

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC875

Project Name	Modernizing Higher Education Project (P128516)
Region	EUROPE AND CENTRAL ASIA
Country	Uzbekistan
Sector(s)	Tertiary education (75%), Vocational training (25%)
Theme(s)	Education for the knowledge economy (100%)
Lending Instrument	Specific Investment Loan
Project ID	P128516
Borrower(s)	Ministry of Finance
Implementing Agency	Mintsry of higher and Specialised Secondary Education
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	06-Mar-2013
Date PID Approved/ Disclosed	03-Dec-2015
Estimated Date of Appraisal Completion	04-Mar-2016
Estimated Date of Board Approval	20-May-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Uzbekistan, a land-locked country of 29 million people, has made considerable progress in recent years. With average GDP growth of 8 percent per year since 2004, per-capita income has more than doubled in real terms and the share of the population living in poverty declined from 26 percent to 18 percent by 2010. Yet challenges remain. As the Government of Uzbekistan (GoU) seeks to shift the economy from heavy reliance on commodity exports (cotton, gold, and gas) to a more diversified growth model, it must contend with the needs of the country's young and growing population, 30 percent of whom are under the age of 15. The GoU's stated goal of reaching upper middle income status by 2030 is an ambitious one. To do this, Uzbekistan's per-capita income would need to increase tenfold, from US\$1,545 today to roughly US\$15,000 in less than two decades, requiring an average GDP growth rate of 6 percent per year. Few countries in the world have been able to sustain such growth rates for a prolonged period of time.

In order to achieve its growth ambitions in a sustainable manner, Uzbekistan needs to transform its

current commodity-dependent economy into a competitive industrialized one. This transformation can be achieved by seeking comparative advantage in high value-added activities and industries. It will require the development of a highly skilled workforce that can use its entrepreneurial talent to improve the competitiveness of the economy and catalyze its modernization. Private demand-driven creation of sufficient numbers of good jobs for the young educated population will be central to the country's ability to move up the value chain of production and sustain high growth rates in the years and decades to come.

Sectoral and Institutional Context

In Uzbekistan, the Law on Education proclaims education as a priority of the state and guarantees equal rights to education. Primary and secondary education is free and compulsory. To comply with the law, GoU increased public expenditure on education from 6 percent of GDP in the mid-1990s to 10 percent of GDP in 2010, focusing mostly on primary and secondary education where the country has now achieved nearly universal enrolment. In contrast, the tertiary education system, receiving only a small fraction of funds allocated to the education sector, is characterized by low access, uncertain quality and limited relevance to the rapidly changing needs of the country's economy. Given Uzbekistan's ambition to achieve economic competitiveness and diversification, policy makers have recently prioritized the modernization of the tertiary education sector as one means for achieving that goal.

In 2011, Government Decree No. 1533 was the first substantial directive in the field of higher education, which identified the disconnect between academia and industry as a key shortcoming of the higher education sector. Multiple factors are responsible for the current state of affairs, including: the lack of focus on disciplines of science, technology and engineering; poor laboratory infrastructure; outdated curricula; and faculty lacking advanced qualifications and trainings in their respective areas of specialization. Subsequently, Government Decree No. 371 (2012) has called for the introduction of a university ranking system aimed at facilitating the improvement of quality of academic and research activities in higher education institutions, helping align the work of these institutions with the requirements of the economy and the labor market. It is expected that the ranking system will be implemented in line with international best practices and will also serve to enhance international cooperation in the field of higher education.

At present, Uzbekistan's system of higher education faces challenges in three key areas: (i) access; (ii) quality and relevance; and (iii) system management, including the aspects of governance and quality assurance. In particular, the challenges in each area are as follows:

Access: Uzbekistan's gross tertiary enrolment rate has declined from 17 percent in 1991 to approximately 10 percent today, substantially below the levels of its neighbors (Kazakhstan: 41 percent; Kyrgyz Republic: 49 percent), Russia and the high-income countries of the OECD (approximately 75 percent each). Enrolment levels are currently controlled by admission quotas set annually by the Ministry of Economy, which allocates fewer than 80,000 seats for new entrants per year. Competition for the limited number of seats is fierce, with the number of applicants per seat increasing from 5.7 to 6.8 over the past five years. Obstacles to expanding access are twofold: first, Uzbekistan's higher education sector currently lacks a policy space that is conducive to private provision of education—among the 63 higher education institutions (HEIs) operating in the country, no truly private providers exist and only three are private-public partnerships (all linked to foreign universities). The second factor is the low and decreasing level of public funding dedicated to higher education. Of the nearly 10 percent of GDP being spent on the education sector in

Uzbekistan, public funding for universities accounts for only 0.4 percent, a ratio well out of line with most international comparators. While the level of public funding has decreased in recent years, private financing has grown in importance, expanding from 40 percent of total higher education spending in 2000 to 64 percent in 2012. The result has been an underfunding of university-level capital investment and under-enrolment in the technical disciplines.

Quality and relevance: Uzbekistan's higher education system has been slow to adjust to the country's changing economic needs. While decree 1533 has begun to align admission quotas with perceived labor market need by increasing quotas for engineering, construction, and manufacturing programs, the system of public financing still favors the non-technical specializations (engineering students are financed at a level significantly below those in business and law). These mismatches result in many graduates not being able to find work in their area of specialization, and those who do often lack the level and mix of skills demanded by employers. For example, 73 percent of the Uzbek firms surveyed in 2008 indicated that the skills and education of workers pose an obstacle to doing business—up from 60 percent in 2005—including 36 percent of firms who said that employee skills pose a “major” or “very severe” obstacle to growth (one of the highest rates in the region). Additionally, the role of higher education in the country's innovation ecosystem is limited, following a Soviet-era model that separates research from higher education and assigns this function to the state Academy of Sciences. As a result of this separation and the underfunding of inputs necessary for technical research in universities (labs and broadband connectivity, among others), Uzbekistan lags in its transition toward a knowledge economy. The country is ranked 105th out of 145 in the World Bank's Knowledge Assessment Methodology (KAM) rankings, significantly below its neighbors of Kyrgyz Republic (95th), Kazakhstan (73rd), and Russia (55th).

System management: The tertiary education sector is governed by a variety of actors and a hierarchy of laws, programs, decrees and regulations issued by different state bodies. The key government bodies tasked with managing tertiary education include: (i) the Cabinet of Ministers, which provides high-level guidance and approves the State Education Standards (SES); (ii) the State Testing Center (STC), which organizes and conducts state accreditation and licensing of all HEIs; (iii) the Ministry of Economy, which sets admission quotas for each institution and area of specialization; (iv) the Ministry of Higher and Specialized Secondary Education, which governs the HEIs and mediates between them and other ministries; (v) other sector ministries, which run their own specialized HEIs; (vi) the Ministry of Finance, which directly provides public financing for HEIs; and (vii) the Academy of Sciences, which manages research activities at the post-graduate level. A large degree of overlap and fragmentation in responsibilities exists among the various government bodies. Moreover, the attestation and licensing mechanisms currently in place do not conform to commonly accepted international standards for quality assurance (QA).

To address the challenges described above in accordance with the government priorities identified in the relevant decrees, the GoU has requested collaboration with the World Bank in modernizing the higher education sector. The initial focus of the partnership will be on improving the capacity and management of the system, strengthening quality assurance processes at the HEI and system level, using competitive grants to foster linkages with industry and foreign universities, and piloting innovative approaches in expanding access. The proposed project will allow the GoU to put in place the enabling framework of quality assurance mechanisms necessary to guarantee that a future system expansion will provide graduates with the adequate skills that are demanded by employers. An expansion of enrolment levels before such mechanisms are put in place would be counterproductive, as it will do little to satisfy the need of industry for highly trained specialists in

the priority fields. The proposed project will also encourage innovative approaches in the improvement of teaching, learning, and research by fostering domestic and international partnerships with industry and other stakeholders. The project will also pilot innovative initiatives (e-learning, MOOCS, etc.) to help expand access to higher education.

Relationship to CAS

The Uzbekistan Country Partnership Strategy (CPS) for FY 2012-15 and the proposed Project are well aligned. The proposed Project design supports three of the four key result areas identified in the CPS. These include:

(i) Enhancing the economy’s competitiveness: Investing in the human capital of Uzbekistan’s workers is one of the most important ways in which the Bank can help spur the country’s economic competitiveness. By strengthening higher education institutions in their ability to produce skilled graduates, generate ideas, and form partnerships with domestic and foreign partners in academia and industry, the proposed Project aims to help Uzbek authorities put their country on a path to sustainable economic transition.

(ii) Diversifying the economy: The proposed Project aims to strengthen the foundations of private sector-led diversification by responding to employers’ needs for adequately trained workers and an improved innovation ecosystem. The Bank will leverage its comparative advantage by investing in the modernization of Uzbekistan’s higher education system—focusing in the science, technology and engineering fields—and bringing it in line with the needs of a diversified knowledge economy.

(iii) Improving access to, and outcomes of social services: The proposed Project will complement the ongoing Second Basic Education Project (P107845), as well as analytical work in the early childhood (P129586) and higher education (P131307) sub-sectors, in developing a holistic approach to improving quality of education in Uzbekistan. Improvement in the quality of higher education will also impact the quality of educational outcomes at all levels due to the sub-sector’s role as the producer of teachers for the entire education system.

Finally, the proposed project will also contribute to the cross-cutting result area of Governance by addressing the improvement of governance arrangements and quality assurance mechanisms in the country’s higher education sector.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The project development objective is to support improvement in quality and relevance of the higher education system to meet the needs of a rapidly modernizing economy.

Key Results (From PCN)

The expected outcomes of the proposed Project are the following:

- i. Improved perception of graduates’ qualifications as measured by employers surveys.
- ii. Increased number of partnerships between Uzbek HEIs and foreign universities or industries.
- iii. Increased revenues from scientific and research activities
- iv. Reports produced regularly by the Higher Education Management Information System being used for planning and decision-making

III. Preliminary Description

Concept Description

1. Description

a. The proposed project consists of three components: (i) modernizing the higher assurance system; (ii) improving laboratories and associated academic and research systems in priority areas; (iii) project management and monitoring and evaluation. The summary description of the project components is as follows:

Component (1): Modernizing the Higher Education System

b. This component will support the government in modernizing the higher education sector by: (i) strengthening the capacity of the Ministry of Higher and Specialized Secondary Education to manage the sector; (ii) supporting the State Testing Center to develop and implement the system of external quality assurance; (iii) facilitating the Higher Education Institutions to strengthen the system of internal quality assurance; and (iv) establishing a competitive fund for HEIs.

c. The Government of Uzbekistan's decision to launch a university ranking system, whose indicators are broadly in line with premier international ranking systems, is indicative of the Government's desire to reform its higher education system so that it may be recognized to be of high quality by its peers at the international level while also serving to improve both the quality and relevance of this system to needs of the economy. This component will assist the Government in achieving this objective.

Sub-component 1.1: Strengthening Higher Education Management

d. The centrally managed higher education system of Uzbekistan is critically dependent upon the quality of guidance, support and direction given by the Ministry of Higher and Specialized Secondary Education. This subcomponent will support:

- i. capacity building and training of the MHSSE and other agencies dealing with higher education on policy formulation and implementation;
- ii. the MHSSE in providing capacity building programs for HEIs in management and accountability;
- iii. the development of a HEMIS.

Sub-component 1.2: Improving the Quality Assurance System

e. A modern quality assurance system is key to ensuring the quality and relevance of academic programs and graduates in the higher education sector. In order to help strengthen the QA mechanisms in Uzbekistan this subcomponent will support:

- i. the STC to strengthen the Quality Assurance Process in conformance with Bologna Protocol requirements, establish partnerships with relevant EU QA organizations, and develop and implement the university ranking system;
- ii. the HEIs in development of internal quality assurance mechanism through the establishment of Quality Enhancement Cells (QECs) in HEIs. QECs are the focal offices for internal quality assurance and help inform campus decision-making by collecting, analyzing and reporting quantitative and qualitative data about their HEIs' students, faculty, staff, curriculum, course offerings, and learning outcomes. The project can finance a foreign partner (with MHSSE) to deliver a custom-tailored course to HEIs on establishing an office for Institutional Research/QEC in each university.

Sub-component 1.3: Establishing a Competitive Innovation Fund

f. The fund offers grant funding to competitively selected proposals from HEIs for designing and implementing innovative projects which contribute to enhancing the quality and market relevance of university activities and encourage creativity and innovation. This component will finance two pilot rounds of competition at 1 million USD per round. If they are deemed successful according to agreed performance indicators, the competitive grants program will be scaled up for two additional rounds with Bank financing and co-financing from the government. Individual grants will be restricted to a maximum of 150,000 USD. The fund will support HEIs in:

- establishing partnerships with both domestic and foreign academic institutions (research partnerships, faculty exchange, training);
- establishing partnerships with domestic and foreign industry (modernizing curriculum, innovation, research, and joint business development);
- innovations in teaching and learning to expand access (e-education, MOOCs, etc.)

Component (2): Improving laboratories and associated academic and research systems in priority areas

g. Delivery of high quality higher education in areas of science, technology and engineering is critically dependent on the availability of requisite laboratories where students may carry out virtual or practical experiments that illustrate practical implementation of theoretical principles. These laboratories provide a forum for students to integrate knowledge in multiple areas and demonstrate their application to issues of practical concern. Successful implementation of this system ensures to establish close collaboration between academia and industry.

h. While the availability of high quality laboratories is a pre-requisite to the establishment of university – industry linkages, it does not represent the complete story since without the requisite curriculum and appropriately qualified and trained faculty good linkages cannot be established and sustained. GoU's (Decree 1533) on Modernization of Material and Technical Base of the Higher Educational Institutions is directed towards the development of human and technical resources to have a significant impact on the universities' ability to address needs of the priority economic sectors. To support this objective universities will be requested to develop comprehensive proposals that move significantly beyond the development of specialized laboratories and focus on economic development of the country in priority areas. The proposals will include the intended use of the equipment, the development and adoption of modern curriculum supporting the laboratories requested, mechanisms for linkage with industry, and a plan to develop and ensure availability of qualified faculty trained to optimize use of requested facilities.

International collaborative arrangements for curriculum development, student and faculty exchange and development of systems for enhancement of university – industry relations would be expected to constitute an essential part of the laboratory development proposals.

i. The proposed component will support:

- i. the establishment/upgrading of modern scientific and research laboratories in Uzbek HEIs in priority areas of the economy;
- ii. the development and implementation of a modern curriculum optimizing the use of the equipment provided;
- iii. the establishment of appropriate local and international partnerships and networks;
- iv. training of faculty and staff for optimal use of the equipment and, in collaboration with international academic and local industrial partners.

Component (3): Project Management, Monitoring and Evaluation and Capacity Building

j. The MHSSE, supported by the Project Management Team (PMT), will ensure overall management of the project, including monitoring and evaluation of the impact of the investment. The component will support:

- i. financing of a PMT with core staff from MHSSE supported by consultants from the market as needed. The PMT will be responsible for overall project management and coordination, communication flow and dissemination of information;
- ii. implementation and management of the procurement process, financial management and disbursement, project monitoring and reporting, including training to PMT staff to enable them to discharge these functions;
- iii. systematic maintenance of M&E system with updates on key performance indicators;
- iv. provide technical assistance in carrying surveys, tracer studies, and other evaluations of system performance (as needed);
- v. information exchange and dissemination of results to stakeholders.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	40.00	Total Bank Financing:	40.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			40.00
Total			40.00

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