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Report No: 26042

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN IN THE AMOUNT OF US\$4.0 MILLION

AND A PROPOSED CREDIT IN THE AMOUNT

OF SDR 2.9 MILLION (US\$4.0 MILLION EQUIVALENT)

TO THE GOVERNMENT OF

GRENADA

FOR THE

(OECS) EDUCATION DEVELOPMENT PROJECT

IN SUPPORT OF THE SECOND PHASE OF THE

OECS EDUCATION DEVELOPMENT PROGRAM

JUNE 3, 2003

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

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CURRENCY EQUIVALENTS

(Exchange Rate Effective)

Currency Unit = ECD
ECD\$1.0 = US\$0.370370
US\$1.0 = ECD\$2.70

FISCAL YEAR

January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

APL	Adaptable Program Lending
BERP	Basic Education Reform Project
CAS	Country Assistance Strategy
CDB	Caribbean Development Bank
CEE	Common Entrance Examination
CGCED	Caribbean Group for Cooperation in Economic Development
CIDA	Canadian International Development Agency
CREMIS	Caribbean Regional Educational Management Information System
CXC	Caribbean Examination Council
DFID	Department for International Development
ECD	Evaluation Capacity Development
EXT	Educational Examinations and Testing Unit
EMIS	Education Management Information System
FMR	Financial Management Report
GOG	Government of Grenada
ICB	International Competitive Bidding
ICT	Information and Communication Technologies
LEAP	Literacy Enhancement and Achievement Programme
MCT	Minimum Competency Test
MOE	Ministry of Education
MOF	Ministry of Finance
NCB	National Competitive Bidding
OECS	Organization of Eastern Caribbean States
OERU	OECS Education Reform Unit
PHRD	Policy and Human Resources Development
PMU	Project Management Unit
SIP	School Improvement Project
SPEED	Strategic Plan for Education and Development
TAMCC	T.A. Marryshow Community College

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**GRENADA
(OECS) EDUCATION DEVELOPMENT PROGRAM**

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 MAP(S)	

GRENADA
(OECS) Education Development Program

Project Appraisal Document

Latin America and Caribbean Region
LCSHE

Date: June 3, 2003
Sector Director: Ana-Maria Arriagada
Country Director: Caroline Anstey
Project ID: P077759
Lending Instrument: Adaptable Program Loan (APL)

Team Leader: Cynthia Hobbs
Sector(s): Secondary education (100%)
Theme(s): Education for the knowledge economy (P)

Program Financing Data

APL	Indicative Financing Plan			Estimated Implementation Period (Bank FY)		Borrower	
	IBRD US\$ m	%	Others US\$ m	Total US\$ m	Commitment Date		Closing Date
APL 1 Loan/ Credit							
APL 2 Loan/ Credit	8.00 4.00 4.00	90.9	0.80	8.80	09/30/2003	09/30/2007	2.50
Total	8.00		0.80	8.80			

Grace period (years): 5
Commitment fee: 0.85%

Years to maturity: 15
Front end fee (FEF) on Bank loan: 1.00%
Payment for FEF: Capitalize from Loan Proceeds

Initial choice of Interest-rate basis: Auto. Rate Fixing by period 6 months

Type of repayment schedule:

- Fixed at Commitment, with the following repayment method (choose one): level
 Linked to Disbursement

Conversion options: Currency Interest Rate Caps/Collars: Capitalize from Loan Proceeds

Proposed Terms (IDA): Standard Credit

Years to maturity: 35

Commitment fee: 0.00-0.50%

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER		2.20	0.30	2.50
IBRD		1.50	2.50	4.00
IDA		1.50	2.50	4.00
UK: BRITISH DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)		0.57	0.23	0.80
Total:		5.77	5.53	11.30

Borrower: GOVERNMENT OF GRENADA

Responsible agency: MINISTRY OF EDUCATION

Address: Young Street, St. George's

Contact Person: Crispin Frederick, Permanent Secretary

Tel: 473-440-7439

Fax: 473-440-7701

Email: pmugrn@caribsurf.com

Estimated Disbursements (Bank FY/US\$m):

FY	2004	2005	2006	2007	2008				
Annual	0.30	1.60	2.88	2.40	0.82				
Cumulative	0.30	1.90	4.78	7.18	8.00				

Project implementation period: September 2003 - September 2007

Expected effectiveness date: 09/30/2003 **Expected closing date:** 09/30/2007

OPDS JPL PAD Form: Rev. March, 2000

A. Program Purpose and Project Development Objective

1. Program purpose and program phasing:

The Bank has adopted a sub-regional approach to work with the countries of the Organization of Eastern Caribbean States (OECS). A "horizontal" multi-country APL program was established in 2002 to offer continued support to the sub-region's education sector with a focus on improving quality and access at the secondary level. This program for St. Lucia, St. Kitts and Nevis, Dominica, Grenada and St. Vincent and the Grenadines was approved by the Executive Board on June 13, 2002. St. Lucia and St. Kitts and Nevis comprised the first phase of the program. Grenada will now join the program, after having met the established criteria for participation (see Section B.4.). It is expected that St. Vincent and the Grenadines will join in FY04 and Dominica will join in FY05. After a brief description of the program's purpose and design, this PCD will present the proposed project for Grenada, which has been tailored for the country within the more general framework already approved.

The Bank approach for this program is similar to the one adopted in other sectors such as HIV/AIDS. It involves adaptation of the Bank's APL instrument to better suit sub-regional goals by grouping similar operations under an umbrella mechanism, while still shaping each project to meet the particular needs of each country. In this "horizontal" APL, the instrument is applied sequentially across countries in the sub-region, allowing them to join the program when they are ready. This programmatic approach encourages cost effectiveness, sub-regional integration and a focus on sub-regional priorities by the member countries to allow them to reach consensus on common problems and solutions.

OECS countries face important development challenges, with income volatility and persistent poverty. Their economies remain extremely vulnerable to external factors, as shown by the effects of September 11, 2001. Improvement of their education systems is paramount to equip these agriculturally-based countries to survive in an increasingly global knowledge-based economy. Despite differences among the OECS countries, recent studies and statistics show remarkable similarities in their provision and delivery of educational services. OECS countries are providing universal access to primary education and access to secondary education for over 60 percent of their population. However, this net enrollment, which compares favorably to Latin American countries, conceals a profound deficit in quality and equity. Student achievement is very low and a majority of youth leave the education system without the basic skills necessary to play a productive role in society. Less than 70 percent of the students complete secondary education and less than 50 percent succeed at the regional Caribbean Examination Council (CXC) exams. A high level of unemployment among youth with low skill levels has resulted in an increase in the number of youth at risk throughout the region. Unemployed school leavers face increasingly new challenges, not least the temptation of a growing sub-culture of crime and drugs and early sexual activity with the concomitant risks of contracting sexually transmitted disease and early pregnancy.

All the OECS countries have put education at the center of their strategy to diversify their economy, to ensure sustainable growth and to improve the cohesion of the society by better integrating youth. In November 2000, through a large consultation process, the OECS countries developed an Eastern Caribbean Development Strategy with ten core priorities, among them two related directly to this project: (i) developing human capital through continued investments in better quality health and education, especially improved access to secondary and tertiary education and (ii) addressing pressing social issues, particularly chronic unemployment and problems associated with youth. With this established foundation, each OECS country carried out a participatory process to plan their long-term education development strategies. At a Regional level, the OECS Secretariat (through the OECS Education Reform Unit - OERU) is attempting to harmonize those strategies. A framework for reform with a 2010 horizon, "*OECS Education Reform Strategy: Pillars for Partnership and Progress*," was adopted by the OECS

Ministers of Education in June 2001. All the countries have expressed interest in engaging in secondary education reform programs that: (i) expand equitable access; (ii) revise the programs and curricula in light of fast changing labor market conditions; (iii) improve quality by creating an environment more conducive to teaching and learning; (iv) address the problems of youth at risk as manifested by significant school drop-outs, especially boys, and by school violence; and (v) develop the capacity of both central and school level administration in the context of a newly defined system of autonomy and accountability. The Bank's Country Assistance Strategy (CAS), dated June 4, 2001, confirms the priorities of the "*OECS Education Reform Strategy*" and of the Bank's Caribbean Education Strategy report which was presented to the CGCED meeting of June, 2000 and was endorsed by the Ministers of Education on October 25, 2000.

This program was developed with participation from the Department for International Development (DFID) and is coordinated with other main donors for the education sector in the region, including the Caribbean Development Bank, the European Union, UNICEF and the Canadian International Development Agency (CIDA). The activities proposed under this program are supported by current initiatives from several regional institutions: (a) the OERU's work on curriculum harmonization; (b) the CXC's work on evaluation and standards and (c) the UNESCO regional office's initiative on education statistics. Through the OERU, OECS countries are working on curriculum reform for Forms I to III of secondary education, exploring upgrading of existing teacher training modalities and sharing their experiences on EMIS (Education Information Management Systems), based on the evaluation of a pilot experience in St Lucia. This program builds on these joint initiatives and the recently completed Bank-financed Basic Education Reform Projects in St. Lucia, Grenada and Dominica, the DFID-financed Secondary Education Support Project (SESP) in Dominica and the CDB-financed education project in St. Kitts and Nevis. Through these projects, achievements at the basic education level have laid the foundation for reforms in the upper primary and secondary schools and have increased demand for better quality education.

2. Project development objective: (see Annex 1)

The overall objective of the horizontal APL program is to build human capital in the OECS which, in turn, will contribute to the diversification of their economy and more sustainable growth. This objective will be achieved by: (i) increasing equitable access to secondary education; (ii) improving the quality of the teaching and learning process, with more direct interventions and provision of resources at the school level, a focus on student-centred learning and various mechanisms to provide student support, and (iii) strengthening management of the sector and governance of schools. In Grenada, special emphasis will be placed on improving students' literacy and numeracy skills.

3. Key performance indicators: (see Annex 1)

The following performance indicators will be used to measure progress in meeting the established development objectives:

Project Development Objectives	Outcome/Impact Indicators				
	Grenada (a)	St. Lucia	St Kitts & Nevis	Dominica	St. Vincent & the Grenadines
<i>Increase equitable access to secondary education</i>					
Transition rate to secondary education increases	[in proportion to Grade 6 students] from 80% in 2001/02 to 93% by 2006/07 and [in proportion to students sitting the Common Entrance Exam] from 55% in 2001/02 to 75% by 2006/07	from 69% in 2000/01 to 82% by 2006/07	(no need for an indicator here, since it reaches 100%)	from 83% in 1999/00 to xx% by...	from 60% in 2000/01 to xx% by...
Net enrollment rate in secondary education increases	from 70% in 2001/02 to 85% by 2006/07	from 64% in 2000/01 to 77% by 2006/07	from 90% in 2000/01 to 96% by 2006/07	from 73% in 1999/00 to xx% by...	from 54% in 2000/01 to xx% by...
<i>Improve the quality</i>					
Gross completion rate in Form V increases	from 82% to in 2001/02 to 105% by 2006/07	from 72% in 2000/01 to 85% by 2006/07	from 70% in 2000/01 to 85% by 2006/07	from 56% in 1999/00 to xx% by...	from 47% in 2000/01 to xx% by...
Proportion of students passing at least 5 CXC, including Math and English, increases	from 13% in 2000 to 25% by 2006/07 (b)	from 27% in 2000 to 40% by 2006/07	from 26% in 2000 to 36% by 2006/07	from 52% in 2000 to xx% by ...	from xx% in 2000 to xx% by...
<i>Improve management and efficiency of the education system</i>					
Proportion of non-salary recurrent expenditure out of total recurrent expenditure increases	from 13% in 2001 to 15% by 2006/07	from 13% in 2000 to 16% by 2006/07	from 5% in 2000 to 9% by 2006/07...	from 5% in 2000 to xx% by...	from xx% in 2000 to xx% by...
Pupil-teacher ratio increases	from 23 in 2001 to 24 by 2006/07	from 19 in 2000/01 to 20 by 2006/07	from 12.6 in 2000/01 to 15 by 2006/07	from 17 in 1999/00 to xx by....	from 24 in 2000/01 to xx by...
<i>Improve equity</i>					
Specific to each country	Transition rates to secondary education based on students sitting the CEE in the 3 underserved parishes of St. Andrew, St. David and St. George increase from 51% in 2002 to 59% in 2006/7	Gross enrollment rates (GER) in the two new schools' catchment areas increase significantly from 2000/01 to 2006/07: From 35% to 60% in Gros Islet From 0% to 70% in Anse La Raye	Average proportion of Form V students passing at least 5 CXC exams in each of the seven catchment areas of the new Saddlers schools increases by 15-20% by 2006/07		

		Ratio between the proportion of graduate teachers in the poorest and richest 20% schools increases from 55% in 2000 to 85% by 2006/07			
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Notes: Data for Dominica and St Vincent and the Grenadines will be confirmed when the countries join the program.

(a) All target indicators will be revised when the latest population information from the 2001 population census becomes available.

(b) At least 4 CXC including English and math.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1) Document number: 22205- LAC Date of latest CAS discussion: June 4, 2001

The OECS Country Assistance Strategy cites two crucial policy issues: (i) economic and social vulnerability and (ii) limited institutional capacity. In order to relieve economic and social vulnerability, the Bank, in close collaboration with other development agencies, should support an economic diversification process to move from agriculturally-based economies to service industries and tourism, while building institutional capacity and protecting their environment. This will require investments in training of human resources. The quality of human capital is a critical factor for better integration in a world economy dominated by knowledge-based industries. Education, especially at the secondary level, should remain a strong priority for the Eastern Caribbean Governments in order to ensure that students learn the basic skills necessary to enter into the labor force. Due to the special development challenges that these small states face, the Bank proposes a sub-regional approach to mitigate the limitations imposed by their small size.

Caribbean Education Strategy Report No. 20452-LAC, June 2000: The proposed project is in line with the five key recommendations made in the Caribbean Education Strategy paper, endorsed on October 25, 2000 by the Ministers of Education of the region. These strategy recommendations, intended to develop an internationally competitive labor force and equitable and effective education systems, include: (i) narrowing the knowledge gap; (ii) making the school and the classroom the center of focus of the education system; (iii) reducing inequities in the school system; (iv) strengthening regional collaboration and (v) enhancing educational financing and management.

Small States: Meeting Challenges in the Global Economy - Report of the Commonwealth Secretariat/ World Bank Joint Task Force on Small States, April 2000 (presented at the Bank's Annual Meetings in Prague in September 2000): This report states that "improving small states' human capital is the most important vehicle for a rapid transition and more equal income distribution." A better-educated population will be more productive and use limited resources more efficiently. In strategic global repositioning of their economies, the OECS countries are rapidly shifting to service industries. Human capital is a critical factor in service delivery, an increasingly important commodity in the global market. Improvements in the quantity and quality of education, with emphasis on strong literacy and numeracy skills, are essential to upgrade the work force and ensure labor productivity. Information technology can also boost development in

small states with a well-educated computer-literate work force. The Report states that it is important for small states to build a knowledge base and share experiences. Regional co-operation can also help to develop capacity. Finally, improved donor coordination is important to the development of small states. Alignment of donor objectives reduces the administrative and financial burden on the countries.

The OECS Education Reform Strategy: Pillars for Partnership and Progress 2010 (accepted in the 14th Ministers of Education Meeting: Tortola, June 2001): This document proposes inter alia to reform secondary education along the following lines: (i) to provide or maintain the provision of universal education for all children up to the age of 16 years, to guarantee five years of secondary education to students meeting the entry criteria and to certify achievement at the end of primary and secondary; (ii) to establish a common curriculum in the first three years of secondary to reinforce general education (English Language and Literature, Mathematics, Integrated Science, Integrated Technology, Social Studies, Foreign Languages, Physical Education, Religious and Moral Education and Performing Arts) and to allow some degree of specialization in the last two years; (iii) to improve the quality through modular programmes, comprehensive training for school principals and teachers, lengthening the school year to 190 days, encouraging the use of creative and performing arts and information and communication technology in teaching and (iv) to strengthen the delivery of support services such as guidance and counselling, social welfare and library and learning resources.

2. Main sector issues and Government strategy:

Sector Issues

The following sector issues are common to all the OECS countries, but particularities for Grenada are highlighted here. The education system in Grenada has realized many accomplishments over the last decade, yet there are still shortcomings to address. The following issues have been identified through work and studies done under Grenada's previous Bank-financed Basic Education Reform Project (BERP), in Grenada's long-term sector strategy plan (SPEED), and through studies carried out for the region in preparation for the first phase of this APL in the areas of social assessment, school financing, youth at risk, teacher training, curriculum, science education and numeracy and literacy. Additional studies carried out under a PHRD grant for this second phase of the APL in the areas of youth at risk (poverty assessment), education management information systems, design of learning spaces, school mapping, teacher training and curriculum development have guided decisions regarding the design of the project.

Background

The education sector has received strong political and social support over the last three decades. In the early nineties, the Government initiated its efforts to reform the education system, and in 1995, Grenada prepared the BERP with support from the World Bank and in close consultation with regional institutions. Emphasis was placed on strengthening the institutional capacity of the education sector, improving quality and expanding access. The following significant gains were made under the BERP. The Ministry of Education (MOE) was reorganized and strengthened in different areas. Four new units were created and staffed in the areas of educational testing and exams, educational planning and statistics, production of educational materials and Project Management. Most of the units were well staffed and operational by the end of the project. The MOE moved to a new well equipped building, supporting its modernization efforts. This improved staff morale, fostered better coordination and dialogue among the MOE units and provided much needed upgraded infrastructure to allow for the use of technology for information purposes and production of books and materials. Additional accomplishments were: (i) the completion of the long-term sector development plan (Strategic Plan for Education and Development - SPEED) which defines the strategy and actions for the education sector through 2010; (ii)

the production of a Statistical Digest (1998-2001) and (iii) the incipient development of an integrated data system. Grenada made relevant progress in improving the quality of its system to assess student achievements. During the project implementation years, the country experienced increases in its gross enrollment rates in secondary as well as improvements in transition rates. Though stakeholders would readily admit that the sector has moved forward, there was some resentment from schools, since the bulk of the last project focused on the central level administration and little was done to make real changes in the teaching and learning process.

Access to education

Although Grenada has achieved near universal coverage for primary education (99%), access to secondary education is limited. Net enrollment was about 69% in 2000 with a total of approximately 10,300 students distributed across 19 public and private schools. As is the case in other OECS countries, the limited number of secondary school places in Grenada results in a lower transition rate from primary to secondary schools. This is partly due to the high selectivity of the Common Entrance Examination (CEE), a competitive exam given at the end of Grade 6 through which access to the secondary education is determined. The CEE rations the limited places available in secondary education, allowing only some 50% of those who test to advance to the secondary level. This has a negative effect on the poor because they often attend the schools with fewer resources and from which fewer students pass the exam. Those who do not pass the CEE move to Senior Primary (Grades 7-9). Some may eventually make it into secondary school, while others take the School Leaving Examination (SLE) which sends them into the labor market at an early age without the proper skills. One of the SPEED's top priorities is to achieve full secondary education coverage during the next decade and eliminate the Senior Primary schools.

While there is a current shortage of secondary places, statistical data on population trends show a current decline in school-age population, which would lead to substantial increases in the transition and secondary enrollment rates even without interventions. Assuming a conservative decline of 3% per year in the 11-year-old population, the transition rate from primary to secondary, currently equal to 55%, would naturally reach 80% by 2007/08 and 100% by 2010. Nevertheless, there are some secondary schools that are overcrowded for two reasons: (a) high migration flows from rural to urban areas and (b) low numbers of secondary schools in certain areas of the country with a high number of feeder primary schools.

Quality of teaching and learning

The quality of teaching and learning is low, both at primary and secondary level. The results of the Minimum Competency Test (MCT), introduced in Language and Mathematics in 1999 for Grade 4 and in 2000 for Form III of secondary, show that the majority of students had not acquired an acceptable level of literacy and numeracy knowledge and skills, as outlined in the curriculum, to move them to the next school level. Equally alarming are the results of graduating students on the CXC exams. Only 13% of those who sat for the exams in 2001 passed five subject areas, including English and Math (*see comparative data for the OECS region in Table 1 below*). Although students show high performance in some areas, such as a 90 percent pass rate in Information Technology, fewer than 50% of the students pass the core academic courses such as English (45%), Physics (40%), Chemistry (32%) and Mathematics (23%). Among the main factors that contribute to these low student achievement results are:

Inadequately developed curriculum and poor support to students with learning difficulties: As is the case in many OECS countries, the curriculum is imbalanced and insufficient to meet society's current needs and does not appeal to the interests of many students. It includes subjects and subject content which need further rationalization, and there are few options for students interested in technical and vocational training. The core curriculum defined by the OERU will ensure development of

fundamental skills for all students, but it has yet to be applied in any of the countries. Grenada's current curriculum offers a multiplicity of options too early in the students' school career, resulting in superficial coverage of many subjects. As a result, many children enter the job market with certification but without basic knowledge and skills, and those who are pushed into Senior Primary often exit without any kind of leaving or completion certificate. About 10 percent of Grenadian students have learning difficulties, yet teachers have not been trained to identify the problems or understand the causes, nor how better to support the students. Even among those with some basic understanding, it is usually difficult for them to assist these students in the normal classroom setting.

Low teacher qualifications, insufficient training and lack of incentives: Teachers' qualifications are low. This problem is more acute at the secondary level, where only 32 percent of the teachers are certified (versus 85 percent of primary teachers). Teacher turnover is also very high at secondary level (teacher attrition is 11.3 percent in secondary and 3.2 percent in primary). Teacher training modalities have largely been in-service, providing initial training to many teachers who entered the workforce with no formal teacher training. As in the other OECS countries, the Government also offers paid leave to teachers to gain appropriate training. This system is considered inefficient due to the cost of replacing the teachers during their training period and because a low number of teachers pass the exams after the training (27 of 50 in 2001 and 34 of 48 in 2002). In an effort to find alternative solutions, the MOE introduced a pre-service training programme in September 2002 (the first of its kind among the OECS countries). Some 20 students are currently enrolled in the program. In addition to problems of low qualification, the teaching profession lacks much needed incentives to keep good teachers. The MOE needs to define a clear career path for teachers, with a specific promotion policy based on equity and merits with appropriate incentives. Instruments related to professional standards and induction of new teachers, including suitable internship and mentoring programs, should be reviewed and/or introduced. Finally the teacher supervision system should be strengthened to provide support for professional development and enhanced teacher performance.

Insufficient instructional materials and education equipment to support student-centered learning approaches: Secondary schools are characterized by the absence of basic educational materials and equipment to support student-centered classroom teaching and learning. Those school libraries that exist are poorly stocked and under-used, and computers are not systematically connected to the internet. Science laboratories are poorly equipped and the computer laboratories, when existing, are under-used due to insufficient access to educational software, poor maintenance of the hardware and exclusive rights to students in the upper tracks. The conditions make it extremely difficult to implement student-centered approaches, such as group or team work, independent research projects, science experiments and other hands-on learning methods. Finally, teachers and educational support staff require more appropriate training to use existing and proposed new equipment.

Need to enhance evaluation programs: Grenada made significant progress in improving its student assessment system under the BERP. An Educational Testing and Examinations Unit (EXT) was created in 1997 and its staff was trained in testing and measurement. The unit has produced test results since 1998, and teachers have used these evaluations at the schools to assess and address teachers' and students' weaknesses. The Minimum Competency Test was also introduced for Grade 4 and for Form III of secondary. The test was an important piece of the education reform effort to assess to what degree students have achieved the minimum knowledge and skills stipulated in the curriculum. During the BERP, efforts were made as well to start using the Common Entrance Exam (CEE) and the Caribbean Examination Council exam (CXC) as diagnostic tools to monitor learning and to improve quality. In the case of the CEE, a written part was added to the multiple choice part of

the test. This change has given the MOE deeper knowledge of the language, writing and analytical skills acquired by primary school students. The MOE prepared a report presenting some degree of analysis of the students' answers and results were distributed to the schools. The change in the test and distribution of results have positively impacted teaching.

Although national tests have contributed to student evaluation, the subject content taught and the methods of assessment vary from school to school and from teacher to teacher. EXT has aimed to train one person per school to take responsibility for testing aspects, but the schools have sent a different person to each training session, resulting in poor understanding and use of evaluation and its results at the school level. Further efforts are needed to strengthen assessment, to seek intermediate forms of evaluation so as not to rely on end-of-year and national tests as the only benchmark for performance, to use the evaluations as quality assessment mechanisms and to provide feedback to students, teachers and parents.

Insufficient school community participation and support for students: The overall atmosphere of the school, given the issues cited above, and insufficient communication between major stakeholders create an environment that is not conducive to pedagogical improvements and that does not respond to real needs, interests, expectations and culture of the students. There is a lack of activities in which students can take initiatives and voice their concerns, teachers and principals maintain a hierarchical structure and the involvement of the parents is insufficient to motivate and support the school and the students.

Some students experience behavioral problems, violence, drugs, family abuse and anti-social behavior. School professionals are not properly trained and do not have adequate communication skills to face these problems. Previously the MOE's Guidance and Counseling unit was staffed with two officers who were responsible for all the guidance and counseling services for the country's schools. In November 2002, nine teachers were assigned by parish as guidance and counseling assistants to perform these duties in schools. Only four of them have degrees in this area. Training is required to upgrade their skills and knowledge, to enable them to provide more effective and efficient services. Even with the addition of these professionals, the ratio of guidance counselors to secondary students is 1:900. Schools also lack peer or mentoring programs through which students could benefit from support and advice from individuals closer to them in age, experiences or interests.

Management and administration of education

Improvements in management and administration are perceived as key to improve sector performance. Under the BERP, Grenada made progress on this front. As outlined above, it reorganized the MOE, creating four new units (a Project Management Unit, an Educational Planning and Statistical Unit, an Educational Testing and Exams Unit and an Educational Materials Unit). It produced its first Statistical Digest, gathering data from the education sector, and it achieved efficiency gains with the construction of the new building for the MOE, allowing for full use of equipment and an enhanced working environment. Nevertheless, an audit of the structure and management of the MOE was carried out in August 2000, which identified the need for a set of additional reforms aimed at improving the effectiveness and efficiency of management in the Ministry and in schools. The main recommendations suggested a number of structural changes, in particular: (a) to strengthen coordination and eliminate overlaps within the MOE (partially achieved through the move to the new MOE building) and (b) to strengthen the information system (EMIS) to support informed and effective decision-making. Although Grenada successfully founded an EMIS system under the BERP, it needs further development, additional training of personnel to achieve systematized data collection, and support in monitoring and evaluation of sector performance.

The audit also advised the MOE to continue to build its planning capacity, initiated through the creation of the Planning Unit but requiring further strengthening and decentralization to include district offices and schools. It identified deficiencies in the supervision system, mainly: (i) the lack of coordination and collaboration between units with supervision responsibilities (the Curriculum Development Unit, the School Administration and Management Unit and the Education Officers); and (ii) insufficient support to schools due to the geographic dispersion of assigned schools to Education Officers. The MOE has recently reorganized the EOs so that they each concentrate on a given district.

Finally, the audit recommended "cultural" changes at the MOE and school levels. The MOE should move from a traditional command and control maintenance administration to a proactive institution, centered on providing support to schools, with strategic thinking and management. As schools are given greater responsibilities, they will need to strengthen overall school governance. This will require training of principals in management, expansion of the levels of parent participation and increased autonomy and capacity of the schools to manage small maintenance budgets and apply site-based activities and innovations.

Table 1: Some education data

	Education Expenditure /GDP	Net enrollment rate in primary education	Repetition rate in primary education	Transition rate from primary to secondary education	Net enrollment rate in secondary education	Gross completion rate (Form 5)	Repetition rate in secondary education	Proportion of students passing at least 5 subjects at the CXC (b)
St. Lucia	6.6% (2000)	98% (2000)	2.2% (2000)	70% (2000)	64% (2000)	72% (2000)	0.2% (2000)	27% (2000) (c)
Dominica	6.7% (1999)	85% (2000)	2.2% (2000)	83% (1999)	73% (2000)	56% (2000)	11% (2000)	52% (1998)
St. Kitts and Nevis	6.2% (a) (1999)	98% (2000)	3.0% (2000)	100% (1999)	90% (2000)	70% (2000)	5.2% (2000)	26% (2000) (c)
Grenada	7% (2000)	99% (2000)	2.8% (2000)	60% (1999)	62% (2000)	72% (2000)	1.3% (2000)	13% (2000) (d)
St. Vincent and the Grenadines	6.3% (1999)	98% (2000)	10.6% (2000)	60% (2000)	54% (2000)	47% (2000)	9.5% (2000)	N.A.

Sources: World Bank. Monitoring Educational Performance in the Caribbean (Report No. 24337). Washington, DC. 2003; UNESCO, EFA 2000 Country Assessment Reports, CGCED (2000); St. Lucia -Ministry of Education (2001); Dominica-Ministry of Education (2000); St. Kitts and Nevis-Ministry of Education (2000); Grenada-Ministry of Education (2000) and St. Vincent and the Grenadines-Ministry of Education (2000).

Notes: (a) Education Expenditure/GNP; (b) Students passing a minimum of 5 general/technical subjects as a proportion of the students sitting the CXC; (c) Students passing a minimum of 5 general/technical subjects, including Math and English, as a proportion of the students sitting the CXC; (d) students passing 4 CXC including English and Math.

Government Strategy

Grenada, like all the countries participating in this program, engaged recently in the preparation of a long-range education sector plan (SPEED). The process was highly participatory, including meetings across the island with key stakeholders. In its plan, the Government has indicated a strong commitment to education. Six areas of focus have been identified in SPEED: (i) access to education for the whole population; (ii) improved equity of education and student achievement; (iii) increased relevance of knowledge and work-related skills of the country's human resources; (iv) strengthened relationships with education partners; (v) improved efficiency of the MOE and school management; and (vi) consistent government financing and efficient use of resources.

The Government of Grenada (GOG) has maintained a continuous commitment to education over the past 30 years that has led to nearly universal coverage in primary education. The GOG has agreed to maintain significant and consistent public investment in education, as indicated by the levels of education expenditure as a percentage of GDP. In terms of access, the Government is placing emphasis on: (i) providing greater access by increasing the number of spaces available in secondary school, targeting overcrowded schools and areas with low income student populations; and (ii) refurbishing existing facilities, especially in schools with fewer resources, to provide equitable access to secondary education.

The GOG is also focusing on the improvement of quality education at all levels. Grenada is: (i) designing programs to improve literacy and numeracy skills for low-achieving students in primary and secondary schools; (ii) increasing training opportunities to raise teacher qualifications and seeking more efficient training methods; (iii) reforming the secondary school curriculum to make it more relevant to the needs of the society; (iv) equipping secondary schools with the facilities, materials and technology to promote student-centered learning and (v) increasing the use of diagnostic assessment mechanisms. The Ministry of Education (MOE) has identified as priority activities the review and development of the professional standards of the teaching service, including mentoring programs, performance indicators and an improved supervision system to support professional development and enhance teacher performance.

In the area of governance and management, the Government has begun to address some of the existing weaknesses, in line with the SPEED, by reforming the supervision system to include: (i) Education Districts defined geographically to achieve focused supervision by Education Officers and Early Childhood Supervisors; and (ii) Supervision Teams for each education district. Each team comprises an education officer, an early childhood supervisor, technical professionals from the MOE, faculty from the Teacher Education Department of TAMCC and key actors in the education sector at the parish and district level. The supervision teams are responsible for developing and implementing a strategic plan for district improvement, based on the needs and priorities identified. The Education Management Information System will be crucial in providing timely and reliable information to measure school performance and to assist in establishing sector policies and options. Also key in the supervision process will be to put in place School Development Plans drawn up by the school community, which will establish the strategic goals of each school and provide indicators by which to measure school performance.

3. Sector issues to be addressed by the project and strategic choices:

The proposed Project aims to assist the GOG in implementing their strategic sector plan efforts and achieving the goals established in the SPEED by providing technical and financial support for a set of initiatives. These include: (i) providing more equitable access to secondary education; (ii) improving completion rates by providing better quality teachers and school resources, emphasizing literacy and numeracy skills and expanding and better targeting student support services and (iii) improving educational management.

Expanded access to secondary education

The GOG has set the goal of universal secondary enrollment as a high priority, as reflected in the SPEED. Though population trends show that this may occur naturally by 2010, the GOG is anxious to provide additional places now to expand the capacity of secondary schools. A preliminary census and enrollment analysis has shown that while total enrollment for primary is at 85% of school capacity, the country's capacity for secondary is exceeded by 13%, clearly demonstrating an immediate need for secondary places. Further school mapping is providing the MOE with specific information on the availability of existing spaces and unmet demand needs and has identified areas of recent migration that have resulted in overcrowding in some schools. New places will be created through expansion and equipping of classrooms in three schools that are significantly overcrowded and serve a large number of students from low income families.

Better quality teaching and student evaluation

Good teachers are key to implementation of a successful education program. The GOG has established improved quality of teaching and learning as a top priority. While the pilot pre-service teacher training program may be expanded, the GOG still needs to address the 70% of secondary teachers who have not been trained to the certificate level. A select few teachers will train overseas, while others will do distance and local training. Fellowship recipients will participate in local training upon their return. Training workshops will offer content and pedagogy, skills in early identification of learning difficulties and ways to address them, and innovative methods for teaching literacy and numeracy. They will also strive to change teachers' current practices and attitudes, moving them away from top-down imparting of knowledge to facilitation of learning and exploring, and encouraging continuous assessment to monitor student progress throughout the year. This student-centred teaching approach and transformation of the monitoring and evaluation culture will be among the most challenging goals to achieve.

Better quality school resources

The Government will seek ways to apply the new core curriculum for Forms I to III, in line with the regional efforts. Grant funding has supported technical assistance to this end, and the Project will provide the necessary training, learning materials and equipment to implement the curriculum and support teachers in the more student-centred approach to learning. Learning spaces will be reconfigured and the quality of the facilities and learning materials will be improved. Most of the secondary school libraries and science labs are in poor physical condition and lack materials and updated equipment. The Project will finance four new learning resource centers and eleven new science labs.

Enhanced school environment and more targeted support to students

In addition to the physical improvements to schools, the MOE has recognized the need to enhance the school environment, to make it more attractive for students and more conducive to teaching and learning. Students express disinterest in school and a feeling of not belonging. School Improvement Projects (SIPs) have been identified as an effective way of creating partnerships throughout the school community, fostering ownership and stimulating innovation in education. And student-led extracurricular activities, selected and managed by the students themselves, will allow students to define and explore

their own interests and give them an avenue for more creative expression. A host of social problems plague students in addition to learning difficulties, yet they have nowhere to go for help. Though the MOE has assigned nine new Guidance Counselling assistants to work with the two MOE Guidance Counselors, this is still insufficient for the needs of the 19 secondary schools. The Project will assist the MOE in achieving the SPEED goal of providing one trained counselor per school, and a new peer counseling and mentoring program will give students another avenue for expressing their needs.

Improved governance and management

The MOE has traditionally acted as a command control center in a hierarchical education system. One of the SPEED priorities is to move towards a culture of service, focusing more on policy making and oversight of the system while district teams assist schools, and school communities take greater responsibility for the teaching and learning process. The Project will assist in this process, strengthening the management of the sector and governance of schools by (i) expanding the Education Management Information System (EMIS) to link schools with each other and with the MOE at the central level, including reporting and supervision mechanisms and the establishment of quality standards to be monitored on a continuous basis; (ii) strengthening technical and supervisory services and establishing a revised supervision system with Educational Districts and (iii) offering leadership and management training to principals and extending initial training on the use of School Development Plans to include the involvement of teachers, students, parents and the wider community in school development planning.

4. Program description and performance triggers for subsequent loans:

In this "horizontal" APL, phased support is provided for a long-term development program. The term horizontal implies that the instrument is being applied sequentially across countries in the sub-region to allow countries to join the program when they are ready. The countries implement their projects simultaneously and mechanisms are evolving for sharing experiences among them.

The program supports the education development of Grenada, St. Lucia, St. Kitts and Nevis, Dominica and St. Vincent and the Grenadines. Each country joins the program as they meet the following established criteria for participation:

- Adoption by their Government of a long-term Education Development Plan;
- Readiness of a project proposal to improve quality and access to secondary education;
- Establishment of a Project Management Unit whose composition is satisfactory to the Bank;
- Credit worthiness indicators (net international reserves, debt to GDP and debt service to exports of goods and non factor services) that remain within reasonable ranges; and
- Counterpart funding availability for the project.

St. Kitts and Nevis and St. Lucia were the first to join the program. Grenada is the third country to do so. The others are likely to join the program in FY04 and FY05.

C. Program and Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The design of the proposed Project builds on the achievements of the BERP and will assist the Government in its efforts to carry out its long-term sector strategy (SPEED). To meet the established

objectives, the proposed Project consists of three main components and a project management component to provide oversight and coordination of project implementation. Project components are summarized below:

Component 1. Increasing Equitable Access

1.1 Expansion and rehabilitation of secondary schools.

This sub-component will finance minor expansions in three existing secondary schools in the parishes of St. George, St. Andrew and St. David, to relieve overcrowding and better meet the demand for secondary education in these underserved areas. It will add a total of 520 new places in secondary education by 2008. New classrooms will be built and equipped in (i) Grenada Boys Secondary School, in St George, adding 200 additional spaces and increasing total capacity to nine hundred students; (ii) Grenville Secondary School in St. Andrew, adding 120 new spaces and increasing total capacity to 650 students and (iii) in Westerhall Secondary School in St. David, adding 200 new places and increasing total capacity to 520 students. Furniture and equipment will also be provided.

Component 2. Improving Quality

2.1 Development of Curriculum for Forms I to III

The curriculum for the lower secondary level (Forms I to III) will be reoriented, emphasizing the improvement of students' literacy and numeracy skills. The Project will provide training and support for the implementation of the revised curriculum. The curriculum reform process will be based on a core curriculum policy that has been developed by the OERU with input from the OECS MOEs. This core curriculum policy determines the number and type of courses to be offered in Forms I to III. Subject area policies will be developed by the MOE during the first year of project implementation in line with the general core curriculum policy.

The main activities for this sub-component are: (i) training workshops for all principals, teachers and supervisors in the implementation of the new curriculum; (ii) overseas or distance training for four teachers in two-year programs in creative and performing arts; (iii) the development and implementation of a Literacy Enhancement and Achievement Programme (LEAP) and a numeracy program; (iv) a summer camp pilot experience to enhance literacy and numeracy, replicating the design of similar successful NGO and church-run learning camps in the country; (v) the creation of Learning Resource Centers in four secondary schools (to be complemented by UNESCO-financed language labs); (vi) upgrading of the science laboratories in eleven secondary schools, based on international standards; and (vii) printing of the new curricula and of the manual for science labs for dissemination to all relevant users.

2.2 Upgrading of Teacher Skills

This subcomponent will improve the quality of teaching at the secondary level, implementing a range of training programs for teachers, based on the strategy designed by the consultants during project preparation. The focus will be on student-centred learning. The training will include: (i) local training for 250 classroom teachers and 28 technical teachers to the certificate level; (ii) distance training for 40 technical teachers to the degree level; (iii) overseas training for four Special Educators to the degree level, including specialists to work with visually and auditory-impaired students, and specialists in remedial teaching and (iv) overseas postgraduate training for ten teacher educators, including four technical teachers.

The Project will also increase the capacity of the T.A. Marryshow Community College (TAMCC) to provide teacher training by creating a model classroom and supporting the upgrading of its ICT facilities

and equipment, including library materials and instruments required for teacher training. The focus of the teacher training activities will be on the skills required to implement the new curriculum. Training will be offered initially by trained professionals in the areas of language arts, social studies, math and education psychology. Additional training will be offered in other areas as the teacher educators finalize their overseas training. A clear plan will be established to ensure that fellows provide training to their colleagues upon their return.

2.3 Student Assessment System

The quality of assessment in the lower forms of secondary schools will be improved under the Project, and a system of programs will be implemented to support students with learning difficulties. This sub-component will finance: (i) new software to strengthen the processing and analysis of test scores and student assessment; (ii) training of staff in the use of this software; (iii) initial training to selected teachers, principals and Education Officers on early detection of learning difficulties and continuous assessment skills; (iv) workshops on math and language skills for selected teachers, principals and education officers, to be tied in with continuous assessment; and (v) development and printing of handbooks for teachers on continuous assessment. The specialized training for secondary teachers on the early detection of learning difficulties complements training currently offered to primary teachers through a CDB-financed project and will strengthen support to students, especially those who are being left behind.

2.4 Improving Student Support Services

Existing programs will be improved to assist students who are most in need, and new mechanisms will be introduced to enhance students' willingness and ability to successfully participate in the educational process. This component supports several activities in addition to the teacher training on early detection of learning difficulties and improved teaching of literacy and numeracy skills described above. They are: (i) the development of a textbook rental scheme; (ii) training for Guidance Counselors; (iii) peer counseling and mentorship programs and (iv) development and implementation of student-led co-curricular activities.

Component 3. Strengthening Governance and Management

3.1 Strengthening school supervision and management

This sub-component will support the Government's efforts to improve the level and efficiency of supervision at the school level. Existing classrooms in seven schools - one in each district - will be refurbished to be used as District Education Offices for each of the District Supervision Teams. Training workshops in school supervision techniques and teacher performance evaluation will be organized for the supervision teams. The supervision teams will be multidisciplinary and include school supervisors, curriculum officers, counselors, testing and measurement officers and representatives of school councils in order to provide professional support. Training in school management also will be conducted for some 80 principals and other senior administrators at the school and ministry levels and 14 curriculum and ECD specialists, and school principals will be trained in improved use of School Development Plans (SDPs). The SDPs will provide the basis for the development of School Improvement Projects (SIPs).

3.2 Educational Management Information System (EMIS)

The EMIS will be upgraded and expanded under this sub-component (EMIS) to provide updated sector information to policy makers. This subcomponent will finance: (i) design and commissioning of customized EMIS software or purchase of relevant off-the-shelf software, including statistical software to be used by schools; (ii) upgrading of the system hardware and (iii) training for relevant personnel (approximately 140 people) in the use of the new software package and statistics packages.

3.3 Improving communication and participation

This sub-component will support the dissemination of information on the educational reform process with the objective of enhancing stakeholders' involvement in and ownership of the process. Communication efforts will target a wide range of stakeholders (teachers, students, parents, trade union, business sector, community and non-governmental organizations) using print and broadcast media and participatory activities. Competitions in art, written essays, poetry or debate will also be held annually to generate interest in the education reform at the secondary school level and among the general public. This sub-component will finance: (i) printing of information materials (brochures, posters, billboards, flier and new releases); (ii) production and recording of materials to be broadcast (iii) participatory workshops and debates and (iv) trophies and cash prizes to winners of the competitions.

Component	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
1. EXPANSION OF SECONDARY SCHOOLS				
1.1. Expansion and rehabilitation of existing secondary schools	1.17	10.4	0.89	11.1
2. QUALITY TEACHING AND LEARNING				
2.1. Development of curriculum for Forms I to III	5.85	51.8	4.46	55.8
2.2. Upgrading of teacher skills	0.62	5.5	0.35	4.4
2.3. Improving student assessment system	0.19	1.7	0.08	1.0
2.4. Improving student support services	1.12	9.9	0.68	8.5
3. STRENGTHENING GOVERNANCE AND MANAGEMENT				
3.1. Strengthening school supervision and management	0.74	6.5	0.58	7.3
3.2. Educational management information system	0.78	6.9	0.56	7.0
3.3. Improving communication and participation	0.05	0.4	0.03	0.4
4. Project Management				
4. Project Management	0.74	6.5	0.33	4.1
Total Project Costs	11.26	99.6	7.96	99.5
Front-end fee	0.04	0.4	0.04	0.5
Total Financing Required	11.30	100.0	8.00	100.0

2. Key policy and institutional reforms supported by the project:

The Project design will support these main areas of reform:

Curriculum reform of Forms I to III. All the OECS countries have agreed, as part of a regional initiative led by the OERU, on the development of a core curriculum for Forms I to III of secondary. The curriculum aims to: (i) provide the basic skills for all the students; (ii) adapt the contents to address the specific regional issues; (iii) introduce information technology across subjects; (iv) strive to make the content more relevant and thereby more attractive to students and (v) focus more on core subject areas and reduce the number of electives to make education more cost effective at this level. The proposed

Project will assist in the provision of instructional materials and training of teachers to meet new curriculum needs. It also will ensure that school rehabilitation and equipment are in line with more student-centered pedagogical approaches.

Progress in education decentralization, empowering the school community to make schools more effective. The empowerment of the school community is perceived as a key element to make schools more effective, to improve the learning environment and to make it more attractive to students. Grenada, like the other OECS countries, has highlighted in the SPEED the need to enable greater school leadership in planning and decision-making. This effort will be supported by several activities: (a) each school will design and implement a school-based improvement project, addressing some issue identified in the school development plan and elaborated with the participation of the principals, teachers, students, parents and community leaders; (b) students will drive the selection and implementation of co-curricular activities and (c) each school will be connected to and will contribute data to the EMIS system.

Revised supervision and evaluation. The Project will support the ongoing effort initiated by the MOE to improve the supervision system, decentralizing it to the District level to allow for more focused and efficient supervision. The MOE will support the creation of multidisciplinary supervision teams to work with teachers to identify problems and seek solutions, using EMIS data, test scores, teachers' reports and the School Development Plans as a guide. Through systematic and well-designed training, the Project will support the implementation of continuous assessment of students' progress in schools. This will deepen the MOE's efforts to establish a culture of evaluation in the education system, where each evaluation tool provides the teaching community with elements to guide them on how to improve student achievement.

3. Benefits and target population:

The expected benefits of this program are significant. Through implementation of project activities, there will be improvement in the quality of secondary education, ensuring that more students are able to fully benefit from better secondary education, in contrast to the current situation. Educational achievement will be higher, leading eventually to higher productivity and an increase in earnings. Completion of the secondary cycle by a greater number of students will offer more opportunities at the tertiary level, more skilled workers for the labor market, and students better equipped to get more qualified and better paying jobs.

Another benefit which will follow from increased enrollment in specific areas targeted by the Project is the reduction of out-of-school youth with a possible consequent reduction in violence and societal risk. Improving school climates and keeping students in school has proved to be the most cost-effective way of reducing youth violence.

Finally, the improved governance and the curriculum reform will lead to efficiency gains in the education process that will translate into a reallocation of funds from salaries to non-salary recurrent expenditures. This will allow for greater investments in quality.

Target population

The equitable access component of the project will benefit especially the secondary school-age children in most populated and underserved areas. Less able learners will be targeted with specially designed support programs. The quality component of the project will benefit all the secondary education students.

4. Institutional and implementation arrangements:

Project coordination and management

The implementing entity for this project will be the Ministry of Education (MOE), which oversaw the successful implementation of the Basic Education Reform Project (BERP), funded in part by the World Bank. Within the MOE, a Project Management Unit (PMU) has been established, utilizing the structure established under the recently completed BERP. The PMU staff comprises a Project Manager, a Project Accountant, a Secretary, a Procurement Officer, a School Supplies Officer and an assistant. Due to the added workload likely to be associated with the School Improvement Projects (SIP), the PMU will add an Accounts Clerk, who will mainly be responsible for preparing payment vouchers with supporting documentation, responding to vendor inquiries and assisting the Project Accountant. The MOE's financial analyst will be responsible for overseeing the financial aspects of Project implementation.

The PMU is responsible for the management and administration of the project, including its overall coordination and implementation, coordination of the contributions of entities participating in this project, communication with the World Bank and the Department for International Development (DFID), procurement of all civil works, goods and services under the project, preparation of progress reports, maintenance of all project financial accounts and preparation and processing of applications for withdrawals of proceeds from the Loan. Financial Management and Procurement specialists have conducted capacity assessments, and both considered the staffing and respective arrangements to be acceptable.

Project implementation, monitoring and evaluation

Project components will be executed by the respective MOE units, with oversight by the PMU. Implementation of the project will be guided by the Project Operational Manual (POM) which will include an implementation plan, the Financial Management Manual and a detailed procurement plan. *The final issuance of the POM will be a condition for effectiveness of the Loan.*

The implementing units will provide regularly scheduled progress reports to the PMU. The PMU, in turn, will report project progress on a quarterly basis to the Bank, according to agreed upon performance indicators (*see Annex 1*).

Accounting, financial reporting and auditing requirements

The financial management and control procedures of the project will be outlined in the POM. This includes the TORs for internal and external audits acceptable to the Bank. The PMU will prepare Financial Management Reports (FMRs) which will include a statement of sources and uses of funds (including a six month forecast), a statement of uses of funds by project activity, an output monitoring report and a procurement report, according to Bank regulations and project guidelines. The project will be audited annually by an independent auditor acceptable to the Bank. Audit reports will be submitted to the Bank no later than four months after the end of each fiscal year. Details of all financial management arrangements may be found in Annex 6.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

Focus on secondary education vs. whole-sector reform initiatives: Although some of the activities will cut across levels, such as institutional strengthening and training, the decision was made to focus mainly on secondary education. The recent Bank-financed projects (BERPs) in Grenada, Dominica and St. Lucia and the CDB-financed project in St. Kitts and Nevis supported basic education reform in the respective

countries, and in Grenada the Caribbean Development Bank (CDB) currently is providing funds for curriculum reform at the lower and senior primary levels, training for special education specialists for primary, training on early identification of learning difficulties for primary school teachers (to be linked with the training the proposed Project will support for secondary), technical and vocational training and a school supervision design (to be used as the framework for school supervision and training under the proposed Project). The BERP projects have improved primary education quality and all the countries have achieved universal primary enrollment. This APL program builds on these achievements to make quality secondary education available to the increasing demand, and compliments other donor-funded activities.

Emphasis on improvement of literacy and numeracy skills vs. support for a wider range of skills: Although the emphasis in St. Lucia and St. Kitts and Nevis, under Phase I of this APL program, has been more general, the extremely low scores in Math and English on the Minimum Competency Test and the CXC exams indicate an urgent need to focus specifically on better teaching of literacy and numeracy skills in Grenada. In this Project, a conscious effort has been made to target different interventions in this area, including aspects of teacher training, additional training in continuous evaluation for math and language teachers, and innovative activities in the classroom focusing on literacy and numeracy.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed Build human capital by increasing equitable access, improving quality of teaching and learning and strengthening management of the education sector and governance of schools	St. Kitts and Nevis OECS Education Development (PE-P075978) and St. Lucia OECS Education Development (PE-P077712)	S	S
Increase efficiency and effectiveness of the education system and enhance equity of access to educational opportunities at the primary level	Dominica Basic Education Reform (PE-P006969) and Grenada Basic Education Reform (PE-P043923)	S	S
Improve human resource capacity necessary for economic and social development through a more efficient and effective education system	St. Lucia Basic Education Reform (PE-P038698-LC)/ Cofinanced with CDB	S	S
Improve the quality, efficiency and equity of lower secondary education with emphasis on serving the poorest students, and strengthen capacity of MOE&C to plan and monitor the impact of the reform	Jamaica Reform of Secondary Education (ROSE) (PE-P007479)	S	S

Other development agencies			
Improve quality of primary education and increase access to secondary education	St. Kitts & Nevis Basic Education Project (CDB, 1996)		
Strengthen secondary education in Dominica through school construction and provision of technical assistance	Dominica Secondary Education Support Project (DFID, 1998)		
Assist Governments to produce long-range sector strategic plans	Education Sector Strategic Plan (DFID, Belize, St. Lucia, Dominica-1999; Grenada-2001; St. Vincent and the Grenadines-2002)		
Contribute to poverty eradication and sustainable development through improved education	Belize Education Sector Improvement Project (DFID, 2001)		
Expand and improve the secondary education sector	Trinidad & Tobago Program of Secondary Education Project (IADB, 1999)		
Improve the quality of the education sector through the use of modern technology	Barbados Education Sector Improvement Program (IADB, 1998)		

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

3. Lessons learned and reflected in the project design:

Donor co-ordination with single-source funding: Projects that are excessively complex, with multi-countries, multi-donors and multi-source funding have proven difficult to implement. The aim of this program is to improve donor coordination, stimulate donor investments and reduce transaction costs but avoid the rigidity and complexity of a co-financed loan. The Bank is engaged in dialogue and parallel coordination of actions with major donors (DFID, CIDA, OECS/OERU and EU) in the planning of sector investments and the design of the program. DFID and the Bank are working closely together in the preparation and implementation of this program, and DFID is providing parallel financing.

Community participation in design and participation of projects: All the countries have noted the importance of involving stakeholders in the development of sector plans and have adopted a highly participatory process to establish their national long-range education plans. In Grenada, participation of stakeholders who will be involved in project implementation is perceived as key to promote ownership of project activities and gain support for project interventions. Working groups for each component have included a wide range of stakeholders, and their participation has contributed to tailor the design and provide a source of quality control of project outputs. Bringing teachers on board early is also key to the success of education reforms. In Grenada, teacher participation was crucial for the introduction of the Minimum Competency Test (MCT) and the acceptance of changes made to the CEE.

Evaluation culture and mechanisms: Loosely controlled education investments have been replaced by evaluation mechanisms with accountability implications. The Santiago-based OREALC “Education Quality Laboratories” program has been pivotal in supporting evaluation agencies such as SIMCE (System for the Measurement of Educational Quality) in Chile, and UMRE (Educational Outcomes Measurement Unity) in Uruguay. The Indonesia PEQIP Project and the UNESCO 27-country MLA (Monitoring Learning Achievement) exemplify good learning evaluation practices. The proposed Project promotes tested evaluation and supervision strategies and builds on initiatives established during the previous Bank-financed project.

Importance of communication: Grenada's BERP illustrated that promoting greater communication among the different units involved in an education reform program was crucial to reinforce the work individually done by each unit and to avoid situations where the units are unaware of activities underway that should be complementary. It was also felt that a communication strategy was necessary to convey overall efforts in education reforms.

School improvement projects: The Bank has found, in countries across the region, that school improvement projects have proved to be one of the most effective agents of change in schools. Chile's school-based Education Improvement Projects (PME) and extra-curricular activities (ACLES) are among the most successful and innovative components of the MECE projects. This is also true of Uruguay's MECAEP projects (PMEs) and Paraguay's Innovative Education Projects (PIEs). They have successfully involved students, teachers, parents and community leaders in the quest for improved education responsive to local needs and have increased educational leadership among teachers and principals, improved communication between the school and the community and enhanced teaching practices. The ACLES have allowed students more expression in determining the activities that are interesting and meaningful to them, within the safe structure of the school community. This project will incorporate these same types of innovative activities to promote school-based management, improve the school environment and address existing problems with youth at risk.

4. Indications of borrower commitment and ownership:

Grenada has established the educational strategy and priorities for the country in its SPEED, as have the other OECS countries. This sector plan was elaborated with conscious inclusion of a wide range of stakeholders. The Government has committed to carry forward the reform proposals by way of concrete actions within a limited period of time. Grenada requested follow-up funding to the recently closed World Bank-financed education project (BERP) in order to continue bolstering the education reform process and PHRD funding for preparation activities. The proposed Project design is rooted in the SPEED. The Impact Evaluation study for the BERP, as well as other sector studies, have informed the proposed Project preparation process, providing lessons learned to guide the project design. Grenada created a project preparation committee and working groups for each Project component, including a wide range of stakeholders to gain different perspectives and ensure ownership at different levels during Project preparation and implementation.

Grenada participated in the Regional Meetings of the Americas "Education for All" in Santo Domingo in February 2000 to formulate a Regional Action Plan 2000-2015 which was presented at the Conference in Dakar in April 2000. The country also participated in the drafting of the Caribbean Education Strategy issued by the World Bank in 2000. The GOG is committed to seeking regional solutions to common problems and participates regularly in pertinent sector discussions and activities. Just in the last year, the country sent representatives to a Bank-financed curriculum workshop to review advances in curriculum reform for the first three years of secondary education and to a DFID-financed teacher training workshop to discuss new training strategies. They have committed to supporting the regional initiatives by the OERU and will use these to advance their individual country efforts.

5. Value added of Bank support in this project:

- The Bank has a standing commitment to provide financial and technical assistance to the Caribbean region and an ongoing relationship with the Ministries of Education. A collaborative approach has yielded increased cooperation between the Bank and the countries, and among countries.
- The Bank participated in the Caribbean Education Task Force in its quest to establish a regional strategy and is knowledgeable about regional sector issues.
- The Bank has carried out extensive sector work in secondary education and can provide best practice examples of initiatives at this level. Particular to this project, the Bank's team offers expertise and familiarity with international secondary education reforms and school-based programs for youth, particularly in Chile, Uruguay, Argentina and Paraguay.
- The Bank has encouraged collaboration among donors and regional agencies (DFID, CDB, EU, CIDA, OECS/OERU) to maximize sector funding and avoid duplication of efforts, and has assisted in mobilizing additional sources of financing.
- The Bank organized and financed a regional curriculum workshop, allowing OECS representatives to engage in consensus building around lower secondary curriculum issues. DFID, CXC and OERU representatives also participated to ensure collaboration among donors and regional agencies.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):

- Cost benefit NPV=US\$17.2 million; ERR = 30 % (see Annex 4)
- Cost effectiveness
- Other (specify)

The main benefits of the project will be in the quality area. By promoting substantial quality improvements in the secondary education cycle, the project will lead to decreased drop-outs and higher

educational achievement which will both translate into higher earnings through a higher number of graduates and higher productivity gains associated with secondary education.

The economic analysis attempts to quantify these benefits, finding them significant (analysis presented in Annex 4). More specifically, the benefits from decreased drop-outs were estimated applying the discounted stream of incremental earnings associated with secondary education to the additional students able to finish the secondary cycle following the quality interventions. Additionally, the benefits from increased educational achievement required us to: (a) assess the impact that quality interventions have on educational achievement proxied by exam passing rates; (b) assess the differential in secondary education earnings related to different levels of educational achievement (proxied by the number of secondary cycle terminal exams passed); and (c) apply the resulting “quality premium” on secondary education earnings to all graduates (including the new graduates produced by the decreased drop-outs). Finally, on the cost side, the analysis attempts to estimate the capital, recurrent and opportunity costs of the project.

The analysis produces a Net Present Value of US\$17.2 million and an Economic Rate of Return of 30%, which indicate that the project is viable in economic terms. The results were checked for robustness to alternative values of the critical variables.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

Fiscal Impact:

The main objective of the fiscal analysis is to provide a brief public expenditure review of the education sector and assess whether the financial burden of the project is manageable. The expenditure review makes it possible to detect the priority given to education in the country through the analysis of the latest education budget estimations and to detect any efficiency issue through a brief analysis of expenditure composition, pupil-teacher ratios and unit costs. On the basis of the macroeconomic situation of the country and the latest education budget estimates, future education budgets are then projected and the impact of the project’s capital and recurrent costs on these budgets assessed. This exercise was carried out for Grenada (see Annex 5), showing generally acceptable financial burdens, all the more if we take into account the small size of this economy and of its overall education budget. On average, during the implementation period, total project costs amount to 10% of the total education budget, falling to 0.7% in the operational period. Finally, the efficiency analysis helped to determine some of the baseline and target indicators of the project.

3. Technical:

The project is addressing two major issues: (a) a knowledge gap between the subject matter being taught and the knowledge and skills required for the countries to be competitive and to diversify, especially in terms of the low literacy and numeracy skills in Grenada; and (b) a disconnect between the school culture and youth culture, where school is not attractive to youth and does not effectively address their problems. The school environment is not conducive to change due to traditional teaching and a rigid curriculum and examinations structure. The project proposes investments that will attempt to change the school culture. The project design will address this in different ways:

- Teachers will receive training in early detection of learning difficulties and in ways of helping students with learning problems. The main focus will be on literacy and numeracy skills. Teachers will also receive training in more student-centred approaches to shift away from traditional frontal teaching modes.

- Through this project, the number of teachers with certificates will increase from 30% to 85%.
- School-based improvement projects will stimulate school community participation.
- Extra-curricular activities will be designed and implemented by and for the youth, giving them a voice in an otherwise hierarchical system.
- Regional curriculum reform and the evaluation of examinations and secondary education certification will be addressed by CXC and OERU in conjunction with the program, as Grenada and the other OECS countries explore ways to apply the new common core curriculum in their schools.
- Networking will foster communication between teachers, schools, district offices and the ministry and between islands to increase collaboration, knowledge sharing and quality of supervision.

4. Institutional:

The PMU has shown reasonable capacity to manage the BERP. The issue is not whether the PMU is capable of implementing a new project but whether the MOE will be able to promote qualitative change within the culture of the MOE and at the school level. A core group of some ten people in the MOE has been exposed to international experiences. Substantial technical assistance will be provided, as well as training overseas and locally through distance learning programs and by returning fellows, to bridge the knowledge gap and provide training to a wider audience. The other institutional change regards a shift in the MOE from a top-down command center to a policy-focused facilitator. Education officers will receive training in school supervision and will assist schools in taking more responsibility for self-evaluation of their performance, especially as the EMIS makes statistical data more readily available. Focused training for teachers, and parent and student involvement in school projects should give schools more accountability for the learning process.

4.1 Executing agencies:

The MOE is ultimately responsible for the implementation of the project and has established the policy guidelines for the long-term sector strategy. The MOE units responsible for components of the BERP in Grenada have demonstrated satisfactory implementation capacity and commitment to the delivery of the program. The BERP project strengthened the institutional capacity of the MOE and has improved the sector's strategic planning and analytical skills through the creation of the Testing and Evaluation Unit.

4.2 Project management:

A permanent Project Management Unit (PMU) was established within the MOE institutional framework under the BERP. The PMU is fully integrated into the MOE and has gained considerable experience during implementation of the recently closed Bank-financed project. Their trained core staff will assume responsibility for the proposed project. The experience has taught them valuable lessons about staff complementation, functions and organizational structure for effective and efficient project implementation.

4.3 Procurement issues:

A procurement capacity assessment was carried out of the proposed organization and staffing of the PMU. The assessment found it to be satisfactory. The analysis also included the assessment of administrative, political and financial aspects of the new project and took into account the level of transparency and predictability of the procurement process. The PMU will manage project procurement and funds, and coordinate project activities among the other MOE Divisions involved in the Project. The following Action plan has been discussed with the PMU staff to improve the long-term capacity of the agency to administer procurement:

By negotiations: Submission to the Bank of: (i) acceptable standard documents for request of quotations for the procurement of works under shopping modality and NCB; (ii) a detailed procurement plan for the first year of project implementation and (iii) the draft Project Operational Manual. (complied with on 20 May 2003)

By Loan effectiveness: Establishment of a procurement filing system in accordance with Bank requirements.

The Bank will provide to the PMU procurement training, including a seminar on procurement to cover consulting services, shopping and NCB and a one-day seminar at advanced level for managers.

4.4 Financial management issues:

On the basis of the Grenada Financial Management Risk Assessment (FMRA), the Bank's financial management team found that the proposed PMU for the OECS Education Development Project in Grenada has an adequate financial management structure, keeps adequate automated accounting records and has internal controls in place, and would therefore satisfy the Bank's minimum financial management requirements. Key actions were agreed upon, to be included in the legal agreement to be prepared and signed with the Borrower. They are the following: (1) the PMU will open the Project Account in USD in a commercial bank acceptable to the World Bank; (2) loan funds will be disbursed to the Special Account on the basis of SOEs; (3) each quarter, the PMU will prepare Financial Monitoring Reports (FMRs) to be submitted to the Bank 45 days after the end of each quarter (FMRs will include a narrative outlining the major project achievements for the quarter, the project's sources and uses of funds, a detailed analysis of expenditures by sub-component, a physical progress report, and a procurement report); and (4) annual project financial statements will be audited in accordance with International Standards on Auditing, by an independent firm and in accordance with terms of reference (TORs) both acceptable to the Bank.

5. Environmental: Environmental Category: C (Not Required)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The project will not include the construction any new schools. A school mapping exercise has indicated the schools that require minor expansion or upgrading. All rehabilitation of schools will take place on existing school grounds. Therefore, no EIA is necessary and there are no resettlement issues.

5.2 What are the main features of the EMP and are they adequate?

N/A

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft:

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

N/A

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The LAC Environmental Guidelines for Education Projects will be used for monitoring and will be distributed to potential contractors during the bidding process. They are included in the project files for Phase I of this APL and were agreed upon as the model for the incoming countries.

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

A social assessment was carried out in Dominica, St. Kitts and Nevis and St. Lucia for the preparation of the first phase of the APL. Similar social issues for the OECS region were identified in the Bank's study on "Youth Development in the Caribbean" for the CGCED (June 2002). Lessons were drawn from these studies and incorporated in the preparation of this project. There are three main issues in Grenada that affect all students but impact especially on low income students. First, many students have poor literacy and numeracy skills, and teachers have not been trained to teach these specific skills, nor to detect learning difficulties. When detected, teachers do not know how to address them. Training will be offered in these aspects, and special literacy and numeracy activities will be introduced at the primary and secondary level. Second, the curriculum is irrelevant to students, and teachers do not know how to motivate or support them. Curriculum reform is envisaged, and guidance counselors and peer counselors will be trained and will work in each school to offer emotional and logistical support to students and to provide schools with a better understanding of students' needs and desires. Third, schools are very hierarchical, and students are not active in school life. School improvement projects and student-led activities will tie subject matter to student interests and involve students more in the school community. The school councils will be responsible for overseeing the student-led activities.

6.2 Participatory Approach: How are key stakeholders participating in the project?

Wide consultation took place during the preparation of the SPEED. Community meetings and meetings with specific groups (e.g. teachers, students, principals, parents) were also held during project preparation to discuss specific topics. In addition, working groups were established for each component, including a wide range of interested stakeholders in each group (e.g. teacher union representatives, NGO members working on similar social issues, school teachers and principals, education officers, and officials from the MOE, the MOF and the Ministry of Culture). This has provided the MOE with a clear vision of the problems and stakeholders' expectations. Technical assistance under the PHRD grant has also sought stakeholder participation when looking at poverty reduction, teacher training and EMIS issues.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

The MOE has developed a preliminary communications strategy that has identified key stakeholders, including NGOs, teacher unions, business sector groups, school principals, teachers and students, parent-teacher associations, mass media representatives, funding agencies and Government institutions. The strategy includes regularly scheduled meetings and workshops with these stakeholders over the life of the project to ensure ongoing consultation, information sharing and participation in the implementation of their long-term sector strategy.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

As mentioned above, teachers will receive training in early detection of learning difficulties and ways of working with these students, as well as in improved methods for student-centred teaching of all subject matter. Peer counseling will be introduced, and students will receive appropriate training. Some 12 students per school will be selected for this program. Current guidance counselors will receive advanced training, and 25 teachers will be selected to receive initial training in this area, thus providing at least one counselor per school. Finally, the project will include training for the development and implementation of School Improvement Projects.

6.5 How will the project monitor performance in terms of social development outcomes?

The Minimum Competency Tests will show improved literacy and numeracy skills in Form III, and passes on the CXC in English and Math can be tracked by school. A review of district education officers' reports will reveal the effectiveness of guidance and peer counseling and, school visits will assist in evaluating the level of school community participation in the development and implementation of school-centred and student-led activities. Finally, the ratio between the proportion of trained teachers in the poorest and richest 20% schools may be tracked, since the poorer performing students come from schools with less qualified teachers.

7. Safeguard Policies:

7.1 Are any of the following safeguard policies triggered by the project?

Policy	Triggered
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

Although there will be no new construction, and therefore no EIA is required, nevertheless, environmental standards have been agreed upon to ensure that there will be no negative impacts on the environment as a result of rehabilitation of schools or creation or use of science laboratories. The LAC Environmental Guidelines for Education Projects will be utilized for civil works bidding and activities and will be included in the Project Operational Manual.

F. Sustainability and Risks

1. Sustainability:

A fiscal impact analysis of the project was undertaken showing a generally acceptable financial burden. On the basis of a realistic growth rate and education budget projections, which take into account the current macroeconomic situation of the country, it was determined that total Project costs will stay within a range of 9-11% (depending on the disbursement schedule) of the total education budget during the implementation period. Similarly, it was determined that the incremental recurrent costs will not exceed 3.2% of the future projected recurrent education budget. Finally, it is also expected that the Project will bring more efficiency into the education sector through a slight increase in the pupil-teacher ratio and in the share of non-salary recurrent education expenditure. This should help make the education sector more financially sustainable.

The strong political support from the GOG and the extensive stakeholder consultations that have gone into the Project's design should also ensure its sustainability. The GOG, including MOE and MOF high-level officials, have demonstrated their support to the education sector over time. Active stakeholder involvement in many of the components and use of the communications strategy should ensure implementation of this Project and of the SPEED over a longer period of time. Improved school supervision, more extended use of education statistics and management training for MOE staff and school principals will provide better governance and management of the sector and will help sustain the Project's achievements. The GOG has committed to seeking ways to sustain the textbook scheme which will require long-term recurrent investment.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
From Outputs to Objective Complex issues in secondary education: curriculum reform is a long-term proposition; quality improvements based on curriculum changes and teaching methods tied to curriculum reform may take longer than the duration of the project.	M	The project encourages a regional approach to these issues to gain support from other donors and consensus on content and timing. Regional collaboration and political will to make the changes would reduce the risk.
From Components to Outputs Internal focus of the project on schools and youth in school with have little control over external factors.	M	The MOE is making some connections between the school and other social services (guidance counselors at schools and mentorship programs), and the project will involve the wider school community.
Coordination between MOE and OERU is insufficient to ensure compatibility with regional objectives, in particular on curriculum reform and teacher training	M	The OERU has changed its staff and focus, realizing that its regional efforts were slowing down individual country initiatives. In turn, the OECS countries have committed to working together with the OERU on these key issues. The Bank is working in collaboration with the OERU to ensure regional cohesiveness.
Potential problems in maintaining new	M	A maintenance plan will be developed and

and rehabilitated school infrastructure and equipment.		implemented. Maintenance seminars with principals, teachers and students should involve the main beneficiaries in caring for new and upgraded facilities. The MOE should also consider seeking private sector support to provide a monetary incentive to best kept schools.
Lack of sustained continuity of PMU staffing and capacity to manage a project of this magnitude and ensure quality delivery of project activities.	S	The project will offer financial incentives to retain staff and to integrate PMU staff more with MOE units to distribute the labor more efficiently. Technical assistance will also be provided through DFID.
Overall Risk Rating	M	

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

3. Possible Controversial Aspects:

None have been identified.

G. Main Loan Conditions

1. Effectiveness Condition

The following conditions will be required for effectiveness:

- Fully staffed Project Management Unit (PMU), according to the specifications satisfactory to the Bank (*see Annex 6 for staffing requirements*).
- Final issuance of the Project Operational Manual.
- Operational Manual for the School Improvement projects and Co-curricular Activities.
- Project Account opened in a commercial Bank satisfactory to the Bank, and initial amount deposited.
- Appointment and contracting of an independent auditor.
- Establishment of a procurement filing system in accordance with Bank requirements.

2. Other [classify according to covenant types used in the Legal Agreements.]

- Government shall maintain the PMU adequately staffed at all times during project implementation and the Bank should have prior notice of any proposed changes in the staffing of the PMU.
- Government shall carry out financial reporting, accounting and auditing as provided in section C.4.

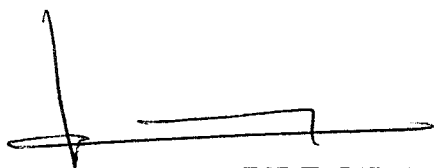
H. Readiness for Implementation

1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
1. b) Not applicable.
2. The procurement documents for the first year's activities are complete and ready for the start of

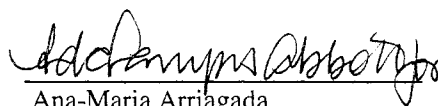
- project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
 - 4. The following items are lacking and are discussed under loan conditions (Section G):

I. Compliance with Bank Policies

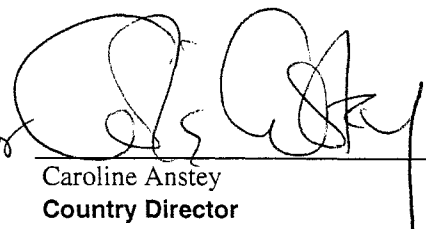
- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.



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Team Leader



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Sector Director



Caroline Anstey
Country Director

Annex 1: Project Design Summary
GRENADA: (OECs) Education Development Program

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
Sector-related CAS Goal: Promote human development or long term growth by augmenting the educated and skilled labor force	Sector Indicators: 20% increase in persons entering the labor force with minimum academic qualifications and basic skills to undergo job training Increase in the percentage of persons to enter institutions of higher education (a)	Sector/ country reports: Social and Economic Reviews Manpower and Labour Force Surveys Population Census	(from Goal to Bank Mission) Political will is sustained and stakeholders are committed to the goals of the education plan
Program Purpose: <ul style="list-style-type: none"> Increasing equitable access to secondary education Improving the quality of the teaching and learning process, with more direct interventions and provision of resources at the school level, a focus on student-centred learning and various mechanisms to provide student support Strengthening management of the sector and governance of schools. In Grenada, special emphasis will be placed on improving students' literacy and numeracy skills. 	End-of-Program Indicators: Transition rate to secondary education increases Net enrollment rate in secondary education increases Gross completion rate in Form V increases Proportion of students passing at least 5 CXC, including Math and English, increases Proportion of non-salary recurrent expenditure out of total recurrent expenditure increases Pupil-teacher ratio increases	Program reports: Annual reports of MOEs Annual reports of MOEs Annual reports of MOEs	(from Purpose to Goal) The countries involved agree to support the regional goals, and donors work together.
Project Development Objective: Increase access to secondary education	Outcome / Impact Indicators: Transition rate to secondary education increased: <ul style="list-style-type: none"> [in proportion to Grade 	Project reports: Ministry of Education annual statistical reports	(from Objective to Purpose) Post-project recurrent budgetary provisions are adequate, and financial

<p>Improve the quality of secondary education</p> <p>Improve management of education in the MOE and in the schools</p>	<p>6 students] from 80% in 2001/02 to 93% by 2006/07</p> <ul style="list-style-type: none"> • [in proportion to students sitting the Common Entrance Exam] from 55% in 2001/02 to 75% by 2006/07 • [based on students sitting the CEE in the 3 underserved parishes of St. Andrew, St. David and St. George] from 51% in 2002 to 59% in 2006/7 <p>Net enrollment rate in secondary education increased from 70% in 2001/02 to 85% by 2006/07</p> <p>Gross completion rate for Form V increased from 82% to in 2001/02 to 105% by 2006/07</p> <p>Proportion of students passing at least 5 subjects at CXC exams increased from 13% in 2000 to 25% by 2006/07 (b)</p> <p>Proportion of non-salary recurrent expenditure out of total recurrent expenditure increased from 13% in 2001 to 15% by 2006/07</p> <p>Pupil-teacher ratio in secondary increased from 23 in 2001 to 24 by 2006/07</p>	<p>Ministry of Education annual statistical reports</p> <p>CXC examination results</p> <p>Ministry of Finance and MOE annual statistical reports</p> <p>Ministry of Education annual statistical reports</p>	<p>management and efficiency measures will improve the generation of necessary resources</p>
<p>Output from each Component: ACCESS</p> <p>Three secondary schools expanded</p>	<p>Output Indicators:</p> <p>520 new secondary places created by 2007</p> <p>Furniture and equipment provided</p>	<p>Project reports:</p> <p>Project reports; school visits</p>	<p>(from Outputs to Objective)</p> <p>Rehabilitated school infrastructure and equipment will be adequately maintained.</p>

<p>QUALITY <i>Development of Curriculum for Forms I to III</i></p> <p>Curricula improved for Forms I-III, with emphasis on literacy and numeracy, and accompanying instructional guides and textbooks provided</p>	<p>Core curriculum policy adopted and subject area policies developed by 2004</p> <p>Revised curriculum printed and disseminated to all relevant users by 2004</p> <p>Workshops held to train all principals, teachers and supervisors in the implementation of the new curriculum from 2005-2007</p> <p>Four teachers trained in two-years programs in creative and performing arts</p> <p>Activities included in Literacy and Numeracy programs implemented by 2007</p>	<p>Project reports</p>	<p>MOE will work in cooperation with OERU to ensure compatibility with regional objectives</p>
<p>Learning spaces upgraded or established, including learning resource centers, science labs and technical workshops, and training for use of equipment.</p>	<p>Seven schools upgraded and equipped by 2007</p> <p>Learning resource centers established in four secondary schools by 2006</p> <p>Science labs upgraded in 11 secondary schools and user manuals distributed by 2006</p>	<p>Project reports and school visits</p>	<p>New laboratories and learning resource centers and equipment will be adequately maintained</p>
<p><i>Upgrading of Teacher Skills</i> Teachers trained in priority areas, namely on the skills required to apply the new curriculum</p>	<p>Assessment on the training needs of secondary education teachers carried out by 2003</p> <p>About 250 teachers locally trained to certificate level</p> <p>Some 28 technical teachers trained to certificate level</p> <p>Forty technical teachers distance trained to degree level</p> <p>Two special educators and two remedial teachers trained</p>		

<p><i>Student assessment system</i> Quality of testing in lower secondary improved</p>	<p>overseas to degree level</p> <p>Six teacher educators trained at postgraduate level</p> <p>Provision of materials and equipment to TAMCC by 2007</p> <p>MCT testing program strengthened, including social studies and science</p> <p>New software to assist in student assessment provided and staff trained in its use</p> <p>Teachers trained in the use of continuous assessment</p> <p>Handbook on continuous assessment developed and printed</p> <p>Asst. Testing & Measurement Officer trained to degree level</p>		
<p>Early detection of learning problems improved</p>	<p>Selected teachers, principals and education officers trained in early detection of learning problems</p> <p>Workshops held on early detection of learning difficulties for Math and Language teachers</p>		
<p><i>Student Support Services</i> Support services to secondary school students expanded</p>	<p>Textbooks provided for 3,000 needy students per year</p> <p>Mechanism developed to guarantee sustainability of the textbook program</p> <p>Five teachers trained at degree level and four at post graduate level in school social work or guidance counseling by 2006. 15 counselors trained at local level by returning fellows by 2007.</p> <p>Peer counseling program developed and 190 students</p>		<p>Efforts to reach out to students will look beyond the internal focus of the project on schools and youth in school and may have some influence over external factors.</p>

<p>Co-curricular activities financed in all secondary schools</p>	<p>trained as peer counselors</p> <p>Co-curricular activities designed and led by students in the 19 schools</p>		
<p>GOVERNANCE and MANAGEMENT</p>			
<p><i>School Supervision</i> School Supervision strengthened</p>	<p>Establishment of seven District Education Offices (DEOs) in schools, including provision of equipment</p> <p>Seven EOs trained in school supervision techniques and teacher performance evaluation</p> <p>83 principals and senior administrators, and 14 curriculum and ECD specialists trained in school management skills, including the preparation of School Development Plans (SDP)</p> <p>Training for teachers and directors provided in design of proposals and implementation of SIPs</p> <p>19 school improvement projects designed and implemented per year</p>		<p>Students will be offered and will assume a more active role in schools</p>
<p><i>Educational Management Information System (EMIS)</i> EMIS improvement and expansion</p>	<p>EMIS designed and operationalized by 2005</p> <p>Appropriate software acquired and in use by 2005</p> <p>Existing hardware in the education system upgraded</p> <p>Personnel trained in the use of the EMIS</p>	<p>Project reports. School visits</p>	
<p><i>Improving Communication and Participation</i> Strategies for dissemination of</p>	<p>Action Plan defined by 2004</p>		

information on the Education Reform process established	and fully implementational by 2007		
Project Components / Sub-components:	Inputs: (budget for each component)	Project reports:	(from Components to Outputs)
1. Equitable Access to Secondary Education	US\$1.17million		
2. Improving Quality of Teaching and Learning	US\$7.78 million		
3. Improving Governance and Management	US\$1.57 million		
4. Project Management	US\$0.74 million		PMU staffing and capacity is adequate to manage a project of this magnitude and ensure quality delivery of project activities

- (a) All target indicators will be revised when the latest population information from the 2001 population census becomes available.
- (b) At least 5 CXC including English and Math

Annex 2: Detailed Project Description

GREANADA: (OECS) Education Development Program

Grenada engaged recently in the preparation of a long-range education sector plan (SPEED, 2002). The process was highly participatory, including meetings across the island with key stakeholders. In its plan, the Government indicated a strong commitment to education. Six areas of focus have been identified in SPEED: (i) access to education for the whole population; (ii) improved equity of education and student achievement; (iii) increased relevance of knowledge and work-related skills of the country's human resources; (iv) strengthened relationships with education partners; (v) improved efficiency of the MOE and school management; and (vi) consistent government financing and efficient use of resources.

Grenada's continuous commitment over the past 30 years has led to almost universal coverage in primary education. The Government has agreed to maintain significant and consistent public investment in education, as indicated by the levels of education expenditure as a percentage of GDP. The proposed project is a follow-up to the recently closed Basic Education Reform Project (BERP), which was partially financed by the World Bank, and builds on the BERP achievements. During the project implementation years, the country's gross enrollment rates increased in secondary and transition rates improved. Though stakeholders would readily admit that the sector has moved forward and significant achievements were made in MOE management and supervision, there was some resentment from schools, since the bulk of the last project focused on the central level administration and little was done to make real changes in the teaching and learning process. For this reason, a concerted effort has been made in the proposed project to focus on improved quality of teaching, learning and supervision at the school level.

By Component:

Project Component 1 - US\$1.17 million

Increasing Equitable Access

One factor preventing achievement of universal secondary school enrollment is the lack of available places. The BERP supported the construction of a new secondary school, adding 315 new spaces, and rehabilitated ten primary and secondary schools. Nevertheless, there are still bottlenecks in some areas of the country due to migration, and an analysis of population and enrollment shows that secondary school capacity is overextended. On the other hand, statistical data show a declining trend in school-age population in the country, which would lead to substantial increases in the transition and enrollment rates even without interventions. Assuming a conservative decline of 3% per year in the 11 year old population, the transition rate from primary to secondary, currently equal to 55%, would naturally reach 80% by 2007/08 and 100% by 2010. Therefore, the project will support minor expansion in key schools as identified by a recent school mapping exercise.

1.1 Expansion and rehabilitation of secondary schools.

This component aims to further expand access to secondary education targeting geographical areas, to assist the GOG in its efforts to achieve universal enrollment in secondary education. The component will provide additional coverage in the parishes of St. George, St. Andrew and St. David, where there are high migration flows from other parts of the country or the secondary school-age population is underserved due to the high number of feeder primary schools funneling into a limited number of secondary schools in the area. During project preparation, a school mapping exercise was carried out to better understand how to meet the needs of Grenada's school population. This information, together with the Household Survey data showing population trends, assisted the GOG in determining which schools to target.

A total of 520 new places will be added in secondary education by 2008 in the following schools: (i) in Grenada Boys Secondary School, adding 200 additional spaces; (ii) in Westerhall Secondary, adding 200 new places; and (iii) in Greenville Secondary, adding 120 new places. Classroom designs will be based on the recommendations of the "Design of Learning Spaces" consultancy (May 2003) to facilitate interactive, student-centered learning.

This subcomponent will finance: (i) civil works to expand and improve the existing school facilities and (ii) acquisition of furniture and equipment.

Project Component 2 - US\$7.79 million

Improving the Quality of Teaching and Learning

2.1 Development of Curriculum for Forms I to III

The objective of this sub-component will be to refocus the curriculum for the lower secondary level (Forms I to III), emphasizing the improvement of students' literacy and numeracy skills. The project will provide training and support for the implementation of the revised curriculum. This component will be developed in close collaboration with the other OECS project countries, adhering to the curriculum reform proposals of the OERU. The curriculum reform process will be based on a model policy that has been developed by the OERU with input from the OECS MOEs. This curriculum policy determines the number and type of courses to be offered in Forms I to III. A consultancy will support the translation of the OERU policy to the reality of Grenada, and a DFID-supported consultancy will recommend the approach to follow to achieve the objectives of strengthening literacy and numeracy within this core curriculum policy. Subject area policies will be developed by the MOE during the first year of project implementation in line with the general core curriculum policy.

The main activities for this sub-component are:

- Development of all curriculum policies;
- Training workshops for all principals, teachers and supervisors in the implementation of the new curriculum;
- Overseas or distance training for four (4) teachers in two-year programs in creative and performing arts;
- Literacy Enhancement and Achievement Programme (LEAP): Among the activities financed under this programme, there will be: (i) a school survey to determine literacy needs; (ii) the creation of literacy committees in the schools to lead the efforts on literacy development; (iii) the provision of educational software and books to support increasing reading; (iv) the celebration of a yearly National Literacy Festival which will display student writing; and (v) a compulsory course on strategic reading for teachers and students, training on the development and use of literacy portfolios for instructional purposes and on technology and the technology program;
- Program to enhance numeracy: This programme will include: (i) a survey to document the most common numeracy problems in the upper primary grades; (ii) the training of some 360 teachers in the diagnosis of student learning difficulties in number skills and concepts; (iii) the development, selection and distribution of learning materials to be used to reinforce numeracy skills in teachers and students; (iv) organization of a fair on Mathematics for upper primary and

lower secondary where students' work can be displayed; and (v) development of video material to be used by teachers and to have available in the Learning Resource Centers.

- “EXSEL” Summer school: This program has been conceived as a summer camp pilot experience to enhance literacy and numeracy, replicating the design of similar successful learning camps in the country. It will be piloted in the parish of St. Andrew during the first year of project implementation and will reach five hundred students in Forms I to III. Students who are under-achieving in school will be identified and encouraged and supported to attend. The courses will be offered during the first two weeks of summer vacation. An evaluation of the pilot experience will be carried out after the first year to determine whether to launch the program in the other six Districts.
- Creation of Learning Resource Centers (LCRs) in four secondary schools. These Learning Resource Centres will be established as a strategy to enhance and enrich the school's curriculum, to stimulate interest in literacy and research, to encourage and develop metacognitive skills for independent and lifelong learning and to shift towards more student-centered teaching and learning. The centers will have a combination of essential library resources and information technology. The project will support the construction and equipping of these spaces or upgrading of existing school libraries to LCRs. Training will be provided for the LCR managers and school teachers on use of new materials and equipment and ways of incorporating more research-based activities into their teaching;
- Upgrading of the science laboratories in 11 secondary schools, based on international standards. This sub-component seeks to develop in secondary school graduates a greater interest in science beyond the classroom, including industry and research, through improved methodology and greater participation of the learner. The Science Laboratories will be designed accordingly to reflect the needs of the new curriculum and the proposals and recommendations of the design of learning consultancy. Training will be provided for laboratory technicians in secondary schools. Training in areas such as inventory management and preventative maintenance of laboratory equipment and infrastructure will assist in containing costs and ensuring the prolonged use of the laboratory resource.
- Printing of the new curricula and of the manual for science labs for dissemination to all relevant users.

This sub-component will finance the following: (i) local and overseas training; (ii) software, books, teacher manuals, and learning and video materials; (iii) literacy festival and numeracy fair expenses; (iv) technical assistance for evaluation of the programs; (v) rehabilitation of schools to create learning resource centers and upgrade science laboratories and (vi) equipment of these facilities.

2.2 Upgrading of Teacher Skills

This subcomponent will improve the quality of teaching at the secondary level. At present, only 30% of teachers are trained at the certificate level. The goal is to raise this percentage to 85%, and decrease the teacher attrition rate. The MOE will implement a range of training programs for teachers, based on the strategy designed by the consultants during project preparation. These will include:

- Local training for 250 classroom teachers and 28 technical teachers to the certificate level;
- Distance training for 40 technical teachers to the degree level;
- Overseas training for four Special Educators to the degree level, including specialists to work with visually and auditory-impaired students, and specialists in remedial teaching;
- Overseas postgraduate training for ten teacher educators, including four technical teachers.

It will also increase the capacity of the T.A. Marryshow Community College (TAMCC) to provide teacher training by creating a model classroom and supporting the upgrading of its ICT facilities and equipment, including library materials and instruments required for teacher training.

The focus of the teacher training activities will be on the skills required to implement the new curriculum. Training will be offered initially by trained professionals in the areas of language arts, social studies, math and education psychology. Additional training will be offered in other areas as the teacher educators finalize their overseas training. A clear plan will be established to ensure that fellows provide training to their colleagues upon their return.

This sub-component will finance: (i) local and overseas training; (ii) rehabilitation of TAMCC to provide for model classroom and ICT facilities; and (iii) computers, equipment and materials.

2.3 Student Assessment System

The quality of assessment in the lower forms of secondary schools will be improved and a system of programs will be introduced to support students with learning difficulties. Although in recent years Grenada has undertaken some major reforms in testing and evaluation (such as the introduction of the Minimum Competency Test and the use of the Common Entrance Exam (CEE) and the Caribbean Examination Council exam (CXC) as diagnostic tools to monitor learning and to improve quality), further reforms are needed to strengthen the assessment, to use the evaluations as quality assessment mechanisms and to provide feedback to students, teachers and parents.

The MOE aims to expand continuous assessment of student achievements, an evaluation method introduced in 2000 but for which teachers never received appropriate training. The MOE supports development of a training program through which at least one teacher per school will be trained in continuous assessment techniques, and a teachers' manual on the use of these techniques will be distributed to schools. This assessment will be competency-based and harmonized among schools. These efforts will coincide with the harmonization of the curriculum in Mathematics, Science, Social Studies and Language Arts, to develop a list of competencies in each subject area.

About 10 percent of Grenadian students have learning difficulties, yet teachers have not been trained to identify them or understand the causes, nor how better to support the students. It is usually difficult for teachers to assist these students in their normal classroom setting. The MOE will invest in strategic interventions to support these students by focusing on the classroom environment, materials, assignment and management techniques. Training of teachers in early detection of learning difficulties is considered a key element of this strategy.

This sub-component will finance: (i) new software to strengthen the processing and analysis of test scores and student assessment; (ii) training of staff in the use of this software; (iii) initial training to selected teachers, principals and Education Officers on early detection of learning difficulties and Continuous Assessment skills; (iv) workshops on Math and Language skills for selected teachers, principals and education officers and (v) development and printing of handbooks for teachers on Continuous Assessment.

2.4 Improving Student Support Services

The MOE seeks to meet the emotional, social, physical and spiritual needs of the student population by providing services to assist students to develop their full potential. However, inequities still exist and those who most need assistance are not always targeted. The MOE has attempted to improve existing programs as well as introduce new mechanisms to ensure students' ability and willingness to successfully participate in the educational process. This component supports several such programs.

2.4.a. Textbook rental scheme: The MOE administers a Needy Students' Assistance Programme (NSAP) for secondary school students, providing books or uniforms to needy students awarded a secondary school place, based on the results of the Common Entrance Exam (CEE) and availability of spaces. Traditionally, these students have been selected by the principal or the teachers. Due to difficulties arising from the selection process, the MOE has decided to define eligibility criteria to identify and better target students with unmet needs. The MOE has initiated this process during the preparation period with support from the PHRD grant. In addition to the NSAP assistance, a textbook program under the auspices of the Prime Minister's Ministry is currently providing textbooks to 2,762 (of 9,891 total) students in Forms I to V. However, continued funding is not guaranteed for this program, and the MOE has decided to assume responsibility for it and to establish a mechanism for its sustainability, to be developed during the first year of the project.

2.4.b. Training for Guidance Counselors: Until November 2002, the MOE's Guidance and Counseling unit was staffed with two officers who were responsible for all the guidance and counseling services for the country's schools. Existing problems in schools, such as behavioral problems, violence, drugs, family abuse, anti-social behavior and poor communication skills, point to the need for more trained professionals. Under a new MOE initiative, nine teachers with skills and experience in this area were selected in November 2002 and assigned by district as guidance and counseling assistants to perform these duties in schools. Only four of them have degrees in this area. Training is required to upgrade their skills and knowledge, to enable them to provide more effective and efficient services. Even with the addition of these professionals, the ratio of guidance counselors to secondary students is 1:900. As defined in SPEED, the aim is to designate a trained counselor per school by 2006. To this end, the MOE will provide training to five teachers at the degree level and three (3) teachers at the post-graduate level. The five counseling assistants who do not yet have specialized degrees will receive the degree-level training, and they will be expected to train up to 20 additional teachers upon their return.

2.4.c. Peer counseling and mentorship program. Under the premise that students may feel more comfortable talking with peers, twelve students from each school will be selected for peer counseling training. Mentors from the community may also be invited to work on a volunteer basis with students. These two strategies will give students more options to seek advice and help with problems.

2.4.d. Student-led Co-curricular Activities. Student-led co-curricular activities will be introduced to stimulate general interest and motivation in students. Key areas of focus may include (a) sports, (b) entrepreneurship, and (c) school clubs and groups, among others. Participation of students deemed "vulnerable and at risk" should be encouraged. The MOE will transfer funds directly to Student Councils to ensure student leadership and the opportunity for students' creative expression of their interests. Proposals will also be presented annually for these activities.

This sub-component will finance: (i) provision of xxx core textbooks to needy students; (ii) guidance and counseling degree-level training for 5 teachers, and overseas post-graduate training in this area for three professionals; (iii) training of 190 students as peer counselors and establishment of the mentorship program and (iv) support for student-led co-curricular activities (US\$2,000 per school per year).

Project Component 3 - US\$ 1.57 million

Strengthening Governance and Management

3.1 Strengthening school supervision and management

Grenada's supervision system lacks coordination and collaboration between units with supervision responsibilities; insufficient support to schools due to the geographic dispersion of assigned schools to Education Officers; and conflicting information given by different MOE officials visiting the same school. To address these weaknesses, and in line with SPEED, the MOE has initiated a reform of the supervision system by creating: (i) Education Districts defined geographically, to achieve a focused supervision by Education Officers and Early Childhood Supervisors; and (ii) Supervision Teams for each education district. Each team comprises an education officer, an early childhood supervisor, technical professionals from the MOE, faculty from the Teacher Education Department of TAMCC and key actors in the education sector at the parish and district level. The supervision teams are responsible for developing and implementing a strategic plan for district improvement, based on the needs and priorities identified.

The project aims to support the Government's efforts to improve the level and efficiency of supervision at the school level. Existing classrooms in seven schools - one in each district - will be refurbished to be used as District Education Offices for each of the District Supervision Teams. These offices will accommodate a meeting room, a counseling room, a manager's office and workspaces for the district education officers. Training workshops in school supervision techniques and teacher performance evaluation will be organized for the supervision teams. Training in school management also will be conducted for 83 principals and other senior administrators at the school and ministry levels and 14 curriculum and ECD specialists.

In addition, principals will receive extended initial training on the use of School Development Plans (SDPs) and the involvement of teachers, students, parents and the wider community in school development planning. The SDPs, drawn up by the school community, will establish the strategic goals of each school and provide indicators by which to measure school performance, thereby forming a key component to the supervision process. The SDPs will also guide the development of school-based School Improvement Projects (SIPs), which have been identified as an effective way of improving the quality of teaching and learning, creating partnerships, fostering ownership, and stimulating innovation and efficiency in resource utilization in education. The MOE will seek to build on this culture of school-based projects to encourage schools to focus on projects to improve the teaching and learning process. An Operations Manual is being developed and will detail the selection criteria and implementation arrangements for the coordination of support for the SIPs. Each year each school will present one SIP, based on the School Development Plan, including activities to improve the teaching and learning process. Projects will be selected based on the quality of the proposals submitted and their capacity to motivate students.

This sub-component will finance: (i) the establishment of seven District Education Offices (DEO) in schools; (ii) computers, office equipment and resource materials for the DEOs; (iii) training activities for the members of the school supervision teams, principals and administrators (about 104 people); (iv) training in the preparation of the School Development Plans and (v) financing of School Improvement Projects (US\$3,000 per school per year).

3.2 Educational Management Information System

The MOE has realized its inability to access and disseminate accurate information in real time, which has impeded the formulation and implementation of appropriate and relevant education policies. The MOE places emphasis on school management to improve the quality of education. In this context, the MOE has

proposed to upgrade and expand its management information system (EMIS) to provide updated sector information to policy makers.

This subcomponent will finance: (i) design and commissioning of customized EMIS software or purchase of relevant off-the-shelf software, including statistical software to be used by schools; (ii) upgrading of the system hardware and (iii) training for relevant personnel (approximately 140 people) in use of the new software package and statistics packages.

3.3 Improving communication and participation

Though some dissemination efforts have been made to spread the achievements of the ongoing education reform process, the MOE perceives that these efforts need to be intensified to foster greater ownership of the reform and wider participation by key stakeholders in the education sector. This sub-component will support the dissemination of information on the educational reform process with the objective of enhancing stakeholders' involvement in and ownership of the process. Communication efforts will target a wide range of stakeholders – teachers, students, parents, trade union, business sector, community and non-governmental organizations – using print media, broadcast media and participatory activities. Specific messages for each of the target groups will be developed and will utilize a range of activities for reaching these target groups and getting them involved in the project.

Competitions in art, written essays, poetry or debate will also be held annually to generate interest in the education reform at the secondary school level and among the general public. These competitions will be open to all secondary education students. Students will present their entries to their schools, and the schools in turn will present them to the MOE. While individuals will compete in the art, essay and poetry competitions, the debate competition will be held on a zonal basis with teams of 3 to 4 students per school, and a national competition will be held with the winners of each zone. A committee of judges will be selected by the MOE for each of the competitions. Trophies and cash prizes will be awarded to the winners. These prizes will be granted on an exceptional basis, as an incentive for students to participate in these extra-curricular activities, and will not be used as a reward for regular student activities, such as class attendance. The rules, procedures for entry and judging criteria for selection are clearly defined in the Project Operational Manual.

This sub-component will finance: (i) printing of information materials (brochures, posters, billboards, flier and new releases); (ii) production and recording of materials to be broadcast; (iii) participatory workshops and debates and (iv) trophies and cash prizes to winners of the competitions.

Project Component 4 - US\$0.73 million

Project Management

A Project Management Unit (PMU) was established under the BERP and is one of the key units of the Ministry of Education, in charge of implementing programs with international support. The PMU will manage and coordinate the implementation of the OECS Education Development Project for Grenada. The PMU staff consists of: (i) a Project Manager, (ii) a Financial Analyst, (iii) a Project Accountant, (iv) a Secretary; (v) a Procurement Officer who prepares tender documents, notices, supervision of consultants, coordination of tender, and evaluation report preparation; (vi) a School Supplies Officer who manages the Ministry's fleet of vehicles, assesses the needs of the school in relation to supplies, orders the relevant goods and distributes them to the beneficiary school; (vii) an assistant to whom the School Supplies Officer delegates as need arises and (viii) a proposed Accounts Clerk. The recurrent costs of maintaining the Unit will be met by GOG and are to be included in the approved estimates of expenditure for the Ministry of Education, while the project will finance equipment, materials and staff training.

Annex 3: Estimated Project Costs
GRENADA: (OECS) Education Development Program

	(US\$000's)		
	Local	Foreign	Total
A. 1.0 Increasing Equitable Access			
1.1 Expansion and rehabilitation of secondary schools	506	551	1,057
Subtotal 1.0 Increasing Equitable Access	506	551	1,057
B. 2.0 Improving de Quality of Teaching and Learning			
2.1 Development of Curriculum for Foms I to II	2,540	2,804	5,344
2.2 Upgrading of Teacher Skills	472	105	577
2.3 Student Assessment System	137	43	180
2.4 Improving Student Support Services	531	532	1,063
Subtotal 2.0 Improving de Quality of Teaching and Learning	3,680	3,484	7,164
C. 3.0 Strengthening School Supervision			
3.1 Strengthening schools supervision	443	264	707
3.2 Educational Management Information System	105	630	735
3.3 Improving communication and participation	43	6	49
Subtotal 3.0 Strengthening School Supervision	591	900	1,491
D. 4.0 Project Management	513	175	688
E. Front-end fee	-	40	40
Total BASELINE COSTS	5,290	5,150	10,440
Physical Contingencies	107	189	296
Price Contingencies	373	191	564
Total PROJECT COSTS	5,771	5,530	11,300

**(OECS) Education Development Program
Expenditure Accounts Project Cost Summary**

	(US\$000's)		
	Local	Foreign	Total
I. Investment Costs			
A. Civil Works	1,926	2,858	4,785
B. Equipment /a	123	1,088	1,210
C. Furniture	172	255	427
D. Textbooks	91	358	449
E. Technical Assistant			
1. Specialist Services			
Local Consultants	932	-	932
Foreign consultants	35	195	229
Subtotal Specialist Services	966	195	1,161
F. Training and Workshops			
Workshops	251	-	251
Training	835	184	1,020
Subtotal Training and Workshops	1,086	184	1,270
G. School Improvement Projects	400	-	400
H. Prizes	8	-	8
I. Operating Cost	122	40	162
J. Printing and non-printing materials	157	51	208
K. Front end fee	-	40	40
Total Investment Costs	5,051	5,070	10,121
II. Recurrent Costs			
A. Utility	48	-	48
B. Operation and Maintenance	74	-	74
C. Incremental Staff	61	-	61
D. Textbooks	50	75	125
E. Office supplies	5	5	11
Total Recurrent Costs	239	80	319
Total BASELINE COSTS	5,290	5,150	10,440
Physical Contingencies	107	189	296
Price Contingencies	373	191	564
Total PROJECT COSTS	5,770	5,530	11,300

Annex 4: Cost Benefit Analysis Summary

GRENADA: (OECS) Education Development Program

As the project's main focus is on quality improvements of the education system, which are being pursued through the provision of better facilities for learning, better trained teachers and curricular reforms, the economic analysis will concentrate on this aspect. It will attempt to quantify these benefits, as well as estimating the total costs of the project (including capital, recurrent and opportunity costs), to produce measures of net total gain in the country. We should note that the project design is also envisaging an "access" component which would provide some 500 new places. However, in the context of the current decline in school-age population faced by the country, which would lead to substantial increases in the transition and enrollment rates even without intervention (assuming a decline of 3% per year in the 11-year-old population up to 2006/07, followed by a decline of 2% up to 2014/2015, the transition rate from primary to secondary, currently equal to 55%, would naturally reach 80% by 2007/08 and 100% by 2012/13), the main objective of this component is solely to help obtain full coverage in a few areas which are experiencing high migration flows from other parts of the country (i.e. help tackle "bottleneck" situations). These benefits will not be assessed here.

Summary of Benefits and Costs:

Benefits from higher quality

The project is planning to undertake several quality-enhancement interventions, such as rehabilitating fully existing secondary schools, including the upgrading of science labs and learning resource centers, providing equipment and materials, implementing literacy and numeracy programs, introducing school improvement projects, developing new curricula and providing teacher training. It is expected that through its quality-enhancing measures, the project will gradually lead to: (a) decreased drop-outs from 2005/2006, which will in turn be reflected into a higher number of graduates; and (b) higher educational achievement, as measured by exam results.

Reduced drop-outs

Table 1 shows an estimation of the total benefits associated with the reduced drop-outs, and therefore higher numbers of graduates, under the two main assumptions that: (a) primary school-age population decreases at a rate of 3% up to 2006/07, 2% up to 2014/15 and 1.5% afterwards; and (b) drop-outs in all grades decrease gradually from 2005/06 to reach the target levels of 0% in Forms 1 and 3 (where drop-outs are currently around 1%), 1.5% in Form 3 (from a current level of around 3%) and 2.5% in Form 4 (from a current level of around 4-5%)¹¹¹. Multiplying the stream of new graduates over the next 20 years by the present value, assessed at the time of graduation, of the incremental earnings associated with complete secondary education (calculated from the Grenada Labour Force Survey (2001) and shown in Table 2), and discounting this amount¹¹¹, we obtain a total economic benefit of US\$9.5 million.

Other assumptions underlying the calculation of the benefits:

- The graduation age (and age of entry to the labour market for the secondary school students) is taken to be 17. This assumes that students progress through the schooling system on time, entering Grade K at age 5 and leaving Form 5 at age 16. Low repetition in primary and secondary makes this assumption reasonably plausible in the case of Grenada.

- The working life of the secondary graduates starts at 17 and goes up to 60. It is assumed that all secondary graduates will manage to be employed. It is plausible that in the context of the projected medium term growth rate of 3% and the relatively small amount of incremental secondary graduates, the labour market can absorb them all.
- We also assume that the size of the expansion (less than 100 new secondary graduates per year compared with an estimated 2,000 students graduating from secondary school each year, or the existing secondary school population of approximately 10,300 students) is sufficiently small so that we can safely assume the absence of wage compression effects due to the incremental graduates.

Higher educational achievement

The planned quality enhancing interventions have been proved to have a positive significant impact on educational achievement in various countries according to education production function analyses¹³¹. In the context of Grenada, it was possible to test the impact of infrastructure and equipment rehabilitation (science labs and learning centres) and teacher training on secondary school educational achievement through an education production function analysis. Table 3 below reports the results of an education production function relating the average passing rate in the English and Math CXC exams by secondary school in 2002 to measures of teaching staff characteristics, state of the infrastructure and expenditure per student, controlling for the socio-economic status of schools¹³¹. Unfortunately, the unavailability of information on CXC scores at the student level left no other option than to estimate an aggregate function at the school level, over an admittedly small sample size. In any case, simple OLS results show that both the state of the infrastructure and equipment and the proportion of trained teachers are significant in explaining CXC passing rates. An increase of 1% point in the proportion of trained graduate teachers leads to an increase of about 0.27% points in passing rates, while a decrease of 1% point in the proportion of infrastructure and equipment in poor conditions leads to an increase of about 0.22% points in passing rates¹³¹.

Taking into account that the project will lead to an increase of 66% points in the proportion of trained teachers (through the training sub-component which is planning to train 300 teachers out of the current 450) and assuming a decrease of 30% points in the proportion of infrastructure and equipment in state of deprivation through the rehabilitation of 11 science labs, the upgrading or creation of 4 learning centers and general refurbishing of several secondary schools¹³¹, we get an overall increase in CXC passing rates of about 24% points. This increase will then translate into a higher proportion of students passing one or more CXC exams which we can relate to higher earnings using the evidence presented in Table 5 and some specific assumption¹³². From Table 5, we see that quality-enhancing measures bring an increase of about 3.8% in the average monthly income associated to completed secondary education (in particular because of the high premium associated with passing at least 5 CXC exams), or, in other words, a 3.8% premium on the total discounted income associated with secondary education (equivalent to approximately US\$1,500). As shown in Table 6, multiplying this figure by the total number of secondary graduates, and discounting the resulting amounts, we get the total benefits associated with these quality-enhancing measures (US\$20.7 million).

Main Assumptions:

Main assumptions underlying the calculation of the benefits:

- The impact of the quality-enhancing measures on secondary education earnings kicks in from 2006/07 onwards, when these measures have all been implemented and the secondary students have been able to take advantage of them.
- No attempt was made to estimate the potential impact on educational achievement and earnings of the other quality interventions. However, the positive impact of expenditure per student, which can be related to higher quality of human resources, teaching materials and maintenance, points to a positive impact of other project's interventions, such as the provision of teaching materials under the curriculum and student support sub-components. Additionally, the same curriculum reform and the implementation of school improvement projects, not necessarily related to expenditure, are also likely to have a significant impact on educational achievement and, thus, on earnings.

Project costs and relating costs to benefits

In Table 7, we report the total investment, recurrent and opportunity costs of the project and, in Table 8, we compare the total discounted benefits with the total discounted costs to obtain a Net Present Value and Economic Rate of Return for the project. The NPV is equal to US\$17.2 million and the ERR to 30%.

Main assumptions underlying the cost analysis:

- The normal entry age into the labour market is taken to be 15. The forgone income is obtained multiplying the new Form 4 and Form 5 enrollees by the yearly wage that they would have earned if they were working instead of attending school.
- Recurrent costs were obtained under the assumption of a constant pupil-teacher ratio of 23.

Sensitivity analysis / Switching values of critical items:

A sensitivity (and, when applicable, a switching value analysis) was undertaken in relation to the following crucial parameters:

- the increment in earnings due to secondary education
- the unemployment rate
- the "quality premium" in secondary education.

These are the main results¹⁴¹:

- If the increment in earnings due to secondary education is only 50% of the one assumed in the base case, the NPV will fall to US\$12.4 million (ERR: 26%).
- If the unemployment rate is 20% for all the project beneficiaries (higher than the projected 12%), the NPV will fall to US\$11.1 million (ERR:25%). The point where the NPV reaches 0 (or the IRR 10%) would be with an unemployment rate of 57%.

- If the “quality premium” in secondary education is only 75% of the one assumed in the base case, the NPV will fall to US\$12.0 million (ERR:25%). If it is 50% of the one assumed in the base case, the NPV will fall to US\$6.8 million (ERR: 19%). The point where the NPV reaches 0 (or the IRR 10%) would be with the quality premium reaching 17% of the one assumed in the base case.

Table 1: Grenada-Secondary graduates benefits from decreased drop-outs

	New secondary graduates	PV of differential earnings (US\$)	Discounted total benefits (US\$)
2003/2004	0	19329	0
2004/2005	0	19329	0
2005/2006	0	19329	0
2006/2007	25	19329	492468
2007/2008	32	19329	624984
2008/2009	72	19329	1386770
2009/2010	78	19329	1503881
2010/2011	95	19329	1836413
2011/2012	95	19329	1842586
2012/2013	95	19329	1837323
2013/2014	95	19329	1832031
2014/2015	95	19329	1827336
2015/2016	94	19329	1823512
2016/2017	93	19329	1799722
2017/2018	87	19329	1675367
2018/2019	85	19329	1636132
2019/2020	83	19329	1603186
2020/2021	82	19329	1578610
2021/2022	80	19329	1554911
2022/2023	79	19329	1531586
Total:			9,561,307

Table 2: Grenada-Average gross yearly wages
per level of education and age (in EC\$)

Age	Complete primary	Complete secondary	Difference
17	6480	15600	9120
18	6480	6300	-180
19	6480	6000	-480
20	6480	12084	5604
21	6600	8592	1992
22	6000	11124	5124
23	7200	22740	15540
24	6480	10908	4428
25	9600	10068	468
26	9600	10008	408
27	9744	9168	-576
28	9744	15000	5256
29	9744	12252	2508
30	9900	13200	3300
31	8520	14856	6336
32	8520	13008	4488
33	9000	15156	6156
34	7800	57000	49200
35	9000	12996	3996
36	12000	14904	2904
37	12000	10044	-1956
38	12000	16800	4800
39	13104	13800	696
40	12600	9600	-3000
41	12000	18000	6000
42	11400	15120	3720
43	4800	11400	6600
44	11400	19800	8400
45	9900	18000	8100
46	12636	9600	-3036
47	15624	4800	-10824
48	32400	23496	-8904
49	7800	19200	11400
50	15624	15024	-600
51	7200	15000	7800
52	7200	25704	18504
53	7200	11160	3960
54	7200	11160	3960
55	7200	11160	3960
56	8400	11160	2760
57	8400	24000	15600
58	8400	17436	9036
59	8400	36000	27600
60	8400	17436	9036
	9600	51600	42000
Mean:	9694	16165	6471
Present Value:			52384 (US\$ 19,329) ^a

Source: processed from the Grenada Labour Force Survey (2001)

Notes: (a) 1US\$=2.71EC\$

Table 3: Grenada-OLS estimates
(dependent variable: CXCPR)

Variables	Coefficients (t-ratios)
SCHDEP	-0.485 (1.84)*
PT	1.495 (1.86)*
TEACHTR	0.275 (1.89)*
INFRDEP	-0.225 (2.64)**
EXPS	0.038 (3.84)***
R ²	0.70

Notes: * Significant at 10%; ** Significant at 5%; *** Significant at 1%

Table 4: Grenada-Some summary statistics and variable description

	Variable description and unit of measure	Mean	Standard Deviation
CXCPR	Average passing rate in the CXC English and Math exams (%)	33.2	14.6
SCHDEP	School socio-economic status (the higher the variable, the more deprived the school), measured by the proportion of students covered by a bursary (%)	27.7	10.5
PT	Pupil-Teacher ratio	23.0	3.4
TEACHTR	Proportion of trained teachers (%)	31.5	18.4
INFRDEP	Proportion of school infrastructure in a state of deprivation (%)	65.8	29.1
EXPS	Education expenditure per student in the secondary sector (EC\$)	1,472	297

Table 5: Grenada-Average monthly wages and educational achievement

	Average monthly wage for each level of educational achievement (EC\$)	Population 16 years and over who has completed secondary education by CXC educational achievement (%)	Population 16 years and over who has completed secondary education by CXC educational achievement after quality-enhancing measures (%) (EC\$)
Completed secondary with no CXC	1102	14	8
1-2 CXC	1203	25	25
3-4 CXC	1200	30	29
5+ CXC	1900	31	38
Weighted Mean:	1404		1458

Source: processed from the Grenada Labour Force Survey (2001)

Table 6: Grenada-Secondary graduate benefits from improved education achievement

	Total secondary graduates	Secondary education premium (US\$)	Discounted total benefits (US\$)
2003/2004	1854	0	0
2004/2005	2002	0	0
2005/2006	2166	0	0
2006/2007	2052	1500	3077263
2007/2008	2149	1500	3223165
2008/2009	2174	1500	3261748
2009/2010	2151	1500	3227243
2010/2011	2163	1500	3243903
2011/2012	2154	1500	3230883
2012/2013	2147	1500	3220348
2013/2014	2140	1500	3210410
2014/2015	2134	1500	3201607
2015/2016	2130	1500	3194438
2016/2017	2102	1500	3152362
2017/2018	1956	1500	2933853
2018/2019	1910	1500	2865109
2019/2020	1872	1500	2807414
2020/2021	1843	1500	2764378
2021/2022	1815	1500	2722876
2022/2023	1788	1500	2682032
Total:			20,733,538

Table 7: Grenada-Costs of the project (US\$)

	Capital costs	Recurrent costs	Forgone income	Total
2003/2004	845600	26700	0	872300
2004/2005	3627900	27300	13379	3668579
2005/2006	4269900	96200	112383	4478483
2006/2007	2205700	201300	144277	2551277
2007/2008		250000	281894	531894
2008/2009		250000	297151	547151
2009/2010		250000	338154	588154
2010/2011		250000	338624	588624
2011/2012		250000	337703	587703
2012/2013		250000	336314	586314
2013/2014		250000	324421	574421
2014/2015		250000	319566	569566
2015/2016		250000	293600	543600
2016/2017		250000	283725	533725
2017/2018		250000	275172	525172
2018/2019		250000	266915	516915
2019/2020		250000	258908	508908
2020/2021		250000	252236	502236
2021/2022		250000	243397	493397
2022/2023		250000	241240	491240
Present Value:				13,075,438

Table 8: Grenada-Costs and Benefits (US\$ millions)

	PV
Benefits:	
Reduced drop-outs	9.5
Improved educational achievement	20.7
Costs:	
Investment costs	(9.3)
Recurrent costs	(1.7)
Forgone income	(2.0)
NPV:	17.2
ERR:	30%

¹¹¹ The drop-out values have been determined through simple linear interpolation.

¹¹² Using as everywhere else in the analysis a discount rate of 10%.

¹¹³ See, for instance, Fuller and Clarke (1994), Harbison and Hanushek (1992), Wolf, Shiefelbein and Valenzuela (1994) and Sheerens (2000) for extensive reviews of studies assessing education production functions.

¹¹⁴ As much as we could. It is suspected that the adopted measure might not be a perfect measure of socio-economic status and that the pupil-teacher ratio and expenditure per student might also proxy for some impact of the school socio-economic level.

¹¹⁵ As mentioned above, these results should be interpreted with caution due to the small sample size and the aggregated nature of the data. The small sample size led us to check the assumption that the residuals are normally

distributed through a joint skewness kurtosis test for normality. The test yielded a Chi2-statistic of 1.82 insignificant at all conventional levels of significance ($\Pr(\text{Chi}^2)=0.40$), leading us to accept the normality assumption with all its implications. However, caution should be maintained due, as well, to possible endogeneity issues which would require the use of instrumental variable techniques and/or panel data to improve the reliability of the estimates.

¹⁶¹ We obtain an approximate decrease of 40% if we assume that the schools rehabilitated (approx. 75% of all secondary schools) include (but are not limited to) all the ones with the current worst infrastructure and equipment and the rehabilitation effort leads them to reach a state of fully satisfactory infrastructure and equipment (proportion of deprived infrastructure equal to zero).

¹⁷¹ The assumption is that: (a) all students pass only one more exam, English or Math (equivalent to assume that 52% of the total secondary graduate population passes one more exam); and (b) the student increases are distributed proportionally to the current distribution across the four CXC categories of Table 5 to provide the same likelihood of success across categories.

¹⁸¹ Detailed results of this analysis are available in the project files.

Annex 5: Financial Summary
GRENADA: (OECS) Education Development Program

Table A.1: Grenada-project cost and financing (in US\$ millions)

Concept	Implementation Period				Tot	Operational Period			
	2003/04	2004/05	2005/06	2006/07		2007/08	2008/09	2009/10	2010/11
Project Costs									
Investment Costs	0.8	3.6	4.3	2.2	10.9				
Recurrent Costs	0.03	0.03	0.1	0.2	0.4	0.2	0.2	0.2	0.2
Total:	0.9	3.6	4.4	2.4	11.3	0.2	0.2	0.2	0.2

Overview of public education expenditure and fiscal impact of the project in Grenada

a. Overview

Table 1-Grenada-Data on Expenditure Levels in the Education Sector and Unit Costs
(in current EC\$ millions)

	1997	1998	1999	2000	2001	2002	2003
Total public expenditure in education	41.3	49.3	60.5	62.6	70.6	70.5	75.3
Total public recurrent expenditure in education	37.9	45.7	46.8	46.4	52.5	53.7	53.8
Total public expenditure in salaries in education	34.1	39.0	41.2	40.8	43.3	45.7	
Total public capital expenditure in education	4.0	4.0	13.7	16.2	18.0	16.8	21.5
Recurrent expenditure in education/total education expenditure (%)	91.8	92.7	77.4	74.1	74.4	76.1	71.4
Salary expenditure in education/Recurrent expenditure in education (%)	90	85.3	88.0	87.9	82.5	85.1	
Capital expenditure in education/total expenditure in education (%)	8.2	7.3	22.6	25.9	25.6	23.8	28
Total public education expenditure/GDP (%)	4.9	5.3	5.9	5.7	6.6	6.3	6.3
Total public education expenditure /National Budget (%)	14.5	15.5	17.5	14.6	15.1	15.4	
Recurrent education expenditure/Total public recurrent expenditure (%)	18.4	19.0	19.5	17.3	17.7	17.4	
Recurrent expenditure in secondary education	8.4	10.4	12.1	12.3	13.8	13.9	15.2
Salary expenditure in secondary education	7.7	9.7	10.2	10.7	11.7	12.1	13.6
Salary expenditure in secondary education/Recurrent expenditure in secondary education (%)	91.6	93.2	84.7	87.3	84.7	86.9	89
Memorandum items (secondary sub-sector):							
Number of students	8,185	8,376	8,702	9,142	9,891	10,371	

Number of teachers	394	380	392	406	439	453
Pupil-Teacher ratio	21	22	22	23	23	23
Unit Costs (current ECS)	1,026	1,241	1,390	1,345	1,395	<i>1,340</i>
Unit Costs (in 1997 ECS)	1,026	1,221	1,356	1,289	1,302	<i>1,217</i>

Notes: In Italic: estimates. Fiscal Year (1 January-31 December).

Source: Grenada-Ministry of Finance (several issues of the Budget Estimates) and own elaborations;
Grenada-Education Statistical Digest (2002)

An education expenditure-GDP ratio of around 6% indicates that Grenada is giving high priority to education, even if in terms of its recurrent national budget education expenditures are slightly decreasing (from around 19% in 1998/1999 to around 17% in recent years). The 2001 estimated education budget is increasing in real terms (even assuming that the capital budget is over-estimated), pursuing the trend of the last few years, but the 2002 budget decreases in real terms, showing reversal in the past trend. This reversal can be linked to the economic crisis affecting Grenada since 2001 (where GDP decreased by 3%), which reflects the global slowdown, continued weaknesses in agriculture, manufacturing and, since the September 11, 2001 attacks, tourism. The fiscal situation of the country also deteriorated markedly in 2001 (an overall deficit of 8% of GDP is expected in 2002). Although we can consider that this standstill in the budget will not last once the economic situation recovers, it is also unlikely that in the medium term the past high real growth rates of the budget might be sustained. Preliminary estimates for 2003 show a stagnant recurrent budget but an increasing capital budget, which make it possible to maintain the current education budget share as a proportion of the GDP.

The education expenditure analysis shows a satisfactory share of capital and non-salary recurrent expenditure out of, respectively, total and recurrent expenditure in the overall education sector, as well as a generally acceptable (around 12-15%) share of non-salary recurrent expenditure in the secondary sub-sector, which point to the production of quality education. Care should be taken to maintain a share of at least 15% in the secondary sub-sector.

The same analysis also shows that, in the secondary sub-sector, after an initial increase from 1997 to 1998, unit costs have remained generally quite stable over the 1998-2002 time period, and the trend in the pupil-teacher ratio was similar. The pupil-teacher ratio is currently at an acceptable level of 23:1.

b. Projections

Assuming that the GDP real growth rate is around 3% over the 2003-2010 time period (1) and that education remains a strong priority for the country, we can assume that the education budget will grow at a similar 3% rate maintaining the education expenditure-GDP ratio around the current 6.3%. Under this scenario, total project costs will amount to an average of 10% of the education budget in the implementation period and to 0.7% of the same budget during the operational period. This should not represent an excessive financial burden on the MOE budget. On the recurrent side, the incremental recurrent costs produced by the project will represent only about 0.4% of the projected recurrent budget (assuming this grows at a rate of 3% as well) in the implementation period and 1% in the operational one.

Table 2: Grenada-Financial Impact of the project

	2001 (a)	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP (in ECS millions) (b)(c)	1075	<i>1118</i>	<i>1152</i>	<i>1186</i>	<i>1222</i>	<i>1258</i>	<i>1296</i>	<i>1335</i>	<i>1375</i>	<i>1416</i>
Education Budget (ECS millions) (b)	70.6	<i>70.5</i>	<i>72.6</i>	<i>74.8</i>	<i>77.0</i>	<i>79.3</i>	<i>81.7</i>	<i>84.2</i>	<i>86.7</i>	<i>89.3</i>
Recurrent Education Budget (ECS millions) (b)	52.5	<i>53.7</i>	<i>55.3</i>	<i>57.0</i>	<i>58.7</i>	<i>60.4</i>	<i>62.3</i>	<i>64.1</i>	<i>66.0</i>	<i>68.0</i>
Education Budget as share of GDP (%)	6.6	<i>6.3</i>	<i>6.3</i>	<i>6.3</i>	<i>6.3</i>	<i>6.3</i>	<i>6.3</i>	<i>6.3</i>	<i>6.3</i>	<i>6.3</i>
Project Cost (ECS millions) (d)										
Investment			2.2	10.0	11.5	6.0				
Recurrent			0.07	0.07	0.3	0.5	0.6	0.6	0.6	0.6
Total:			2.3	10.1	11.8	6.5	0.6	0.6	0.6	0.6
Project Cost share of Education Budget (%)			3.2	13.5	15.3	8.2	0.7	0.7	0.6	0.6
Project Recurrent Cost share of Recurrent Education Budget (%)			0.1	0.1	0.5	0.8	1	1	0.9	0.9

Notes: In Italic: estimates. (a) Calendar years; (b) in 2002 prices from 2002 onwards; (c) Assumes that GDP grows at an average of 3% between 2003 and 2010; (d) in 2002 prices.

(1) This is a conservative assumption based on the IMF – Medium-Term Scenario (2003 Art. IV IMF Consultation).

**Annex 6(A): Procurement Arrangements
GRENADA: (OECS) Education Development Program**

Procurement

A) Procurement Arrangements

Procurement for the proposed project would be carried out in accordance with World Bank "*Guidelines: Procurement Under IBRD Loans and IDA Credits*", published in January 1995 (revised January/August 1996, September 1997 and January 1999); and "*Guidelines: Selection and Employment of Consultants by World Bank Borrowers*" published in January 1997 (revised in September 1999, January 1999 and May 2002), and the provisions stipulated in the Loan Agreement.

1) Procurement methods: The methods to be used for the procurement described below, and the estimated amounts for each method, are summarized in Table A. The threshold contract values for the use of each method are fixed in Table B.

Procurement of Works

Works procured under this project would include expansion and upgrading of existing secondary schools to provide additional places, modern science laboratories and learning resource centers; refurbishing of classrooms for district education offices (DEOs) in seven (7) schools; and expansion and upgrading of TAMCC to provide a model classroom and improved ICT facilities. These works would total US\$5.29 million equivalent. Major contracts for these works will be procured following International Competitive Bidding (ICB) procedures, using Bank-issued standard bidding documents for small works. Works estimated to cost less than US\$1.5 million per contract, up to an aggregate amount of US\$3.20 million will be procured following National Competitive Bidding procedures (NCB) using standard bidding documents agreed in advance with the Bank. Small works, estimated to cost less than US\$150,000 equivalent per contract, up to an aggregate amount of US\$2.09, may be procured on the basis of at least three quotations received in response to a written invitation to qualified contractors, which will include a detailed description of the works, basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable.

Procurement of Goods

Goods procured under this project would include furniture for schools, the PMU, the DEOs and TAMCC; the core textbooks; equipment and materials for science and computing labs, Learning Resource Centers, the DEOs and TAMCC; equipment and software for the EMIS; printing of curricula, manuals and handbooks, and communications campaign materials totaling US\$2.44 million equivalent. To the extent possible, contracts for these goods will be grouped into bidding packages of more than \$150,000 equivalent and procured following International Competitive Bidding (ICB) procedures, using Bank-issued Standard Bidding Documents. Contracts with estimated values below \$150,000 but over US\$25,000 per contract and up to an aggregate amount of US\$0.75 million may be procured using National Competitive Bidding (NCB) procedures and standard bidding documents agreed with the Bank. Contracts for goods which cannot be grouped into larger bidding packages and estimated to cost less than US\$25,000 per contract, up to an aggregate amount of US\$0.79 million, may be procured using shopping (National /International) procedures based on a model request for quotations satisfactory to the Bank.

Selection of Consultants:

Consulting services will be contracted under this project in the following areas of expertise: Technical Assistance for architectural designs and supervision of works, development of new curricula and related training programs, improvement of student evaluation, review of the teacher appraisal system, development of a communication and public awareness system, and design and training of a management information system. These services are estimated to cost US\$1.24 million equivalent and would be procured using Bank Standard Request for Proposals when hiring firms.

Firms

All contracts for firms would be procured using QCBS, except for simple contracts estimated to cost US\$0.05 million equivalent or less that would be procured using LCS or CQ.

Individuals

Specialized advisory services would be provided by individual consultants selected by comparison of qualifications of three candidates and hired in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines, up to an aggregate amount of US\$0.69 million.

Training: Training activities will include: cost of tuition, material and traveling for overseas post graduate, local and distance training of teachers and guidance counselors; cost of venue, food, materials and traveling to provide and/or attend local training seminars on new curricula, student evaluation, and Management Information System. Training and consultants' services are estimated to cost US\$1.35 million equivalent and would be procured following shopping procedures or contracting consultants as applicable.

School Improvement Projects (SIP): The Loan would partially finance the cost of goods and services for the implementation of demand-driven projects to be proposed by schools. These projects are estimated to cost US\$0.40 million equivalent. Goods for these projects will be procured under shopping procedures.

Student Prizes: The Project will include cash prizes for winners of student competitions in art, written essays, poetry or debate, which will be held annually to generate interest in the education reform at the secondary school level and among the general public. These cash prizes, estimated at US\$7,000, will be financed with Government counterpart funding.

Recurrent Costs: Recurrent costs, such as costs of utilities, and operation and maintenance costs, incremental staff and office supplies estimated at US\$0.35 million, will be entirely financed by the Government.

Operating Expenses: Operating expenses such as salaries of the PMU staff and school supplies estimated at US\$0.17 million, will be entirely financed by the Government.

2) Prior review thresholds: The proposed thresholds for prior review are based on the procurement capacity assessment of the project management unit and are summarized in Table B. In addition to this prior review of individual procurement actions, the procurement plan will be reviewed and approved by the Bank annually.

With respect to each training program, the objective of the specific training program and the estimated cost of it shall be furnished to the World Bank for its prior review and approval.

B) Assessment of the agency's capacity to implement procurement

An assessment of the capacity of the MOE to implement procurement actions for the project has been carried out and was approved by the Regional Procurement Advisor on May 14, 2003. The assessment reviewed the organizational structure of the proposed Project and found it satisfactory. A Project Management Unit (PMU) resides within the Ministry of Education and is supervised by a Project Manager reporting directly to the Permanent Secretary. This Unit is staffed by seven persons: (i) a Project Coordinator, (ii) a Project Accountant, (iii) a Secretary; (iv) a Procurement Officer who prepares tender documents, notices, supervision of consultants, coordination of tender, and evaluation report preparation; (v) a School Supplies Officer who manages the Ministry's fleet of vehicles, assesses the needs of the schools in relation to supplies, orders the relevant goods and distributes them to the beneficiary schools; (vi) an assistant to whom the School Supplies Officer delegates as need arises and (vii) a proposed Accounts Clerk. The PMU will manage project procurement and funds, and coordinate project activities among the other Divisions involved in the Project. The Financial Analyst for the MOE will oversee the financial aspects of Project implementation.

Determination of the Risk assessment is Average, considering that the Bank's procedures normally have been adopted and the primacy of the World Bank's rules and documents has been recognized in the implementation of all other World Bank projects in Grenada. In addition, the analysis included the assessment of administrative, political and financial aspects of the new project and took into account the level of transparency and predictability of the procurement process.

The following Action plan was agreed upon with the PMU staff to improve the long-term capacity of the agency to administer procurement. These actions should be carried out by loan effectiveness:

- Submission to the Bank of acceptable standard documents for request of quotations for the procurement of works under shopping modality and NCB;
- Submission to the Bank of satisfactory terms of reference for the procurement of consultant services due to start during the six first months of project implementation; such services would cover the architectural and engineering aspects of rehabilitation of schools, assistance in the preparation of bidding documents up to contract award and supervision of works (to be determined in the framework of the institutional competencies of the MOPW);
- Written reconfirmation of the permanent PMU (in principle the present PMU staff will remain in place for the new project, but one new position will be added);
- Preparation by the PMU, with the assistance of the Bank, of a detailed procurement plan for the first year of implementation (the draft was presented during appraisal);
- Preparation by the PMU of an operations manual with a specific chapter on procurement detailing all the procedures and channels of responsibilities and flow of documentation; and
- Establishment of a procurement filing system in accordance with Bank's requirements.

Finally, procurement training will be provided by the Bank to the PMU, including a seminar on procurement to cover consulting services, shopping and NCB, and a 1-day seminar at advanced level for managers. This training will likely be carried out during the project launch seminar.

C) Procurement Plan

At appraisal, the Borrower will present a preliminary procurement plan for project implementation that provides the basis for the aggregate amounts for the procurement methods (per Table A). This plan will be approved by the RPA and placed in the project files. At the beginning of each calendar year, the Borrower will update the Procurement Plan with a detailed procurement schedule for the coming year.

D) Frequency of Procurement Supervision

In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the PMU has recommended one full supervision mission every twelve months to visit the field to carry out post review of procurement actions. Based on the overall risk assessment (AVERAGE), the post-review field analysis should cover a sample of not less than 1 in 10 contracts signed.

Procurement methods (Table A)

**Table A: Project Costs by Procurement Arrangements
for Grenada**
(in US\$million equivalent)

Expenditure Category	Procurement Method				Total Cost (including contingencies)
	ICB	NCB	Other	NBF	
Works		3.20 (2.56)	2.09 a/ (1.67)		5.29 (4.23)
Goods	0.90 (0.68)	0.75 (0.57)	0.79 b/ (0.61)		2.44 (1.86)
Consultant Services c/			0.84 (0.69)	0.40 (0.00)	1.24 (0.69)
Training Services d/			1.35 (0.81)		1.35 (0.81)
School Improvement projects e/			0.40 (0.36)		0.40 (0.36)
Student Prizes				0.01 (0.00)	0.01 (0.00)
Recurrent Costs				0.35 (0.0)	0.35 (0.0)
Operational Expenses				0.17 (0.00)	0.17 (0.00)
Front end fee			0.04 (0.04)		0.04 (0.04)
Total	0.90 (0.68)	3.95 (3.13)	5.51 (4.18)	0.93 (0.00)	11.30 (8.00)

Note: N.B.F. = Not Bank-financed.

Footnotes:

a/ Small works (three quotations)

b/ Shopping (National and International)

c/ Consultants Services. Details provided in Table A-1

d/ Include: cost of external fellowship for graduate, venue, food, materials and traveling to provide and/or attend seminars. Cost of logistics about US\$0.95 million.

e/ Goods and services for the implementation of school improvement projects to be proposed by schools (US\$3,000 per school per year)

Table A1: Consultant Selection Arrangements
(in US\$million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost (including contingencies)
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
A. Firms	0.25 (0.19)			0.05 (0.04)	0.25 (0.19)			0.55 (0.42)
B. Individuals						0.29 (0.22)	0.40 (0.00)	0.69 (0.22)
Total	0.25 (0.21)			0.05 (0.04)	0.25 (0.20)	0.29 (0.24)	0.40 (0.00)	1.24 (0.69)

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

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

Table B: Thresholds for Procurement Methods and Prior Review

Expenditure Category	Contract Value (Threshold)	Procurement Method	Contracts Subject to Prior Review
	US \$ thousands		US \$ millions
1. Works	>1.500	ICB	All
	<1.500 - >150	NCB	First 2 contracts
	<150	Three Quotations	First contract/Shortlists
2. Goods	>150	ICB	All
	<150 - 25	NCB	First 2 contracts
	<25	Shopping	First 2 contracts
3. Consultants Firms	>100	QCBS	All
	<100	Irrespective of method	TOR
Individuals	> 50	Three candidates	All (TOR, contract, CV)
Section V of Guidelines	< 50	Three candidates	All (TOR)

Overall Procurement Risk Assessment:

High	<input type="checkbox"/>
Average	<input checked="" type="checkbox"/>
Low	<input type="checkbox"/>

Frequency of procurement post-review supervision missions proposed: One every 12 months, reviewing a sample of 1 in 10 contracts signed.

Annex 6(B): Financial Management and Disbursement Arrangements GRENADA: (OECS) Education Development Program

Financial Management

1. Summary of the Financial Management Assessment

The appraisal mission updated the financial management assessment that was carried out during the pre-appraisal mission in January 2003. The mission found that the proposed PMU for the OECS Education Development Project in Grenada has an adequate financial management structure, keeps adequate automated accounting records and has internal controls in place. However, the PMU needs to implement key actions as specified in the action plan in order to meet the needs of the new project and satisfy the Bank's minimum financial management requirements by negotiations and effectiveness.

It has been agreed with the PMU, as reported in the appraisal Aide Memoire, that: (1) the PMU will open the Special Account in USD in a commercial bank acceptable to the World Bank (Scotia Bank has been selected and approved by the Bank for this purpose); (2) Loan/Credit funds will be disbursed to the Special Account on the basis of SOEs; (3) each quarter, the PMU will prepare Financial Monitoring Reports (FMRs) to be submitted to the Bank 45 days after the end of each quarter (FMRs will include a narrative outlining the major project achievements for the quarter, the project's sources and uses of funds, a detailed analysis of expenditures by sub-component, a physical progress report, and a procurement report); and (4) annual project financial statements will be audited in accordance with International Standards on Auditing, by an independent firm and in accordance with terms of reference (TORs) both acceptable to the Bank.

Conclusion. On the basis of the assessment performed, the financial management team concludes that, upon completion of the proposed action plan, the financial management of the PMU would satisfy the Bank's minimum financial management requirements. Therefore, the team would advise that the conditions listed in the assessment be considered as conditions of effectiveness in the legal agreement to be prepared and signed with the Borrower under the Grenada OECS Education Development Project.

Implementing Entity

The implementing entity for this project is the Ministry of Education (MOE), which has overseen the successful implementation of the Basic Education Reform Project, funded in part by the World Bank. For the purpose of implementing the project, a Project Management Unit (PMU) has been established within the MOE, utilizing the structure established under the recently completed Basic Education Reform Project (BERP). The PMU staff comprises a Project Manager, a Procurement Officer, a Project Accountant, an Accounts Clerk, a Secretary, a Supply Officer and an Executive Officer. The PMU is responsible for the management and administration of the project, including overall coordination and implementation of the project, coordination of the contributions of entities participating in this project, communication with the World Bank, procurement of all civil works, goods and services under the project, preparation of progress reports, maintenance of all project financial accounts and preparation and processing of applications for withdrawals of proceeds from the Loan/Credit.

Funds Flow

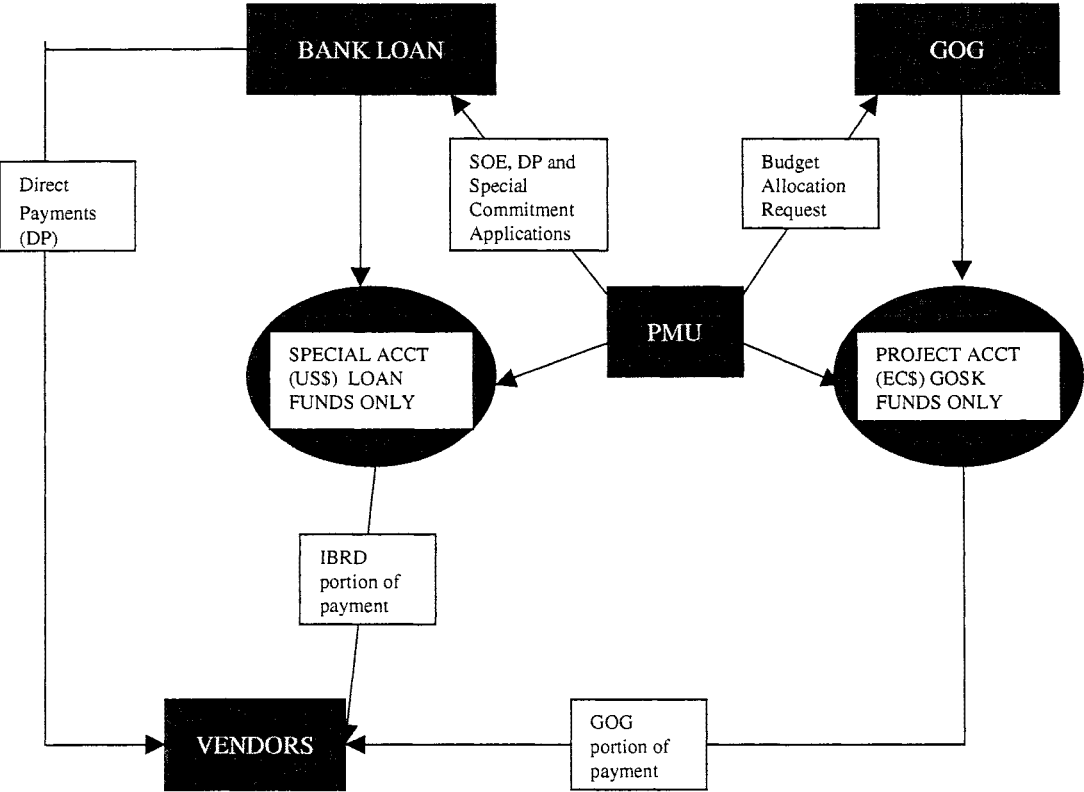
Procedures for flow of funds from the Loan/Credit and the required counterpart contribution will be implemented with due regard to safeguarding the project's resources and ensuring timely execution of payments. The PMU will open a Special Account (SA) in US Dollars in a commercial bank acceptable to the Bank. The project has selected Scotia Bank for this purpose, which has been approved by the Bank.

Due to the experience of the PMU with SOE-based disbursement procedures under the previous project, Loan/Credit funds will be disbursed to the Special Account on the basis of Statements of Expenditures (SOEs) sent to the Bank on a monthly basis.

The PMU will also operate a Project Account for the purpose of receiving counterpart funds from the Government of Grenada and provide the counterpart funds for vendor payments. This account will also be maintained in a commercial bank, most likely Scotia Bank.

As eligible expenditures are incurred, the PMU will withdraw the amount to be financed by IBRD/IDA from the Special Account in accordance with the financing percentage agreed and initiate a transfer from that account to the vendor, representing the portion of the expenditure to be financed by the Bank. It will withdraw the counterpart portion of the payment from the Project Account and initiate a transfer or write a check from the Project Account. Therefore, in most cases, payment to vendors will need to be done using two checks or transfers. This will ensure that Government and IBRD/IDA funds are not co-mingled.

The following diagram illustrates the proposed flow of funds.



Counterpart funding will be provided by the Government of Grenada. The mission confirmed that an ample amount of counterpart funds have been included in the 2003 Budget Estimates for the OECS Education Development Project in Grenada (EC\$400,00). However, during meetings with the Permanent Secretary in the Ministry of Finance (MOF), the current difficult fiscal situation in Grenada was discussed with the purpose of arriving at alternatives to mitigate risks associated with the fiscal environment. For this reason, and to minimize the risk of delays in the implementation of the project,

especially in the first year, the following condition of effectiveness has been proposed: that a Project Account be opened before effectiveness and an initial deposit corresponding to the first year of counterpart funds be deposited.

In order to obtain counterpart funds, the PMU submits its annual budget request via the Financial Analyst at the MOE who is responsible for overseeing all Capital Projects for the MOE, and the approved funding levels are included in the annual estimates. The MOF will release the funds to the PMU every quarter (or more frequently if needed) based on expenditure projections submitted by the PMU via the Financial Analyst.

Staffing

The PMU, established under the Basic Education Reform Project (BERP), includes a Project Accountant, who will assume the day-to-day accounting responsibilities for the project and report to the Project Manager. The Project Accountant, who worked under the BERP, has acquired sufficient knowledge of the Bank's financial management and disbursement procedures to operate effectively and efficiently on this project. She has also gained extensive knowledge relating to the accounting system used. Therefore, it is the opinion of the appraisal team that the candidate identified for the Project Accountant is qualified and capable of handling all aspects of project financial management.

Due to the added workload likely to be associated with the School Improvement Projects (SIPs), the PMU has proposed the addition of an Account Clerk who will mainly be responsible for preparing payment vouchers with supporting documentation, responding to vendor inquiries and assisting the Project Accountant. A candidate for this position has not yet been identified, but it is expected that the position will be filled prior to effectiveness. A meeting with the Permanent Secretary at the Ministry of Finance indicated that an agreement had been reached regarding the addition of the Accounts Clerk to the PMU.

Accounting Policies and Procedures

Accounting and administrative procedures sections have been included in the operations manual to ensure that financial transactions are made with consideration to safeguarding project assets and ensuring proper entry in the accounting/monitoring systems. The project accounting system used by the PMU (Quickbooks Pro) has the capacity to record assets, liabilities and financial transactions of the project, and produce financial statements useful to project management and meeting the Bank's fiduciary requirements.

Project Operations Manual. Policies and procedures defined in an Operational Manual aim to control project activities and ensure staff accountability. The PMU intends to use the same policies and procedures used for the BERP. A financial management manual has been prepared for the new project. It will be updated and complemented with other areas, such as budget preparation, management of subprojects, procurement procedures and project implementation information. The Operations Manual for the OECS Education Development project was in draft format at the date of the assessment and should be finalized before loan effectiveness.

Segregation of duties. The PMU's organizational structure and established procedures support an adequate segregation of procurement, budgeting, payment and recording activities. The authorization to execute a transaction is the main responsibility of the Project Manager. The recording of the transaction is the main responsibility of the Project Accountant. And, the custody of the assets involved in the transaction is mainly the responsibility of the Procurement Officer.

Budgeting. The Loan/Credit agreement, the procurement plan, the implementation plan and the cost tables will provide the main input for the project budgets. The Project Accountant, with input from the Project Manager and Procurement Officer, will prepare an annual budget for the PMU and submit it to the MOE Financial Analyst for inclusion in the Budget Estimates for counterpart funding. The annual budget will include:

- An annual work plan classified by major goal/objectives, including physical and financial programs;
- A budget proposal (broken down at least quarterly) specifying the detailed expenditures by major component, category and sources of funds.

Each quarter, the PMU will produce monitoring reports and cash forecasts (FMRs) to assess progress against financial and physical goals to be shared with the Project Manager and the Financial Analyst at the MOE. These reports will also be presented to the MOF and the Bank on a quarterly basis.

Payments and operation of bank accounts. Before payments for acquisition of goods, services or civil works can be processed by the PMU, a purchase order and/or contract must exist. On the basis of these documents, payment vouchers are prepared and after approval has been obtained, payment is issued, provided that there is available budget.

After the vouchers have been prepared by the Project Accountant, the bank draft or check will be signed by the authorized signatories (one from MOE and one from MOF). The PMU will initiate payment by sending the bank draft to the bank (or check directly to vendor for local payments only). The bank draft will ask the bank to debit the Special Account for the portion of expenditures eligible for Bank financing and the Project Account for the portion of the expenditure to be covered by counterpart funds.

The payment, by check or transfer, will be processed by the PMU against the recorded vouchers. Each disbursement from the Project Account will require any of the following two signatories:

- The Permanent Secretary, Ministry of Education
- The Project Manager
- The Accountant General or the Assistant Accountant General (MOF)

Bank account reconciliations will be prepared on a monthly basis by the Project Accountant and reviewed by the Project Manager.

Accounting. The mission reviewed the accounting system, QuickBooks Pro, used by the project and determined that the system allows for the recording of transactions under the cash basis in local currency (or USD). Furthermore, the system allows for expenditures to be segregated by project component/activity, major disbursement category and financing source. This is compatible with the Bank's recommended practices for project accounting. The project's accounting system will therefore provide the flexibility necessary to keep track of project expenditures according to Bank practices.

The mission reviewed the proposed chart of account and was satisfied that it will enable the tracking of expenditures by sub-components, sources of financing and category. However suggestions were made regarding the accounts used to record payments. To facilitate reporting, the chart of account should be set up based on categories of disbursement, the class list should be set up to track the components and sub components, and the customer job list should track the various sources of financing.

Safeguard over assets. Assets acquired by the project will be in the custody of the respective secondary schools within the MOE. The PMU proposes to keep a detailed subsidiary record (asset register) of equipment acquired. The amounts in the register will be reconciled monthly against the respective account balances. And, at least one annual physical inspection of the assets will be undertaken by PMU staff, preferably with the participation of external auditors.

Implementation of School Improvement Projects (SIPs). For School Improvement Projects (SIPs), payments of major invoices will be processed centrally at the PMU and small lump sum allocations will be provided to the schools using counterpart funds to enable them to cover smaller expenditures. For schools receiving lump sum allocation, a person responsible for managing the funds will need to be identified in each school and trained by the Project Accountant in basic bookkeeping. Each month, the school would send a Statement of Expenditures, with copies of supporting documentation and an account reconciliation. It was also agreed that the Project Accountant would visit each school on a quarterly basis to review their books/ledgers.

Reporting and Monitoring

Financial statements and reports will be prepared in formats satisfying both the Government and IBRD/IDA’s monitoring and fiduciary purposes. All reports produced by the PMU will be shared with the MOE Financial Analyst for her reporting to the MOF.

The PMU’s Accountant will be responsible for producing monthly reports (reconciliations and the project’s sources and uses of funds, a matrix classifying receipts and expenditures by financing source, subcomponent and disbursement category) to share with the Project Manager.

Each quarter, the PMU will prepare the Financial Monitoring Reports (FMRs) to be submitted to the Bank 45 days after the end of each quarter. The FMRs will include a narrative outlining the major project achievements for the quarter, the project’s sources and uses of funds, a detailed analysis of expenditures by sub-component, a physical progress report, and a procurement report. FMRs should be submitted to the Bank no later than 45 days after the end of the reporting period. Quarterly FMRs will also be used for internal reporting to the MOE and MOF.

The annual financial statements will include the project’s sources and uses of funds, a detailed analysis of expenditure by sub-component, the schedule of SOEs presented during the year and a reconciliation of the Special Account. These reports will be made available to the auditors after the end of the fiscal year.

Strengths and Weaknesses

The use of Quickbooks Pro will enable the PMU to maintain a record of expenditures in accordance with the Bank’s recommended practices for project accounting. In addition, the PMU will be staffed with experienced professionals, trained on Bank’s policies and procedures. However, some weaknesses exist in the project financial management plan, addressed in the table below:

Significant Weaknesses	Resolution
Recording of project assets.	Creation of a fixed asset register reconciled monthly to the balance of goods accounts in the accounting system and perform physical inventory.
The PMU does not have any experience producing Financial Monitoring Reports (FMRs).	Implementation of SOE-based disbursement.

Risk Analysis

Inherent risk is the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environment.

Control risk is the risk that the project’s accounting and internal control framework are inadequate to ensure that project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported.

The table below represents the risk analysis relating to the financial management of the OECS Education Development Project in Grenada.

<i>Risk</i>	<i>Risk Rating</i>	<i>Risk Mitigation Measures</i>
Inherent risk		
Country specific	High	To mitigate the tight fiscal situation in the country, there is a proposed condition of effectiveness: open a project account with an initial deposit corresponding to the first year of counterpart funding to ensure smooth implementation.
Entity/project specific	Low	Project Manager to oversee PMU staff and PMU Staff have considerable experience with Bank financed projects
Control risk		
Implementing Entity	Low	PMU was established under the Basic Education Reform Project and has acquired considerable experience
Funds Flow: Loan/Credit funds	Low	Special Account to be opened in a commercial bank acceptable to the Bank and use of SOEs for disbursement
Funds Flow: counterpart funds	High	Counterpart funds deposited in a separate account for the use of the project, but tight fiscal situation
Staffing	Low	Project Accountant has experience with Bank projects through her involvement with the Basic Education Reform Project
Accounting policies and procedures	Low	
Internal Audit	High	Use of external independent auditors to audit the project due to capacity issues with Auditor General’s Office
External Audit	Low	
Reporting and Monitoring	Moderate	Use of FMRs is new for the project; Project Accountant to attend an upcoming training session
Information Systems	Low	

Financial Management Action Plan

Area / Action	Expected date
1. Implementing entity	
None	
2. Flow of funds	
2.1 Open the project bank accounts: the Special Account in US Dollars in the bank selected, and the project account for counterpart funds.	By effectiveness
2.2 Request the initial deposit of counterpart funds in the Project Account.	By effectiveness
3. Staffing	
3.1 Submit revised TORs for PMU staff, along with the draft Operations Manual	May 14, 2003
4. Accounting and internal control	
4.1 Submit revised chart account (created in QB).	May 13, 2003
4.2 Submit the revised Operations Manual, including section on procurement, project implementation and annexes (audit TORs, TORs for PMU staff, chart of accounts, section on SIPs, sample of FMRs, etc.)	May 14, 2003
4.3 Perform physical inventories, at least annually, of the project's register of assets.	On-going throughout implementation of project
4.4 Once the Loan/Credit agreement is negotiated, prepare annual project budgets for inclusion in the government's budget.	On-going
5. External audit	
5.1 Submit revised TORs, along with the draft Operations Manual	May 14, 2003
5.2 Prepare the short list of firms and submit to IBRD/IDA for review and clearance.	By effectiveness
5.3 Once the Bank clears the TOR and short list of auditor firms, proceed with bidding process and the appointment of the auditors..	By effectiveness

Financial Covenants

Section 4.01 "Standard" wording: audit reports to be furnished to IBRD/IDA no later than four months after the end of each fiscal year.

Section 4.02 "Standard" wording: the due date for the first FMRs is 45 days after the end of the quarter in which effectiveness takes place.

Supervision Plan

A financial management supervision mission prior to effectiveness is needed to ensure that the financial management system of the project is in place. After effectiveness, a FM Specialist must review the annual audit reports and should perform one supervision mission per year.

Conditions

Based on this assessment, we recommend the following conditions:

For effectiveness:

- (i) The Project Management Unit (PMU) has been fully staffed, according to the specifications satisfactory to the Bank;
- (ii) Final Operational Manual and School Improvement Projects Operational Manual approved by the Bank have been issued;
- (iii) Auditors have been appointed;
- (iv) The project account has been opened and initial amount deposited, corresponding to the first year of counterpart funding;
- (v) The Special Account has been opened in USD in a commercial bank acceptable to the Bank.

2. Audit Arrangements

Internal Audit

The PMU will be subject to review by the Auditor General's (AG) office. However, based on the preliminary findings of the CFAA, the current capacity of the office of the Director of Audit would not enable that office to fulfill the audit aspect of the Bank's fiduciary requirements. Although no internal auditor will be assigned to the project, the office of the Director of Audit may decide to perform some visits to the project, as they are using government funds. The project can expect to be visited by the Auditor General's office every other year.

External Audit

Due to the CFAA preliminary findings mentioned above, the PMU has been counseled to appoint an independent private auditor prior to effectiveness. The project has been advised to provide the Bank with a short list of acceptable firms and TORs by appraisal.

Audit compliance. According to Bank records for the Basic Education Reform Project, since 1997, audit reports have usually come on time. In addition, the reports have included all the information required by the Bank and the opinions have been clean.

Audit arrangements. Annual project financial statements will be audited in accordance with International Standards on Auditing, by an independent firm and in accordance with terms of reference (TORs) both acceptable to the Bank. Auditors should provide audit opinions on project financial statements, Special Account and Statement of Expenditures (SOEs), a report on internal controls and a report on compliance with the terms of the Loan/Credit agreement and applicable laws and regulations. In addition, the auditors will be required to review a sample of SIPs during their audit. Based on a random sample of schools (including a review of receipts, archiving system and management information system), the auditor will be required to report on compliance with the internal control mechanisms and determine the eligibility of the expenditures reported by the schools, in accordance with the project activities.

The PMU has been informed that auditors need to be appointed prior to Loan/Credit effectiveness, with an annual contract to be renewed during the first quarter of each subsequent year.

The PMU will prepare, if needed, a plan to address any issues and recommendations contained in the audit reports. The action plan and follow-up activities will be communicated promptly to the Bank.

The table below summarizes audit requirements:

<i>Audit Report</i>	<i>Due Date</i>
Project financial statements	4 months after fiscal year end (April 30)
SOE	same as above
Special Accounts	same as above
Special purpose	same as above (internal control and compliance)

3. Disbursement Arrangements

The proposed Loan/Credit would be disbursed over an implementation period of about four years. Disbursements would be made in accordance with guidelines set out in the World Bank's Disbursements Handbook (i.e., traditional disbursement procedures).

Allocation of loan/credit proceeds (Table C)

<u>Category</u>	Amount of the Credit Allocated (Expressed in SDR)	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditure to be Financed
(1) Works	1,540,000.00	2,000,000.00	80%
(2) Goods	640,000.00	900,000.00	75%
(3) Consultant Service	250,000.00	350,000.00	85%
(4) Training	265,000.00	410,000.00	90%
(4) School Improvement Projects	118,000.00	180,000.00	90%
(6) Front-end Fee		40,000.00	100%
(7) Unallocated	87,000.00	120,000.00	
Total Loan Amount	2,900,000.00	4,000,000.00	

Use of statements of expenditures (SOEs):

Loan/Credit withdrawal applications will be supported by SOEs for expenditures relating to contracts that are not subject to the Bank's prior review. Reimbursement of other expenditures would require submission to the Bank of full supporting documentation.

Documents in support of SOEs must be maintained by the PMU at least until one year after the Bank has received the audit report for the fiscal year in which the Loan/Credit withdrawal was made. Such documents must be available for review by external auditors and Bank staff.

Other procedures:

Upon request from the Borrower and subject to the Bank's approval, payments may be made: (i) directly to a third party (supplier or consultant) for goods, works and services; (ii) to a procurement agent; or (iii) to a commercial bank for expenditures against a World Bank Special Commitment covering a commercial bank's letter of credit.

Special account:

The PMU will establish a Special Account in USD, in a commercial bank (Scotia Bank). The Special Account is only to be used for eligible expenditures under the Loan/Credit agreement. Under no circumstances may funds in the Special Account be used to cover the share of expenditures corresponding to the counterpart funds. Transfers from the Special Account to other project bank accounts will only be permitted to meet eligible expenditures for a limited period of no more than 30 days.

Total advances to the Special Account at any given time would not exceed the authorized allocation for the project.

For replenishment of the Special Account, the PMU will prepare monthly (in any case not more than quarterly) requests for reimbursement of expenditures made.

Annex 7: Project Processing Schedule
GRENADA: (OECS) Education Development Program

Project Schedule	Planned	Actual
Time taken to prepare the project (months)		13
First Bank mission (identification)	06/03/2002	06/03/2002
Appraisal mission departure	05/07/2003	05/07/2003
Negotiations	05/20/2003	05/19/2003
Planned Date of Effectiveness	09/12/2003	

Prepared by:

The Ministry of Education/Project Management Unit

Augustine John, Minister of Education

Crispin Frederick, Permanent Secretary, Ministry of Education

Martin Baptiste, Chief Education Officer

Peron Johnson, Project Coordinator

Leon Charles, Project Preparation Coordinator

Margaret Belfon, Financial Analyst

Alphonsus Gooding, Procurement Officer and Ag. Project Manager

Claudine Henry, Project Accountant

Jenny Alexander, Project Secretary

Jean Brizan, Sr. Education Officer/ Curriculum

Dennis Bell, Curriculum Officer

Lillian Sylvester, Director of Libraries

Leo Cato, IT Officer

Junior Alexis, Statistician

Jervis Viechweg, Curriculum Officer

Gemma DeAllie, Principal, St. Rose Modern Secondary School

Maria Charles, Curriculum Officer

Samuel Webster, Grenada PTA

Patricia Moore, Sports and Culture

Margaret Williams, Guidance Counselor

Anne Antoine, New Life Organization (NGO)

Carol Ferguson, Administration Officer Finance

Hermione Baptiste, Health and Family Life Division

Byron St. Clair, Sr. Education Officer/ Testing and Measurement

Claudia Morgan-Carter, Testing Officer

Andrea Phillip, Curriculum Officer

Cecil Johnson, Teacher Education Department

Carol Antoine, Curriculum Officer

Pauleen Finlay, Teacher Education Department, T.A.Marryshow Community College (TAMCC)

Ramsaroop Ramkhelawan, Head, Teacher Education Department

Glen Alexander, Primary School Teacher

Justina Noel, Secondary School Teacher

James Alexander, Principal, McDonald College

Ada Holder, Principal, South St. George's Secondary School

Elaine McQueen, Grenada Union of Teachers

Francis Sookram, Principal, St. Mark's Secondary School
 Erva Alexander, Principal, St. Mark's Secondary School
 Kevin Williams, Materials Production Officer
 Anthony Brown, Materials Production Officer
 Patricia Felix, Education Officer
 Dominic Jeremiah, Principal, Presentation Brothers College
 Fanuel Antoine, Basic Needs Trust Fund Officer, Ministry of Works
 Anne Pierre, Principal, School for Special Education
 Raphael Patrick, Principal, Resource Center for Special Needs Students
 Soloman Stafford, Grenada Parent Teachers Association
 Victor Ashby, Grenada Boys Secondary School
 Denis Paul, TAMCC
 Lincoln Morgan, TAMCC
 Maudlyn Ferguson, St. David's Catholic Secondary
 Patrick Simmons, St. Andrews Anglican Secondary School
 Sandra Thomas, Ministry of Social Services
 Sherma-Ann Roberts Joseph, Department of Human Resources
 Helena Ross, Catholic Central Board of Management
 Denis Thomas, Grenada Union of Teachers
 George Wilson, St. John's Christians Secondary School
 Daniel Thomas, Happy Hill Secondary School
 Thomas Matthew, Ministry of Tourism and Culture, Division of Culture

Department for International Development

Marcellus Albertin, Education Programme Manager

Preparation assistance:

A Japanese PHRD grant for US\$151,400 (TF05743) was approved for project preparation for Grenada. The activities included: (a) design and preparation of an expanded management information system; (b) provision of technical assistance to: (i) enhance the teaching training and teaching career system; (ii) carry out a school mapping exercise; (iii) improve the design and use of learning spaces; and (iv) strengthen the targeting mechanisms.

Bank staff who worked on the project included:

Name	Speciality
Cynthia Hobbs	Task Team Leader
William Experton	Sector Leader
Emanuela Di Gropello	HD Economist
M. Rosa Puech	Education Consultant
Mariana Montiel	Country Lawyer
Aracelly Woodall	Program Assistant/Project Costing
Fabienne Mroccka	Financial Management
Guido Paolucci	Senior Procurement Specialist
Marta Ospina	Procurement Consultant
Juan Manuel Moreno	Peer Reviewer
Jacob Bregman	Peer Reviewer

Annex 8: Documents in the Project File*
GRENADA: (OECS) Education Development Program

A. Project Implementation Plan

Project Operational Manual

Project Financial Management Manual

School Improvement Projects and Extracurricular Activities Manual

B. Bank Staff Assessments

World Bank. Monitoring Educational Performance in the Caribbean (Report No. 24337). Washington, DC. 2003.

World Bank. Caribbean Youth and Social Inclusion. Washington, DC. 2002.

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World Bank. Access, Quality and Efficiency in Caribbean Education (Report No. 9753-CRG). Washington, DC. 1992.

C. Other

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Auer, Peter. Curriculum Report for the OECS Education Development Project (project preparation consultancy). May 2002.

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Gomart, Elizabeth. Pre-Social Assessment. Secondary Education Project for Dominica, Saint Kitts and Saint Lucia (unpublished; project preparation consultancy). Washington, DC. 2000.

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Lubben, Fred and J. George. Science Education in Dominica, St. Kitts and Nevis and St. Lucia (3 volumes): Definition of the Core Curriculum and Implications for Learning Spaces, Equipment, Materials and Teacher Education (project preparation consultancy). April 2002.

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West, Arnott. Extended EMIS for the OECS (Dominica, Grenada, St. Kitts and Nevis, St. Lucia: separate volumes) (project preparation consultancy). September 2002, May 2003.

*Including electronic files

Annex 9: Statement of Loans and Credits
GRENADA: (OECS) Education Development Program
06-Feb-2003

Project ID	FY	Purpose	Original Amount in US\$ Millions		Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA			Orig	Frm Rev'd
P076715	2003	GR 2nd Phase APL HIV/AIDS Prev.&Control	3.00	3.04	0.00	6.23	0.00	0.00
P077682	2002	Grenada Emergency Recovery Project	1.14	2.66	0.00	2.43	-0.40	0.00
P069922	2001	GD Grenada Disaster Management	5.06	5.01	0.00	5.27	1.04	0.00
Total:			9.20	10.71	0.00	13.94	0.64	0.00

GRENADA
 STATEMENT OF IFC's
 Held and Disbursed Portfolio
 Jun 30 - 2002
 In Millions US Dollars

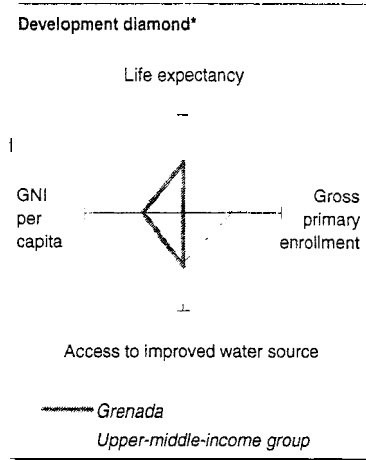
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
2002	Bel Air	1.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00
	Total Portfolio:	1.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00

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

Annex 10: Country at a Glance

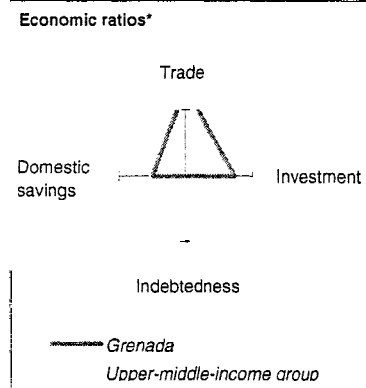
GRENADA: (OECS) Education Development Program

POVERTY and SOCIAL	Grenada	Latin America & Carib.	Upper-middle-income
2001			
Population, mid-year (millions)	0.10	524	504
GNI per capita (Atlas method, US\$)	3,660	3,560	4,460
GNI (Atlas method, US\$ billions)	0.36	1,862	2,248
Average annual growth, 1995-01			
Population (%)	0.8	1.5	1.3
Labor force (%)		2.2	1.8
Most recent estimate (latest year available, 1995-01)			
Poverty (% of population below national poverty line)			
Urban population (% of total population)	38	76	77
Life expectancy at birth (years)	72	70	71
Infant mortality (per 1,000 live births)	13	29	24
Child malnutrition (% of children under 5)		9	9
Access to an improved water source (% of population)	94	85	87
Illiteracy (% of population age 15+)			
Gross primary enrollment (% of school-age population)		11	10
Male		130	127
Female		131	128
		128	126



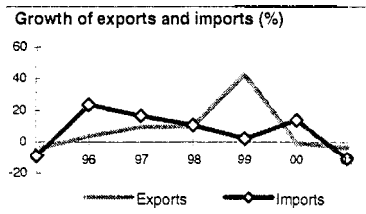
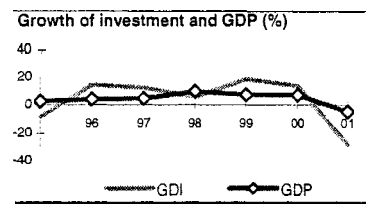
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1981	1991	2000	2001
GDP (US\$ billions)	0.09	0.24	0.41	0.40
Gross domestic investment/GDP	41.3	37.9	42.5	32.0
Exports of goods and services/GDP	44.7	40.7	58.0	58.8
Gross domestic savings/GDP	-3.5	16.9	25.6	20.7
Gross national savings/GDP	..	17.9	22.1	19.9
Current account balance/GDP	-18.8	-15.4	-20.3	-17.6
Interest payments/GDP	0.5	0.7	0.7	1.4
Total debt/GDP	41.2	60.3	48.0	57.8
Total debt service/exports	3.6	3.8
Present value of debt/GDP			40.8	
Present value of debt/exports				
1981-91 1991-01 2000 2001 2001-05				
<i>(average annual growth)</i>				
GDP	6.3	3.8	6.9	-4.7
GDP per capita	5.7	3.3	5.8	-5.7
Exports of goods and services	6.7	7.8	-0.7	-3.5



STRUCTURE of the ECONOMY

	1981	1991	2000	2001
<i>(% of GDP)</i>				
Agriculture	25.4	13.1	8.2	8.2
Industry	14.6	20.0	23.8	23.2
Manufacturing	3.5	6.5	8.8	8.4
Services	59.9	66.8	68.0	68.6
Private consumption	83.4	62.1	60.0	62.2
General government consumption	20.1	21.0	14.4	17.1
Imports of goods and services	89.5	61.7	74.8	70.1
1981-91 1991-01 2000 2001				
<i>(average annual growth)</i>				
Agriculture	-0.4	-1.0	-2.2	-3.3
Industry	7.6	6.5	14.5	-5.6
Manufacturing	12.2	6.4	13.8	-7.6
Services	6.9	3.7	5.1	-2.6
Private consumption	2.6	3.2	20.2	-1.2
General government consumption	7.5	1.0	7.5	13.5
Gross domestic investment	5.9	5.3	13.2	-28.1
Imports of goods and services	3.0	6.3	13.9	-10.7

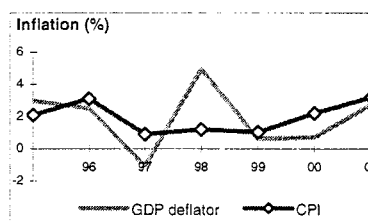


Note: 2001 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

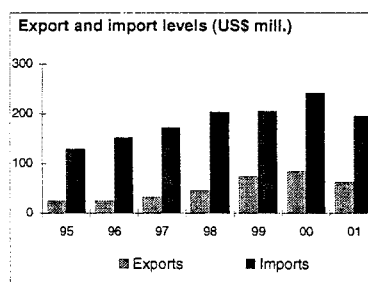
PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
Domestic prices				
<i>(% change)</i>				
Consumer prices	18.9	2.6	2.2	3.2
Implicit GDP deflator	4.2	6.8	0.7	2.8
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	24.0	27.1	26.3
Current budget balance	..	-0.5	6.1	2.3
Overall surplus/deficit	..	-9.0	-6.2	-12.8



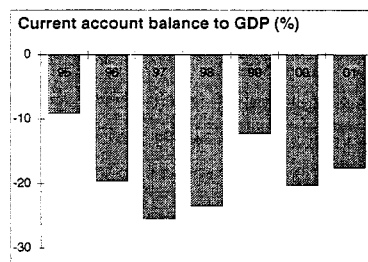
TRADE

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total exports (fob)	..	25	85	64
Cocoa	..	4	12	14
Bananas	..	2	3	4
Manufactures	..	8	60	34
Total imports (cif)	..	121	243	196
Food	..	28	39	38
Fuel and energy	..	9	24	22
Capital goods	..	28	75	65
Export price index (1995=100)	..	101	116	117
Import price index (1995=100)	..	92	95	92
Terms of trade (1995=100)	..	110	122	128



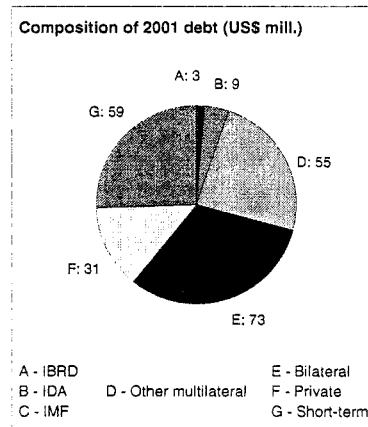
BALANCE of PAYMENTS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Exports of goods and services	39	114	235	208
Imports of goods and services	79	154	304	275
Resource balance	-39	-40	-69	-67
Net income	..	-8	-34	-26
Net current transfers	23	10	20	23
Current account balance	-17	-37	-83	-70
Financing items (net)	19	38	89	76
Changes in net reserves	-2	0	-7	-6
Memo:				
Reserves including gold (US\$ millions)	..	19	59	65
Conversion rate (DEC, local/US\$)	2.7	2.7	2.7	2.7



EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	36	146	195	230
IBRD	0	0	2	3
IDA	0	7	10	9
Total debt service	1	5	14	16
IBRD	0	0	0	0
IDA	0	0	0	0
Composition of net resource flows				
Official grants	2	9	7	..
Official creditors	10	3	13	14
Private creditors	1	11	28	-4
Foreign direct investment	0	15	37	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	0	10	0
Disbursements	0	2	3	1
Principal repayments	0	0	0	0
Net flows	0	2	3	1
Interest payments	0	0	0	0
Net transfers	0	2	3	1



MAP SECTION

