

## PROJECT INFORMATION DOCUMENT (PID) APPRAISAL STAGE

Report No.: PIDA54272

<b>Project Name</b>	Malawi Education Sector Improvement Project (MESIP) (P154185)
<b>Region</b>	AFRICA
<b>Country</b>	Malawi
<b>Sector(s)</b>	Primary education (90%), Public administration- Education (10%)
<b>Theme(s)</b>	Education for all (100%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P154185
<b>Borrower(s)</b>	REPUBLIC OF MALAWI
<b>Implementing Agency</b>	Ministry of Education, Science and Technology
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	24-Feb-2016
<b>Date PID Approved/Disclosed</b>	04-Apr-2016
<b>Estimated Date of Appraisal Completion</b>	24-Feb-2016
<b>Estimated Date of First Grant Approval</b>	01-Jul-2016
<b>Appraisal Review Decision (from Decision Note)</b>	The Decision Review meeting authorized the team to proceed with appraisal.

### I. Project Context

#### Country Context

Malawi is a landlocked country bordered on the northwest by Zambia, on the north and northeast by Tanzania, and to the south, southeast and southwest by Mozambique. With a land area of 118,484 square kilometers and a population of slightly more than 16.8 million, Malawi is one of Southern Africa's most densely populated countries. Malawi has a young and rapidly growing population that is expected to reach 20 million by 2025 creating a huge pressure on the education system and undermining progress since the system is always in a 'catch-up' mode.

Malawi is one of the world's poorest countries, and is currently ranked 174 among 187 countries surveyed in the United Nations Development Program's (UNDP) 2014 Human Development Index. With an estimated GNI per capita of US\$250 (2014), approximately 50.7 percent of the population lives below the national poverty line. With high population growth rates (3 percent), Malawi has among the world's highest proportions of citizens who are HIV-positive, with an adult prevalence of 10.3 percent in 2013, as well as very high rates of infant and child mortality. Chronic malnutrition levels have remained 45% for several years affecting children's growth and cognitive abilities. Approximately 85 percent of the population resides in rural areas, with livelihoods

dependent on agricultural activities concentrated in the farming of tobacco and maize. Agricultural sector in Malawi accounts for 33.3 percent of GDP and 78.3 percent of the workforce (2014, World Bank), but is highly susceptible to drought and volatile commodity prices. Food insecurity and hunger remain a perennial issue.

As a landlocked nation with an economy characterized by a narrow export base and significant dependence on imports and foreign aid, Malawi is particularly exposed to external economic shocks. These economic considerations, in conjunction with policy uncertainty, have resulted in fluctuating economic growth, persistently high levels of poverty and periods of significant fiscal deficits like 2015. Given its narrow resource base and limited arable land the high population growth rate is eroding per capita income growth and making it increasingly difficult for the government to provide services, including education.

Recent economic performance can be disaggregated into several distinct phases. Between 2006 and 2010, the country experienced steady economic growth of approximately 7 percent and a fairly stable fiscal environment. This was followed by a period of fiscal imbalance, declining donor support and a downturn in economic performance between 2011 and 2012. In May 2012, a new administration took office and acted swiftly to arrest a growing economic crisis. A number of successful economic policy interventions enabled economic growth to recover to approximately 6 percent per year; however, the devaluation of local currency, and the country's continued dependence on imports, has resulted in significant inflationary pressures. Inflation peaked at 38 percent in February 2013; however, declined to below 20 percent in 2014 and IMF estimate GDP growth rates for 2015 to 4-5 percent.

During the years of relatively high economic growth (2006-2010), there was a steady increase in aggregate government expenditure. High fiscal deficits, which had to be financed through borrowing from the domestic banking sector, arose during the period of economic contraction in 2010-2012 due to difficulties experienced in scaling back the magnitude of government spending. The macroeconomic framework of the Government of Malawi (GoM) for 2012-2016 aims to advance fiscal sustainability through the strengthening of revenue mobilization, the restraining of growth in government expenditures, the clearing of payment arrears and the gradual repayment of loans to the domestic banking sector.

### **Sectoral and institutional Context**

Education accounts for the largest share of total government spending in Malawi and a significant share of donor assistance to the country. Support from Development Partners for education accounted for 26.5 percent of budget financing in 2013 – in addition to large amounts of off-budget financing through projects and other activities. Following the 2013 Cashgate significant resources were redrawn leaving a deep funding gap with all projects now being off-budget.

The population of primary school age children (6-to-13-year-olds) accounts for 22 percent of the total population of Malawi. Less than one in five of this age cohort were enrolled in primary school when the Government of Malawi abolished school fees for publicly financed primary schools in 1994. Consequently primary education enrollment increased rapidly: rising more than twofold from 1.8 million in 1994 to 4,795,196 million students in 2014/2015. Due to enrollment of high numbers of over-age children in primary education, enrollment in 2014 was equivalent to 28 percent of Malawi's population, i.e. higher than the share of 6-to-13-years-olds in the country.

In order to improve the targeting of resources to those most in need, and to devolve decision-making closer to the schools, the GoM adopted a National Decentralization Policy in 1998. Enabling legislation, in the form of the Local Government Act of 1998, established 34 education districts (each divided into 10-20 zones) responsible for the delivery of primary education. The national Ministry of Education, Science and Technology retains overall responsibility for the education sector, with responsibility for supervision, quality assurance and the maintenance of primary schools devolved to District Councils. Primary Education Advisors were appointed and made responsible for supervision of and support to primary schools and the continuing professional development of teachers.

The GoM has initiated further devolution of educational responsibility, and funding mechanisms, through the adoption of policies to encourage community-led, school-based decision-making. In 2006, the direct funding of primary schools was initiated under the Direct Support to Schools (DSS) program, which provided all schools with identical grants (US\$ 200) for the procurement of teaching and learning materials. The program was thereafter expanded to include support for costs associated with maintenance and rehabilitation, and the provision of funds was aligned with school enrollment. Despite its initial popularity, the DSS was considered to be too narrowly focused and insufficiently integrated within broader education and decentralization policy frameworks. DSS program was replaced by the Primary School Improvement Program (PSIP) implemented in 2009-2013 and has now been institutionalized.

Rapid development of the primary education sub-sector has absorbed a rising share of public resources, and has contributed to increasing allocations for the education sector as a whole. Public spending on education averaged 7 percent of Malawi's GDP over the past five years, and private expenditures are estimated at 2-3 percent of GDP, significantly above the average for Sub-Saharan Africa. The primary education sub-sector accounts for almost half to 2/3 of education expenditures. 52% expenses for primary, 14% for second, 30% for tertiary.

Despite the high level of spending on primary education, system outputs and outcomes remain low pointing to important issues with regards to efficiency in both utilization of scarce resources to generate better learning outcomes, but also dealing with the chronically high repetition and drop-out rates. Access to Standard 1 in primary education is almost universal; however, the dropout rate is still very high, leading to a less than 30 percent primary completion rate in 2013. Only one in three students who enter primary school complete all eight years of primary education, and many students take more than the scheduled eight years of instruction to complete a full cycle of primary education. Approximately 25 percent of students in Standard 1, and 20 percent of students in Standard 2, are required to repeat these grades, contributing to a situation in which only 19 percent of students' progress to grade 8 without repeating a year. A significant proportion of enrolled students demonstrate chronic absenteeism, and many drop out of system altogether. Despite the retention rate within the primary cycle improved from 23 percent in 2004 to 32 percent in 2007, and to 38 percent in 2013, it remains largely insufficient. Accounting for both repetition and dropouts, low Internal Efficiency Coefficient (IEC) implies that Malawi requires 23 years to produce one graduate instead of 8 years under perfect efficiency.

Urban-rural equity also remains a major challenge in primary education, as evidenced through regional disparity in access and completion. Urban-rural disparity is equal to 29-percentage-points in completion of primary education. As for gender equity, Malawi is making progress towards

promoting gender equality and empowering women, given its achievement in near equal enrollment in primary education. Yet although the gender parity indexes have increased since 2000, meaning that there has been improved enrollment for girls at all educational levels, gender disparity varies from one level to another: the parity index starts at 0.98 in the first four standards (Standards 1-4), but in Standards 6, 7 and 8 it declines (worsens) to 0.99, 0.97 and 0.86 respectively pointing to the worsening challenges that girls face as they progress. These challenges are further compounded across income quintiles.

Malawi is also characterized by a severe capacity, management and system constraint, and lack of infrastructure in primary education, as showed by the current high student-teacher ratios (78:1 in 2015 (PgTR of 82:1) (EMIS)), and high pupil to classroom ratio (130:1 in 2014) and an estimated 27,000 classrooms are needed. Student-teacher ratio rose up to 81:1 in 2009 through a combined increase in student enrollment and pupil retention and a reduction in the number of teachers. The challenge facing the governance of the system is exemplified by the fact that despite Malawi successfully contracting a large number of teachers, the distribution of these teachers across schools still remain problematic (especially within the school across grades), resulting in poor outcomes at the school level in spite of improvements in student-teacher ratios. Rural primary schools, which are attended by a majority of schoolchildren, are particularly disadvantaged with a student-teacher ratio of 92:1 compared to urban schools, which have a PTR of 64:1. PTRs are skewed within schools with extremely high ratios in Standard 1 and 2 (124:1 for Std1 and 94:1 for Std2), making progress in early literacy and numeracy very difficult for many children. In short the system is ‘clogged’ up in lower grade levels requiring intervention at the school level for managing teacher resources and teachers better. Addressing the teacher deployment within the schools and between the schools across the whole country, including the proportion of female teachers, through better teacher deployment and incentives and by improving ‘within school management’ is central to improving the learning environment and generate the much needed efficiencies (and cost savings). These issues will require system wide results interventions.

The consequences of the poor learning environment in primary education are manifested in the poor testing results. As documented by the Southern African Consortium for Monitoring Educational Quality (SACMEQ) scores and national examination pass rates, the number of children who reach a minimum level of mastery in English reading was cut in half in the period from 1998–2007, and in 2007 was 9.7 percent. In SAQMEQ IV (2012), 95 percent of pupils assessed in grade 7 demonstrated “no achievement” or “partial achievement” in mathematics. According to ESIPII girls national exam results are 13% lower than that of boys. The decline may be partly explained by the 1994 Universal Primary Education (UPE) Policy, which led to an increase of lower performing students in the system. Nevertheless, examples of other countries who improved both quantity and quality in primary education at the same time show that the UPE policy is not the only factor impacting quality of learning in schools. Compared to the other 15 countries that participate in SACMEQ, Malawi fares poorly, as it finished last in assessments in English reading and placed next to last in mathematics.

In an effort to address wide spread and persistent challenges with regard to high repetition rates, low completion rates, poor rates of transition from primary to secondary education, and worsening examination results, the GoM prepared an Education Sector Implementation Plan for 2013-2018 (ESIP-II). The plan integrates a significant emphasis on improving learning achievement in lower-primary education and on expanding access to secondary education. The strategy for improving learning achievement in lower-primary classes relies on “Empowering the School” by improving

governance, efficiency and capacity at the school level, including the strengthening of the Primary School Improvement Program and the provision of School Improvement Grants (SIG).

## **II. Proposed Development Objectives**

The overall Project Development Objective (PDO) is to improve the equity and quality of primary education service delivery in early grade levels with an emphasis on improved accountability and functioning at the school level.

## **III. Project Description**

### **Component Name**

Component 1: Performance-based school improvement grants for improving promotion and retention.

### **Comments (optional)**

The objective of the component is to pilot the feasibility of improving promotion rates through addressing the inefficiencies of repetition and dropout in the primary education system through performance based funding and incentives, including how to keep girls in school.

### **Component Name**

Component 2: Improving Equity for the most disadvantaged, including girls.

### **Comments (optional)**

The component will support ESIP II theme 6 (Education Access and Infrastructure) and reform theme 3 (Learner Retention) by helping reducing PCR ratios in the 8 most disadvantaged districts (Kasungu, Dedza, Lilongwe Rural West, Mzimba South, Thyolo, Mangochi, Machinga and Chikwawa) and reducing teaching 'under the sun' thus improving the learning environment. It will also focus on improving the retention of teenage girls especially in standards 6-8 by improving availability to sanitary facilities, an issue identified as a constraint for girls.

### **Component Name**

Component 3: Improving learning outcomes, accountability and cost-effectiveness at school level.

### **Comments (optional)**

This component will pilot cost-effective interventions related to ESIP-II reform themes 1, 2 and 3 by building on existing experiences of other donors and CSO/NGOs. The component will support 3 activities: (1) school leadership program to change school level management and teacher behaviors; (2) school data collection and usage, and (3) improving community involvement in schools, especially targeting retention of teenage girls.

### **Component Name**

Component 4: Variable Part/Disbursement Linked Indicators (DLIs)

### **Comments (optional)**

This component will focus on system wide results (i) to improve learning environment in early grades, (ii) to improve retention of girls in upper primary and (iii) to promote efficiency measures to reduce repetition in lower primary grades.

### **Component Name**

Component 5: Project management, and sector program support and coordination.

### **Comments (optional)**

This component will finance activities to support the project management and sector program facilitation and coordination, including communication, monitoring and evaluation. This

component will also fund an independent verification of attainment of DLIs targets under Component 4. Variable Part/Disbursement Linked Indicators (DLIs).

#### IV. Financing (*in USD Million*)

Total Project Cost:	44.90	Total Bank Financing:	0.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
Borrower			0.00
Education for All - Fast Track Initiative			44.90
Total			44.90

#### V. Implementation

The project will be implemented over a period of four years. The proposed implementation arrangements are based on the following principles/objectives: (i) to capitalize on institutional and implementation capacity built under GPE- and IDA-financed PIQEM (Project to Improve Quality of Education in Malawi) as well as by other Development Partners; (ii) to further strengthen the MoEST capacity in technical and fiduciary oversight areas while ensuring smooth evolving of the project activities; (iii) in the future to align with the principles of Common Fiduciary Oversight Mechanism under the Common Financing Mechanism to be set up by the Development Partners and the Government of Malawi (Ministry of Education, Science and Technology, Ministry of Finance, and Treasury) as an interim alternative for DPs' sector support in an aligned and harmonized fashion with Government planning, budgeting and reporting processes under the overarching principles of Aid Effectiveness.

The Ministry of Education, Science and Technology (MoEST) will have an overall responsibility for the implementation of the project and will assign focal staff from its relevant departments/units into the Program Facilitation Team (PFT). For the day-to-day project coordination MoEST will assign an official as responsible as Project Coordinator/Manager (Director of Planning Department) and assign three relevant ESIP-II Component Managers to be in charge of project components (named as Project Component Managers).

This internal technical team will be supported by an additional expertise in areas such as project coordination/facilitation, procurement, financial management/oversight, monitoring and evaluation, TAs supporting Project Components' Managers as well as any additional expertise in specific technical areas, if needed.

MESIP along with other Development Partners' support and financing will contribute to achievement of objectives and results of the overarching ESIP-II. Hence, it is designed to facilitate a broader sector program support to the Government of Malawi by the Development Partners present in Malawi, on the whole, and in particular, by those joining the Common Financing Mechanism in a more aligned and harmonized fashion. The opportunities that were discussed with the Development Partners were not limited to scope of the Project but also extended to how to leverage the institutional set-up under MESIP for the value of Malawi in the current country context. To that end the Program Facilitation Team will be also used for fiduciary oversight and control, as well as for quality assurance of interventions funded by the Development Partners through the Common Financing Mechanism to be set up by the Development Partners and the Government of

Malawi.

The PFT will report to Secretary of Education, Science and Technology (SEST) through the Director of Planning Department. Overall, the PFT, will be responsible for: (i) strengthening the capacity of the key MoEST departments at national and sub-national level and transfer of skills through specific training and learning-by-doing; (ii) communicating with project stakeholders (national and sub-national government, schools management, communities, DPs, LEG, etc.) on all implementation matters related to project activities; (iii) implementation and monitoring of outcome and output indicators, including physical verification (spot checks) on the progress of implementation through field visits to enhance quality and sustainability of outputs; (iv) supporting the targeted areas specifically with classroom construction, school grants activities and interventions aimed at improving the learning outcomes; (v) preparing and submitting regular reports to the MoEST, the World Bank as a Grant Agent, and Coordinating Agency; (vi) resolving implementation issues; (vii) screening and monitoring for environmental and social safeguards; and (viii) facilitating implementation and fiduciary oversight/control through Financial Management (FM), procurement of goods and services and Technical Assistance (TA) in accordance with World Bank guidelines and procedures.

Strategic guidance and oversight of the Project will be provided by the ESIP-II Steering Committee chaired by SEST and Head of Development Partners, as a Co-Chair. The Steering Committee will include MoEST Directors, Development Partners, a representative of the Ministry of Gender and representatives from Teacher's Union and Civil Society Education Coalition. The Steering Committee's overall role is (i) to provide oversight and guidance on implementation of ESIP-II; (ii) to provide a regular overview of all ESIP-II related education activities and funding by all Development Partners that support the Education Sector; (iii) to provide a platform for discussing, devising and overseeing a new Joint Financing Mechanism for all interested DPs. Within these broader role and responsibilities the ESIP-II Steering Committee will also provide a strategic guidance and oversight of the Project implementation, including (i) alignment/coordination with ESIP-II implementation; (iii) alignment between the Project and other financial support to ESIP II ; (iv) support the PFT and relevant departments with project planning, implementation and provision of timely inputs, resolving implementation issues.

Local Education Group (LEG). The LEG in Malawi is comprised of government representatives from MoEST and other related ministries (i.e. Ministry of Gender, Women and Child Development; Ministry of Local Government and Rural Development; Ministry of Development Planning and Cooperation), Development Partners, the Malawi Teachers Union, international and national NGOs and civil society organizations. As per GPE institutional arrangements the LEG serves as an advisory and coordinating group. Under the GPE new funding model the LEG also validates achievement of results under the variable part of GPE grant.

Coordinating Agency and Grant Agent. The coordinating agency (CA) is selected by the LEG to coordinate and facilitate partners' engagement with the Global Partnership, thus serving as the communication link between the LEG and the GPE Secretariat. Germany is a Coordinating Agency for GPE-funded operation in Malawi, while the World Bank acts as a Grant Agent and assumes a full fiduciary oversight.

## **VI. Safeguard Policies (including public consultation)**

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

**Comments (optional)**

## **VII. Contact point**

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