I. Project Context

Country Context

1. Costa Rica is one of the strongest performers in Latin America. Due in large part to its political stability, strong institutions, and open export-driven economy, the country has been successful at attracting high technology firms and developing a sustainable tourism sector. This has contributed to a diversified economy, and robust economic growth. Costa Rica also stands out for its environmental policies and determined mission to achieve carbon neutrality by 2021. Inequality increased somewhat in the second half of the 2000s, but poverty and inequality remain well below most LAC countries, and social indicators are above regional standards.

2. The Chinchilla Administration (2010 – 2014) has put forward an ambitious public investment program to address important bottlenecks to continued strong growth; however, its implementation will require tackling certain fiscal issues. In response, the Government has articulated a strategy for medium term fiscal consolidation which includes a comprehensive tax reform. While current debt levels can accommodate deficits in the short-term, the situation could become complicated if consolidation does not take place. To spur further growth, Costa Rica also needs to improve the performance of its public Higher Education Institutions (HEIs) in order to increase the stock of advanced human capital, increase investments in technology, and foster research and innovation to enhance competitiveness.

II. Sectoral and Institutional Context

3. Costa Rica’s higher education system is composed of five public universities: four established universities (Università de Costa Rica – UCR, Universidad Nacional – UNA, Instituto Tecnológico de Costa Rica – TEC, and Universidad Estatal a Distancia – UNED), which account for 47 percent of total enrollment; a relatively new public university (Universidad Técnica Nacional); and approximately 50 self-financed private universities. In addition, there are 60 other higher education non-university institutions, typically of a small scale. The uncontrolled proliferation of private universities raised concerns at the national level about the qualifications of graduates, and led to the creation in 1999 of the National System for the Accreditation of Higher Education (SINAES, Sistema Nacional de Acreditación de la Educación Superior), Costa Rica’s national quality assurance agency. Today a total of 64 programs from 18 universities, including the 4 public universities in the National Council of Rectors (CONARE, Consejo Nacional de Rectores), are accredited by SINAES.

4. Despite important progress over the last decade, gross enrolment rates in higher education institutions (HEIs) remain low compared to other middle income countries such as Brazil, Chile and Colombia, with a large enrolment gap between individuals from the lowest and highest income quintiles. Although the gross enrolment rate has increased, from 22.4 percent in 2002 to 25.8 percent in 2009, this is largely due to the growth of fee-charging private universities: in fact, public ones impose access quotas due to limitations in their physical infrastructure and human resources. The limited growth of public universities has constrained access to tertiary education, in particular for the poorest students, even though scholarships for students, in the form of financial aid or tuition waiving, reached 42 percent of public university students. In order to address equity issues, both universities and the GoCR will continue efforts to increase access and to improve the scholarships system.

5. The higher education system is not producing sufficient graduates in basic sciences and engineering programs. Most students graduate in the social sciences and education, which accounted for 66 and 72 percent of diplomas awarded by public and private universities in 2009. Even though some social science areas are economically important, the main bottlenecks are in basic sciences and engineering, which represented less than 20 percent of graduates in public universities and less than 10 percent of graduates in private universities. Furthermore, only 11.6 percent of the supply of university programs is concentrated in basic sciences and engineering. This contrasts with the concentration of the largest labor deficits in the science and technology fields: basic sciences, computer science, engineering and emerging fields such as nanotechnology, telecommunications, renewable energy and biotechnology. Advanced human capital for research is still notoriously low, with a ratio of 0.78 full time equivalent researchers per thousand in the active population, compared to a ratio of 1.3 in Brazil and more than 2 in Chile. The percentage of faculty members with postgraduate education is low and laboratories and equipment are often out-dated.

6. There are several coordination mechanisms for public institutions: (i) the National Council of Rectors (CONARE), which gathers four public universities, namely UCR, UNA, TEC and UNED; (ii) a Liaison Commission composed of the Rectors of these four universities, and the
Ministers of Public Education, Science and Technology, National Planning and Political Economy, and Finance (MEP, MICIT, MIDEPLAN, and MH respectively, by their acronyms in Spanish), which negotiates and approves financing for the four CONARE public universities through agreements signed every five years under a constitutionally-prescribed Special Fund for the Financing of Public Higher Education (FEES, Fondo Especial para el Financiamiento de la Educación Superior Estatal); and (iii) SINAES. In addition to public funding received through the FEES, each university is authorized to generate own revenues through the provision of services to actors external to the HEI.

7. Despite efforts in the right direction, Costa Rica still lacks a consolidated information system on higher education. As for private universities, there are two main entities: (i) the National Council of Private University Higher Education (CONESUP, Consejo Nacional de Enseñanza Superior Universitaria Privada), whose main mission is to approve the creation of new institutions; and (ii) the Union of Private University Rectors (UNIRE, Unidad de Rectores de Universidades Privadas), which gathers most universities in the private sector.

8. Rationale for World Bank involvement. Multilateral Development Banks such as the Inter-American Development Bank and the Central American Bank for Economic Integration have had a long tradition of supporting the Costa Rican higher education sector through loans to specific institutions. The proposed operation would be the first multilateral loan supporting change through simultaneously engaging the four CONARE public higher education institutions, and the first Bank-supported project for higher education in Costa Rica. The Project responds to a demand from the Government of Costa Rica (GoCR) to assist in the development of higher education, particularly by supporting investment in strategic areas of the four CONARE universities.

III. Project Development Objectives
The Project Development Objective (PDO) is to improve access and quality, to increase investments in innovation and scientific and technologic development, as well as to upgrade institutional management in Costa Rica’s public higher education system.

IV. Project Description
Component Name
Component 1. Institutional Improvement Agreements (AMIs)
Component 2. Strengthening institutional capacity for quality enhancement

V. Financing (in USD Million)
For Loans/Credits/Others Amount
Borrower 53.30
International Bank for Reconstruction and Development 200.00
Total 253.30

VI. Implementation
A. Institutional and Implementation Arrangements
9. Institutional arrangements have been designed to facilitate and promote implementation, effective accountability, sufficient technical supervision, and adequate monitoring and evaluation. At the same time, institutional arrangements aim at leveraging existing structures within the Government and public university system, incorporating country demands and making the Project as dynamic as possible. While implementation arrangements require a certain degree of complexity, the Project would count on a centralized coordinating unit and an Operational Manual (OM) detailing Project implementation arrangements.

10. The Liaison Commission (CE, Comisión de Enlace) would be the main decision-making and governance body regarding overall Project implementation. The CE is comprised of the Rectors of the four CONARE public universities and four Ministers: Public Education (MEP), Science and Technology (MICIT), Planning and Economic Policy (MIDEPLAN) and Finance (MH). The CE would make by consensus major decisions about the Project (including the approval of AMIs—once throughout the 5-year period—and POAs), the designation of the CP and approval of Project progress reports. The CE would play an important role in maintaining Project ownership by the GoCR and the universities, as well as in ensuring proper oversight, improving accountability and maximizing sustainability in the long term.

11. The Government’s Technical Commission (CTG) would provide technical advice to the Government, in the framework of the CE. In particular, it would provide advice on an ad hoc basis to the Government regarding Project implementation and M&E. The CTG would ensure that the AMIs, their subprojects and the corresponding POA are in line with national priorities, as they were linked with the PND 2010 – 2014. The CTG is composed of staff from MEP, MICIT, MIDEPLAN and MH, and led by the Minister of Science and Technology.

12. Overall Project coordination and monitoring would be handled by the Project Coordination team (CP, Coordinación del Proyecto), based at CONARE, which would be the Bank’s main interlocutor during Project implementation. The CP would coordinate monitoring and evaluation (M&E), including progress reports and Bank implementation support, for both Components 1 and 2. As such, the CP would constitute a focal point that collects and integrates information from implementing agencies (Project coordinating units), and work as a link between these and the Liaison Commission. The CP would be led by a Project Coordinator and count on a small team, all of which would be designated by the Liaison Commission.

13. Component 1 would have four implementation agencies (Project coordinating units), namely one for each of the four participating universities (Subcomponents). To promote accountability and strengthen existing management capacity, already-existing and well-functioning structures in six areas within each university would be used for Project implementation: (i) financial management, disbursements and accounting; (ii) procurement and contracting; (iii) infrastructure; (iv) planning, monitoring and evaluation; (v) environmental management; and (vi) indigenous peoples issues management. In addition, each university would appoint an overall Coordinator and someone responsible for each of the six areas. The four universities would implement their AMIs with autonomy and coordinated by the CP in monitoring and evaluation aspects. This would allow the Project to leverage significant, existing capacity for implementation, ensuring adequate monitoring and evaluation at the Project
14. Component 2 would have two implementing agencies (Project coordinating units): for Subcomponent 2.1, SINAES, i.e. the National System for the Accreditation of Higher Education (Sistema Nacional de Acreditación de la Educación Superior); and for Subcomponent 2.2, OPES, i.e. CONARE’s Office for Higher Education Planning (Oficina de Planificación de la Educación Superior). SINAES and OPES would provide to the CP the required technical information for monitoring the Project. Subcomponent 2.3 would be under the responsibility of the CP.

B. Results Monitoring and Evaluation

15. The CP would be the main responsible for monitoring and evaluation (M&E), and would report directly to the Liaison Commission and the Bank. Regarding Component 1, the universities would be responsible for gathering, processing, and analyzing data on the progress of indicators in the framework of their respective AMI. This would be carried out through significant existing M&E capacities that have been identified at the four participating universities. Universities would provide to the CP an M&E report twice a year. The CP would coordinate the elaboration and consolidation of universities M&E reports, and submit to the CE a consolidated M&E report twice a year. Progress toward all AMI indicators, including the Project’s PDO-level and intermediate results indicators, would be publicly disclosed through annual Project progress reports.

16. The Bank team would work closely with the CP and the six coordinating units to evaluate Project implementation progress during regular implementation support missions using the collected data and comparing it against the agreed targets. Furthermore, the Bank would perform a mid-term evaluation on the basis of which, following implementation criteria established in the Operational Manual, the Bank may proceed to the partial cancelling of financing.

17. A Monitoring and Evaluation Committee (CSE, Comité de Seguimiento y Evaluación), financed by CONARE, would provide an external and impartial assessment of Project implementation. The CSE would perform a yearly evaluation of the Project and submit it to the CE, with special attention being paid to AMIs and their subprojects. This body, which would be composed of experts of recognized authority in their respective academic and management fields, would consult key stakeholders (mainly, students and employers).

C. Sustainability

18. The Project is meant to strengthen Costa Rica’s higher education system by implementing improvements in access, quality, R&D and management. Sustainability of the Project would ultimately be codetermined by the appropriate working of institutional design, adequate implementation, and increased flow of information in the field of higher education. Especially important would be the continuation of a culture of performance, evaluation and accountability in the public university system, which has been fostered by the process of Project preparation and is expected to grow during implementation. Another relevant factor for sustainability would be the consensus among educational stakeholders and policy makers that efforts must be made to improve the quality of higher education, both at the institutional level and system-wide (e.g. through information systems).

19. The strong institutional and technical capacities of the four participating universities, SINAES and OPES enhance Project sustainability. A limited number of staff shortages have been identified at one university (in its procurement unit) and at SINAES. SINAES and the corresponding university have already planned to allocate resources to overcome these shortages, which would help to build additional sustainable capacities.

20. In general, Costa Rica shows signs of long-term commitment to the improvement of its public higher education system, as illustrated by the existence of a clear legal framework, the consolidation of a system of public university funding, and the alignment of higher education planning with the five-year development plans. The Project is expected to both shape and be shaped by this environment, thus maximizing its sustainability in the mid- and long-term.

VII. Safeguard Policies (including public consultation)

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