

PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING

Report No.: PIDA19041

Project Name	Additional Financing for Mozambique Higher Education Science and Technology Project (P146602)
Parent Project Name	Higher Education Science and Technology (P111592)
Region	AFRICA
Country	Mozambique
Sector(s)	Tertiary education (80%), Vocational training (20%)
Theme(s)	Education for the knowledge economy (100%)
Lending Instrument	Investment Project Financing
Project ID	P146602
Parent Project ID	P111592
Borrower(s)	Ministry of Economy and Finance
Implementing Agency	Executive Secretariat for the Reform of TVET, Ministry of Science and Technology, Higher Education and Technical and Professional Education
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	17-Mar-2015
Date PID Approved/Disclosed	17-Mar-2015
Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	28-Apr-2015
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate

I. Project Context

Country Context

Mozambique has emerged to be one of the fastest growing economies of the world since the end of the devastating civil war in 1992. This rapid growth has helped raise living standards with real per capita income rising rapidly, albeit from a very low base. Poverty fell from 69 percent of the population in 1996 to 52 percent in 2009. This is partly explained by Mozambique's growth pattern in the last decade which is driven by capital- and import-intensive mega-projects with limited linkages to the local economy. The economy remains fairly concentrated in terms of its exports. The only major change in the past decade has been the emergence of natural resource (coal, gas) and aluminum exports. Growth is driven in part by large Foreign Direct Investment linked mainly to the mining, electricity, tourism, construction and telecommunication sectors, as well as strong growth in the agriculture sector. Despite its fast growth, Mozambique's economy has not significantly diversified and inequality continues to limit the impact of overall Gross Domestic

Product (GDP) growth on productivity and diversity of economic activity.

Countries in natural resource booms tend to move towards imports at the detriment of domestic production and employment as a result of the appreciation of the domestic currency. Thus, the resource boom may lead to a collapse of employment in other tradable sectors. This means that it is necessary to raise productivity in agriculture and other tradable goods to regain competitiveness against imports. This requires strategic investments in applied research. Consultations with companies led by the International Finance Corporation (IFC) have revealed an opportunity to increase competitiveness and productivity of local firms in order to be able to supply multinationals as part of the mega projects. This requires improved engineering and technical skills, and a closer link between the education and training institutions and the private sector. Applied research and skills will also be needed to move towards value addition through beneficiation. These strategies are fundamental to guarantee that the economy becomes diversified and prepared for the period after the resource boom.

On the labor supply side, more than 300,000 people enter the labor market each year and this number is poised to increase to about 500,000 by 2025. Preparing this wave of young people adequately for a productive life through education including TVET and higher education options is critical to job-creation, productivity, competitiveness and poverty reduction. Rates of return to higher education have been increasing in Mozambique from a low of 6 percent in 2002 to 18 percent in 2008 (latest year available and comparable). This implies that a higher education degree increases the wage by 148 percent compared to those with secondary education. In addition, workers with higher education in Mozambique face lower unemployment. Given Mozambique's high level of inequality, and in particular inequality in access to post-basic education, promoting more equitable access for the bottom 40 percent of the population is critical to raise their income and hence promote shared prosperity. Improved access to TVET and higher education, in particular, short term professional-oriented higher education, therefore both promote shared prosperity and overall economic growth.

Sectoral and institutional Context

In the education sector there have been noticeable improvements, such as enrollment rates, but the overall quality of education remains a concern. In primary education, net enrollment rates have been consistently improving from 33 percent in 2002 to 82 in 2014, but progress in completion rates has tailed during 2007-2010; recent data showed that only approximately 70 percent of all students who attended grade 1 in 2012 entered grade 3 in 2014, with 5 out of 10 children completing primary education. It is expected that primary completion rates will improve from 2016 onward, reflecting improvements to promotion rates since 2011. However, the completion rate is below regional peers (52 percent for Mozambique compared to the Sub-Saharan average of 72 percent). The same picture prevails in secondary education, where the gross enrollment rate to lower secondary has increased from 7 percent to 34 percent.

The massive increase in completers of primary education and increasing secondary education creates a large pressure to expand TVET and higher education opportunities. Both due to education progress and high population growth rates, the number of upper secondary graduates has increased from less than 8,000 in 2004 to 41,500 in 2012. In 2016, the Government estimates that the number of graduates of secondary education will be 148,000, doubling again to around 280,000 in 2020. Higher Education (HE) has expanded rapidly in Mozambique. Between 1992 and 2014 the higher education system has evolved from only three to 48 institutions, from an entirely public system to a mixed system with public and private providers, and from a system almost completely concentrated in Maputo to a system that is present in all provinces. Starting with just about 3,750 students in

1990, it has grown to 13,600 students in 2000 to 123,800 in 2012, of which 34 percent are in private institutions.

The rapid expansion of HE has not yet impacted negatively on the employability of graduates. The rapid economic growth seems to have increased demand for graduates even further than supply, especially for graduates within applied sciences and engineering, and skilled technicians. Rates of return and employment of graduates therefore remain high as mentioned above.

But quality and relevance have reportedly declined. The doubling of institutions and the faculty body has led to lowering of faculty qualifications. Only 7 percent have a PhD degree and 24 percent a master degree. Around two-thirds of teachers in higher education are bachelor degree

(licenciatura) holders. Expansion has also led to overcrowding in classrooms, and a lack of learning resources, most importantly access to laboratories, modern technological tools, and computers.

Also, the competences of the admitted students have deteriorated, especially in math and science subjects, due to the expansion and decrease in quality of secondary education. Further, curricula are infrequently reviewed and teaching methods focus too much on memorizing theoretical learning.

This explains partially the frequent complaint from employers of lack of concrete hands-on technical competences, which especially affects quality of Science, Technology, Engineering and Math (STEM) students. The way forward is to support institutions and faculty to reform curricula in collaboration with employers, introduce more experimental and student focus teaching-learning in combination with investments into modernize learning equipment.

Higher education does not benefit sufficiently low and middle income families. The high tuition fee of private education as well as high living costs make higher education unaffordable for many youth from poor families. Further the competition to enter public low-fee education is increasing. More access to higher education for youth from middle and low-income families is a central policy to promote shared prosperity by qualifying youth from these families for a well-paid job in the formal economy. In addition to continued improvements in basic education, improving access for low income youth requires: (i) scaling up student financial aid in a sustainable manner, for example through student loans; (ii) allow for TVET students to access higher education, and (iii) expand and improve quality of education in the Central and Northern provinces of Mozambique.

16. Linking higher education with TVET is a priority for equity and quality of TVET. The Government has established four polytechnic colleges in underrepresented regions in the country. These polytechnics produce tertiary graduates who combine high level theoretical knowledge with practical and entrepreneurial skills and competences making them particularly well equipped to support development in key economic sectors (agriculture, mining and energy). As this type of tertiary education is promising due to its potential impact on equity (region and income-wise) and its economic relevance, the government is seeking to add seven new polytechnics. Two critical challenges remain: (i) the connection between secondary education TVET institutions and the polytechnics (higher education institutions) to allow graduates of TVET institutions to procure higher education diplomas, which increases both the incentives for TVET education and improves access to higher education for middle and low income youth; and (ii) a shortfall of qualified TVET teachers due to the expansion of the sub-sector. The linkages between the two levels of education will help build job-relevant technical skills and will also streamline the access from technical secondary education into higher education.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The objectives of the Project are to: (a) increase the number and raise the quality of graduates at the undergraduate and graduate levels; and (b) strengthen the national research capacities to produce research outputs of relevance to the Country's strategic economic sectors.

B. Proposed Project Development Objectives – Additional Financing (AF)

The objectives of the Project are to: (a) increase the number and raise the quality of graduates at the undergraduate and graduate levels; (b) strengthen the national research capacities to produce research outputs of relevance to the Recipient's strategic economic sectors; and (c) strengthen the institutional framework for TVET.

III. Project Description**Component Name**

Component A: System Governance, Quality and Management Strengthening

Comments (optional)**Component Name**

Component B: Improve Quality of Teaching, Learning and Research through Competitive Funding

Comments (optional)**Component Name**

Component C: Targeting Scholarships for Equity and Competitiveness

Comments (optional)**IV. Financing (in USD Million)**

Total Project Cost:	45.00	Total Bank Financing:	45.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			45.00
Total			45.00

V. Implementation

The Additional Financing will be implemented by two new agencies: the MCTESTP and the ES-COREP. The change is to cater for the restructuring that took place in Government as a result of the October 2014 presidential elections, and the addition of the ES-COREP which will be responsible for the implementation of activities aimed to strengthen the current achievements financed through the TVET Project including support to ensure the smooth transition of the ES-COREP to the recently created National TVET Authority (ANEP).

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x

Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

The HEST was classified as Category B, and triggered Operational Policy 4.01 Environmental Assessment owing to the construction and rehabilitation of the Distance Education Resource Center in Manica province. No new land was acquired for major construction and no resettlement is expected and therefore OP4.12 was not triggered. The proposed AF will therefore also be classified as Category B and will continue to utilize the existing ESMF, which has been deemed satisfactory by the Bank. No new safeguards will be triggered. The Government prepared under the parent-project an ESIA including an ESMP that provides the basic steps to be followed to ensure safeguards compliance throughout the project life-cycle. The same safeguards instrument will be used to further guide the implementation of this new AF while ensuring project safeguards compliance. In the case of TVET, the environmental and social screening process as outlined in the Environmental and Social Management Framework (ESMF) adequately addresses any potential negative impacts of future rehabilitation activities, and therefore, project alternatives did not have to be considered.

VII. Contact point

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