



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 17-Mar-2019 | Report No: PIDISDSC26451

**BASIC INFORMATION****A. Basic Project Data**

Country Moldova	Project ID P167790	Parent Project ID (if any)	Project Name Moldova Higher Education Project (P167790)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Jul 22, 2019	Estimated Board Date Sep 30, 2019	Practice Area (Lead) Education
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Education, Culture and Research	

Proposed Development Objective(s)

The Project Development Objectives are to improve the quality of teaching and learning environments of project-supported institutions and the labor market relevance of higher and adult education in Moldova.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	30.00
Total Financing	30.00
of which IBRD/IDA	30.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	30.00
IDA Credit	30.00

Environmental and Social Risk Classification
Moderate

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

Moldova is a small lower-middle-income country in Eastern Europe, with a population of approximately 3.55 million. Although Moldova is the poorest country in Europe, its economy has been expanding, with an annual GDP growth of 4.5 percent in 2017. The poverty rate in Moldova has rapidly declined, with a poverty headcount ratio at national poverty lines decreasing from 22 percent of the population in 2011 to 9.6 percent in 2015. The economy has seen significant structural changes since the 2000s. While the share of the agricultural sector in the GDP accounted for 29 percent in 2000, it declined to 14 percent in 2016. In contrast, the service sector dominates the current economy, increasing its share from 49 percent of the GDP in 2000 to over 70 percent in 2016. Moldova has also performed well in promoting shared prosperity, with 4.8 percent growth in consumption among the bottom 40 percent of the consumption distribution (the bottom 40) in 2009–14, compared with 1.3 percent across the entire population.

Moldova's growth performance over the last 20 years has been volatile, but, overall, it has been growing rapidly. There have been three distinct growth episodes in recent years: a period of adjustment and sharp decline in economic activity in 1995–98, high economic growth—at an average of 5 percent a year—in 1998–2008, and after the global financial crisis of 2008–09, one of the highest cumulative GDP growth of all regional partners, averaging 4.5 percent in 2010–17.

Moldova's population has been shrinking since the country's independence in 1991 and at a much faster pace than other countries in Europe and Central Asia (ECA) region. From 1990 to 2015, the population dwindled by 21 percent, which is likely an underestimation given the lack of recent census data.¹ Three concurrent trends contributed to this: emigration among the youth population, sharply declining fertility rates, and slow progress in life expectancy. Longevity, on the other hand, has been slowed by low access to health care. If these trends continue, Moldova can expect to see its population shrink by another 31 percent, or a reduction of 1.2 million people, by 2060.

The mentioned demographic challenges and the rapidly changing labor market highlight the need for reforms in Moldova's education system. A continuous decline of the number of students have had a negative impact on the education system's efficiency, calling for immediate action from the Government. Moldova's economic development objectives and the skills that are required for participation in a fast-changing labor market implies that increasing emphasis is placed on the acquisition of basic skills by students. Improving the relevance of Moldova's education system is fundamental to address this challenge.

More specifically, the challenges with the demographics and labor market call for actions to change Moldova's higher education system. The literature for the past 50+ years refers to three key roles that universities play: teaching, research and service. The term *multiversity* was coined by Clark Kerr in 1963 to capture the historical evolution of the modern university—from teaching oriented, to a combination of teaching and research, to its current global form of combining teaching, research, and service to society. With a shrinking student population—and the subsequent shrinking of the high

¹ The population of Moldova, estimated by the United Nations, does not include Transnistria. See World Population Prospects: The 2015 Revision (database), Population Division, Department of Economic and Social Affairs, United Nations, New York, <http://esa.un.org/unpd/wpp/>.



skill labor force—the sustained delivery of high quality research and teaching could be challenging in a country like Moldova, unless the system is very efficient and innovative in thinking about its role in society. Universities, in this new context, then shift greater attention to their third role (service to society, including the economy). Such service may include the provision of whole-life learning opportunities, from more traditional cohort degree programs to the provision of short-term certification and training opportunities for adults who are either employed, but seeking upskilling, or excluded from the labor market.

Sectoral and Institutional Context

Moldova’s higher education system has been facing a major challenge with declining enrolment rates over the past 13 years. The country currently has 29 higher education institutions (there were 35, in 2005), out of which 19 (65 percent) are public. Almost all universities have less than 2,000 enrolled students and only two of them (Moldovan State University and Moldovan Technical University) enroll more than 10,000 students. At present, there are only 65,543 students enrolled in Moldovan universities, 84 percent of them attending public institutions. Women outnumber men; 58 percent of enrolled students are women (NBS, 2018). This decline in the number of enrolled students is a matter of concern. In the past two years, the university student population decreased by almost 20 percent. The projections point to an additional decrease of 8 percent by 2020. The main reasons for this phenomenon include falling birth rates, incentives (scholarships) for studying abroad, mainly in Romania and Russia, and emigration for economic purposes. Moldovan universities face competition with neighboring countries’ institutions.

The Ministry of Education, Culture and Research (MoECR) plays the most important role in the governance of Moldova’s higher education system, by setting the strategic guidance, making policies and monitoring the performance. Other actors with key roles in the system includes the Ministry of Finance, Ministry of Health, Labor and Social Protection (MoHLSP), and the National Agency for Quality Assurance in Education and Research (NAQAER). While the MoHLSP is responsible for the agenda of those who are unemployed, including their reskilling, the NAQAER is responsible for the overall external quality assurance of Moldova’s higher education system.

Moldova’s higher education regulatory framework has undergone important changes since the country gained independence in 1991. The country joined the Bologna process in 2005, which led to changes to the Law of Education issued in 1995. Since then, Moldovan higher education institutions have worked to comply with the Bologna requirements and standards, but there are several steps to be taken to ensure full compliance with these standards. An example is the lack of a National Qualifications Framework that is aligned to European Qualifications Framework (EQF). It is important to note that Moldova issued a new Education Code in 2012; this legislation governs education in the country.

Existing evidence shows that Moldova’s education and training system is insufficiently geared to labor market demand. The technical and vocational education and training system lacks a strategic framework and struggles with ineffective oversight. Vocational education graduates report significant mismatches between the skills they acquire in their training and those demanded by the labor market. Moreover, the evidence shows that many workers with higher education background are employed in areas unrelated to their fields of study. While programs to better align the supply of skills with the demands of the labor market are being designed, more efforts are needed to improve the relevance of education and training in the country.

The World Bank and other development partners have been supporting Moldova’s education system over the past ten years, but the higher education sector has not been well assisted. The European Union has supported programs in primary and secondary education. The Government of Romania has invested in preschool education. UNICEF has been



supporting programs to address challenges in equity, financing and preschool education. Currently, the World Bank is financing important reforms in primary and secondary education through the ongoing Moldova Education Reform Project (IDA Credit No. 6181-MD).

Within this context, the World Bank and the MoECR are preparing an investment project aimed to improving the quality and the labor market relevance of higher education in the country. This project would include activities to address challenges observed on both the supply and demand sides, as well as to make higher education more attractive to Moldovan students who are currently leaving the country for academic and economic reasons, as mentioned above. One of the proposed interventions is on developing and implementing a new financing mechanism that is expected to improve the internal efficiency of the system, promote more accountability, and ultimately make investments from the State budget more targeted to improvements in the quality of services.

Relationship to CPF

The proposed Project is well aligned with the Country Partnership Framework (CPF) for 2018-2021. In particular, the proposed Project would contribute directly to Focus Area 3: Skills Development – enhancing the quality and relevance of education and training to enable the acquisition of job-related skills. The proposed Project is informed by already completed analytical work, including an education public expenditure review and notes on labor demand and supply, informality and self-employment, and private sector skill demand. Because skills development has a direct impact on social inclusion, poverty alleviation, and income growth, the proposed Project is also aligned with the (i) ECA Regional Strategy and (ii) the World Bank’s twin goals of ending extreme poverty and promoting shared prosperity.

The proposed Project responds to a Government’s request for supporting reforms in higher education. The Ministry of Finance requested World Bank’s support to reforms in higher education through a letter dated November 7, 2018. This request refers to interventions including investments in learning environments and equipment, improvements of the higher education system by aligning the educational supply to the demand of the labor market, as well as the establishment of mechanisms for higher education graduates to join the labor market.

The proposed Project would support also the Government of Moldova’s efforts to aligning the educational supply to the demand of the labor market by improving the higher education system, which is embodied in recent documents such as:

- National Development Strategy “Moldova 2030” approved by Parliament on December 14, 2018;
- Midterm Sectorial Policy Priorities (2019-2021) approved by Government Decision No. 350 dated April 4, 2018.

The proposed project is aligned to the recently developed National Development Strategy (Moldova 2030), which focus on promoting quality higher education in Moldova. This strategy aims to (i) developing a career guidance and orientation system at all education tiers in order to improve the relevance of education and formation, especially for children in disadvantaged groups; (ii) supporting partnerships between vocational education institutions and companies by involving them in ensuring a professional training based on demand’ and (iii) fostering continuous and lifelong education in accordance with the requirements of the labor market.



C. Proposed Development Objective(s)

The Project Development Objectives are to improve the quality of teaching and learning environments of project-supported institutions² and the labor market relevance of higher and adult education in Moldova.

Key Results (From PCN)

The following key results are expected by the end of the Project:

- each beneficiary university has at least one curriculum in its main academic area revised in accordance with the qualification standards developed under the Project;
- increase in the number of programs with national and international accreditation;
- higher education financing mechanism supported by the Project is adopted by the government;
- increase in the number of partnerships between public universities and firms.

D. Concept Description

The proposed Project would be implemented over a period of five years, organized around three components, and financed by an International Development Association (IDA) Credit of US\$ 30 million. Project components are described below.

Component 1 – Improving the Quality of Higher Education. This component would finance activities to improve the quality of higher education in Moldova to ultimately produce a better skilled work force.

Sub-Component 1.1 – Improving Higher Education Quality through Systemic Interventions. This sub-component would support the development of qualification standards within the broad context of the development of Moldova's National Qualifications Framework. The capacity of the Ministry of Education, Culture and Research would be also strengthened through this sub-component.

Concerning quality assurance (QA), this sub-component would finance technical assistance for ensuring a full alignment of the existing standards and regulations with the European Standards and Guidelines for Quality of Higher Education, as well as the enhancement of the existing QA capacity of the National Agency for Quality Assurance in Education and Research and universities, among other activities.

This sub-component would also support the development of a unified admissions methodology to be applicable to all Moldovan public universities, which would be paired with the development of an electronic platform. Additionally, a unified management information system would be developed under this sub-component.

Moreover, to improve the internal efficiency of Moldova's Higher Education system, which may ultimately channel more public funds towards quality improvement, this sub-component would support the development of new financing mechanism.

Sub-Component 1.2 – Improving Higher Education Quality through Targeted Interventions. This sub-component would support the improvement of physical conditions of learning environments of selected universities and pedagogical colleges. Civil works to be financed by this sub-component won't include the construction of new buildings, but rather the renovation of existing facilities to meet applicable standards and make them energy efficient. It would also finance the

² Project-supported institutions include public universities and pedagogical colleges.



procurement of equipment and furniture for learning environments and teaching laboratories for these institutions.

Component 2 – Improving the Labor Market Relevance of Higher Education. This component would finance the design and implementation of a competitive university-based program to improve the labor market relevance of Moldova’s higher education system. Activities to be financed by this program would include: (i) training of university teachers towards an improved labor market relevance of programs; (ii) improvement of the effectiveness of internships including through a gender balanced participation of students in firms; (iii) technical assistance for establishing and implementing effective career guidance services, including approaches to ensure that these services are inclusive and gender unbiased; (iv) enhancement of university’s capacity to provide career guidance services; (v) participation of employers in academic activities; and (vi) graduate tracer studies.

Component 3 – Project Management. This component would support the day-to-day management and monitoring of the proposed Project through the establishment and maintenance of the Project Management Team (PMT). The PMT would provide managerial, fiduciary and technical support to the implementation the proposed Project for its full duration. This sub-component would finance inter alia (i) salaries (fees for individual consultancies) for PMT staff, (ii) technical assistance in procurement, citizen engagement and grievance redress, (iii) training activities, (iv) equipment, (v) furniture, (vi) software for project management, and (vii) incremental operating costs.

This component would also finance the required annual project audits, as well as the design and implementation of a project-specific grievance redress mechanism.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

Proposed project components are environmentally harmless except that project subcomponent 1.2 which will support renovation of some of the existing Government buildings (universities and pedagogical colleges) under the same foot print. Renovation activities will not generate adverse environmental impacts or substantial risks on human population, and the predictable impacts are expected to be temporary, reversible, low in magnitude and site specific. No adverse impacts such as involuntary land acquisition, impacts on indigenous peoples, on biodiversity and habitats are expected. Social risks directly inherent in project activities are generally low at this stage. However, this will be re-evaluated during appraisal to confirm or upgrade the current social risk rating. Issues of social inclusion, especially vulnerable and disadvantaged groups, and inclusive public outreach would be considered in the project design to ensure that stakeholders have equal access to project benefits.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.



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APPROVAL

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