

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC7622

Project Name	Romania Secondary Education Project (P148585)
Region	EUROPE AND CENTRAL ASIA
Country	Romania
Sector(s)	Secondary education (75%), Tertiary education (25%)
Theme(s)	Education for all (75%), Education for the knowledge economy (25%)
Lending Instrument	Investment Project Financing
Project ID	P148585
Borrower(s)	Government of Romania
Implementing Agency	Ministry of National Education
Environmental Category	C-Not Required
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Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Romania recorded some of Europe's highest growth rates in the mid-2000s with several years of strong economic growth accompanied by a rapid increase in government spending. Economic growth exceeded 6.5 percent during the period from 2003-2008, and public spending accelerated during the same period against the backdrop of Parliamentary and Presidential elections. However, the Romanian economy was severely impacted by the global financial crisis that began in 2008. The country's economy contracted significantly in 2009, forcing the government to borrow heavily to maintain stability. In total, the fiscal deficit hit a high of 7.5 percent of Gross Domestic Product (GDP) in 2009, and the Romanian economy contracted by a cumulative 8 percent during 2009 and 2010, which compelled the country to implement a demanding fiscal consolidation program during 2010-2012.

While Romania recovers from the global financial crisis, its future growth remains vulnerable to external factors. Romania's economy is largely driven by its services, agriculture, and industry

sectors. Growth was around zero in 2012 as a result of three factors: (i) an extreme winter at the start of the year, which hit consumption and industrial output; (ii) protracted economic turmoil in the Eurozone, which resulted in flat exports in 2012; and (iii) a drought that hit the agricultural sector, shaving approximately one percentage point from growth in 2012.

Although it declined dramatically between 2000 and 2008, Romania's poverty rate is still among the highest in the EU. Poverty rates declined from 36 percent in 2000 to 5.7 percent in 2008 and 4.4 percent in 2009 due to increased social protection and insurance spending.

Poverty is particularly concentrated among the Roma minorities. A World Bank 2010 study indicated that the most disadvantaged are the Roma, with poverty rates as high as 67 percent. In addition, a large majority of Roma communities (74 percent) face severe revenue challenges, and 23 percent are not currently connected to electricity and/or running water. Not surprisingly, this situation directly affects the social and economic opportunities available to Roma children

Overall, the Romanian economy still struggles with low employment and labour force participation. Particular challenges are posed by a persistently low employment rate, which at 63 percent is amongst the lowest in the EU10. While this has remained relatively stable, it has slightly declined in recent years. Romania's national Europe 2020 employment target is 70 percent for the population aged 20-64 (the current rate is 63.8 percent and EU regional target is 75 percent). It will require national efforts to reach this target and tailor-made approaches to bring inactive groups of the population back into the labor market. For Romania, low labor participation means that out-of-the-labor-force working age people do not contribute to economic growth.

The population of Romania has declined significantly in the last two decades and, similar to European peers, Romania has an aging population. Between 1990 and 2011, Romania's population declined from 23.2 million to around 21.3 million. Complicating matters, over two million people of working age (25 percent of the labor force) are estimated to have emigrated in search of better job opportunities in Europe and elsewhere. Romania's shifting demographics will require a balance between policy reforms aimed at education and the economy. Mitigating the negative impact on economic growth stemming from the population decline and from aging will necessitate efforts to raise employment and productivity of Romania's workforce.

Romania's low absorption of available EU funding between the 2007 and 2013 programming period supports a continued emphasis on strengthening the government's capacity. By June 2013, the absorption rate was 26.2 percent, but rose to 33.47 percent by the end of 2013. Romania's EU Cohesion Funds allocation for the current programming period 2014-2020 amounts to €2.99 billion, of which €1.77 billion is allocated to European Structural Funds (ESF). The total Indicative allocation for the Thematic Objective – "Investing in education, training, and vocational training for skills and lifelong learning" is €1.59 billion. This objective incorporates future interventions in area of reducing early school leaving, increasing participation in lifelong learning, tertiary education and vocational education and training (VET).

Sectoral and Institutional Context

Structure of the Education System

The Romanian pre-university education system includes: (i) early childhood education (0-6 years); (ii) primary education (grades 0-4); (iii) lower secondary education/gymnasium (grades 5-8); and

(iv) upper secondary education (grades 9-12 or 9-13, depending on the stream: theoretical, vocational, and technological). Tertiary education includes university and non-university education. Lifelong learning is promoted through relevant legislation. Education is compulsory for 11 years, starting at primary education, and also covering lower secondary education and the first two years of upper secondary education/high-school (grades 9-10). The entire high-school cycle (grades 9-12 or 9-13) is expected to become compulsory by 2020. The students' assessment and evaluation system includes two milestones that determine transitions into upper levels: a national grade 8 exit exam, and the Bacalaureate at grade 12.

Access, Quality and Equity

Demographics. If current projections on demographic declines hold, the number of school-aged children and youth in Romania will decline by 40 percent by 2025, compared with 2005 figures. The declining working and student populations have immediate and long-term implications for Romania's growth and development agenda; using all of Romania's human resources at their highest capacity is of utmost importance, and will require providing high quality, relevant and affordable opportunities for enhancing education and skills for every single citizen.

Access. Roughly 45 percent of all Romanian youth live in rural areas, but only 24 percent of students come from rural areas, and only 17 percent of high schools and 33 percent of vocational schools are in those areas. The drop-out rate in secondary education is about 1.5 times higher in rural schools than in urban ones. As students progress through the education system, fewer and fewer rural youth are represented, especially in post-secondary education.

Quality. Results from PISA 2012 show the challenge of adequate quality that Romania, and young Romanians, are facing: 37.3 percent of students fail to demonstrate basic reading skills (compared with the 18.1 percent average from the EU-28) and an even higher percentage fail to demonstrate basic numeracy skills (40.8 percent compared to the EU-28 average of 23.5 percent).

Equity. Students from socially, culturally and economically marginalized communities are at highest risk of exclusion. Poor students are perhaps the most disadvantaged when it comes to outcomes: PISA 2012 results in both reading and mathematics show about a 100-point difference in scores between the top and bottom 20 percent of 15 year olds based on socio-economic status; this difference is equivalent to an academic gap of about 2.5 years. Not surprisingly, the better-off are more likely to enroll in and successfully complete tertiary education. More than 50 percent of the richest quintile of Romania's youth (25-29 year olds in 2009) holds a tertiary degree, whereas the rate of tertiary completion for the poorest quintile is only five percent. While the situation improved somewhat between 2002 and 2009, students from poorer (and rural) households continue to lag substantially behind their better-off urban peers.

Students living in rural areas face additional challenges. Only 37 percent of 19-21 year olds coming from rural households have completed a high school degree, compared to 68 percent of their peers in urban households. The low number of upper secondary education schools located in rural areas is an important contributing factor. Students from rural areas who attend upper secondary education are often forced to travel long distances or to move away from home to go to schools closer to urban centers, which results in high costs for them and their families.

Roma students. Regarding Roma students, fewer than 10 percent of Roma children complete high

school and, though exact estimates vary, it is thought that less than one percent of Roma children complete tertiary education. The early school leaving rate for Roma living in rural areas was almost 30 percent in 2012, while the rate for all Romania is 17.4 percent. In addition, Roma communities tend to exhibit multiple factors that place them at risk for failure in education, as these communities are more likely to be poor, rural, or with adults with low educational attainment and limited capacities to support their children academically.

Transitions

The highest drop-out rates are registered at the transitions from one cycle to another, especially at 1st, 5th and 9th grades. In the school year 2011/2012, the highest drop-out rates were registered by boys in rural areas (2.6 percent at 5th grade). Since 2005, the completion rate at lower secondary registered the lowest value in the school year 2011, at 82 percent. Moreover, the rural-urban gap was significant, as evidenced by 71.4 percent and 94.7 percent, respectively.

Transition from Upper Secondary to Tertiary Education. According to the National Institute of Statistics (NIS), 888,768 students were enrolled in 1,615 high schools in Romania, in the academic year 2011/2012. The transition rate from upper secondary to tertiary education, as measured by the average Baccalaureate passing rate, decreased from 78 percent in 2009/2010 to 56 percent in 2011/2012. The lowest passing rate in the Baccalaureate in 2011/2012 was observed in technological high schools, in which only 29 percent of their graduates succeeded. At the same time, the number of students who are at risk of not continuing into tertiary education increased from approximately 74,000 to 100,000, which includes those who failed the Baccalaureate, did not take this exam and did not graduate in high schools.

Enrollment and Drop-outs in Tertiary Education. Overall, enrollment in tertiary education has decreased significantly, since the academic year 2005/2006, from 716,464 (72 percent of them in public institutions) to 464,592 (78 percent of them in public institutions) in 2012/2013. According to the NIS, the enrollment rate in tertiary education for young students aged 18 years old (i.e. tertiary education entrance age) decreased 50 percent from 2005/2006 to 2012/2013. Additionally, the average number of years of schooling in tertiary education for students aged 19-23 was 1.2 in 2012/2013, compared to 1.4 years in 2005/2006, which shows that these students drop out tertiary education too soon. At least 18 percent of 1st year tertiary education students dropped out in 2010/2011, considering all tertiary education institutions of Romania. This figure is consistent with the findings of a study with a sample of more than 1,400 students of the 1st year of tertiary education enrolled in state-funded institutions, which shows that the risk of dropping out was pointed out by 19.2 percent of the respondents.

Financing of Education

Overall, financing for education in Romania is amongst the lowest in Europe, based on Eurostat data for 2010. For that year, public expenditure for education was at 3.53 percent of GDP in Romania, in contrast to countries like Hungary (4.88 percent), Slovakia (4.22 percent), Bulgaria (4.10 percent), Denmark (8.8 percent), Sweden (6.98 percent) and Norway (6.87 percent). The average level of education expenditure as a percentage of GDP or public expenditure is currently at 4.1 percent. Romania has decreased its per-student expenditures, since 2008. In 2010, Romania decreased per student expenditure for tertiary education by 19.5 percent (in Euro PPS) as compared to 2008, by 20.2 percent for upper-secondary and post-secondary non tertiary education, and by

24.6 percent for primary and lower secondary education. In contrast, Poland increased expenditures per student in 2010 by 28.5% for tertiary education, by 15.9% for upper-secondary and post-secondary non tertiary education, and by 20.2 % for primary and lower secondary education over the same period, while this country actually had lower overall expenditures on education.

Highly performing education systems in Europe and elsewhere have a comparatively high entrance salary to attract the best into the profession. Salary increases over a lifetime, on the other hand, are often moderate in these systems. The maximum annual gross statutory salaries of full-time fully qualified teachers in public schools in Romania relative to GDP per capita are low when compared with other European countries. Moreover, the entrance salary of a teacher in Romania (below EUR 200) is amongst the lowest in Europe , second only to Latvia, and this provides little incentive for good candidates to enter the teaching profession. In terms of expenditures for teacher salaries, salaries represented 46 percent of total education expenditures in Romania in 2011, as compared to the EU average of 61 percent.

Romania needs policies that aim to face these challenges when allocating its scarce budget resources. Given the austerity measures and the need for short and medium term fiscal consolidation, the current education budget allocation is unable to fully cover the necessary additional resources to schools to provide effective support to disadvantaged students. For example, a recent ISE and UNICEF study from 2013, which was conducted in primary and lower secondary education schools with a high share of students from socially and economically disadvantaged backgrounds, demonstrates that schools budgets rely almost entirely on basic per capita funding. Little budget is left over for qualitative inputs once utilities and other operating costs are paid. Schools in disadvantaged areas, which arguably have the greatest need for additional resources, receive less than 10 percent of their total budget from other sources (equivalent to a value of EUR 4 per month per student, in addition to the per capita allocation. The consequences of this funding constraint include: (i) a high level of dependency on supplemental funding from local authorities, which are unable to marshal the funds needed; and (ii) barriers to attract high-quality teachers and school managers to schools.

The Ministry of National Education (MoNE) is preparing strategies on reducing early school leaving, lifelong learning and tertiary education, which is being technically supported by the World Bank. These strategies will lay the foundations for the preparation of operational programs for the use of European Union funds in the programming period 2014-2020. These funds would be mainly allocated to tackle the challenges in primary, lower secondary and tertiary education. Although the Thematic Objective 10 of the Partnership Agreement of Romania allows investments in secondary education, the operational programs that are being prepared do not include interventions addressing the challenges of upper secondary education and the transition of students into tertiary education.

Relationship to CAS

This proposed Project is aligned with the latest draft Country Partnership Strategy, which has a strategic pillar on growth and jobs creation, with a focus on education and skills. Specifically, this Project would contribute toward achieving the country goal on inclusive and efficient labor markets through improved education and skills. It would also contribute to the pillar on social inclusion, by instituting policies aimed at rectifying inequalities related to socio-economic status and the marginalization of specific communities, including the Roma population and those living in rural areas. Moreover, this Project would contribute toward achieving the country goal on the provision of inclusive services, which include education, for marginalized communities.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The Project Development Objective is to improve the transition from upper secondary into tertiary education of Romanian students, particularly those students from disadvantaged groups.

Key Results (From PCN)

- an increased average Bacalaureate passing rate in high schools serving students from disadvantaged groups;
- an increased average completion rate in high schools serving students from disadvantaged groups; and
- a decreased drop-out rate of students from disadvantaged groups enrolled in universities in the first year of study.

III. Preliminary Description

Concept Description

The proposed Project is to be implemented over a period of five years, between 2015 and 2019, and would be financed by a loan of US 275.26 million. The proposed Project is organized around four components as follows:

- Component 1 – Improving the Quality and Relevance of Upper Secondary Education
- Component 2 – Supporting the Needs of Newly Enrolled Tertiary Education Students
- Component 3 – Strengthening the Institutional Capacity to Implement and Monitor Programs for Education Quality Improvement
- Component 4 – Supporting Results-Based Education Quality Improvements

Component 1- Improving the Quality and Relevance of Upper Secondary Education

The objective of this component is to improve the quality and relevance of upper secondary education through a decentralized approach. This subcomponent would support grants for high schools with high shares of students from disadvantaged groups, with the aim at facilitating the transition from upper secondary into tertiary education. The selection criteria for high schools to benefit from this component is that they need to serve a significant numbers of students who are: from Roma communities; from minorities; from low income families; living in rural areas; at risk of leaving school early; and performing low in tests/exams including the Bacalaureate. These target groups will be identified during project preparation. At the end of the proposed Project, it is expected an increase in the average completion rate and the Bacalaureate passing rate, as well as in the share of graduates of technological upper secondary education schools who continue into tertiary education.

This component would finance technical assistance to targeted high schools on the preparation of proposals for the grants, which should help these schools' representatives identify the local needs in terms of improving the teaching and learning conditions. The grants would be awarded to targeted high schools on the basis of a menu of eligible activities to be further identified. These activities would include, but would not be limited to: counselling; tutoring; remedial classes; extracurricular activities; forums with representatives of the local labor market; outreach to families; teachers training; purchase of teaching and learning materials; equipping laboratories; and minor civil works. Adopting a limit for investments in goods and civil works would be considered at preparation. The feasibility of participation of experienced teachers in activities like tutoring would be explored at

preparation.

The preparation of proposals for the grants should include the participation of representatives of teachers, parents, local authorities, in addition to school managers. To increase equity in opportunities in upper secondary education, a set of criterion for the allocation of grants per county would be developed taking into account several factors such as: average income level of families; share of students from Roma communities and minorities; share of students living in rural areas; share of students at risk of leaving school early; and students' performance in tests/exams including the Bacalaureate. The evaluation of proposals would probably take place at the county level with the participation of representatives of Inspectorates and other regional stakeholders, following a good practice of the Romania Rural Education Project (P073967).

Component 2 – Supporting the Needs of Newly Enrolled Tertiary Education Students

The objective of this component is to support the needs of students from disadvantaged groups who are at risk of dropping out tertiary education institutions in the first two years of education. These students are those who pass the Bacalaureate with marks close to the cutting point, which is currently set at six (from zero to ten). This component would support grants for tertiary education institutions with the highest shares of students from disadvantaged groups who drop out in the first two years of education. The selection criteria would be defined during project preparation. At the end of the proposed Project, it is expected a decrease in the drop-out rate of students of the first two years of tertiary education who are enrolled in targeted institutions.

The grants would be awarded competitively to tertiary education institutions on the basis of a menu of eligible activities to be further identified. These activities would include, but would not be limited to: leveling programs; remedial programs; counselling; tutoring; outreach to families; and purchase of equipment and teaching materials to address the needs of students targeted for this component.

Component 3 – Strengthening the Institutional Capacity to Implement and Monitor Programs for Education Quality Improvement

Sub-component 3.1 – Institutional Capacity Development. This sub-component would enhance institutional capacity towards improvements in the quality of upper secondary education. This component would support technical assistance (TA) to help the Ministry of National Education (MoNE) design and implement programs or activities aimed at improving the education quality including: (i) strengthening the MoNE's monitoring and evaluation capacity; (ii) developing parameters for the revision of the upper secondary education curriculum; (iii) designing and implementing communications campaigns on Project-financed activities targeted to students from disadvantaged groups; and (iv) revising the students' loan scheme for tertiary education. Other activities to be supported under this component would be identified during project preparation.

Sub-component 3.2 – Project Management. The MoNE would be the main implementing agency of the proposed Project (see Section C). This sub-component would support day-to-day project management activities, such as project audits, as well as operational and staffing costs of the MoNE's Unit for Externally Financed Projects.

Component 4 – Supporting Results-Based Education Quality Improvements

This results-based component would disburse against actions, outputs and outcomes, for which a set of Disbursement Linked Indicators (DLIs) would be fully defined at preparation. The DLIs would be selected on the basis of MoNE's strategic priorities related to the PDO. The set of DLI may include, but would not be limited to: (i) adoption of a revised curriculum for upper secondary education; (ii) certification of teachers and school managers for the implementation of the revised upper secondary education curriculum; (iii) utilization of an improved EMIS to track upper secondary education students and monitor their transition into tertiary education; and (iv) establishment of a mechanism to monitor drop-outs in early years of tertiary education.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	254.79	Total Bank Financing:	254.79
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			254.79
Total			254.79

VI. Contact point

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