

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

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| Project Name | Education Excellence and Equity Program |
| Region | EUROPE AND CENTRAL ASIA |
| Sector | Primary education (40%); Secondary education (25%); Tertiary education (20%); Central government administration (10%); Sub-national government administration (5%) |
| Project ID | P078933 |
| Borrower(s) | GOVERNMENT OF ALBANIA |
| Implementing Agency | Ministry of Education and Science |
| Environment Category | <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined) |
| Date PID Prepared | February 23, 2006 |
| Date of Appraisal Authorization | March 3, 2006 |
| Date of Board Approval | June 1, 2006 |

1. Country and Sector Background

Albania has successfully built the foundations of a market-based economy, created democratic institutions and gradually built capacity in the public administration since the economic and political transition in the early 1990s. Albania has maintained macroeconomic stability and average real GDP growth rates of over 5 percent for the last five years – the highest in Southeastern Europe. Maintaining this performance will be increasingly difficult however, and Albania will need to attract much needed foreign direct investment, increase public and private savings, accelerate accumulation of physical and human capital, and improve governance structures. Despite GDP per capita reaching an estimated US\$2,060 in 2004, widespread poverty, high unemployment, wide regional disparities, and corruption remain daunting challenges. Eventual membership in the European Union (EU) remains an overarching long-term vision in the country, and negotiations on a Stabilization and Association Agreement with the EU have been a national priority.

The performance of the education sector will be a key determinant of Albania's future competitiveness and economic growth. Given Albania's aspirations to maintain its growth, narrow regional disparities and join the EU, the main challenge in the education sector is to develop a system and institutions which prepare school graduates to effectively function in labor markets, become active citizens and contribute to strengthening Albania's competitiveness. The importance of investing in human capital is especially pronounced in resource-scarce Albania. The reform of secondary and tertiary education remains high in the education sector development agenda. The quality and relevance of education must be raised substantially at all levels, and the continuation of recent reforms to this end is thus of critical importance.

Key Sector Issues

Albania's educational outcomes are poor, particularly when measured against labor market needs and achievements in other countries in the region against which Albania's labor force needs to compete. Albanian children on average complete 8.6 years of schooling, which lags substantially behind that of its neighbors and falls almost 6 years below the EU average. While universal primary education has been achieved, secondary education (Grades 9-12) enrollment rate is low at around 50 percent. Low average educational attainments are compounded by marked variations across regions and income groups. For example, the net secondary enrollment rate is 70 percent in Tirana, 60 percent in other urban cities, and only 25 percent in rural areas. In addition, Albanian students scored very poorly in the Programme for International Student Assessment (PISA) 2000 in reading, mathematics and science literacy. Their performance lags behind other countries in the region against which Albania's labor force competes. Although the trend is on the rise, higher education enrollment rate remains low at around 13 percent, and the system is not adapted to changing labor market needs.

Declining public spending on education contributed to declines in education quality, especially for children coming from poor families, rural areas, and peri-urban areas. Limited public spending on education resulted in cost sharing of schooling with households which have negatively affected the enrollment of poor children. Public spending on education as a share of GDP declined steadily from 3.7 percent in 1995 to 2.8 percent in 2004. This is substantially lower than the EU average (approximately 4.9 percent) or the average of other Southeast European countries (above 4 percent) or other lower-middle income countries.¹ Public spending on education as a share of the total public expenditure has remained at approximately 10 percent since 1995, which again compares unfavorably to the average of new EU countries (10 - 14 percent) or other lower-middle income countries.² Schools in urban and peri-urban areas are overcrowded, sometimes over 50-60 students in a classroom, and many schools are operating with double or triple shifts. On the other hand, schools in remote areas have very small student-teacher ratio as population declines or migrates to urban cities. While efforts have been made to increase wages for teachers, particularly in rural areas, the budget for non-salary recurrent expenditures has remained limited (approximately 12 percent of the total recurrent budget in education), resulting in inadequate provision of teaching-learning materials, teacher training and facilities maintenance.

New national education strategy provides a framework for a sector-wide reform. Albania developed the National Education Strategy (NES) 2004-2015 for pre-university education during the previous government. The Strategy identifies four priority areas, and establishes related objectives, indicators to measure achievement and the timetable for implementation. The four priority areas include: (i) governance – reforming and strengthening management capacity, (ii) improving the quality of the teaching and learning process, (iii) financing pre-university education, and (iv) capacity building and human resource development. This Strategy provides a commonly agreed view to help strengthen the sector's performance and serves as a basis for concerted efforts to achieve better learning outcomes in a more equitable and efficient manner. Building on the National Education Strategy 2004-2015, the Ministry of Education and Science

¹ For example, 5.4 percent in Ukraine, 4.9 percent in Iran, 4.6 percent in Vietnam, 4.9 percent in Moldova, and 6.3 percent in Bolivia.

² For example, 20.3 percent in Ukraine, 17.7 percent in Iran, 18.6 percent in Vietnam, 21.4 percent in Moldova, and 19.7 percent in Bolivia.

(MoES) aims to develop a comprehensive strategy which will cover from early childhood development to tertiary education.

As the participation in education is increasing, the quality and equity remain as the key issues.

To upgrade the quality and relevance of pre-tertiary education, curriculum and textbook reforms have been initiated, aiming to complete implementation of a revised basic education curriculum by 2010 and of a secondary education curriculum by 2015. Efforts to improve the quality of teaching include creating a system of professional development for teachers and school principals, a reform of the initial teacher training programs in the universities, financing research and development related to teaching and learning, school improvement and education management. Competition in textbook printing was introduced in 2003, which resulted in 50 percent reduction in printing cost. The National Center for Assessment and Evaluation has been established to carry out independent national student assessments and to administer the state *matura* examinations.

Modernization of the higher education system and strengthening of governance in universities are critical.

The reform agenda in tertiary education includes the modernization of the course structure and curriculum, strengthening of university governance structures, improvement of legislation and funding formula, stronger linkages between research and teaching, an enhanced quality assurance and accreditation mechanism, and enhanced linkages with the labor market.

Education governance, especially decentralization, needs urgent review and development.

Decentralization of the education system management and service delivery at the pre-university level is a core aspect of Albania's ongoing broader decentralization efforts. The decentralization process of the pre-university education system is based on the following guiding principles³: (i) striving for high academic achievements and administrative effectiveness and transparency, (ii) a culture of measurement, (iii) performance-based management, (iv) new role for school principals, and (v) participatory approach. As the local and school autonomies increase, schools and individuals working in schools are required to take increased responsibility for planning and managing the development of services they deliver along with the associated quality improvement procedures.⁴

All of these reform initiatives are ambitious and in their early stages of implementation. A critical task for MoES and all the stakeholders is to prioritize and sequence reform activities, set the medium-term and annual targets and monitoring indicators, develop detailed implementation plans, clarify the responsibility and accountability framework, strengthen leadership in schools and institutions, and make adjustment along the way.

2. Objectives

The proposed Education Excellence and Equity Program (EEE-P) would support Government in the implementation of the first phase of Albania's National Education Strategy (NES). ***The objective of EEE-P is improved quality of learning conditions for all students, and increased enrollment in general secondary education especially for the poor.*** The intermediate goals are that leadership, management and governance of the education system are improved, teachers use

³ Policy Paper on Decentralization of the Education System in Albania. 2004. MoES.

⁴ National Education Strategy 2004-2015. MoES.

new methods of teaching and wider variety of learning aids in schools, the quality of school infrastructure and the efficiency of its use are improved, and the initial steps of higher education reform are taken.

3. Rationale for Bank Involvement

The Bank's long-term engagement in the education sector since the start of the transition, its ability to help the government address policy and strategic issues, and its global and regional experience and knowledge in supporting educational reform place the Bank in a critical position to support the government in the education sector. The first education project, the School Rehabilitation and Capacity Building Project (1994-2000), aimed to support the government in providing basic education services during the difficult initial transition period, and focused on the school rehabilitation and capacity building of key sector institutes. The objective of the subsequent Education Reform Project (2000-2004) was to assist the MoES in planning and managing the delivery of educational services and strengthening its accountability to stakeholders for the delivery. The outcomes, as well as Borrower's and Bank's performances of both projects, were rated satisfactory. The focus of the Bank's support has been shifting from pure inputs such as school rehabilitation to system reform (decentralization) and improving learning outcomes. It is vital that the Bank builds on the past experience and continues its support in Albania's educational reform.

The Bank is one of the few and the largest development partners supporting education sector reform in Albania. The government's ambitious reform agenda spanning from primary to higher education requires a better coordinated, systemic and increased support in the sector. The Bank is in a key position to help government to mobilize and coordinate resources under the government's own strategy and advise the Ministry in its implementation.

4. Description

The priority areas of the proposed EEE-P are: (i) strengthening leadership, management and governance of the system, (ii) improving conditions for teaching and learning, (iii) improving and rationalizing education infrastructure, and (iv) setting the stage for higher education reform. Three types of indicators will be used for the monitoring of the EEE-P.

| Priority Areas | Key Program Activities |
|--|---|
| 1. Strengthening leadership, management and governance of the education system (US\$ 15 million) | This priority area aims to strengthen the leadership and management capacities , and to enhance governance and accountability of the education system. This includes activities associated with the decentralization, strengthening the leadership, professional development of school principals, decision making and resource management at the school level, increasing the communities' participation, introduction of performance-based management system, and full utilization of the Education Management Information System (EMIS) for decision making. Decentralized service delivery would be piloted in 2-3 regions before deciding on a rollout plan. This is expected to form an institutional foundation to address other priority areas. |

| Priority Areas | Key Program Activities |
|--|--|
| 2. Improving conditions for teaching and learning (US\$ 32 million) | This priority area focuses on the quality of teaching and learning conditions in a holistic manner. It would pay special attention to supporting teachers' professional development. It would also address the issues of curriculum reform, including the development of a national curriculum framework, rationalization of subjects, integration and textbook development. To implement curriculum reform, teacher education policies and practices have to be closely aligned. The development of assessment and evaluation of education would continue through strengthening the capacity of the National Center for Evaluation and Assessment, development of a national plan for evaluation in education, and improving the transparency and integrity of the national examination system. This priority area enables teachers and students to use a wider range of appropriate educational tools and methods in teaching and learning process. |
| 3. Improving and rationalizing education infrastructure, especially in secondary education (US\$ 35 million) | This priority area addresses more efficient investment and (re)allocation in physical infrastructure and human resources especially at the secondary education level. It would support the MoES in making investment decision based on school mapping, which takes into consideration the demographic development in Albania. Science laboratories and ICT facilities would be provided to general secondary schools in line with the new curriculum and teacher training to be supported in priority area two. |
| 4. Setting the stage for higher education reform (US\$ 8 million) | This priority area focuses on the reform of the higher education . It supports the MoES and universities to carry out a review of the system to identify and sequence reform activities, which include strengthening of university governance, increasing financial autonomy and accountability of universities, strengthening the quality assurance mechanism, and promoting university partnership arrangements. It also aims to expand the opportunities for students by mobilizing private financing and provision and making the use of public resources more efficient. |

5. Financing

| | |
|--|--------|
| Source: | (\$m.) |
| BORROWER/RECIPIENT | 30 |
| INTERNATIONAL DEVELOPMENT ASSOCIATION | 15 |
| EUROPEAN INVESTMENT BANK | 30 |
| COUNCIL OF EUROPE DEVELOPMENT BANK (to be confirmed) | 15 |
| Total | 90 |

6. Implementation

The EEE-P will be implemented by the MoES, using its existing staff and structures. A project implementation unit will not be established. The MoES will be responsible for the prioritization and preparation of the annual reform program, the coordination of various activities in the reform program across different departments of the MoES, specialized institutes, regions, municipalities and communes, and ensure independence and reliability of the handling of complaints and fiduciary and safeguards monitoring mechanisms. Policy oversight and program steering will be

the responsibility of steering committee consisting of the Minister and Deputy Ministers of Education and Science, Advisor to the Prime Minister, Deputy Minister of Finance, Deputy Minister of Interior and Decentralization, and General Secretary of the MoES. General Secretary of the MoES will be responsible for the coordination and monitoring of activities at the technical level. Directors of relevant department of the MoES and heads of institutes will be responsible for the implementation of activities.

7. Sustainability

The sustainability of the EEE-P and the Bank's contribution would be determined by three aspects: first, the government's ownership of the EEE-P and annual reform programs; second, fiscal sustainability and cost effectiveness of the annual reform programs aligned with the Medium-Term Budget Framework (MTBF); and third, capacity building of the technical level staff and fiduciary management in the education sector and the implementation of the EEE-P using the exiting structure and staff.

The government commitment to education reform is strong as shown in the increased government budget in the education sector for 2006, a strong leadership taken by the MoES in coordinating donors' inputs, and the new Minister's willingness to build on the NES 2004-2015. The MoES would update the NES by adding the sub-sector strategies regarding vocational and tertiary education. However, this strong commitment may be undermined if there is a change in the leadership in the government. Measures to ensure sustained government commitment to education reform, such as civil society engagement and broadening of stakeholders, would be part of EEE-P.

The EEE-P with financing from partners is expected to fill the gaps between the projected expenditure level by the MTBF and the annual education budget for the next 3-4 years. The cost effectiveness of the activities proposed in annual reform programs and the recurrent cost implications would be carefully reviewed during the semi-annual review processes to ensure fiscal sustainability of the program. Efficiency in investment for school buildings would be improved using the school mapping systems which take into consideration the declining fertility rate and migration factors. In addition, community participation and the mobilization of private financing especially in higher education would contribute to fiscal sustainability of the proposed reform program.

The third factor that would strengthen the sustainability of the proposed EEE Program is its integration as a part of the MoES mainstream functions. A strong emphasis would be placed on continuous capacity building of the technical staff in the MoES, its affiliate institutes, the region and municipality levels to plan, implement and monitor the EEE-P without a PIU. Decentralized administration and support to initiatives by schools and teachers are expected to contribute to institutional sustainability of the education reform.

8. Lessons Learned from Past Operations in the Country/Sector

Lessons from previous education projects in Albania and from other sector-wide approaches are reflected in the proposed program. The Implementation Completion Report of the Education

Reform Project in Albania (2000-2004) recommends that the next project should be closely linked with the education strategy, and that stronger governmental ownership and adequate monitoring arrangements need to be carefully established at the lending phase. In addition, the Project Implementation Unit (PIU) was viewed as the extension of the World Bank's office, and was perceived as an outside unit of the MoES. Therefore, it is critical that the new program would be implemented within the existing MoES and decentralized administration structure, using the Ministry's line departments.

While sector-wide approaches in the education sector in other countries often focus on a part of the education system, especially on primary education, it was judged that it would be more appropriate to focus on the whole education sector in Albania given the nature of the education reform underway, the relatively small size of the country in order to contribute to the overall objectives of further growth, equity, and poverty reduction in Albania.

9. Safeguard Policies (including public consultation)

| Safeguard Policies Triggered by the Project | Yes | No |
|---|-----|-----|
| Environmental Assessment (OP/BP/GP 4.01) | [X] | [] |
| Natural Habitats (OP/BP 4.04) | [] | [X] |
| Pest Management (OP 4.09) | [] | [X] |
| Cultural Property (OPN 11.03 , being revised as OP 4.11) | [] | [X] |
| Involuntary Resettlement (OP/BP 4.12) | [] | [X] |
| Indigenous Peoples (OD 4.20 , being revised as OP 4.10) | [] | [X] |
| Forests (OP/BP 4.36) | [] | [X] |
| Safety of Dams (OP/BP 4.37) | [] | [X] |
| Projects in Disputed Areas (OP/BP/GP 7.60)* | [] | [X] |
| Projects on International Waterways (OP/BP/GP 7.50) | [] | [X] |

10. List of Factual Technical Documents

- ③ *Annual Statistical Report of Education: 2002-2003*, Ministry of Education and Science, Republic of Albania
- ③ *Annual Statistical Report of Education: 2003-2004*, Ministry of Education and Science, Republic of Albania
- ③ *Albania, Sustaining Growth Beyond the Transisiton*, World Bank Report No. 29257-AL, December 27, 2004
- ③ *Poverty and Education in Albania: Who Benefits from Public Spending?* World Bank Report No. 31983-AL, March 2005
- ③ *Literacy Skills for the World of Tomorrow: Further Results from PISA 2000*, UNESCO Institute for Statistics and OECD, 2003
- ③ *Implementation Completion Report for the Albania Education Reform Project*, World Bank Report No. 31861, April 22, 2005.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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