

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA27657

Project Name	Education System Improvement Project (P149005)
Region	EUROPE AND CENTRAL ASIA
Country	Kosovo
Sector(s)	General education sector (100%)
Theme(s)	Other public sector governance (20%), Education for all (80%)
Lending Instrument	Investment Project Financing
Project ID	P149005
Borrower(s)	Republic of Kosovo
Implementing Agency	Ministry of Education, Science and Technology
Environmental Category	C-Not Required
Date PID Prepared/Updated	31-May-2015
Date PID Approved/Disclosed	28-Apr-2015, 02-Jun-2015
Estimated Date of Appraisal Completion	30-Apr-2015
Estimated Date of Board Approval	10-Sep-2015
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Kosovo remains one of the poorest countries in Europe, although there have been considerable gains in poverty reduction thanks to sustained economic growth. The Republic of Kosovo has experienced five consecutive years of economic expansion, growing 4.2 percent per year on average since 2008. The headcount poverty rate in Kosovo fell from 45.1 percent in 2006 to 29.7 percent in 2011, but remains high. The low estimated employment rate of only 25 percent and the high unemployment rate of over 30 percent have contributed to poverty and income insecurity. Kosovo has managed to maintain healthy public finances, but legislative and financing constraints limit the scope for expansionary fiscal policies. Fiscal deficits in 2012 and 2013 were 2.7 and 2.9 percent of GDP, respectively, leaving Kosovo with a public debt-to-GDP ratio of 9.8 percent at end of 2013. Kosovo's euroized economy is better positioned than most countries in the region and the maximum public debt-to-GDP ratio is fixed at 40 percent by law. In 2012, Kosovo secured support from the International Monetary Fund (IMF) for a 20-month, €107-million Stand-By Arrangement, which was successfully completed in the end of 2013. However, a recent decision of the Government for an across the board increase of public sector salaries, pensions and other benefits, might constrain the available fiscal space in future budgets. These decisions, if realized as announced, risk crowding out the state budget for growth-stimulating and/or productivity-

enhancing purposes. Additionally, Kosovo's unresolved status issue remains a key barrier to achieving political integration and socioeconomic development. However, the EU has determined that there are no legal obstacles for Kosovo to open negotiations for a Stabilization and Association Agreement (SAA) which started in October 28, 2013, making the first significant step for Kosovo towards a potential candidate for EU membership.

Sectoral and institutional Context

Considerable progress has been made to improve access to education in recent years, mostly at the pre-primary and upper secondary levels. However, while enrollment rates in primary and lower secondary education are almost universal, upper secondary gross enrollments stand at 91.8 percent. There is gender inequality in upper secondary enrollment rates. In 2012, boys' gross enrollment was 92 percent, compared to 88 percent for girls. Girls' rates of transition from one grade to the next drop in the 10th grade (when upper secondary starts), with the transition rate at 84.9 percent for girls compared to 96.8 percent for boys (2012). Gender inequality is higher in lower income groups; the enrollment rate of the poorest quintile is 64 percent for girls and 87 for boys.

Public spending in education is low relative to regional comparators. The Government spent 4.1 percent of GDP in 2012, less than the average in Europe and Central Asia (4.6 percent) or the upper middle income country average (5 percent), and less than Croatia (4.4 percent) and Serbia (4.7 percent). The total public expenditure on education is around 14 percent of the government budget, which is in line with other middle income countries with similar age profiles. However, because of the large number of pupils, Kosovo spends only 13 percent of per capita income per student in both primary and secondary education, less than all countries in South Eastern Europe.

Skills shortages and unemployment are key challenges; lower levels of education are correlated with higher unemployment rates. The 2013 Enterprise Survey found that an inadequately educated workforce was a major constraint for 23 per cent of manufacturing firms surveyed, suggesting that skills shortages may constrain private sector growth. About 60 per cent of workers without any schooling were unemployed according to the 2013 Labour Force Survey (LFS), about double the national rate. Similarly, unemployment rates for workers with primary or upper general secondary education are above the national average (40 per cent and 38 per cent, respectively).

In recent years, the Government has undertaken a range of reforms in pre-university education, seeking to build institutions and the management capacity required to promote quality improvements in education. These are outlined below:

- (i) Strengthening the organization and financing to improve adequacy and efficiency of pre-university education. Key framework laws which clarify the roles and responsibilities for education delivery and accountability were developed, especially for the decentralized pre-university education. These have brought clarity in terms of goals and responsibilities, and formed the basis for reforms in financing and transfer of responsibilities from municipalities to schools.
- (ii) Strengthening teacher management, and reform curricula. The Government has developed a mandatory teacher licensing/certification system under which teachers need to take mandatory training and be assessed every five years in order to maintain their teacher license or get promoted. The Government has also developed teacher professional development policies, and performance assessment criteria linked with career progression. In the meantime, the Government has worked in

improving the pre-service teacher training and linking it with the needs of the education sector. In 2009, the process of curricular reform began by reviewing the Kosovo Curricular Framework (KCF).

(iii) Improving school infrastructure. The Government eliminated triple shift schools and has invested in expanding school buildings and improving conditions of existing building. It has also developed the tools needed to introduce efficient and appropriate designs - namely by developing the school mapping database and the standards for construction of classroom and school facilities – which are critical for planning and costing future infrastructure needs and maintenance investments.

Despite significant improvements, many challenges remain:

(i) Strategic planning and rational use of resources. The introduction of the revised per capita financing at central and municipal has led to increased transparency and accountability and increased delegation of decision making to school, however, the implementation has varied depending on absorption capacities of municipalities and schools. At the same time, the increased delegation of responsibilities to municipalities and schools was expected to lead to more optimal use of resources but there are still areas where improvements are required. The latest Medium Term Expenditure Framework 2014-2016 indicates that total education spending will remain constant in the next three years, thus given these budgetary constraints in the short run, the Government is attempting to focus on an efficient and effective allocation and use of limited resources taking into account the projected demographic changes and human resource needs for the country's long term growth.

(ii) Poor education quality and inequality. Although reliable data on students' achievements is lacking and there are no internationally comparable data, the low passing rate and achievement levels of students at the national Matura indicate a need for improvements. The initial results of Grade 5 sample based tests undertaken in 2010 suggest large differences between girls and boys (in favor of girls, especially in language), and between rural and urban students. The low levels of achievement indicate the need to continue and strengthen the implementation of reforms, particularly teacher certification and professional development, as teachers and teaching practices play a critical role in educational development. Other fundamental elements that need to be in place is the establishment and maintenance of a comprehensive and coherent national framework for student assessment, and the development of effective feedback systems to allow for standardized student assessment data to be provided on a timely manner to decision makers, schools and parents.

(iii) Policy making without adequate data and evidence. Policy decisions regarding education quality and student learning continue to be taken without the adequate data and evidence. The participation in PISA 2015 will provide valuable information on student achievements, however, to be able to assess progress and policy decisions, there needs to be a regular and reliable system of data and information collection; for that a fully functional Education Management and Information System (EMIS) is critical. The current web based EMIS software introduced in 2012 – while a significant improvement from the paper-based one - collects data only at the classroom level. To be able to monitor and report on key education statistics and learning outcomes, the EMIS should be complemented with data from all levels of education that would include student level data and results from various student evaluations.

(iv) Lack of transparency and limited financial and academic freedom in higher education. The

expansion of higher education – through the establishment of new public universities - has been affected by the lack of a strategic plan. This has resulted in duplication of study programs, limited or no assessment of relevance of study programs to the labor market needs, and inadequate financial autonomy. The transparency in the operation of higher education institutions is further hampered by the complete lack of accurate and readily available data for the tertiary education.

II. Proposed Development Objectives

The Project Development Objective is to strengthen select systems that contribute to quality, accountability, and efficiency improvements in education in the Republic of Kosovo.

III. Project Description

Component Name

Component 1: Enhancing strategic planning, financial management, monitoring and decisionmaking in the education sector

Comments (optional)

The objective of this component is to strengthen planning, financial management and evaluation, and decision-making capacities at different levels of the education sector, including the national level through the Ministry of Education, Science, and Technology (MEST), the municipal level through Municipal Education Directorates (MEDs) and schools, and at the universities. This component is divided into three sub-components: 1.1 Strengthening strategic planning and financial management capacities; 1.2 Enhancing existing Education Management Information System; and 1.3 School Development Grants.

Component Name

Component 2: Strengthening management capacity and accountability to enhance quality of pre-university and higher education

Comments (optional)

The objective of this component is to support and institutionalize the teacher career system, and facilitate the use of international best practices in assessing the quality of education. The subcomponent is divided into three sub-component: 2.1 Implementing and Improving the Teacher Career System; 2.2. Strengthening capacities of key institutions for monitoring educational outcomes and assessment of student learning; and 2.3 Improving accountability and quality assurance of higher education through the development of key professional licensing statutes in priority fields.

Component Name

Component 3. Implementation and Communications Support

Comments (optional)

The objective of this component is to ensure adequate implementation and communication support for the project.

IV. Financing (in USD Million)

Total Project Cost:	11.00	Total Bank Financing:	11.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			11.00

Total	11.00
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V. Implementation

The project will be implemented over a four-year period by the Ministry of Education, Science and Technology (MEST) of the Republic of Kosovo. The Ministry will be responsible for the overall implementation of the project, the prioritization and preparation of the annual activity plans, and the coordination of various activities in the project across different departments, municipalities, schools and universities.

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)

VII. Contact point

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