilitacion	-	6,658,436	2,896,188	-	-	-	9,021,183	-	-	-	-	18,575,806
B. BIENES												
Mobiliario	-	442,142	275,012	-	-	-	668,129	-	-	-	-	1,385,283
Equipo de Computadoras	20,070	1,055,594	2,763,401	-	42,165	-	-	-	238,863	246,625	-	4,366,718
Equipo Especial	310,004	2,796,624	-	95,562	-	-	-	-	602,018	-	-	3,804,207
Textos	4,406,144	8,112	-	-	-	-	-	-	183,800	-	-	4,598,056
Materiales y Suministros Didacticos	697,357	-	-	57,830	-	-	-	-	127,950	-	-	883,137
Subtotal BIENES	5,433,574	4,302,472	3,038,413	153,392	42,165	-	668,129	-	1,152,631	246,625	-	15,037,401
C. SERVICIOS DE CONSULTORIA Y ESTUDIOS												
Consultoria Internacional	30,600	170,320	-	-	-	-	-	2,316,015	-	-	-	2,516,934
Consultoria Nacional	2,946,479	2,288,918	442,472	1,777,235	1,292,118	614,728	1,309,146	1,205,097	2,597,403	-	-	14,473,597
Estudios y Investigaciones	-	48,689	40,125	24,461	134,125	-	-	-	-	-	-	247,400
Subtotal SERVICIOS DE CONSULT. Y ESTUDIC	2,977,079	2,507,927	482,597	1,801,696	1,426,242	614,728	1,309,146	3,521,111	2,597,403	-	-	17,237,931
D. SERVICIOS (sin Consultorias)												
Becas de Investigacion o Certificacion	896,041	1,338,253	225,585	-	-	-	-	375,239	3,513	2,654	-	2,841,285
Pasantia	-	118,811	-	91,593	84,300	-	-	273,809	38,199	-	-	606,712
Impresion y Reproduccion	1,056,259	91,304	22,452	-	545,176	-	-	1,578,802	968,629	-	-	4,262,621
Capacitaciones - admin y apoyo logistico	67,618	1,095	34,493	580,856	442,267	-	-	738,457	764,315	-	-	2,629,101
Subtotal SERVICIOS (sin Consultorias)	2,019,918	1,549,462	282,530	672,449	1,071,743	-	-	2,966,307	1,774,656	2,654	-	10,339,719
E. Transferencias												
Becas/Cupos	3,442,344	-	-	-	17,235,080	4,985,010	-	-	-	-	-	25,662,434
Transferencia	-	-	-	2,130,000	-	-	-	-	-	-	-	2,130,000
Subtotal Transferencias	3,442,344	-	-	2,130,000	17,235,080	4,985,010	-	-	-	-	-	27,792,434
F. Front End Fee	-	-	-	-	-	-	-	-	-	-	212,500	212,500
Total Investment Costs	13,872,916	15,018,297	6,699,728	4,757,538	19,775,230	5,599,738	10,998,458	6,487,418	5,524,689	249,279	212,500	89,195,791
II. Recurrent Costs												
A. ADMINISTRACION DEL PROYECTO												
Administracion	-	180,327	1,679,722	142,726	324,409	-	-	710,995	406,809	3,648,883	-	7,093,871
B. Mantenimiento												
Mantenimiento	-	198,722	122,644	-	-	-	-	-	388,933	-	-	710,298
Total Recurrent Costs	-	379,049	1,802,365	142,726	324,409	-	-	710,995	795,742	3,648,883	-	7,804,169
Total PROJECT COSTS	13,872,916	15,397,346	8,502,094	4,900,263	20,099,640	5,599,738	10,998,458	7,198,413	6,320,432	3,898,161	212,500	96,999,960
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Exchange	1,945,113	1,716,163	2,104,771	231,365	217,049	-	186,051	2,636,309	752,526	182,542	-	9,971,889

Annex 12: Project Preparation and Supervision

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

	Planned	Actual
PCN review		03/07/2005
Initial PID to PIC		03/24/2005
Initial ISDS to PIC		04/01/2005
Appraisal	08/23/2005	08/23/2005
Negotiations	10/03/2005	10/12/2005
Board/RVP approval	11/22/2005	
Planned date of effectiveness	04/01/2006	
Planned date of mid-term review	06/01/2008	
Planned closing date	06/30/2011	

Key institutions responsible for preparation of the project:

The World Bank

The Ministry of Education of El Salvador

Bank staff and consultants who worked on the project included:

Emanuela di Gropello	Team Leader, LCSHD
Angela Demas	Operations Officer, LCSHD
Ilana Umansky	Junior Professional Associate, LCSHD
Joel Reyes	Institutional Specialist, LCSHD
Manuel Vargas	Financial Management Specialist, LCOAA
Rosita Estrada	Procurement Specialist, Consultant
Fabiola Altimari	Lawyer, LEGLA
Ann Jeannette Glauber	Environmental Specialist, LCSEN
Ada Rivera	Program Assistant, LCSHD
Lucrecia Tulic	Consultant, Education Specialist (Evaluation/Assessment)
Martin Miranda	Consultant, Technical Education
Mary-Luz Isaza	Consultant, Flexible Delivery Models
Alberto Zuniga-Wager	Consultant, Architect
Alberto Barillas	Consultant, Social Scientist
Nancy Guerra	Consultant, Social Scientist
Marta LaVerde	Sr. Education Specialist, LCSHD
Henry Forero	Sr. Information Officer, ISGIA
Robert McGough	Distance Education Specialist, EASHD
Claudia Isern	Team Assistant, LCSHD
Ernesto Cuadra	Peer Reviewer, Lead Education Specialist, ECSHD
Christopher Thomas	Peer Reviewer, Sector Manager, EASHD
Paul Gertler/Christelle Vermeersh	Peer Reviewer, HDNVP

Bank funds expended to date on project preparation:

1. Bank resources: US$119,466.79 (FY05- US$ 112,833.70 and FY06 - US$ 633.09)
2. Trust funds: US$66,342.34
3. Total: US$ 185,809.13

Estimated Approval and Supervision costs:

1. Remaining costs to approval: US$ 163,866.91
2. Estimated annual supervision cost: US$ 86,400.00

Annex 13: Documents in the Project File

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

Briones, C. 2005. Informe Final para la Implementación de Modalidades Flexibles de Educación Media *(mimeo)*
El Salvador- Comisión Presidencial. 2004. Educar para el pais que queremos.

Edwards, J. 2005. Propuesta para un Instrumento de Subsidio a la Demanda (*mimeo*).

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ITCA. 2004. Oportunidades y desafios de la educación tecnológica en El Salvador.

ITCA. 2005. MEGA TEC: Propuesta de concepto y modelo curricular.

MINED. 2001. PAES 2000: Factores asociados al rendimiento.

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MINED. 2005. Especificaciones Técnicas para Proyectos de Infraestructura Educativa.

MINED 2005. Plan de Educacion 2021.

Perla, Ricardo and de Morera, Aida. 2002. Se buscan jovenes: juventud y mercado de trabajo - FLACSO

The World Bank. 2003a. *Closing the gap in education and technology.*

The World Bank. 2003b. *El Salvador – Country Economic Memorandum: Growing in the new millennium.*

The World Bank. 2004a *El Salvador Poverty Assessment: Strengthening Social Policy.*

The World Bank. 2004b. El Salvador – Education Strategy Note (*unpublished document*).

The World Bank. 2005a. *Central America Education Strategy Paper: An agenda for action.*
The World Bank. 2005b. *Central America Education Strategy Paper: Volume II.*

The World Bank. 2005c. *Expanding Opportunities and Building Competencies for Young People: A New Agenda for Secondary Education.*

The World Bank. 2005d. *El Salvador- Country Assistance Strategy.*

The World Bank. 2005e. *El Salvador: Investment climate assessment.*

The World Bank. 2005f. *Meeting the Challenges of Secondary Education in Latin America and East Asia* (*mimeo*).

Annex 14: Statement of Loans and Credits
EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

			Original Amount in US$ Millions						Difference between expected and actual disbursements	
Project ID	FY	Purpose	IBRD	IDA	SF	GEF	Cancel.	Undisb.	Orig.	Frm. Rev'd
P093133	2005	SV (CRL2) Program. Broad-Based Growth DP	100.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
P064919	2003	SV JUDICIAL MODERNIZATION PROJECT	18.20	0.00	0.00	0.00	0.00	17.41	10.12	0.00
P067986	2002	SV-EARTQUAKE EMERGENCY REC. & HEALTH SER	142.60	0.00	0.00	0.00	0.00	139.27	-3.33	0.00
P041680	1998	SV SECONDARY EDUCATION	58.00	0.00	0.00	0.00	0.00	11.07	11.07	0.00
P050612	1998	SV EDUCATION REFORM	88.00	0.00	0.00	0.00	0.00	16.09	16.09	16.09
P007164	1997	SV PUBLIC SECTOR MODERN	24.00	0.00	0.00	0.00	0.00	6.13	6.13	1.79
		Total:	430.80	0.00	0.00	0.00	0.00	289.97	40.08	17.88

EL SALVADOR
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

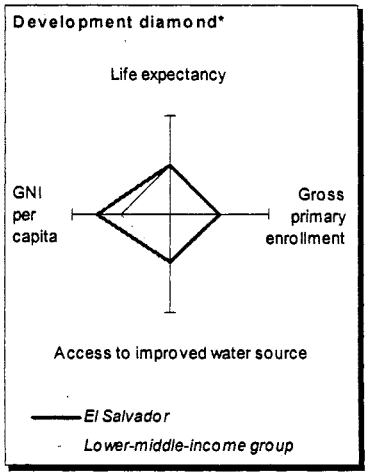
		Committed				Disbursed			
		IFC				IFC			
FY Approval	Company	Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2004	Banco Agricola	50.00	0.00	0.00	0.00	43.50	0.00	0.00	0.00
2001	CAESS/EEO	41.74	0.00	0.00	66.45	28.32	0.00	0.00	44.09
2002/04	CALPIA	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00
1997/00	CESSA	0.00	0.37	0.00	0.00	0.00	0.37	0.00	0.00
1998/03	CUSCATLAN-ES	0.00	0.00	15.00	0.00	0.00	0.00	15.00	0.00
2004	Confia AFP	0.00	7.50	0.00	0.00	0.00	6.73	0.00	0.00
2004	Metrocentro	25.00	0.00	0.00	0.00	25.00	0.00	0.00	0.00
1999	SEF IMACASA	0.00	0.20	0.00	0.00	0.00	0.20	0.00	0.00
	Total portfolio:	121.74	8.07	20.00	66.45	101.82	7.30	20.00	44.09

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

Annex 15: Country at a Glance

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

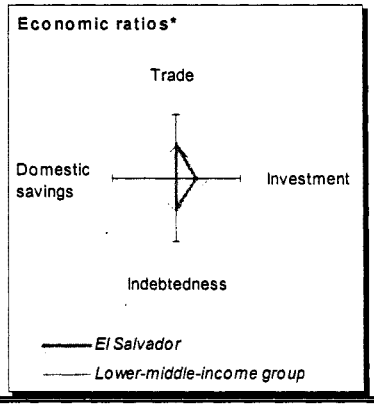
POVERTY and SOCIAL	El Salvador	Latin America & Carib.	Lower-middle-income
2003			
Population, mid-year *(millions)*	6.5	534	2,655
GNI per capita *(Atlas method, US$)*	2,200	3,260	1,480
GNI *(Atlas method, US$ billions)*	14.4	1,741	3,934
Average annual growth, 1997-03			
Population *(%)*	1.7	1.5	0.9
Labor force *(%)*	2.9	2.1	1.2
Most recent estimate (latest year available, 1997-03)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	59	77	50
Life expectancy at birth *(years)*	70	71	69
Infant mortality *(per 1,000 live births)*	33	28	32
Child malnutrition *(% of children under 5)*	12	..	11
Access to an improved water source *(% of population)*	77	86	81
Illiteracy *(% of population age 15+)*	20	11	10
Gross primary enrollment *(% of school-age population)*	112	129	112
Male	114	131	113
Female	109	126	111



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

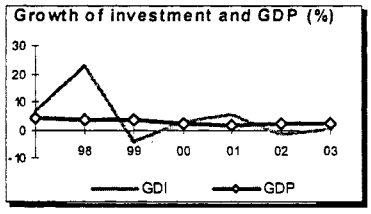
	1983	1993	2002	2003
GDP *(US$ billions)*	3.5	7.0	14.3	14.4
Gross domestic investment/GDP	12.1	18.6	16.4	16.6
Exports of goods and services/GDP	24.5	19.4	26.7	27.6
Gross domestic savings/GDP	6.6	3.8	1.9	0.8
Gross national savings/GDP	5.6	15.1	13.7	13.0
Current account balance/GDP	-5.6	-7.5	-2.7	-3.7
Interest payments/GDP	2.0	1.7	1.5	2.0
Total debt/GDP	49.8	29.2	40.8	43.8
Total debt service/exports	19.8	13.9	7.8	8.5
Present value of debt/GDP	..	..	43.5	..
Present value of debt/exports	..	..	106.5	..

	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	2.8	3.2	2.1	2.0	3.9
GDP per capita	1.3	1.3	0.4	0.2	1.8

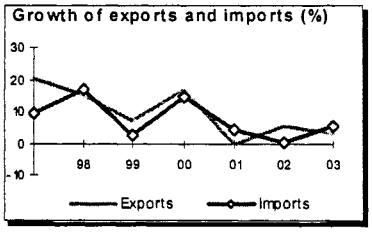


STRUCTURE of the ECONOMY

	1983	1993	2002	2003
(% of GDP)				
Agriculture	31.2	14.0	8.7	9.4
Industry	22.3	28.2	30.3	31.8
Manufacturing	16.6	22.4	23.5	24.5
Services	46.5	57.8	61.0	58.7
Private consumption	77.5	87.6	89.9	87.9
General government consumption	15.8	8.6	8.2	11.3
Imports of goods and services	29.9	34.1	41.2	43.4

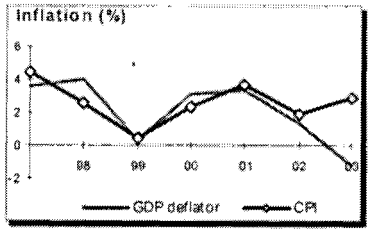


	1983-93	1993-03	2002	2003
(average annual growth)				
Agriculture	0.7	0.9	-0.5	6.0
Industry	3.0	4.8	2.8	4.8
Manufacturing	3.2	4.9	2.5	4.0
Services	3.3	3.0	2.3	-0.2
Private consumption	5.2	3.6	1.3	3.6
General government consumption	-4.1	1.9	-7.2	4.2
Gross domestic investment	8.8	2.9	-1.5	0.5
Imports of goods and services	7.9	7.9	0.5	5.2



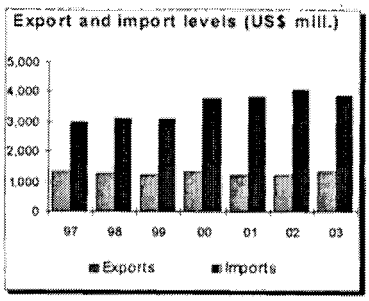
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices	13.3	18.6	1.9	2.9
Implicit GDP deflator	10.6	12.6	1.3	-1.2
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	..	11.8	12.4
Current budget balance	..	..	0.4	0.6
Overall surplus/deficit	..	..	-3.9	-3.7



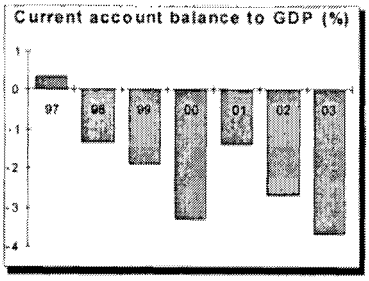
TRADE

	1983	1993	2002	2003
(US$ millions)				
Total exports (fob)	..	605	1,234	1,357
Coffee	..	235	107	..
Cotton	..	35	44	..
Manufactures	..	309	1,073	1,080
Total imports (cif)	..	1,924	4,082	3,926
Food	..	441	1,198	..
Fuel and energy	..	124	175	..
Capital goods	..	565	883	906
Export price index *(1995=100)*	..	68	55	55
Import price index *(1995=100)*	..	88	83	84
Terms of trade *(1995=100)*	..	77	66	66



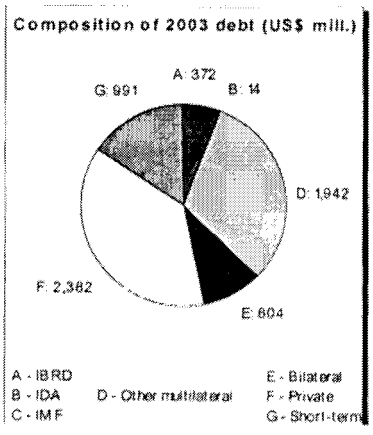
BALANCE of PAYMENTS

	1983	1993	2002	2003
(US$ millions)				
Exports of goods and services	912	1,273	3,810	3,980
Imports of goods and services	1,085	2,487	5,887	6,255
Resource balance	-173	-1,213	-2,077	-2,275
Net income	-131	-129	-287	-325
Net current transfers	108	823	1,980	2,069
Current account balance	-196	-519	-384	-531
Financing items (net)	392	663	260	550
Changes in net reserves	-195	-144	124	-19
Memo:				
Reserves including gold *(US$ millions)*	.	645	1,623	1,607
Conversion rate *(DEC, local/US$)*	2.8	8.7	8.8	8.8



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US$ millions)				
Total debt outstanding and disbursed	1,745	2,033	5,829	6,305
IBRD	106	220	371	372
IDA	26	22	15	14
Total debt service	202	294	453	514
IBRD	14	32	46	54
IDA	1	1	1	1
Composition of net resource flows				
Official grants	158	611	107	..
Official creditors	294	317	164	76
Private creditors	-19	-3	1,211	310
Foreign direct investment	28	16	208	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	93	143	0
Disbursements	7	51	63	38
Principal repayments	6	18	28	38



Annex 16: Maps IBRD # 33401

EL SALVADOR: Excellence and Innovation in Secondary Education (EXITO) Project

EL SALVADOR

- SELECTED CITIES AND TOWNS
- DEPARTMENT CAPITALS
- NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- DEPARTMENT BOUNDARIES
- INTERNATIONAL BOUNDARIES

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SEPTEMBER 2004

IBRD 33401