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Report No: PAD2135

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 43.5 MILLION  
(US\$59 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOZAMBIQUE

FOR THE

EDUCATION SECTOR SUPPORT PROJECT

May 11, 2017

Education Global Practice  
Africa Region

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CURRENCY EQUIVALENTS  
(Exchange Rate Effective March 31, 2017)

Currency Unit = Metical (Pl. Meticaís)  
Mt70.0 = US\$1  
US\$ 1= 1.36 SDR

FISCAL YEAR  
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ADE	Direct Support to School Program ( <i>Apoio Direto as Escolas</i> )
AF	Additional Financing
CALE	Textbook Evaluation Council ( <i>Comissão de Avaliação para o Livro Escolar</i> )
CPF	Country Partnership Framework
DAF	Department of Finance and Administration ( <i>Direção Nacional de Administração e Finanças</i> )
DGLEMD	Textbook Department ( <i>Departamento para a Gestão de Livros Escolares e Material Didático</i> )
DINAME	National Textbook Distribution ( <i>Distribuidora Nacional de Material Escolar</i> )
DIPLAC	Directorate of Planning and Cooperation ( <i>Direção de Planificação e Cooperação</i> )
DLI	Disbursement-linked Indicators
DLR	Disbursement-linked Results
DNFP	National Directorate for Teacher Training ( <i>Direção Nacional de Formação de Professores</i> )
DPEDH	Provincial Department for Education and Human Development ( <i>Direção Provincial de Educação e Desenvolvimento Humano</i> )
ECD	Early Childhood Development
ESC	Environmental and Social Clauses
EMIS	Education Management Information System
EP	Primary School ( <i>Escola Primária</i> )
EP1	First cycle of Primary School (Grades 1-5)
EP2	Second cycle of Primary School (Grades 6-7)
EPC	Complete Primary School ( <i>Escola Primária Completa</i> )
ESG	Secondary Education ( <i>Ensino Secundário Geral</i> )
ESMF	Environmental and Social Management Framework
ESSP	Education Sector Support Project
FASE	Education Sector Support Fund ( <i>Fundo de Apoio ao Sector de Educação</i> )
FM	Financial Management
GDP	Gross Domestic Product
GoM	Government of Mozambique
GPE	Global Partnership for Education
GPI	Gender Parity Index
GRS	Grievance Redress Service
HE	Higher Education
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
IBRD	International Bank for Reconstruction and Development

ICT	Information and Communications Technology
IDA	International Development Association
IEDA	Institute of Distance Education ( <i>Instituto de Educação Aberta e à Distância</i> )
IFMIS	Integrated Financial Management Information Systems
IFP	Teacher Training Institute ( <i>Instituto de Formação de Professores</i> )
IFR	Interim Financial Report
INDE	National Institute for Educational Development ( <i>Instituto Nacional de Desenvolvimento da Educação</i> )
ISDS	Integrated Safeguards Data Sheet
IVA	Independent Verification Agent
JSR	Joint Supervision Review
LEG	Local Education Group
M&E	Monitoring and Evaluation
MINEDH	Ministry of Education and Human Development ( <i>Ministério da Educação e Desenvolvimento Humano</i> )
MITADER	Ministry of Land, Environmental and Rural Development ( <i>Ministério da Terra, Ambiente e Desenvolvimento Rural</i> )
MT	Metical
OP	Operational Policy
P4R/PFM4R	Program for Results/Public Financial Management for Results
PARP	Poverty Reduction Action Plan ( <i>Plano de Ação para a Redução da Pobreza</i> )
PDO	Project Development Objective
PEE	Education Strategic Plan ( <i>Plano Estratégico da Educação</i> )
PEES	Higher Education Strategic Plan ( <i>Plano Estratégico do Ensino Superior</i> )
PRAMS	Procurement Risk Assessment Management System
PRSP	Poverty Reduction Strategy Plan
RAP	Resettlement Action Plan
REGEB	Regulatory Document for Basic Education ( <i>Regulamento Geral do Ensino Básico</i> )
RF	Results Framework
RPF	Resettlement Policy Framework
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Educational Quality
SDEJT	District Services for Youth, Education and Technology ( <i>Serviços Distritais de Juventude, Educação e Tecnologia</i> )
SSA	Sub-Saharan Africa
SWAp	Sector-wide Approach
TA	Technical Assistance
ToR	Terms of Reference
TPP	Third Party Providers
TVET	Technical Vocation Education and Training
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	World Bank
ZIP	Zones of Pedagogical Influence ( <i>Zonas de Influência Pedagógica</i> )

Regional Vice President:	Makhtar Diop
Country Director:	Mark R. Lundell
Senior Global Practice Director:	Jaime Saavedra Chanduvi
Practice Manager/Manager:	Sajitha Bashir
Task Team Leader:	Ana Menezes

**REPUBLIC OF MOZAMBIQUE  
EDUCATION SECTOR SUPPORT PROJECT**

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# ADDITIONAL FINANCING DATA SHEET

*Republic of Mozambique*

*Additional Financing to the Education Sector Support Project - III ( P160959 )*

*AFRICA*

*GED01*

Basic Information – Parent							
Parent Project ID: P125127				Original EA Category: B - Partial Assessment			
Current Closing Date: 31-Dec-2018							
Basic Information – Additional Financing (AF)							
Project ID: P160959		Additional Financing Type (from AUS):		Financing gap, Scale Up, Restructuring			
Regional Vice President: Makhtar Diop		Proposed EA Category:		B – Partial Assessment			
Country Director: Mark R. Lundell		Expected Effectiveness Date:		01-Dec-2017			
Senior Global Practice Director: Jaime Saavedra Chanduvi		Expected Closing Date:		30-Jun-2019			
Practice Manager/Manager: Sajitha Bashir		Report No:		PAD2135			
Team Leader(s): Ana Menezes							
Borrower							
Organization Name		Contact	Title	Telephone	Email		
Ministry of Economy and Finance		Adriano Ubisse	Director of Treasury	258823071664	adriano.ubisse@mef.gov.mz		
Project Financing Data - Parent ( MZ-Education Sector Support Program-P125127 ) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P125127	IDA-49300	Closed	28-Apr-2011	18-Jul-2011	06-Feb-2012	31-Jul-2015	31-Jul-2015
P125127	IDA-51000	Effective	01-May-2012	29-Aug-2012	26-Feb-2013	31-Jul-2015	31-Dec-2018
P125127	IDA-D0840	Effective	24-Jul-2015	16-Sep-2015	01-Dec-2015	31-Dec-2018	31-Dec-2018
P125127	TF-99811	Closed	18-Jul-2011	18-Jul-2011	11-Jun-2012	31-Jul-2014	31-Mar-2015
P125127	TF-A0429	Effective	24-Jul-2015	16-Sep-2015	01-Dec-2015	31-Dec-2018	31-Dec-2018

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Canceled	Disbursed	Undisbursed	% Disbursed
P125127	IDA-49300	Closed	USD	71.00	71.00	0.00	68.95	0.00	97.11
P125127	IDA-51000	Effective	USD	40.00	40.00	0.00	37.07	0.71	92.66
P125127	IDA-D0840	Effective	USD	50.00	50.00	0.00	30.00	19.31	60.00
P125127	TF-99811	Closed	USD	90.00	90.00	0.00	90.00	0.00	100.00
P125127	TF-A0429	Effective	USD	57.90	57.90	0.00	18.00	39.90	31.09
Project Financing Data - Additional Financing Additional Financing to the ESSP - III (P160959) (in USD Million)									
[ ] Loan [ ] Grant [ ] IDA Grant									
[ X ] Credit [ ] Guarantee [ ] Other									
Total Project Cost:		59.00		Total Bank Financing:		59.00			
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)							Amount		
IDA							59.00		
Total							59.00		
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?						No			
Explanation									
Does the project require any policy waiver(s)?						No			
Explanation									
Team Composition									
Bank Staff									
Name		Role		Title		Specialization		Unit	
Ana Menezes		Team Leader (ADM Responsible)		Senior Education Specialist				GED01	
Fadila Caillaud		Team Member		Program Leader				MNC01	
Antonio Laquene Chamuco		Procurement Specialist (ADM Responsible)		Senior Procurement Specialist				GGO07	
Elvis Teodoro Bernado Langa		Financial Management Specialist		Sr Financial Management Specialist				GGO26	

Alfonso F. de Guzman	Team Member	Consultant		GED01
Alfredo Ricardo Zunguze	Team Member	Consultant		GEN01
Anisha Prabhu	Team Member	Consultant		GED01
Bruno Azzedine Besbas	Team Member	Consultant		GED01
Celia A Dos Santos Faias	Team Member	Program Assistant		GED01
Eden Gabriel Vieira Dava	Team Member	Consultant		GSU07
Jem Heinz Nelson	Team Member	Consultant		GED01
Lucia Jose Nhampossa	Team Member	Education Specialist		GED01
Jose C. Janeiro	Senor Finance Officer	Senior Finance Officer		WFALA
Mariana Margarita Montiel	Counsel	Senior Counsel		LEGAM
Nilsa Ricardina Joao Come	Team Member	Program Assistant		AFCS2
Paulo Jorge Temba Sithoe	Environmental Specialist	Environmental Specialist		GEN01
Shomikho Raha	Team Member	Senior Public Sector Specialist		GGO13

#### Extended Team

Name	Title	Location

#### Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Mozambique		Provincia de Zambezia			
Mozambique		Tete			
Mozambique		Sofala			
Mozambique		Niassa			
Mozambique		Nampula			
Mozambique		Manica			
Mozambique		Inhambane Province			
Mozambique		Gaza Province			

Mozambique		Cabo Delgado Province			
Mozambique		Cidade de Maputo			
<b>Institutional Data</b>					
<b>Parent ( MZ-Education Sector Support Program-P125127 )</b>					
<b>Practice Area (Lead)</b>					
Education					
<b>Contributing Practice Areas</b>					
<b>Additional Financing Additional Financing to the ESSP - III ( P160959 )</b>					
<b>Practice Area (Lead)</b>					
Education					
<b>Contributing Practice Areas</b>					



## 1. INTRODUCTION

1. This Project Paper seeks the approval of the Board of Executive Directors to provide an Additional Financing (AF) in the form of a credit in the amount of SDR 43.5 million (US\$59 million equivalent) to the Republic of Mozambique for the Education Sector Support Project (ESSP) (P125127)<sup>1</sup>. The paper also seeks management approval of a Level-II restructuring consisting of the addition of one component, changes in the results framework, and an extension of the Project closing date.

2. The proposed AF would support the existing ESSP by responding to an anticipated shortfall in funding to the education sector due to the current financial and economic crisis in Mozambique, and scaling up existing key activities that will have direct impacts on supporting the most vulnerable during this time of financial instability. The AF would help achieve the overall Project Development Objective (PDO) to improve access to, and quality and equity of education, by continuing to support the implementation of Mozambique's current Education Strategic Plan (PEE in Portuguese) from 2016 to 2019. As with the original project, the AF would continue to be channeled through the Education Sector Support Fund (FASE, in Portuguese) funded by nine (9) donors (including the Global Partnership for Education - GPE) to support effective implementation of the PEE.

3. By filling part of the anticipated funding gap in FASE, the AF would contribute to ensuring the continuation of existing activities (such as the supply of textbooks, teacher training and Early Childhood Development (ECD) interventions) that are crucial to improving the learning environment. In addition, the AF would scale up the existing direct support to local level entities (schools and districts) to ensure that pupils, especially the most vulnerable, stay in school during this period of economic and social crisis. Finally, the proposed AF would introduce an additional component to the existing operation in order to support institutional strengthening and strategic planning thinking as the Ministry of Education and Human Development (MINEDH) engages in the preparation of its next Education Strategic Plan post 2019. As further described in Section III, the Results Framework would be revised to reflect the above changes in components, and the project closing date would be extended until June 30, 2019.

## 2. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### *(i) Country Context*

4. **Mozambique is a low-income country with an estimated population of about 26 million people (2014)**<sup>2</sup>. Since the end of the civil war in 1992, Mozambique recorded an impressive rate of growth. Robust growth was made possible by sound macroeconomic management, a number of large-scale foreign-investment projects, political stability and significant donor support. Despite the rapid economic growth in the past two decades, over half of Mozambique's population today is still poor

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<sup>1</sup> This will be the third additional financing to the Education Sector Support Project. The first AF (AF I- P124729) was approved in 2012 for the amount of SDR 25.8 million (US\$40 million equivalent) and the second Additional Financing (AF II- P151815) was approved by the Board on July 24, 2015. Additional Financing II was provided through two different grants, an IDA Grant for SDR36 million (US\$50 million equivalent) and a grant from the Global Partnership for Education (GPE) for \$57.9 million. More information on both previous additional financings can be found below under Parent Project Status.

<sup>2</sup><http://data.worldbank.org/country/mozambique>

and highly vulnerable.<sup>3</sup> Inequality continues to be high, with the geographical distribution of poverty concentrated in the rural areas, and in the Center and Northern parts of the country.

**5. In 2016, Mozambique's economic performance decelerated to its slowest pace since 2009 and the country is currently facing a major economic and financial crisis.** The decline in commodity prices for key Mozambican exports, rising debt levels, damaged investor confidence, and the devaluation of the Mozambican metical have contributed to the slower pace of growth, and are having a direct impact on poverty and the vulnerability of its population. In addition, the El Nino / La Nina phenomenon has caused the worst drought in the country in the last 35 years and is severely affecting food security, nutrition, and overall human development. The costs of draught and its impact on food production pose major challenges to food security and livelihoods, particularly for the most vulnerable in rural areas.

**6. The current economic and fiscal crisis is likely to have major repercussions on social outcomes.** On the one hand, tight fiscal and budgetary constraints may result in cuts in domestic funding for education, reducing the availability of core inputs to the system. On the other hand, rising poverty levels may reduce the demand for education especially for the poorest families in rural areas who face higher opportunity costs, leading to dropouts and/or delayed enrollments.

*(ii) Sector Context*

**7. The Mozambique Education Strategic Plan (PEE) 2012-2016 was extended until 2019.** Initially approved in 2012 by the Ministry Council, the PEE was endorsed by the Local Education Group (LEG), which includes Education Sector Cooperating Partners (CPs) and representatives of Civil Society Organizations. In 2015, the MINEDH and its partners decided to extend the PEE until 2019 to allow more time to focus on implementation issues, while at the same time ensuring a stronger alignment with the Government's Five Year Plan for 2015-2019. The overall objective of the PEE is to improve learning outcomes through strengthening the quality of education by improving school management, developing pre- and in-service teacher training, expanding bilingual education, supporting teacher motivation, and allocating sufficient resources and materials for primary education. The PEE focuses on the first few years of primary, from pre-primary to third grade, as they are key to developing better results at all education levels.

**8. The implementation of the PEE is supported by both internal and external funds.** In previous years, the Government of Mozambique (GoM) committed between 18 percent and 22 percent of its annual budget to the education sector. As previously mentioned, external funds are channeled through the pool of funds known as the Education Sector Support Funds - FASE to which nine (9) donors currently contribute, including the World Bank. All FASE expenditures are agreed upon on an annual basis as part of the Annual Activity Plan ("PdA" in Portuguese)<sup>4</sup>. The channeling and use of funds is regulated through a Memorandum of Understanding (MoU) between the GoM, represented by Ministries of Finance and Education, development partners and the World Bank, while the Terms of Reference for dialogue define the relationship between the partners (including non-FASE donors and civil society) and MINEDH, with a focus on monitoring the implementation of the PEE.

**9. Between 2009 and 2015, Mozambique made significant progress in improving equitable access to primary education.** During this period, net enrollment in Grade 1 of six-year-old children increased from 67 percent to 83.9 percent and every year more children are in the education system

<sup>3</sup> World Bank. Social Protection Project Appraisal Document. 2013.

<sup>4</sup> The PdA operationalizes the PEE on an annual basis.

overall. Gender parity is improving, with 47.8 percent of all students being female and a gender parity index upon Grade 1 entry that has stabilized at a relatively high level of 0.94 in general and 0.97 for the six year olds. Socio-economic equity has also been improving, with a progressive reduction in gaps between the richest provinces of the South and the poorest provinces of the North in terms of schooling access, particularly in primary education.

**10. The education sector faces challenges in terms of low retention and learning outcomes.** In addition to some children entering school late, progress through the system is slow and characterized by high numbers of dropouts, resulting in delays in completion and low completion rates. Recent data showed, for example, that only approximately 70 percent of all students who attended 1st grade in 2012 entered 3rd grade in 2014. Furthermore, learning outcomes are weak, evidenced by results from the 2013 national assessment, which show that less than 7 percent of third grade students demonstrated basic literacy skills. However, in recent years, the MINEDH has emphasized the need for rapid changes in areas that currently hamper improvement in learning outcomes and has placed a strong focus on activities aimed at further improving education quality, especially during the first few years of primary. It is expected that results from these efforts will enhance the overall quality of education.

**11. Income level and geographic location are two of the main determinants for access to primary education.** In Mozambique, participation and learning outcomes in primary schools show signs of inequality related to the area of residence and income. A 2008 Household Survey showed that primary attendance for the poorest households on a national level was 64 percent (compared to 91 percent for the wealthiest households). The gap between urban and rural areas was 12 percent (and as high as 17 percent in more rural provinces). Similar disparity can be found in the results of the 2013 national assessment, which showed the Northern and more rural regions lagging seriously behind urban areas.

**12. However, the ongoing financial crisis has set off a series of consequences that are threatening to reverse the years of progress made in improving access to education.** Budgetary pressures are acute and as a result, the Government reduced domestic investment spending by 30 percent in 2016. Up until now, social sectors, including education, have been relatively protected from considerable cuts. In the State Budget for 2017, the Government committed 23 percent of its annual budget to the education sector (compared to 21.7 percent of the original allocation in 2016). This increase in the share of the budget allocated to education will however not translate into larger net amounts of public funds to the sector, as overall public spending is diminishing. In addition, the lack of liquidity facing the Government is likely to affect the education sector and may jeopardize the achievement of key activities. Finally, with the significant inflation and weakening metical, it is expected that the overall cost of providing education (such as teachers' salaries, construction of schools, purchasing of textbooks and other supplies, etc.) will significantly increase, putting more pressure on the already stretched education system.

**13. Given the current financial and environmental crises facing Mozambique, it can be expected that this inequality will only further be exacerbated.** The most vulnerable families, those who are the poorest and living in rural areas (where the drought is the worst) will be severely affected. For these families, as the crisis continues, entering and completing primary school will become increasingly challenging.

*(iii) Government Program*

**14. Through a consultative process with Partners and Civil Society, the Ministry of Education revised its primary education program for 2015-2018, prioritizing key areas focusing**

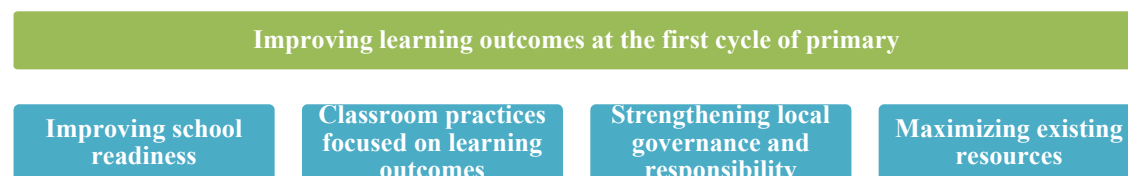
**on the acquisition of basic learning skills in the first cycle of primary education.** The revised program is aligned with the primary focus and strategic objectives of the PEE 2012-2016, now extended until 2019, and is built around four pillars as indicated in Figure 1. In order to support these goals, the Government will focus its efforts on: (i) improving school readiness; (ii) strengthening local governance; (iii) ensuring classroom dynamics that focus on learning outcomes; and (iv) enhancing the utilization of existing financial and human resources. Operational Plans of other subsectors (e.g. Secondary Education, Literacy and Adult Education, and Administration and Institutional Development) have been updated to reflect the extension of the PEE until 2019.

- **Improving school readiness:** MINEDH plans to improve school readiness skills through the expansion of ECD interventions. This will be done primarily through: a) the continuation of the implementation and consolidation of the on-going ECD pilot program; and b) expanding early childhood education opportunities beyond the pilot project period through the implementation of the holistic strategy for child development, in collaboration with other relevant Government ministries. In particular, MINEDH will continue working with the Ministry for Gender, Children and Social Affairs to ensure social protection measures include a focus on school attendance, particularly of girls and the most vulnerable children.
- **Strengthening local governance and school management:** MINEDH wants to increase the responsibility of communities, school management and local education officers to ensure children and teachers are at school and that learning takes place. Key interventions will be focused on enhancing the involvement of school councils in school management, training of school directors, district officers, and school councils in management and accountability issues, institutionalizing supervision at district level, engaging in dialogue with local governments, improving and harmonizing manuals and instruments to guide school management, as well as the introduction of performance-based financing at school and district level.
- **Ensuring classroom dynamics that focus on learning outcomes:** The Ministry will continue to support ongoing reforms in the areas of curriculum development and teacher training focused on teaching reading, writing and math skills. While these reforms focus on long-term improvements, it is expected that more immediate results may appear through promoting specific interventions at the school level such as the allocation of experienced teachers to early grades, increasing reading time at classroom level, introduction of reading competitions, and promoting school or classroom based learning assessments.
- **Maximizing existing human and financial resources:** In the short and medium terms, the education sector will have to make use of what already exists in terms of financial resources as well as existing institutional and human capacity. The Government has decided to primarily focus on the crucial role of teachers. This includes efforts to reduce teachers' absenteeism and improve teacher's time on task, retention and accountability through improved human resource management, provision of incentives to work in rural areas, as well as a pilot on transferring salaries through mobile banking. The GoM also plans on focusing on pre-existing programs, specifically the Direct Support to School Program (ADE) and the provision of textbooks. It is expected that through the on-going textbook reform, funds may become available to ensure the provision of additional reading materials.

15. **As the sector strengthens its implementation capacity and places its focus on improving learning outcomes, reforms are being considered as a way of aligning the system to the regional standards and increasing access to quality education services.** In this regard, the MINEDH is revising the Education System Law and considering the implementation of a 10-year basic education

system, including one year of pre-primary education. These reforms will require in depth analytical work to inform decisions on the future structure of the system.

**Figure 1: Ministry's Operational Plan, 2015-2018, Primary Education**



(iv) *Parent Project Status*

16. **The PDO of the current ESSP is to improve access to, and quality and equity of education.** The current project directly supports the implementation of the Government Operational Plan 2016-2019 through the following three components: 1) Improving the Quality of Education; 2) Strengthening Local Governance and School-Based Management; and 3) Supporting Community-based Early Childhood Development (ECD).

17. The original ESSP, which included four components (Improving Access to Education; Improving the Quality of Education; HIV/AIDS Prevention and Mitigation; and Strengthening Management of the Education Sector Administrative System) was approved by the Board of Executive Directors on April 28, 2011 and became effective on February 6, 2012. The original project includes an Education for All Fast Track Initiative (EFA-FTI) Catalytic Fund (CF) grant of US\$90 million and an IDA credit of SDR 45.2 million (US\$71 million equivalent). An Additional Financing of SDR 25.8 million (US\$40 million equivalent) was approved in 2012 to add a fifth component to expand ECD activities in the context of the ESSP in order to scale up the project's impact and development effectiveness.

18. A Project Restructuring and second Additional Financing (AF II) were approved by the Board on July 24, 2015 and became effective on December 1, 2015. Additional Financing II was provided through two different grants, an IDA Grant for SDR36 million (US\$50 million equivalent) and a grant from the Global Partnership for Education (GPE) for \$57.9 million. The restructuring resulted in the discontinuation of two components (School Construction and HIV/AIDS) and substantial changes in the contents of two other components. The restructuring ensured a narrower scope in line with the emerging priorities of the MINEDH and focused the project on the current three main components: 1) Improving the Quality of Education; 2) Strengthening Local Governance and School-Based Management; and 3) Supporting Community-Based Early Childhood Development. The PDO has remained the same throughout these restructurings. This proposed Additional Financing (AF III) would build off the restructured project design from AF II, bringing further support to key activities within MINEDH's priority areas.

19. **The ESSP has been rated as Moderately Satisfactory on both implementation progress, as well as on meeting the targets of the development objective for the past twelve months.** The most recent implementation support mission in November 2016 showed steady progress in implementation, and the project was rated Moderately Satisfactory on achievement of the Development Objective, and Moderately Satisfactory on Implementation Progress.

20. **The ESSP has supported progress and improvements within the education system, with recent significant achievements in three key areas: (i) textbook procurement and distribution;**

**(ii) the Direct Support to School (ADE) Program; and (iii) Early Childhood Development activities.**

- a. Textbooks: Since the inception of the ESSP, the project has supported MINEDH's efforts to significantly expand access to textbooks for primary education pupils and has achieved substantial efficiency gains by reducing the costs of both textbook production and textbook distribution. Mozambique now has one of the highest textbook to student ratios in the region at 0.9, with unit costs comparable to other textbook provision programs elsewhere in the region.
- b. ADE: The ADE program, implemented in coordination with the Public Financial Management for Results (PFM4R) project, has become an integral part of the education system and has been shown to have a positive impact in terms of ensuring funding for the purchase of key materials and strengthening the functioning of school councils and local governance. All public primary, secondary and Technical Vocation Education and Training (TVET) schools throughout Mozambique now receive ADE funding. A recently completed evaluation of ADE, covering 2012-2014, highlighted the importance of ADE for the provision of basic learning and teaching materials in schools and for the implementation of good practices such as transparent allocation of funds, community participation, and helping the most vulnerable.
- c. ECD: With the support of the ESSP, starting in 2012, MINEDH has scaled-up a community-based integrated ECD intervention to five (5) provinces throughout Mozambique, supplemented by a nutrition program implemented by the Ministry of Health in two (2) of the five (5) provinces. This program aims to support the development of the foundational life skills to form the basis for future learning and labor market success and is expected to yield significant benefits in the long and short term, both at the individual and system level. This pilot scale-up is now being implemented in 150 communities throughout Mozambique with the expectation to be implemented in an additional 200 communities by the end of 2017.

21. **The proposed AF III will continue to build upon these accomplishments as it works towards continuing to achieve the PDO.** Table 1 demonstrates the progress made towards achieving the original PDO indicators, as well as the revised end targets as part of the proposed AF III. It also categorizes the indicators by the three key areas of the PDO: Access, Quality, and Equity. While the actual PDO indicators will not change under this proposed AF III, the end targets will be adjusted taking into account the revised closing date, recent developments, and changes within the sector. More information on the changes to the results framework is outlined in further detail under Section III-Proposed Changes. Due to the proposed changes within the results framework, the recent achievement under the above-mentioned key three areas, and the significant progress made in implementation, particularly under the ECD component- see Annex 2 for more details - it is anticipated that the project will continue to perform satisfactorily.

22. **The AF would be complemented by partner funding through a pooled funds mechanism, FASE.** The IDA contribution of US\$59 million equivalent would continue to be channeled through the common fund (FASE), bringing the contribution of the overall ESSP to approximately 47 percent of total funds channeled through FASE over 2016-2018. FASE is the primary channel for external funds to the education sector especially at primary level,<sup>5</sup> and is complemented by other bilateral

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<sup>5</sup> Among the Development Partners, nine (9) channel their funds through FASE, including the World Bank and GPE.

projects targeting mostly post-basic education (see Figure 2). External funding is complementary to internal government funding (around 80 percent of the overall sector budget) which covers key recurrent spending of the sector (i.e. salaries, recurrent costs of educational institutions, basic investments in infrastructure, etc.). All external support (FASE and non-FASE) is coordinated by the MINEDH to support the implementation of the ESSP that embraces all levels of education, as well as overall institutional development. This coordinated support to the education sector through the sector-wide approach (SWAp) involves joint reviews and evaluations, as well as on-going dialogue on strategic issues.

**Table 1: PDO Level Indicators for the Parent Project**

<i>Category of PDO Indicator</i>	<i>PDO Indicators</i>	<i>Baseline</i>	<i>Previous (2015)</i>	<i>Current (2016)</i>	<i>Original End Target (2018)</i>	<i>Revised End Target (2019)</i>
Access	(1) Net enrollment rate of 6-year-olds in Grade 1	70% (2010)	83.9%	86.40%	83%	88%
Access and Quality	(2) Retention Rate until 3 <sup>rd</sup> grade	69.8% (2014)	69.1%	63.95%	75%	75%
Equity	(3) Parity Index of the Retention Rate until Grade 3 between the highest and lowest provinces	0.61 (2014)	0.63	0.56	0.64	0.62
Quality	(4) Number of additional qualified primary teachers results from project interventions	0 (2015)	21,434	29,094	40,700	44,000
Quality	(5) Percentage of Grades 1 and 2 students with Portuguese and Mathematics textbooks	82.6% (2014)	89.2%	90.70%	90%	92%
Quality	(6) Proportion of complete primary schools that comply with standards for transparency and accountability	0 (2015)	0	Validation will take place in 2018	75	80
Access	(7) Direct Project Beneficiaries (number) of which female	6.117.794 (47.2%) (2010)	5.911.467 (47.6%)	6.008.377 (47.6%)	6.650.000 (48%)	6.265.000 (48%)

23. **Disbursements continue to be high.** As of April 2017, 97.11 percent of the original IDA credit, 92.66 percent of the first additional IDA credit, 60 percent of the second additional IDA credit, 100 percent of the original EFA-FTI grant and 31.09 percent of the additional GPE grant have been disbursed. The current closing date is December 31, 2018.

**Table 2: Disbursement Rates for the ESSP Parent Project (US\$ million equivalent)**

	Net Commitment	Total Disbursed	Undisbursed	% Disbursed
<b>IDA</b>	161M	136.01M	19.86M	84.48% <sup>6</sup>
<b>Trust Fund</b>	147.9M	108.00M	39.90M	73.02%
<b>Total</b>	<b>308.9M</b>	<b>244.01M</b>	<b>59.76M</b>	<b>78.99%</b>

24. The audit report for 2016 was submitted to the World Bank on time, with an unqualified opinion on the financial statements. No significant issues were reported at the central level, however, some challenges remain at the district level. MINEDH has developed an action plan to address these

<sup>6</sup> The apparent discrepancy in the addition of amounts is due to exchange rate losses (SDR to USD).

issues, in coordination with the Provincial Directorates of Education (DPECS). For example, the audit report highlighted the high turnaround of staff in the provincial directorate, which is not conducive for the maintenance of a cadre of qualified procurement officers.

25. **The pending dated legal covenant under the project has been complied with after some delay.** The World Bank has received satisfactory evidence to confirm that the Recipient has appointed an Independent Verification Agent in March 2017 whose qualifications and terms of reference are acceptable to the World Bank. All other legal covenants are also complied with.

**Table 3: Disbursement Linked Indicators**

<i>Disbursement-linked indicator</i>	<i>Indicative timeline for DLI achievement and validation</i>		
	<i>March 2016 Target<sup>7</sup> (FY15)</i>	<i>March 2017 Target (FY16)</i>	<i>Current Status</i>
<b>DLI1:</b> Number of teachers (1st and 2nd grade) with in-service training	Program elaborated, tested and adjusted	Increased number from 0 to 1,650	The in-service teacher training strategy was finalized in 2015, and the 2015 target for this DLI has been met and verified internally. The external verification is expected to take place during the first semester of 2017.  The in-service teacher training strategy was rolled out in 2016, and 12,600 grade 1 and 2 teachers have benefited from training.
<b>DLI2:</b> Number of districts with a pupil teacher ratio over 80	NA	Decreased number of districts from 12 to 8	The number of districts with PTR over 80 amounted to 10 in 2016, hence this DLI was only partly achieved.
<b>DLI3:</b> Number of primary school directors having participated in directors training	NA	Increased number from 0 to 800	In 2016 there were 1,250 school directors trained.
<b>DLI4:</b> % of the trained school directors having their performance evaluated	NA	Increased percentage from 0 to 10 percent	10% of newly trained school directors were evaluated in 2016.

26. **Disbursement Linked Indicators (DLIs) are mostly on track, although the external verification process has been delayed.** The project has a total of four DLIs, which account for 6 percent of the total financing, designed to promote improvements in teacher quality, availability and school leadership.<sup>8</sup> Steady progress has been observed on the DLIs, including on DLI1 whose 2015 target was met and internally verified. 2016 targets have all been achieved, except for DLI2, which was only partly achieved. Indeed, there were still ten (10) districts with pupil-teacher ratios (PTRs) above 80 in 2016, two (2) more than the 2016 target for that DLI. Insufficient progress is attributed to a redefinition of the administrative map for the country, which added 14 school districts, and increased the baseline for this indicator from 12 to 17. External validation of progress towards the DLIs was however pending the hiring of an Independent Verification Agent, which was only finalized in March 2017. It is expected that most DLIs will be externally verified during the first semester of 2017. No

<sup>7</sup> Most DLIs are measured in March of year n+1.

<sup>8</sup> DLIs are supported under the variable component (30 percent of total grant) of the second GPE grant provided to support ESSP.



changes are proposed in the activities supported by the DLIs (see DLI wise status in table 3 below). The DLIs are part of the second GPE grant to ESSP which includes variable financing linked to the achievement of results. There are no changes in the results agreed with the Government as part of the proposed AFIII.

(v) *Rationale for Additional Financing*

27. **Over the past few years, the sector benefitted from a substantial increase in resources, which is unlikely to continue at the same pace.** The education budget more than doubled in real terms between 2009 and 2015, most of it on the account of additional internal resources directed to the sector. Internal funding was expected to grow at similar levels due to growth and a stable share of the overall budget being allocated to education. The planning and projection of the education sector was based on such projections. However, while the share of the Government's annual budget allocated to education remains stable, the tightening of the fiscal space due to lower than anticipated economic growth, is likely to translate in smaller volumes of funding to the sector.

28. **The sector is currently anticipating a financing gap in the implementation of its PEE until 2019.** The causes of this gap include: (i) a drastic slowdown in economic growth impacting overall public spending, including to the education sector; (ii) a less than envisaged IDA commitment<sup>9</sup> from the previous additional financing which was not factored in the financing plan of the approved PEE; and (iii) the need to scale up some activities directly targeting schools, especially in the most vulnerable areas, to mitigate against the effect of the current economic and social crisis on enrollment and retention.

29. **In this context, the proposed AF would provide needed assistance to contribute to filling the widening financial gap facing the sector and ensure the continuation and delivery of key education services.** By filling the financing gap, the proposed AF would ensure that funding to the sector remains stable, contributing to the continuous supply of core inputs to the system, including textbooks, school grants, and teacher training. It would help therefore to ensure that the project continues to make progress towards achieving the intended results by project close. The macroeconomic risks will remain high for the short to medium term, which could mean that the fiscal situation will worsen and a project financing gap may re-appear. MINEDH however has shown that it has effective mechanisms for making decisions about setting priorities within the available resources, including through adjustments to the Annual Activity Plan, discussed and endorsed by the LEG.

30. **This AF would also support a scale up of two existing activities directly targeting the most vulnerable to contribute to maintaining retention in primary schools.** In particular, Direct Support to School and Early Childhood Development activities would be scaled up. The AF would support a scale up of the school grants program by introducing a variable part linked to (i) the achievement of performance indicators; and (ii) expanding the portion of ADE that is currently used at the primary school level to support vulnerable pupils. In addition, further support to ECD activities would contribute to consolidation of early results and strengthen institutional capacity to manage the program, and preparing for a sustainable expansion of ECD opportunities, particularly benefitting children at risk, therefore contributing to improving retention and learning outcomes through enhanced school

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<sup>9</sup> Due to the sharp depreciation in the SDR vs the USD which affected the overall portfolio in 2015, the previous IDA funded Additional Financing to the ESSP was reduced by US\$20 million for a revised total of US\$50 million (instead of the US\$70 million initially planned). This resulted in a reduction of US\$10 million from subcomponent 1.2 (textbooks) and a reduction of US\$10 million from 2.1 (ADE) compared to what was initially planned by MINEDH and reflected in their three-year Operational Plan.

readiness. It is expected that the scaling up of these two activities will help attenuate the impact of reduced funding and higher opportunity costs for the most vulnerable and will contribute to maintain retention in primary schools. Further details on the scaling up of these two activities can be found in Annex 2.

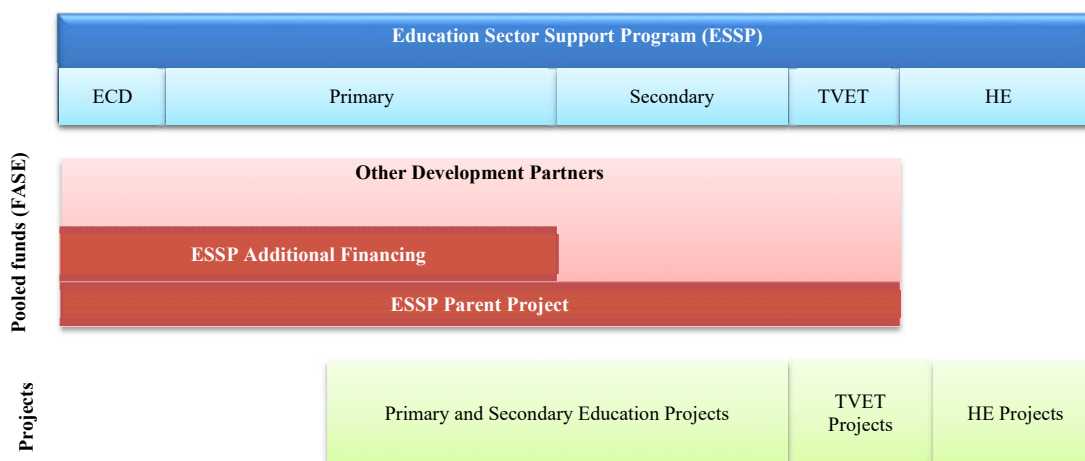
31. **In particular, additional support to the ECD component is expected to bring significant benefits to the broader sector and economy and build upon the World Bank’s strategy to invest in the Early Years as a way to eliminate extreme poverty and boost shared prosperity.** ECD interventions around the world have shown to have long-lasting benefits by enhancing school readiness and related educational outcomes, improving physical and mental health and reducing reliance on the health care system, and reducing engagement in high-risk behavior. Furthermore, studies show that programs that enhance both early stimulation and nutrition are most likely to generate long-lasting impacts (rather than nutrition or early stimulation alone). In Mozambique, the current ECD component is complemented in two (2) of the five (5) provinces by a nutrition component under the World Bank-funded Health Service Development Project (P099930), implemented by the Ministry of Health. Additional support to this component and continued collaboration with the Ministry of Health is expected to further allow children in Mozambique to reach their full potential with the physical, cognitive and socioemotional capacities to learn, earn, innovate and compete, thus furthering the World Bank’s Early Years Agenda.

32. **Finally, while trying to respond to the immediate needs facing the sector, MINEDH is also looking forward and planning for the next Education Sector Strategy.** The current strategy ends in 2019 and careful analysis and attention is crucial to the planning of the future PEE, particularly considering the challenges facing the country. This AF would introduce an additional component to the current ESSP to support the implementation of key analytical activities and contribute to the preparation and planning of the next Education Sector Strategy 2020-2024.

(vi) *Rationale for World Bank engagement*

33. **The AF is aligned with the recently approved (April 27, 2017) Country Partnership Framework (CPF) (Report no.104733) and would contribute to the twin goals of ending extreme poverty and boosting shared prosperity.** The proposed AF would contribute to the achievement of the common goal of human and social development contained in both the GoM’s new five-year (5) plan 2015-2019 (*Plano Quinquenal do Governo –PQG,*) and the World Bank’s Mozambique CPF 2017-2020. The PQG 2015-2019 identifies the development of social and human capital as one of its five priorities to contribute to the overall goal of the Government to *improve the quality of life for the Mozambican people, through ensuring equal and inclusive development and growth, in a context of peace.* The key objectives for education include (i) the acquisition of key competencies in primary education (reading, writing and numeracy), and (ii) expanding access for youth and adults to quality and relevant post-primary education. Finally, by focusing on improving learning outcomes, especially for the most vulnerable, the project directly contributes to the World Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity. Better skilled Mozambicans can have access to improved livelihoods and contribute to increase the overall country labor productivity.

**Figure 2: Mechanisms for Channeling External Aid to Education**



34. **The World Bank's involvement in the program is expected to continue to bring tangible value-added in several key domains.** The World Bank's global knowledge, technical and operational expertise will be critical in providing technical support and consensus-building around system and institutional changes, which are expected to yield economic and social returns in the longer term. The World Bank's comparative advantage in supporting multisector solutions to enhancing education outcomes is especially valued by all stakeholders, and reflected in the proposed ECD activities, which combine education and nutrition interventions aimed at addressing the current lack of school readiness (see Annex 2 for a detailed description of activities). In addition, the World Bank is well equipped to further support the MINEDH in the preparatory work for the development of the next Education Strategy. The World Bank's experience with the Service Delivery Indicators survey and other tools to evaluate current interventions, as well as its capacity to mobilize international expertise to ensure the future strategy is based on evidence, and data collected will help MINEDH and partners come to a consensus on key reforms.

35. **In addition, there would continue to be substantial synergies with Public Financial Management for Results Program - PFM4R (P124615).** There will be substantial and instrumental synergies and mutual reinforcement between this AF and the PFM4R under implementation. The PFM4R focuses on key aspects of school management that facilitate better school functioning, in particular, in terms of local accountability and financial management, through improved community involvement and supervision by the districts. The AF complements these efforts and goes beyond the financial management aspects of school functioning by supporting the enhanced role and ability of school councils and communities to monitor the performance of the school, while at the same time ensuring adequate financing to schools and districts to support improved service delivery on the ground.

36. **Various alternatives and complementary options have been considered.** An alternative to additional financing considered included a new operation. However, the additional financing builds on the achievements of the current ESSP, and focuses on key areas already part of the parent project that were identified as crucial in the current context. As MINEDH and partners have decided to extend the current Education Strategic Plan 2012-2016 until 2019, the AF would ensure a continuity of the existing plan and programs. Based on these factors, the AF is being proposed as the most appropriate approach for the project.

### 3. PROPOSED CHANGES

Summary of Proposed Changes	
The proposed changes can be summarized as follows: (a) scaling up of a few key activities that are crucial to sustain during this period of financial instability and will have the most impact on the most vulnerable; (b) addition of a fourth component to support the Ministry in strategic thinking for the next education sector plan; (c) extension of the project closing date to June 30, 2019 to ensure continuous implementation of activities; and (d) revision of the Results Framework to reflect the above changes.	
Change in Implementing Agency	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Project's Development Objectives	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Results Framework	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Safeguard Policies Triggered	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change of EA category	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Other Changes to Safeguards	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Legal Covenants	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Loan Closing Date(s)	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Cancellations Proposed	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Reallocation between Disbursement Categories	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Estimates	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change to Components and Cost	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Institutional Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Financial Management	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Procurement	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Implementation Schedule	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Other Change(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
<b>Development Objective/Results</b>	
<b>Project's Development Objectives</b>	
Original PDO	
The original PDO is to improve access to and quality and equity of education. No changes to the PDO are proposed in the restructuring.	
<b>Change in Results Framework</b>	
Explanation:	
In general, the Results Framework (RF) remains consistent with the PDO, however some changes are required in order to align it to the new structure of the project. As a consequence, the RF would be modified to reflect: (i) the adjustment of targets of some indicators to reflect the implementation reality; (ii) the addition of the fourth component; and (iii) the extension of the closing date by six months.	

The majority of the indicators will be adjusted to reflect the extension of the closing date and the expected increased results. However, the AF is also an opportunity to adjust targets according to current progress and changed circumstances since the original project design. In this regard, the following changes will take place for the reasons outlined below:

- Retention Rate until 3rd grade: End target maintained at 75%
- Parity Index of the Retention Rate until grade 3 between the highest and lowest provinces: End target revised from 0.64 (2018) to 0.62 (2019)

The MINEDH recently changed the evaluation of grade 2 students, which now includes the implementation of an exam, making the transition to grade 3 more rigorous. These changes in evaluation were not taken into consideration when the initial targets were defined. Reducing (or maintaining in light of the extended closing date) the end target for these two indicators would make their achievement more realistic given the change in policy.

- Direct Project Beneficiaries : End target Revised from 6,650,000 (2018) to 6,265,000 (2019)

This indicator has been adjusted as the baseline and initial targets included secondary students, who are no longer under the scope of the current revised project.

- Percentage of the newly trained primary school directors having their performance evaluated in the following year: End Target maintained at 35%

This target was maintained as it was overambitious for 2018, as compared to the 2017 target and due to implementation capacity of the sector.

- Number of parent/care givers enrolled in the ECD parenting information sessions: Adjusted end target from 42,000 (2018) to 24,500 (2019) due to delayed implementation of this activity.
- Percentage of which are male: End target remains 30% (2018 and 2019).

These targets take into account lessons learned and the need for additional focus on the involvement of parents and community in ECD programs, especially males, to ensure consolidation of the program and prepare for possible expansion of ECD provisions in a sustainable way beyond 2019.

- Percentage of ECD centers that are completely functional: Replaces previous indicator”, “Percentage of operating ECD centers that are rated of satisfactory quality or above”
- This indicator for the ECD component would be revised taking into account lessons learned during the first phase of implementation, which led to the simplification of key indicators. This new indicator is more objective and aligned with the component’s revised Results-Based Disbursement Framework (RBDF.)

- Number of direct beneficiaries of the ECD program: New indicator: The total beneficiaries expected in 2019 are 49,000.
- Percentage of direct beneficiaries that are female: New indicator: 50%

These two new indicators would be added to the ECD component to monitor the number of beneficiaries of ECD activities by gender.

Finally, two intermediate indicators would be added for the monitoring of component four, namely the implementation of Service Delivery Indicators Survey and the Evaluation of the current Education Sector Strategy, as both analysis are key to inform the design of the new Strategic Plan.

Risk	
Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial
2. Macroeconomic	High

3. Sector Strategies and Policies		Moderate			
4. Technical Design of Project or Program		Moderate			
5. Institutional Capacity for Implementation and Sustainability		Moderate			
6. Fiduciary		Moderate			
7. Environment and Social		Moderate			
8. Stakeholders		High			
9. Other					
OVERALL		Substantial			
Finance					
Loan Closing Date - Additional Financing (Additional Financing to the ESSP - III - P160959)					
Source of Funds	Proposed Additional Financing Loan Closing Date				
	30-Jun-2019				
Loan Closing Date(s) - Parent (MZ-Education Sector Support Program - P125127 )					
Explanation:					
The current closing date of the original ESSP is December 31, 2018. This AF would extend the closing date to June 30, 2019 to ensure adequate time for continued implementation of selected activities, especially the payment of ADE for 2019, and the acquisition of textbooks for the school year 2019. The parent project was approved on April 28, 2011 hence the total length of the project implementation is expected to remain under 10 years.					
Ln/Cr/ TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA-49300	Closed	31-Jul-2015	31-Jul-2015		02-Dec-2015
IDA-51000	Effective	31-Jul-2015	31-Dec-2018	30-Jun-2019	31-Jul-2015, 31-Dec-2018
IDA-D0840	Effective	31-Dec-2018	31-Dec-2018	30-Jun-2019	31-Dec-2018
TF-99811	Closed	31-Jul-2014	31-Mar-2015		31-Jul-2014, 31-Mar-2015
TF-A0429	Effective	31-Dec-2018	31-Dec-2018		31-Dec-2018
Change in Disbursement (including all sources of Financing) Estimates					
Explanation:					

Disbursement estimates are being revised to reflect the provision of additional funding through this AF and the extension of the Project Closing date.

**Expected Disbursements (in USD Million)(including all Sources of Financing)**

Fiscal Year	2018	2019
Annual	40.00	78.92
Cumulative	40.00	118.92

**Allocations - Additional Financing (Additional Financing to the ESSP - III - P160959)**

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDAT	USD	Good, work, consultant services, non-consulting services, and Operating Costs for Parts A.2, B.1, C and D of the Project	59.00	100.00
<b>Total:</b>			59.00	

**Components**

**Change to Components and Cost**

**Explanation:**

The proposed AF builds on the achievements of the ESSP and focuses on key areas that were identified as crucial to maintain in the current context. The AF would preserve the current structure of the parent project, with additional funding allocated to key activities within the three (3) existing components that are critical to maintain during this financial crisis. The AF would also support the addition of a fourth component.

Component 1 (Improving the Quality of Education) would continue to support activities aiming to improve the quality of education, including: (Subcomponent 1.1) supporting primary education teachers' training activities, both pre- and in-service training; (Subcomponent 1.2) supporting affordable production of revised primary school textbooks and learning materials to support the curriculum reform; and (Subcomponent 1.3) supporting ongoing curriculum reform for primary education, monitoring learning outcomes and promotion of action-oriented research, with a focus on development of basic skills in speaking, reading, writing and numeracy.

Under this AF, Subcomponent 1.2 would receive an additional US\$21 million in order to ensure the continued timely and effective distribution of textbooks in light of the anticipated gap in financing.

Component 2 (Strengthening Local Governance and School-based Management) would continue to: (Subcomponent 2.1) ensure the timely provision of ADE, and support activities aiming to strengthen the oversight of school councils in its efficient and transparent use of ADE; (Subcomponent 2.2) strengthen the technical, institutional and management capacities of district education services within MINEDH by

providing operating expenses and training opportunities; and (Subcomponent 2.3) strengthen the capacity of school directors to supervise and support school functioning through the provision of adequate training.

Under this AF, Subcomponent 2.1 would receive US\$27 million for the scaling up of the direct support to school program to help keep the most vulnerable in school during this time of crisis as well as maintain the program through the extended closing date. In addition, a performance based component would be added to the ADE formula to promote school performance on various dimensions.

Component 3 (Supporting Community-Based Early Childhood Development Activities) would include the following activities: (Subcomponent 3.1) provision of community-based ECD services in rural areas of selected provinces and districts through the delivery of ECD Basic Service Packages; (Subcomponent 3.2) carrying out of a program to strengthen the Recipient expertise in the following areas: (a) policy functions in the area of ECD and (b) implementation capacity to support ECD service delivery; and (Subcomponent 3.3) carrying out of an impact evaluation of ECD activities under the project.

Component 3 of the AF would receive an additional US\$7 million to extend the provision of services until the revised closing date of June 30, 2019. This would result in an additional two (2) years of services provided compared to what was envisaged and will help consolidate progress achieved and contribute to strengthening institutional capacity to oversee and monitor the provision of ECD services.

A fourth component would be added (Institutional Strengthening and Support of Monitoring and Policy Development) to support MINEDH in evaluating the impact of current interventions and develop a coherent set of reforms to form the foundations of the future education sector plan post 2019. This new Component 4 would receive US\$4 million under the proposed AF.

<b>Current Component Name</b>	<b>Proposed Component Name</b>	<b>Current Cost (US\$M)</b>	<b>Proposed Cost (US\$M)</b>	<b>Action</b>
Improving the quality of education	Improving the quality of education	146.80	167.80	Revised
Strengthening Local Governance and School-Based Management	Strengthening Local Governance and School-Based Management	66.00	93.00	Revised
Supporting community-based Early Childhood Development activities	Supporting community-based Early Childhood Development activities	40.00	47.00	Revised
Improving Access to Education	Improving Access to Education	52.40	52.40	



HIV/AIDS Prevention and Mitigation	HIV/AIDS Prevention and Mitigation	3.70	3.70	
	Institutional Strengthening and Support of monitoring and policy development	0.00	4.00	New
	<b>Total:</b>	308.90	367.90	
<b>Other Change(s)</b>				
<b>Change in Implementation Schedule</b>				
Explanation:				
Implementation schedule is being revised in line with the extension of the closing date.				
<b>Appraisal Summary</b>				
<b>Economic and Financial Analysis</b>				
Explanation:				
<p>Public spending on education has rapidly increased over the past five years, fueled by a substantial increase of domestic funding, while the contribution of external financing to the overall financing of the sector has steadily decreased. Total expenditure in the education sector more than doubled in real terms between 2009 and 2015 and Mozambique allocated more than 7 percent of its GDP to the sector in 2015. While actual budget execution information on expenditures per level of education does not exist, the most recent Public Expenditure Review carried out by the World Bank in 2016 estimates that the share of primary education in total education expenditure was 44 percent in 2014, down from 49 percent in 2009. This reduction reflects the expansion of secondary education in line with the development of the sector, benefiting from increased numbers of primary school leavers. The contribution of external financing to the education sector decreased from 27 percent in 2009 to 13 percent in 2014, a significant downward change, in line with the Government's overall goal of reducing its dependence on external financing. In 2015, the share of external financing in total education spending reduced even further to below 10 percent. During this period, more than 80 percent of external funds were channeled through FASE.</p> <p>The substantial increase in public resources to education is however unlikely to continue as the country is going through an economic and financial crisis since end 2015. Economic growth has slowed down substantially, which will affect Government's spending for several years to come. While the Government has indicated its willingness to keep a strong focus on education in the 2017 budget and beyond, the smaller envelope will result in less resources for the sector than anticipated. Indeed, the Operational Plan endorsed by all partners in 2015 was prepared under the assumption that annual economic growth rates would average 7 percent over the period, and that inflation would remain under 7 percent a year. With a growth rate now projected to be under 4 percent, and inflation peaking at 27 percent in 2016, it is now anticipated that the amounts available for education will be substantially lower. Moreover, this funding gap is being exacerbated by the need to scale up key activities such as ADE to provide more resources to schools and mitigate the impact of deteriorating social and economic environment on enrollments and dropouts.</p> <p>From an economic perspective, the AF is well-justified given the wide range of evidence regarding the expected gains from improvements in learning outcomes. Data shows that economic private returns to education remain high in Mozambique, especially at the primary level. In fact, recent studies show that</p>				

Mozambique has one of the highest rates of private return to primary education among Sub-Saharan-Africa (SSA) countries. Although rates of return to primary education have decreased over time, they remain high and higher than in secondary and tertiary education (see Annex 3). In addition, research over the last decade has generated evidence that learning achievements are actually what account for economic growth and poverty reduction, and not just the years of schooling. Given the importance of basic reading, writing and counting skills on future learning, the focus of the first cycle of education is expected to have an impact in terms of the overall stock of human capital in the country.

Given the AF's focus on improving education outcomes at the first cycle of primary education, it is well-aligned with the twin goals of ending extreme poverty and boosting shared prosperity. The latest poverty statistics suggest that over half of Mozambique's population lives below US\$1.99 a day. This population is expected to benefit disproportionately from this operation given that: (i) low retention and dropouts in the first cycle of primary are almost all related to poverty; (ii) it is the poor who are especially harmed by poor service delivery and hence suffer from poor outcomes; and (iii) poor education quality affects the poor disproportionately. Indeed, while literate communities (mostly in cities) have alternatives to acquire basic reading, writing and Portuguese language skills, most (rural) communities do not provide a reading culture due to the high levels of illiteracy and limited access to additional reading materials. Overall, strategies to improve retention and learning outcomes during the early years of primary education are expected to have stronger impacts in the poorer and more rural areas, and thus disproportionate effects in terms of poverty reduction.

In addition, the support to ECD activities is expected to have spill-over effects well beyond the education sector. A large and growing body of international evidence demonstrates that the skills developed in early childhood form the basis for future learning and labor market success, and that failure to develop these foundational skills during the window of opportunity of early childhood can lead to long-term, often irreversible effects. International evidence also shows that quality ECD interventions can: (i) enhance school readiness and related educational outcomes; (ii) improve physical and mental health and reduce reliance on the health care system; and (iii) reduce the likelihood of high-risk behavior among youth, including smoking, risky sexual behavior, substance use and addiction, and criminal and violent activity. The focus of the ECD interventions on rural and poor communities is expected to strengthen the benefit for the poorest.

### Technical Analysis

#### Explanation:

As noted, this is the third additional financing to the parent project. The AF III proposes to reinforce and scale up key activities within the restructured design in response to the current financial and economic crisis. It would ensure the continuation of key existing activities within the restructured project (AF II) that are crucial to improving the learning environment but are at risk due to the consequences of the ongoing financial crisis (such as cuts in overall public spending and significant inflation). The AF III would also scale up specific existing activities that are focused on supporting the most vulnerable students and their families during this time of financial instability. Finally, the proposed AF would introduce an additional component to the existing operation in order to support institutional strengthening and strategic thinking as MINEDH engages in the preparation of its next Education Strategic Plan.

*Sub-Component 1.2 (Improving the Quality of Education: Production of Revised Primary School Books and Learning Materials to Support the Curriculum Reform)* - US\$21 million - will contribute to supporting MINEDH's efforts to increase learning outcomes through the design and supply of learning materials, specifically textbooks. With the ongoing significant inflation and weakening metical, it is expected that the overall cost of providing education materials (such as the purchasing and supply of textbooks) will significantly increase. Textbook production and distribution is one of the key activities within the education program that historically has been most impacted by delays or reduced funding. In order to ensure the timely and effective distribution of textbooks during the financial crisis, Subcomponent 1.2 of the project will be reinforced through this AF. This will simultaneously reinforce implementation of the curriculum reform (Subcomponent 1.3 of the parent project).

*Sub-Component 2.1 (Strengthening Local Governance and School-based Management: Strengthening Provision of Direct Support to Schools (ADE))* - US\$27 million - is expected to have a positive impact on retention and learning outcomes of students from the poorest households as it will scale up funding to the most vulnerable schools. The ADE Program is another key activity within the overall education sector that has the potential to be cancelled due to lack or reduced disbursements as a result of the financial crisis. ADE is a critical input to the quality of education as it is often the only source of funds available to most schools to finance their day-to-day functioning. Not only will this AF ensure the sustainability of the existing ADE program to all primary schools but it will also support the scale up of ADE to reward school performance and to ensure that children from the poorest households continue to learn throughout the financial crisis. This subcomponent will continue to build on strong synergies and instrumental complementarity with the PFM4R whose education component is implemented under the MINEDH's leadership. In particular, continuous support to ADE and to the implementation of the new standards for the school councils is expected to further contribute to mobilizing communities around the management of primary schools. These new standards include measures to foster citizen engagement by setting norms and expectations around the role of parents and communities around decision making for primary schools.

*Component 3 (Supporting Community-based ECD Activities)* - US\$7 million - would contribute to improving retention and learning outcomes through enhanced school readiness. Lack of school readiness upon primary school entry (at age 6) is a major concern in Mozambique, particularly among the poorest children. Previous analysis highlighted the extensive cognitive and linguistic delays of disadvantaged 3 to 5-year old children, with serious implications in terms of school readiness and completion. These delays in early childhood lead to costly inefficiencies in the sector and are difficult to reverse later in life. The proposed continued support to ECD activities is expected to yield significant benefits in the short and long term, both at the individual and system level, with particular impact on the most vulnerable. Continuation of these activities is particularly crucial to promote inclusion of disadvantaged groups, including girls and children with disabilities, into early learning activities and facilitate their transition to primary education. Furthermore, this component will continue to be supplemented by an early childhood nutrition component under the World Bank-funded Health Service Development Project implemented by the Ministry of Health. Activities that will be supported by the AF would include (i) the continued provision of community-based ECD services in rural areas of selected provinces and districts; (ii) technical and institutional capacity building with specific focus on the transfer of competencies to the Government; and (iii) the generation of rigorous evidence on the impact, sustainability and reliability of ECD activities in Mozambique.

*Component 4 (Support to Monitoring and Policy Development)* - US\$4 million - will provide funding for MINEDH to evaluate the impact of various interventions from the ongoing program and develop a coherent set of reforms to form the foundations of the future education sector plan. This component will create opportunities for analytical works such as impact and process evaluations of various interventions introduced under the current PEE. The results of such analysis would help define the future strategy and inform implementation mechanisms that are suitable for the country context.

The continuation of interventions proposed under this AF are crucial to the improvement of learning outcomes, with particular focus on scaling up activities that support the most vulnerable, in response to the ongoing financial crisis. These interventions would be complemented by other key activities under the overall framework of the ESSP, financed from different sources. The activities described above are part of an overall package of interventions supported by domestic and external funds. Indeed, the education sector applies an integrated approach to planning, budgeting and monitoring in support of the implementation of the Education Strategic Plan. As such, beyond the AF contribution in the referred areas, FASE will continue to support other activities within the sector such as school construction, overall institutional and implementation capacity building, the expansion of bilingual education, monitoring and evaluation processes, etc. This specific AF has been formulated strategically to provide an additional focus on key activities that are most at risk due to the economic crisis and those that will have direct impacts on supporting the most vulnerable during this time of financial instability.

#### **Social Analysis**

**Explanation:**

The proposed AF III does not introduce new social risks and foreseen social impacts are in general likely to be positive. The parent project (P125127), the first AF (P124719), and the second AF (P151185) were classified Category B. The proposed AF will finance the same type of activities as under the first and second AF. In line with this, no changes in safeguards classification are proposed. Overall, the AF project will bring more positive impacts than negative ones. Adequate mitigation measures are already embedded in the available safeguards documents prepared under the parent project which will ensure adequate safeguards compliance. The proposed AF will not finance any construction activities; however, it will still be part of FASE that will continue to invest in minor civil works.

As part of an effort to promote citizen engagement, parents and the larger communities are being involved in school governance through participation in school councils. Communities are being provided awareness on benefits of early year interventions, their role and needs. The proposed project is making concerted efforts to promote dialogue between the government and civil society who will be involved very tangibly in undertaking the awareness campaigns for early year interventions and school improvement. An intermediate indicator, 'Number of parents/caregivers enrolled in the parenting information sessions' will measure project performance in engaging citizens.

Although no land acquisition and physical displacement is expected, OP/BP 4.12 will be triggered to manage compensation requirements should land acquisition be necessary and ensure that aspects related to gender and vulnerable groups mainstreaming are adequately considered during project implementation, particularly under Component 3. The Resettlement Policy Framework (RPF) addresses OP/BP 4.12 basic requirements. The RPF prepared for the first AF has been duly updated and re-disclosed in April 2015 for the AF II implementation. It thus, remains valid for the AF III and it will be used to provide detailed guidance on social impact management, monitoring and evaluation mechanisms as well as on conflict resolution/grievance redress mechanism.

**Environmental Analysis**

**Explanation:**

The proposed AF III does not introduce new environmental risks and foreseen environmental impacts are in general likely to be positive. The parent project (P125127), the first AF (P124719) and second AF (P151185) were classified Category B with respect to environmental consideration. The proposed AF III will finance the same type of activities under the first and second AF under Component 3: Supporting community-based Early Childhood Development activities. In addition, as was the case under the parent project, school construction is expected to be financed under FASE, the pooled fund through which the proposed AF III will be channeled. Consequently, no changes in safeguards classification are proposed.

Hence, the AF III will remain a category B project and will trigger the following safeguards policies: OP/BP 4.01 - Environmental Assessment and OP/BP 4.09 - Pest Management. Adequate mitigation measures are already embedded in the available safeguards documents prepared under the parent project, which will ensure adequate safeguards compliance. The AF III will utilize the safeguards instruments (ESMF and RPF) prepared for the ESSP AF II which were duly updated, consulted and re-disclosed publicly both in-country and at the Infoshop in April 2015.

The ESMF and RPF of the parent project have been reviewed and re-disclosed several times since August 2008. During AF II preparation the safeguards documents were updated and re-disclosed in 2015, because four (4) years had already passed after the last update and re-disclosure in 2011 for the AF I and to accommodate new project components introduced under the AF II. The AF III does not introduce changes in the project scope and activities, and it is not expected that there will be changes in the potential environmental and social risks and impacts already evaluated and considered in the actual ESMF and RPF. Although the AF III will add a fourth component to the project focusing on the planning and development of the next Education Sector Strategy, it will not introduce changes which require additional safeguards provisions. Therefore, the ESMF and RPF will not require further changes and re-disclosure.

The ISDS has been updated and re-disclosed both in-country and at the InfoShop and any site specific ESMP and RAP will be prepared and implemented accordingly when details and characteristics of the location are known or should land acquisition occurs. This will ensure that any potential adverse impacts resulting from construction activities of the FASE are adequately considered and dealt with accordingly. The ESMF addresses OP/BP 4.01 and OP 4.09.

The Client has acquired considerable experience with World Bank projects and is familiar with implementation and supervision procedures recommended under safeguards policies triggered by this AF III. The Client and its key stakeholders (PIU, Contractors, Ministry of Land, Environmental and Rural Development (MITADER) and Local Administration) have been trained through three regional workshops aiming at improving the understanding of World Bank safeguards policies as well as the implementation and reporting requirements. More recently (August 31, 2016) a training workshop was undertaken for relevant stakeholders (Department of School Construction and Equipment-DIEE, the National Directorate for Primary Education- DINEP, the National Directorate for Secondary Education- DINES, and the ECD Third Party Providers- TTPs) including the project safeguards specialists, focused on the relevance of safeguards in school construction, and the E&S screening process towards the ESMP. Trainings were also provided to Third Party Providers (TPPs) in charge of building *escolinhas* (pre-primary facilities) to align the basic safeguards requirements throughout the project implementation. The AF III will also benefit from the presence of two safeguards specialists (social and environmental) in MINEDH who have gathered considerable skills and competencies needed to ensure the compliance of the safeguards policies. The two safeguards specialists will continue to receive close implementation support from the World Bank safeguards team.

The Borrower had prepared, consulted on and disclosed a number of Environmental and Social Management Plans (ESMP) for infrastructure in country and in Infoshop. The ESMPs have constituted an integral part of the ESC (Environmental and Social Clauses) for the civil works contracts. In addition, screening, monitoring and reporting forms were prepared and tested in each province prior to the series of regional safeguards trainings and the forms are now annexed to the ESMPs. While implementing the ESMPs, the Borrower has systematically issued reports. No major impacts have been reported and best practices related to environmental and social aspects were adopted which include the preservation of native trees in the schoolyard; integration of female workers in the construction process; integration of appropriate ramps to allow accessibility for disabled persons, and ensuring that the area where the *escolinha* is built does not contain ravines, ponds, swamps, loose soil, rocky terrain, or other hazardous constraints such as the passage of high-voltage lines, railways, highways. As part of the results of the implementation of ESMPs, the Work Identification Form now includes specific environmental and social issues to each school infrastructure under construction. These are lessons learnt from FASE activities which are now embedded within MINEDH. Prior to appraisal of this AF III, the safeguards team, through a specific safeguards mission carried out from September 12-17, 2016, confirmed that MINEDH has adopted and implemented the above actions. The current AF will benefit from this accumulated experience and incorporate lessons learnt from the parent project.

## **Risk**

### **Explanation:**

Implementation risks are considered Substantial, and include mostly the risks of non-compliance and delays in applying fiduciary and safeguards procedures, as well as weaknesses in existing implementation capacity. Weaknesses in the implementation of safeguards principles were noted during the lifetime of the parent project, and substantial efforts in training and support were made to redress the situation. Still, compliance in terms of fiduciary and safeguards policies remains a challenge given the size of the overall FASE. Procurement processes are particularly vulnerable, with the risks of accumulating delays. This has been managed relatively well under the parent project, notably with the support of a strong procurement team at the MINEDH, who are well versed with World Bank procedures. Another factor of risk during

implementation is related to capacity, particularly at the local level, which the *Balanço* (MINEDH's internal evaluation of the Government five years Plan covering 2010-2014) highlights as being a major constraint to better results. Enhancing this local capacity is an integral part of the MINEDH's overall strategy to improve service delivery, using a three-pronged approach that involves: i) training and other capacity building activities; ii) performance-based incentives; and iii) allocation of resources to improve the working environment.

The substantial shift supported by this operation towards increased involvement of communities and parents in school functioning will need to be carefully monitored to ensure success. Moreover, the channeling of the funds through FASE, which is funded by ten partners, involves substantial coordination and contributes to elevate the Stakeholders risks to High.

#### **4. WORLD BANK GRIEVANCE REDRESS**

37. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, because of non-compliance with WB policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## ANNEX 1: UPDATED RESULTS FRAMEWORK AND MONITORING INDICATORS

Project Development Objectives							
Original Project Development Objective - Parent:							
The original PDO is to improve access to and, quality and equity of education. No changes to the PDO are proposed in the restructuring.							
Proposed Project Development Objective - Additional Financing (AF):							
No change							
Results							
Core sector indicators are considered: Yes				Results reporting level: Program Level			
Project Development Objective Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Net enrollment rate of 6 years olds in Grade 1	<input type="checkbox"/>	Percentage	Value	70.00	86.40	88.00
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Retention Rate until 3rd Grade	<input type="checkbox"/>	Percentage	Value	69.80	63.95	75.00
				Date	31-Dec-2014	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Parity Index of the Retention Rate until Grade 3 between the highest and lowest provinces	<input type="checkbox"/>	Number	Value	0.61	0.58	0.62
				Date	31-Dec-2014	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Teachers recruited or trained	<input checked="" type="checkbox"/>	Number	Value	0.00	29094.00	44000.00
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019
				Comment			



Revised	Percentage of students (of Grade 1 and 2) with Portuguese and Mathematics textbooks	<input type="checkbox"/>	Percentage	Value	82.60	90.70	92.00
				Date	31-Dec-2014	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Proportion of complete primary schools that comply with standards for transparency and accountability	<input type="checkbox"/>	Percentage	Value	0.00	0.00	80.00
				Date	01-Jan-2015	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	6117794.00	6008377.00	6265000.00
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	47.20	47.60	48.10

### Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Numbers of teachers (grade 1 and 2) with in-service training	<input type="checkbox"/>	Number	Value	0.00	12596.00	27500.00
				Date	31-Dec-2014	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Implementation of new textbooks operational plan	<input type="checkbox"/>	Text	Value	NA	New grade 1 books printed for introduction on 2017	New books introduced in grades 1-3
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019
				Comment			
Revised	System for learning assessment at the primary level	<input checked="" type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019

				Comment			Implement third national assessment, reading and maths (3rd grade)
Revised	Utility of the learning assessment system	<input checked="" type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	2.00	4.00
				Date			30-Jun-2019
				Comment			
Revised	Percentage of Complete Primary Schools supervised by the SDEJTs	<input type="checkbox"/>	Percentage	Value	0.00	25.00	80.00
				Date	01-Jan-2015	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Number of primary school directors having participated in management training	<input type="checkbox"/>	Number	Value	0.00	1248.00	3500.00
				Date	01-Jan-2015	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Percentage of the newly trained primary school directors having their performance evaluated the following year	<input type="checkbox"/>	Percentage	Value	0.00	10.00	35.00
				Date	31-Dec-2014	01-Nov-2016	30-Jun-2019
				Comment			
Revised	Percentage of Complete Primary Schools with ADE funds available before February 28th of each year	<input type="checkbox"/>	Percentage	Value	0.00	97.00	95.00
				Date	31-Dec-2014	01-Nov-2016	30-Jun-2019
				Comment			
Revised	GPI upon 1st grade entry in ECD participating districts	<input type="checkbox"/>	Number	Value	0.92	0.93	0.96
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019
				Comment			

Revised	Number of parents/caregivers enrolled in the parenting information sessions	<input type="checkbox"/>	Number	Value	0.00	8500.00	24,500.00
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019
				Comment		Validation of this data is expected in June 2017	
Revised	Percentage of which male	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	10.00	30.00
New	Number of direct beneficiaries of ECD program	<input type="checkbox"/>	Number	Value	0.00	18,500.00	49,000.00
				Date			30-Jun-2019
				Comment		Of which 10000.00 are children	
Revised	Percentage of ECD centers that are completely functional	<input type="checkbox"/>	Percentage	Value	0.00	0.00	100.00
				Date	28-Apr-2011	01-Nov-2016	30-Jun-2019
				Comment			
New	Percentage of direct beneficiaries that are female	<input type="checkbox"/>	Percentage	Value	0.00		50.00
				Date			30-Jun-2019
				Comment			
New	Implementation of Service Delivery Indicators Survey (SDI)	<input type="checkbox"/>	Text	Value	One		Dissemination at District level
				Date			30-Jun-2019
				Comment			
New	Evaluation of the Education Sector Strategic Plan (2012-2016/19)	<input type="checkbox"/>	Text	Value	None		Dissemination of results at central and Provincial level

				Date			30-Jun-2019
				Comment			

## ANNEX 2: UPDATED TECHNICAL APPRAISAL

### (i) *Updated Description of the Sector*

1. **Substantial progress has been made in the last decade to increase access to primary school education.** Mozambique has made significant progress in improving equitable access to education. Between 2009 and 2015, net enrollment of six year old children increased from 67 percent to 83.9 percent and every year more children are in the education system overall. Gender parity is improving, with 47.8 percent of all students being female and a Gender Parity Index upon Grade 1 entry that has stabilized at a relatively high level of 0.94 in general and 0.97 for six-year olds. Socio-economic equity is also improving, with a progressive reduction in gaps between the richest provinces of the South and the poorest provinces of the North in terms of schooling access, particularly in primary education.

2. **The number of primary teachers has steadily increased, and the share of teachers with no training has rapidly fallen.** Between 2009 and 2015, the number of primary teachers throughout Mozambique increased by around 27,000. This represents a 33 percent increase in teachers as compared to the 25 percent increase of primary school enrollment during the same period resulting in lower student to teacher ratios. From 2009 to 2015, the student to teacher ratio for primary school decreased from 69/1 to 62/1. Particular emphasis was placed on those provinces with the highest student to teacher ratios (Nampula and Zambezia). In these two provinces, the average student to teacher ratio decreased from 82/1 to 70/1 between 2009 and 2015. In addition, due to the introduction of the new primary teacher-training module, the number of primary teachers without training decreased from 29 percent (2009) to 10 percent (2014).

3. **The allocation and availability of school materials has also vastly improved over the past five years.** Between 2009 and 2015, the Government procured and distributed close to 13 million primary school textbooks a year. As a result, the ratio of textbooks to student increased from 1.9 to 2.2. In addition, through the ADE program, school materials were made more readily available to students, and investment through ADE increased from 96 meticaïs per student in 2009 to 101 meticaïs per student in 2014. It was however reduced to 80 meticaïs in 2015 due to financial constraints.

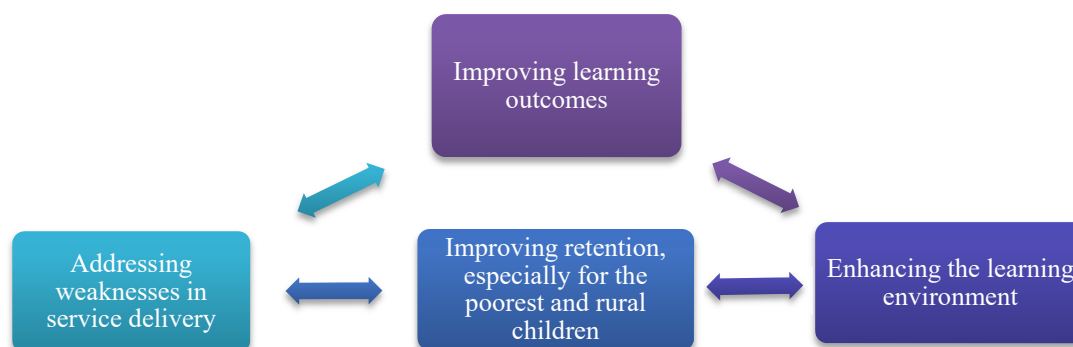
4. **Yet, learning outcomes remain weak, particularly at the lower primary education level.** According to the 2013 national reading assessment, less than 7 percent of grade 3 students have acquired the required reading skills at the end of Grade 2. Similarly, the Southern and Eastern African Consortium for Monitoring Educational Quality (SACMEQ) study from 2007 indicated that most students in Grade 6 have not developed the necessary basic literacy and numeracy skills to guarantee their academic success at higher levels of education. Weak acquisition of critical skills in the first cycle of primary education is a key constraint to the long-term improvement of academic achievement and the development of the skills necessary to succeed later.

5. **Retention rates are also low at all grades of primary education, particularly for the poorest and rural communities.** In general, movement through primary school in Mozambique often starts late and progresses slowly, resulting in delays in completion and low completion rates.

Recent data shows high dropout rates, with around 70 percent of all students who attended 1<sup>st</sup> grade in 2012 entering 3<sup>rd</sup> grade in 2014. Retention rates for students from 1<sup>st</sup> to 7<sup>th</sup> grade also dropped from 44 percent (2002-2008) to 36 percent (2008-2014). Location and wealth-based disparities in Mozambique on both a national and local level are higher than those found in other comparable countries. Completion rates in primary education are especially low for the poorest quintile of households of rural populations. Primary attendance for the poorest households on a national level in Mozambique is 64 percent (as compared to 91 percent in the wealthiest households.) The average gap between primary net attendance in urban and rural areas is 12 percent (and as high as 17 percent in the most rural provinces). Furthermore, recent studies show that children from the worst performing province are almost eight times as likely to be out of school as children from the best performing province.

6. **In recent years, the GoM has identified priority interventions with the specific aim at improving learning outcomes and education quality.** The MINEDH has emphasized the need for rapid changes in areas that currently hamper improvements in learning outcomes and has placed a strong focus on activities aimed at improving education quality, especially during the first few years of primary. They include focusing on enhancing the learning environment, addressing local governance issues, and supporting increased retention (including through the other two areas) to improve learning outcomes.

**Figure 1: Improving learning outcomes**



7. **The overall objective of the current Mozambique Education Strategic Plan (PEE) 2012-2019 is to improve learning outcomes** through strengthening the quality of education by improving school management, developing pre- and in-service teacher training, expanding bilingual education, supporting teacher motivation, and allocating sufficient resources and materials for primary education. The PEE focuses on the first few years of primary, including pre-primary, as they are key to developing better results at all education levels.

8. **Through a consultative process, the Ministry of Education revised its primary education program for 2015-2018, prioritizing key areas focused on the acquisition of basic learning skills in the first cycle of primary education.** The proposed changes are aligned with the PEE and build around the four pillars as indicated below. In order to support these goals, the Government has focused its efforts on: (i) improving school readiness; (ii) strengthening local governance; (iii) ensuring classroom dynamics that focus on learning outcomes; and (iv)

enhancing the utilization of existing financial and human resources. It is expected that results from these efforts will enhance the overall quality of education.

**Figure 2: Ministry's Operational Plan, 2015-2018, Primary Education**

Improving learning outcomes at the first cycle of primary education	Enabling environment, including ensuring key inputs to teaching and learning	Improving school readiness	Expanding ECD interventions
			Social protection
		Focusing the classroom dynamics on learning outcomes	Curriculum reform
			Bilingual education
			Teacher training
			Creating a literate environment
			Monitoring learning outcomes
	Transforming resources into better results through improved service delivery	Strengthening local governance and responsibility	Enhancing community involvement
			Institutionalizing supervision at district level
			Increasing capacity of school directors
		Maximizing existing resources	Retention and assiduidade of teachers
			Ensuring adequate resources to schools
			Revitalizing ZIPs
			Improving construction

9. **The ongoing financial crisis has set off a series of consequences that are threatening to reverse the years of progress made in improving access to education, and recent progress made in improving quality.** While the share of the State Budget allocated to education is not expected to change, the overall reduction in domestic spending will result in a smaller net amount of public funds to the education sector. In addition, the lack of liquidity facing the Government is likely to affect the education sector and jeopardize the achievement of key activities. Finally, with the significant inflation and weakening metical, it is expected that the overall cost of providing education (such as teachers' salaries, construction of schools, purchasing of textbooks and other supplies, etc.) will significantly increase, putting more pressure on the already stretched education system.

10. **Given the current financial crisis facing Mozambique, it is expected that the most vulnerable families will be severely affected, further exacerbating the inequality in regards to entering and completing primary school.** The literature shows that dropping out from school is influenced by a multitude of factors, and highlights in particular the determinant influence of

poverty and opportunity costs on schooling decisions (Hunt, 2008).<sup>10</sup> In Mozambique, as mentioned above, participation and learning outcomes in primary schools already show signs of inequality related to the area of residence and income. Given the current financial and environmental crises facing Mozambique, it can be expected that this inequality will only further be exacerbated. The most vulnerable families, those who are the poorest and living in rural areas, will be severely affected. For these families, as the crisis continues and the opportunity costs of education rises, entering and completing primary school will become increasingly challenging.

**11. This calls for specific interventions aimed at improving retention and learning outcomes through enhanced school readiness.** Lack of school readiness upon primary school entry (at age six) is a major concern in Mozambique, particularly among the poorest children. Early childhood activities have been shown to have particular impact on supporting the most vulnerable families and improving school readiness to increase retention. Improving retention at the first cycle of primary is expected to contribute to reducing inequality, since early dropout is especially a concern in poorest communities. Therefore, it is proposed to address the low retention through improvements in school readiness,<sup>11</sup> through the continued provision of ECD to communities in rural areas.<sup>12</sup>

**12. The Direct Support to Schools (ADE) Program is also expected to have a positive impact on retention and learning outcomes of students from the poorest households as it will scale up funding to the most vulnerable schools.** The ADE program promotes stronger involvement of communities and parents in the functioning of the schools, particularly in identifying and developing strategies to ensure the inclusion of the most vulnerable, which is expected to stimulate the demand for schooling.<sup>13</sup> MINEDH is in the process of revising the ADE program to introduce a variable part linked to (i) the achievement of performance indicators; and (ii) an index of vulnerability comprising of various dimensions, including poverty level, remoteness, and education indicators. As part of this AF, it is expected that the scaling up and continuation of ADE will help attenuate the impact of reduced funding and higher opportunity costs for the most vulnerable and will contribute to maintaining retention in primary schools.

**13. The other interventions supported by this AF are crucial to the improvement of learning outcomes, and are important to maintain during this time of financial instability.** Over the past years, the sector benefitted from substantial increase in resources. The education budget more than doubled in real terms between 2009 and 2015, most of it on account of additional

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<sup>10</sup> For instance, Hanushek, Lavy, and Hitomi (2006) found that lower quality schools, measured by lower value-added to cognitive achievement, lead to higher dropout rates in Egyptian primary schools.

<sup>11</sup> Various studies have highlighted the impact of school readiness and late enrollment on a child's likelihood to remain in school through the whole primary education phase. See for instance Wils (2004), Lewin (2009) and UNICEF (2013).

<sup>12</sup> In the Mozambican context, ECD has shown to have positive results on school readiness. For example, the baseline of a World Bank supported impact evaluation of a rural community-based ECD programs in Mozambique highlighted that children who participated in the community-based ECD intervention between age 3 and 5 were more likely to enroll in primary school and do so at the right age of six. These children were also better prepared to learn, as they performed significantly better on measures of cognitive, fine motor, and socio-emotional development than children in the control group (World Bank, 2011).

<sup>13</sup> A wide range of the literature points towards household perceptions and values of education as instrumental in determining the likelihood of a child completing primary school (Hunt, 2008; Handa and Simler, 2005; Roby, Lambert and Lambert 2008; UNESCO/UNICEF, 2005).



internal resources directed to the sector. Internal funding was expected to grow at similar levels due to economic growth and a stable share of the overall budget being allocated to education. The planning and projection of the education sector was based on these assumptions. However, the tightening of the fiscal space due to lower than anticipated economic growth, translates into smaller volumes of funding to the sector which will result in the reduction or cuts of planned activities. In this context, the AF will provide needed assistance to ensure the continuation and delivery of key education services that are deemed essential and urgent to enhance the performance of the system. The proposed AF would ensure that funding to the sector remains stable, contributing to the continuous supply of core inputs to the system, including textbooks and school grants.

**14. Finally, during this period of instability, while trying to respond to the immediate needs facing the sector as a result of the financial and environmental crises, MINEDH is also looking forward to the future and planning for the next Education Sector Strategy.** The current strategy ends in 2019 and careful analysis and attention is crucial to the planning of the future PEE, particularly in light of the challenges facing the country. As the sector strengthens its implementation capacity and places its focus in improving learning outcomes, reforms are being considered as a way of aligning the system to the regional standards and of increasing access to quality education services. In this regard, the MINEDH is revising the Education System Law and considering the implementation of a 10-year basic education system, including one year of pre-primary education. These reforms will require in-depth analytical work to inform decisions on the future structure of the system. This additional financing would support the implementation of key analytical activities and contribute to the preparation and planning of the next Education Sector Strategy 2020-2024.

*(ii) Detailed Description of Modified or New Project Activities*

**15. This is the third additional financing to the parent project.** The parent project was approved in 2011 and included the following four components: Improving Access to Education; Improving the Quality of Education; HIV/AIDS Prevention and Mitigation; and Strengthening Management of the Education Sector Administrative System. The first additional financing (AF I) was approved in 2012 and added a fifth component to expand Early Childhood Development activities in order to address issues related to school readiness. The second additional financing (AF II) was provided through an IDA Grant and a grant from the Global Partnership for Education (GPE). The restructuring resulted in the discontinuation of two components (School Construction and HIV/AIDS) and substantial changes in the content of another two components. The restructuring ensured a narrower scope in line with the emerging priorities of the MINEDH and focused the project on the current three main components: 1) Improving the Quality of Education; 2) Strengthening Local Governance and School-Based Management; and 3) Supporting Community-Based Early Childhood Development (ECD).

**16. The proposed AF of US\$59 million would build on the above-mentioned achievements of the parent project, and would bring additional focus on key priorities of the MINEDH within the current financial context.** The AF would build on existing strategies that have proven to be effective and reflect additional emphasis on key priorities and challenges. A selective approach would ensure stronger focus on areas that have been identified as crucial to improving learning outcomes and are important to maintain during the current financial crisis, namely: (i)

distribution of school textbooks; (ii) enhancing school readiness through ECD activities; and (iii) strengthening service delivery through improved local governance and school and resource management (ADE).

17. **The AF would retain the same three components and subcomponents of the restructured project with the addition of a fourth component.** The main adjustments to the Project components would be related to: (i) increasing financing to Subcomponent 1.2 (textbooks) to ensure the continuation of the distribution of textbooks in light of the anticipated gap in financing; (ii) scaling up Component 2 of the project on strengthening local governance through the provision of direct support to schools (ADE) by providing schools with additional resources to help keep the most vulnerable in school during this time of crisis and promote enhanced performance; (iii) reinforcing Component 3 of the project to provide early childhood development activities until the revised closing date; and (iv) adding a fourth component to the project focusing on the planning and development of the next Education Sector Strategy.

**Table 1: Summary of Changes to Costs by Component, million US\$**

Name of Component		Cost		Share of total financing	
Current Project	Proposed adjustments with the AF	Before AF	After AF	Before AF	After AF
<b>Component 1: Improving the Quality of Education</b> <ul style="list-style-type: none"> <li>1.1 Teacher Training for Primary Education</li> <li>1.2 Production of Revised Primary Schools Books and Learning Materials to Support the Curriculum Reform</li> <li>1.3 Curriculum Reform for Primary Education and Monitoring Learning Outcomes and Promote Action-Oriented Research</li> </ul>	<b>Component 1: Improving the Quality of Education</b> <ul style="list-style-type: none"> <li>1.1 SAME- no changes</li> <li>1.2 <i>\$21 million AF to continue supporting textbooks from 2018-19</i></li> <li>1.3 SAME- no changes</li> </ul>	146.8	167.8	48%	46%
<b>Component 2: Strengthening Local Governance and School-Based Management</b> <ul style="list-style-type: none"> <li>2.1 Strengthening School-based Councils and provision of Direct Support to Schools (ADE)</li> <li>2.2 Enhancing the Support and Supervision at the District and School level</li> <li>2.3 Training of School Directors</li> </ul>	<b>Component 2: Strengthening Local Governance and School-Based Management</b> <ul style="list-style-type: none"> <li>2.1 <i>\$27 million AF to scaling up transfers to schools by adding a variable part to the existing school grant</i></li> <li>2.2 SAME- no changes</li> <li>2.3 SAME- no changes</li> </ul>	66.0	93.0	21%	25%

<b>Component 3: Supporting community-based ECD</b>	<b>Component 3: Supporting community-based ECD</b>	40.0	47	13%	13%
<ul style="list-style-type: none"> <li>• 3.1 Provision of Community-Based ECD Services in Rural Areas of Selected Provinces and Districts through the delivery of ECD Basic-Service Packages</li> <li>• 3.2 Technical and Institutional Capacity Building</li> <li>• 3.3 Knowledge Building</li> </ul>	<p><i>3.1 \$4 million AF to cover a two-year extension of the provision of ECD services</i></p> <p><i>3.2 \$1.5 million AF for transfer of competencies</i></p> <p><i>3.3 \$1.5 million AF to support the end line of the Impact Evaluation</i></p>				
-----	<b>New Component 4 : Institutional Strengthening and Support of Monitoring and Policy Development</b>	-	4.0	-	1%
Components discontinued as part of last restructuring- School Construction and HIV/AIDS		56.1	56.1	18%	15%
<b>Total</b>		<b>308.9</b>	<b>367.9</b>	<b>100%</b>	<b>100%</b>

### **Component 1: Improving the Quality of Education – Additional Financing: US\$21 Million**

18. **This component aims to contribute to further enhancement in education quality, especially in the first two years of education.** To achieve this objective, this component supports MINEDH's efforts to increase learning outcomes through strengthening content knowledge among teachers and supporting more effective classroom instruction and the use of materials, particularly in Grades 1 and 2.

19. **To ensure the continued timely and effective distribution of textbooks during this financial crisis, Subcomponent 1.2 of the project will be strengthened through an additional allocation of US\$21 million.** Textbook production and distribution is one of the key activities that is most impacted by delayed or reduced funding, and the proposed AF will help to sustain the continued implementation of the Textbook Strategy that accompanies the implementation of the curriculum reform. This AF will also ensure the provision of textbooks through June 2019 to accompany the extension of the closing date. Activities under subcomponents 1.1 and 1.3 would remain the same and receive no additional financing.

#### **Subcomponent 1.1 Teacher Training for Primary Education – No changes**

20. **The specific objective of this subcomponent is effective learning and teaching at classroom level.** To improve the primary education teacher's content knowledge and teaching practice, the teacher training sub-component of the project supports the development of pre-service and in-service teacher training programs. Currently, the National Directorate for Teacher Training

(DNFP) is implementing a one-year pre-service (10+1) teacher training program in the 22 Teacher Training Institutes (IFPs). In parallel, since 2012 a three-year pre-service (10+3) program featuring two years of content learning and one full year of school experience (practice teaching) is being piloted in selected IFPs. In 2016 the training of Grades 1 and 2 teachers in service was successfully launched. No changes from the parent project will be made to this subcomponent with this AF.

### **Subcomponent 1.2 Production of Revised Primary School Books and Learning Materials to Support the Curriculum Reform – Additional Financing: US\$21 Million**

21. Since the previous request for additional financing in July 2015, significant improvements have occurred in the provision of textbooks and other learning materials. These are briefly set out below.

22. **Textbook price and availability continue to improve.** The unit cost of printing of language and mathematics workbooks for Grades 1 and 2 declined further, from US\$0.65 in 2010 to US\$0.49 in 2015 (25 percent less), as did the unit cost of textbooks purchased from national and international book publishers in various subjects of Grades 3-7, from US\$1.82 to US\$1.51 (17 percent less) over the same two points in time. In textbook distribution, the cost to deliver a book to the district education office declined from US\$0.18 to US\$0.14 (26 percent less) in 2015. These findings confirm achievement of the original objectives of the project.

23. **The *Plano Operacional* started implementation.** This multiyear strategy, aimed at making learning materials relevant and effective especially in the early grades of primary education, was adopted and implemented in a coordinated way by the various units involved in the provision process: the Textbook Department (DGLMD, *Departamento de Gestão do Livro Escolar e Materiais Didáticos* in Portuguese), National Institute for the Development of Education (INDE, *Instituto Nacional de Desenvolvimento da Educação* in Portuguese), Commission for the Evaluation of Textbooks (CALE, *Comissão para a Avaliação do Livro Escolar* in Portuguese), and the Department for Finance and Administration (DAF, *Direção Nacional de Administração e Finanças* in Portuguese).<sup>14</sup> Over the medium term, the strategy will end fee payments to publishers for the annual license to reprint workbooks in language and mathematics for Grades 1 and 2. This will be accomplished by developing the capacity at INDE to originate the government's own annually printed workbooks. The strategy will also end purchasing textbooks in Grades 3-7 by direct contracting. This will be accomplished in phases by grade level by introducing competitive selection in the purchase of textbooks from national and international publishers.

24. The review of and revisions to the primary education curriculum were completed as scheduled, consultations with stakeholders were made, and new subject syllabi (*programas de ensino*) were printed and delivered to schools in 2016.

25. In 2017, the following learning materials will be delivered to primary schools: (i) workbooks in language and mathematics in Grade 1, developed by INDE and fully compliant with the revised curriculum; and (ii) reorders from previously contracted national and international

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<sup>14</sup> DGLMD is the textbook directorate-general responsible for overall coordination of provision of learning materials to schools; INDE is the ministry's institute for education development responsible for curriculum; CALE is the council responsible for reviewing and approving learning materials for use in public schools; and DAF is the ministry's administration and finance department responsible for procurement and contracting.

publishers to replenish textbook supply in all other grade levels and subject areas, following a price adjustment formula.

26. **MINEDH adopted international supply-chain standards in textbook distribution.** In the past, MINEDH signed annual agreements with DINAME (*Distribuidora Nacional de Material Escolar* in Portuguese,) the government's educational materials distribution agency for delivery of textbooks, paying a service fee based on quantities (i.e., number of copies of books) to be delivered. This method did not yield information on the cost drivers underpinning DINAME's global quotation. For delivery services in 2017, MINEDH sent to DINAME detailed information by port of arrival and destination district: number of cartons, copies, weight, and volume. DINAME was asked to quote the cost of the following services separately: services by port of arrival (separately management, reception, dispatch); storage by port; loading and dispatch, by province; and transportation, by destination district. The information, thus disaggregated, enabled MINEDH to gather detailed information on the true cost of the complex of services rendered by DINAME. Since the items are standard costs in the freight-forwarding industry, the request for quotation for the entire set of services, or for parts of it, can be used to canvas competing services (e.g., trucking) where these are available in the private sector.

27. **Institutional capacity continues to be developed.** INDE in developing the Grade 1 learning materials in-house received technical assistance and job training from a contracted international book publisher. CALE has refined its methodology for evaluating textbooks, providing questions and point values for each quality criterion; the instrument and scoring values (rubric) are now fully disclosed in ICB documents. DAF, MINEDH's administrative and finance department responsible for procurement and contracting, has developed the software for analyzing the above distribution information from this database and can track deliveries or parts of deliveries because the database also stores contracted suppliers' (publishers') delivery details. This analytical capacity is expected to grow and may require future enhancement in software (e.g., program upgrades) and hardware (e.g., higher capacity computers).

28. **However, changes in the education structure are imminent, but support for textbook provision should continue.** With the entry of a new Government in 2015 came the initiative to propose amendments to the education law. The amendments would, among other things, modify the structure of primary and secondary education, to align the 12-year basic education system with much of the rest of the world.<sup>15</sup> The restructuring would rearrange grade groupings and, possibly subject areas between grades. This, in turn, would necessitate adjustments in curriculum objectives and revision of content and coverage of learning materials.

29. The proposed amendments, first processed internally, are expected to be discussed at ministerial and legislative levels on time frames beyond the control of MINEDH. Nonetheless, to avert having newly ordered materials rendered obsolete should the above changes become official earlier than expected, MINEDH delayed the call for new Grade 3 textbooks to January 2016, for availability in 2019 (or two year later than in the original *Plan*) and deferred the call for textbooks

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<sup>15</sup> Currently the seven years of primary education are organized into Cycle 1 (Classes 1 and 2), Cycle 2 (Classes 3-5), and Cycle 3 (Classes 6 and 7); the five years of secondary education are organized into First Grade (Classes 8-10) and Second Grade (Classes 11 and 12). MINEDH is contemplating the following structure: Primary Grade 1 (Classes 1-3), Primary Grade 2 (Classes 4-6), Secondary Grade 1 (Classes 7-9), and Secondary Grade 2 (Classes 10-12).

in Grade 6. Without official disposition of the proposed structural changes, the schedules in the *Plano Operacional* for textbook provision are inoperative. Meanwhile, to keep the schools supplied with learning materials, the next round of procurement would have to be launched in 2017, for contracts to be executed in 2018, so that textbooks can be delivered in time for school opening in 2019.

30. **An interim schedule for continued textbook supply is in place.** In November 2016, a provisional plan was drafted to serve as basis for continuing the textbook provision process while the update of the *Plano Operacional* is awaiting adoption of a new structure of primary and secondary education. This provisional plan is summarized in the below table.

**Table 2: ESSP Provisional Textbook Contracting Schedule, 2016-2019**

	2016	2017	2018	2019
1 Workbooks	<b>First printing</b> 100% INDE - ICB	Reprinting 100% by ICB	Reprinting 100% by ICB	Reprinting 100% by ICB
2 Workbooks	Reprinting 100% Publishers - ICB	<b>First printing</b> 100% INDE - ICB	Reprinting 100% by ICB	Reprinting 100% by ICB
3 Textbooks	Reorder 30% by price formula	Reorder 30% by price formula	First Order 100% Publishers-ICB	Reorder 30% by price formula
4 Textbooks	Reorder 30% by price formula	Reorder 30% by price formula	Reorder 30% by price formula	First Order 100% Publishers-ICB
5 Textbooks	Reorder 30% by price formula	Reorder 30% by price formula	Reorder 30% by price formula	Reorder 30% by price formula
6 Textbooks	Reorder 30% by price formula	Reorder 30% by price formula	Reorder 30% by price formula	Reorder 30% by price formula
7 Textbooks	Reorder 30% by price formula	Reorder 30% by price formula	Reorder 30% by price formula	Reorder 30% by price formula

**Notes**

- 1 This schedule, discussed with DGLMD in November 2016, is provisional and subject to revision. The approved schedule will be incorporated in the updated *Plano Operacional*.
- 2 The value of contracts in 2018 will be covered by the Additional Financing.
- 3 The workbooks and textbooks listed in this schedule are expected to be in schools in the year following their contracting.

31. The total quantity of workbooks, textbooks, and teacher guides to be contracted in 2018 is estimated at 16 million copies. At 2015 unit costs, the estimated base cost (i.e., without physical or price contingency) of the contracting for 2018 is about US\$20.4 million. This amount, together with an estimated US\$0.6 million for preinvestment studies (see below) are recommended for Additional Financing.

32. **Addressing emergent sector issues also needs support.** Meanwhile, development demands are increasing in other education subsectors, notably in bilingual education and in secondary education. Instruction in the country's indigenous languages is being piloted in INDE, with curriculum and learning materials developed for and tested in the early grades in 16 mother tongues. However, better knowledge is needed for delineating the policy options for this instructional mode: initial literacy, strategies for transitioning to Portuguese, scope of continuation in upper grades, curriculum, materials, teacher training, and opportunities for partnerships are among the issues arising in this area. In secondary education, policy research is needed to support

the impending changes in the structure of basic education. The curriculum will need revision and, with it, the call for new textbooks and other supportive instructional materials.

33. MINEDH's capacity to undertake the needed analytical studies and surveys that would guide policy development and higher-level decision-making, would need to be enhanced. It is recommended that this Additional Financing also include about US\$0.6 million to support pre-investment studies, especially mother tongue instruction (including bilingual education) and secondary education.

### **Subcomponent 1.3 Curriculum Reform and Monitoring Learning Outcomes and Promote Action-Oriented Research – No changes**

34. **The specific objective of this subcomponent is to support the ongoing curriculum reform.** The project supports the National Institute for Educational Development (INDE) in the continual review and renewal of programs of study to enhance instructional quality and relevance. In primary education, those reviews have resulted in integration of subject areas in the lower grades, resulting in decreased number of subject areas in the curriculum but increased learning time for the student. INDE also develops learning programs in the country's many indigenous languages and will shortly plan the review of the secondary education curriculum. As of May 2016, the revised primary education curriculum has been approved and will be introduced in 2017 (Grade 1). Learning materials in Grades 1 and 2 are being developed at INDE with technical assistance, and literacy materials in 14 of the 16 mother tongues are being developed with bilateral assistance. No changes from the parent project will be made to this subcomponent with this AF.

### **Component 2: Strengthening Local Governance and School-based Management – Additional Financing: US\$27 Million**

35. **Ensuring teaching and learning resources translate into improved learning outcomes is a priority for the MINEDH and its partners, and improving the functioning of schools is key to achieve this objective.** This component contributes to enhancing the functioning of the schools through a three-pronged approach: (i) the timely provision of ADE to schools to facilitate their operation; (ii) increasing effectiveness of school supervision by SDEJTs; and (iii) strengthening the capacity of school directors to supervise and support school functioning.

36. **This component complements and builds on the work initiated under the PFM4R in support of the MINEDH's vision to build an effective and efficient education system through improving local governance.** Within this context, PFM4R interventions focus on increasing capacity of district officers to manage and supervise schools, as well as increased accountability of schools towards communities and to internal administration (district officers). The PFM4R supports the development of instruments, capacity-building activities and the allocation of performance-based incentives (additional financing to schools and districts) to school-based planning and budgeting towards improved learning outcomes.

### **Subcomponent 2.1 – Strengthening School-based Councils and Provision of Direct Support to Schools (ADE) – Additional Financing: US\$27 Million**

37. **The AF would continue to contribute to the financing of the ADE to support the functioning of primary schools.** The Direct Support to School (ADE in Portuguese) Program is

a critical input to quality of education while also promoting equitable access to children of all socio-economic backgrounds. For many schools, particularly small schools that only offer Grades 1 to 5, ADE is the only source of funds available to finance their day-to-day functioning and to purchase basic learning materials for the students (e.g., pens, pencils, notebooks, complementary reading materials, etc.). The ADE program transfers funds directly from the central level, through district offices, to schools for the purchase of basic materials to support teaching and learning processes. All primary and secondary schools throughout the country now receive the ADE based on a per-capita allocation. The allocation of funds is primarily based on number of students and was about US\$1.5 per student in 2016.<sup>16</sup> ADE is also an opportunity to strengthen citizen engagement as the standards for transparency and accountability provide for gender representation and parental and community involvement in the decision-making process over the school activity plan. An evaluation of ADE covering 2012–14 has highlighted the importance of this grant for the provision of basic learning and teaching materials in schools. ADE is generally associated with good practices such as (i) transparent allocation of funds and according to the Manual of Procedures set forth: most beneficiaries are very familiar with the allocation criteria and implementation procedures; (ii) community participation through the school council in managing ADE funds, as the council is part of the planning process as well as the procurement and reception of the goods and services; and (iii) helping the most vulnerable children and contribute for their consistent participation in school activities throughout the school year.

**38. As a result of the financial crisis, educational inequality and dropouts, particularly for the poorest, are expected to grow, reversing the significant progress made in recent years.** ADE would be used to stimulate good performance among the schools, and contribute for behavior change towards a more results oriented school management process. This would be accompanied by measures to ensure stronger involvement of the community in school management, particularly in identifying and developing strategies to ensure the inclusion of the most vulnerable. This AF would continue to support synergies with the Public Financial Management for Results Project (PFM4R) particularly as it considers a new formula for schools grants that comprises: (i) a fixed component allocated on a per capita basis which will be increased from MZN80 to MZN120 per child to account for increasingly difficult circumstances at the school level; and (ii) a performance based allocation to stimulate good performance among the schools, particularly on improving students' performance.

**39. MINEDH has selected six districts from provinces belonging to the North, Central, and Southern regions to pilot different models of performance and equity-based ADE allocations in 2017.** Performance indicators are being considered including the distance from district capitals, the results of national exams or the indicators collected through supervision visits concerning (i) functioning School Councils; (ii) transparency in allocation and utilization of ADE funds; (iii) Director/Teacher Absenteeism; and (iv) Teaching and Learning Process. To finalize the preparation of the pilots, MINEDH will prepare a supervision plan to cover all the schools within the pilot areas, and will estimate the total budget cost (comprising both the costs of supervision visits and the ADE 'top ups' themselves). These costs will be included in MINEDH's 2017 Plan of Activities (PdA) and will be supported through the additional financing.

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<sup>16</sup> In 2016, a minimum amount was established to guarantee that schools with very few students will receive sufficient funds.



## **Subcomponent 2.2 – Enhancing the Support and Supervision at the District and School level – No changes**

40. **As part of its strategy to strengthen local governance and support to schools, the project supports activities aimed at strengthening vertical accountability and supervision relationships between school councils, school directors, SDJETs and district government administrations.** Improving the capacity of the District supervisors is part of the overall strategy for improving monitoring and supervision, and entails reviewing the roles and responsibilities of the district supervisors. To support this process, a District Supervision Manual has been finalized and distributed to districts. In addition, a training of trainers was conducted, which is being cascaded to 474 districts supervisors. Besides this, MINEDH has agreed to prepare a Guide for Planning Supervision Visits to ensure that the scarce supervision resources are applied strategically at district levels. Finally, MINEDH has also developed a database application to capture the information collected during the school supervision process. This application will allow a systematic analysis of data and contribute to performance improvement objectives. No changes from the parent project will be made to this subcomponent with this AF.

## **Subcomponent 2.3 – Training of School Directors – No changes**

41. **The training of school directors is an important activity to strengthen governance and school management.** School directors are appointed mostly based on their experience as teachers. Even though in selected cases school directors have been exposed to management functions in other schools, in most cases their appointment for the managerial position was not supported by appropriate training to improve their managerial skills. MINEDH through the National Institute for the Development of Education (INDE,) developed a program to train school directors and a number of training modules were piloted in 2014 benefitting 700 school directors. To date 4390 pedagogical, and administrative directors have attended 180 hours of training at Institutes of Teacher Training (IFPs). MINEDH plans to develop an assessment of such training and the results of this analytical work are expected by mid-2017 and will serve as a basis for adjustments in the training modules or teaching methodology. The training which aims to ensure school directors can exercise managerial and leadership roles and effectively contribute to improvements in the learning environment will benefit another batch of 3,000 school directors, pedagogical directors, and administrative directors. No changes from the parent project will be made to this subcomponent with this AF.

## **Component 3: Supporting Community-Based ECD Activities – Additional Financing US\$7 million**

42. **Recognizing the importance of early childhood development (ECD), particularly for the poorest and most vulnerable, the MINEDH has prioritized ECD through the implementation of a pilot-project that promotes early childhood.** Support to ECD activities is expected to contribute to improving retention and learning outcomes through enhanced school readiness. Lack of school readiness upon primary school entry and early drop out are major concerns in Mozambique and lead to costly inefficiencies in the sector that are difficult to make up for later. The proposed continued support to ECD activities is expected to yield significant benefits in the short and long term, both at the individual and system level. There has been a substantial increase in attention and priority to this component from the MINEDH's leadership,

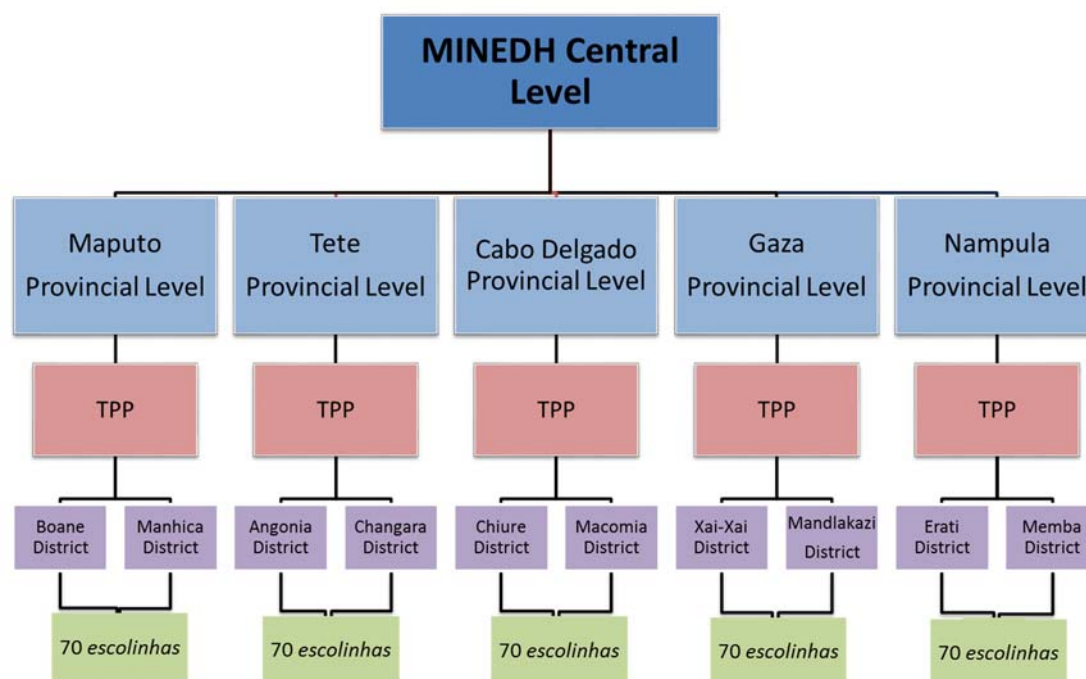
particularly during this time of crisis when the most vulnerable are more likely to drop out of school.

43. **In order to support the MINEDH's focus on ECD, the AF will support this component with an additional US\$7 million to extend the provision of services until the revised closing date of June 2019.** This component would be supplemented in two of the five provinces by an early childhood nutrition component targeting pregnant women and children aged 0-2, under the World Bank-funded Health Service Development Project (P099930) implemented by the Ministry of Health. Building on the lessons learned in scaling-up community-based ECD activities since the initial project design in 2012, the AF would allow the ECD component to be fully implemented across two phases of implementation (for a total of 350 communities). Furthermore, the AF would provide additional time and support for institutional capacity building in order facilitate successful handover of the preschools to the government by June 2019, (as preschool and community-level activities are currently being implemented by third-party providers- for more information see below).

**Subcomponent 3.1 – Provision of Community-Based ECD Services in Rural Areas of Selected Provinces and Districts through the delivery of ECD Basic Service Packages (Additional Financing: \$4 million)**

44. **This sub-component finances the implementation of community-based ECD services through Third Party Providers (TPPs).** In 2014, MINEDH signed contracts with Third Party Providers to implement ECD activities at the community level, and the Independent Verification Agents (IVAs) for the external verification of the ECD outputs delivered by the TPPs across the five provinces selected to receive the intervention. These provinces (Gaza, Maputo Province, Cabo Delgado, Tete and Nampula) were selected based on eligibility criteria. Within each of these five provinces, two districts were then selected for implementation, also based on objective eligibility criteria. In June 2015, after some delays mostly related to the complexity of the procurement processes, Phase I activities began in 150 communities (30 communities per province). In mid-2016, after further delays related to the lack of consensus on the design of *escolinhas* (preschools in Portuguese), Phase II activities began in 200 communities (40 communities per province). See Figure 3.

**Figure 3: Overall ECD Service Delivery Strategy**



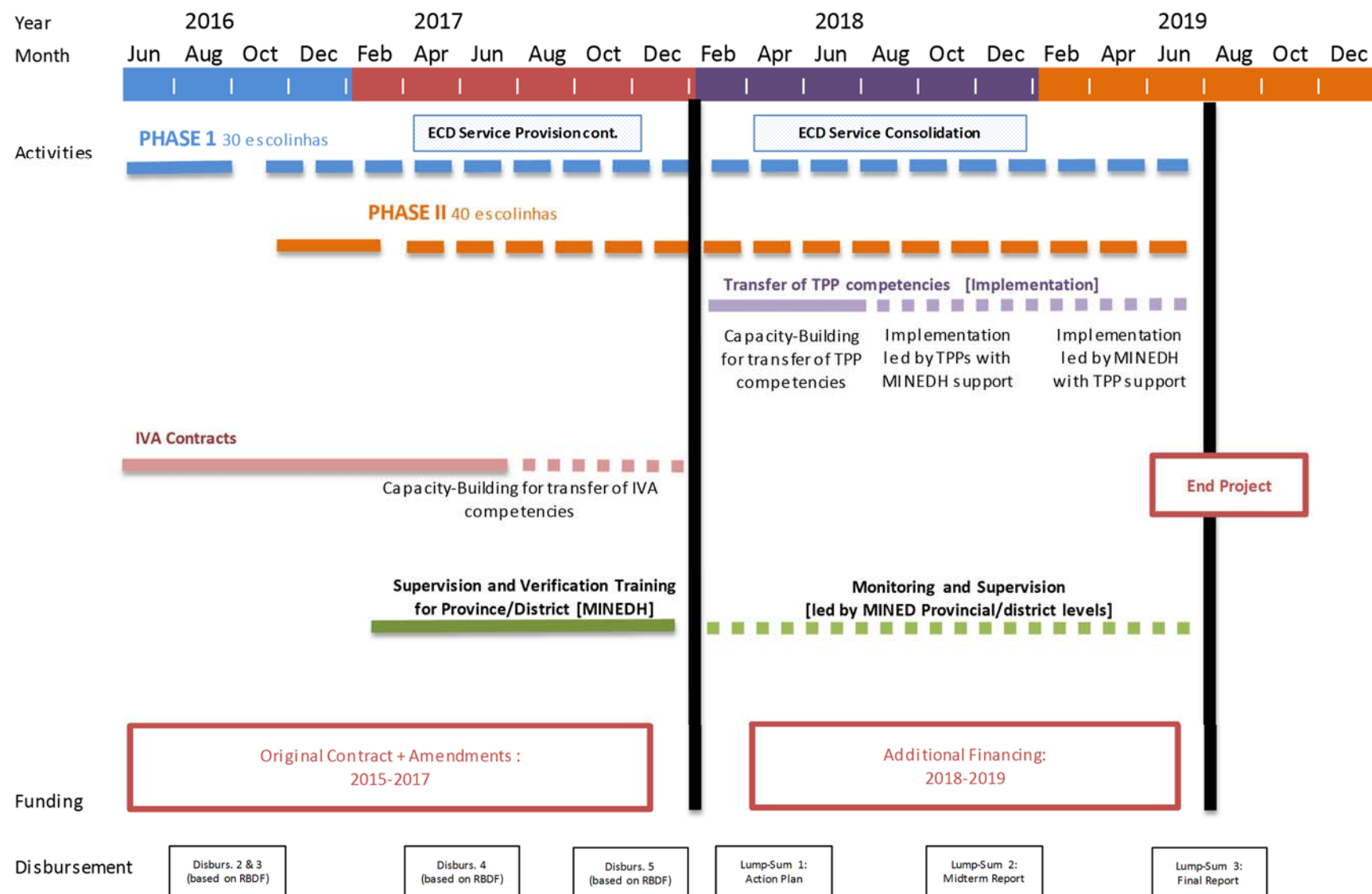
45. **Recent adjustments to the contracts with the TPPs, as well as increased monitoring of this component by MINEDH’s leadership has significantly accelerated overall program implementation.** Despite delays in various aspects of this component (related to procurement and the construction of preschools as mentioned above), there has recently been a significant increase in the pace of implementation. The signing of an amendment to the Third Party Providers (TPPs) contracts in June 2016, contributed to unlocking implementation bottlenecks through the addition of an agreed-upon template for the *escolinhas* and a revised results-based disbursement framework. Furthermore, increased attention and monitoring of this component by the relevant departments and MINEDH’s leadership has also played a key role to unblocking existing difficulties. With this, implementation has accelerated substantially and led to a more conducive working environment for the TPPs and MINEDH. Progress with activities at the community level is noteworthy and field visits show that children and families are benefiting from the interventions.

46. **The changes introduced in the design of the *escolinhas* will result in an increase in the costs of the contracts with the TPPs for Phase II communities where the new construction design is being implemented.** As a result of the delays and increased costs associated with the new design of the *escolinhas*, it is highly unlikely that activities will be fully implemented within the current timeframe (by end-2017) or currently projected available budget. This AF will ensure the continuation of the momentum of implementation progress since the signing of the amendments. It will also ensure and extend the provision of high quality service delivery until the revised closing date of June 2019 throughout all communities in Phase I and Phase II.

47. **In order to ensure the sustainability of the ECD program and build upon the growing capacity of MINEDH under this component, this additional financing will support the**

**transfer of competencies from both the Independent Verification Agents (IVAs) and the TPPs to MINEDH.** The transfer of monitoring and verification competencies from the IVAs to the provincial and district levels has already begun. By the end of 2017, the districts and provinces will have full responsibility of the supervision and monitoring of the *escolinhas* and the AF will support implementation of supervision activities at these levels. The transfer of competencies from the TPPs to the Government will be complex and require more time and planning. This AF would support the development and implementation of a formal gradual-transfer plan from the TPPs to occur in 2018 so that in 2019, MINEDH will have assumed full responsibility of the operation of the *escolinhas*. This plan will be included in the new contracts with the TPPs for 2018-2019. The transfer of competencies from both the IVAs and the TPPs to MINEDH will help to improve the sustainability of the program beyond the closing date of the project. See Figure 4 for a full timetable of activities including corresponding payments and transfer of competencies from both IVAs and TPPs to MINEDH.

**Figure 4: Timetable of Activities by TPPs and Corresponding Payments (Parent Project and AF)**



48. **Building on the recent evidence of the importance of parent and family interactions to a child's early development<sup>17</sup>, the AF will support the development of an official parental education package to be implemented across all five provinces.** Under the current program, each TPP is responsible for delivering their own set of parenting education classes. Recognizing the key role of parents and caregivers to the development of the child, this AF will support MINEDH in the development of an official parental education package to be implemented in a uniform manner across all *escolinhas* supported by this project. This package will be developed building off the experiences and knowledge of the TPPs and other government ministries (such as the Ministry of Health and the Ministry of Gender, Children and Social Action.) It will be developed and piloted in 2018 with the aim of full implementation across all ECD communities in 2019. Recognizing the global evidence which shows that children are likely to benefit most when both fathers and mothers are engaged in early stimulation activities, this component will also include a revised indicator to further promote and include fathers and male caregivers in the parenting information sessions.

49. **Based on educative materials developed by the TPPs, a national curriculum will be developed that will complement the national primary school curriculum to ensure that knowledge and skills learned in preschool prepare students to enter into the 1st grade.** Curriculum development will be led by the National Institute Education Development (INDE) with support from MINEDH and the Ministry of Gender, Children and Social Action (MGCAS) as well as other NGOs focused on ECD. Curriculum development and testing through *escolinhas* will ensure that the national preschool curriculum is complementary to the primary school (particularly grade 1) curriculum benefitting children who receive ECD intervention by allowing them to seamlessly transition into the 1<sup>st</sup> grade.

50. **Furthermore, this component is part of a multi-sector approach to ECD as it complements an early childhood nutrition component being implemented under the health sector.** Both the ECD component under the ESSP and early nutrition component under the World Bank-funded Health Service Development Project are being implemented in two of the same provinces (Cabo Delgado and Nampula) which presents a unique opportunity to evaluate the combined impact of nutritional and early stimulation interventions while controlling for geographical factors that may also impact early childhood development, and subsequently maximizing the benefits for children receiving the interventions. Based on global evidence, receiving both nutrition and early stimulation is expected to optimize the children's potential to succeed in school and to lead healthy and productive lives. This AF will provide ample time for both interventions to occur simultaneously in order for the children and their families to receive the maximum benefit and to provide a significant amount of time to evaluate the mid- to long-term impacts of the combined interventions on childhood development.

### **Subcomponent 3.2 – Technical and Institutional Capacity Building (Additional Financing: US\$1.5 million)**

51. **This sub-component supports the strengthening of (i) policy functions in the area of ECD; and (ii) implementation capacity to support ECD service delivery.** Through the parent project, MINEDH established the government structure needed at all three levels (central, provincial and district) to support and implement this project, including a fully staffed Preschool Department within the Directorate of Primary Education at the central level. This component will

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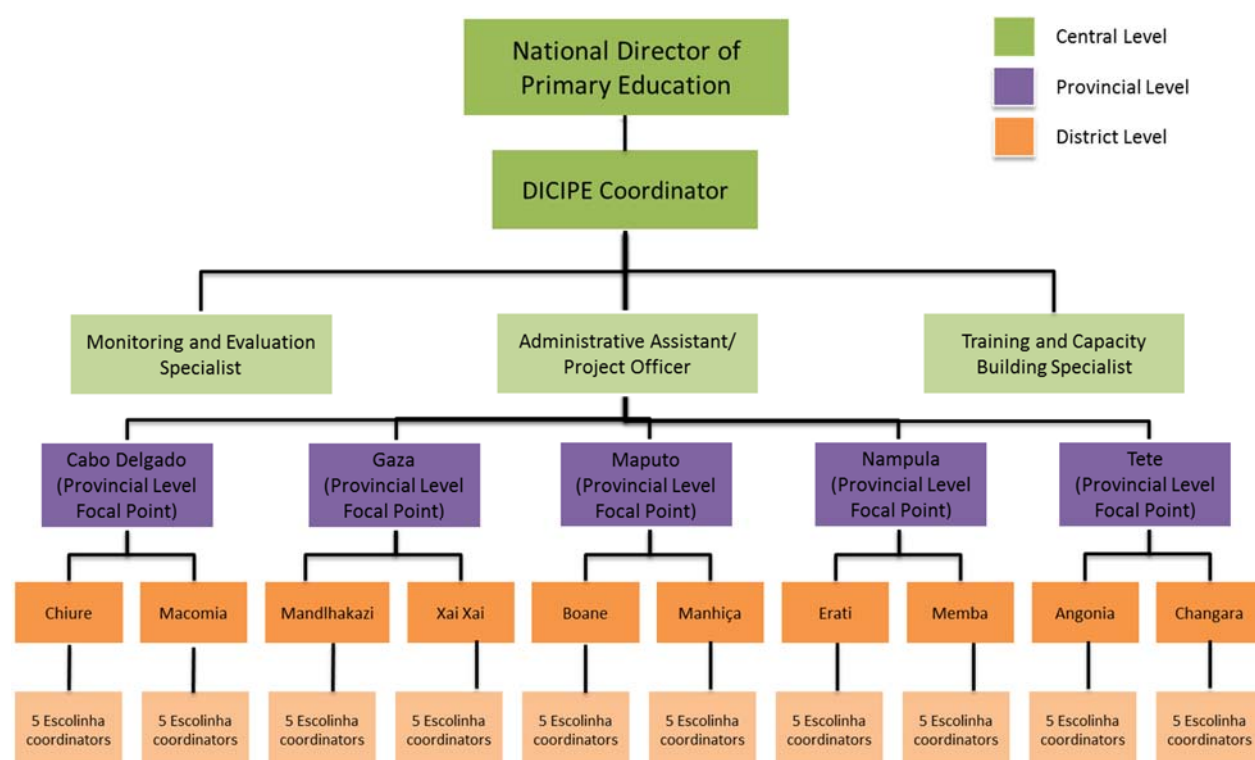
<sup>17</sup> The Lancet, ECD Series. 2016.

continue to support activities and staffing under the parent project to sustain ongoing activities.

52. **Reinforcement at the MINEDH central level will ensure a successful transfer of *escolinhas* from the TPPs to MINEDH while maintaining a continual rhythm of monitoring, supervision and capacity-building.** At the central level, a National Preschool Program Coordinator leads a team of three to four consultants who cover technical areas such as monitoring and evaluation, administration, and capacity building. These consultants are responsible for implementing and supervising the MINEDH ECD action plan. In this next phase of project implementation, they will be primary responsible for overseeing the successful handover of the *escolinhas* from the TPPs to the government staff at the provincial and district levels. They are also responsible for coordinating and overseeing the supervision of the *escolinhas*, to be led by the provinces and districts. Additional staff at the central level will have the added benefit of increased coordination between the three levels of government (central, provincial and district) but also inter-departmentally, ensuring that key aspects of the project are implemented in coordination such as maintenance of infra-structure, environmental and social safeguards, and procurement-related issues.

53. **Due to the increase in communities with the addition of Phase II, this component will support the hiring of additional coordinators at the district level to support on-going activities in Phase I and Phase II communities.** Currently, MINEDH has allocated three coordinators per district to oversee the operational activities of *escolinhas* in Phase I communities. The addition of 40 communities per district (as part of Phase II) will require an additional two coordinators per district (bringing the total to 50 district level coordinators throughout the five provinces.) See Figure 5 for the MINEDH Staffing Structure to support implementation of this component.

**Figure 5: MINEDH Staffing Structure at all 3 levels to support implementation**



**54. Workshops and seminars will support the transfer of skills and knowledge from the TPPs to government staff in order to build capacity for the successful takeover of activities at the end of the project.** In order to strengthen the Government of Mozambique's implementation capacity to support ECD service delivery in Mozambique, under the parent project, MINEDH developed and implemented a series of trainings for government officials from all relevant sectors and other stakeholders (including development partners and civil society organizations) involved in the ECD project. Moving into the next phase of the handover of the *escolinhas* to the government, the training of provincial and district level focal points will be key in ensuring a successful transfer of *escolinhas* from the TPPs to MINEDH. Training and capacity building in various areas such as monitoring and evaluation, data collection and reporting, teacher-training, implementation of the new parenting education curriculum, etc. will ensure that activities are sustained beyond the close of the project.

### **Subcomponent 3.3 – Knowledge Building (Additional Financing: US\$1.5 million)**

**55. This original sub-component is key to ensure the generation of evidence-based knowledge** and supported (i) an impact evaluation of ECD activities under the project, and (ii) a study of ECD model activities currently being implemented in urban areas including the city of Maputo. The urban study has been completed under the parent project and will be used to help the MINEDH analyze options for potential expansion of ECD services into urban settings.

**56. The Impact Evaluation is ongoing and includes both ECD (preschools) intervention and a nutrition intervention in coordination with Ministry of Health with the support of the Bank.** Baseline data for the impact evaluation was collected in 2016 by the National Institute of Statistics (INE). End line data collection is expected by January 2019 in order for children in the sample to have sufficient time in the ECD program. Initial results from the Impact Evaluation will be disseminated in a national workshop in April 2019, at the close of the project.

### **Component 4: Institutional Strengthening and Support of Strategic Thinking – Additional Financing US\$4 million**

**57. This new component aims at supporting MINEDH's effort of using evidence based policy decision making processes.** The implementation of the current education sector strategic plan has been a great opportunity for policy reforms and consolidation of good practices identified throughout the years. This component will create opportunities for analytical works such as impact and process evaluations of various reforms introduced under the current PEE. The results of such analysis would help define the future strategy and inform implementation mechanism that are suitable for the country context.

**58. MINEDH is entering a transition period as it begins to think and plan for the next Education Sector Strategy (PEE) post 2019.** The current PEE ends in 2019 and careful analysis of ongoing interventions and priorities is crucial in the planning of the future PEE 2020-2024. The proposed AF would support MINEDH to evaluate the impact of various interventions from the ongoing program and develop a coherent set of reforms to form the foundations of the future education sector plan.



59. **The current PEE (2012-2019) has placed considerable focus on the first few years of primary (including pre-primary) as they are key to developing better results at all education levels.** This component would support the evaluation of the impact of some of the ongoing key primary interventions under the current PEE (such as the revised teacher training program and the teacher career framework) to feed into the development of the next PEE. Following the positive impact of the dissemination of the Service Delivery Indicators (SDI) results released in 2015, the MINEDH has also expressed interest to carry out a new SDI survey to continue building upon the strong momentum towards improving learning outcomes and to use the SDI as a policy-monitoring instrument. This component would support the development of data collection and evaluation strategies (such as the SDI survey, SABER SD, and mid-term evaluation of the current PEE), to ensure that the future PEE builds upon evidence in regards to effective interventions, the progresses made, and lessons learned.

60. **As a result of the interventions focused on primary students, it is expected that within the next few years the impact of these interventions will come to fruition, putting pressure on secondary education as these students move up through the system.** Up until now, the secondary education system has received little analysis and overall funding, especially when compared with the primary system. According to the 2014 Household Survey, the net attendance rate in secondary is only 32 percent, with substantial regional disparities. In light of the expected increase and demand of students graduating primary school and entering secondary school, it is the MINEDH's intention to focus part of the future PEE on modernizing and increasing the relevance of the secondary education system, while at the same time making it more cost efficient. This proposed AF will provide technical assistance to support MINEDH in designing its vision for the future PEE, including the expansion of the secondary education system.

61. **This new component will provide technical assistance to MINEDH in the analysis of the data collected in preparation of the next education sector strategy.** It will bring international experience (through benchmarking and cross-country shared resources and knowledge) to support the MINEDH in the reform of key areas within the new sector plan (such as cost-sharing in secondary education, incentive programs at the local level, and the reform of the teacher training and career framework.) It will also finance activities aimed at building consensus with the diverse key education stakeholders and partners throughout the process of identifying key reforms as part of the future education strategy.

62. **Higher thresholds for prior reviews in procurement will be introduced during the implementation of the AF and MINEDH's procurement department will need to further strengthen their capacity.** Currently well-staffed by technical assistance consultants, the procurement department will need to continue improving its capacity to deal with complex procurement with less World Bank prior reviews. Capacity building through on the job training of existing and new civil servants will be of importance to ensure integrity in handling procurement at all levels (central, provincial and districts) in a sustainable manner. The AF would help MINEDH contract the necessary expertise in key areas such as textbook procurement, school construction and equipment, for knowledge transfer and consolidation of the procurement department.

### ANNEX 3: UPDATED ECONOMIC ANALYSIS

#### (i) Sector financing

63. **Public spending on education has rapidly increased over the past five years and, despite a slight decrease, the share of primary in total government spending remains high per international standards.** Over 2009 to 2015 government education expenditure showed a steady annual increase of 0.1 to 0.5 percentage points of GDP reaching over 7.1 percent in 2015. Public expenditure on education more than doubled from MZN16.6 billion in 2009 to MZN32.1 billion in 2015 (at constant 2009 prices). These increases are large when compared to other Sub-Saharan countries. The priority given to education in the budget remained fairly constant at 20 percent until 2012 and dropped by a percentage point each year until 2015 when it rebounded to 19.9 percent (Table). Although the actual execution per level of education is not available, the recent Public Expenditure Review estimates that the share of primary education was consistently above 45 percent over the last five years.

**Table 1. Trends in Education Expenditure**

	2009	2010	2011	2012	2013	2014	2015
Government expenditure on Education							
As % of GDP	5.6%	6.0%	6.2%	6.3%	6.8%	7.1%	7.1%
In % in Total Government Expenditure (IMF definition)	19.1%	19.8%	19.5%	20.0%	19.1%	17.3%	19.9%
All public expenditure (including donor funded)							
As % of GDP	5.6%	6.1%	6.6%	7.2%	6.8%	7.2%	7.2%

Source: 2016 Education Public Expenditure Review.

64. **Contribution of external funds to the financing of the sector has steadily decreased, reflecting the Government's overall goal of reducing its dependence on external financing.** The contribution of external financing to the education sector decreased from 29 percent in 2009 to 10 percent in 2015, a significant downward change, in line with the Government's goal of reducing its dependence on external financing, benefitting from sustained economic growth levels. During this period, more than 80 percent of external funds were channeled through FASE.

**Table 2: External Financing, expenditures in 2010-2015, projections 2016-2019, FASE and bilateral projects (in millions of USD)**

	Executed						Budgeted	Projected		
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
FASE	111	123	135	123	136	88	58	120	97	67
Bilateral Projects	36	34	33	24	22	32	1	30	25	20
Total External	147	157	168	147	158	120	59	150	122	87
Percentage FASE/total	76%	78%	80%	84%	86%	74%		80%	80%	77%

Source: MINEDH, 2016

(ii) *Economic justification for the AF*

65. **International and local evidence points to substantial benefits of investment in education at individual and societal levels.** While it is possible to obtain estimates for private economic returns to education, credible estimates of the social economic returns, which are necessary for public investment analysis, are elusive. It is also very difficult to quantify positive non-monetary externalities from education. Furthermore, the expected outcomes from education projects are long term and are difficult to attribute to a specific intervention. Investing in improving the quality of education is a complex, multi-pronged approach which cannot produce results in isolation. Nevertheless, based on the international evidence and the micro empirical evidence for Mozambique, the potential benefits of this program can be expected at both the individual and the social level.

66. **Evidence shows that economic private returns to education remain high in Mozambique, especially at primary level.** The original project referred to the Theory of Human Capital (THC) and associated empirical evidence to demonstrate substantial economic private returns to education. The THC argues that education enhances individual worker productivity which translates to higher earnings (Card 1999, 2001). Moreover, studies<sup>18</sup> on rates of return to education show that Mozambique has one of the highest private returns to primary education among SSA countries, meaning that investing in primary education is a profitable investment but also that improving completion of primary school can have an important direct effect on productivity and individual wages<sup>19</sup>. Although rates of return to primary education have decreased over time, they remain higher than in secondary and tertiary education.<sup>20</sup> The moderate decline of rates of return to primary between 2002 and 2008 took place in a context of rapid increase in school attainment<sup>21</sup>, suggesting that demand for skills remains strong.

**Table 3: Rates of Return to Education (Private), 2002-2008**

Year	Total primary	Total secondary	Total tertiary
Moz 2002	23.6	5.9	6.1
Moz 2008	20.2	13.3	17.7
SSA Average	14.4	10.6	21.0

67. **In addition, studies in Mozambique show a positive correlation between the level of education of the household head and both income and expenditure, and a negative correlation with poverty.** Among household heads, education is strongly correlated with higher per adult equivalent consumption. Results from regressing household log per capita expenditure on education confirm literature findings of a positive impact of education on well-being. For instance, having some lower primary education is associated with an 18 percent increase in per capita consumption, increasing to 35 percent for household heads who have completed upper

<sup>18</sup> Montenegro, Claudio E., and. Patrinos Harry A. 2009

<sup>19</sup> Filmer, Deon; Fox, Louise (2014) and Hanushek, E.A. and Woessmann, L. (2007)

<sup>20</sup> The rapidly increasing rates of return to secondary, and especially tertiary education, reflect however the growing importance of strengthening the provision of education at this level, at the individual and societal levels.

<sup>21</sup> The share of the labor workforce (between 20 and 64 years old) who completed EP1 increased significantly from 21% in 2003 to 29.1% in 2008, and the share of the labor workforce who completed EP2 went from 8.9% in 2003 to 17.9% in 2008 according to Louise Fox and al (2012)

primary education, and to 99 percent and steadily upward, when secondary education and beyond has been acquired. This analysis supports the Government's focus on a holistic and sustained development of the overall sector while continuing to prioritize primary education since the largest share of the population is active at sustenance level.

*(iii) Rationale for public investment*

68. **The parent project argued that the rationale for public investment in education was related to the high social, economic and non-economic rates of return to education, in addition to the market imperfections that preclude the poor from reaping the private returns to education.** In addition to private returns, social returns which occur when private benefits externalize to benefit the society as a whole, net of the social costs justify public investment in education. Economic social returns to education take the form of productivity enhancements leading to higher earnings, and higher growth rates.<sup>22</sup> Non-economic returns are manifested in the form of healthier lifestyle, more informed decision-making and personal development, and can extend to social cohesion, civic engagement and democratic participation.<sup>23</sup> From a public economics rationale, the significant positive externalities from education justify government investment in the sector. Even if the magnitude of the economic private returns surpass the economic social returns, the presence of noneconomic externalities to education coupled with credit market constraints that result in individuals under investing in education, present an economic rationale for some significant degree of public investment, especially at primary level.

69. **Building on this, the rationale for public investment is even stronger in the context of this AF given its focus on improving the quality of education which is expected to reinforce its impact on economic and social development.** In addition to the commonly measured quantity of education impact on earnings, as captured by the years of schooling or educational levels attained, the quality of education plays a significant role on earnings. This is proven on the micro level (Glewwe 2002, Bedi and Edwards 2002). On the macro level, education was found to have a positive impact on growth when it was measured in terms of quality as opposed to quantity (Hanushek and Kimko 2000). Common ways to improve the quality of education has to do with the curriculum development, improving teacher qualifications, and having adequate acceptable learning conditions (Hanushek and Luque 2003). The evidence for Mozambique indicates that lower pupil teacher ratios, higher teacher qualifications, and the availability of textbooks are all positively and significantly correlated to higher test scores which reflect better educational quality.

70. **Moreover, the focus of the AF on the first cycle of primary education is expected to lead to a stronger impact of the project in the poorest and most rural communities.** Data shows that dropout rates during the first three years of primary education in Mozambique are higher in the poorest and most rural communities. Therefore, strategies to improve retention and learning outcomes during the early years of primary education are expected to have stronger impacts in the poorer and more rural areas, and thus disproportionate effects in terms of poverty reduction. Addressing the quality of education will directly improve equity. It is the poor who are especially harmed by poor service delivery and hence suffer from poor outcomes. Therefore, by

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<sup>22</sup> Though the macro empirical literature is inconclusive, some evidence on the positive impact of education on growth is found when the assumption of the linearity relationship between education and growth is dropped and when the impact of education on growth is considered with a time lag.

<sup>23</sup> Evidence of the positive impact of education on non-economic dimensions, as well as the powerful externalities of parents schooling are numerous and robust.

working to improve education quality of those living in the poorest areas, the project is expected to have a positive impact on overall poverty reduction.

71. **Finally, the focus on ECD would contribute to increasing further the impact of the AF on economic and social well-being of the population, especially the poorest.** A large and growing body of rigorous international evidence demonstrates that the skills developed in early childhood form the basis for future learning and labor market success, and that failure to develop these foundational skills during the window of opportunity of early childhood can lead to long-term, often irreversible effects. Data from multiple countries show that poor children who do not have access to quality ECD interventions are more likely to experience poor school performance, including high rates of repetition and dropout, as well as high morbidity rates.<sup>24</sup> They are also more likely to have low productivity and income as adults, to provide poor care for their children, and to contribute to the intergenerational transmission of poverty.

(iv) *World Bank Value Added*

72. **The AF would be complemented by partners funding through a pooled funds mechanism, FASE.** The IDA contribution of US\$59 million would be channeled through the common fund (FASE). FASE is the primary channel for external funds to the education sector especially at primary level, and is complemented by other bilateral projects targeting mostly post-basic education. External funding is complementary to internal government funding (around 80 percent of the overall sector budget) and covers key recurrent spending of the sector (i.e. salaries, recurrent costs of educational institutions, basic investments in infrastructure, etc.). All external support (FASE and non-FASE) is coordinated by the MINEDH to support the implementation of the ESP that embraces all levels of education, as well as overall institutional development. This coordinated support to the education sector through the sector-wide approach (SWAp) involves joint reviews and evaluations as well as on-going dialogue on strategic issues.

73. **The World Bank's involvement is expected to bring tangible value-added in several key domains.** The World Bank's global knowledge, technical and operational expertise will be critical in providing technical support and consensus-building around system and institutional changes, which are expected to yield economic and social returns in the longer term. The World Bank's comparative advantage in supporting multisector solutions to enhancing education outcomes is especially valued by all stakeholders, and reflected in the proposed ECD activities, which combine education and nutrition interventions aimed at addressing the current lack of school readiness (see Annex 2 for a detailed description of activities).

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<sup>24</sup> World Bank, 2011

## ANNEX 4: UPDATED IMPLEMENTATION ARRANGEMENTS

### *Institutional and Implementation Arrangements*

74. **The Ministry of Education and Human Development (MINEDH) is fully responsible for project implementation.** As with the parent project, different units or departments within MINEDH will be responsible for various activities within the ESSP. For example, under Component 1, the Commission for the Evaluation of Textbooks (CALE, *Comissão para a Avaliação do Livro Escolar* in Portuguese) is responsible for ensuring the quality of the books that are provided to primary education, in cooperation with the Institute of the Development of Education (INDE) who is responsible for developing the curriculum and monitoring its effective implementation. Overall institutional monitoring and planning of the ESSP is coordinated jointly by the directorates for planning (DIPLAC) and administration and financial management (DAF) within MINEDH. Since the approval of the parent project in 2011, the capacity of implementation within MINEDH has improved significantly from the central to district level, with continued progressive improvements in planning, budgeting, implementation and monitoring of education policy and strategies. This AF will maintain the same institutional implementation arrangements as the parent project.

### *Financial Management*

75. **The project's financial management (FM) arrangements remain adequate, satisfactory and in general not expected to change in the short-term.** It will continue to make use of the same Designated Account (DA) in the *Banco de Moçambique* for receiving from IDA and other Partners after which funds will be transferred to the government's single treasury account (CUT).

76. **To facilitate disbursements and documentation of expenditures, the project will submit quarterly Interim Financial Reports (IFR) within 90 days of the end of the quarter, similar to the current arrangements.** The report covers all activities related to FASE, but only those pertaining to activities specified under the project will be considered for documentation. Entire FASE audit reports will be submitted to IDA and the Partners within six months of the end of the year and the audits will be carried out in accordance with International Standards on Auditing. The audited financial statements will also have on the notes to the financial statements a summary of sources and uses of funds which indicate funds received from the IDA and the related expenditures.

77. **FASE's FM capabilities continue to reveal significant and demonstrable improvement.** Despite its decentralized and complex nature, and although some challenges remain, particularly at the district level, FASE's FM capabilities are significantly improving in terms of technical quality, planning, time management and coordination with shared responsibilities among all units, from central, provincial and district.

78. **Following the identification of undisclosed loans, the program funds flow went through a risk analysis which resulted in recommendations that are being implemented by FASE.** Additional mitigation measures were identified, including the implementation of more controls and the preparation of additional reports to provide reasonable assurance that FASE funds are not being used for unintended purposes. These measures are summarized in an action plan, which is an annex to the Memorandum of Understanding on FASE and which includes:

- Additional supervision and monitoring measures for the FOREX and CUT accounts of ESSF, implemented by the existing team and verified by the Financial Controller;
- Adoption of a disbursement plan in accordance with the MINEDH Treasury Plan (plan of liquidity) that reduces the accumulation of funds in the ESSF FOREX account;
- Funds should not stay in the general CUT for more than an agreed number of hours/days before being transferred to the CUT – MINEDH;
- Maintaining the Financial Controller position;
- Strengthening the capacity of the PFM Working Group by hiring an external and independent technical consultant to work closely with the Financial Controller;
- MINEDH, through the Directorate of Administration and Finance (DAF), to inform the donor group immediately of any irregularity that occurs in the system;
- Monthly statements of the FOREX and CUT accounts of ESSF;
- Monthly summary of financial reports that include the FOREX and CUT accounts of ESSF, submitted to the PMF Working Group;
- A quarterly Treasury plan and monthly financial planning of e-SISTAFE detailing the liquidity needs, so that the disbursements of DPEDH will be made in a timely manner;
- Reduction of the time limit for the conclusion of the administrative process relating to the payments in e-SISTAFE from 45 days to 30 days as a result of the new procurement regulations that are being implemented; and
- Verification by the financial auditor and the PFM Working Group at the end of the current year/ start of the new year that the remaining balances are being reinstated in ESSF.

79. **The overall project risk for FM at the MINEDH is Substantial.** There are no overdue audits, IFRs or other FM Covenants and the proposed FM arrangements, meet the minimum requirements for financial management under OP/BP 10.00.

#### *Procurement Arrangements*

80. **The current procurement arrangements, which have worked well, will be maintained during the AF period.** Procurement activities under the AF would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD (International Bank for Reconstruction and Development) Loans and IDA (International Development Association) Credits and Grants by World Bank Borrowers" published by the World Bank in January 2011 (revised July 2014) and the World Bank's "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011 (revised July 2014) (the Guidelines). Anti-corruption guidelines which apply to this Project are: "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011".

81. Exception to the use of the previous Guidelines was sought and granted by the Chief Procurement Officer (CPO), based on the fact that the MINEDH is still managing two other operations using the Guidelines, the IDA-D084/5100 and the TF-A0429, both with substantial funds still to be disbursed over the next two years, which contribute, along with the funds from the AF, to the FASE pool fund and, therefore, it would not be practical to have several World Bank funded operations into the same pool with different procedures. In addition, the introduction of the New Procurement Framework (NFP) would not benefit the Ministry in the use of the new methods

available. Furthermore, existing implementation arrangements, manuals and procedures, as agreed with the Development Partners contributing to the FASE pool, will be retained.

82. **Existing implementation arrangements in place for the ESSP will remain unchanged for the AF operation.** MINEDH is currently resourced with a pool of experienced procurement officers, supported by an experienced internationally recruited procurement specialist. Arrangements in the Project Appraisal Document of the parent project and procedures, and positions currently under the Directorate of Administration and Finance of MINEDH will be maintained and will be used to implement the procurement activities under the AF.

83. **The Procurement performance of the current project has been Satisfactory.** Based on the known capacity of the MINEDH and ratings from the most recent Procurement Risk Assessment Management System (PRAMS) exercise, the performance of MINEDH is Satisfactory. However, the World Bank will continue to be engaged with the Ministry to ensure sustained capacity to implement procurement under the FASE financing, to which the World Bank has overall fiduciary oversight.

### *Safeguards*

84. **The proposed AF does not introduce new environmental and/or social risks.** The parent project (P125127), the first AF (P124719) and the second AF (P151185) were classified as Category B with respect to environmental and social matters. The proposed AF will add a new component 4 (*Institutional Strengthening and Support of Strategic Thinking*) to the three components of the second AF. The new component 4 would support the development of data collection and evaluation strategies and also finance activities aimed at building consensus with the diverse key education stakeholders and partners throughout the process of identifying key reforms as part of the future education strategy. The proposed AF will continue with Component 3: Supporting Community-based Early Childhood Development Activities, to ensure the activities are implemented as planned and to extend the provision of services until the revised closing date of June 2019, as they remain highly relevant to the higher objectives of the project. In addition, as was the case under the parent project, school construction is expected to be financed under FASE, the pooled fund through which the proposed AF will be channeled. Consequently, no changes in safeguards classification are proposed.

85. **Both the original project, the first and second AF, classified as Category B, triggered three safeguards policies:** (i) Environmental Assessment (OP/BP 4.01), (ii) Pest Management (OP 4.09), and (iii) Involuntary Resettlement (OP/BP 4.12) due to the anticipated negative impacts related to school construction and/or rehabilitation. Thus, in compliance with the World Bank's requirements safeguards instruments - namely Environmental and Social Management Framework (ESMF) to address OP/BP 4.01 and OP 4.09, and the Resettlement Policy Framework (RPF) to address the OP/BP 4.12 basic requirements - were prepared and disclosed (in both the World Bank's InfoShop and in country).

86. **The proposed AF will therefore maintain Category B of its original project** since the specific details of the construction activities to be financed by FASE (of which this project is a part) will not be known prior to project approval. The proposed AF will trigger OP/BP 4.01 Environmental Assessment, OP/BP 4.12 Involuntary Resettlement and OP/BP 4.09 Pest Management. The AF will use the safeguards instruments (ESMF and RPF) prepared and disclosed in 2011 and 2012 respectively for its parent project. The ESMF and RPF of the parent project have



been reviewed and re-disclosed in 2015. Since the proposed AF does not introduce changes in the project scope and activities, and it is not expected that there will be changes in the potential environmental and social risks and impacts already evaluated and considered in the actual ESMF and RPF, will not be required further changes and re-disclosure. The ISDS was updated and re-disclosed both in-country and at the InfoShop and any site specific ESMP and RAP will be prepared and implemented accordingly when details and characteristics of the location are known or should land acquisition occurs.

**87. The Client and the Project Coordination Unit have acquired considerable experience with World Bank projects and are familiar with implementation and supervision procedures recommended under safeguards policies triggered by this AF.** The Client and its key stakeholders (PIUs, Contractors, Ministry of Land, Environmental and Rural Development (MITADER) and Local Administration) have been trained through three regional workshops aiming at improving the understanding of World Bank safeguards policies as well as the implementation and reporting requirements. More recently (August 31, 2016) a training workshop was undertaken for relevant stakeholders (DIEE, DINEP, DINES, TTPs) including the project safeguards specialists, focused on the relevance of safeguards in school construction, and the E&S screening process towards the ESMP. Trainings were also provided to Third Party Providers (TPPs) to align the basic safeguards requirements throughout the AF project implementation. The current project also benefits from the presence of two safeguards specialists (social and environmental) in the PIU who have gathered considerable skills and competencies needed to ensure the compliance of the safeguards policies. The two safeguards specialists will continue to work under close guidance and supervision from the World Bank safeguards team.

**88. The Borrower had prepared, consulted on and disclosed a number of Environmental and Social Management Plans (ESMPs) for infrastructure in country and in Infoshop.** The ESMPs have constituted an integral part of the ESC (Environmental and Social Clauses) for the civil works contracts. In addition, screening, monitoring and reporting forms were prepared and tested in each province prior to the series of regional safeguards trainings and the forms are now annexed to the ESMPs. While implementing the ESMPs, the Borrower has systematically issued reports. No major impacts have been reported and best practices related to environmental and social aspects were adopted which include the preservation of native trees in the schoolyard; integration of female workers in the construction process; integration of appropriate ramps to allow accessibility for disabled persons, and ensure that the area where the *escolinha* is built does not contain ravines, ponds, swamps, loose soil, rocky terrain, or other hazardous constraints such as the passage of high-voltage lines, railways, highways. As part of the results of the implementation of ESMPs, the Work Identification Form now includes specific environmental and social issues to each school infrastructure under construction. These are lessons learnt from FASE activities which are now embedded within MINEDH. Prior to appraisal of this AF, the safeguards team, through a specific safeguards mission carried out from September 12<sup>nd</sup> to 17<sup>th</sup>, 2016, confirmed that MINEDH have adopted and implemented these. The current AF will benefit from this accumulated experience and incorporate lessons learnt from the parent project.

#### *Overall Implementation Risks*

**89. Implementation risks are considered Moderate, and include mostly the risks of non-compliance and delays in applying fiduciary and safeguards procedures, as well as weaknesses in existing implementation capacity.** Weaknesses in the implementation of

safeguards principles were noted during the lifetime of the parent project, and substantial efforts in training and support were made to redress the situation. Still, compliance in terms of fiduciary and safeguards policies remains a challenge given the size of the overall FASE. Procurement processes are particularly vulnerable, with the risks of accumulating delays. This has been managed relatively well under the parent project, notably with the support of a strong procurement team at the MINEDH, who are well versed with World Bank procedures. Another factor of risk during implementation is related to capacity, particularly at the local level, which the *Balanço* highlights as being a major constraint to better results. Enhancing this local capacity is an integral part of the MINEDH's overall strategy to improve service delivery, using a three-pronged approach that involves: i) training and other capacity building activities; ii) performance-based incentives; and iii) allocation of resources to improve the working environment.

## ANNEX 5: REVISED COST OF THE PROJECT FINANCED BY FASE

1. As discussed earlier, the proposed AF will contribute to the pool of funds FASE, to which another nine partners contribute in support to the PEE. Mozambique has an integrated planning and budget system, and contributions to the pool are not earmarked which implies that all financial contributions are considered complementary towards the financing of PEE. The cost of the implementation of the PEE is expected to be US\$4.5 billion over 2016-2019. Around 90 percent is expected to be financed through internal budget, 7 percent through FASE and the remainder through bilateral and multilateral projects including the World Bank's PFM4R operation. With regards to the FASE, about three-quarters of the resources channeled through the pool are expected to target primary education over 2016-2019.

**Table 1: Estimated spending under FASE, 2016-2019, million US\$**

Intervention area	2016	2017	2018	2019	Total	Contribution of the AF III	
						Amount	Percentage of total over 2016-2019
<b>Primary Education</b>	<b>46.5</b>	<b>87.2</b>	<b>72.0</b>	<b>74.0</b>	<b>279.7</b>		
Early Childhood	10.0	10.0	3.0	5.0	<b>28.0</b>	7	25%
Books	16.0	24.7	25.0	25.0	<b>90.7</b>	21	23%
Direct support to school	9.0	7.5	15.0	15.0	<b>46.5</b>	27	58%
Bilingual education	1.1	3.2	2.5	2.0	<b>8.8</b>		
Classroom construction	4.1	33.0	16.0	16.0	<b>69.1</b>		
Teacher training	2.8	4.5	5.0	5.0	<b>17.3</b>		
Additional learning materials	1.5	2.3	3.0	3.0	<b>9.8</b>		
M&E and research	2.0	2.0	2.5	3.0	<b>9.5</b>	4.0	42%
<b>Institutional development</b>	<b>5.8</b>	<b>6.4</b>	<b>7.0</b>	<b>9.2</b>	<b>28.4</b>		
District supervision	1.3	2.6	3.5	3.5	<b>10.9</b>		
Capacity building	2.3	2.0	2.0	3.0	<b>9.3</b>		
Provincial supervision	0.9	GFPoR	GFPoR	1.2	<b>2.1</b>		
Support to boarding schools (feeding)	1.3	1.8	1.5	1.5	<b>6.1</b>		
<b>Adult literacy and education</b>	<b>1.7</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>8.2</b>		
Curriculum, books and learning materials	1.7	2.5	2.0	2.0	<b>8.2</b>		
<b>Secondary education</b>	<b>15.0</b>	<b>15.8</b>	<b>14.0</b>	<b>11.5</b>	<b>56.3</b>		
Direct support to school	1.0	1.9	2.0	2.0	<b>6.9</b>		
Classroom construction					<b>0.0</b>		
Complex construction	10.0	7.0	5.0	5.0	<b>27.0</b>		
Laboratories and ICTs, books	2.0	3.3	3.0	3.0	<b>11.3</b>		
Distance education	1.0	2.0	2.5		<b>5.5</b>		
M&E and exams	1.0	1.6	1.5	1.5	<b>5.6</b>		
<b>Total</b>	<b>69.0</b>	<b>111.9</b>	<b>95.0</b>	<b>96.7</b>	<b>372.6</b>	<b>59</b>	<b>16%</b>

## ANNEX 6: BIBLIOGRAPHY

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## ANNEX 7: MAP OF MOZAMBIQUE

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