

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

Report No.: PIDA17415

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
Date PID Prepared/Updated	23-Nov-2014
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Decision	

I. Project Context

Country Context

The Romanian economy was severely impacted by the global financial crisis that began in 2008, though significant progress has been made in restoring macroeconomic stability. 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. However, the Romanian economy was severely impacted by the global financial crisis that began in 2008. The country's economy contracted significantly in 2009 and 2010, prompting the Government to request support programs with the European Commission, the International Monetary Fund (IMF) and the World Bank to maintain stability. The fiscal deficit hit a high of 7.5 percent of Gross Domestic Product (GDP) in 2009, which compelled the country to implement a demanding fiscal consolidation program during 2010-2013. The fiscal policy has reduced the budget deficit to 2.5 percent in 2013 and the country exited from the European Union's (EU) Excessive Deficit Procedures in June 2013. Romania has made significant progress in restoring macroeconomic stability, having a growth rate of 3.5 percent in 2013.

Although it declined dramatically between 2000 and 2008, Romania's poverty rate is still among

the highest in the EU. Almost one third of Romanians live in poverty. 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. In recent years, absolute poverty has stalled at around 5 percent.

Reducing poverty in Romania requires tackling social exclusion and empowering marginalized communities. Poverty is particularly concentrated among the Roma minorities. According to the *Diagnostics and Policy Advice for Supporting Roma Inclusion in Romania (2014)*, the at-risk-of-poverty rate of Romanian Roma, at 84 percent, is almost 3 times higher than among neighboring non-Roma. The rate of Romanian Roma households in severe material deprivation is alarmingly high (90 percent), and almost half of Roma households have very low work intensity. The vast majority of the Roma population (72 percent) is in the bottom income quintile, with a further 12 percent in the next quintile. In addition, close to 75 percent live without a bathroom or sewer, while half have no piped water. Not surprisingly, this situation directly affects the social and economic opportunities available to Roma children. Only 12 percent of Roma men and 6 percent of Roma women complete secondary school, and less than 5 percent have post-secondary education. The challenges start even earlier in life, with only 32 percent pre-school enrollment rate among Roma, against 77 percent among non-Roma neighbors. The early school leaving rate for Roma is a staggering 95 percent, and 31 percent of Roma adults have never been enrolled in school, compared to 2 percent in case of non-Roma.

Romania's population 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. 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.

Sectoral and institutional Context

Education in Romania is compulsory for 11 years, starting at primary education, and covering lower secondary education and the first two years of upper secondary education (grades 9-10). The Romanian pre-university education system covers: (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 9-14, depending on the stream: theoretical, vocational, and technological). The entire upper secondary education cycle (provided in high schools) is expected to become compulsory by 2020. Tertiary education includes university and non-university education. The student assessment and evaluation system includes two milestones that determine transitions into upper levels: a national grade 8 exit exam, and the Baccalaureate at the completion of upper secondary education/gymnasium, which is mandatory for entrance into universities, but not mandatory for graduation from upper secondary education or entrance into non-university tertiary education.

Although enrollment in upper secondary education is high, the transition to tertiary education is

hindered due to increasing dropout and poor performance on the Bacalaureate. Data from the National Institute of Statistics (NIS) show that the national gross enrollment rate in upper secondary education increased from 75 percent to 94.9 percent, from 2005 to 2012. In the 2012/13 academic year, there were 776,616 students enrolled in 1,605 high schools in Romania. However, the average dropout rate in high schools increased from 2.2 percent to 3.8 percent, from 2009 to 2011, with higher rates in technological high schools (5.3 percent in 2011), as well as in high schools located in rural areas (around 7 percent in grade 11, in 2012). In the same period, the graduation rate of 18-year-old students with Bacalaureate diplomas decreased from 63.4 percent to 39.2 percent, due in large part to changes to the exam and administration procedures. On average, the Bacalaureate pass rate dropped from 78 percent to 58 percent, from 2009 to 2013, with lower rates for graduates from technological high schools (close to 20 percent in some cases).

Beyond compulsory education, the difference in enrollment between Roma and non-Roma individuals is large, with a significant enrollment gap in the 16-19 age group, in which less than 25 percent of Roma youth attend schools, compared to more than 75 percent of non-Roma neighbors. Though exact figures vary, it is estimated that less than one percent of Roma youth complete tertiary education. A recent study of “Impreuna Agency” (2013) shows that the share of Roma women with tertiary education increased from 0.7 percent to 1.6 percent, from 1998 to 2012. In the case of Roma men, the share of individuals with tertiary education has remained stable around 1 percent. In addition, Roma communities tend to exhibit multiple factors that place them at risk of failure in education, including poverty, rural residence, and low educational attainment among adults.

There are various reasons why Romanian students drop out of high school or fail to pass the Bacalaureate, which fall into three clusters: pedagogical, financial, and personal causes. The pedagogical reasons relate to the low quality of education provided by high schools (i.e. schools are not preparing students to perform satisfactorily, leading to failure and drop out). The financial reasons have to do with the high direct costs of attending high schools, such as fees, transport and books. The personal reasons include lack of motivation among students to continue studying, real life events like migration of parents, lack of information on the benefits of schooling, discrimination or stigma in the school environment, and myopic preferences, e.g. students preferring wage income, leisure or consumption at present rather than later. A comprehensive explanation of the challenges in currently observed in upper secondary education is presented in Annex 5.

Low Bacalaureate pass rates indicate problems with quality and pedagogy. Romania lacks a standardized national assessment to evaluate the performance of upper secondary education students, and because the Bacalaureate is only mandatory for students who wish to enter universities, its results present a partial view of academic achievement among Grade 12 students in general. Even with this caveat, the Bacalaureate pass rate is low, only 58 percent on average in 2013/14. Through most of the 2000s, roughly 80 percent of secondary education graduates were able to successfully pass the Bacalaureate exam. Following a revision to the exam in 2011 and the adoption of more stringent anti-cheating procedures, the pass rate fell. Further, there are significant disparities among counties. In Ilfov (with high shares of declared Roma population) and Teleorman (with high poverty risk rates), pass rates were the lowest observed in Romania, at 29 percent and 43 percent respectively. In the academic year 2013/2014, 82,618 students failed to pass the Bacalaureate. Considering the students who did not take the Bacalaureate or those who did not graduate from secondary education, in 2011/12 there were approximately 100,000 youth without the prospect of transitioning to tertiary education, compared to 74,000 in 2009/10.

International assessment results further indicate challenges in the quality of education, especially for the poor. Results of the 2012 Programme for International Student Assessment (PISA) show that 37.3 percent of 15-year-old 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). Students from socially, culturally and economically marginalized communities are at highest risk of exclusion. Poor students are perhaps the most disadvantaged: 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, which is equivalent to an academic gap of about 2.5 years.

Financial factors are not sufficiently addressed by existing demand-side programs, mainly for students from disadvantaged groups . A 2014 study shows that the lack of financial resources is the most important reason why students who live in rural areas do not continue into upper secondary education, as mentioned by 47.3 percent of parents of these students. This finding is consistent with a 2011 study on access and equity in higher education which cites that financial constraints to attending high schools as a reason for dropping out by 38.3 percent of students. Though a series of financial incentive programs exist to encourage high school enrollment and completion (see more information in Annex 6), they have not been analyzed yet so their effectiveness is unknown. Nonetheless, the extent of the problems in upper secondary education indicates that these programs have not been sufficient or effective in addressing the financial constraints of high school students from disadvantaged groups.

Personal reasons complete the set of factors that explain students' failures in upper secondary education. The above-mentioned study on access to and equity in higher education informs that 38 percent of students pointed out family problems as a key reason for dropping out of high schools. Additionally, consultations carried out in June 2014 by the Bank to understand the challenges in upper secondary education in Romania showed that lack of motivation as one of the most important reasons for failures in high schools. Other studies carried out in Romania point to other personal factors, such as early marriage of students and low levels of parental education.

In addition to the challenges mentioned above, a significant decline in tertiary education enrollment has been observed since 2005. The decline in the Baccalaureate pass rate, described earlier, in combination with the closure of a large over-enrolled private university and the overall decline in the student-age population, has had a significant impact on tertiary education enrollment. Overall, enrollment in tertiary education has decreased by 35 percent, from 716,464 (in 2005/06) to 464,592 (in 2012/13). According to the NIS, the tertiary enrollment rate for students aged 18 years (i.e. tertiary education entrance age) decreased by 50 percent from 2005/06 to 2012/13.

Even among those students who successfully transition to tertiary education, some are at high risk of dropping out within the first two years of study. The retention rate in the first year of tertiary education was 82.9 percent in 2012/2013. Additionally, the average number of years in tertiary education for students aged 19-23 has dropped from 1.4 years in 2005/06 to 1.2 in 2012/13, which shows that many students drop out of tertiary education in the initial years. At least 18 percent of first year tertiary education students across all institutions in Romania dropped out in 2010/11. This is consistent with a finding of the study on access to and equity in higher education, which shows that the risk of dropping out was noted by 19.2 percent of respondents. This early drop out problem

is mostly confined to students who pass the Bacculaureate but with low marks, representing nearly one in four students in 2013/14.

II. Proposed Development Objectives

The proposed Project Development Objectives are to improve the transition from upper secondary into tertiary education and increase the retention in the first year of tertiary education in project-supported education institutions.

III. Project Description

Component Name

1 - School-based and Systemic Interventions

Comments (optional)

This component will finance supply-side interventions and analysis of demand-side programs at the school and system levels to address the academic and personal reasons that are the leading factors hindering Romanian students from transitioning from upper secondary to tertiary education, including dropping out, declining to take the Bacculaureate, or scoring a low mark on the Bacculaureate.

Sub-component 1.1 – School-based Interventions. This sub-component would support the transition of students from upper secondary into tertiary education using a decentralized approach based on grants to low-performing high schools.

Sub-component 1.2 – Systemic Interventions.

Sub-component 1.3 – Analysis of Demand-Side Programs to Inform Decisions

Component Name

2 - University-Level Interventions and Bridge Programs

Comments (optional)

The objective of this component is to support the needs of students from disadvantaged groups who are at risk of dropping out from faculties in the first year of study. In particular, these students tend to be those who have entered or are likely to enter a faculty with the minimum required marks on the Bacculaureate, are more often from rural communities, lower socioeconomic groups, or are Roma students. This component would finance non-competitive grants for public faculties that serve these at-risk students. Approximately 85 percent of Romanian public faculties – those with the largest percentages of first-year students entering the faculty with low marks on the Bacculaureate – will be eligible to apply for a grant.

Component Name

3 - Project Management, Monitoring and Evaluation

Comments (optional)

This component would finance day-to-day project management activities, monitoring and evaluation (M&E) activities, project audits, as well as incremental operational and staffing costs of the MoNE's Unit for Externally Financed Projects. M&E activities would include surveys to measure the motivation of high school students attending bridge programs to pursue tertiary education and an evaluation of the effectiveness of bridge programs. This component will also finance a revision to the existing student loan scheme developed for tertiary education students.

IV. Financing (in USD Million)

Total Project Cost:	250.31	Total Bank Financing:	250.31
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Financing Gap:	0.00	
For Loans/Credits/Others		Amount
Borrower		0.00
International Bank for Reconstruction and Development		250.31
Total		250.31

V. Implementation

The Romania Secondary Education Project (ROSE Project) would be implemented over six years. The MoNE would be the main implementing agency responsible for the proposed Project. High schools and tertiary education institutions identified as beneficiaries of the grant components would implement their corresponding parts of the Project under a decentralized approach, but with technical assistance of specialists finance under the Project.

Implementation arrangements will rely on the existing structure of the MoNE. The MoNE's Unit for Externally Financed Projects (UEFP) has extensive experience with Bank-financed projects, having implemented almost all of the previous operations in Romania, as well as projects financed from other sources. This unit has the adequate capacity to carry out day-to-day project management activities including centralized procurement, financial management (FM), reporting, and project M&E. The project would finance the dedicated FM and procurement specialists, as well as local consultants required to assist the MoNE with day-to-day project management, including ensuring full compliance with the procedures set forth in the Legal Agreement, the Project Appraisal Document (PAD), and the POM. Given the importance of the grant components for this Project, the UEFP team would include two experienced Grant Officers throughout the project implementation. The UEFP would manage project activities on behalf of the MoNE under the strategic guidance of the Minister of Education, the Minister Delegate for Higher Education, Technological Development, and Scientific Research, and the Under-Secretary of State for Pre-University Education. The UEFP would also ensure the coordination with other relevant departments within the MoNE and other agencies/entities responsible for the implementation of the grants.

VI. Safeguard Policies (including public consultation)

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

Comments (optional)

No relevant environmental impacts are anticipated under the proposed Project, given the small size of the civil works to be financed by grants to high schools, which will only apply to existing buildings. No new structures or works of significant size are envisaged under the Project, and

therefore the environmental or resettlement risks are expected to be negligible. No safeguards are being triggered, and the environmental category for the proposed project is C, with no Environmental Management Plan (EMP) necessary to be prepared. However, as an added precaution, the Ministry of National Education's Unit for Externally Financed Projects (UEFP) will be expected to use an environmental and social screening check-list for evaluation of grants to screen out any potentially non-conforming activities, and this will be included in the POM. The UEFP has the required capacity to carry out environmental and social protection screening activities related to the Project.

The environmental and social screening procedures will be applied to all submitted grant applications that will include rehabilitation works or purchasing of laboratory equipment and materials or consumables. The first screening of all submitted application would be done by the UEFP, which has to review the compliance of the proposal with the eligibility criteria. Each grant proposal must be submitted to UEFP with a full application package, including a completed environmental and social questionnaire. During the project implementation, the UEFP will carry out periodic monitoring and evaluation of the environmental performance of the high school, to observe potential impact, and to recommend remedial actions.

The Project is mostly targeted at socially disadvantaged students and, as such, its social impact is expected to be positive. For the grants program under sub-component 1.1, the eligibility criteria for selecting the beneficiary high schools focuses on educational outcomes, but the underlying evidence indicates that vulnerable and disadvantaged groups are those usually expected to have poorer educational outcomes. These criteria also allow for inclusion of a significant number (approximately 80 percent) of high schools as eligible to benefit from the Project. Within these eligible schools, the share of poor and marginalized students will be a significant factor in determining the amount of funds allocated per high school, since schools with larger populations of disadvantaged students will receive larger grants. Activities planned under the sub-component 1.1, such as tutoring, counseling, vocational orientation, and extracurricular activities are also expected to help increase the inclusion of vulnerable and disadvantaged groups in upper secondary education. Some of these activities can be tailored to the context and needs of specific groups, considering gender differences, and for disadvantaged groups, including students of low-income families or of parents with low education, in order to address their specific challenges. The proposed Project is sensitive to Roma related challenges, and it is expected that a substantial share of targeted students will be Roma. Through the provision of activities under sub-component 1.2, the Project will address various challenges that Roma students may face in accessing and continuing secondary education, by means of sensitizing teachers and students in relation to various facets of discrimination. Under component 2, the Project addresses various challenges faced during the initial years of tertiary education by poor and vulnerable students, those most at risk of dropping out. This component is a continuation of interventions under sub-components 1.1 and 1.2, and its inclusiveness relies on similar activities: remedial programs, tutoring, counseling and guidance services, promotion of job fairs, workshops, and awareness raising campaigns, mostly dedicated to vulnerable groups. Bridge programs and learning laboratories supported under component 2 will also prioritize disadvantaged students. Moreover, within the early stages of the Project, various dissemination and awareness raising events are envisioned, which are also opportunities to consult with stakeholders on the key challenges with which they are confronted, and which could be addressed through the Project. The ROSE Project does not trigger the Bank's social safeguards policies, as no form of involuntary resettlement or impacts on indigenous peoples is envisaged.

VII. Contact point

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