

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

Report No.: PIDA13480

Project Name	Higher Education Project (P148539)
Region	EUROPE AND CENTRAL ASIA
Country	Azerbaijan
Sector(s)	Tertiary education (100%)
Theme(s)	Education for the knowledge economy (100%)
Lending Instrument	Investment Project Financing
Project ID	P148539
Borrower(s)	Government of Azerbaijan
Implementing Agency	Ministry of Education
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	11-Nov-2014
Date PID Approved/Disclosed	28-Nov-2014
Estimated Date of Appraisal Completion	10-Dec-2014
Estimated Date of Board Approval	19-Mar-2015
Decision	

I. Project Context

Country Context

The government's objective is to become a diversified and competitive high income country by focusing on the development of assets: human and physical capital and institutions. Oil wealth has served Azerbaijan well, helping the country achieve high growth rates, significant poverty reduction, accumulation of large foreign exchange reserves and reduction in debt levels. Economic growth averaged 13 percent a year during 2002-12 and Azerbaijan transitioned into a middle-income country. Along with GDP growth, social transfers, especially pensions, played an important role in reducing poverty from 47 percent of the population in 2002 to 6 percent in 2012. The government aims at doubling of the country's per capita income to USD13,000 by 2020 through an average annual growth of seven percent in the non-oil sector. However, in the current context of anticipated declining oil production, further growth will hinge critically on the country's underlying asset base in terms of human and physical capital and institutions. The government realizes the need for change and has prioritized diversification of its assets through the adoption of the "Azerbaijan 2020: Vision for Future Concept" in December 2012.

Sectoral and institutional Context

The government faces critical constraints to further social and economic development due to its weak education system. Azerbaijan's tertiary enrollment rate is the second lowest in the Europe and

Central Asia (ECA) region at 19.6 percent in 2011, significantly below the ECA average of 55.6 percent. In addition, according to the latest Business Environment and Enterprise Performance Survey (BEEPS), 54 percent of firms also indicated that lack of adequate skills and education of workers is a major obstacle, suggesting that tertiary education, vocational education and secondary education are not providing relevant skills needed to support a competitive 21st century economy. Even though enrollment rates in basic education are high, student performance needs further improvement. In the 2009 Program for International Student Assessment (PISA) test, Azerbaijan ranked 64 out of 65 countries in reading, 63 in science, and 45 in mathematics. Government spending on education has increased to 3.6 percent of GDP in 2012, but it is still one of the lowest in ECA where the average is 4.5 percent. In particular, spending on tertiary education is low at around 0.4 percent of GDP. In order to continue growing, Azerbaijan's higher education sector needs comprehensive reforms. The number of university applicants has been rising in the past decade; however, the number of admitted students has been stable at 25,000-30,000 each year. The government controls the size of enrollments, including the number of private university students. The tertiary education enrollment rate is about 16 percent (HEIs only) or about 20 percent (HEIs and colleges).

Despite many references to HE autonomy in Azerbaijan, there is in reality an extensive role for a wide range of government bodies in regulating and managing HEIs centrally. While the government is taking steps towards enhancing HEIs' financial autonomy through the introduction of a per student financing system and the liberalization of wage policies, the new system has brought positive and negative impacts and needs a thorough evaluation and improvement. HEIs yet lack academic autonomy. This tight control has prevented institutional agility, quick development of new institutions, and is stifling innovation. Many courses are excessively theoretical, outdated, and not responsive to changing labor market needs. The government has realized the urgent need to develop its human capital through strengthening the education sector and in October 2013, adopted the Education Reform Strategy to achieve the goal. The priorities for higher education reforms include aligning the higher education system with the Bologna Process—European-wide higher education area—strengthening the higher education-labor market linkage, improving efficiency and transparency in financial management, and establishing credible accreditation system among others. The government is initiating a number of actions to pursue comprehensive higher education reforms.

II. Proposed Development Objectives

The proposed Project Development Objective (PDO) is to strengthen the higher education system and increase the capacity of higher education institutions to provide quality and relevant education to their graduates.

III. Project Description

Component Name

Component 1: Strengthening the Higher Education System

Comments (optional)

This component supports the system-level capacity building for the Ministry of Education (MOE) and other relevant agencies dealing with higher education in improving the governance and regulatory framework to enhance institutional autonomy, strengthening the quality assurance mechanisms, strengthening the use of higher education financing as a policy instrument, and enhancing public awareness on higher education reforms. It consists of the following four sub-

components:

Sub-component 1.1: Improving Higher Education System Governance

Sub-component 1.2: Enhancing the External Quality Assurance Mechanisms

Sub-component 1.3: Reforming Higher Education Financing

Sub-component 1.4: Public Awareness Campaign and Monitoring Effectiveness of Higher Education Reforms

Component Name

Component 2: Building the Capacity of Higher Education Institutions

Comments (optional)

The objectives of this component are two-fold: to support strengthening the management capacity of HEIs and to enhance the quality and relevance of their programs through three distinct capacity building activities at the institutional level. It consists of the following three sub-components:

Sub-component 2.1: Supporting HEIs in Building Leadership and Management Capacity

Sub-component 2.2: Piloting and scaling-up selected reform activities

Sub-component 2.3: Supporting Development Initiatives to Improve Quality and Relevance

Component Name

Component 3: Project Coordination, Monitoring and Evaluation

Comments (optional)

The objective of this component is to provide support for the coordination and monitoring of the project implementation activities. The component would provide financing and support for the Project Coordination Unit (PCU) that facilitates and coordinates the project implementation within the Ministry of Education.

IV. Financing (in USD Million)

Total Project Cost:	38.94	Total Bank Financing:	33.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			5.94
International Bank for Reconstruction and Development			33.00
Total			38.94

V. Implementation

The Ministry of Education would be the implementation agency. Under the overall leadership of the Minister, the Department of Science and Higher Education, supported by the existing Project Coordination Unit would be responsible for the overall project implementation, while other relevant departments of the Ministry and higher education institutions would implement various activities.

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****World Bank**

Contact: Sachiko Kataoka
 Title: Senior Education Economist
 Tel: 473-1057
 Email: skataoka1@worldbank.org

Borrower/Client/Recipient

Name: Government of Azerbaijan
 Contact: Inji Huseynova
 Title: Senior Advisor
 Tel: 994-12-469-9398
 Email: i.huseynova@maliyye.gov.az

Implementing Agencies

Name: Ministry of Education
 Contact: Elvin Rustamov
 Title: Project Director
 Tel: 994-12-488-6646
 Email: rustamov@edu.gov.az

VIII. For more information contact:

The InfoShop
 The World Bank
 1818 H Street, NW
 Washington, D.C. 20433
 Telephone: (202) 458-4500
 Fax: (202) 522-1500
 Web: <http://www.worldbank.org/infoshop>