

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 67357-AL

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
EDUCATION EXCELLENCE AND EQUITY PROJECT
CREDIT NO. 4180 ALB
(Approved on June 1, 2006)
TO ALBANIA
MARCH 1, 2012

Human Development Unit
South East Europe Country Unit
Europe and Central Asia Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

ABBREVIATIONS AND ACRONYMS

ARP	Annual Reform Program
CEB	Council of Europe Development Bank
EEE-P	Education Excellence and Equity Project
EIB	European Investment Bank
IDA	International Development Association
GoA	Government of Albania
MoES	Ministry of Education and Science
MoF	Ministry of Finance
NES	National Education Strategy
SWAp	Sector-wide Approach

Regional Vice President:	Philippe H. Le Houerou
Country Director:	Jane Armitage
Sector Director:	Ana Revenga
Sector Manager / Director:	Alberto Rodriguez
Task Team Leader:	Andréa C. Guedes

ALBANIA
EDUCATION EXCELLENCE AND EQUITY PROJECT

CONTENTS

	Page
A. SUMMARY	1
B. PROJECT BACKGROUND	1
C. PROJECT STATUS	2
D. PROPOSED CHANGES	3

Restructuring	Status: Submitted to SECPO
Restructuring Type: Level one	
Last modified on date : 03/01/2012	

1. Basic Information	
Project ID & Name	P078933: EDUC EXCEL & EQUITY
Country	Albania
Task Team Leader	Andrea C. Guedes
Sector Manager/Director	Alberto Rodriguez
Country Director	Jane Armitage
Original Board Approval Date	06/01/2006
Original Closing Date:	12/31/2010
Current Closing Date	03/31/2012
Proposed Closing Date [if applicable]	06/30/2013
EA Category	B-Partial Assessment
Revised EA Category	B-Partial Assessment-Partial Assessment
EA Completion Date	01/24/2006
Revised EA Completion Date	

2. Revised Financing Plan (US\$m)		
Source	Original	Revised
BORR	30.00	30.00
ECOU	15.00	15.00
EUIB	15.00	15.00
IDA	15.00	15.00
Total	75.00	75.00

3. Borrower		
Organization	Department	Location
Ministry of Education and Science		

4. Implementing Agency		
Organization	Department	Location
Ministry of Education and Science		Albania

5. Disbursement Estimates (US\$m)		
Actual amount disbursed as of 03/05/2012		10.91
Fiscal Year	Annual	Cumulative
2012	2.52	13.43
2013	1.57	15.00
	Total	15.00

6. Policy Exceptions and Safeguard Policies	
Does the restructured project require any exceptions to Bank policies?	N
Does the restructured projects trigger any new safeguard policies? If yes, please select from the checklist below and update ISDS accordingly before submitting the package.	N

7a. Project Development Objectives/Outcomes
Original/Current Project Development Objectives/Outcomes
The proposed EEE-P will 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.

7b. Revised Project Development Objectives/Outcomes [if applicable]
The objectives of the Project are to support the Recipient's Program: (a) to improve quality of learning conditions for students; (b) to increase enrollment of students in general secondary education; and (c) to initiate higher education reform.

EDUCATION EXCELLENCE AND EQUITY PROJECT

RESTRUCTURING PAPER

A. SUMMARY

1. The proposed restructuring would support (i) revising the wording (but not substance) of the Project Development Objective in the Project Appraisal Document (PAD) to align it with the objective stated in the Financing Agreement (FA); (ii) extending the Project's closing date from March 31, 2012 to June 30, 2013, for an additional 15 months to allow for the Project's successful completion; and (iii) reallocating proceeds across priority areas to reflect implementation progress and shortcomings.

B. PROJECT BACKGROUND

2. **The Project's Development Objective (PDO) 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 new methods of teaching and wider variety of learning aids in schools, the quality of school infrastructure and efficiency of its use are improved, and the initial steps of higher education reform taken.
3. **The Credit for the EEE-P Project was approved by the Board on June 1, 2006, for SDR 10.5 million (USD 15 million equivalent) and became effective on October 4, 2006.** The operation adopted a Sector-wide Approach (SWAp) to support the implementation of the first phase of GoA's National Education Strategy (NES) (referred henceforth as the "Program") with co-financing from the Government of Albania, the International Development Association (IDA), the European Investment Bank (EIB) and the Council for Europe Development Bank (CEB) (referred henceforth as "Development Partners"). Total approved financing for the Program is USD75 million equivalent of which USD15 million equivalent is from the International Development Association (IDA) and the remainder from the European Investment Bank (USD15 million equivalent), the Council of Europe Development Bank (USD15 million equivalent) and the Government of Albania (USD30 million equivalent). The World Bank is the lead supervision agency among the financiers and World Bank policies and procedures apply to the entire Program including fiduciary, social and environmental safeguards.
4. **The Project's first restructuring was approved by the Board on March 19, 2010, as the Project triggered the Involuntary Resettlement Safeguard (OP 4.01) during implementation.** At the time, the Restructuring Paper submitted to the Board's consideration stated that the Project's Development Objective (PDO) would remain unchanged as stated in the Project's Financing Agreement. However, the wording of the PDO in the Project Appraisal Document (PAD) was different, and the two development objectives were not realigned during the restructuring.

5. **The Project's second restructuring was approved by the Country Director on October 1, 2010, to extend the Credit's closing date by 12 months, from December 31, 2010 until December 31, 2011.** That extension was necessary to compensate for the time civil works were on hold pending the first restructuring, including carrying out due diligence in respect to the application of OP 4.01. Without the extension, most of the civil works would not be carried out. At the time of the extension, the Bank team informed management that a longer extension would likely be more realistic to complete implementation but that Development Partners had asked that the Bank extend the Credit by only 12 months to maintain the similarity of the agreements between the GoA and the three institutions.
6. **The Project's third restructuring was approved by the Country Director on December 14, 2011, to extend the Credit's closing date by three months, until the current closing date of March 31, 2012.** This extension was initially envisaged to be for 18 months to allow for finalization of civil works. However, during its processing, the team identified a discrepancy in the wording of the PDO in the Financing Agreement and the PAD. It was thus decided that the Credit would be extended for only three months to enable the team to submit to the Board a first-order restructuring that would (i) align the wording of the Project's Development Objective in PAD with that stated in the Financing Agreement; (ii) extend the Credit's closing date for the remaining 15 months until June 30, 2013 to allow the Project to achieve its objective; and (iii) reallocate proceeds across priority areas.

C. PROJECT STATUS

7. **The Project's progress toward achieving its Development Objectives (DO) is rated as *Moderately Satisfactory* as it has already met three of the four outcome indicators:** (i) basic education drop-out rates remain very low, (ii) transition rates between basic and secondary education have exceeded 90%, and (iii) secondary gross enrollment rates reached 70%. Data on the fourth outcome indicator, increasing the teachers' satisfaction level, will be available in another few months, once the on-going survey with teachers is completed. Likewise, most of the intermediate indicators have been met.
8. **The Project's Implementation Progress is also rated as *Moderately Satisfactory*.** After more than two years of implementation delays caused mostly by addressing safeguard issues, project performance has substantially improved in the last year. Notwithstanding, it is not feasible to complete all the on-going activities, particularly civil works, by the current closing date of March 31, 2012.
9. **Currently, 62% of total project financing (including from other Development Partners) and 67% of IDA Credit funds have been disbursed.** Most of the remaining large contracts are for civil works; those have already been signed and are expected to be completed over the next 15 months.
10. **The MoES and the Ministry of Finance have asked Development Partners to extend the Project's closing date to enable successful completion of all activities and full disbursement of funds.** This extension would allow the MoES to make up for the initial implementation delays and achieve the Project's Development Objective. In October 2011 the Development Partners carried out an implementation support visit of the Project and

reviewed planned activities for 2012, should the extension be approved. During that visit, on the basis of progress and discussions, Development Partners agreed to endorse the extension request before their corresponding managers.

11. **Project Financial Management is currently rated as *Moderately Satisfactory***, reflecting an improvement in overall financial management arrangements for implementation compared to prior years; recommendations to further strengthen systems and controls have been adopted, and overall financial management capacity at the central and local levels has improved. There are no outstanding audit reports for the Project and the last one presented an unqualified opinion.

D. PROPOSED CHANGES

12. **Project’s Development Objectives.** This Restructuring Paper seeks approval to realign the wording of the Project’s Development Objective in the Project Appraisal Document with that of the Financing Agreement. The two development objectives are consistent, but as the wording of the Financing Agreement’s Development Objective better captures project activities, it would be used henceforth for all project reports.
13. **Project design would not be altered by this restructuring but the re-worded PDO would no longer be explicit about its focus on the poor.** Notwithstanding, as project design would not be changed by this restructuring, whenever relevant, project activities would continue focusing on the poor. On one hand, the Project supports the implementation of the National Education Strategy (NES), which provides a framework for a sector-wide reform. In that sense, all students and faculty in the education system should benefit from its improvements. On the other hand, the bulk of project resources also directly finance activities that target schools serving poorer populations. In particular, under priority area three (*improving and rationalizing education infrastructure*), schools are being rehabilitated, expanded, replaced or built in locations where there was a lack of adequate physical conditions to accommodate student demand. The Project is also seeking to close the gap between urban and rural schools by disproportionately financing educational inputs to rural schools. For instance, while in 2007 there were 143 secondary level rural students per computer (compared to 46 urban students per computer), today there 27 rural secondary level students per computer (compared to 24 in urban areas). Therefore, the Project’s focus would not change with this restructuring.

Project Appraisal Document	The objective of the Project 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 new methods of teaching and wider variety of learning aids in schools, the quality of school infrastructure and efficiency of its use are improved, and the initial steps of higher education reform taken.
Financing Agreement	The objectives of the Project are to support the Recipient’s Program: (a) to improve quality of learning conditions for students; (b) to increase enrollment of students in general secondary education; and (c) to initiate higher education reform.

14. **Reallocation of Proceeds.** This Restructuring Paper also informs of a reallocation of funds across the Project’s four priority areas (i.e. components). Given the SWAp nature of the Project, funds are co-mingled with contributions from other Development Partners so that it is not possible to identify IDA’s individual contribution to each of the four priority areas. At the same time, project design requires yearly approval of the Government’s Annual Reform Program (ARP) by each Development Partner. The reallocation changes are consistent with project activities and progress, as reported below.

Project Costs (US\$m.)				
Priority Areas	Original (in US\$ million)	% Financing	Revised (in US\$ million)	% Financing
1.Strengthening leadership, management and governance of the education system	10	13.3	3.4	4.2
2.Improving conditions for teaching and learning	26	34.7	3.7	4.6
3.Improving and rationalizing education infrastructure	32	42.7	64.2	79.6
4.Setting the stage for higher education reform	7	9.3	9.3	11.5
TOTAL	75	100.0	80.6¹	100.0

- Under “Strengthening, leadership management and governance in the education system,” notwithstanding some noteworthy developments, most of the foreseen outcomes have not been achieved and will likely not be achieved. Delays are directly linked to the finalization and submission of the pre-university education law, which was recently approved by the Council of Ministers and is due for Parliament’s consideration in April 2012. With the approval of the law, MoES is expected to push forward its objective of further strengthening schools through decentralized some decision-making and budget decisions.
- Under “Improving conditions for teaching and learning,” the results have also been mixed and below expectations. On the positive side, the Project has supported the revision and roll out of a new secondary education curriculum, as well as the implementation of regular national student assessments, including Matura, and Albania’s participation in international student assessments (PISA). New criteria for teachers’ accreditation have been put in place and the in-service training for teacher and directors enhanced. The key activity that has not been rolled out by the Government, reflected in the low expenditure level, has been the school improvement process, including school grants. There are two important reasons for the delay in rolling out the school grants program. First, the school grant is part of the decentralization and school strengthening strategy, which is linked to the new pre-university law. Second, as this is a new area for the Government, the development of such program has taken longer than expected. Given these delays, Development Partners agreed with the

¹ Please note that variations are the result of exchange rate variations for the SDR, USD, Euro and LEKE.

Government that the Project would continue financing the development of the grant scheme but that it would actually be implemented with Government's own resources.

- Under “Improving and rationalizing education infrastructure,” the original appraisal document limited itself to stating that the Project would support improving school and classroom infrastructure, particularly in rural areas and increasing the number of schools that meet the minimum standards for classrooms and education facilities, without setting specific targets. Once those targets were set during implementation and the civil work costs estimated, costs clearly surpassed the original amount allocated to this priority area. At the same time, the 2011 “School Inventory and Conditions Survey” financed by the Development Partners confirmed that investing in school infrastructure in Albania should remain a priority: data on structural and internal assessment of safety of school buildings shows that 6 percent of school buildings are dangerous and require immediate action, and a further 27% although not dangerous, also require immediate action (e.g 15-17 percent of the walls, roofs and ceilings require immediate action). Further, access for disabled is seldom available (less than 5% overall). It should be noted that, while this reallocation would assign almost 80% of total project cost to this priority area, this is the one area of the Project that focuses on rural communities, disproportionately benefiting the poorer population.
- Under “Setting the stage for higher education reform,” progress has surpassed expectations and the Government is advancing with the reform at a faster pace than anticipated. All of the foreseen outcomes listed in the PAD for this priority area have been achieved, and the Government is requesting that the Project continues financing technical assistance to further develop some of the instruments of the higher education reform, and plans to start rolling out of a higher education financing reform over the year. MoES is also focusing on developing and implementing a higher education accreditation process, and ensuring that a reliable higher education module is included in the Management Information System being developed with project financing.

15. **Closing date.** Under the proposed restructuring, the Project would be extended by an additional 15 months, until June 30, 2013. This extension would enable the civil works to be completed, as well as other key activities supported by the Project. As stated earlier, project implementation was severely delayed as during implementation it triggered the Involuntary Resettlement Safeguard (OP 4.01), requiring the preparation of the corresponding resettlement documents for the Project and for individual sites. During this process, most civil works were put on hold, causing a delay of over 18 months in this priority area. Therefore, the extension of the closing date would compensate for those delays, enabling the Government to complete the work on remaining school sites.