I. Introduction and Context

Country Context

Kosovo remains one of the poorest countries in Europe, although there have been considerable gains in poverty reduction thanks to sustained economic growth. The Republic of Kosovo has experienced five consecutive years of economic expansion, growing 4.2 percent per year on average since 2008. The headcount poverty rate in Kosovo fell from 45.1 percent in 2006 to 29.7 percent in 2011, but remains high. The low estimated employment rate of only 25 percent and the high unemployment rate of over 30 percent have contributed to poverty and income insecurity.

Kosovo has managed to maintain healthy public finances, but legislative and financing constraints limit the scope for expansionary fiscal policies. Fiscal deficits in 2012 and 2013 were 2.7 and 2.9 percent of GDP, respectively, leaving Kosovo with a public debt-to-GDP ratio of 9.8 percent at end of 2013. Kosovo’s euroized economy is better positioned than most countries in the region and the maximum public debt-to-GDP ratio is fixed at 40 percent by law. In 2012, Kosovo secured support from the International Monetary Fund (IMF) for a 20-month, €107-million Stand-By Arrangement,
which was successfully completed in the end of 2013. However, a recent decision of the Government for an across the board increase of public sector salaries, pensions and other benefits, might constrain the available fiscal space in future budgets. These decisions, if realized as announced, risk crowding out the state budget for growth-stimulating and/or productivity-enhancing purposes. Additionally, Kosovo’s non-membership in the United Nations (UN) remains a key obstacle to political integration and socio-economic development. However, the EU has determined that there are no legal obstacles for Kosovo to open negotiations for a Stabilization and Association Agreement (SAA) which started in October 28, 2013, making the first significant step for Kosovo towards a potential candidate for EU membership.

**Sectoral and Institutional Context**

The education system in Kosovo consists of pre-primary education (Grade 0) for children aged 5-6; nine years of compulsory basic education, which includes five years of primary education (normally starting from age 6 and covering grades 1 to 5) and four years of lower secondary (grades 6 to 9); supplemented by three years of non-compulsory upper secondary education (or four years for some types of vocational upper secondary schools); and higher education. Non-compulsory kindergartens serving children from ages one to five are also financed by the government but have very little coverage. The pre-university education system consists primarily of public institutions, except for universities and kindergartens, where private provision is higher.

In recent years, considerable progress has been made to improve access to education, primarily in pre-primary and upper secondary education. As of 2012, enrollment rates for Grade 0 (for children aged 5 to 6) have increase to 72 percent. The Governments objective is to ensure universal access to pre-primary by 2016. While the enrollment rates in primary and lower secondary education are almost universal, upper secondary school enrollments stand at 91.8 percent after an increase by 50 percent between 2004 and 2012, due partly to demographic trends and partly to the fact that gross enrollment rates (GER) have increased since 2009, and remained at high levels for basic education, between 97 and 100 percent.

In addition to not being universal, enrollments in upper secondary are not gender-balanced, although there have been recent improvements. The GER for girls in grades 10-12 increased from 81 percent to 88 percent between 2010 and 2012, while for boys it grew from 88 percent to 92 percent. Girls’ rates of transition from one grade to the next drop significantly in the 10th grade (when upper secondary starts), with the transition rate at 84.9 percent for girls and 96.8 percent for boys in 2012. However, completion rates for girls once in upper secondary education are higher than for boys: at 44.5 percent in the 10th grade and 46.5 percent in the 11th grade. Poverty adds another barrier to enrollment, both for girls and boys. In lower secondary, enrollment rate of the poorest quintile is 99 percent for both boys and girls, but in upper secondary, enrollment rate of the poorest quintile is 64 percent for girls and 87 for boys. Paradoxically, enrollment rates of girls at the second, third, and fourth quintiles increase up to 85 percent on average, but decrease to 75 percent for the highest quintile of wealth.

Public spending in education is low relative to regional and GDP per capita comparators, indicating the need to prioritize education in public spending. The Government spent 4.1 percent of GDP in 2012, less than the average in Europe and Central Asia (4.6 percent) or the upper middle income country average (5 percent), and less than Croatia (4.4 percent) and Serbia (4.7 percent). The total public expenditure on education is around 14 percent of the government budget, which is in line with other middle income countries with similar age profiles. However, because of the large number
of pupils, Kosovo spends only 13 percent of per capita income per student in both primary and secondary education, which is less than all countries in South Eastern Europe.

In recent years, the Government has undertaken a range of reforms in pre-university education, seeking to build institutions, and the management capacity required to promote quality improvements in education. These are outlined below:

(i) Strengthening the organization of the education system: The Government has revised and adopted key framework laws on pre-university and higher education which clarify the roles and responsibilities for education delivery and accountability. In pre-university education the revised legislation has brought about clarity in terms of goals and responsibilities for all levels of education – much needed in the post-status environment in 2008, and the basis for reforms in finance, the devolution of responsibilities from municipalities to schools, teacher policies, and overall sector performance.

(ii) Strengthening the financing of education systems to improve adequacy and efficiency: In 2009, the Government introduced the revised state per-capita funding formula which improved the financing mechanism funding from state to municipalities for pre-university education. Additionally, to incentivize improved resource management and enhance decision-making power, a municipal-to-school formula was developed to assist municipalities in resource management, and initial steps were taken towards strengthening school financial autonomy. However, the implementation of the municipal formula and delegation of financial autonomy for recurrent expenditures has been uneven.

(iii) Strengthening teacher management. The Government has developed a mandatory teacher licensing/certification system under which teachers need to take mandatory training and be assessed every five years in order to maintain their teacher license or get promoted. The Government has also developed teacher professional development policies, and performance assessment criteria linked with career progression. This has been a critical process in laying the foundations and objectives for career progression and in-service teacher training. In the meantime, the government has worked in improving the pre-service teacher training and linking it with the needs of the education sector (an activity supported by the European Commission Teacher Training Project).

(iv) Curriculum reform. In 2009 the process of curricular reform began by reviewing the Kosovo Curricular Framework (KCF). The New Curriculum Framework was developed to introduce new approaches to schooling, learner-centered and outcomes-based teaching methodologies as well as development of teaching and learning materials in line with the new social, economic, labor market and new technological developments.

(v) Improve school infrastructure. In recent years the government had eliminated triple shift schools and has invested in expanding school buildings and improving conditions of exiting building. It has also developed the tools needed to introduce efficient and appropriate designs - namely by developing the school mapping database and the standards for construction of classroom and school facilities – which will be critical tools for planning and costing future infrastructure needs and maintenance investments.

Despite significant improvements, many challenges remain:

(i) Rational use of resources and limited decision-making power to municipalities. School level
data suggest there is a variation in PTRs across the municipalities. On average, PTRs in urban schools are above the national average while in rural areas they are lower than national average of 17.2 for pre-university education. Some of these variations can be explained by geographical conditions such as population density or remoteness (additional budget is allocated to smaller schools at an altitude above 700 meters, a proxy for remoteness), or by the presence of second language in the school requiring additional teachers. However, not all variation is explained by these factors suggesting room for improvements. While the introduction of per-capita financing formula should have led to a more optimal use of resources, the limited implementation has resulted in limited progress by the municipalities to make the schools more cost effective, and rationalize resources. An initial assessment of the per-capita financing reform suggests that limited progress is due the complexity of the allocation formula, the limited decision-making power delegated to the municipalities (in the sense of creating new staff positions when needed), as well as the limited monitoring and oversight by the Ministry of Education, Science and Technology (MEST) for its implementation. The latest Medium Term Expenditure Framework 2014-2016 indicates that total education spending will remain constant in the next three years, thus given these budgetary constraints in the short run, the Government is attempting to focus on an efficient and effective allocation and use of limited resources taking into account the projected demographic changes and human resource needs for the country’s long term growth.

(ii) Poor education quality. Although reliable data on students’ achievements is poor and there are no internationally comparable data, the low passing rate and achievement levels of students at the national Matura demonstrate a need for improvements. The initial results of Grade 5 sample based test undertaken in 2010 as a pre-cursor to Kosovo’s entry in PISA 2015, suggest large differences between girls and boys (especially in language test) and rural and urban students. Although international benchmarking is not possible, overall results show significant municipal disparities (with and without controlling for socio-economic variables), calling for action in order to alleviate and mitigate these differences. The low levels of achievement indicate the need to continue and strengthen the implementation of reforms in curriculum, student assessments and teacher certification and professional development. Indeed, the teachers and teaching practices play a critical role in educational development as well as at the systemic level. Therefore, the implementation of the developed framework on teacher career system, which incorporates teacher professional development and assessment, as well as career progression is a key area. Another needed area is the establishment and maintenance of a comprehensive and coherent national framework for student assessment, and the development of effective feedback systems to allow for standardized student assessment data to be provided to decision makers, schools and parents.

(iii) Policy making without adequate data and evidence. Policy decisions regarding education quality and student learning continue to be taken without the adequate data and evidence. In order to be able to assess progress and policy decisions, there needs to be a system of assurance of reliable and timely data and information. As noted above, MEST conducts external student assessments and exams (Grade 5, Grade 9, and State Matura) however the results are not properly maintained or analyzed. The lack of a national system for monitoring student performance, and the overall assessment of educational outcomes, makes it very difficult to make informed evidence based policy decisions at the national and municipal levels and thus enhancing the delivery of the curriculum in schools and classrooms. Additionally, the availability of a fully functional Education Management and Information System (EMIS) is critical. The current web based EMIS software introduced in 2012 – while a significant improvement from the paper-based one - collects data only at the class level. To be able to monitor and report on key education statistics and learning
outcomes, the EMIS should be complemented with data from all levels of education that would include student level data and results from various student evaluations.

The Government is placing a high priority on strengthening the education system. The Ministry of Education, Science and Technology (MEST) has developed the Kosovo Education Strategic Plan (KESP) and an associated Action Plan for 2011–16. The strategy tackles all levels of education and addresses issues of quality, access, management, and implementation. The overall objective for pre-university education is to provide inclusive and equitable access to quality, non-discriminatory education for all students in pre-university education and encourage life-long learning. It aims to do this by: (i) building the capacities for improved and effective system management at the central and municipal levels, as well as for an effective management of schools; (ii) devolving full responsibilities for management of finances from the central to municipality level and further from municipality to school level; (iii) building student assessment and quality assurance mechanisms are made fully functional at the national, municipal and school level; (iv) implementing the teacher licensing and career system; (v) building effective systems for inclusion of all students in compulsory education and training responsive to gender and the needs of vulnerable, poor and disadvantaged students; and (vi) strengthening the capacities for system monitoring system performance.

Relationship to CAS
The proposed Project is expected to directly contribute to the achievement of one of the objectives of Kosovo's Country Partnership Strategy (CPS) for FY12-FY15, accelerating broad-based economic growth and employment generation. As stated in the CPS, this will be done through actions in six priority areas, one of them being investing in education and skills. Further, the Project is grounded on two lessons from the Bank's decade long engagement in that country: (i) the need to focus on accelerating growth and increasing employment opportunities, especially for youth and women; and (ii) prioritizing the Bank's engagement on key areas where the Bank is already engaged. The proposed Project proposes to build on selected interventions financed by the previous operation, the Institutional Development for Education Project (IDEP), so as to continue strengthening the capacity and accountability mechanisms of institutions responsible for delivering education. Having the proper foundations in place, as well as the mechanisms to ensure transparency and promote accountability, are pre-requisites for an education system of quality and relevance.

Kosovo's CPS also highlights the need to ensure equity in terms of access to secondary and post-secondary education, particularly in terms of females. Kosovo's 2014 Public Finance Review (draft) has analyzed poverty and gender data from 2013 as it relates to the education sector concluding that equity issues are less prevalent now than before. Notwithstanding, as part of project preparation, a gender assessment is planned to determine the extent of the gender disparities in pre-university education, the causes behind it, and propose recommendations to address them. Project design will be informed by the gender assessment.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)
The Project Development Objective is to strengthen the capacity and accountability mechanisms of institutions responsible for pre-university education.

Key Results (From PCN)
National level:
- School score cards disseminated nationally and distributed to all schools, local authorities and other stakeholders.
- At least X% of teachers assessed according to approved Performance Assessment Instruments.

Municipal level:
- At least X% of municipalities allocating resources to schools on the basis of the financing formula.

School level:
- At least X% of school directors using EMIS and student assessment data for planning.
- Increased de facto financing autonomy in X% of schools.

III. Preliminary Description

Concept Description

The proposed Project is organized around three components. All of the proposed interventions are a continuation of work undertaken under a previous project, Institutional Development for Education Project (IDEP-P102174).

Component 1: Strategic and financial planning and monitoring capacity for decentralized education system (Estimated total cost US$ 3 million)

The objective of this component is to strengthen: (i) the strategic and financial planning, analytical and monitoring capacity for the central and local government to operate in a decentralized education system; (ii) management capacities at school level for increased implementation of school financial autonomy through increasing the capacities of school directors; (iii) school level planning and management through the implementation of school grants program.

Subcomponent 1.1 Strengthening the strategic and financial planning capacities at central, municipal and school level

This subcomponent aims at building and strengthening the institutional capacity at central and municipal level for strategic and financial planning, management, monitoring and accountability in the pre-university education sector. Project activities would be primarily targeted at the Budget and Planning Department and Pre-University Education Department in MEST, and Municipal Education Department in the Ministry of Finance (MoF), and the Municipal Education Directorates (MEDs) – all of which are responsible for planning and managing resource allocation.

At the central level, the activities would include support to: (i) review the adequacy and equity of the national per capita financing formula; (ii) review the adequacy of the municipal-to-school formula; (iii) build the capacities for planning educational budgets using the central-to-municipal and municipal-to-school formula and taking into account enrollment trends and financing needs under to various policy scenarios; (iv) develop key educational indicators to monitor the implementation of the formula; and (v) develop and introduce procedures for regular monitoring and assessment in order to identify issues and risks, and propose solutions. Investments in Education Management and Information System (financed under Component 3) would be closely linked with the development of monitoring indicators, so that duplication of data collection is avoided. The MEST Budget Department would be responsible for analysis and the provision of
information related to strategic and financial planning for MEST and other key stakeholders.

At the municipality level, in addition to the revision and simplification of the municipal-to-school formula, the project would support complementary activities related to: (i) developing and introducing clear budgeting and financial management rules (or bylaws) needed to support school financing planning and support school financial autonomy; and (ii) targeted training to apply the formula and monitor its implementation by the school directors.

At the school level, the Project will support the further implementation of school financial autonomy by strengthening the capacities of school directors. The activities would include (i) develop criteria and programs for school director licensing as envisaged in the pre-university education law; and (ii) developing procedures for assessing performance of school directors, including but not limited to budget planning and execution. The Project would build on the work started by the USAID Basic Education Project and the GIZ Basic Education Project. These activities are a continuation of work undertaken under the Institutional Development for Education Project (IDEP).

Subcomponent 1.2 School Development Grants and pilot stipend program

This subcomponent seeks to strengthen school’s planning and operational capacity. Building on the experience of the IDEP project, the subcomponent would: (i) strengthen the school development planning system; (ii) support selected schools to prepare and implement multiple-year school development plans through training on management, planning and self-evaluation; (iii) finance the school development grants (SDG) (US$ 5,000 to US$ 15,000).

Schools would be expected to prepare a school development plan with strategies to enhance the quality of teaching and learning activities in their school, which would then serve as the basis to receive financing under the school development grant scheme. This activity aims at: (a) strengthening the capacity of schools to plan and manage resources; and (b) promoting participation of schools boards, teachers, parents and communities in educational planning, implementation and monitoring of school activities. The SDGs would be linked, to the extent possible, with ongoing reform efforts, such as training of teachers to support teacher certification or student assessment results (which are supported under Component 2). The work would be coordinated with the European Commission (EC) Twinning Project on school-based quality assurance.

A second activity under this component would be the establishment of a pilot stipend program to increase female participation in secondary education and female transition rates from lower to higher secondary education. The design of this program will be informed by a gender assessment, to be carried out during project preparation. While more diagnostic work is needed to determine how to address this problem, the team is currently considering options such as: (i) incorporating stipend resources under the School Development Grant so that schools have autonomy over the selection of beneficiaries; or (ii) channeling funds through the Municipal Education Directorate and Municipal Social Assistance and Welfare Department under a pilot scheme.

Component 2: Teacher Certification and Student Assessment Systems (Estimated total cost US$ 4 million)

The objective of this component is to: (i) improve and strengthen teacher management and
certification; and (ii) provide support for the strengthening and improvement of Kosovo’s student assessment and examination system.

Subcomponent 2.1. Teacher Certification and Career Advancement

This subcomponent aims at (i) supporting the implementation of the system for teachers’ professional development, performance assessment, and promotion (or career advancement) scheme that was developed under IDEP; and (ii) strengthening and systematizing teachers professional development.

In terms of the teacher certification and performance assessment, the project would support the: (i) development of a staggered implementation plan for teacher performance assessment aligned with local capacities; (ii) implementation of teacher promotion scheme by developing/clarifying the competences and responsibilities of promoted teachers and linking this with financial incentives; (iii) identification of teacher professional development trainings that are in accordance with the requirements of the licensing system requirements, and making available a training catalogue to all relevant stakeholders; and (iv) development of criteria and policies for teacher induction programs in order to link pre-service training with teacher licensing requirements.

Additionally, the proposed Project would support the implementation of systematic in-service teacher training and professional development by: (i) developing a framework that identifies the mandatory, elective and advanced teacher training programs and their funding modality; (ii) preparing a training catalogue that lists the training courses provided by MEST and other training providers in accordance with licensing requirements for teachers; (iii) developing and introducing procedures and models for implementing the teacher professional development as per the requirements in Administrative Instruction 15/2013 on Funding for Teacher Professional Development and 16/2013 on Implementation of Teacher Professional Development; and (iii) making resources available for teacher training through school development grants. These activities are a continuation of work undertaken under the IDEP.

Subcomponent 2.2. Strengthening capacities of key institutions for monitoring educational outcomes and assessment of student learning

The Assessment Unit in MES T is currently responsible for conducting students’ assessment and examination activities. The law on Pre-university education envisages the unit should be transformed into a semi-independent Agency for Curriculum, Standards and Assessment. This subcomponent would support activities aimed at strengthening Assessment Unit’s and the future assessment part of the Agency’s capacity to develop and conduct national and international student assessments and examinations to identify the strengths and weaknesses of the education system and inform policy. This subcomponent would support activities to: (i) establish a sustainable system for a comprehensive and coherent national framework for student assessment; (ii) develop a comprehensive and effective feedback system to ensure that data and qualitative information from examinations and national and international surveys of learner achievement are provided to decision makers, practitioners and other end-users; and (iii) strengthen the infrastructure of the Assessment Division/Agency through refurbishment of accommodation and provision of equipment.

In this regard, the activities would include: (i) development of a framework that defines the purposes, principles and policies for the high-stake examinations (e.g. the Matura and the Grade 9
Component 3. Education Monitoring and Evaluation Capacity and Implementation and Communications Support (Estimated total cost US$ 3 million)

The primary objective of this subcomponent is to: (i) enhance overall education monitoring capacity at the national, municipal and school levels; and (ii) provide project specific implementation and communication support.

Subcomponent 3.1. Enhance Education Monitoring and Evaluation Capacity

Specifically, this component would finance activities to enhance the existing EMIS so that it is highly operational not only by MEST but also at the municipal and school levels. The main objectives of the enhanced EMIS would be to: (i) provide education planners, administrators and managers with appropriate, reliable and timely data and information required for decision making; (ii) coordinate national efforts in data collection, processing analysis and dissemination with respect to data relevant to education; and (iii) streamline the flow of information used for decision making by reducing, and if possible, eliminating duplication in data collection.

Specifically, EMIS will be enhanced in a phased approach with a student level module for all levels of education, including higher education. Subsequently, EMIS would include a module on financing and would be integrated with the teachers and student assessment database. Specific activities will include: (i) assessment of the current status of the education information system and development of specifications for expanding the system (to be finance during the preparation phase under the WBIF Grant); (ii) development of modules for student level data entry and provision of technical support at central, municipal and school levels; (iii) development of hardware system to allow effective function of the enhanced EMIS as the hub of the system; (iv) provide training to school and municipal managers and central government staff for the EMIS; (v) provide needed hardware for small and remote schools without access to internet. The general approach to EMIS development would comprise phased approach. Initially, under the guidance of an EMIS Working Group established by MOES, the user requirements and a functional specification would be developed forming the basis for module development; after development and testing of the modules are carried on a pilot basis, the major hardware procurement and roll-out of the system to the whole Kosovo would be carried out. These activities are a continuation of work undertaken under the Institutional Development for Education Project (IDEP).

Subcomponent 3.2. Implementation, communication support

The objective of this component would be to support project specific Monitoring & Evaluation
(M&E) and communications activities, as well as incremental operating costs for the Project Coordination Unit.

IV. Safeguard Policies that might apply

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