PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: AB2241

Project Name	Education System Realignment and Strengthening Program (APL #2) Project
Region	EUROPE AND CENTRAL ASIA
Sector	General education sector (95%);Tertiary education (5%)
Project ID	P098217
Borrower(s)	GEORGIA
Implementing Agency	
	Ministry of Finance 70, Irakli Abashidze Str. Georgia 380062 Tel: 995-32-221-754 Fax: 995-32-235-416
	Ministry of Education 52, Uznadze Street 0102 Tbilisi Georgia Tel: (995 32) 959837 Fax: (995 32) 958313 gigi@mes.gov.ge
Environment Category	[ ] A [X] B [ ] C [ ] FI [ ] TBD (to be determined)
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1. Country and Sector Background

Georgia declared independence from the Soviet Union in 1991. The first 13 years of transition in Georgia were marked by unsustainable reform efforts that contributed to growing corruption. The years of transition were marked by civil conflict, lack of macroeconomic discipline, and a slow pace of structural reforms. In 1994 there was a short-lived stabilization and structural reform effort. However, corruption was pervasive and undermined reform efforts; this was further exacerbated by external and internal shocks. These conditions created a fertile environment for the peaceful Rose Revolution in late 2003. Upon taking office in January 2004, the new Government responded decisively to its mandate to curb corruption and improve Georgia's development prospects.

Economic performance following the November 2003 Rose Revolution has been encouraging. GDP growth continues to be robust, at 5.9 percent in 2004, 9.3 percent in 2005 and an estimated 7.5 percent in 2006. Inflation has been in single digits during this period, although it has risen above 10 percent in the first half of 2006. To safeguard stability, the Georgian authorities are implementing an appropriate mix of tightening monetary and fiscal policies. The Government has also taken bold steps to underpin growth through strong mechanisms of accountability and transparency, strengthening the infrastructure necessary for growth, and ensuring that the

population benefits from these reforms by improving education and health care delivery. Notwithstanding these achievements, poverty remains at around 35 percent of the population and the delivery of public services requires significant improvement.

Education has always been highly prized in Georgia as an educated population and skilled labor force is crucial for creating an environment conducive for sustained economic growth and social development. The education system encompasses preschool education, 6 years primary education and 3 years lower secondary education. Education is compulsory and free of charge through grade 9. The completion of 3 year upper secondary education provides access to higher education after passing a competitive university entrance examination. In addition, programs are offered in vocational training and in education for students with special needs.

The current compulsory education system comprises 70,709 teachers, 639,934 students and 2,800 school buildings. The national average pupil-teacher ratio is 12/1 and UNICEF estimates indicate that between 2000 and 2004 the average gross net enrolment in primary education was 91 percent with primary completion rates of about 85 percent in 2003. Gross net enrollment in secondary education was 80 percent for the same period and about 20 percent in tertiary education.

Over the past few years, Georgia has made great strides forward in the implementation of a range of reforms across the education sector. The reforms strive to improve the quality and efficiency of the education system. The key reforms include, but are not limited to: (i) introducing a national system for assessment and examination, including a unified exam for university entrance; (ii) establishing an outcomes-based national curriculum framework and pilot of the subject curriculum in schools; (iii) investing significantly in the in-service training of the teaching force in modern and innovative pedagogical methods; (iv) approving per-capita financing and school autonomy; (v) improving teacher pay conditions; and (vi) planning for school optimization based on a system of school networks. These efforts have been supported by the on-going first phase of the “Education System Realignment and Strengthening Program” Adaptable Program Loan (APL) financed by International Development Association (IDA). This project has been extended to June 30, 2007 due to a slow start to the program under the previous Government and an increase in the expected value of the Credit due to fluctuations in the SDR value.

Notwithstanding this progress, a number of critical challenges remain in the sector. Expenditure on education in Georgia has increased from US$ 70 million (national budget without local expenditures) in 2000 to US$ 182 million in 2005 (State budget including local expenditures) and is about 2.8 percent of GDP which is low compared to the Regional average of approximately 4.0 percent. This limited funding results in multiple constraints across the education sector, but the impact is most visible in the deteriorated condition of many schools which impedes teaching and learning. The Government needs to address both the challenges in relation to school building infrastructure, and the need for structural reforms to meet the demands of a market economy and a democratic society. For this latter, the Georgian education system needs modernization of curricula and assessment methods, teacher education in line with new pedagogical approaches, optimization of schools and increase of the teacher/student ratio and an overall financing strategy for the education sector.

2. Objectives

This project is the second phase (APL #2) of the Education System Realignment and Strengthening Program. The Development Objective of the project is to increase the quality and efficiency of primary and secondary education in Georgia through the implementation of the institutional and policy framework developed under APL #1, as well as the reconstruction of schools in dire physical condition. The key performance indicators of the project are, therefore, focused on the relevant measures of quality and efficiency.

3. Rationale for Bank Involvement

Current education system reforms are far reaching and the Bank is committed to a twelve year partnership with the Government to deepen and strengthen the above mentioned changes during the APL 2 The Government will continue to concentrate on systemic change for another year and a half under the current APL. At the same time, the Government has requested the Bank to advance the preparation and approval of the second phase of the APL to deepen these reforms, strengthen teacher training and support the Governments priorities related to school building infrastructure.

Within the framework of the National Program of the President, the Government of Georgia has allocated about 33 million USD in 2006 for the purposes of rehabilitating 221 schools according to a 'comfort and safety' level, fully rehabilitating an additional 70 schools and reconstructing 30 small schools located in high-mountainous areas or elsewhere. A similar, if not greater, level of financial commitment is expected annually from 2007 to 2010. Reconstruction and rehabilitation of schools is vital to support the goals of the long term reform agenda. The description of this state program is described in the document National Program of the President.

The Bank's role in supporting the Government's priorities related to school building infrastructure focuses on the reconstruction of 8 schools in emergency condition. While the Government would address many of the smaller rehabilitation efforts across a wider range of schools with its own funds, the Ministry of Education would request the Bank to focus on reconstruction of larger schools with more than 300 pupils where the Bank's involvement would help to ensure appropriate procurement procedures and new school building standards. The Bank's involvement in these schools would also support school consolidations, as reconstruction of these larger schools would enable close-by smaller institutions to merge.

External partnerships for education development in Georgia have been limited to date, but investments are now increasing and this project is situated firmly within an increasingly strong donor partnership (see Annex I). USAID is developing a 13 m USD program in close collaboration with the World Bank team, which complements planned IDA investments to support reforms at municipal and school level. The EU is financing changes in the vocational education sector and in selected higher education institutions through its TEMPUS programs. In addition, the MoES is highly proactive in seeking in a coordinated manner, advice and support for smaller scale programs through bilateral donors and UN agencies, and works closely with the NGO community. The Embassy of Japan supported 45 grassroots projects for about 2.8 m USD in the period from 1998-2005. The Ministry of Education is working with the various

development partners, including the Bank, towards a comprehensive education strategy to become a recognized partner of the Fast Track Initiative supporting countries demonstrating a strong commitment to provide universal access to quality primary education in line with the Millenium Development Goals.

4. Description

Component One: Improving the Pedagogical Environment (total cost US$ 7.20 million). The objective of this component is to support changes in curriculum content, teaching methodology, student assessment, initial teacher education and continued teacher professional development, building on the institutional and policy frameworks supported by APL #1.

Subcomponent 1A: National Curriculum and Student Assessment System Development (total cost US$ 5.58 million). The objective of this subcomponent is to improve the teaching content and methodologies in line with the national curriculum framework; to establish a system of student assessment so as to identify difficulties in student learning and develop targeted programs accordingly; and to assist ITE institutions adapt their programs to take into account the changes in teaching standards, the national curriculum, and student assessment methodologies.

Subcomponent 1B: Professional Development of Teachers (total cost US$ 1.62 million). The objective of this subcomponent is to improve the qualifications of teachers through the development and implementation of a teacher professional development system.

Component Two: Improving the Physical Learning Environment (total cost US$ 13.95 million). The main ***objective*** of this component is to improve the school physical learning environment in schools in emergency conditions to complement the investments on improving the quality of the pedagogical learning environment and to demonstrate how the efficiency of the school network could be improved through the adoption of more efficient school building standards and through school consolidations.

Component Three: Project Management, Monitoring and Evaluation (total cost US$ 2.58 million). The objective of this component is to provide institutional support to MoES, PCU, MDF, NCAC, and TPDC related to the project related operations, audits and project monitoring and evaluation.

Strategic Choices and Issues.

Schools in emergency conditions, in need of full reconstruction and with more than 300 pupils with at lease one school nearby, which can be merged with the new school, were identified for Bank financing. Because of the costs involved in the construction of larger schools, MoES finds it difficult to finance these schools with its own resources, or with the support of other donors. Therefore, the Bank Credit will generate the highest value added by supporting the construction of these schools. The Bank agreed to this decision as long as the selection of each school will be justified according to the selection criteria noted above and supports the school network optimization strategy. The design of the component will be fully consistent with and in support of the Government policy of school management decentralization and accountability, by (i) ensuring the appropriate involvement and decision making of the School Boards and managers in

the process; (ii) developing the broader policy for school maintenance and repair and building the capacity of schools to manage their responsibility in this area; and (iii) by building the capacity of the MoES to monitor the use of the per-pupil voucher financing to determine the trends in the main categories of expenditure for the purposes of policy analysis and decision making.

The MoES will be supported to carry out this consolidation by the 72 Educational Resource Centers which will coach the schools to plan and implement the decentralization process.

5. Financing

Source:		($m.)
BORROWER/RECIPIENT		0
INTERNATIONAL DEVELOPMENT ASSOCIATION		15
	Total	15

6. Implementation

The official representative of the Borrower is the Ministry of Finance (MoF). The MoF will maintain overall responsibility to the Bank for ensuring compliance with the conditions of the Financing Agreement.

The MoES will be responsible for overall implementation of the project. Specifically, the Deputy Minister of MoES will be responsible for the implementation of education policy decisions; will have overall responsibility for both Components, will coordinate and support work of the other agencies involved in the implementation; and will monitor, evaluate and report on project activities, progress and outcomes. These institutional arrangements are already in place and have proven to be successful for APL #1.

With respect to **Component 1**, the MoES will delegate day-to-day implementation of the activities to the NCAC and the TPDC. Both public legal agencies are subordinated to the MoES and will have the mandate to implement programs related to curriculum and student assessment and to teacher professional development, respectively. The agencies, established in 2006, will be staffed with the managerial, technical, fiduciary and support staff required to carry out the core functions. During the initial stage of project implementation the APL #1 Project Coordination Unit (PCU) a separate legal entity subordinated to the MoES – will continue to handle the fiduciary management for the APL #2 until APL #1 closes (currently scheduled for June 30, 2007). As the project supports the development of the agencies as one of its core objectives, the NCAC and TPDC will be responsible from the on-set for implementing the technical aspects of subcomponents 1A and 1B, respectively including the fiduciary aspects. Since one activity under sub-component 1A - the acquisition of copyrights and translation, editing and printing materials for a library in education science – is financed by the Credit, the MoES will provide technical specifications and will technically advise the MDF on this particular procurement. Detailed description of responsibilities and functions of both agencies in relation to the project will be included in the Component Implementation Agreement between the MDF and the MoES. After the APL #1 closes, the fiduciary staff of the PCU will be transferred to the agencies thus ensuring continuity and retention of qualified staff. Before taking over the financial management

responsibility for the project's Component implementation from the PCU, both NCAC and TPDC should have satisfactory financial management and procurement arrangements acceptable to the Bank. Operating costs of the NCAC and TPDC will be financed by the Government of Georgia from the state budget.

With respect to **Component 2**, the Deputy Minister has appointed a Technical Coordinator to work with the agency in charge of the implementation of the school reconstruction program - the Municipal Development Fund (MDF). MoES will reach agreement through a Component Implementation Agreement with the MDF for carrying out the day-to-day implementation activities of the school reconstruction program. The MDF is an autonomous government agency – governed by a Board comprising relevant Government ministers, a Member of Parliament and an NGO representative. The MDF implements most Government and donor supported large-scale infrastructure investments. The MDF acquired relevant experience and expertise for managing a large-scale school infrastructure program by means of its merger in early 2006 with the Georgian Social Investment Fund which is now fully integrated into the MDF. Specifically, the MDF will be responsible for reconstruction and equipping schools identified by the MoES (from appraisal of the schools to final hand-over of the reconstructed and equipped school facilities to the School Boards); and reporting to the MoES, the MoF and the Bank on the use of Credit funds. Since its creation on June 6, 1997, the MDF has developed fiduciary capacity to implement international organizations projects: the financial management and procurement departments of the MDF are fully staffed, fiduciary staff attended relevant WB trainings. Operating costs of the MDF related to this project will be covered based on its performance. The performance of the implementing agency will be measured towards progress in project disbursements. The objective of **Component 3** is to provide institutional support to MoES, PCU, MDF, NCAC, and TPDC related to the project related operations, audits and project monitoring and evaluation. To implement the objectives of this component, the Bank Credit will be used to finance further development of the monitoring and evaluation system and project audits under the MoES. The project will also finance operating costs of MDF (6% of the total disbursed). The Government will finance operating costs of NAEC and TPDC.

7. Sustainability

Policy Sustainability will be supported by the institutional capacity within the MoES and its key agencies, e.g. the NCAC and the TPDC. By the end of APL #2, the visible impact of the modernization process will help future policy makers to set and monitor new goals for education in Georgia.

Technical Sustainability of the activities supported by the project will be underpinned by changes which will have an irreversible impact on the education system such as revised curricula, re-trained teachers and professional organizations to take forward the reform programs in the future and enhance institutional learning at all levels.

Financial Sustainability by the end of APL #2, major activities such as curriculum revision and retraining of the involved teacher will be completed. However, substantial financing will be needed for the staffing and future programs of the NCAC and the TPDC to implement future

modernization efforts. The Government is committed to support these Agencies after project completion.

The sustainability of the investments under Component 2 will be supported by the inclusion of training for schools on school maintenance, the development of a school maintenance manual and a regulatory framework to delineate the national and local responsibilities for capital investment and repair. In addition, the MoES will work with the USAID- supported 72 Resource Centers to ensure that School Boards and local communities are more aware of their responsibilities for maintaining these investments and have access to relevant information and training.

8. Lessons Learned from Past Operations in the Country/Sector

During APL #1 important lessons have been generated and taken into consideration for the design of the teacher development activities to be supported by APL #2. Teachers, pupils and parents will continue to be involved in all stages of the implementation of the new teacher competency profile and teacher accreditation process as this bottom-up approach has facilitated the buy-in into the reform agenda and the confidence in further implementation.

Lessons learned during APL #1 indicate that competent technical assistance at the initial stage is crucial when fundamental reforms are expected and that teacher training is pivotal to implement the educational change process in classrooms. The design of the project is in line with growing Bank experience that it is possible to strengthen the institutional competency of public agencies through intensive training, a clear communication strategy, and provision of high-level technical assistance. These findings are consistent with lessons learned from the Education Reform Project in Romania and the Latvia Education Improvement Project.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[x]	[ ]
Natural Habitats (OP/BP 4.04)	[ ]	[x]
Pest Management (OP 4.09)	[ ]	[x]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[ ]	[x]
Involuntary Resettlement (OP/BP 4.12)	[ ]	[x]
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	[ ]	[x]
Forests (OP/BP 4.36)	[ ]	[x]
Safety of Dams (OP/BP 4.37)	[ ]	[x]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[ ]	[x]
Projects on International Waterways (OP/BP/GP 7.50)	[ ]	[x]

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

List of Factual Technical Documents

Education System Realignment and Strengthening Program, February 22, 2001

10. Contact point

Contact: Rosita Maria Van Meel
Title: Sr Education Spec.
Tel: (202) 458-1494
Fax:
Email: rvanmeel@worldbank.org

11. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Email: pic@worldbank.org
Web: http://www.worldbank.org/infoshop