I. Project Context

Country Context

The Republic of Nicaragua in Central America remains the second poorest country in Latin America (after Haiti) with a GDP per capita of US$1,200 in 2011. Approximately 42 percent of the population still lives below the poverty line, and one out of every five Nicaraguans lives in extreme poverty. Among the 300,000 families with children living in extreme poverty, about a third of them have at least one child (aged 7-12) working and/or not going to school.

Nicaragua’s economic performance and macroeconomic policy management has improved in recent years. Nicaragua recovered quickly from the global crisis and experienced robust growth in 2010 and 2011; after contracting 1.5 percent in the 2009 recession, GDP grew 4.5 percent in 2010 and 4 percent in 2011. Economic expansion led to higher inflation (9% in 2010 and 8% in 2011), but overall macroeconomic policy management remains adequate. The government continues to pursue a fiscal consolidation strategy. Spending remained under control, contributing to a reduction in the primary deficit from 5.2 percent of GDP in 2009 to 3 percent in 2011.

Within this context, the Government of Nicaragua (GoN) defined its plans for economic development and poverty reduction in its National Plan for Human Development (Plan Nacional de Desarrollo Humano, Gobierno de Reconciliación y Unidad Nacional, 2007-2011). As part of this plan, the GoN set a pro-poor strategy and agenda that emphasizes the delivery of both infrastructure
and social services. The country has made positive progress on human capital indicators, particularly on several of the Millennium Development Goals (MDGs). For instance, in the education sector, net enrollment of children between 6 and 11 years of age increased from 83 percent to 92 percent between 2001 and 2008.

II. Sectoral and Institutional Context

In its Education Sector Strategy, 2011-15 (ESS), the Ministry of Education (MINED) articulated three key priorities: (i) expanded access to preschool education, (ii) universal completion of six grades of primary education, and (iii) universal access to lower secondary education (grades 7-9). Average education attainment reached 5.8 years in 2010 for the population 25 years and older. With preschool gross enrollment at just 56 percent, primary net enrollment at 87 percent (of which less than 75 percent finish the primary cycle), and secondary net enrollment at 45 percent, the ESS’s priorities make sense. The ESS has been carefully reviewed and has been endorsed by Nicaragua’s external education partners.

Weaknesses in the supply and quality of preschool education, particularly among disadvantaged rural households, are correlated with low retention and completion rates at the primary level. Currently, both formal preschool education in primary schools and community-based preschool programs are offered, reaching slightly about 231,000 children aged 3-5. Enrollment rates increase steadily from 3 years of age (less than 40%) to 4 years of age (more than 50%) up to 5 years of age (more than 80%). Rural enrollment (47%) is considerably lower than urban enrollment (70%) and 80 percent of rural preschool children are in community-based programs, which are generally of lower quality. Low rural enrolment and poor quality are reflected at the primary level with much lower transition, retention and completion rates in rural areas compared to urban areas.

The poor quality of preschool education overall limits its effectiveness. Community-based preschool non-formal teachers have little training in early-age learning processes. They are paid poorly (about US$60 per month compared with around US$160 per month for a formal preschool and/or beginner primary school teacher), which reduces the attractiveness of the position and increases turnover. Few educational materials are available to provide mental stimulation and social/play opportunities, and distances to community centers offering preschool can be prohibitive for very young children. Community-based programs function more as day-care centers than as preschools. Formal preschools – usually located within the facility of a public primary school - offer better infrastructure, but lack basic learning materials as well. In addition, the pre-service training curriculum for preschool teachers is outdated, while in-service training is very limited in both scale and duration. More than 20 percent of preschool children dropout during their first year, a reflection of low perceived quality among parents and/or the difficulties of access.

In November 2011, the Early Childhood Policy was approved by the GoN. The Bank with the support of the GoN carried out an assessment of ECD based on the “System Assessment and Benchmarking for Education Results”. The assessment showed that the ECD legal framework is “established”, while ECD financial arrangements for program implementation, quality assurance mechanisms, and monitoring and evaluation systems are still “emerging”. In 2010 the GoN established the Early Childhood Commission in an attempt to better integrate and coordinate ECD among the Education, Health and Family line ministries. The commission led the preparation of the Early Childhood Policy.

At the primary education level, despite significant expansion of access and enrollment over the last
decade, Nicaragua is still far from achieving universal completion of six grades. The retention rate in primary education, particularly in the first two grades, is far too low. Only 74 percent of the children who entered grade 1 in 2010 were enrolled in grade 2 in 2011. This is correlated with low levels of learning, which in turn are linked to poor preparation of primary school teachers and insufficient learning materials, particularly for instruction in rural, multi-grade classrooms, which make up the majority of the system at this level. Among MINED’s 25,000 primary school teachers, two thirds work in rural primary schools, many as “empirical teachers” lacking teaching certification. In addition, not all schools offer all six grades because of insufficient numbers of teachers or classrooms (or both), which leads to dropout and much lower retention rates in rural schools compared to urban schools.

Primary education quality indicators in Nicaragua (as measured by test scores) are low by international standards similar to most other Central American countries. The relationship between socioeconomic conditions and test scores is weak, that is, the gap in test performance between the wealthy and the poor is very small, indicating that even those more privileged students fare poorly by international standards. Moreover, performance varies considerably between areas of similar poverty levels: for example, in the national 4th grade mathematics assessment, results in Granada, León, and Masaya were very different, suggesting that school factors may play an important role in performance. Approximately 40 percent of students scored below what was considered to be “intermediate”, with math learning levels particularly low.

Lower secondary education (grades 7-9) also suffers from inadequate and unequal access and low completion, particularly in rural areas. Although the overall net enrollment rate in lower secondary is 45 percent, it is just 28 percent in rural areas (versus 61% in urban areas), and as low as 20 percent in the two Atlantic Autonomous Regions. The repetition rate is 8.2 percent and the dropout rate is 14 percent overall (22% in 7th grade). Only 29 percent of students who begin grade 7 finish grade 11 on time. Not surprisingly, dropout rates are much higher in rural areas (e.g. around 20 percent in RAAS and RAAN) relative to urban areas (the urban-rural gap in education attainment for the 20 years-old cohort is the highest among Central America countries). The lower secondary level completion rate is 52 percent, placing Nicaragua behind Costa Rica, Panama, and El Salvador, and at a similar level to Honduras.

Low enrollment at the lower secondary level is a reflection of lack of access (which requires at least classrooms and teachers). At the secondary level, there are only 857 schools nationwide compared to 7,876 primary schools with an estimated 320,000 students enrolled in grades 7-9. Many of the 3,000 secondary classrooms are in need of significant repair or replacement. Limited road infrastructure and population dispersion in rural areas pose a great challenge for increasing attendance. 40 percent of secondary level teachers lack formal training (so-called “empiricos”), and the vast majority of these work in rural areas. Teacher training at the secondary level is provided exclusively at the University level. Total annual output is around 200 secondary teachers. Per student spending at the lower secondary level is just US$101 per year (versus US$170 per year at the primary level).

Administrative capacity across the system is weak, which reduces MINED’s ability to optimize scarce educational resources to improve education management and student learning opportunities. MINED has identified critical weaknesses in planning, statistics, learning assessment, monitoring and evaluation at both central and regional levels. However, capacity to monitor and evaluate implementation of the ESS at all levels of the system remains inadequate, especially at departmental
and municipal levels, and the specific MINED General Directorates for Preschool Education and Secondary Education lack the training, technical assistance, codification of procedures, and equipment/software necessary to carry out their responsibilities relative to the implementation of the ESS.

The ESS calls for a revised administrative organization of “nucleos educativos” that MINED would progressively implement, in an attempt to rationalize and streamline the delivery of education services. Currently, all primary and secondary schools are organized into approximately 1,250 “nucleos educativos” (education clusters), which consist of groupings of one core school (“escuela base”) offering preschool through 9th grade, surrounded by 8-10 primary “feeder” schools (mostly multi-grade). These “nucleos” are the organizational units for in-service training, storage and distribution of learning materials and school feeding products, pedagogical supervision, evaluation, and transition from 6th to 7th grade. A review of this structure has shown many “nucleos educativos” to be dysfunctional, with too many feeder schools located too far from the core school, such that MINED plans to re-organize the system with more core schools (meaning more nucleos) and fewer feeder schools per nucleo.

A US$25 million IDA-financed Second Support to the Education Sector Project (PASEN II) was approved by the Board on January 17, 2012 to improve students’ retention in primary. PASEN II would focus on 40 municipalities in six Departments and the two Atlantic Autonomous Regions. PASEN II would finance demand-side interventions; school refurbishing; educational materials; teacher training, with a special emphasis on multi-grade instruction; national learning assessments; and accelerated primary education programs for over-age students. PASEN II would also seek to strengthen MINED education management capacity.

PASEN II and the Project are the first two highly complementary “building-blocks” supporting the implementation of the ESS. The Project would be financed by the European Union (EU) and the Global Partnership for Education (GPE). The Project would be administered by the Bank, to ensure complementarity with PASEN II, as well as to harmonize implementation, disbursement, monitoring and reporting procedures. The Project would aim to increase access and quality of preschool and lower secondary education, while improving 9th grade completion rate. The EU, in addition to channeling approximately US$38 million through this Bank-administered Project, would provide approximately US$4 million in direct technical assistance to strengthen MINED’s administrative capacity at the departmental and municipal levels.

The ESS shows an estimated financing gap of US$251 million for the period 2011-2015, which might leave important programs of the ESS insufficiently funded and/or unfunded (see Annex 7 for more details). Increases in tax revenues fostered by prudent macro-economic policies have provided additional fiscal space for the GoN to support the ESS, and the Medium-Term Expenditure Framework (MTEF) for education was approved in February 2012 by National Assembly. The MTEF would increase total education spending from 3.5 to 3.7 percent of GDP, and from 16 to 18 percent of total domestic recurrent spending.

Nonetheless, domestic resources would not be sufficient to meet the entire ESS estimated financing gap. In addition, new funding from IDA through PASEN II and from the Project, the GoN is also currently negotiating with several other donors to further reduce the financing gap, such as: (i) the Inter-American Development Bank for a US$40 million Project to support Early Childhood Development (age 0-6 years); (ii) the Japanese International Cooperation Agency to support school
construction and teacher training in primary education; and (iii) the EU for a US$20 million grant to support vocational and technical training. These three additional contributions would reduce the financing gap to approximately US$125 million. However, education infrastructure remains insufficiently funded, particularly at the primary level. Structural reforms are also needed in teacher education and teacher career management across all levels of education. These important areas are currently beyond the reach of PASEN II and of the Project.

III. Project Development Objectives
The objective of the Project is to: (a) increase access to preschool and lower secondary education in participating municipalities; and (b) improve preschool learning conditions and the quality as well as completion of lower secondary education nationwide.

IV. Project Description
Component Name
Increasing Access and Improving Learning Conditions of Preschool Education
Improving Access, Quality and Completion of Lower Secondary Education
Strengthening of the Ministry of Education’s Institutional Capacity

V. Financing (in USD Million)

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VI. Implementation
MINED would be responsible for implementing the proposed Project through its existing organizational structure and line departments, rather than through separate Project implementation mechanisms at central or regional levels. Under PASEN II, MINED agreed to place a Project Coordinator (PC) reporting to the highest MINED department (The Executive Directorate) to coordinate, facilitate and oversee implementation carried out by lower directorates (preschool education, secondary education, teacher training, infrastructure, etc.). The same PC will coordinate the ESSSP. The PC (selected according to terms of reference satisfactory to the World Bank) will be delegated authority to coordinate the various MINED line units in charge of Project implementation. The PC will ensure that each department delivers key inputs (e.g. TORs, bid evaluations, program designs, training activities, monitoring reports, data, etc.) on a timely basis. In addition, s/he would liaise with the representatives of the Secretaries of Education Autonomous Regions Educational System (SEAR), which have been given certain responsibilities for education in indigenous areas under the 2006 Law of Education.

Fiduciary management would be provided through the Department for Financial Administration, which includes inter alia the Finance Division and the Procurement Division. Both divisions will be strengthened under the PASEN II, with the objective of supporting fiduciary management for both PASEN II and ESSSP. To handle the additional transactions for ESSSP, 6 additional FM staff and 2 additional procurement staff would be hired by the Project. PASEN II-financed fiduciary experts will have important responsibilities for knowledge transfer and training, and will exercise critical
quality control functions in reviewing financial and procurement documentation before it is sent to the World Bank for no objection or review. This should ensure smooth disbursements and due diligence on fiduciary and safeguards matters.

Technical Project implementation would be carried out by the Directorates for Preschool and Secondary Education, the Directorate for Teacher Training, the GDSI, and the Directorate of Planning (encompassing strategic planning, education statistics, monitoring and evaluation). Under PASEN II, the latter three of these directorates will be provided with additional technical assistance, training and in some cases additional equipment, ICT hardware and software. In particular, the GDSI will be given extensive support so it can assume its responsibilities for education infrastructure (recently transferred from another ministry), at both central and regional levels. As part of Component 3, the Project will provide additional implementation support to the Directorates for Preschool and Secondary Education, Teacher Training, the GDSI, and for project implementation overall (which would include support for the Division of Monitoring and Evaluation).

In addition to this Project, the EU will directly provide technical assistance, training and equipment (worth approximately US$4 million) to support institutional strengthening of MINED at the Departmental and municipal levels, while PASEN II includes US$6 million in MINED capacity-building at the central level (for improved information, statistics, planning, M&E and infrastructure management), which will support implementation of ESSSP, as well.

An Operational Manual (OM) is being prepared by MINED and will be reviewed by the World Bank team during appraisal. The OM includes detailed guidelines for implementation of the Project components, TORs for key personnel and studies, procurement procedures, financial management arrangements, safeguards, monitoring and evaluation, etc. A Project website will also be established to provide publically useful information on Project activities and allow for input/feedback from departmental and municipal personnel involved in Project execution.

VII. Safeguard Policies (including public consultation)

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VIII. Contact point

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