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Report No: 69576-KG

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF
SDR 6.0 MILLION
(US\$ 9.1 MILLION EQUIVALENT)

AND PROPOSED GRANT

IN THE AMOUNT OF
SDR 4.9 MILLION
(US\$ 7.4 MILLION EQUIVALENT)

TO THE

KYRGYZ REPUBLIC

FOR THE

SECTOR SUPPORT FOR EDUCATION REFORM PROJECT

February 7, 2013

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CURRENCY EQUIVALENTS
(Exchange Rate Effective January 17, 2013)

Currency Unit = Som
47.41 Soms = US\$1
US\$1.54 = SDR 1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	OTTI/OMC	Oblast In-service Teacher Training Institutes and Methodological Centers
NSC	National Statistical Committee	PCF	Per Capita Financing
OSCE	Organization for Security and Co-operation in Europe	PCU	Project Coordination Unit
OTTI/OMC	Oblast In-service Teacher Training Institutes and Methodological Centers	PIU	Project Implementation Unit
PCF	Per Capita Financing	POM	Project Operational Manual
PCU	Project Coordination Unit	PPA	Public Procurement Agency
PIU	Project Implementation Unit	PPL	Public Procurement Law
POM	Project Operational Manual	OTTI/OMC	Oblast In-service Teacher Training Institutes and Methodological Centers
PPA	Public Procurement Agency	PCF	Per Capita Financing
PPL	Public Procurement Law	PCU	Project Coordination Unit
PISA	Program for International Student Assessment	PIU	Project Implementation Unit
PSSOED	Out-of-School Education Department	POM	Project Operational Manual
Rayon	Administrative District	PPA	Public Procurement Agency
RED	Regional Education Department	PPL	Public Procurement Law
REP	Rural Education Project	PISA	Program for International Student Assessment
RMC	Regional Methodological Centers	PSSOED	Out-of-School Education Department
RSMC	Scientific and Methodological Council	Rayon	Administrative District
SSC	Sector-wide Steering Committee	RED	Regional Education Department
TA	Technical Assistance	REP	Rural Education Project
TA	Technical Assistance	RMC	Regional Methodological Centers
MSPD	Monitoring and Strategic Planning Department	RSMC	Scientific and Methodological Council
NSBA	National Sample-based assessment	SSC	Sector-wide Steering Committee
NSC	National Statistical Committee	TA	Technical Assistance
OSCE	Organization for Security and Co-operation in Europe		

Vice President:	Philippe Le Hou�rou
Country Director:	Saroj Kumar Jha
Sector Director:	Ana Revenga
Country Manager:	Alexander Kremer
Sector Manager:	Alberto Rodriguez
Task Team Leader:	Dingyong Hou

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PAD DATA SHEET

Kyrgyz Republic

Sector Support for Education Reform Project (P113350)

PROJECT APPRAISAL DOCUMENT

EUROPE AND CENTRAL ASIA

ECSH2

Basic Information			
Project ID	Lending Instrument	EA Category	Team Leader
P113350	Specific Investment Loan	C - Not Required	Dingyong Hou
Project Implementation Start Date		Project Implementation End Date	
08-Mar-2013		16-Jul-2018	
Expected Effectiveness Date		Expected Closing Date	
03-Jun-2013		16-Jul-2018	
Joint IFC			
No			
Sector Manager	Sector Director	Country Director	Regional Vice President
Alberto Rodriguez	Ana L. Revenga	Saroj Kumar Jha	Philippe H. Le Houerou
Borrower: Ministry of Finance			
Responsible Agency: Ministry of Education and Science of the Kyrgyz Republic			
Contact:	Mr. Kanatbek Sadykov	Title:	Minister of Education and Science
Telephone	996-312-621198	Email:	minedukg@gmailcom
No.:			
Project Financing Data(US\$M)			
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input checked="" type="checkbox"/> Credit	<input type="checkbox"/> Guarantee		
For Loans/Credits/Others			
Total Project Cost (US\$M): 16.50			
Total Bank Financing (US\$M): 16.50			

Financing Source		Amount(US\$M)								
BORROWER/RECIPIENT		0.00								
International Development Association (IDA)		9.08								
IDA Grant		7.43								
Financing Gap		0.00								
Total		16.50								
Expected Disbursements (in USD Million)										
Fiscal Year	2014	2015	2016	2017	2018	2019				
Annual	0.50	2.50	3.50	4.00	5.00	1.00				
Cumulative	0.50	3.00	6.50	10.50	15.50	16.50				
Project Development Objective(s)										
The Project Development Objective is to create conditions for improved learning outcomes in basic education.										
Components										
Component Name						Cost (USD Millions)				
Component One: Enhanced learning						14.19				
Component Two: Improved management and accountability of school resources						0.89				
Component Three: Communications and implementation support						1.42				
Compliance										
Policy										
Does the project depart from the CAS in content or in other significant respects?							Yes []	No [X]		
Does the project require any waivers of Bank policies?							Yes []	No [X]		
Have these been approved by Bank management?							Yes []	No [X]		
Is approval for any policy waiver sought from the Board?							Yes []	No [X]		
Explanation:										
Does the project meet the Regional criteria for readiness for implementation?							Yes [X]	No []		
Safeguard Policies Triggered by the Project						Yes	No			
Environmental Assessment OP/BP 4.01							X			
Natural Habitats OP/BP 4.04							X			

Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Description of Covenant			
Conditions			
Name			Type
PCU has been established by MoES in a manner satisfactory to the Bank.			Effectiveness
Description of Condition			
The PCU has been established by MoES in a manner and with the composition and terms of reference satisfactory to the Bank, including modification of existing accounting software and employment of qualified disbursement specialist.			
Name			Type
Operational Manual adopted in a manner satisfactory to the Bank.			Effectiveness
Description of Condition			
The Project Operational Manual has been completed by the PCU in a manner satisfactory to the Bank			
Name			Type
Sector-wide Steering Committee established in manner satisfactory to Bank.			Effectiveness
Description of Condition			
The Sector-wide Steering Committee has been established with representation from MoES and development partners in a manner and with the composition and terms of reference satisfactory to the Bank.			
Name			Type
Adoption of sustainable financing mechanisms for textbook replacement.			Disbursement
Description of Condition			
No withdrawal shall be made for payments for Category (2) of the Eligible Expenditures disbursement category until the GoK has adopted a sustainable financing mechanism acceptable to the Bank to ensure timely replacement of textbooks for all grades of general basic education.			

Team Composition					
Bank Staff					
Name	Title	Specialization	Unit		
Joseph Paul Formoso	Senior Finance Officer	Senior Finance Officer	CTRLA		
Dingyong Hou	Senior Education Specialist	Team Leader	ECSH2		
Andrea C. Guedes	Senior Operations Officer	Senior Operations Officer	ECSH2		
Adam Shayne	Lead Counsel	Lead Counsel	LEGLE		
Gabriel C. Francis	Program Assistant	Program Assistant	ECSHD		
Irina Goncharova	Procurement Specialist	Procurement Specialist	ECSO2		
Galina Alagardova	Financial Management Specialist	Financial Management Specialist	ECSO3		
Aly Zulficar Rahim	Social Development Specialist	Social Development Specialist	ECSSO		
Nagaraju Duthaluri	Lead Procurement Specialist	Lead Procurement Specialist	ECSO2		
Paul Marie Michel Cahu	Economist	Economist	ECSH2		
Aimonchok Tashieva	E T Consultant	Counsel	LEGLE		
Gulmira Sultanova	E T Consultant	Operations Officer	ECSH2		
Non Bank Staff					
Name	Title	Office Phone	City		
Gerard Peart	M&E Specialist		Toronto		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Institutional Data					
Sector Board					
Education					
Sectors / Climate Change					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %	
Education	Primary education	60			
Education	Secondary education	40			
Total		100			

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Education for all	80
Public sector governance	Other public sector governance	20
Total		100

I. Strategic Context

A. Country Context

1. The Kyrgyz Republic is a landlocked mountainous country in Central Asia with a multi-ethnic population of 5.4 million. With an estimated per capita GDP of US\$880 in 2010, the Kyrgyz Republic is one of the poorest economies in the Europe and Central Asia region. According to the latest available official statistics, an estimated 32 percent of the population lived below the poverty line in 2009, while 3 percent lived in extreme poverty. The incidence of poverty in rural areas (37 percent) was far higher than in urban areas (22 percent). The 2010 crisis events led to a 1.4 percent fall in GDP and initial indications suggest a two percent increase in the poverty headcount during 2010.

2. Since independence in 1991, the country has made a strong advance towards the creation of a liberal market economy with the aim of promoting sustained economic growth and fighting poverty, and has sought international integration through trade and investment, and membership of the World Trade Organization (WTO). It has met with some success in fostering open institutions, but has struggled to embed lasting democracy and civic freedom. Economic reforms resulted in an average annual growth of 5.4 percent and a decline in poverty from 40 percent to 32 percent over 2006-2009, and extreme poverty from 9 percent to 3 percent over the same period. But improvements in governance have proved elusive: the country was ranked 164 out of 178 in Transparency International's Corruption Perception Index, and Organization for Security and Co-operation in Europe missions characterized elections until 2009 as falling short of international good practice.

3. The first elected president of the Republic was forcibly removed from office in 2005 after nearly 15 years in power following a disputed re-election. In April 2010, anti-government political demonstrations took place against his successor who had centralized power within the presidency. Protests were fuelled by a widespread belief that corruption, especially nepotism, and misuse of public assets had risen markedly. There was popular frustration with economic and social policy.

4. In June 2010, political and social tensions climaxed into conflicts in the Osh and Jalalabad Oblasts, leading to hundreds of deaths and temporary internal displacement. The conflict also resulted in large scale destruction of public and private property, especially housing. The conflict led to a weakening of confidence within the private sector, and to economic and fiscal pressures. Since the political transition and the conflict, state authorities, with the support of national and international partners, have invested heavily in the recovery. The foundational causes of the June 2010 events lie in multiple, persistent stresses in society which are being addressed through efforts at social reconciliation, and equitable investment in critical sectors, including investment in social services which vary considerably in quality across the country.

5. The protests culminated in the removal of the president from office, and the formation of an interim government headed by a coalition of opposition political and civic leaders. A government took office following the presidential elections in October 2011, but was dissolved in August 2012. A new government was formed in September 2012. Since then, the Government's agenda includes a program of security, governance, anticorruption and, where

feasible, ethnic reconciliation measures in order to secure a political consolidation. A Country Medium Term Development Strategy for 2012-14 has been adopted, which will be closely linked to the Medium-term Budget Framework. The major objectives of the strategy flow from the near-term priorities: ensuring growth averaging five percent per annum so as to re-establish fiscal and debt stability and fight poverty; social sector measures to build human capital; and investments in infrastructure to strengthen the supply base of the economy.

B. Sectoral and Institutional Context

6. The pre-primary sector suffered a financial shock after independence due to the economic collapse of the collective farm sector, leading to the closing of 70 percent of the preschools, especially in rural areas, and a 75 percent reduction in the number of preschool students in the system (MoES 2006). A 2003 household survey found that in 40 percent of the cases children did not attend preschool because of economic hardship; another 22 percent did not have a preschool nearby, and another 22 percent could not get into a preschool because it was full.

7. Basic mandatory education starts at age seven and lasts nine years: four primary and five lower secondary grades. In 2009 there were approximately 1.1 million students in the system, of which about 400,000 were in primary grades. Ninety-eight percent of students attend public schools, and over two-thirds of these students are in rural areas. The primary to lower secondary transition rate is universal. The net enrollment rate in lower secondary is about 90 percent and about 72 percent for higher secondary. Practically all of the 18 thousand primary school teachers are female, while of the 41,000 teachers in secondary, about 80 percent are female.

8. Gender parity in enrollment has been achieved at the system level, as measured by the Gender Parity Index. This achievement is partially due to the endowment from the Soviet legacy and to households' commitment to girl's education. Further, the average number of years of schooling among 15-19 year old females is slightly higher than males, at 10.05 years compared to 9.89 years for males. However, the disaggregated data show a slow sliding trend over the period 2006 and 2011 of rural girls in primary enrollment.

9. Despite efforts and considerable spending since Independence, to date the basic education system has produced mixed results – while coverage is good, quality remains a challenge. National student assessments in 2009 showed that approximately two-thirds of Grade Four students did not master the essentials in Mother Tongue, mathematics and science; at Grade Eight, the proportion was greater than three quarters.

10. The country's participation in the OECD's Programme for International Student Assessment (PISA) showed that, while Kyrgyz students' performance improved between 2006 and 2009, 15 year olds lag an approximate four and a half grade levels behind the OECD average. Large geographic differences in education also persist in Kyrgyzstan with Osh, Jalalabad, Batken and Talas having the lowest PISA scores. PISA scores in the south and Talas are much lower than elsewhere in the country, and correspond to a difference of about half a standard deviation – which by international standards is high. Gender wise, girls performed consistently better than boys in all three subjects --reading, math and science. Geographic disparities in education quality are pronounced and an approach sensitive to such deficits

requires ensuring that lagging regions receive due attention over the course of project implementation.

11. There are many contributing factors to Kyrgyz's poor performance in the education sector. These can be generally grouped into factors within the school environment and system wide/institutional factors, often overlapping and inter-linked, as described below.

Within the school environment

12. **Outdated curriculum.** The curriculum, still largely derived from the Soviet period, tends to be academic, difficult and theoretical, with little focus on developing competencies, context or practical applications. Students must take a large number of courses, encouraging superficial learning, and there is a heavy bias towards languages. The curriculum does not emphasize identifying and assessing learning outcomes, and relies upon a passive-student model. Until recently primary students were introduced to too many languages too early, particularly those whose Mother Tongue is a minority language.¹ At the secondary level, there is a similar lack of balance; for example with most Grade 5 students spending over half of their time on five different language courses and Grade 9 students studying 19 different subjects.² Students have little choice in selecting subjects. The MoES has published a revised primary curriculum that aims to be more competency-based, focused on core subjects, and oriented towards active teaching-learning, practical applications, and the identification of learning outcomes combined with guidelines for continuous assessment. There is, however, substantial work to be done in terms of familiarizing teachers with the new approaches, and providing them with training opportunities and pedagogical aids on how the new approaches can be realized in the classroom.

13. **Lack of adequate textbooks.** Over half of students do not have access to a serviceable textbook, the result of significant chronic underfunding. The Textbooks Rental Scheme was abolished in 2006, and since then funding from the Republican budget has been less than half of financing needs. Most textbooks reflect defects of the curriculum and are often densely or unclearly written for the intended level of reader. They lack reference to context and applications, and place little or no emphasis on developing life or independent learning skills. The visual material is poorly developed and does not enhance the text, and reflects a lack of partnership between author and publisher. The MoES has introduced reforms in recent years to introduce more competition in authoring, better quality control, and improved partnerships between authors and publishers. In particular, it established the Republican Scientific and Methodological Council (RSMC) and made it responsible for textbook development planning, overseeing the competitive commissioning of textbooks, and assuring quality control. However, there is still room to improve the procedures and workings of the RSMC.

¹ Prior to the recent revisions to the primary curriculum, more than half of instructional time was devoted to languages. In contrast, for example, Finland (which also has two national languages and several spoken languages) spends less than 35 percent of primary school time on language studies. See OECD 2010: Reviews of National Policies for Education: Kyrgyz Republic 2010.

² In contrast, western countries generally demand fewer subjects, around 9-13 subjects in lower and 6-10 subjects in upper secondary. See ADB 2008 Kyrgyzstan Policy Studies: Status and Quality of Curriculum, Classroom Assessment and Teaching and Learning Materials.

14. **Ineffective teaching-learning practices.** There is substantial room to make teaching-learning practices more effective. PISA results for both 2006 and 2009 showed Kyrgyz students to be internationally second from last in knowing effective learning strategies. Further, professional development opportunities are limited in number and quality. There are national in-service teacher training norms of 72 hours every five years, but these are more honored in the breach; perhaps 10 to 20 percent of eligible teachers are covered. Much of this shortfall is due to a sheer lack of capacity of teachers, some of it to local authority reluctance to pay for teachers' travel and per diems, and some of it to institutional rigidities. Any given teacher has only one course they can take (depending on what they teach), and teachers report that much of it does not correspond to their needs, is out of date, and does not adequately cover the new curricular approaches being promoted by the MoES. At the pre-service level, there are various criteria that prospective teachers must meet to enter a teacher-training institution, though a SABER study recently concluded that these criteria could be tightened to improve the quality of candidates; the profile tends to deteriorate subsequently in that half of graduates do not go into teaching. The pre-service training curriculum has not yet been adapted to the approaches in curricular reform being adopted for the basic education curriculum.

15. **Teacher shortages.** Teacher strikes in 2010-2011 led to significant salary increases and salaries are now considered competitive at 123 percent of GDP per capita. However, there are still teacher shortages in certain subjects, particularly in rural and remote areas. The Government provides scholarships, housing benefits and plots of land to attract candidates to these areas, though not improved chances of promotion, extra pay or other financial inducements. The Government recently adopted a performance-related incentive scheme, but it was introduced hastily during teacher strikes; a range of criteria elaborated under pilot projects to promote more effective teaching-learning and mentoring practices were not included in the scheme, and Regional Education Departments (REDs) and schools received little guidance on how it should be operated.

Institutional factors

16. **System inefficiency and inequity.** One-third of school staff is non-teaching, and teachers work relatively few hours.³ There are significant per-student spending variations, particularly between urban and rural areas, between localities with lower and higher percentages of households below the poverty line, between schools with Russian-speaking students and schools with non-Russian-speaking students, and between Bishkek and the southern regions (all in favor of the former). These reflect in part varying levels of local tax revenues and household incomes in the absence of effective compensatory financing mechanisms; areas that have begun the implementation of per-capita financing experience fewer spending variations. There are also significant variations in the availability of teaching-learning materials.

17. **Weak governance.** The mandate given to the MoES is found in a body of laws that are written in general terms with inadequate operational clarity, including an uncertain division of labor between the MoES and partner or subordinated agencies. This sometimes results in role

³ *SABER – Teachers 2011 for Kyrgyz Republic.* The SABER report highlights that primary teachers are expected to work around 800 hours, slightly more than half the annual working hours in the most successful systems generally exceed 1,500 hours.

conflicts and/or in the abdication of responsibility. In several important cases the laws place the responsibility for action in one agency and control over resources needed to take this action in another, constraining the capacity of the MoES to take action and making it difficult to hold any agency accountable, including the MoES. In particular, while the MoES is responsible for leading the sector and for general oversight, the Ministry of Finance (MoF) controls the budgets of the MoES and its affiliated agencies, as well as much of the spending in the education sector. The MoES does not participate in the budgeting process and is unable to effectively connect planning with budgeting. Further, funds allocated to the education system from the national budget are not distributed through the MoES, flowing instead through local authorities to schools. This allows local authorities to hold up disbursement or divert funds, and splits accountability for the success of schools. The system's limited accountability is further compounded by the lack of performance contracts.

18. **Weak organizational structure.** The MoES has weak internal organization. Several core functions are sometimes grouped together – often unrelated - in one organizational department and under one manager rather than having dedicated departments and managers. Some core functions are missing (e.g. procurement) or grossly understaffed (e.g. monitoring, textbooks), and many managers have an overloaded agenda. There is an overall shortage of skills at all levels (administrative/managerial/technical skills), and staff are poorly incentivized.

19. **Inefficient spending.** Public spending on education is among the highest in the region, at 7.1 percent of GDP. Nonetheless, the quality of education in Kyrgyzstan lies much below what it should be given what the country is spending per student. For instance, PISA reading performances were slightly better in the Indian state of Himachal Pradesh (in Northern India) and Tamil Nadu (in Southern India) where per student spending is 46 percent lower. This recent boom in education spending is largely explained by new compensation rules for teaching and non-teaching staff, which almost doubled wages in 2011. Spending for remunerations amounted to 5 percent of GDP in 2011 versus 3.7 percent in 2010. Remunerations represented more than 70 percent of the education cost in 2011.

20. According to the *2012 Public Expenditure Review of the Education Sector* there are five areas where efficiency could be improved in the education sector: (i) ensuring a tight control of future wage growth; (ii) bringing the unit costs in pre-primary and vocational education closer to those in general education; (iii) monitoring procurement practices in education, as reflected in the prices and quantities of goods and services purchased by schools; (iv) limiting non-teaching positions in general education; and (v) rationalizing the network of general schools.

21. The Government is roughly half way through its plan to introduce per capita financing to all schools, building on piloting financed under the World Bank-supported Rural Education Project (IDA H-1370) and other donor-financed projects. Under this scheme, municipalities receive Republican budget funds based on a formula that considers the number of students and a set of common standards (adapted to certain categories of school size and location), to cover all recurrent costs including non-wage items. Municipalities, in turn, are to transparently agree with schools on their budget based on the financing standard for that category of school and enrollment numbers. Schools for the first time are gaining powers and responsibilities for budget formation and financial management, particularly for non-protected budget items. However,

there is still room to improve community involvement in the budget formation process, and to increase the powers of school directors and oversight bodies to select and fire personnel.

22. **Lack of data and information.** Several policy and institutional barriers constrain the development and use of information. These include (i) lack of an enabling legal and institutional framework⁴ (e.g. the MoES has no clear mandate to collect or process education statistics, which prevents the collection and sharing of data throughout the system); (ii) physical infrastructure⁵ that is fragmented and not functioning as an integrated system; (iii) mismatch between staff skills and required functions; and (iv) weak demand for data from the policy-making process. Further, the collection and dissemination of education information is fragmented across different structures. Key stakeholders – including school administrators, local education departments, the MoES and the NSC⁶ - are involved in the process of collecting data without coordination, leading to fragmentation that causes three fundamental problems: (i) the various databases cannot be easily matched because a system of unique code identifiers for education facilities is not in place; (ii) existing databases display inconsistent data with respect to the same objects because data are collected repeatedly, using different protocols and at different times, and with varying levels of quality; and (iii) beyond general secondary schools, a large part of the sector from pre-school to vocational and tertiary institutions is not covered and remains unclear.⁷

23. The volatile political context has made it difficult to establish a stable policy environment. Sector strategies and plans were not always completed or followed, and significant policy reforms might be introduced only to be abruptly abandoned (such as the Textbooks Rental Scheme). There was also significant turnover in the leaderships of the MoES. However, there are signs that the improved political stability is having a positive effect on the education sector and both the past and current administrations are strongly committed to the *2020 Education Sector Strategy* and its associated *Education Action Plan (EAP)*.

Government strategy and program

24. The MoES has finalized its medium-term *Education Action Plan (EAP)* for 2012-14 as part of its *2020 Education Sector Strategy* and the Government's *Medium-term Strategy*. The Government's *Education Strategy* lists as its main goals to pursue equal access to education; to update the content of educational and learning technologies; to improve education quality; to improve the effectiveness and efficiency of resource use; and to decentralize school management. At the pre-primary level, the EAP focuses on expanding access. At the basic education level, there are four main pillars for the basic education system: (i) governance, management and accountability; (ii) incentives and opportunities for teachers and school management to improve performance; (iii) educational standards and materials; and (iv) management information systems including data on results.

⁴ For instance, the Ministry of Education has no authority over the National Statistical Committee (NSC) to influence either what data is collected in the education sector or its release to the appropriate users, including the MoES itself.

⁵ Computers, servers and network equipment and connection services

⁶ The NSC collects education data through a school census (Osh1 form) and household surveys and publishes them in statistical reports on an irregular basis. It faces legal and organizational constraints on disseminating information.

⁷ Although those institutions represent together 33 percent of public spending in education.

25. The EAP calls for completing the introduction of per capita financing, such that all schools will be covered by 2013-14, and for the increased involvement in community oversight bodies in budget formation, expenditures monitoring and school performance monitoring. It aims to improve the effectiveness of teachers, particularly through the training of primary teachers on the new curriculum and the operation of a salary incentives scheme. It also plans to address gaps in textbooks availability, though the reintroduction of the Textbooks Rental Scheme was removed from a draft EAP (but kept in the *2020 Strategy*) after concerns were raised about its constitutional legality and political viability. Finally, the EAP also calls for a strengthening of the Scientific and Methodological Council (RSMC's) procedures and capacities in textbooks development. The MoES also plans to complete the revision of the basic education curriculum.

26. Many of the reforms in the EAP originated in the results of, and public and official reactions to, four sample-based student assessments undertaken by the MoES over the past six years, two international and two national. The MoES is committed to building national institutional capacities in these areas so as to enable regular national student assessments of high quality, and to provide analysis and feedback to decision-makers, as well as to schools. It also plans to reinforce its monitoring and evaluation function, in order to track EAP implementation, and to provide the public with school-based performance information.

C. Higher Level Objectives to which the Project Contributes

27. The main thrusts of government reforms in its *Medium-term Strategy* are to increase the living standards of the population, reduce poverty based on economic growth, improve the business environment, and develop an efficient governance system. These policy objectives are backed by sector strategies developed by each line ministry. In support of the above objectives and priorities, the Bank's *Interim Strategy Note* (ISN) dated June 16, 2011 adopted a focus on fiscal stability and improved public sector governance.

28. The Ministry of Education and Science has adopted the *2020 Education Development Strategy* and a *Medium-term Action Plan* for the period 2012-14. The *Action Plan* is focused on three priorities: implementing the per capita funding system-wide with increased accountability and autonomy at the school level; implementing curriculum reform for primary and secondary education; and implementing the new teacher salary scheme with performance-based incentives.

29. The proposed Project is consistent with the Bank's INS as its higher level objective is to improve public sector governance and capacity of the basic education system to produce higher learning outcomes. The Project is also consistent with the sector specific priorities established by the Government, and it directly supports two action areas: increasing accountability at the school level, and implementing curriculum reform in primary and secondary education.

II. Project Development Objectives

A. PDO

30. The Project Development Objective is to create conditions for improved learning outcomes in basic education.

1. Project Beneficiaries

31. The Project would benefit three main groups. The Project's primary beneficiaries would be the students who would gain from the improved quality of education. The second group to benefit from the Project would be teachers and school Directors and Deputy Directors through professional development activities to strengthen their skills and qualifications. Finally, the Project would also benefit parents and communities who would have greater control over allocated school resources through participation in school development plans and budget formation, as well as access to information on the use of resources and school performance. The Project, across its components, would adopt approaches to supervise the rollout of activities across all geographic areas. As required, the Project would ensure enhanced attention to area-specific deficits and needs, in particular to areas determined to be lagging in the education sector. The specific methodology of supervising an equitable rollout of the *Education Action Plan* would be elaborated in the Project's Operational Manual, but key principles of an equitable and inclusive implementation process are summarized in the social section of this document.

2. PDO Level Results Indicators

32. The proposed project development indicators (PDIs) are:
- i. % of training-certified primary grade teachers who follow the revised curriculum and apply improved teaching-learning practices in Mother-tongue Language and Mathematics;
 - ii. % of students in Grades 3-4 using revised textbooks for Mother-tongue Language, Mathematics, and Motherland Studies; and
 - iii. % of schools where Per Capita Financing (PCF) is newly introduced that post the annual school budget and expenditures report.

III. Project Description

A. Project components

33. The school is at the core of the proposed Project. It has two complementary components, in addition to an implementation support component. The **first component** focuses on enhancing classroom learning, while the **second component** focuses on improving the management of school resources and accountability to stakeholders, as described below. The **third component** finances communication and outreach activities, as well as operating costs generated by the Project.

Component One: Enhanced learning (US\$ 14.19 million equivalent, 86% of total project cost)

34. Improving pedagogical practices and teaching-learning materials availability in the classroom, through the provision of training, educational materials, goods, and technical assistance. As such, this component would finance: (i) training of Grades 1-4 teachers and

pedagogical staff on the knowledge and skills needed to deliver the new curriculum; (ii) provision of curriculum-aligned textbooks to Grades 3-6, in addition to a package of essential pedagogical materials for all primary schools; (iii) technical assistance to support the revision of the subject standards and content for Grades 5-9 to address major issues of curriculum imbalance and overload, and to introduce competencies; and (iv) assessments of primary-level teaching-learning practices and learning achievements. The component is structured around four sub-components that reinforce one another:

35. *Sub-component 1.1: Improving pedagogical practices* (US\$ 1.80 million equivalent, 10.9% of total project cost). This sub-component would finance the design and implementation of an in-service training program for about 10,000 primary school teachers to improve teaching-learning practices in support of the newly revised curriculum. It would also finance a training program designed to enhance the capacities of approximately 1,500 Deputy Directors⁸, district-level methodologists and inspectors to support primary level teachers to teach the new curriculum. The Project would also finance furniture, equipment and materials for MoES's training institutions.

36. The teacher training program would cover the curriculum's new competency-based approach; the new distribution of subjects and hours; subject learning standards and content; lesson planning and objectives setting; interactive teaching-learning methods; and assessment. The course would focus on enabling teachers to develop their students' core competencies in literacy and numeracy, two foundation learning areas in which Kyrgyz children are relatively weak. As part of the course, syllabus guides would be supplied to teachers, in which the teacher is provided with classroom-tested guidance on teaching the curriculum, including subject-grade learning standards, indicators of learning mastery, and possible teaching-learning activities and materials.

37. The training program for Deputy Directors, district-level methodologists, and inspectors would cover the new subject standards and content, and tools and techniques for observing teaching-learning practices and classroom management, identifying weaknesses, and providing supportive feedback.

38. *Sub-component 1.2: Resources for learning* (US\$ 11.67 million equivalent, 70.7% of total project cost). This sub-component would finance the design, printing and distribution of approximately three million textbooks, teacher guides and student workbooks for primary and lower secondary schools, and a package of essential teaching-learning materials for primary schools. The content of and illustrations and pictures in these materials would be gender and ethnically sensitive and neutral to prevent any gender or ethnic bias. The Project would also support reinforcing the institutional arrangements for textbook commissioning and quality control.

39. For those primary-level subject-grades where a curriculum-aligned manuscript has already been developed, support would be provided to pilot and revise those manuscripts, and to print and distribute them to meet primary level needs. In subject-grades for which no

⁸ The Deputy Director is generally responsible for methodological support to primary teachers. Small schools do not have a Deputy, in which case the Director – who is responsible for the methodological support - will participate in the course.

curriculum-aligned manuscript has yet been produced, the Project would support the development of new manuscripts, including piloting, revision, printing and distribution, at two levels: the primary level predominantly 3rd and 4th grades, and the secondary level where revised subject standards and teaching programs would have been approved by the MoES (predominantly 5th and 6th grades).

40. To reinforce institutional arrangements, the legal-regulatory framework governing the Republican Scientific and Methodological Council's (RSMC)⁹ powers and operations would be reviewed and revised; a capacity building plan for the RSMC would be developed and implemented (including for any entity that might succeed the RSMC); and technical assistance, furniture, equipment, and materials would be provided.

41. *Sub-component 1.3: Support to ongoing revision of curriculum for Grades 5-9* (US\$.43 million equivalent, 2.6% of total project cost). This sub-component would support the revision and approval of the new curriculum for Grades 5-9, focusing on the piloting and finalization of subject standards and program content. Each subject area would be managed by a Working Group responsible for developing all materials to be used during the piloting, reviewing results, and integrating them into a final draft of the subject standards and content that would be submitted to the Kyrgyz Academy of Education (KAE) and MoES for approval.

42. *Sub-component 1.4: Assessment of learning* (US\$.29 million equivalent, 1.8% of total project cost). This sub-component would finance a sample-based survey of student learning achievements at Grade Four, and assessments of teaching-learning practices at the primary level. The MoES has undertaken two national sample-based surveys in 2007 and 2009, and the country participated in PISA in 2006 and 2009. A national learning survey is planned for 2014 (funded under a READ grant). The follow-up survey that would be financed under this sub-component would enable the MoES to continue tracking overall system performance and assessing the effectiveness of its reform program. Close attention would be paid to monitor the trends of student learning achievements by gender and use the information to devise strategies to narrow the achievement gaps of boys in reading, math and science. Further, this sub-component would finance at least two rounds of classroom observations of primary school pedagogical practices, including teaching-learning, classroom management and pedagogical support practices. The first round would be conducted at the beginning of the Project to establish a baseline and to contribute to the development of the training programs for teachers and Deputy Directors (sub-component 1.1). The second round would be carried out at mid-term around 2016 to evaluate training programs effectiveness and introduce corrections to the programs, if needed, before more teachers are trained. Both rounds of the observations would be organized in the same schools. If any school closure occurs during implementation, replacements will be found based on a matching model. The sample would include approximately 150 schools in order to get a representative sampling of primary teachers at the national level. The observations are expected to target 4th graders for both rounds. This would allow timely measurement of the changes in teacher practices in classroom in coordination with the national sample based survey of student learning. The classroom observation tools developed would be used throughout the Project to

⁹ This Committee is designed to be an independent entity responsible for textbooks selection, evaluation and approval.

ensure consistency of measurements, both by independent teams to assess project results and by Deputy Directors to track and mentor primary school teachers (following their training under sub-component 1.1).

Component Two: Improved management and accountability of school resources (US\$.89 million equivalent, 5.4% of total project cost)

43. The objective of this component is to increase efficiency in the use of education resources by improving their management and accountability. At the school level, there is a need to improve oversight and accountability through community participation in budget formation and monitoring school performance and expenditures. Further, school directors and local authorities need skills in budget formulation and financial management to smoothly adopt per-capita education financing in new districts, so that they can take full advantage of improved budgetary autonomy.

44. *Sub-component 2.1: Improved financial management* (US\$.46 million equivalent, 2.8% of total project cost). This sub-component would support the expansion of the PCF to 31 new districts and its operations nationwide by financing the design and operationalization of a monitoring system for school budgets and expenditures; training and technical assistance to key players at the local and central level, particularly the heads and accountants of *Aiyl Okmotus* (AOs), Rayon Education Department (RED) staff and school management on budget formulation, accounting and expenditures monitoring under PCF; the provision of furniture, equipment and materials needed to execute component activities; and the dissemination of relevant legal-regulatory documentation.

45. The central-level technical assistance (TA) would help the MoES and the Ministry of Finance (MoF) to estimate overall budget needs, track budgets and expenditures, as well as indicators of education efficiency (such as pupil to teacher, non-teaching to teaching, and *stavka* to teacher ratios); oversee and support the rayon-level TA; oversee the design and delivery of the training packages; work with key stakeholders to promote the smooth implementation and operation of PCF; and advise the MoES on further reforms required in education financing. Periodic technical assistance on legal-regulatory, formula design and fiscal issues would be financed under the sub-component. Technical assistance and equipment would also be provided to develop and support the operationalization of a school budget and expenditure monitoring system, focused primarily on districts where PCF remains to be scaled up, which would provide information at the school, district and national levels.

46. The rayon-level technical assistance would be provided primarily in the 31 new PCF districts to support the AO and RED, as well as the school management and community representatives, to use the processes and tools introduced during the training at key stages of the planning, budget and reporting cycles during the year. Particular emphasis would be based on school development plans, budget formation and AO budget hearings, monitoring and reporting on expenditures, and school performance reporting to promote school accountability to stakeholders, including parents and government.

47. *Sub-component 2.2: Strengthened school leadership and management* (US\$.43 million equivalent, 2.6% of total project cost). This sub-component would finance training of school

directors and accountants, including production of support materials to facilitate school management, and redesigning of the school report cards to be made publicly available.

48. School Directors would be trained in school leadership, development planning and engaging stakeholders for community participation, as well as in budget formulation and expenditure monitoring and reporting under PCF. School accountants would receive more in-depth training on accounting under PCF. Support materials would be provided to schools, including templates for development plans, budgets and school report cards, and the most recent legal documentation pertaining to PCF. The school report cards would be redesigned building on lessons learned under the Rural Education Project (IDA H1370). The improved school report cards would be adopted system wide to disclose the information to the public on school budget and results.

Component Three: Communications and implementation support (US\$ 1.42 million equivalent, 8.6% of total project cost)

49. The objective of this component is to finance communications and operating costs generated by the Project.

50. *Sub-component 3.1: Communications and outreach activities* (US\$.30 million equivalent, 1.8% of total project cost). This sub-component would finance activities to engage and inform stakeholders about the changes in the education sector, including *inter-alia* implementing curriculum reform for primary and secondary education, rolling out per capita financing and increased accountability and autonomy at the school level.

51. *Sub-component 3.2: Implementation support* (US\$ 1.12 million equivalent, 6.8% of total project cost). This sub-component would finance project operating costs, including *inter-alia* translation, interpretation, equipment, supervision costs (transportation and per diem), salaries of the staff in the Project Coordinating Unit, and incremental operating costs at the Ministry of Education and Science.

B. Project Financing

1. Lending Instrument

52. The selected lending instrument for the proposed operation is a Specific Investment Loan. Pooling funds under a SWAp was considered during project preparation but a fiduciary assessment of country systems concluded that the systems in place are not sufficiently adequate to ensure full compliance with Bank's requirements and procedures. Further, the Ministry of Education and Science lacks an education management information system (EMIS), which is a requisite for sector-wide monitoring. At the same time, project preparation was done in close coordination with other education Development Partners to promote complementarity of investments and avoid duplication of efforts. Annex 7 provides a detailed list of the different

areas that Development Partners are supporting the education sector. Further, project oversight includes a Sector-wide Steering Committee formed by representatives of Development Partners and chaired by the Minister of Education and Science, to ensure close coordination of investments.

2. Table 1. Project Financing

Component and/or Activity	Total (US\$ million equivalent)	Percentage of Project Cost
Component One: Enhanced learning	14.19	86.0%
Sub-component 1.1: Improving pedagogical practices	1.80	10.9%
Sub-component 1.2: Resources for learning	11.67	70.7%
Sub-component 1.3: Support to ongoing revision of curriculum for Grades 5-9	0.43	2.6%
Sub-component 1.4: Assessment of learning	0.29	1.8%
Component Two: Improved management and accountability of school resources	0.89	5.4%
Sub-component 2.1: Improved financial management	0.46	2.8%
Sub-component 2.2: Strengthened school leadership and management	0.43	2.6%
Component Three: Communications and implementation support	1.42	8.6%
Sub-component 3.1: Communications and outreach activities	.30	1.8%
Sub-component 3.2: Implementation support	1.12	6.8%
Total	16.50	100%

C. Lessons Learned and Reflected in the Project Design

53. **The importance of political economy in education reforms.** The political dynamics of implementing reforms cannot be disregarded, particularly in a context of political instability and civil strife. For instance, direct incentives to teachers and school personnel in the form of performance pay, school-based management programs that extend school autonomy, or the introduction of rental fees for textbooks, can all have conflicting levels of support and resistance from government, education bureaucracies, teachers' unions, parents and political groups. Building accountability involves providing voice and creating opportunities for participation of all stakeholders, establishing sustainable and credible assessment tools and information systems, providing key actors with the training and support that they need to operate successfully in a decentralized environment, and creating a framework of incentives for high-performance and support towards improvement for low-performance. Education projects must be designed carefully considering and mitigating political economy risks. As such, the proposed Project focuses its support on very specific non-controversial activities that are likely to be supported by different government representatives and stakeholders alike. Further, it finances several communication activities to inform and engage different stakeholders.

54. **The advantages and challenges of adopting a Sector Wide Approach (SWAp) under Bank-financed Projects.** Coordination between governments and development partners, including pooling funds under a single government account, ensures that resources are invested consistently with government priorities, facilitates complementarity of investment, and avoids

duplication of efforts. Further, it facilitates governments' coordination efforts. At the same time, the adoption of a SWAp approach requires the existence of satisfactory country fiduciary systems and reliable monitoring mechanisms. Additionally, once funds are co-mingled under a Bank-financed project, Bank's policies and procedures apply, as well as the Bank's oversight responsibility, thus creating additional implementation risks. Therefore, while the SWAp approach generally provides advantages to governments, it also increases supervision costs and risks for the Bank. As such, SWAp are more appropriate in countries' that have strong implementation capacity and sound fiduciary and monitoring systems. In countries that do not meet such criteria yet, it is more appropriate for the Bank to ensure strong coordination with development partners but refrain from adopting a SWAp. As such, the proposed Project would not adopt a SWAp approach but rather commit to close coordination with other Development Partners.

55. The role of student assessment systems in measuring education investments. National and international student assessments are cornerstones of monitoring the performance of an education system. Good assessments provide feedback to the individual and family on students' progress in terms of their learning, as well as comparisons with peers. They also provide diagnostic feedback to schools and help educators focus their efforts. Finally, at the policy level, they enable governments to measure how successful their education system is performing and whether the standards and goals set at the national level are being met, thus providing an important input for policy making. At the same time, student assessments have shown not to be a good measurement of the impact of World Bank financed projects in the education sector. Bank financed projects tend to have implementation periods of six years or less, investments tend to be focused and normally represent only a small share of total education investments, and all the inputs come together only when the project is about to close. Further, in many countries, assessment systems are very new and still being fine-tuned. As a result, attribution issues are always a concern and, sometimes, comparability problems come up when systems are still being improved. For that reason, during project preparation it was decided that while the proposed Project seeks to impact student learning and would support a second round of student assessments, the results of these assessments would not be used as an outcome indicator.

56. The trade-off of comprehensive vs. selective investments. Education reform is by definition a comprehensive effort that covers a wide range of areas, involving different government institutions, and different levels of government. Designing any education project that seeks to impact an education system thus requires a comprehensive approach. At the same time, because very comprehensive projects require extensive resources and strong implementation capacity, they are not generally successful in contexts of limited institutional capacity and scarce resources. Therefore, the proposed Project was designed in a way that is fully consistent with the Government's *Education Development Strategy 2010-2020*, but is selective in the activities it supports. By proposing a relatively simple project design focused at the school level, with activities that seek to improve the delivery and quality of education without generating additional recurrent expenditures, the preparation team seeks to facilitate implementation and minimize the risk of failure.

57. Design of accountability reforms. Although a variety of accountability reform strategies have been adopted in OECD, middle-income, and low-income countries over the past two decades, three strategies appear to have been used widely and show a clear rationale for how

reforms might translate into improved learning outcomes: (i) information for accountability; (ii) school-based management; and (iii) teacher policies that link pay to performance. The proposed Project would directly support interventions in two of the three areas – information for accountability and school-based management.

IV. Implementation

A. Institutional and Implementation Arrangements

58. The Project would be implemented by the Ministry of Education and Science (MoES) with the support of a small Project Coordination Unit (PCU) with fiduciary and monitoring responsibilities, and selective time-bound technical assistance to support the institutions involved in project implementation. Such institutions include: the Ministry of Education and Science (MoES), the Kyrgyz Academy of Education (KAE), Oblast In-service Teacher Training Institutes and Methodological Centers (OTTI/OMC), Local Self Governance Bodies (*Ayil Okmoty* - AO), and schools.

59. The Deputy Minister of Education and Science responsible for the Preschool, Secondary School and Out of School Education Department would be the National Coordinator for the Project. With support from the Permanent Secretary of Education, responsible for administrative issues, s/he would oversee, coordinate, and facilitate project implementation, reporting regularly to the Minister.

60. MoES departments directly involved in project implementation include: the Pre-School, Secondary School, and Out-of-School Education Department (PSSOED); the Budget, Policy and Financial Analysis Department (BPFAD); the Office of the Press Secretary; and the Monitoring and Strategic Planning Department (MSPD). Department heads would provide day-to-day coordination and support to staff involved in the implementation of activities and liaise with the PCU Director; at the same time, they would continue reporting directly to the Deputy Minister. In the aspects pertaining to the legal-regulatory framework and budget operation, they would also report to the Permanent Secretary of MoES.

61. The KAE is a subordinated structure of the MoES with responsibilities for curriculum development, and recognizing and delivering in-service training. The KAE also approves in-service courses that are provided by the OTTI/OMCs. They would be involved in the teacher training activities financed under the Project.

62. The Project Coordination Unit would work in tight collaboration with MoES Departments to support them. The PCU would include eight staff: (i) a PCU director; (ii) two financial management/disbursement specialists; (iii) two procurement specialists; (iv) one administrative assistant; (v) one interpreter; and (vi) one driver. The PCU Director would be empowered by a decree of the Minister to oversee, coordinate and request reporting on the activities executed by the departments of the MoES and the KAE, and to work on a close and regular basis with the external experts working for the departments, the Heads of the Departments, and the Deputy Minister as well as the Permanent Secretary. The PCU Director would report regularly to the Deputy Minister; PCU staff would report directly to its Director. All project related fiduciary activities would be carried out either directly by the PCU or with its

support and oversight. Technical assistance provided to support departments directly involved in project implementation would report to the Head of the corresponding department in which they are placed, and work in close collaboration with the Director of the Project Coordination Unit.

63. In order to ensure adequate sector coordination, a Sector-wide Steering Committee (SSC) would be established to provide strategic guidance and oversight of Kyrgyz's broader education program, including the proposed Project as well as other foreign-financed investments in the sector. The Committee would consist of representatives of Development Partners and be co-chaired by the Minister of Education and Science.

B. Results Monitoring and Evaluation

64. The Project's proposed monitoring and evaluation is project-focused and consists of four main areas: (i) collection and analysis of data on project-financed inputs, outputs, and outcome indicators; (ii) carrying out of an impact evaluation study on the effectiveness of teacher training; (iii) supporting one round of student assessment; and (iv) carrying out regular Bank-led implementation progress reviews, including a mid-term review around 2015. Specifically:

- (i) **Bi-annual supervision reports.** The MoES through its PCU and relevant departmental groups would collect information on project inputs, outputs, and outcome indicators (i.e. Project Results Framework) and produce bi-annual reports for submission to the Bank. Such reports would also include information on the Project's financial implementation and would be produced in the format included in the Project Operations Manual approved by the Bank. While some of the data would be drawn from existing data sources, project monitoring would also require additional data. It should be noted that the Project would support technical assistance to MoES's monitoring and evaluation team so as to strengthen its capacity for data collection and analysis.
- (ii) **Evaluation of teachers' use of classroom time.** The Project would finance carrying out an evaluation on the impact of teachers' training in terms of classroom teaching methodology and management. At least two surveys using the Stalling Methodology or similar on the use of classroom time would be carried out during implementation. The first survey, to be applied to approximately 150 schools in the first year of project implementation and before the teacher training starts, would have two objectives. First, it would serve as the baseline to measure the use of classroom time and the impact of teacher training. Second, it would be used as a training opportunity for Deputy Directors, who are currently responsible for doing classroom observations and providing feedback to teachers. Deputy Directors would be trained on the methodology for carrying out a more standardized classroom observation so as to be better positioned to provide feedback. A second survey would be carried out after a representative group of teachers has undergone the training so as to provide MoES feedback on the effectiveness of the training and, if needed, the opportunity to adjust it before training more teachers.
- (iii) **Student assessment.** The Project would finance a second round of Grade Four assessments in Mother Tongue language and mathematics to provide information on student learning achievements. This assessment would be done as a follow-up to the

2012 National Sample Based Assessments (NSBA) baseline financed under the READ Grant. It should be noted, however, that a decision was made during project preparation not to use the results of this assessment as a project outcome indicator due to potential attribution concerns and issues of comparability, should the assessment undergo adjustments. Nonetheless, it would still be monitored under the Project.

- (iv) **Implementation support visits.** The Bank would carry out at least two implementation support visits per year. These visits would, among other things, gauge progress against the Project's Annual Implementation Plan, inputs, outputs, and intermediate outcome indicators, and also meet with the Sector-wide Steering Committee to ensure continuous sectoral coordination. Further, these visits would assess issues arising from the implementation process and agree on the next steps to address them. A mid-term review would be conducted half-way through implementation to assess progress and identify any need for mid-course adjustment. An implementation completion review would be carried out by the end of the implementation period to allow the gathering of information on the implementation process to base the preparation of the *Implementation Completion Report* (ICR).

C. Sustainability

65. The sustainability of the proposed Project is embedded first and foremost in Kyrgyz's own *Education Strategy* and its *Action Plan 2012-14*. The Project is designed to support a selective set of interventions derived from the *Action Plan 2012-14* so as to ensure its political sustainability. Additionally, efforts to solicit and build broader support for the *Education Strategy* have been carried out during project preparation through stakeholder consultations and public hearings and would be continued during project implementation to sustain public support. This greater public awareness and support could offset political volatility and/or turnover of elected officials.

66. Financial sustainability of the interventions is a risk that is not unique to the proposed Project, but a commonality among countries with tight fiscal situations, particularly those eligible for IDA financing. As such, the proposed Project was designed considering such risks and attempting to minimize them. The classroom inputs (i.e. textbooks and materials) financed under the Project corresponds to the largest share of financing and, as such, are at greater risk of financial sustainability. Thus, the Bank is conditioning some of this financing upon the Government's development and adoption of a policy that would make textbook replacement sustainable.

67. Finally, the proposed Project also supports interventions to make resource allocation more equal, transparent and efficient. The decentralization of resources to schools through the PCF, the training of local level staff on budget development and implementation, the development of mechanisms to monitor budget implementation, and the involvement of local communities in school management, would hopefully all lead to more efficient allocation of sector resources, thus making education investments more likely to be sustainable. In the

medium to longer term, an increase in the quality of education should contribute to economic growth thus promoting long-term sustainability of the sector.

V. Key Risks

68. The Project's overall implementation risk is considered *substantial* as detailed in the Operational Risk Assessment Framework (Annex 4).

69. At the country level, the international economic crisis remains a looming threat to its macroeconomic situation, further aggravated by a context of weak implementation capacity within the Government. Further, the political environment is complex and could delay the Project's approval by Parliament. Finally, the public sector is still affected by governance issues

70. At the sector level the key risks involve overall financing shortage, lack of institutional capacity, inexistence of a reliable education management information system (EMIS) upon which to make decisions, fragmentation of implementation responsibilities among the different levels of the system, and overall governance problems. Budget problems raise serious concerns about the sustainability of other sector investments. Additionally, the current MoES structure is unusually "lean" and not able to carry out all required functions. Further, despite efforts from multiple Development Partners to support the design and implementation of an EMIS, one is still not in place, making decision-making a challenge. Finally, the sector is also affected by lack of transparency and accountability, exacerbated by the current division of responsibilities and reporting lines among the different levels of government down to the school unit. The Project attempts to minimize the risks through key interventions to increase efficiency and transparency in the distribution of resources by supporting the roll-out of the PCF, by creating pressures to increase the sustainability of interventions, and by avoiding creating additional budget pressures in the system.

71. At the Project level the implementation risk is considered low due to a simple design focused on few interventions that create little additional budget pressure deriving from added recurrent costs. Inevitably, overall country and sector weaknesses, particularly budget constraints and institutional shortcomings, could negatively impact project implementation. Further, the lack of fiduciary accountability, inadequate experience in procurement following Bank Procurement Guidelines, lack of procurement capacity, and weak complaint handling mechanism, are areas of concern that would require close monitoring and direct support. As such, MoES would be supported by a small Project Coordination Unit in charge of fiduciary areas and project monitoring. Additional technical assistance would be hired on a need-basis to support the MoES's departments in charge of implementation. Further, while the Project would finance the development of the needed textbooks, the printing and distribution would be initially limited to those for which a primary manuscript has already been produced, while the printing and distribution of secondary-level textbooks (predominantly 5th and 6th grades) would not be financed until the Bank is satisfied that the Government has adopted a sustainable financing mechanism to ensure timely replacement of textbooks for all grades of general basic education; this would be done through a disbursement condition.

VI. Appraisal Summary

A. Economic and Financial Analysis

72. The economic and financial analyses of the Project reviewed the education expenditures and estimated the cost and benefits of the interventions that the Project supports. According to these analyses, the benefits of each intervention outweigh their cost.

73. **The returns to education.** Improving education attendance and quality remains a key to poverty alleviation and growth of living standards in the Kyrgyz Republic. Although Kyrgyz's poverty rate declined significantly since 2001 – absolute poverty fell from 56 percent to 31.7 percent between 2001 and 2009 – the relation between poverty and education remains strong. In 2009, the probability of being poor was 31 percent higher in households whose head had no education compared to those where the head had some higher education¹⁰. Moreover, the returns of education have remained remarkably stable from 2001, at seven percent for each additional year of school when one does not take into account gender.

74. **Benefits and costs of project supported interventions.** The estimation of benefits is based on a two-step process. First, one estimates the impact of the interventions on education quality from an analysis of the determinants of PISA scores. Second one uses Hanushek and Woessman (2009)¹¹ estimates of the impact of an increase in PISA scores on economic growth to link quality of education and economic returns.

- (i) **Teachers.** Among the 65 countries participating in PISA, the Kyrgyz pupils were one of the least aware of the effective strategies for learning. This suggests that Kyrgyz teachers are not teaching their pupils effectively. Therefore, both teacher recruitment and training appear to be key factors limiting the quality of education in Kyrgyzstan. Interventions targeted at improving teacher practices should bring net positive returns as the cost of retraining and/or targeted recruitment are both well below the economic returns of improved teaching practices. Improving teacher practices by one standard deviation (measured among OECD countries) is likely to increase the economic growth rate by two percent in the long run.
- (ii) **Learning materials.** As suggested by PISA data, the quality of teaching resources is positively associated with pupils' performance. Given the size of the impact and the large economic returns of education quality, investments in good quality textbooks and teaching materials should bring net benefits. An increase of the quality of learning material by one national standard deviation is associated with an additional 0.2 percent of per capita GDP yearly growth.
- (iii) **Curriculum reform.** The reorganization of curricula appears as an important area to improve school quality. According to PISA data, there is some room to improve the adequacy of the curricula of basic education. Therefore, the refocused curriculum

¹⁰ The HBS 2009 data were used to compute those figures.

¹¹ According to Hanushek and Woessman (2009) study, an increase of 50 points in PISA scores leads to a one percent increase in the yearly per capita GDP growth rate in the long-run.

that will be rolled out for Grades 1-4 is likely to have beneficial impact on learning outcomes.

75. **Per Capita Financing.** The Per Capita Financing model implemented so far in three oblasts has proven to be effective at both (i) reducing the disparities in resources allocation across schools, and (ii) increasing the efficiency of spending. The implementation of the PCF model is likely to bring substantial fiscal savings in the general education sector while improving equity.

76. **Accountability and autonomy.** Given the very high degree of autonomy of schools and the current disparities in resources and performance, enhancing the standardized assessment system (NSBA), ensuring regular data collection, and releasing to the public comparable information about school resources and performance are necessary steps to support stronger accountability.

B. Technical

77. The proposed Project is designed to support the implementation of key reform priorities in the education sector outlined in the Government's medium term *Action Plan 2012-14*. These priorities are: (a) improving learning in basic education; and (b) improving management and accountability of school resources.

78. Project design was informed by a body of evidence that came from three sources: (a) sector work jointly undertaken by the World Bank and OECD (Lessons from PISA published in 2010); (b) evaluated pilots and results of the implementation of the first generation of the IDA financed education projects in Central Asia; and (c) the findings of the *System Assessment and Benchmarking for Education Results* (SABER) in the policy domains of School Accountability, Teacher Policy, Student Assessment, and Early Childhood Development undertaken in the Kyrgyz Republic. The proposed Project also builds on the key lessons from the reforms piloted under the Rural Education Project (IDA-H1370) as well as other donor-financed projects. Using this extensive body of evidence while recognizing that many of the underlying problems in the education sector are rooted outside of the school environment, a deliberate decision was made to single out the school-based interventions that could have the most direct and immediate impact on the quality of learning and to support them. It is hoped that project focus and selectivity would minimize implementation complexities while maximizing the Project's chances of success.

79. The design of the proposed Project was also closely coordinated with the on-going and planned assistance in education by other donors under a program of coordinated support that covers the entire education system, as detailed in Annex 7.

C. Financial Management

80. The PCU would be responsible for the financial management (FM) arrangements of the proposed Project. The financial management (FM) arrangements at the existing PIU (which will be restructured into a PCU under the proposed Project), including accounting, reporting, budgeting and staffing, are assessed to be overall adequate and acceptable to the Bank.

81. The PCU will customize the accounting software currently used for ongoing project implementation to support the proposed Project's accounting and reporting. The system shall have functionality of automatic generation of reports for the GoK, as well as SOEs and IFRs required for reporting to the World Bank. The system shall have adequate security safeguards for reliable reporting and data integrity.

82. Disbursements from the IDA Account will follow the transaction-based method, i.e., traditional Bank procedures, including advances to the designated account, direct payments, Special Commitments and reimbursement (with full documentation and against Statements of Expenditures - SOEs). For payments above the minimum application size, as specified in the Disbursement Letter, the PCU may submit withdrawal applications to the Bank for payments to suppliers and consultants directly from the IDA Account.

83. The adequacy of FM arrangements would be continuously monitored during project supervision and adjustments made, when necessary, to ensure fiduciary compliance. Subsequently, an Action Plan has been agreed on with the PIU to ensure that adequate FM systems are in place before implementation begins. In addition, a FM Specialist would review the annual audit report and the quarterly Interim Financial Reports, including a monthly reconciliation of accounts, and perform at least one complete implementation support mission per nine-month period, which could be complemented by other supervisions as necessary. More details on FM arrangements are provided in Annex 3.

D. Procurement

84. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 (Consultant Guidelines) and the provisions stipulated in the Financing Agreement.

85. As part of project preparation, an *Assessment of the Education Sector Fiduciary Capacity* was carried out to update the earlier one dated September 2008. A *Country Procurement Status Update* was also carried out in February 2012. These reviews found a number of setbacks in terms of the procurement policy and institutional weaknesses, as summarized below.

- The Public Procurement Law (PPL) adopted in May 2007 and the State Agency for Public Procurement and Material Reserves were abolished and the National Procurement Training Center was privatized. The PPL as amended in July 2011 and April 2012 lacks clarity in certain provisions and is incomplete. At the same time, there are no supporting legislation and regulations to implement the PPL; the complaint review mechanism is not yet functioning. There appears to be a lack of a coherent strategy and institutional capacity at the sector level.
- The Ministry of Education and Science does not have a procurement department and/or function, and the staff for procurement is limited to one person. Based on the assessment carried out by the Bank and considering the current capacity and staffing constraints in

MoES, the required procurement capacity for project implementation would not be adequately in place without any assistance and/or additional staffing or consultants.

- One procurement specialist is already available under the on-going Bank-financed Grant (FTI2). This procurement specialist has received procurement training and gained practical experience through the Rural Education Project (IDA-H1370) and the Fast Track Initiative (FTI) projects. The existing procurement capacity in the PIU is considered to be adequate, assuming that the procurement specialist financed out of FTI2 project would continue working under the new IDA operation. Once the proposed Project becomes effective, a second procurement specialist (or assistant) should be hired. The procurement arrangement under the new IDA operation would build on the capacity in place with the possibility of additional staffing to strengthen as the implementation progresses.

86. To mitigate the risks identified, the following steps were undertaken by negotiations: (a) one procurement specialist was added to the PCU procurement function and eventually this staff would be part of a public procurement unit of MoES; (b) a procurement section was included in the POM (including independent complaint handling mechanism and contract management) by MoES; and (c) a procurement capacity building plan was developed.

87. *Procurement Plan:* A procurement plan for the Project has been finalized. The procurement plan would be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. It would also be posted on the Public Procurement Agency (PPA) website, MoES website and on the Bank's external website.

E. Social

Gender equality

88. Achieving gender equality is one of the Millennium Development Goals (MDG) committed by the Kyrgyz Republic under the National Plan of Action for Education for All. Significant progress has been made in the access to basic education as well as in learning outcomes. Gender parity between girls and boys has been achieved at the system level as shown by the gender parity index of 2010. This achievement is due to the endowment from the Soviet legacy as well as the household commitment to girl's education. At the same time, the aggregate data at the system level conceals a slow sliding trend in girls' enrollment over the period of 2006 and 2011 of rural regions in primary enrollment. The current statistical difference is below a threshold of 0.05 point bias which is considered statistically insignificant but the trend needs to be monitored closely. Beyond access, the PISA 2009 result showed girls outperforming boys in terms of education achievement: girls scored 53 points higher than boys in reading, 22 points higher in science, and 5 points higher in math. The achievement gaps of boys could impact negatively on their access to tertiary education if left unattended. The Project would adopt a three-pronged strategy on these gender issues. First, the Project would continue to monitor and report on the gender parity index as a core monitoring indicator to provide information and evidence for any future targeted intervention. Second, the Project would also monitor the achievement gaps of basic education students disaggregated by gender under the national

assessments (NSBA). Third, the Project would ensure gender neutrality in the illustrations and pictures in the textbooks and learning materials developed under the Project to safeguard these materials from any gender bias.

Post-conflict & Fragility

89. The World Bank *Interim Strategy Note* for FY12-FY13 for the Kyrgyz Republic recognizes the need to both manage risks and seize opportunities related to the transitional political and post-conflict recovery environment of the country. Accordingly, it commits the application of a “Conflict Filter” across the existing World Bank portfolio and in new projects, with a view to taking “explicit account of conflict-related stress factors in portfolio management and new project design.” The “Conflict Filter” matrix developed for the Kyrgyz Republic portfolio would be applied during supervision to ensure ongoing attention to social and conflict risks within the project during implementation.

90. Project design and implementation is sensitive to the persisting stressors confronting the Kyrgyz Republic in the aftermath of political transition and crisis. This is in line with the portfolio-wide Conflict Filter prescribed for all World Bank financed projects by the *Interim Strategy Note*. The implementation principles described herein would be further elaborated in the Project’s Operational Manual.

91. *Curriculum/Textbooks (sub-components 1.2, 1.3)*: The Project places a high priority on updating and enhancing inadequate educational materials (textbooks and other written/graphical curricular resources for use by students) as well as updating the curriculum for Grades 5-9. The content and perspective of the curriculum and/or textbooks in certain subjects (particularly in the humanities and social sciences) could carry social and political economy risks. The Bank’s team would monitor these risks and work closely with government counterparts to ensure that texts are inclusive in their description of Kyrgyzstan’s diverse social groups, while emphasizing key themes of national solidarity.

92. Project design is also sensitive to the issues of language; at present, there are notable disparities in access to texts on the basis of instructional language. The Project would ensure it does not contribute to such disparities by making certain that the production of new texts is demographically balanced and reflects existing government policies on languages of instruction. The Operational Manual would provide guidelines to ensure that substantive revisions of the curriculum and the production of new textbooks that touch on topics of social/ethnic identity or national/cultural heritage should avoid views that could contribute to social tensions.

93. *Inclusion/Equity*: The distribution of project benefits across geographic areas within Kyrgyzstan is a particularly sensitive issue following the 2010 events. Ensuring that project benefits accrue equitably across communities and individuals is a critical issue to dampen perceptions of regional exclusion and social discrimination. Accordingly, the Project would adopt an implementation and supervision strategy which ensures that the Government’s *Action Plan* is delivered equitably to benefitting areas across Kyrgyzstan. The MoES would be required to ensure an inclusive and geographically equitable rollout of project activities so that specific areas within the country do not disproportionately benefit from it. Further, MoES would be

required to ensure that the overall profile of individual participants (teachers, directors, other schools officials, board members etc.) is inclusive and reflects the socio-demographic diversity of the participating Rayons/AOs. Supervision would ensure that the overall profile of benefitting areas and individuals benefitting from the Project accurately reflect needs, equity, and covers the country in a fair manner over the course of implementation. In sum, clear, easily communicated procedures to ensure equitable rollout of the *Action Plan* would be detailed in the Operational Manual to avoid any misperception of inequitably benefitting specific regions or social groups during implementation.

94. *Participation/Consultation:* Given the diverse range of stakeholders involved, it is imperative to have an inclusive, participatory process to ensure that views of all key groups are solicited and considered during project implementation. Accordingly, through comprehensive consultations, including general meetings in participating communities and focus group discussions with demographically disaggregated sub-groups, the Project would actively solicit views from all key stakeholder groups and assimilate input into ongoing implementation considerations. The mechanisms and procedures for participation and consultation will be specified in the Operational Manual.

95. *Communications/Outreach:* Inadequate communications on foreign-financed projects has been a prominent theme voiced across Kyrgyzstan's communities since the 2010 events. Local communities are often unaware of the objectives, design and implementation procedures of major projects. Consequently, there is an abundance of misinformation that can often undermine a project's effectiveness. Reflecting the importance of inclusive engagement and communication with beneficiary communities, a specific communications strategy would be designed during implementation to enhance communication between MoES, local authorities, and beneficiaries. An outline of such strategy has been developed during project preparation and its costs included into the Project. This communication would be done through MoES structures which already disseminate information to local residents, as well as in collaboration with civil society partners. Such a system would serve to actively tackle questions, requests for information or complaints. As required, the Project would make use of local and national media and other key communications channels.

F. Environment

96. The project provides primarily technical assistance with goods and services, and does not, therefore, trigger any environmental safeguards or concerns.

Annex 1: Results Framework and Monitoring

Country: Kyrgyz Republic

Project Name: Sector Support for Education Reform Project (P113350)

Results Framework

Project Development Objectives

PDO Statement

The Project Development Objective is to create conditions for improved learning outcomes in basic education.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Percentage of training-certified primary grade teachers who follow the revised curriculum and apply improved teaching-learning practices in Mother-tongue Language and Mathematics.	<input type="checkbox"/>	Percentage	0.00			40.00		50.00	At least twice during implementation period.	Classroom observation surveys	MoES/PCU
Percentage of students in Grades 3-4 using a	<input type="checkbox"/>	Percentage	0.00			40.00		85.00	Once	School Survey	MoES/PCU

revised textbook for Mother-Tongue Language, Mathematics and Motherland Studies.											
Percentage of schools where Per Capita Financing (PCF) is introduced starting in year 2012 or later that post the annual school budget and expenditures report.	<input type="checkbox"/>	Percentage	0.00	10.00	40.00	50.00	75.00	Annual	Project Supervision Reports	MoES/PCU	

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	0.00	140.00	209350.00	418700.00	422980.00	423400.00	Annual	Project Supervision Reports. Beneficiaries are defined as the total number of primary teachers and principals/vic e-principals trained under the Project:	MoES/PCU

										and the total number of Grades 1 to 4 students.	
Female beneficiaries	<input checked="" type="checkbox"/>	Percentage	0.00	50.00	50.00	50.00	50.00	50.00	Annual	Project Supervision Reports	MoES/PCU
Number of additional qualified primary teachers resulting from project interventions.	<input checked="" type="checkbox"/>	Number	0.00		2800.00	5600.00		9000.00	Annual	Project Supervision Reports. This indicator measures the number of teachers who receive trained and pass the exams, receiving certification. The target is that 90% of teachers will be certified under the Project.	MoES/PCU
System for learning assessment at the primary level	<input checked="" type="checkbox"/>	Yes/No	Yes					Yes	At least once during project implementation.	TTL	TTL
Utility of the learning assessment system	<input checked="" type="checkbox"/>	Number	4.00					4.00			

Gender Parity Index for Primary Gross Enrollment Ratio.	<input type="checkbox"/>	Text	1					1	Every two years	EdStats	TTL
Percentage of primary schools that received a package of essential teaching-learning materials.	<input type="checkbox"/>	Percentage	0.00		50.00		50.00	100.00	Annual	Project Supervision Reports	MoES/PCU
Percentage of school directors and AO Heads and accountants who are certified as having successfully completed the course financed under the Project.	<input type="checkbox"/>	Percentage	0.00	10.00	25.00	50.00	70.00	90.00	Annual	Project Supervision Reports	MoES/PCU
Percentage of schools where Per Capita Financing (PCF) was introduced starting in 2012/13 or later that annually produce a School Report Card.	<input type="checkbox"/>	Percentage	0.00			50.00		80.00	At least twice during implementation period.	Project Supervision Reports and School Survey	MoES/PCU
Percentage of schools that received revised textbooks in Mother-tongue, Mathematics and	<input type="checkbox"/>	Percentage	0.00		100.00			100.00	Annual	Project Supervision Reports	MoES/PCU

Motherland Studies for Grade 3.											
Percentage of schools that received revised textbooks in Mother-tongue, Mathematics and Motherland Studies for Grade 4.	<input type="checkbox"/>	Percentage	0.00			100.00		100.00	Annual	Project Supervision Reports	MoES/PCU
Total number of 5th and 6th Grade textbook manuscripts approved by MoES.	<input type="checkbox"/>	Number	0.00		7.00	9.00	18.00	34.00	Annual	Project Supervision Reports	MoES/PCU
Percentage of schools that received revised textbooks for Mathematics, Mother-tongue, and Natural Sciences for Grade 5.	<input type="checkbox"/>	Percentage	0.00				100.00	100.00	Annual	Project Supervision Reports	MoES/PCU
Percentage of schools that received revised textbooks for Mathematics, Mother-tongue, and Natural Sciences for Grade 6.	<input type="checkbox"/>	Percentage	0.00					100.00	Annual	Project Supervision Reports	MoES/PCU

Annex 1: Results Framework and Monitoring

Country: Kyrgyz Republic

Project Name: Sector Support for Education Reform Project (P113350)

Results Framework

Project Development Objective Indicators	
Indicator Name	Description (indicator definition etc.)
Percentage of training-certified primary grade teachers who follow the revised curriculum and apply improved teaching-learning practices in Mother-tongue Language and Mathematics.	This indicator measures the percentage of teachers in Grades 1-4 who undergo revised curriculum training and are found to be applying more interactive methodology in the classroom. This will be measured through classroom observations (Stallings method or similar type observations).
Percentage of students in Grades 3-4 using a revised textbook for Mother-Tongue Language, Mathematics and Motherland Studies.	This indicator measures the percentage of Grade 3 and 4 students who are using revised textbooks developed under the Project.
Percentage of schools where Per Capita Financing (PCF) is introduced starting in year 2012 or later that post the annual school budget and expenditures report.	This indicator measures the percentage of the schools where PCF is introduced starting in 2012 or later that publicly disclose information about their expenditures and other general indicators.
Intermediate Results Indicators	
Indicator Name	Description (indicator definition etc.)
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.
Number of additional qualified primary teachers resulting from project interventions.	This indicator measures the number of additional qualified primary teachers through the Bank-funded program. In most cases, it is expected that the baseline value for this indicator will be zero ('0'). The baseline might not be zero, for example, for an additional financing IL operation. This indicator will be used to calculate the "decline in shortfall of qualified teachers at the primary level". TTIs should report on the progress of this indicator only if it is relevant to the project, that is, if the

	project aims to reduce the shortfall of qualified teachers at the primary level. If the project includes a primary training component that is not targeted to reduce the number of unqualified teachers, they should not fill out this information. Please visit the EdStats database to view the shortfall of qualified primary teachers by country.
System for learning assessment at the primary level	TTLs should provide information on this indicator even if their project is not funding assessment work. This indicator measures whether the basic elements of a learning assessment system exist at the primary level, and the degree to which that assessment is able to provide useful information for education policy and practice. To calculate the Core Indicator Value and the Supplemental Value for this indicator, please refer to the Guidance.
Utility of the learning assessment system	Please read the guidance note for this indicator to determine the utility of the assessment system.
Gender Parity Index for Primary Gross Enrollment Ratio.	While not related to project-financed interventions, this indicator will monitor gender parity per institutional recommendations.
Percentage of primary schools that received a package of essential teaching-learning materials.	This indicator measures the percentage of primary schools receiving a package of teaching/learning materials.
Percentage of school directors and AO Heads and accountants who are certified as having successfully completed the course financed under the Project.	This indicator measures the percentage of all school directors and AO Heads and accountants receiving course certification.
Percentage of schools where Per Capita Financing (PCF) was introduced starting in 2012/13 or later that annually produce a School Report Card.	This indicator measures the percentage of schools where PCF is being introduced in 2012 onwards. Schools where PCF was introduced prior to the Project are not to be counted toward the achievement of this indicator.
Percentage of schools that received revised textbooks in Mother-tongue, Mathematics and Motherland Studies for Grade 3.	This indicator measures percentage of primary schools that received textbooks in Grade 3 that have been revised to be in line with the new primary curriculum, in all of the following subjects: Mother-tongue, Mathematics, and Motherland Studies.
Percentage of schools that received revised textbooks in Mother-tongue, Mathematics and Motherland Studies for Grade 4.	This indicator measures the percentage of primary schools that received textbooks in Grade 4 that have been revised to be in line with the new primary curriculum, in all of the following subjects: Mother-tongue, Mathematics, and Motherland Studies.
Total number of 5th and 6th Grade textbook manuscripts approved by MoES.	This indicator measures how many subject area textbooks are developed and approved by MoES with project support. The data is cumulative.
Percentage of schools that received revised textbooks for Mathematics, Mother-tongue, and Natural Sciences for Grade 5.	This indicator measures the percentage of schools that receive Grade 5 textbooks in Mathematics, Mother-tongue and Natural Science based on revised manuscripts approved by MoES with project support.
Percentage of schools that received revised textbooks for Mathematics, Mother-tongue, and Natural Sciences for Grade 6.	This indicator measures the percentage of schools that receive Grade 6 textbooks in Mathematics, Mother-tongue and Natural Science based on revised manuscripts approved by MoES with project support.

Annex 2: Detailed Project Description

Kyrgyz Republic: Sector Support for Education Reform Project (P113350)

1. The school is at the core of the proposed Project. It has two complementary components, in addition to an implementation support component. The **first component** focuses on enhancing classroom learning, while the **second component** focuses on improving the management of school resources and accountability to stakeholders, as described below. The **third component** finances communication and outreach activities, as well as operating costs generated by the Project.

Component One: Enhanced learning (US\$ 14.19 equivalent; 86% of total project cost)

2. Improving pedagogical practices and teaching-learning materials availability in the classroom, through the provision of training, educational materials, goods, and technical assistance. The main challenges addressed under this component have to do with shortcomings in teaching-learning practices and materials. The centerpiece of the MoES's medium-term action plan is the introduction of the revised primary curriculum, which is more oriented to competency-based learning. The MoES has also prioritized completing the revision of the subject standards and content for Grades 5-9, to address major issues of curriculum imbalance and overload, and to introduce competencies. As such, this component would finance interventions to support the introduction of the new curriculum in primary grades and the revision of the lower secondary curriculum.

3. Further, there is an acute shortage of textbooks and other essential teaching-learning materials. With respect to textbooks, Republican budgets for textbooks financing since the abolition of the Textbooks Rental Scheme in 2006 have been less than half of the amount required to renew the textbooks stock. Consequently significant shortages have accumulated, such that the MoES estimates that current textbook availability meets only 60 percent of needs. The most pressing availability needs pertain to revised curriculum-aligned textbooks, while there is also a general need to reinforce institutional arrangements to ensure quality. The Republican Scientific and Methodological Council (RSMC) is responsible for textbook planning, ensuring competitive bidding for authoring and publishing, fostering author-publisher relationships, and assuring quality; however its procedures are not always followed, capacities of the RSMC and the MoES are quite limited, and there is a critical shortage of staff responsible for overseeing textbooks commissioning and production.

4. Putting together more competency-oriented pedagogical practices and materials in the classroom would provide students with enhanced opportunities to receive a better quality education. To monitor that the reforms are yielding a higher-performance education system, the MoES is creating a culture and capacity for accountability through learning assessments. It has in recent years participated in international learning assessment exercises and conducted the National School-Based Assessments (NSBA). These point to improvements in system effectiveness, and there is a need to continue monitoring learning achievements.

Sub-component 1.1: Improving pedagogical practices.

5. Primary education teachers and pedagogical staff need to acquire the knowledge and skills needed to deliver the new curriculum. At the same time, the Kyrgyz Academy of Education (KAE) and its affiliated in-service training institutes currently do not have the content or capacity to provide training on those skills. Therefore, under this sub-component an in-service training program for primary school teachers would be designed to improve teaching-learning practices in support of the newly revised curriculum, and delivered to approximately 10,000 primary school teachers. The program would cover the curriculum's new competency-based approach, the new distribution of subjects and hours, subject learning standards and content, lesson planning and objectives setting; interactive teaching-learning methods, and assessment. The course would focus on enabling teachers to develop their students' core competencies in literacy and numeracy, two foundation learning areas in which Kyrgyz children are relatively weak. It would also integrate material on how to make good use of the newly available educational-methodological complexes, particularly the textbook and teacher's handbook. As part of the course, syllabus guides would be supplied to teachers, providing classroom-tested guidance on teaching the curriculum, including subject-grade learning standards, indicators of learning mastery, and possible teaching-learning activities and materials.

6. The teacher training program would be complemented by a training program for pedagogical staff designed to enhance their capacities to support primary level teachers to teach the new curriculum. It would be delivered mainly to approximately 1,400 Deputy Directors¹², but would also include approximately 100 district-level methodologists and inspectors so as to ensure their support. School Deputy Directors are responsible for providing pedagogical support to primary-level teachers, as part of their regular duties. The program would cover the new primary subject standards and programs, and tools and techniques for observing teaching-learning practices and classroom management, identifying weaknesses, and providing supportive feedback. Both training programs would be designed in consultation with the KAE, with a view to promoting their formal integration into the training programs of the KAE and its affiliated in-service training institutes, so as to promote institutional sustainability. The Project would also finance furniture, equipment and materials to enable the KAE and OTTI/RMCs to deliver the training.

Sub-component 1.2: Resources for learning

7. In order to address the shortage of textbooks and improve their quality, the Project would support textbooks provision while reinforcing the institutional arrangements for textbooks commissioning and quality control; textbooks provision would include a teacher's guide. In total, approximately three million textbooks would be printed and distributed to schools. For those primary-level subjects-grades where a curriculum-aligned manuscript has already been developed, support would be provided to pilot and revise the manuscript, and to print and

¹² The Deputy Director is generally responsible for methodological support to primary teachers. Small schools do not have a Deputy, in which case the Director – who is responsible for methodological support – would participate in the course.

distribute to meet primary level needs. In subject-grades for which no curriculum-aligned manuscript has yet been produced, the Project would support the development of new manuscripts, including piloting and revision, and printing and distribution, at two levels: the primary level (predominantly 3rd and 4th grades) and the secondary level where revised subject standards and teaching programs would have been approved by the MoES (predominantly 5th and 6th grades). All primary classrooms would also be supplied with a package of essential teaching-learning materials.

8. All textbooks planned for publication during project implementation would be included in a Textbooks Publication Plan to be published in the first quarter of each calendar year. In order to address sustainability concerns, it has been agreed that project funds could only be used to finance printing and distribution of lower secondary level textbooks if the Bank is satisfied that the Government has adopted a sustainable financing mechanism to ensure timely replacement of textbooks for all grades of general basic education. Further, the manuscripts for the textbooks to be financed under the Project would need to have been approved by MoES at least nine months before the Project's closing date to ensure that there is sufficient time to procure and distribute them.

9. To reinforce institutional arrangements, the legal-regulatory framework governing the Republican Scientific and Methodological Council (RSMC) powers and operations would be reviewed and revised, and a capacity building plan for the RSMC would be developed and implemented (including for any entity that might succeed the RSMC). The review would make recommendations to reinforce the autonomous performance of the RSMC, ensure the transparency and quality of its operations, and improve the support it provides to winning authors/publishers. The capacity building plan would cover such areas as data-keeping and planning for textbooks production; the expert evaluation of textbooks; proper piloting procedures for textbooks; and the design of user-friendly textbooks.

10. Until such time that the MoES is restructured to include an adequately staffed Textbooks Unit¹³, the MoES's textbooks function would also be reinforced through the hiring of technical assistants (TA) to support the MoES. The TA would be responsible inter alia to develop and regularly update an annual publications plan; support the RSMC in carrying out its tasks; liaise with the MoES's procurement office; work with authors, publishers and experts to facilitate the process and improve the quality of textbooks authoring, production and review; ensure that all Project-financed textbooks receive the necessary approvals on a timely basis; oversee the timely distribution of textbooks from oblast to rayon levels; and monitor textbooks availability and needs. The Project would finance the technical assistance, furniture, equipment, and materials needed to carry out these tasks.

¹³ This is one issue that may be considered by a functional review of the MoES planned to be carried out as part of an ongoing EU technical support project.

Sub-component 1.3: Support to ongoing revision of curriculum for Grades 5-9

11. The secondary curriculum is considered overloaded (secondary students are expected to take up to 19 different courses), unbalanced (with a preponderance of language subjects taking in some grades over half of the school week), and highly academic and theoretical, with little emphasis on context and practical applications. Kyrgyz students have little or no choice in choosing subjects.

12. As part of the curriculum review, first drafts of new subject standards and programs for nearly all subjects covering Grades 5-9 have been completed. They aim to reduce the number of subjects and to develop integrated subjects, to be more competency-based and to provide more emphasis to context, practical applications and life skills, and to encourage more active forms of learning. Time is being allocated for part of the curriculum to be school-based and there is greater attention to identifying learning outcomes and providing guidance on their level of mastery and measurement. Its method of development is also new to the country, with experienced teachers and international experts being involved to complement expertise of the KAE. The 2012-14 Action Plan calls for the MoES to complete the piloting and redrafting of the Grades 5-9 subject standards and program contents.

13. The Project would support the piloting and revision process of the revised subject standards, including such activities as material development; training and support for piloting teachers; monitoring; seminars to review progress; and synthesizing results to finalize the draft subject standards and programs. The piloting process would be supported by a team of technical experts financed by the Project, structured according to five curriculum subject areas (language, mathematics, natural sciences, man and society, and the arts). The Project would also support consultations with stakeholders about proposed curriculum changes, and finance furniture, equipment and materials needed to execute component activities.

Sub-component 1.4: Assessment of learning

14. The Project would finance carrying out a sample-based survey of student learning achievement at Grade Four to enable the Government to assess system performance and the effectiveness of its education reforms. As previous surveys of Grade Four learning achievements have been conducted, and one is planned for 2014 as part of a READ Grant, the survey would also contribute to a time series enabling a longer-term assessment of the evolution of system performance. To ensure rigor, the survey would be based on a representative sample enabling one to estimate students' achievements at the regional level within plus/minus two and half percentage points at a 95 percent confidence level. The parameters of the survey would be substantially the same as those of the survey to be conducted in 2014, so as to enable comparability.

15. The Project would also finance at least two rounds of observations of primary school pedagogical practices, including teaching-learning, classroom management and pedagogical support practices. Observations would be conducted at the beginning of the Project to establish a baseline and to contribute to the development of the training programs for teachers and Deputy Directors (sub-component 1.1), and again at mid-term to evaluate training programs effectiveness and introduce corrections to the programs, if needed, before more teachers are

trained. The classroom observation tools developed would be used throughout the Project to ensure consistency of measurements, both by independent teams to assess project results and by Deputy Directors to track and mentor primary school teachers.

Component Two: Improved management and accountability of school resources (US\$.89 million equivalent; 5.4% of total project cost)

16. The objective of this component is to increase efficiency in the use of education resources by improving their management and accountability. At the school-community level, there is a need to improve school oversight and accountability through community participation in budget formulation and monitoring school performance and expenditures. Further, school directors and local authorities need skills in budget formulation and financial management to smoothly adopt per-capita education financing in new districts, so that they can take full advantage of improved budgetary autonomy. An increased involvement of, and accountability to, the main local stakeholders combined with greater power over budgets would better enable the identification of local education priorities for improving quality, making the allocation and expenditure of resources more effective and efficient in addressing these priorities, and enabling results reporting to stakeholders to act as a feedback mechanism to improve school management and quality.

Sub-component 2.1: Improved financial management

17. The Project would support the technical assistance, training, furniture, equipment and materials needed to design and operationalize an automated monitoring system that incorporates key variables pertaining to school budgets, expenditures and efficiency, including budget figures (with revisions throughout the year, and disaggregated by main Treasury budget-line categories); expenditures (also disaggregated); and numbers of students, staff, stavkas, and classes. The system would enable the MoES and MoF, district and AO authorities, and schools to track school budgets and budget execution, as well as indicators of efficiency. Over time, this would enable one to monitor the extent to which schools receive their full PCF budget allocation, budget execution, and if the incentives associated with PCF are resulting in a more efficient use of resources (as indicated for example by pupil/teacher and teaching staff/non-teaching staff ratios and class sizes). Operating and using the system at the school and district levels would be incorporated into the training for RED staff and school Directors/Accountants, mentioned below. The system would be introduced first in the 31 rayons where PCF remains to be scaled up (Osh, 14 Talas, Jalalabad and Naryn). The system would be designed so as to be integrated into existing information systems on a sustainable basis, and would build on existing information systems operated by the MoF and MoES, as well as innovations piloted under the REP and other donor-supported projects.

18. All AO Heads and accountants, as well as staff from all REDs, would be trained on the general concepts of the per-capita financing (PCF) system in general education, its governing regulations, and on budget formation and expenditures monitoring under PCF. AO accountants would receive more in-depth training on school budget accounting under PCF. There are 460

¹⁴ Excluding the City of Osh.

AOs and 57 REDs. The trainings would be designed based on existing packages that have been successfully piloted under both the World-Bank supported Rural Education Project and other donor financed projects, and updated to incorporate revisions in the PCF scheme. The most recent legal documentation pertaining to per capita financing would also be reproduced and distributed to all AOs and REDs.

19. The Project would finance technical assistance to support key stakeholders in implementing PCF and other improved practices in management and accountability, in the four oblasts where per-capita financing remains to be scaled up. In these oblasts, there are 31 REDs, 174 AOs, and 1,255 schools. The TA would work directly with school directors and accountants, school community representatives, AO Heads and accountants, and RED staff to develop, implement and monitor school improvement plans; to form and negotiate budgets under PCF, including participation in AO budget hearings; to monitor and report on expenditures; and to report on school plan implementation and performance using school report cards. The TA would support schools (including community representatives) at key stages of the planning, budgeting, and reporting cycles during the academic year. The TA would also support the delivery of training packages.

20. The team of district-level TA would be overseen by full-time experts at the MoES whose main terms of reference would include providing support to the MoES and MoF in tracking budgets and expenditures, as well as indicators of efficiency; coordinating the work of the district-level TA; overseeing the design and delivery of the training packages; working with key stakeholders to promote the smooth implementation and operation of PCF; and advising the MoES on further reforms required in education financing. TA would also be provided to the MoES and MoF to advise on legal-regulatory, formula design, and fiscal issues. Periodic TA on legal-regulatory, formula design and fiscal issues would also be financed.

21. The TA (central and local) would have in their terms of reference the capacity building of counterparts at the MoES, REDs, AOs and schools so as to ensure that the counterparts acquire the skills and knowledge necessary to sustain the reformed practices targeted in this sub-component in school development planning and performance reporting; budget formation and monitoring; and expenditures monitoring and reporting. The Project would also finance furniture, equipment and materials needed by the MoES to execute component activities.

Sub-component 2.2: Strengthened school leadership and management

22. This sub-component would finance training of school directors and accountants, including production of support materials to facilitate school management, and redesigning of the school report cards to be made publicly available. Specifically the component would finance training to all basic school directors in school leadership and financial management, including the concepts of PCF system in general education, and its governing regulations; how to estimate school income and expenditures; how to negotiate budgets with the AO; and the basics of accounting for schools. It would also provide directors with management training in school development planning and reporting, using such tools as the school improvement plan and the school report card as instruments for planning and performance reporting, building on experience and lessons learned under the World Bank-supported Rural Education Project of the MoES. The

Project would support the revision of the school report card prior to its incorporation in the training.

23. School accountants would be trained separately and in greater depth on accounting principles and practices under per-capita financing. There are 2,204 school directors and approximately 700 school accountants nationwide, though the number of accountants may increase as more schools provide for the establishment of an accounting unit as part of the introduction of PCF. All trainings would be designed building on existing packages that have been successfully piloted under both the REP and other donor projects.

Component Three: Communications and implementation support (US\$ 1.42 million equivalent; 8.6% of total project cost)

24. The objective of this component is to finance communications and operating costs generated by the Project.

Sub-component 3.1: Communications and outreach activities

25. This sub-component would finance activities to engage and inform stakeholders about the changes in the education sector including, inter-alia, curriculum reform for primary and secondary education, per capita funding system with increased accountability and autonomy at the school level, and availability of textbooks with improved textbook authorship, selection, and production procedures.

Sub-component 3.2: Implementation support

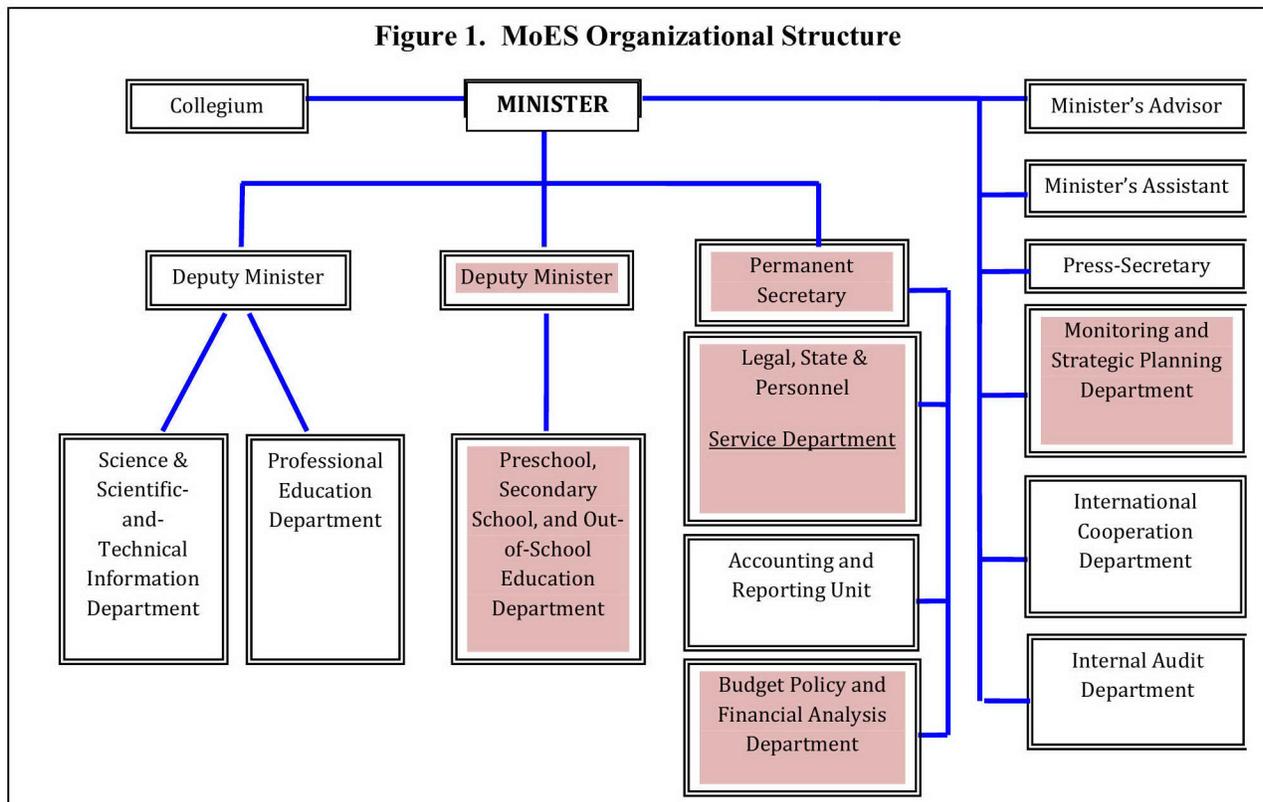
26. This sub-component would finance project operating costs, including inter-alia translation, interpretation, equipment, supervision costs (transportation and per diem), salaries of the staff in the Project Coordinating Unit, and incremental operating costs at the Ministry of Education and Science.

Annex 3: Implementation Arrangements

Kyrgyz Republic: Sector Support for Education Reform Project (P113350)

Project Institutional and Implementation Arrangements

1. The Project will be implemented by the Ministry of Education and Science (MoES) with the support of a small Coordination Unit (PCU) with fiduciary and monitoring responsibilities, and selective time-bound technical assistance to support the institutions involved in project implementation. Such institutions include: the Ministry of Education and Science (MoES), the Kyrgyz Academy of Education (KAE), Oblast In-Service Teacher Training Institutions and Oblast Methodological Centers (OTTI/OMC), Local Self Governance Bodies (Ayil Okmoty - AO), and schools.
2. The Deputy Minister of Education and Science responsible for the Preschool and Secondary Education will be the National Coordinator for the Project. With support from the Permanent Secretary of Education, responsible for administrative issues, s/he will coordinate, oversee and facilitate Project implementation, reporting regularly to the Minister.
3. MoES departments directly involved in project implementation include: Pre-School, Secondary School, and Out-of-School Education Department (PSSOED), Budget, Policy and Financial Analysis Department (BPFAD), the Office of the Press Secretary, and Monitoring and Strategic Planning Department (MSPD) (See Figure 1) .



4. Department heads will provide day-to-day coordination and support to staff involved in the implementation of activities and liaise with the PCU Director. The Heads of the departments will coordinate with the PCU Director but report directly to the Deputy Minister. In the aspects pertaining to legal-regulatory framework and budget operation, they will also report to the Permanent Secretary.

5. Other key institutions directly involved in project implementation include the Kyrgyz Academy of Education (KAE) and Oblast in Service Teacher Training Institutions and Oblast Regional Methodological Centers (OTTI/OMC). The KAE is a subordinated structure of the MoES responsible for officially approving curriculum, and recognizing and delivering in-service training. KAE also approves in-service courses that are provided by the OTTI/OMCs. The President of the KAE will provide day-to-day coordination and support to staff involved in the implementation of activities, liaise with the PCU Director, and report directly to the Deputy Minister.

6. The Project Coordination Unit (PCU) will work in tight collaboration with MoES Departments to support them. The PCU would include six staff: (i) a PCU director; (ii) two financial management/disbursement specialists; (iii) two procurement specialists; (iv) one administrative assistant; (v) one interpreter; and (vi) one driver. The PCU Director will be empowered by a decree of the Minister to oversee, coordinate and request reporting on the activities executed by the departments of the MoES, and to work on a close and regular basis with the external experts working for the departments, the Heads of the Departments, and the Deputy Minister as well as the Permanent Secretary. The PCU Director will report regularly to the Deputy Minister; PCU staff will report directly to the Director. All project related fiduciary activities will be carried out either directly by the PCU or with its support and oversight.

7. The PCU Director will be responsible for project management, operational guidance, coordination of project implementation, and liaison with the World Bank, Development Partners and stakeholders. S/he will be responsible for coordinating with Department Heads to produce Annual Implementation Plans to be submitted to the Bank's review and no objection.

8. The Financial Management and Disbursement Specialists will be responsible for all financial management aspects of the Project. They will ensure the use of an adequate accounting system in line with the International Accounting Standards (IAS) and Kyrgyz Accounting Standards, regularly monitoring of expenditures and timely reporting, and managing applications for disbursement following procedures listed in the Project's Financing Agreement, Disbursement Letter and Supplemental Letters.

9. The Procurement Specialists will coordinate with MoES staff from the line Departments to develop and periodically revise annual procurement plans, monitor its implementation to avoid delays, and report to the PCU Director on potential issues. They will also be responsible for ensuring that Bank Procurement Guidelines are fully applied under the Project. Should the MoES establish its own procurement unit, these two specialists will provide direct technical assistance to MoES in the form of training or other required assistance.

10. A Monitoring and Evaluation Specialist will be placed in the MSPD and be responsible for collecting and analyzing project specific data, as listed under the Project's Result Framework. This Specialist would report to the Head of the MSPD, and work in close collaboration with the PCU Director. S/he would also coordinate with the Financial Management Specialist to prepare consolidated reports on the Project's physical and financial progress. This expert will be responsible for producing the bi-annual project implementation progress report.

11. In order to ensure adequate sector coordination, a Sector-wide Steering Committee (SSC) will be established to provide strategic guidance and oversight of Kyrgyz's broader education program, including the proposed Project as well as other foreign-financed investments in the sector. The Committee will consist of representatives of Development Partners and be co-chaired by the Minister of Education and Science.

Component One: Enhanced learning

12. The Pre-School, Secondary School, and Out-of-School Education Department (PSSOED) and the Kyrgyz Academy of Education will have responsibility for the implementation of the Enhanced Learning Component. As they are sparsely staffed, technical assistance will be financed under the Project to support them.

13. Sub-component 1.1: Improving pedagogical practices. The KAE will retain the responsibility for developing and approving the courses, and for delivering (with the OTTI/OMCs) the in-service training for teachers and Deputy Directors. External technical assistance will be hired under the Project to support the KAE and OTTI/OMCs.

14. A full-time technical assistant (Training Supervisor) will be financed under the Project to support the KAE to facilitate the smooth delivery of the courses, including the supervision of any contractors hired to deliver trainings. S/he will report to the President of the KAE. At the OTTI/OMCs, part-time Training Supervisors will be hired to facilitate course delivery and supervise any contractors. These OTTI/OMC-level Training Supervisors will report to the Head of the OTTI/OMC where they are placed, and will work in close collaboration with and regularly provide information and updates to the KAE-level Training Supervisor. The Heads of the OTTI/OMCs will report on component activities to the President of the KAE.

15. Sub-component 1.2: Resources for learning. The PSSOED will be responsible for implementing this sub-component, in accordance with the Republic and Scientific Methodological Council (RSMC) procedures for textbooks. However, given that it is understaffed to fulfill the textbooks function; additional full-time textbook specialists will be hired under the Project to support implementing this sub-component. In terms of textbooks, this team will be responsible inter alia to develop and regularly update an annual publications plan; support the RSMC in carrying out its tasks; liaise with the MoES's procurement office; work with authors, publishers and experts to facilitate the process, and improve the quality of textbooks authoring, production and review; ensure that all Project-financed textbooks receive the necessary approvals on a timely basis; oversee the timely distribution of textbooks from oblast to rayon levels; and monitor textbook availability and needs. In terms of the package of basic pedagogical materials, the team will coordinate with PSSOED's curriculum specialist to

help identify the items to be included in the package (in consultation with teachers and Directors), establish criteria in terms of quantities for school/classroom distribution, and ensure their timely distribution to schools. These tasks will require close coordination with PSSOED's curriculum specialist, the procurement team and the RSMC.

16. Sub-component 1.3: Support to ongoing revision of curriculum for Grades 5-9. The PSSOED will be responsible for implementing this sub-component, working in close collaboration with the KAE. However, given that it has only one curriculum specialist and that staff already has additional responsibilities, two additional specialists will be hired under the Project to support implementing this sub-component (a curriculum adviser and an administrative coordinator). The administrative coordinator would report to the curriculum specialist, who in turn would report to the Head of the PSSOED. Both of these specialists would work in close collaboration with the PSSOED's curriculum specialist on staff. As needed, additional punctual technical assistance may be hired to support the implementation of this sub-component.

17. There are currently Working Groups responsible for piloting and finalizing five curriculum subject areas (language, mathematics, natural sciences, man and society, and the arts). The curriculum adviser hired under the Project will be responsible for providing overall technical leadership for the piloting and finalization of the curricula. The adviser would liaise closely with KAE's President and curriculum specialists and with the Working Groups. The Working Groups are responsible to develop piloting materials, train teachers on the piloting process, monitor the piloting process and finalize drafts of the curricula. The other specialist hired under the Project will be responsible for logistics and administrative support, including logistical and secretarial support to all Working Groups and maintaining a calendar of all piloting events.

18. Sub-component 1.4: Assessment of learning. The implementation of this sub-component will also be under the responsibility of PSSOED. The NSBA assessment of 4th Grade students will be carried out by the same firm responsible for the 2014 assessments (CAETM), to be hired under a Single Contract. The firm will also be responsible for providing PSSOED with a comparative analysis of this assessment with the previous NSBA assessment financed under READ. External technical assistance will be hired under the Project to support PSSOED and the KAE on the tools and methods for assessing teaching-learning and pedagogical support practices, and on training observers in these tools and methods.

Component Two: Improved School Management and Accountability

19. *Sub-component 2.1: Improved Financial Management.* The Budget, Policy and Financial Analysis Department (BPFAD) will have responsibility for the implementation of this sub-component. As this department is insufficiently staffed and technically unable to carry out all tasks required under this sub-component, technical assistance will be financed under the Project to support it. This technical assistance will predominantly support schools, Local Self Governance Bodies (Ayil Okmoty - AO), and Rayon Education Departments (REDs) during the introduction of the Per Capita Financing.

20. The technical assistance will consist of a team of experts placed in each of the districts that will be introducing PCF during project implementation, as well as technical assistance placed at the MoES to be in charge of coordinating this team and providing direct support to MoES and MoF. The local experts will support schools to develop budgets and monitor and report on expenditures; to develop, implement, and monitor school improvement plans; and to assess school performance using school report cards. They will report to the team coordinator at the central level. The centrally placed experts will assist MoES and MoF in tracking PCF implementation in new oblasts, and ensuring consistency of activities. They will also be responsible for overseeing any technical assistance contracted to design and deliver the training to AO/RED staff (as well as to school accountants under component 2.2). As needed, technical assistance will be also provided to MoES and MoF to advise on legal-regulatory, formula design, and fiscal issues. This assistance will closely collaborate with the Legal, State and Personnel Service Department (LSPSD).

21. *Sub-component 2.2: Strengthened School leadership and Management.* The Kyrgyz Academy of Education (KAE) will have responsibility for the implementation of this sub-component. The implementation arrangements for designing and delivering the training will be the same as for Sub-component 1.1, in that the KAE will be responsible for approving the courses and for delivering (with the OTTI/OMCs) the in-service training for School Directors. The technical supervisors hired to support the KAE and OTTIs/OMCs to facilitate course delivery and supervise any contractors (as explained above) will provide the same support under this component.

Component Three: Communications and implementation Support

22. *Sub-component 3.1: Communications and outreach activities.* The Office of the Press Secretary will be responsible for the implementation of this sub-component. The Press Secretary will work in close collaboration with the PCU Director and the external technical assistance financed by the Project and attached to implementing departments, and will report to the Deputy Minister and the Minister of Education and Science.

23. *Sub-component 3.2: Implementation support.* As amplified above, a Project Coordination Unit will be established that would work in tight collaboration with MoES Departments, the KAE and OTTI/OMCs to support them to implement project activities. The PCU will support these institutions to execute their responsibilities for implementing technical aspects of the Project, and will be responsible for the financial management of the Project, and for the procurement of goods, services, training and technical assistance to enable the execution of Project activities. The PCU will be headed by a Director, responsible for project management, operational guidance, coordination of project implementation, and liaison with the World Bank, Development Partners and stakeholders. The PCU will also be staffed with two financial management/disbursement specialists, two procurement specialists, one administrative assistant, one interpreter and one driver. The PCU Director will be empowered by a decree of the Minister to oversee, coordinate and request reporting on the activities executed by the departments of the MoES, and to work on a close and regular basis with the external experts working for the departments, the Heads of the Departments, and the Deputy Minister as well as the Permanent

Secretary. The PCU Director will report regularly to the Deputy Minister; PCU staff will report directly to the Director. All project related fiduciary activities will be carried out either directly by the PCU or with its support and oversight.

Fiduciary Arrangements

Procurement

24. Procurement for the proposed Project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 (Consultant Guidelines) and the provisions stipulated in the Financing Agreement. For each contract to be financed by the Bank, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Government and the Bank project team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

25. Procurement of Works: There will not be any procurement of works in the Project.

26. Procurement of Goods: Goods procured under the Project will include textbooks, teacher guides and student workbooks; procurement of learning and teaching materials. The NCB standard bidding documents for Goods agreed with the MoES will be used for procurement of all NCB Goods. For ICB/LIB contracts, the Bank's latest SBDs will be used.

27. Selection of Consultants: Some of the consultancies are technical assistance (TA) to support teachers training; TA to support the revision of the subject standards and content for Grades 5 to 9; learning assessment in selected schools; Central level and Rayon level TA to improve FM and School leadership and management. Short lists of consultants for services estimated to cost less than U\$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The Bank's Standard Request for Proposal Document will be used as a base for all procurement of consultancy services to be procured under the Project.

28. Training: Training will cover design and implementation of an in-service training program for about 10,000 primary school teachers and for approximately 1,400 Deputy Directors, district level methodologists, and inspectors. The Kyrgyz academy of Education and its regional institutes will be hired following Single Source Selection (SSS) procedures (subject to confirming that these institutes meet edibility requirements as per Consultant Guidelines Para 1.13 (c)) at a total estimated cost of U\$350,000 equivalent. The other training costs will be managed by MoES. Further, there will be FM training and strengthening school leadership and

management training at central, rayon and school level. Most of the training cost will be part of incremental operating costs.

Assessment of the agencies' capacity to implement procurement

29. The implementation responsibility of the proposed Project lies with MoES with support of a small Project Coordination Unit (PCU). The procurement capacity assessment of MoES was carried out by the Bank using the Procurement Risk Assessment and Management System (P-RAMS). As part of project preparation, an *Assessment of the Education Sector Fiduciary Capacity* was carried out to update the earlier one dated September 2008. A *Country Procurement Status Update* was also carried out in February 2012. These reviews found a number of setbacks in terms of the procurement policy and institutional weaknesses, as summarized below.

- The Public Procurement Law (PPL) adopted in May 2007 and the State Agency for Public Procurement and Material Reserves were abolished and the National Procurement Training Center was privatized. The PPL as amended in July 2011 and April 2012 lacks clarity in certain provisions and is incomplete. At the same time, there are no supporting legislation and regulations to implement the PPL; the complaint review mechanism is not yet functioning. There appears to be lack of a coherent strategy and institutional capacity at the sector level.
- The Ministry of Education and Science does not have a procurement department and/or function, and the staff for procurement is limited to one person. Based on the assessment carried out by the Bank and considering the current capacity and staffing constraints in MoES, the required procurement capacity for project implementation would not be in place and adequate without any assistance and/or additional staffing or consultants.
- One procurement specialist is already available under the on-going Bank financed Grant (FTI2). This procurement specialist has received procurement training and gained practical experience through the Rural Education (IDA-H1370) and the Fast Track Initiative projects. The existing procurement capacity in the PIU is considered to be adequate, assuming that the procurement specialist financed out of FTI 2 project would continue working under the new IDA operation. Once the proposed Project becomes effective, a second procurement specialist (or assistant) should be hired. The procurement arrangement under the new IDA operation will build on the capacity in place with the possibility of additional staffing to strengthen as the implementation progresses.

Procurement Risks and Mitigation Measures

30. *Procurement Risk* include (i) lack of a public procurement unit in the MoES; (ii) lack of track record of procurement process numbers carried out by MoES; (iii) over reliance on the procurement specialist (consultant) in the PIU; (iv) lack of a procurement manual or rules and

regulations in the country in general and MoES in particular; (v) lack of an independent complaint handling mechanism; (vi) lack of confidentiality during bid evaluation; and (vii) lack of a sound contract management system. *The agreed mitigation measures* are (i) recruitment of at least one more procurement specialist to the PCU procurement unit -- eventually these staff will be part of public procurement unit of MoES; (ii) development of a procurement section for the POM (including an independent complaint handling mechanism and contract management); and (iii) development of a procurement capacity plan.

31. The above risks and the other applicable deficiencies have been addressed in the ORAF risk mitigation measures. The overall project risk for procurement is 'High'. After mitigation measures implemented, the residual risk will be 'Substantial'.

32. **Disclosure:** The following documents shall be disclosed on the Public Procurement Agency (PPA)/MoES website and in the notice board of MoES: (i) procurement plan and updates; (ii) invitation for bids for goods for all ICB and NCB contracts; (iii) request for expressions of interest for selection/hiring of consulting services; (iv) contract awards of goods procured following ICB/NCB procedures; (v) list of contracts/purchase orders placed following shopping procedure on quarterly basis; (vi) short list of consultants; (vii) contract awards of all consultancy services; (viii) list of contracts following DC or CQS or SSS on a quarterly basis; and (ix) report on actions taken on the complaints received on a quarterly basis.

33. The following details shall be sent to the Bank for publishing in the Bank's external website and UNDB: (i) invitation for bids for procurement of goods using ICB procedures; (ii) request for expressions of interest for consulting services with estimated cost of more than U\$300,000 equivalent; (iii) contract award details of all procurement of goods and works using ICB procedures; (iv) contract award details of all consultancy services with estimated cost of more than U\$300,000 equivalent; and (v) list of contracts/purchase orders placed following SSS or CQS or DC procedures on a quarterly basis.

34. **Complaint Handling Mechanism:** To deal with procurement complaints received by the MoES, a complaint handling mechanism for the Project will be developed and documented in the procurement section of the POM and published in the MoES website/notice board. On receipt of complaints, immediate action will be initiated to acknowledge the complaint and redress in reasonable time frame. All complaints will be dealt at levels higher than that of the level at which the procurement process was undertaken. Any complaint received is to be forwarded to the Bank for information and the Bank will be kept informed after the complaint is redressed.

Procurement Arrangements

35. Project procurement will be handled by the PCU with the support of two procurement consultants and select staff deputed by MoES to PCU.

36. Procurement Plan (PP): MoES has prepared a procurement plan for project implementation which provides the basis for the procurement methods and review by the Bank. This plan has been agreed between the Government and the Bank's project team, and will be

available in project files. It will also be published on the PPA/MoES website and on the Bank's external website. The summary of the PP is given as Appendix 1 to this annex.

37. Procurement Section for POM: MoES has prepared a procurement section for the POM, guiding project implementation. No amendment to the POM shall be carried out without prior review and clearance from the Bank.

38. Procurement Staff: Project procurement will be handled by PCU with the support of two procurement consultants, assisted by select staff of MoES as needed. The staff will receive on the job training provided by the procurement consultant.

39. NCB Conditions: The NCB conditions are part of Financing Agreement.

40. Methods of procurement: The following procurement methods shall be used under the Project. It has been agreed that if a particular invitation for bid comprises of several packages, lots or slices, and invited in the same invitation for bid, then the aggregate value of the whole package determines the applicable threshold amount for procurement and also for the review by the Bank.

Category	Method of Procurement	Threshold (US\$ Equivalent)
Goods and Non-consultant services	ICB	>200,000
	LIB	Wherever agreed and with prior agreement with the Bank
	NCB	200,000 or less
	Shopping	Up to 30,000
	DC	As per Para 3.7 of the Bank Guidelines, wherever agreed and with prior agreement with the Bank
	Framework Agreements (FA)	200,000 or less as per Para 3.6 of the Bank Guidelines, wherever agreed and with prior agreement with the Bank
Consultants' Services	QCBS/QBS/FBS/LCS /CQS*	Irrespective of value
	SSS	With prior agreement of the Bank
	Individuals	No limit
	Use of NGO	As per Para 3.16 of Guidelines

Category	Method of Procurement	Threshold (US\$ Equivalent)
	<p>Notes:</p> <p>Shortlist may compose entirely of national consultants for assignments of less than US\$100,000 equivalent per contract.</p> <p>Legend:</p> <p>ICB – International Competitive Bidding LIB – Limited International Bidding NCB – National Competitive Bidding DC – Direct Contracting QCBS – Quality and Cost Based Selection QBS – Quality Based Selection LCS – Least Cost Selection FBS – Fixed Budget Selection *CQS – Selection Based on Consultants’ Qualifications will be followed depending on type of assignments for estimated value less than US\$100,000 SSS – Single Source Selection IC – Individual Consultants</p> <p>The threshold for shopping will be increased to US\$100,000 and CQS to US\$300,000 depending on need in the procurement plan during project implementation</p>	

41. Prior review by the Bank for Goods and Consultancy Services: Prior review thresholds are: (i) Goods: All ICBs, FAs and Direct Contracts irrespective of value; First two NCBs and first shopping contract; and (ii) Consultancy Services: First consultancy contract and subsequently all contracts to firms valued at more than U\$100,000 equivalent and individual consultant’s contracts of value above U\$50,000 equivalent. Hiring of procurement consultants, inspection agents, and legal advisors are subject to prior review, irrespective of the contract value. In case of contract to individuals, the qualifications, experience, terms of reference and terms of employment shall be subject to prior review.

42. Post Review by the Bank: All contracts not covered under prior review will be subject to post review during implementation support visits.

43. Procurement Supervision and Ex-post Review: Routine procurement reviews and supervision will be carried out by the procurement specialist based in the region/country office. In addition, two implementation support visits are expected to take place each year during which ex-post reviews will be conducted for the contracts that are not subject to Bank prior review on a sample basis (e.g., 20 percent in terms of number of contracts). One ex-post review report will be prepared per fiscal year, including findings of physical inspections for not less than 10 percent of the contracts awarded during the review period.

Appendix 1: Procurement Plan

I. General

1. Bank's approval date of the Procurement Plan: January 16, 2013
2. Period covered by this procurement plan: Initial 18 months of the Project

II. Goods and Non-consulting services

Prior Review Threshold: Procurement decisions subject to Prior Review by the Bank as stated in Appendix 1 to the *Guidelines for Procurement*

	Procurement Method	Prior Review Threshold US\$
1.	ICB and LIB (Goods)	≥ US\$ 200,000
2.	NCB (Goods) packages	First two NCBs of value ≤ US\$ 200,000
3.	ICB (Works) packages	Not Applicable
4.	NCB (Works) packages	Not Applicable
5.	Shopping	First Shopping of value ≤ US\$ 100,000
6.	FA and Direct Contracting	All contracts irrespective of value

Summary of the procurement packages planned during the first 18 months after project effectiveness (including those that are subject to retroactive financing and advanced procurement)

1	2	3	4	5	6
Ref. No.	Description	Estimated Cost US\$	Procurement Method	Domestic Preference (yes/no)	Review by Bank (Prior / Post)
SSFER/G/ICB/1.2.1/Replication of textbooks for Grades 3-4/01-2014	Replication of textbooks for Grades 3-4	3,292,740	ICB	Yes	Prior
SSFER/G/ICB/1.2.1/Replication of textbooks for Grade 5/02-2014	Replication of textbooks for Grade 5	2,583,955	ICB	Yes	Prior
SSFER/G/ICB/1.2.1/Replication of textbooks for Grade 6/03-2014	Replication of textbooks for Grade 6	2,583,955	ICB	Yes	Prior
SSFER/G/ICB/1.2.1/TL Ms provision/02-2013	TLMs provision	1,704,000	ICB	Yes	Prior

III. Selection of Consultants

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
1.	Competitive Methods (Firms)	First Contract and then \geq US\$ 100,000
2.	Individual Consultants	First Contract and then \geq US\$ 50,000
3	Single Source Selection (Firms and Individual Consultants)	All contracts irrespective of value

44. **Short list comprising entirely of national consultants:** Short list of consultants for services estimated to cost less than US\$100,000 equivalent per contract may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the *Consultant Guidelines*.

Consultancy Assignments with Selection Methods and Time Schedule

1	2	3	4	5
Ref. No.	Description of Assignment	Estimated Cost US\$	Selection Method	Review by Bank (Prior/ Post)
SSFER/CS/QC BS/1.1/01c	Training of primary teachers and DDs	1,148,811	QCBS	Prior
SSFER/CS/CQ/ 1.1/02c	Evaluation of teacher incentives scheme	100,000	CQ	Prior
SSFER/CS/CQ/ 1.2.1/05c	Development of new textbooks for Grades 5,6 - subjects is Mother Tongue	122,400	CQ	Prior
SSFER/CS/CQ/ 1.2.1/06c	Development of new textbooks for Grades 5,6 - subjects is Second language	122,400	CQ	Prior
SSFER/CS/CQ/ 1.2.1/07c	Development of new textbooks for Grades 5,6 - subjects is Foreign language	100,000	CQ	Prior
SSFER/CS/CQ/ 1.2.1/10c	Development of new textbooks the subjects is: 1) Music for Grades 5,6; 2) Arts for Grades 5,6; 3) Arts for Grades 5,6	122,400	CQ	Prior
SSFER/CS/CQ/ 1.2.1/12c	Development of new textbooks the subjects is: 1) Natural sciences for Grades 5,6; 2) Economics and Social geography for Grades 5,6	100,000	CQ	Prior
SSFER/CS/QC BS/1.3/21c	Learning assessment	160,000	CQ	Prior
SSFER/CS/LCS /3.1/25c	Project Audit (2013-2018)	250,000	CQ	Prior
SSFER/CS/CQ/ 1.2.1/26c	Project Evaluation	100,000	CQ	Prior
SSFER/CS/CQ/ 1.2.1/11c	Development of new textbooks for Grades 5,6 - subject is Literature	50,000	CQ	Post
SSFER/CS/CQ/ 1.2.1/09c	Development of new textbooks for Grades 5,6 - subject is Motherland	50,000	CQ	Post
SSFER/CS/CQ/ 1.2.1/08c	Development of new textbooks for Grades 5,6 - subject is Mathematics	61,200	CQ	Post

Financial Management, Disbursements, and Accounting

45. **Implementing Entity:** A Project Coordination Unit (PCU) at MoES will be responsible for implementing the financial management (FM) function of the Project, including the flow of

funds, budgeting, accounting, reporting, and auditing. The PCU will derive from the existing Project Implementing Unit (PIU) responsible for the implementation of the Rural Education Project and the EFA-FTI initiatives. A FM assessment was carried out to determine the FM implementation risk and the FM arrangements at the existing PIU, including accounting, reporting, planning, and budgeting, and staffing; arrangements were considered satisfactory to the Bank. The inherent risk of the Project is rated as *Substantial*, while the Control Risk and the overall residual FM Risk are considered to be *Moderate*.

46. **Strengths and Weaknesses:** There are no major weaknesses at the PIU. The significant strengths that would provide a basis for reliance on the project financial management system include: (i) FM arrangements similar to existing and closed projects being implemented by the PIU and found to be adequate; (ii) no significant issues arisen in the audits of the active projects being implemented by the PIU; and (iii) experienced FM staff.

The following capacity building actions have been agreed to be implemented:

Actions for capacity building	Responsible	Completion date
1. Update the Financial Management section of the Operational Manual to reflect the project related internal control, budgeting, external auditing, financial reporting and accounting policies and procedures	PCU	Prior to negotiations [Action Completed]
2. Establishment of the PCU to include modification of the existing accounting software for accounting and financial reporting purposes of the proposed project and recruitment of a full-time, qualified disbursement specialist. The accounting software will be specially designed to meet World-Bank-financed projects requirements including ability to generate Interim Financial Reports, withdrawal applications, statements of expenditure, and annual financial statements	PCU	Prior to effectiveness

47. **Budgeting and Planning:** The PIU has, in general, acceptable budgeting and planning capacity under the EFA-FTI 2 Project. The annual budgets at the implementing agency are prepared in much detail, which is necessary for monitoring of the existing projects. The annual budget of the Project will be based on the final procurement plan that is to be discussed and agreed with the PCU Director, and approved by the World Bank. All changes to the Procurement Plan will be reviewed by the PCU Director and approved by the World Bank. The Director, the Financial Manager, and the Procurement Specialists will be involved in the preparation of the annual budget. These budgets will form the basis for allocating funds to project activities and requesting counterpart funds from the Government, where appropriate. The budgets will be prepared according to the Interim Financial Report (IFR) format (disbursement categories, components and activities, account codes, and broken down by quarter).

48. **Accounting and Maintaining of Accounting Records:** The PIU has prior experience maintaining the independent accounting system under the ongoing and closed projects. Cash basis International Public Sector Accounting Standards (IPSAS) is used by the PIU for reporting

purposes. The cash basis accounting method is utilized for active and closed projects. It has been agreed to adopt the same accounting method for the proposed Project as well. The current chart of accounts will be adapted to the proposed Project's requirements, and accordingly reflected in the Financial Management section of the Operational Manual. All supporting documents will be maintained in files for ready access by auditors and Bank staff. The Project's chart of accounts will track all transactions and report them according to source of financing project components, and type and category of expenditure. The PIU under the existing project uses the 1-C accounting system specially designed to meet the World Bank-financed project requirements, including ability to generate Interim Unaudited Financial Reports (IFRs), withdrawal applications, statement of expenditures, and annual financial statements. The system has safeguards against the input of inaccurate data or unauthorized access to the system. It was agreed to have the same accounting software modified and used for accounting and financial reporting purposes of the proposed Project. Regular back-up of the accounting data shall be made by the accounting staff.

49. **Internal Controls:** The PIU's internal controls system was assessed in general to be capable of providing timely information and reporting for existing projects. The Financial Management Manual is well prepared and fully documents accounting and financial reporting policies and procedures and, in particular, incorporates proper internal control procedures over cash transactions, including maximum allowed daily cash operations. It also formally describes expenditures' authorization, invoices approval, and payments processing procedures; sets up clear back-up arrangements; formalizes reconciliation procedures of project records with Client Connection and XDR/USD reconciliation, safeguards for assets, and so forth. Under the existing project the PIU conducts monthly formal reconciliation of the World Bank disbursement data with project's accounting records via Client Connection. Formal reconciliation of the special and local accounts with the project records is done on a monthly basis, but informal reconciliation is done more frequently, usually upon receipt of bank statements from the commercial bank. The PIU has adequate internal control procedures in place over operational expenses. The Financial Management section of the POM for the proposed Project is being updated to reflect the specific activities of the Project, like Audit Terms of Reference, frequency of submission, format of IFRs, and so forth.

50. **Financial Reporting:** Project-management-oriented Interim Unaudited Financial Reports (IFRs) will be prepared under the Project. The PCU will produce a full set of IFRs every quarter throughout the life of the Project. The format of IFRs has been agreed during the assessment and includes (i) Project Sources and Uses of Funds, (ii) Uses of Funds by Project Activities, (iii) Designated Account Statements, (iv) Disbursement Summary, and (v) a Statement of Expenditure Withdrawal Schedule. IFRs will be produced by the accounting software. These financial reports will be submitted to the Bank within 45 days of the end of each calendar semester. The annual audited project's financial statements and audit report together with the management letter will be provided to the Bank within six months of the end of each fiscal year and also at the closing of the Project.

51. **External Audit:** The auditor's reports on the financial statements of existing and closed projects implemented by the PIU for FY 2009 and FY 2010 have been received on time (by June 30, of 2010 and June 30, 2011 respectively). The auditor issued unqualified (clean) opinions on the PIU-executed projects financial statements with no major issues raised in the Management

Letters. The proposed Project’s audit will be conducted (i) by independent private auditors acceptable to the Bank, on terms of reference acceptable to the Bank, and selected by the PCU; and (ii) according to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC). The terms of reference will include activities covering (i) audits of financial statements, (ii) assessments of the accounting system, and (iii) a review of the internal control mechanisms. The following table identifies the required audit reports that will be submitted by the PCU together with the due date for submission.

Audit Report	Due date
<p>Project Financial Statements The Project Financial Statements include Project Balance Sheet, Sources and Uses of Funds, Uses of Funds by project activities, Statement of Expenditures Withdrawal Schedule, Designated Account Statement, Notes to the financial statements, and Reconciliation Statement</p>	<p>Within 6 months of the end of each fiscal year and also at the closing of the project</p>

52. The audited financial statements will be disclosed to the public in a manner acceptable to the Bank. Following the Bank’s formal receipt of these statements from the Recipient, the Bank makes them available to the public in accordance with the World Bank Policy on Access to Information.

Disbursement Arrangements and Schedule

53. Disbursements from the IDA Credit Account will follow the transaction-based method, i.e., traditional Bank procedures: including advances to the designated account, direct payments, Special Commitments and reimbursement (with full documentation and against Statements of Expenditures - SOEs). The designated account will be opened in a commercial bank acceptable to the Bank. For payments above the minimum application size, as specified in the Disbursement Letter, the PCU may submit withdrawal applications to the Bank for payments to suppliers and consultants directly from the Credit Account. Disbursement arrangements are detailed in the Disbursement Letter.

Table 1 – Disbursement Matrix

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Credit Expenditures to be Financed (inclusive of Taxes)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Grant Expenditures to be Financed (inclusive of Taxes)
(1) Consultants' services, Training, Goods (except for textbooks under Component 1(b)), and Incremental Operating Costs under Components 1, 2 and 3.	4,100,000	55%	3,610,000	45%
(2) Textbooks for fifth and sixth grades under Component 1(b)	1,570,000	55%	1,290,000	45%
(3) Refund of Preparation Advance	330,000	Amount payable pursuant to Section 2.07 of the General Conditions	0	-
TOTAL AMOUNT	6,000,000		4,900,000	

Disbursement Conditions

54. No withdrawal shall be made for payments for Category 2 until the GoK has adopted a sustainable financing mechanism, acceptable to the Bank, to ensure timely replacement of textbooks for all grades of general basic education.

Annex 4: Operational Risk Assessment Framework (ORAF)
Kyrgyz Republic: Sector Support for Education Reform Project (P113350)

Project Stakeholder Risks								
Stakeholder Risk	Rating	Moderate						
<p>Description:</p> <p>Political considerations may delay Parliamentary approval and project effectiveness.</p> <p>Local level government (AO) could oppose the roll-out of per capita financing, given that it promotes greater transparency in the distribution of resources from AO to school level.</p> <p>Prominent NGO may oppose PCF expansion and/or Bank's interventions in the education sector in Kyrgyz.</p>	Risk Management:							
	Project preparation has included close consultation with members of the Education, Science, Culture and Sports Committee of Parliament as well as civil society representatives to seek their feedback and endorsement on project-supported activities. For the purpose of planning, the preparation team estimated that effectiveness could take up to six months and built that into the implementation period.							
	Resp: Both	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date: 31-Dec-2012	Frequency:	Status: Completed		
	Risk Management:							
	Benefits at the school level should produce stakeholder support for PCF. The Project would support local stakeholder participation in budget formulation and activities to increase stakeholder awareness of PCF reforms and results.							
	Resp: Client	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly	Status: In Progress		
Risk Management:								
Dissemination of accurate information about the Education Reform, including the PCF should counterbalance misconceptions about it. The Project would support a communications strategy targeting beneficiaries.								
Resp: Client	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly	Status: Not Yet Due			
Implementing Agency (IA) Risks (including Fiduciary Risks)								
Capacity	Rating	Substantial						
<p>Description:</p> <p>Limited implementation capacity, lack of familiarity with Bank procedures, and</p>	Risk Management:							
	A small Project Coordination Unit (PCU) would be established under the Project, with responsibility for overall coordinating of implementation activities with the MoES's line units, advising them on Bank procedures, and							

resentment by Ministry staff for the additional work generated under the Project, may compromise project implementation.	carrying out the Project's fiduciary and monitoring requirements. As needed, the Project would finance technical assistance for line units to support them in implementing the Project.					
	Resp: Client	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date: 01-Apr-2013	Frequency:	Status: Not Yet Due
Governance	Rating	Substantial				
<p>Description:</p> <p>Lack of adequate management information system in place at the MoES raises concerns about project financial management and education monitoring.</p>	Risk Management:					
	Fiduciary responsibilities would be under the PCU. Interim financial reporting consistent with the previous Bank-financed education project and the EFA-FTI 2 would be used until the MoES has an adequate automated reporting system in place. Currently the EU is financing the development and implementation of such system.					
	Resp: Client	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Quarterly	Status: Not Yet Due
	Risk Management:					
	Project procurement would be under the responsibility of the PCU, with a procurement team consisting of consultants with expertise implementing internationally financed projects and acquainted with the World Bank's procurement guidelines. Further, the MoES has committed to establishing its own procurement unit during project implementation.					
	Resp: Client	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date: 01-Apr-2013	Frequency:	Status: Not Yet Due
	Risk Management:					
	The Bank's fiduciary team would closely supervise project implementation; provide technical assistance and training to the Project's procurement team, and guidance to the MoES on the establishment of its own procurement office.					
Resp: Bank	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly	Status: Not Yet Due	
Risk Management:						
The Project would be audited annually under terms of reference acceptable to the Bank and by a firm previously cleared by the Bank.						
Resp: Client	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly	Status: Not Yet Due	

Project Risks							
Design	Rating	Moderate					
<p>Description:</p> <p>The achievement of the PDO is strongly correlated with the effectiveness of the teacher training. As such, failure to implement a successful teacher training program is a risk to the achievement of the PDO.</p> <p>Failure to appropriately sequence project activities could undermine the impact teacher performance in the classroom, thus also compromising the achievement of the PDO.</p>	Risk Management:						
	Project design is relatively simple and much of it is focused on improving teaching practices in the classroom -- through training, mentoring support by school directors, and the provision of teaching and learning materials.						
	Resp: Bank	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly	Status: Not Yet Due	
	Risk Management:						
The project implementation schedule would closely consider the necessity that classroom inputs be available for teachers when they complete their training to enable them to apply their new skills in the classroom in time to measure their impact.							
	Resp: Client	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date: 16-Jul-2018	Frequency:	Status: Not Yet Due	
Social and Environmental	Rating	Moderate					
<p>Description:</p> <p>Uneven distribution of project interventions/benefits could also aggravate ethnic tensions.</p>	Risk Management:						
	A conflict-filter was applied to project design to determine its conflict-sensitivity during the concept, appraisal and implementation stages. The conflict-filter requires projects to ensure that benefits are transparently distributed and potential tensions addressed and mitigation measures put in place. As such, the Project would have national coverage to ensure transparent distribution of resources and prevent the perception that any specific group is not benefited under it. Further, textbook design is expected to be ethnically sensitive.						
	Resp: Both	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date: 16-Jul-2018	Frequency:	Status: In Progress	
	Risk Management:						
Project preparation involves donor coordination and consultation to ensure that activities in the sector complement each other.							
	Resp: Bank	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date: 30-Nov-2017	Frequency:	Status: Completed	
Program and Donor	Rating	Moderate					
<p>Description:</p> <p>Lack of adequate donor coordination could result in duplication of efforts and/or like of complementarity of investments.</p>	Risk Management:						
	Project preparation involves donor coordination and consultation to ensure that activities in the sector complement each other.						
	Resp: Bank	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date: 30-Nov-2017	Frequency:	Status: Completed	
	Risk Management:						
A Sector-wide Steering Committee is being established to provide strategic guidance and oversight of the sector's							

	program; this Committee is the same that supports other interventions in the sector (EFA-FTI 2 and GPE).						
	Resp: Client	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date: 31-May-2013	Frequency:	Status: Not Yet Due	
Delivery Monitoring and Sustainability	Rating	Moderate					
Description: Weak monitoring capacity could undermine the MoES and Bank's ability to monitor project activities and achievements.	Risk Management: While the Project would continue trying to build capacity at the MoES level, the PCU would be responsible for overall project monitoring to ensure that required reports are produced on a timely basis to allow for decision making and fine-tuning of activities.						
	Resp: Client	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Yearly	Status: In Progress	

Annex 5: Implementation Support Plan

Kyrgyz Republic: Sector Support for Education Reform Project (P113350)

1. The implementation support strategy for the Project will bring together a three-pronged plan to ensure routine and on-going dialogue with the Government, structured joint reviews, and continuous exercise of fiduciary oversight throughout implementation.
 - a. Routine and ongoing dialogue would enable the regular contact with the Government on key policy, technical and operational matters and help identify issues as they emerge and address them by advice and support in a timely manner without waiting for structured reviews. This would be provided by staff in the country office and in close liaison with the Task Team Leader who is not based in the field.
 - b. Joint reviews would provide structured stocktaking by the Bank, together with the Government and the relevant partners twice a year. Such reviews would provide timely assessment by all partners of the implementation against the agreed targets, results and the time table and agree on the next course of action in a formal manner.
 - c. Fiduciary oversight would enable the Bank to fulfill its fiduciary obligations and ensure compliance with the Bank's fiduciary standards through the ongoing supervision of the Project's financial management and procurement arrangements and results. Financial management supervision will be performed in two ways: (i) review the Project's quarterly IFRs and the annual audited financial statements and auditor's management letter yearly; and (ii) perform on-site supervisions, review the Project's financial management and disbursement arrangements including monitoring of agreed actions, issues identified by the auditors, review of randomly selected transactions and review of accounting, reporting, budgeting, internal controls and flow of funds. Oversight on procurement will be provided through prior reviews in accordance with the agreed procurement thresholds. Supervision will be carried out twice per year through both desk and on site reviews of procurement arrangements and results including post review of contracts selected in a random manner. As needed, on the site training on procurement may be provided upon request to the PCU and/or MoES staff.

Schedule of Implementation Support

Timing, Focus, Skills mix and Partners

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First 12 months	Technical and operational review	Education specialists	10 weeks	Participation in joint reviews
	<ul style="list-style-type: none"> • PCF introduction 	Education economist	4 weeks	
	<ul style="list-style-type: none"> • Improving teacher pedagogical practice 	Teacher performance assessment specialist	4 weeks	
	<ul style="list-style-type: none"> • Improve school governance 			
	Fiduciary review: FM, disbursement & procurement	FM specialist Procurement specialist	4 weeks	
	Operations officer	4 weeks		
12-48 months	Technical and operational review	Education Specialists	10 weeks	Participation in joint reviews
	<ul style="list-style-type: none"> • PCF implementation 	Education economist	4 weeks	
	<ul style="list-style-type: none"> • Improving teacher pedagogical practice 	Teacher Performance assessment specialist	4 weeks	
	<ul style="list-style-type: none"> • Improve school governance 			
	<ul style="list-style-type: none"> • Improve textbook policy & financing 	Textbook specialists	8 weeks	
	Fiduciary review: FM, disbursement & procurement	FM specialist Procurement specialist	4 weeks	
		Operations officer	4 weeks	

Annex 6: Economic and Financial Analysis¹⁵

Kyrgyz Republic: Sector Support for Education Reform Project (P113350)

1. This annex summarizes the results of the economic and financial analysis carried out to identify the current challenges of the education sector in the Kyrgyz Republic and to underline the potential economic gains that could be sought through the Project.

Project Objective

2. The Project aims at setting conditions for improved learning outcomes in basic education; it focuses at improving the quality of basic education. Such outcomes have been measured in the Kyrgyz Republic through standardized assessments both national (National Sample Based Assessment - NSBA) and international (PISA from OECD). The analyses of the results of both types of assessments are a relevant tool to evaluate the potential benefits of targeted interventions on learning outcomes. A detailed analysis of the determinants of education quality using PISA 2009 data, including learning materials, teacher practices and curriculum is displayed in Table 3.

3. The relevance of interventions supporting the Per Capita Financing (PCF) reform and the strengthening of autonomy and accountability in schools is assessed by looking at the distribution of spending across schools.

4. Improving the quality of basic education is a relevant objective and likely to contribute to overall poverty reduction because: (i) quality is the main issue of basic education; (ii) education remains very relevant for poverty alleviation; and (iii) spending in basic education is a pro-poor investment.

Education remains very relevant for poverty alleviation

5. During the 2000 decade, the economic returns of education did not weaken. Although poverty rate has declined significantly since 2001 – absolute poverty fell from 56 percent in 2001 to 31.7 percent in 2009 – the relation between poverty and education remains strong. As indicated in Table 1, the level of education of the head of household is closely connected to the probability of the household being poor.

¹⁵ This section is based on various recent contributions on the education sector such as the UNICEF *Public Expenditure Review* (2011) or the World Bank *Education Sector Fiduciary Capacity Assessment Update* (October 2011). Data have been provided by the National Statistical Committee, the Treasury, Socium Consult, USAID, and the Ministry of Education and Science.

Table 1: Marginal Probability of Being Poor by Education Level of Household Head (2009)

Education level	Poverty
Higher/incomplete higher	- (ref)
Secondary vocational	13%
Secondary general	18%
Incomplete secondary	18%
Primary	20%
None	31%

Source: HBS 2009, probit estimates

6. By converting the education level into years of schooling, one can estimate the returns to education and experience from the same HBS 2009 data, by running the following equation (in which all coefficient estimates are statistically significant at the 0.1 percent level)¹⁶. Moreover, the returns of education have remained remarkably stable from 2001¹⁷, at 7 percent for each additional year of schooling. Once gender is controlled for, an additional year of schooling brought an increase of about 8 percent to the individual income.

$$\ln \text{income} = 0.07 \text{ years of schooling} + 0.08 \text{ age} - 0.001 \text{ age}^2 + a + \varepsilon$$

7. Although poverty has been substantially reduced in the country, education remains as important as before for economic prosperity. Improving education attendance and quality in the Kyrgyz Republic remains an essential key to poverty alleviation and growth of living standards.

Quality is the main issue of basic education

8. As confirmed by both international (PISA) and national standardized tests (National Student Based Assessment - NSBA)¹⁸ the quality of education remains very low in the Kyrgyz Republic. According to PISA 2009 results, 83.2 percent of the 15 year olds in Kyrgyzstan are functionally illiterate and the country ranked as the last of the 77 participating educational systems.¹⁹ However, as displayed in Figure 1, the level of education in Kyrgyzstan is consistent with its current level of development as measured by per capita GDP.

¹⁶ The sample gathers all the working age adults (15-64 years old). The observations are clustered by households to compute the standards errors.

¹⁷ In 2001 the returns of education represented 7 percent of income, as seen in Annex 9 of the *Rural Education Project Appraisal Document*, World Bank, 2004.

¹⁸ Two rounds of the NSBA were organized in 2007 and 2009 to test learning achievements in reading, math and science in 4th and 8th grades.

¹⁹ 65 countries participated in PISA 2009 and nine other in PISA 2009+. Moreover, Belgium contains two totally independent education systems while Scotland also has its own education system, distinct from the rest of the United Kingdom. Two different states of India also participated.

9. On the positive side, the quality of education in the country is improving rapidly. Figure 2 shows that the recent gains of the country in PISA are quite large by comparison with those that were achieved either in the region or elsewhere. Moreover, this upward trend is also confirmed by the evolution of the NSBA results between 2007 and 2009.

Figure 1. PISA Scores and Per Capita GDP (2009)

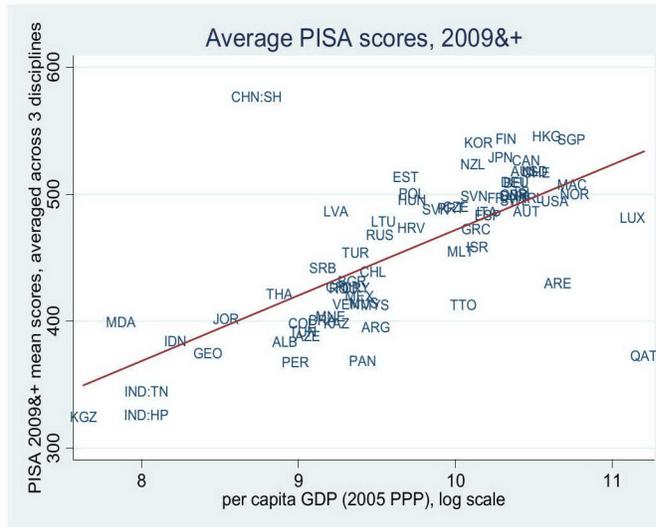
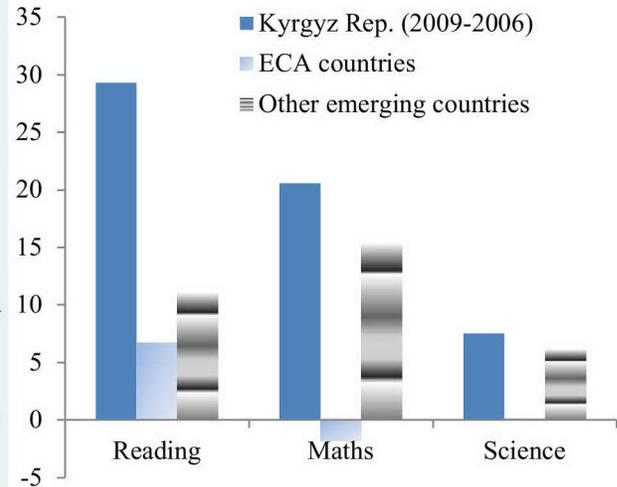


Figure 2. Average PISA Score Increase (2000 - 2009)



Basic education expenditure is a pro-poor investment

10. Matching school budgets with the recent household survey, one can impute precisely the educational expenditure in basic education to different groups of beneficiaries. From the 2009 household survey, one can identify the distribution of enrolled pupils by (i) quintile of consumption and (ii) poverty status, at the rayon level. To compute the incidence of education spending at the national level, one matches those socioeconomic data with the average per-capita spending at the rayon level. The results of the incidence analysis are displayed in Figure 3 and Figure 4.

Figure 3. Benefit Incidence of Basic Education Spending by Quintile of Consumption (2009)

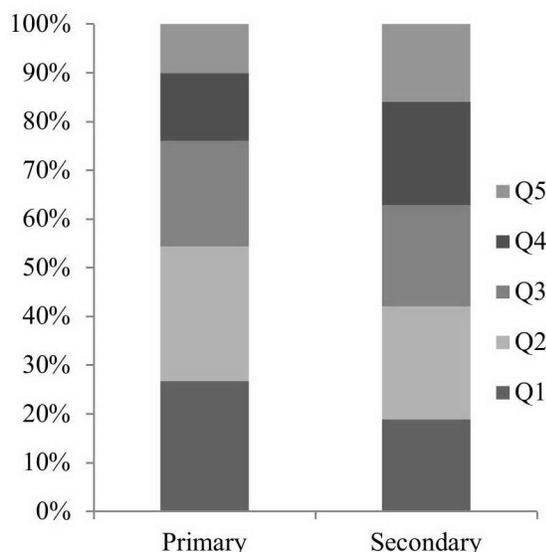
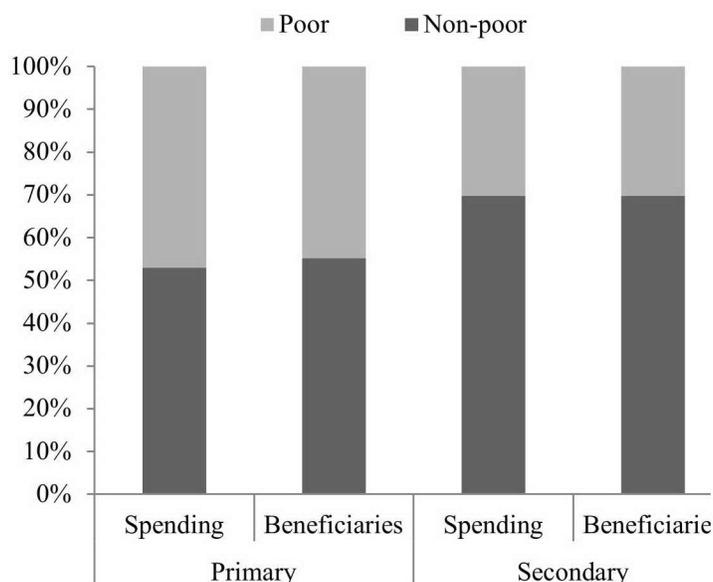


Figure 4. Benefit Incidence of Basic Education Spending by Poverty Status (2009)



11. Basic education expenditure appears to be progressive: the first two quintiles of consumption benefit from 54 percent of the primary education expenditure and 42 percent of the secondary education expenditure (see figure 3). But this progressivity is almost completely explained by the larger demographic weight of the poorest population. Indeed 52.3 percent of the pupils enrolled in primary school are actually living in households of the two bottom consumption quintiles. Actual spending is only slightly targeted on the poorest pupils. However, when one uses an absolute definition of poverty, the picture appears less positive. Indeed pupils below the poverty line represent 55 percent of the beneficiaries of primary education, but benefit from only 53 percent of the spending. Therefore even if basic education expenditure benefits poor households more than no-poor ones, this is only due to the fact that households with children tend to be poorer. When one focuses only on the enrolled population, pupils below the poverty line tend to receive less than pupils above it.

Impact of the project and economic analysis of project components

12. The proposed Project is likely to yield positive results on the education quality in the medium-run as it: (i) targets areas of interventions that are positively associated with performance gains as measured by PISA, consistently with government reforms; and (ii) provides additional funding to the sector in critical areas.

13. The analysis of the PISA 2009 results, displayed in Table 2 supports interventions to (i) enhance teacher training; (ii) supply adequate learning materials; and (iii) carry out curriculum reform.

Table 2: Analysis of the determinants of school quality

	Factor estimate		Marginal effect: a 1 s. d. increase in the factor	
	Mean	Standard deviation	When separate	when combined
Quality of resources	-1.72	0.88	10.0	8.4
Teachers				
Teacher-student relation	0.27	0.94	5.10	3.2
Disciplinary climate	0.35	0.86	14.6	10.0
Stimulation of reading engagement	0.89	1.07	3.50	3.6
Learning strategies				
Control	0.17	0.99	9.0	9.6
Elaboration	0.57	0.91	2.9	0.0 (ns)
Memorization	0.53	0.89	4.2	0.0 (ns)
Structuring	0.74	1.08	3.1	0.0 (ns)
Summarizing	-0.88	0.97	14.7	10.8
Understanding & remembering	-0.69	0.96	18.3	15.4
Autonomy				
Autonomy: curriculum	-0.25	1.0	0.0 (ns)	0.0 (ns)
Autonomy: resource	-0.43	0.60	0.0 (ns)	0.0 (ns)
School leadership	0.33	0.91	0.0 (ns)	0.0 (ns)
Accountability				
Achievement released	0.66	0.47	0.0 (ns)	0.0
Standardized testing	0.98	0.16	3.4	0.0 (ns)
Assessment to monitor child's progress	0.95	0.23	0.0 (ns)	0.0 (ns)
Assessment to compare schools	0.85	0.36	0.0 (ns)	0.0 (ns)
Curriculum				
Reading learning time	218	103	10.3	7.5
Math learning time	233	111	4.0	4.5
Science learning time	236	131	5.8	4.9 (ns)

Source: WB staff calculations using individual observations in Kyrgyz Republic of PISA 2009 data. Effects are measured by a linear regression at the student level, when month of birth, gender, socioeconomic index of both the pupil and the school (average index), language of teaching, category of agglomeration and oblast are controlled for. Standard errors are computed after clustering observations at the school level. Factors are significant at the 5 percent level.

Teachers

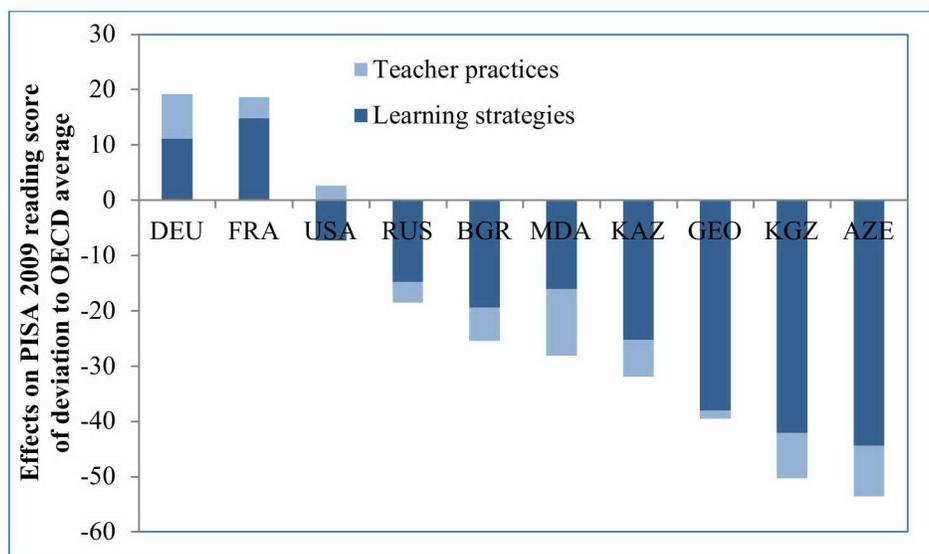
14. The PISA questionnaire contains measures of teacher quality based on behaviors and practices occurring in the classroom and reported by students. Moreover, one can also indirectly infer the quality of teacher practices by looking at how often pupils know successful learning strategies²⁰. According to PISA results, the most effective strategies to learn are trying (i) to summarize what they learn, and (ii) to explain what they learn. On the other hand, children who try either to rely heavily on memorization or relate any information to what they already know

²⁰ Assuming that one of the roles of the teacher is to teach those effective strategies to her pupils.

are less performing. Among the 65 participating countries, the Kyrgyz pupils were among the least aware of the importance of such strategies to learn effectively, as illustrated in Figure 5.²¹ This is a strong signal indicating that Kyrgyz teachers are not effectively teaching students how to learn. Those findings are much consistent with the recent observations of the *Early Grade Reading Assessment* (EGRA) which emphasized that teachers tend to promote repetitive memorization over discussion and critical thinking.

15. In addition to that, teacher practices as measured by PISA also appear poor in Kyrgyzstan. For instance, teachers in Kyrgyzstan tend to check the concentration of pupils while they are working on their own rather than inducing a debate or challenging pupils with questions, the latter practices being much more effective for students learning. A simulation carried out as part of this analysis concluded that Kyrgyz pupils would gain about 40 points in reading if their use of the best learning strategies would be similar to OECD students. Moreover, they would gain an additional 10 points if teacher practices would be similar to good practices in the average OECD country. The analysis concludes that improving teacher effectiveness is a critical tool- and relatively cheap- way for improving education quality. Therefore, both teacher recruitment and training are key levers to better student performance in Kyrgyzstan.

Figure 5. Effects of Teacher Practices and Knowledge of Effective Learning Strategies on PISA Reading Score in a Sample of Countries



16. The analysis of the Osh1 education data shows that the probability of benefitting from in-service training is strongly dependent on the level of education of the teacher. For instance, teachers who finished higher education are twice as likely to benefit from in-service training as those who did not finish higher education. But in-service training should be more targeted on the less performing teachers who may be more numerous among low-educated teachers. These

²¹ On average Kyrgyz was ranked second from the bottom in a composite indicator of all the identified learning strategies in 2009.

current practices are consequently unlikely to target those teachers who need training the most. Therefore, the benefits of in-service training would be improved not only by an extension of the coverage but also by improved targeting.

17. The working conditions²² and the overall prestige of the teaching profession are currently not high enough to attract the best students to the pedagogical career.²³ The 2010 ORT scores, the university admission exam, showed that students entering the university of pedagogy received grades below average. This shows that teacher recruitment is not selective and emphasizes the need for both more appealing teaching conditions and a reinforced pre-service training.

Learning materials

18. According to estimates from PISA data, the quality of teaching resources as reported by the schools themselves is positively associated with pupils' performance. On average, an increase in the quality of resources by one standard deviation improves the average PISA score in reading by 10 points²⁴. Significant positive effects of the quality of teaching resources on math and science scores are also witnessed, although 30 percent to 40 percent smaller. The magnitude of such an effect is substantial, as a 10 point average increase represents the average progression of emerging countries over the past decade. Given that an increase in 10 PISA points is statistically associated with an additional 0.2 points of real per capita GDP growth²⁵, the economic returns of investing in good quality textbooks and teaching materials should outweigh their cost.

19. According to the 2010 Osh1 data, the number of textbooks available in the general schools of the country was around 11.2 million, an average of 11.7 books per pupil, which more or less corresponds to the adequate number. However, two problems remain: (i) access to books is highly unequal, and (ii) the quality – both physical and adequacy – of books is not recorded presently in the Osh1 form. Indeed the availability of books differs tremendously from one school to another. For instance, pupils who are taught neither in Russian nor Kyrgyz tend to have almost six less books than other pupils. Regional variations on the availability of textbooks are important, as shown in Figure 6, but differ less once language of teaching is taken into account.

20. The distribution of textbook shortages can be gauged roughly by looking at the share of schools that do not have at least seven textbooks for each pupil in each language of teaching, as illustrated in Figure 7. For instance, the shortage of textbooks is rather acute in Osh City, where

²² The level of teacher wages is currently not an obstacle for quality: reaching 82 percent of the average wage in the economy, compensations in the education sector are now much higher than the regional average.

²³ However, the new salary scheme for teachers has induced large increases in compensations that may play a positive role in the long run.

²⁴ Estimates are significant at the 0.1 percent level.

²⁵ According to Woessman and Hanushek (2007), *The Role of Education Quality for Economic Growth*, World Bank Policy Research Working Paper No. 4122.

more than half of the pupils do not have access to a minimal set of textbooks – regardless of their quality of adequacy.

Figure 6. Average Number of Textbooks by Pupil by Oblast (2010)

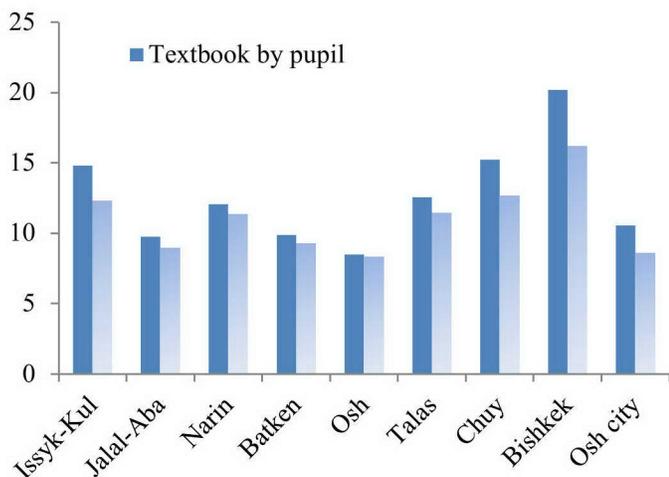
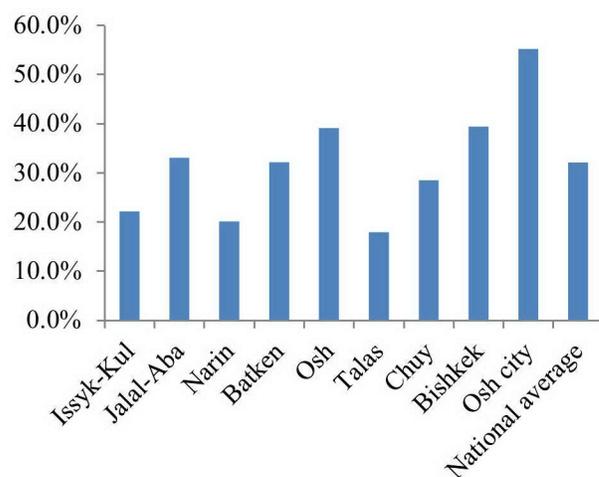


Figure 7. Share of Schools with Textbook Shortage (2010)



21. Both the importance of textbook for learning and the apparent widespread shortages that remain pleads for additional funding of learning materials in the Kyrgyz Republic. Moreover, as both the physical conditions of the books and their adequacy to the current curriculum cannot be evaluated from administrative records, and given the inequalities in the access to textbooks, it is recommendable to collect those qualitative data along with the number of textbooks in the Osh1 forms.

Curriculum reform

22. According to PISA data, there is some room to improve the adequacy of the curricula of basic education. The time devoted to the study of language could be increased, leading to better results in reading, as 40 percent of the pupils benefit from less than the average learning time of 218 minutes per week.

23. In mathematics, the extension of the learning time is likely to have positive impacts on learning. In science, however, the duration of learning is not associated with scores suggesting that the current amount of time is adequate.

24. The reorganization of curricula appears as an important area to improve school quality. Therefore, the refocused curriculum that will be rolled out for grades one to four is likely to have beneficial impact on learning outcomes.

Disparities in spending and Per Capita Financing

25. The implementation of the Per Capita Financing (PCF) model is relevant because of the tremendous variations of education spending across the territory is a clear obstacle to equality of opportunity. Moreover, the early implementation of such scheme in three oblasts has been proven to be effective at both (i) reducing the disparities in resources allocation across schools and (ii) increasing the efficiency of spending. Finally, bringing down inequalities in spending among children is likely to homogenize quality.

26. Figure 8 plots the average reading scores in PISA 2009 by region and urban/rural against the average per capita spending in the general schools of the same areas. Regional disparities in the quality of education are huge and span 160 points, which corresponds to the gains of four additional years of education. And there seems to be a slightly positive correlation²⁶ between per capita spending and quality²⁷. The figure therefore suggests that, at least at the regional level, per capita spending is linked to differences in quality. To further explore the links between disparities in quality and spending, one seeks the determinant of educational spending at the school level.

27. Given that the number of non-teaching staff accounts for a large share of the cost and that it varies widely from one school to another²⁸, PCF could play a positive role in harmonizing operational conditions and costs among schools. Given the room of optimization in that area – just enforcing a reasonable cap on the non-teaching staff would save 0.6 percent of the total education budget, it is clear that widening the coverage of the PCF and bettering its implementation would yield clear positive benefits.

28. The determinants of the school resources are a mix of supply-driven and demand-driven factors. On the supply side, the school resources increase with remoteness²⁹ and the density of the population, measured by the number of children. On the demand-side, resources tend to decrease with the poverty level in the municipality, the share of non-Russian speaking children and the distance to the rayon center.³⁰

²⁶ This correlation does not change much once the local disparities in socioeconomic backgrounds are considered.

²⁷ However, this upward trend is not statistically significant.

²⁸ In 2010, in more than 6 percent of the schools, non-teaching staffs actually outnumber teachers.

²⁹ Captured by the remoteness administrative factor

³⁰ Socioeconomic variables such as poverty or education level of the parents are not reported at the school level. However, the National Statistics releases basic demographic indicators at the size of households, the education level of adults and the mother tongue at the municipal level. By crossing the data from the latest household survey with the demographic statistics at the municipal level, one can compute predicted values of education and poverty rate at the municipal level. This set of data is used in a second step as determinants of the budget received by the schools.

Figure 8. Correlation Between Quality as Measured by PISA Reading Scores and Per Capita Spending at the Regional Level and Urban/Rural Areas

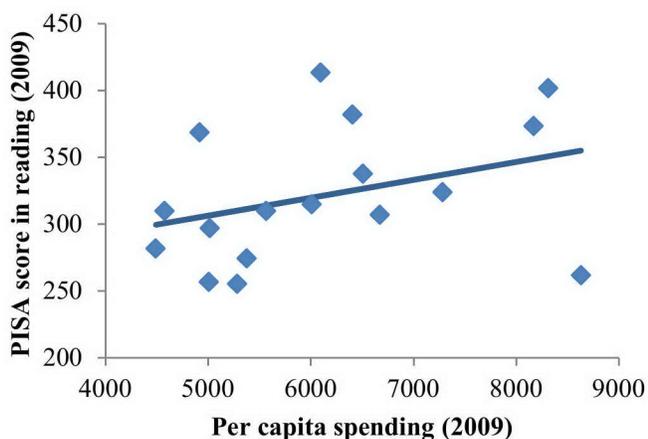
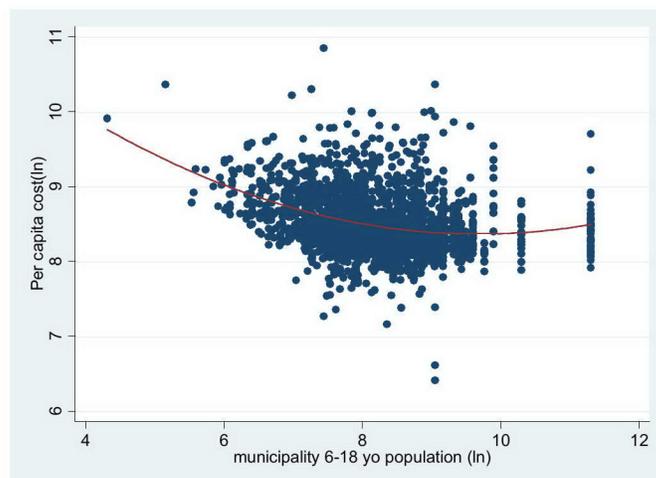


Figure 9. Per Capita Spending at the School Level vs. Children Population in the Municipality



29. The evolution of the per capita spending with the children population in the locality follows a typical “U” curve, see Figure 9. In the small localities, larger population density means a higher number of pupils in each school and lower per capita costs as fixed costs are divided between more beneficiaries. As towns become larger, the demand factors – more educated and wealthy parents usually set more ambitious goals for their children’s school – tend to compensate the “supply factors”.

Table 3. Determinants of School Budget

Dep. Per capita school budget (ln)	Model (a)		Model (b)	
	Estimates	T-student	Estimates	T-student
Proxy of share of poor	-0.56	2.7	-0.54	3.3
Share of Russian-speaking children	0.58	7.6	0.66	11.1
Remoteness factor (ln)	1.66	15.1	1.53	20.0
Distance to rayon center (ln)	0.00	0.1	-0.03	5.3
Children population (ln)	-0.44	5.5	-0.31	5.6
ln(children)^2	0.02	5.3	0.02	5.5
Number of students (ln)	-	-	-0.30	29.7
R2	0.28		0.61	
# obs.	2060		20606	

30. It is to be underlined that all other things equal, poorer localities (i.e. localities with a higher percentage of households below the poverty line) tend to benefit from lower educational expenditure. This effect is sizeable as an additional percentage of poor household in the municipality decrease the per capita spending by half a percent, as listed in Table 3. Even more concerning is the fact that Russian-speaking children tend to benefit from much larger

educational spending than Kyrgyz-speaking ones. All other things equal, a school welcoming only Russian-speaking pupils would benefit from 51 percent more of public resources than a school where only non-Russian speakers are enrolled, as shown in Table 3.

31. As displayed in Table 4, once supply factors are taken into account, large regional disparities in per capita spending remains. All other things equal, schools in Jalalabat receive 22 percent less than schools in Issyk-Kul, for example. Therefore, there is still room for equalization of opportunities through the Per Capita Financing (PCF) implementation at the national level.

32. The effects of the PCF implementation is noticeable when one looks at the disparities in the categorical grant, that are more limited in Issyk-Kul, Batken and Chui where PCF has already been implemented, as shown in table 5. The distribution of the categorical grant in Tallas appears to be especially very unequal.

Table 4. Regional Variations of the Per Capita Budget and Categorical Grant (2009)

Oblast	PCF implemented	Regional per capita budget variation to reference	Remaining ³¹ s.d. of per capita budget (ln)	Remaining ³² s.d. of per capita categorical grant (ln)
Jalalabat	No	-21.7%	0.25	0.25
Naryn	No	-22.3%	0.17	0.17
Osh	No	-16.8%	0.28	0.29
Tallas	No	-	0.33	0.93
Bishkek	No	-	0.40	-
Osh city	No	-	0.24	0.20
Issyk-Kul	Yes	- (ref)	0.23	0.15
Batken	Yes	-12.5%	0.21	0.20
Chui	Yes	19.2%	0.25	0.25

Accountability and autonomy

33. In a recent paper using PISA data, Hanushek and Woessman³³ showed that increased school autonomy favors education quality only when educational system already have put in place well established accountability mechanisms, especially a central examination system. In Kyrgyzstan, however, there is still no institutionalized objective measurement of pupils' performance across each school. Therefore, it does not come as a surprise that schools that were allowed more autonomy, whenever it concerned curriculum, resources or school leadership, did not perform significantly better (or worse), as indicated by the regressions displayed in Table .

³¹ We consider here the standard deviation of the per capita budget once supply and demand factors are taken into account, to discard inequalities in spending that are induced by regional specificities.

³² Idem.

³³ See Hanushek, Link & Woessmann (2011), *Does School Autonomy Make Sense Everywhere? Panel Estimates from PISA*, CESifo Working Paper Series 3648.

In the areas of accountability and assessment as well, various practices are not associated with better school quality.

34. Therefore, given the high degree of autonomy of schools, especially as school budgets differ widely from one school to another, the current lack of both strong central measurements of quality and accountability mechanisms is a concern and moving forward in those two areas should be a priority. Ensuring that centralized and standardized examinations such as the NSBA³⁴ are in place could have very a large effect on school quality in the medium run.

Monitoring and evaluation

35. As of today, data on education systems are collected by different institutions (the National Statistical Committee, the Ministry of Education and Science, the Treasury and the donor community). However, data from those different sources is not always consistent. Several structural problems remain. First, schools are not identified by a unique identification number at the national level. Schools may be identified by a name and/or a number valid within the municipality only. As schools are opened, closed or merged every year, this system prevents following schools data from one year to another.

36. In addition to that, the various data collectors do not use a standardized administrative coding of the locality³⁵ where the schools are located or which is accountable for schools. This complicates the process of school matching from one source of data to another. As a consequence, although education data, at least in basic education, is quite rich in the country, this prevents the consolidation of smoothly administrative, financial or even learning achievement data at the school level.

37. Basic education schools are well monitored thanks to Osh1 and financial data. However, they represent only 54 percent of the education budget. Pre-primary schools, vocational and tertiary institutions represent together 33 percent of the education budget, but data on beneficiaries, resources and budget are not collected at the institution level systematically. However, as indicated previously, unit costs in pre-primary, VET1 and universities appear to be surprisingly high in Kyrgyzstan. In a context of scarce fiscal resources, developing a more systematic collection of data on inputs and outputs at the facility level, in those other levels of education seems to be a priority.

Fiscal impact of the project

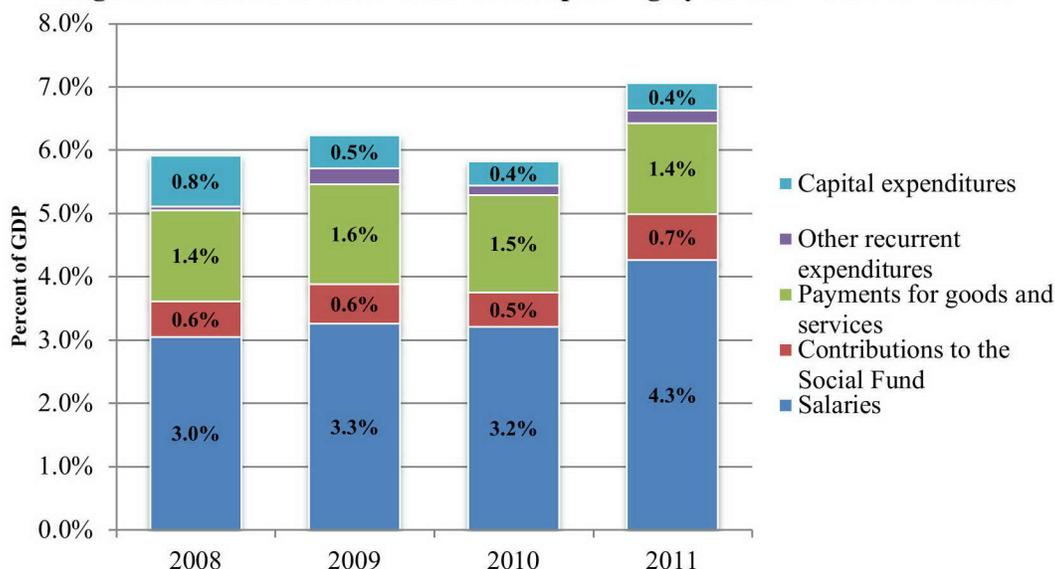
38. The Kyrgyz Republic is spending a large amount of its public resources for education, around 7.1 percent of its GDP in 2011. New compensation rules for teaching and non-teaching

³⁴ The National Sample-Based Assessment (NSBA) is not yet organized on a periodical basis and there is no regulation ensuring that such assessment should occur regularly or focusing on specific grades or specific subjects. Moreover, Kyrgyzstan does not have in place centralized and standardized examinations, which have been shown to be beneficial to education quality (see above).

³⁵ Although such official coding does exist.

staff doubled staff compensations in 2011, inducing a jump in spending which was only about 5.8 percent of GDP in 2010. Most of this increase was concentrated in basic education, although spending in pre-school education has also been steadily growing since 2009 (see Figure 10). As a consequence, per student spending increased by 33 percent on average, across all levels of education in 2011, 70 percent of which going to remunerations.

Figure 10. Trends in Total Education Spending by Economic Classification



Source: Kyrgyz Republic BOOST v0.6 government expenditure database.

39. When one compares the distribution of educational spending across levels, the Kyrgyz Republic does not seem to be very different from the European average country.³⁶ The resources devoted to pre-primary education are similar, around 8 percent of the total educational expenditure, and the funding for compulsory education (general and vocational) are slightly higher in Kyrgyz (61.1 percent) than in the average European country (60.1 percent). The spending for tertiary education³⁷ is higher in Europe (19.5 percent vs. 15.3 percent). However, this apparent similarity in the composition of expenditure is misleading, as the distribution of beneficiaries by levels is very different in Kyrgyzstan and Europe.

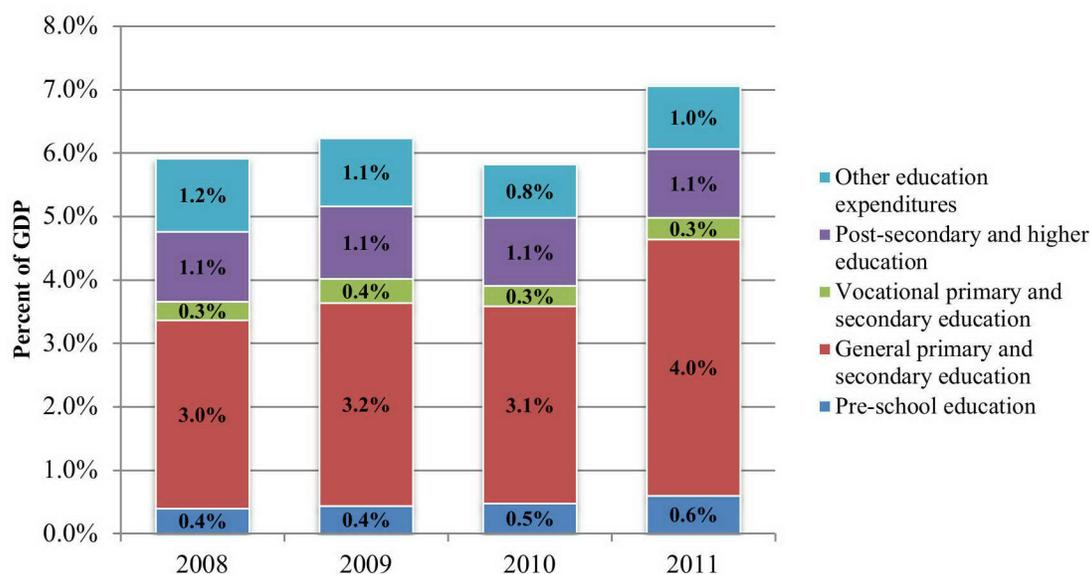
40. First, the level of per student spending in general education, around 21 percent of per capita GDP in 2011, seems adequate and in line with European standards as European countries spend on average around 24 percent of per capita GDP per student. Nonetheless, per student spending in pre-primary education is twice as high as that in general education while the average relative unit cost of pre-primary is 89 percent on average in Europe and only reaches 119 percent in the country which spends the most. This is a strong indication that the country has probably some room to improve the efficiency of spending in pre-primary schools. Given that the participation rate of 3 to 6 year old to pre-primary education remains very low, probably around 15 percent, the country may be able to increase the coverage without having to spend more.

³⁶ Here one computed average on the 27 EU countries plus Norway, Switzerland and Iceland.

³⁷ Tertiary education spending includes higher (university) and technical (non-university) education spending.

41. The situation in vocational schools is even more concerning in vocational schools. Per student cost remains almost four times higher in vocational schools than in general schools. On average, European countries spend 17 percent more per pupil in the vocational track than in the general track. This proportion reaches 65 percent in Switzerland, far below the 300 percent differential observed in the Kyrgyz Republic. In these conditions, there may be large room to improve the efficiency of vocational education in the Republic. In 2009, VET was absorbing 4.8 percent of the allocated educational expenditure³⁸ but serving to only 1.6 percent of students. Moreover, in spite of already being overfunded, vocational education is the level where per student spending has been growing the most since 2008.

Figure 11. Trends in Total Education Spending by Level



Source: Kyrgyz Republic BOOST v0.6 government expenditure database.

42. The spending for basic education in Kyrgyzstan is large for a country of its level of development. It amounted to four percent of GDP in 2011. The Kyrgyz education sector is not very efficient, especially compared to other countries in the region. Average per student spending is indeed one of the highest of the ECA region (see Figure 12). This situation is partially explained by the large network of schools scattered across the country. According to recent estimates³⁹, the sector could save as much as 800 million Som by restructuring the network of basic schools.

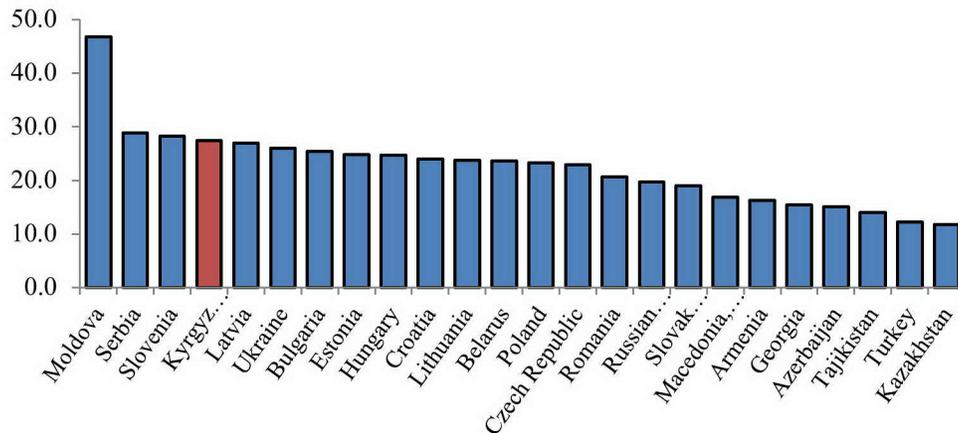
43. In basic education, 82 percent of the spending is devoted to the wage bill. Among good and services expenditure, the supply of food accounts for 30 percent and the utility bill 45 percent. After repairs, only 2.2 percent of the basic education budget (242 million Som) is left to

³⁸ One allocated expenditure from pre-primary, general, vocational, post-secondary and tertiary.

³⁹ See *Education Spending in the Kyrgyz Republic, Analysis of Current Trends and of Options for Potential Savings*, Keyfets and Cahu (2012), World Bank.

cover all other goods and services expenditure, including the provision of textbooks. During the recent years, the allocated amount for textbooks from the Republican budget represented around 100 million Som but this line item has only been executed partially.

Figure 12. Public Spending per Student as % of GDP Per Capita



44. The Project is not likely to have a significant impact on the education spending in the medium-run. The new curriculum is not likely to induce an increase in teaching staff, so it will not impact the wage bill. Likewise, neither the provision of textbooks nor the implementation of teacher training is likely to increase costs for the Government.

45. At the same time, according to the experience implementing the PCF in three oblasts, its implementation in new oblasts should have a positive impact on the basic education budget in the medium-run. The per capita costs decreased in average by 1.5 percent between 2009 and 2010 following the implementation of the PCF in Batken, Issyk-Kul and Chuy, while per student costs increased in average by 1.2 percent at the same time in the oblasts where PCF has not been implemented.

Financial sustainability

46. Project interventions are embedded in the Government’s reform program. First, the training programs for teachers have been decided and will be designed by the Ministry of Education and are therefore likely to be sustained after the closure of the program.

47. Second, measures supporting the implementation of the new curriculum are by definition temporary but will continue to yield positive effects on learning outcomes in the medium-run.

48. Third, the financing of textbooks under the program is conditional to a financial contribution of the Republican budget as well as the implementation of a longer term sustainable program for textbook replenishment.

Annex 7: Coordination and Partnership
Kyrgyz Republic: Sector Support for Education Reform Project (P113350)

Projects Financed by International Development Partners in Basic Education (past/ongoing/planned)

Project	Amount & Closing Date	Sector Issues Addressed
WB- Rural Education Project (FY05)	US\$15mln. (grant) Closed 03/31/2011	Performance management system for teachers and Directors and a related revised salary scale; Enhancement of MES capacity in the area of strategic planning and education financing reform , introduction of Capitation Financing Model; Learning Improvement Plans by school; Textbook authorship, selection, and production; provision of textbooks and learning materials to primary and secondary schools; Student assessment.
WB- Fast Track Initiative Catalytic Fund Grant-1	US\$9mln. (grant) Closed 05/31/2011	Pre schools and primary schools: School infrastructure, provision of furniture, equipment, teaching and learning materials, developmental games; in-service training of teachers; monitoring and evaluation
WB- Fast Track Initiative Catalytic Fund Grant 2	US\$6 mln. (grant) Closing date: 12/31/2012	School preparation program: provision of furniture, equipment, teaching and learning materials, developmental games; in-service training of teachers; monitoring and evaluation
ADB Second Education Project	US\$15.5mln. (grant) Project duration: 2006-2011	Policy studies; capacity development of the national Teacher Training Institutes (TTI) in delivering the in-service teacher training; curriculum development (in stages, for Grades 1-4, 5-9 and 10-11); development and printing of textbooks for Grade1 students and teacher guides for the teachers of the 1 st Grade; training of teachers and school directors on new curriculum, textbooks, and learning materials, as well as formative and summative assessment; rehabilitation of schools, provision of computer classrooms and language laboratories.
USAID Quality Learning Project (QLP)	US\$4.8 mln. (grant) Closed: June 2012	Improving quality of learning through: 1) introducing child-centered learning to in-service and pre-service teacher trainings; 2) improving capacity of education administrations (heads of HMUs, deputy directors, Directors, Rai); 3) introducing per-capita finance mechanism to education finance system.
Soros Foundation	US\$: 150,000 (grant) Project duration: 2010-2011	Provides methodological and technical support for institutionalization of competency based educational standards
GTZ Basic Education	US\$2,4mln. Project duration: 2009-2010	Pre-service teacher training at teachers' colleges; development of standards; provision of the equipment to 43 schools; development of the in-service teacher training curricula for teachers of target subjects, teacher training modules and materials; delivery of reading books, textbooks in Kyrgyz language for primary classes in target schools
EU Support to the Kyrgyz Education Sector	Euro 1 mln Euro 20 mln	TA - Capacity building of MES in Public Financial Management and program budgeting; result oriented management; institutional and functional analysis. Budget support – TVET & higher education.

Donor Support and Past Interventions

Corresponds how to MoES Action Plan: Complements what future donor support: Builds on what past donor support

Component One: Enhanced learning				
<i>1.1 Improving pedagogical practices</i>				
	Assessment of primary school pedagogical practices	Capacity building of primary teachers to deliver revised primary curriculum	USAID support to teacher training on early reading (limited scale) (GPE support to pre-school teacher training)	ADB-supported orientation to teachers on new curriculum USAID-supported syllabus guides REP-, USAID- and GIZ-supported in-service training packages delivered on selected topics and limited basis
	Training of primary teachers and Deputy Directors			
<i>1.2 Resources for learning</i>				
	Textbooks provision and institutional reinforcement	Filling in gaps in textbooks availability and improving quality assurance; providing revised textbooks to enable delivery of revised curriculum		REP support to develop manuscripts REP support to improve and reinforce institutional arrangements
	TLMs provision	Filling in gaps in TLMs availability	USAID support to development of early grade reading materials (limited scale) (GPE support to pre-school TLMs)	REP support to TLMs provision in target oblasts Limited FTI-1 support in selected schools
<i>1.3 Ongoing revision of subject standards and content 5-9</i>		Completion of revision for lower secondary curriculum		ADB and OSI support to primary curriculum revision; and started on secondary
<i>1.4 Learning assessment</i>		Improved information on system performance	READ-financed Grade 4 (2012/13)	REP-supported: PISA gr8 (2006 and 2009) and NSBA gr4 and gr8 (2007 and 2009)
Component Two: Improved school Management and accountability				
<i>2.1 Improved financial management</i>				
	Design/operationalisation of school budgets/expenditures info system	Nationwide coverage of PCF; improved system management and accountability Improved management information systems	Possible EU/UNICEF support to EMIS development EU support to FM systems at MoES and subordinate entities	USAID-supported info system for Chui oblast
	Capacity building and communications Training AO/RED staff Local and central TA Stakeholder awareness		EU-supported orientation on PCF	REP and USAID support to develop PCF design and to introduce PCF in project oblasts
<i>2.2 Strengthened school leadership and management</i>				
	Directors training and revision of school report card	Nationwide coverage of PCF; improved system management and accountability		USAID- and REP- supported directors training in target oblasts

Program areas in the education sector with Implementing Partners

								Handicap
								EFCA
							DVV	Helvetas
							Helvetas	AKDN
			Helvetas		DAAD		AKDN	GIZ
			AKDN		AKDN		GIZ	UNICEF
UNICEF			GIZ	AKDN	GIZ	UNESCO		USAID
EU	UNICEF-GPE	GPE	ADB	GIZ	EU	USAID		EU
WB	WB	WB	EU	EU	WB	EU		WB
Program 1	Program 2	Program 3	Program 4	Program 5	Program 6	Program 7	Program 8	
Management and Administration	ECD & Pre-School Education	School education (grade 1-11)	VET	Secondary Professional Education	Higher Education	Adult Education	Cross cutting themes	

Annex 8: Communication Plan

Kyrgyz Republic: Sector Support for Education Reform Project (P113350)

1. Summary

The Education Sector Reform Communication Plan (the Plan) provides a general framework to facilitate effective and efficient flow of information for supporting the successful implementation of the Project. It outlines the objectives, tools and resources essential for the Ministry of Education and Science of the Kyrgyz Republic to effectively communicate the Project's development objectives to its stakeholders, mobilize support, develop capacities in the areas of project activity expertise, and advocate for the reforms supported by the Project. There are three strands of reforms supported by the Project: (i) increased accountability and autonomy at the school level with introduction of Per Student Financing (PCF); (ii) increased teacher effectiveness with curriculum reform and modernization; and (iii) modernized policy and institutions for textbook development and provision.

2. Strategic communication objectives

- To create trustful attitude and raise public awareness of the benefits of the education sector reforms that the Project supports; and
- To reduce the risk of conflict situations related to project implementation.

3. Target groups have been identified according to the key stakeholder' list of the Project:

Primary

1. Parliamentarians
2. Civil society (local and international NGOs)
3. Educational institutions/educators (Academy of Education, school teachers, Directors)
4. Parents
5. State/local self-governance authorities
6. Mass Media (regional, national, and international)

Secondary

1. Donors
2. General public

4. Messaging

The use of appropriate language and style and the mode of transmission must be carefully considered when addressing different audiences. The content of messages will depend on the level of knowledge of audiences, their expectations and the purpose of the communication.

The main message to be communicated with regard to the Project is formulated as “*The Project will contribute to creating enabling conditions for improved learning, innovations in school curriculum, teacher training, textbook design, as well school management and financing.*”

Communication for key target audiences could be tailored in the following manner:

Parliamentarians: *“The reforms are aimed at ensuring equity and efficacy of allocation of funds.”*

Teachers: *“The proposed reforms will be aimed at providing opportunities for you to raise your teaching skills and competencies and, as a result, to become more competitive in the job market.”*

Local communities: *“These reforms will allow you to have more opportunities to actively participate in the school management process.”*

Parents: *“Your children will get better quality of education in schools.”*

5. Set of tasks to be accomplished to achieve the strategic objectives:

- To deliver the main message to target groups and inform stakeholders on the Project’s activities (goals, opportunities, results, etc.).
- To provide wide access to information about education sector reforms to all groups of population.
- To create mechanism of two-way communication with all stakeholder groups.
- To conduct media monitoring to keep an eye on the situation around the Project, forecast risk and evaluate communications efficiency.

6. Channels and tools to be used when communicating with:

Political decision makers

- Meetings with Members of the Parliament (MPs) through the Ministry of Education and Science
- Publications and TV programs in national and regional mass media
- Distribution of information booklets and posters, Public Service Announcements (PSAs) on TV

Civil society

- Direct contacts with heads of NGOs
- Cooperation for community-level outreach and project supervision
- Distribution of information materials (press-releases, news, etc.)
- Access to the project information on the Ministry of Education and Science’s web-site
- Two-way communication (timely response to NGO requests)

Mass media

- Establishing contacts with priority mass media editors
- Information and capacity building events for journalists
- Facilitation of access to accurate information about the Project for mass media (organization of interviews, etc.)
- Distribution of press-releases

- Organization of press-conferences
- Organization of media tours
- Personal contacts with mass media representatives

7. Budget

To implement the above plan, project funds in the amount of US\$300,000 are set aside for maintaining media and external relations, enhancing/ improving the public awareness and understanding of the Project's goals, mobilizing resources and support (including hiring a communications consultant for MoES).

8. Evaluation of efficiency of the communication activities

The Communication Plan will be implemented by the Ministry of Education and Science, including staff in the fields. The strategy will be monitored by the ministerial press-service and evaluated by MoES at the end of each year based on the report submitted by the press-service team.

The following evaluation methods for the Communications Plan and its implementation can be used:

- Ad hoc focus groups – especially among teachers, parents, students, and the Kyrgyz media;
- Analysis of web-forum content on the reforms;
- Internal benchmarks – to be discussed and agreed with the MoES; and
- MoES internal feedback.

MAP IBRD 33430

