1. Key development issues and rationale for Bank involvement

The proposed project directly supports one of the principal components of the borrower’s national development and sectoral goals: the expansion and strengthening of human capacity to lead the transition from an agrarian based economy to a service and production oriented one. The government’s human capacity development initiative proposes dramatic, wide-scale efforts to redefine managerial and technical roles in both public and private sectors, including strengthening the quality and availability of post-secondary education: university level and technical vocational education training (TVET).

The current sector development plan, Education Support Development Program II (ESDPII), which outlines sector vestments and development strategies for the period 2002 – 2005, proposes doubling undergraduate enrollment to 30,000, tripling graduate level enrollment to 10,000 and increasing TVET enrollment to 30,000 and raising full-time undergraduate female participation from 17% to 30%. Before embarking on this expansion, government recognizes the need to undertake a revision of the fiscal sustainability of the program and is formulating new strategies to strengthen the quality of service delivery and institutional autonomy. Among the key reforms are: 1) creation of two semi-independent policy advisory groups for university education– a Quality Assurance Group and a Strategic Policy Institute; 2) a block-grant formula for funding combined with institutional incentive packages; 3) strengthened leadership and financial management in individual institutions; 4) expansion of facilities, instructional resources and implementation of information communication technologies (ICT) to facilitate both...
The project would support the CAS objective of strengthening human capacity and economic transition.

The Bank’s sector work globally has demonstrated the importance of achieving a better balance in its education investments across sub-sectors. Although Ethiopia is aggressively pursuing the EFA and MDG targets for basic education, it will not be able to realize those ambitions with less than one percent of each age cohort enrolling in university level training. Bank projects globally, and in the Africa region in particular, have shown that investments in higher education have the greatest impact when they are part of institution-generated, comprehensive development schemes. TVET investments are most successful when they are clearly demand driven, closely linked to private sector investment and when public subsidies are complemented by individual investments. TVET emphasis should be on generic skill training with high levels of transferability.

GTZ has been very active in TVET reforms in Ethiopia and the Bank anticipates working closely with them to continue and expand technically appropriate skill programs. The Government of Italy and the Government of the Netherlands have been and will be providing modest support to university level training and GTZ will continue to be a long-term partner in TVET, having just signed a multi-year Memoranda of Understanding with government. These partners are providing valuable technical advice to governments, but Bank resources are needed to carry out the costly process of university faculty upgrading, establishing a university net to integrate computers electronically, to upgrade financial and personnel management systems and to complete facilities upgrading and institutional material purchases. The Bank is currently providing some support for TVET and university support through the ESDP project ending in June 2004. Future support for basic and secondary education will be provided by the Bank through a PRSC. Government has requested Bank assistance for higher education and TVET through project funding. The Ministry has commissioned numerous background studies in post-secondary education in the past eighteen months and has worked closely with the Bank in project identification to examine investment and strategy options. Those analyses and recommendations are being summarized in an ESW report to be completed shortly. University presidents have been part of that dialogue and the Ministry has formed a team to work with Bank staff on project design. The TVET dialogue has been on-going but is marked by less agreement on overall policy direction.

2. Proposed objective(s)

The Project Development Objective (PDO) is to expand the number of Ethiopian citizens who have access to a quality, well-managed post-secondary education. Key beneficiaries will be post-secondary age students who possess the talents and demonstrated competence to enroll in advanced levels of education. All Ethiopian universities will benefit from the project though base grant funding and, differentially, through competitive incentive schemes linked to innovation and performance. The support mechanisms for TVET are yet to be worked out, but beneficiaries will be urban and rural youth seeking to develop job-relevant skills and employers who participate in the program.
At the close of the project, major reform of administrative and financial management of universities will be accomplished, institutional autonomy increased, faculty strengthened and quality of instruction improved. TVET training institutions will be more demand driven and the quality and relevance of instruction improved. Enrollments at the undergraduate and graduate levels will have increased, 500 faculty will be better trained, and some 150 managers will have skill upgrading. Students will have access to better learning materials and faculties will have been made stronger and more efficient through development of proposals for incentive funds to be awarded on a competitive basis.

3. Preliminary description

Funding for University education and TVET was not included in the PRSC formula because of the scale of reform underway in post-secondary education. A considerable amount of technical assistance, international twinning arrangements and experimentation will be required before the policies and mechanisms of their implementation are finalized. TVET is in need of even more radical reformulation as government shifts from a supply-driven, public sector financing scheme to one that is demand driven with services largely provided by the private sector. Through a traditional project instrument (SIL), with creative incentive schemes built in, it is felt that the Bank and its donor partners may have greater leverage and value-added in realizing the PDO’s than might be achieved by inclusion in the PRSC. An APL was considered but the university resource requirements were sufficiently large and planning sufficiently well advanced that an APL was not thought to be appropriate. An APL might be appropriate for the TVET if it were broken off as a separate project. However, the design team feels that a traditional investment project format provides sufficient flexibility to combine the university and TVET elements into a single investment package.

The key project components for each element and their anticipated costs include:

1) University $40 (80%)
   a) Admin and management training/facilities --$2 m (4%)
   b) Faculty development-- $5 m (10%)
   c) Instructional materials/supplies $10 m-- (20%)
   d) ICT networking and linkages $3 m-- (6%)
   e) Block grant support $10 m-- (20%)
   f) Institutional Incentive Program-- $5 m (10%)
   g) Civil works/ rehabilitation--$5m (10%)

2) TVET $10 m (20%)
   tbd.

The Government of the Netherlands has agreed to support the development of the Quality Assurance Group and the Strategy Institute through a grant for TA. DFID has expressed an interest in co-financing through support for TA and foreign training, but amounts have not been indicated or agreed upon. Other co-financing is unlikely except for GTZ’s on-going support for TVET.
4. Safeguard policies that might apply
[Guideline: Refer to section 5 of the PCN. Which safeguard policies might apply to the project and in what ways? What actions might be needed during project preparation to assess safeguard issues and prepare to mitigate them?]

5. Tentative financing
Source: ($m.)
BORROWER/RECIPIENT 0
INTERNATIONAL DEVELOPMENT ASSOCIATION 50
Total 50

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