I. Introduction and Context

A. Country Context

Ethiopia is a large, landlocked and diverse country with more than 90 ethnic and linguistic groups and a population of over 99 million (World Bank, 2015). With an annual growth rate of 2.5 percent, Ethiopia’s population is expected to reach 130 million by 2025.

Ethiopia has experienced fast economic growth over the past decade (World Bank, 2015). Real GDP growth averaged 10.9% annually (8% per capita) in 2004-14, according to official data, and contributed to the reduction of extreme poverty. The recent El Niño drought slowed growth in 2015/16, but even in this year GDP growth was estimated at 8.5%, a rate that still places Ethiopia among the fastest-growing economies in the world. Nonetheless, Ethiopia remains the 13th poorest country in the world. More than 80% of the population lives in rural areas, although urbanization is increasing as workers move from agriculture towards manufacturing and services jobs.

The country is surrounded by a number of fragile and conflict-affected states. Among its neighbors, only Djibouti and Kenya have stable governments. In order to improve regional stability, Ethiopia has contributed to peace-building efforts in Somalia, Sudan and South Sudan by mediating peace talks and hosting more than 811,555 refugees (UNHCR, 2017) from neighboring
Ethiopia has achieved impressive progress in economic, social and human development that is important to sustain. Ethiopia is among the countries that have made the greatest progress toward achieving the Millennium Development Goals (MDGs): primary school enrollments have quadrupled, child mortality has been cut in half, and the number of people with access to clean water has more than doubled.

Stron and robust economic growth and development will necessarily have to rely on the country's human capital. The central objective of Ethiopian national strategies is to progress to a lower middle-income economy by 2025. In 2015 the Government launched its latest development strategy, the second Growth and Transformation Plan (GTP II), which aims to accelerate structural transformation. GTP II (2015/16 to 2019/20) aims to continue improvements in physical infrastructure through public investment projects and to transform the country into a hub for light manufacturing.

**B. Sectoral and Institutional Context of the Program**

Since 2009 the Ethiopian Government has worked to put into place the elements critical to improving students' learning outcomes and completion rates. Funded by multiple donors, a comprehensive program to improve quality (the General Education Quality Improvement Program, or GEQIP) has supported this effort. The focus of this program has been to increase the supply and deployment of qualified teachers; provide teacher training, textbooks, and learning materials; and disburse school grants. Student-input ratios and the quality of inputs have improved markedly. Equally significantly, learning outcomes at the primary level have modestly improved. Both achievements are commendable, especially given the huge increases in enrollments. Ethiopia has avoided the deteriorating education quality that often accompanies a rapid expansion of access.

Inevitably, progress has not been uniform. In some critical areas, problems, although in some cases diminishing over time, have persisted for years.

**Internal Inefficiency**

- **High dropout rates from the primary grades (especially grade 1), low completion rates of primary education, and low and stagnating enrollment rates at the first and second cycles of secondary education.** Ethiopia has made impressive enrollment progress in primary education. However, its high dropout rates from primary education translate into disappointing rates of completing grade 8, which in turn lowers transition rates into secondary education. Grade 1 dropout rates have declined from 28% in 2008/09, but even by 2015/16 remained high at 18%. The cumulative effect of the dropout rates in the first cycle of primary is that only about 71% of those who start grade 1 complete grade 5. The enrollment in the second cycle of primary education, in turn, has grown only by 4% during 2010-2015, a rate slower than population growth in the same age cohort (ages 11 to 14). Only about 54% of those who start grade 1 complete grade 8. Repetition rates combined with dropout rates signal poor internal efficiency for the sector.

Gross enrollment rates in grades 9-10 (first cycle of secondary education) have remained flat at 39% between 2009-10 and 2014-15, and the gross enrollment rate for the second cycle of secondary education (11-12) was only 10.6% in 2014-15. These rates are low when compared to
those in lower middle income countries.

**Quality**

Ethiopia's learning outcomes are low, but they are gradually improving. Ethiopia's National Learning Assessment (NLA) found that average learning outcomes by subject for grades 4 and 8 in 2015 were similar to those for 2011. There were solid improvements in mathematics for both grades. For grades 10 and 12, while the national averages of the assessment scores at grade 10 improved from 2010 to 2014, those at grade 12 declined during the same period.

The assessment result in terms of proficiency levels\(^7\), in particular, is positive, demonstrating that improvements in learning outcomes can be achieved within a relatively short time span. The number of students achieving basic proficiency or higher in all subjects between 2011 and 2015 has substantially increased for grades 4 and 8. While enrolment increased by 21%, the total number of students achieving basic proficiency or higher in all subjects increased by 57%. This result is especially commendable given the enrollment influx of students from lower socioeconomic status (SES) families who tend to have lower learning outcomes. At the 8th grade level, a noticeable improvement has been observed. The total number of students enrolled increased marginally while the total number of students achieving basic proficiency or higher increased by 120%.

**However, between a third and over a half of 4\(^{th}\) grade and 8\(^{th}\) grade students tested in 2015 at the proficiency level defined as "Below Basic" in all subjects, except English for grade 8. The "below basic" proficiency level means that the student has minimal understanding of the subject and lacks the skills to solve simple problems appropriate for that grade level. Reading scores at grade 4 are of particular concern. Reading is a critical foundation skill for subsequent skill and knowledge acquisition in all subjects, but 44% of grade 4 students nationally tested at the below basic level in reading in 2015. Moreover, learning gaps between best-performing and worst-performing regions are particularly alarming for both grades and all subjects (Table 1) — for example, 70% of 4\(^{th}\) graders scored at the below basic proficiency level in reading in the worst performing region, as opposed to 13% in the best performing region.

<table>
<thead>
<tr>
<th>Subject by grade</th>
<th>% below Basic(^{7}) All students across regions</th>
<th>% below Basic(^{7}) Best performing region</th>
<th>% below Basic(^{7}) Worst performing region</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grade 4</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Math</td>
<td>37</td>
<td>22</td>
<td>66</td>
</tr>
<tr>
<td>English</td>
<td>53</td>
<td>9</td>
<td>71</td>
</tr>
<tr>
<td>Environmental science</td>
<td>32</td>
<td>8</td>
<td>55</td>
</tr>
<tr>
<td>Reading</td>
<td>44</td>
<td>13</td>
<td>70</td>
</tr>
<tr>
<td><strong>Grade 8</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Math</td>
<td>38</td>
<td>24</td>
<td>58</td>
</tr>
<tr>
<td>Biology</td>
<td>33</td>
<td>10</td>
<td>71</td>
</tr>
<tr>
<td>Chemistry</td>
<td>56</td>
<td>44</td>
<td>81</td>
</tr>
<tr>
<td>English</td>
<td>26</td>
<td>11</td>
<td>48</td>
</tr>
<tr>
<td>Physics</td>
<td>55</td>
<td>39</td>
<td>82</td>
</tr>
</tbody>
</table>

NLA data also show that the proportion of students performing at advanced levels is very low in grades 4 and 8 and in both subjects. In most cases, this proportion is below 10 percent, indicating a limited number of students with mastery of the competencies. Further, while NLA data show improvements in proficiency levels, the assessments tend to give greater weight to lower level cognitive skills (such as knowing specific math content) compared to higher level cognitive skills such as reasoning, evaluating and synthesizing.

Hence, the challenge in the next phase is to increase the proportion of children who score above the basic proficiency level, particularly in some of the emerging regions. High performing education systems have pushed up average learning outcomes by narrowing the gaps in performance.

**Low quality schools.** School inspections assess schools against 26 standards for school inputs, processes and outcomes. Inspections conducted between 2013 and 2016 found that about 90% of primary schools and 83% of secondary schools did not meet national standards. About 26% of the primary schools and 16% of the secondary schools are rated at the lowest level (level 1); almost two-thirds of each type, at level 2. Regions varied substantially in their ratings (Figure 1). About 77.9% of the schools in Ethiopian Somali and 69.1% in Afar versus 6% of those in Tigray were rated at level 1.

Not only are poor quality schools unlikely to be able to deliver effective learning support for struggling children, but the literature finds that, holding the student's abilities and achievements constant, those in higher quality schools tend to stay in school. Those in lower quality schools tend to drop out and complete fewer grades. Students and their families recognize quality differences between schools and act on them.

**Figure 1: Percentage of Level 1 schools by Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Level 1 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somali</td>
<td>77.9</td>
</tr>
<tr>
<td>Afar</td>
<td>69.1</td>
</tr>
<tr>
<td>Benishangul</td>
<td>50.3</td>
</tr>
<tr>
<td>Gambela</td>
<td>33.3</td>
</tr>
<tr>
<td>Oromia</td>
<td>26.7</td>
</tr>
<tr>
<td>SNNP</td>
<td>24.2</td>
</tr>
<tr>
<td>Amhara</td>
<td>21.8</td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>12.4</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>8.1</td>
</tr>
<tr>
<td>Harari</td>
<td>6.6</td>
</tr>
<tr>
<td>Tigray</td>
<td>5.9</td>
</tr>
</tbody>
</table>


**Equity**

**Significant inequities in public financing and inputs.** Public subsidization of education disproportionately benefits the wealthiest households, producing inequities that are more severe within regions than between regions. Although children from the poorest income quintile are equally represented in the primary first cycle, they are increasingly under-represented at higher levels, with only 15% in the primary second cycle; 5% and 2% in the first and second cycles of
secondary education, respectively; 1% in TVET; and 2% in tertiary education. At least 80% of government funding of the secondary second cycle, TVET, and tertiary education goes to students from families in the top income quintile.

Although Ethiopia has maintained a low Gini coefficient (0.30 in 2011), the populations of rural areas and the emerging regions have unequal access to education and the inputs key to learning gains, such as textbooks, school libraries and electricity, or qualified teachers. Regional variations in unit (per student) recurrent costs capture these differences, with the unit costs in Addis Ababa being more than seven times that of the national average or of the Amhara, Oromiya, and SNNP regions. The low pupil-teacher ratio in Addis Ababa can explain some of the difference in unit costs. Another explanation can be the over-reporting of enrollment data in some regions.

The school system in certain regions is particularly vulnerable to recurrent crises such as drought and other emergencies. Faced with shocks, households often withdraw children from school (to participate in work). Other coping strategies such as the sale of household productive assets (land, cattle, etc.), deferring the utilization of preventive and curative health services, or drastically reducing food intake can further reduce children’s continuation in school.

**Capacity Development**

Limited results from traditional capacity development efforts. Government has implemented massive initiatives under GEQIP reasonably well. In the process, it has strengthened the country and M&E systems. As an example, advancements in the procurement process under GEQIP II achieved US$25 million in savings on textbooks relative to GEQIP I. Nevertheless, the procurement, distribution and financing system for textbooks and learning materials, which is a core function of the Ministry of Education, needs to be strengthened and institutionalized to ensure delivery of materials on time. In the case of specific initiatives under GEQIP to develop the sector's management capacities, implementation has been very uneven. Some planned activities occurred, although their effects on workplace performance are unknown. Often, however, planned activities were not implemented—for example, GEQIP provided for 20 post-graduate/Masters studies in statistics for MoE and REB staff. These study programs were not pursued. Efforts to hire needed technical assistants for the EMIS were not successful. De facto, the midterm review for GEQIP II did not find much of a structured capacity building program in place for woreda, regional and federal education staff. Major constraints seemed to be the lack of a dedicated focal point and the lack of a clear strategy for developing the capacities of education administrators, which is linked to improving student outcomes.

The proposed PforR Program will build on the massive effort of the last 9 years to improve basic learning conditions in schools. However, it pivots heavily toward seeking improved completion, efficiency and learning outcomes and reduced variance in outcomes between regions, gender, and socio-economic groups. In particular, it seeks to improve retention, progression and learning outcomes for all students and to align incentives of key stakeholders around these goals. For instance, further improvement in learning will require not only the increased and equitable supply of textbooks and trained teachers, regular school inspections and national assessments. It will also require improved teacher effectives in the classroom, through active utilization of guides and textbooks by teachers and students, the diagnosis of learning difficulties through formative assessments, and increased pedagogic leadership, support and oversight at the school, cluster and
Moreover, it will require increased use of inspection reports by schools to prepare effective SIPs that respond to strategically prioritized needs, and the effective use of school grants to implement SIPs and improve quality.

To bringing about these improvements at the classroom and school levels necessitates the alignment of all stakeholders that support learning in the classroom (from the Ministry level to the regional and woreda level, as well as teacher training institutions and others) to focus their efforts on achieving agreed results. Capacity building needs to focus not merely on strengthening technical capacities in specific institutions, but also on strengthening coordination and leadership at both the national and regional levels as well as the woreda and school levels, and above all in enhancing continuous improvement.

C. Relationship to CAS/CPF

The proposed PforR Program supports the implementation of the 2016-20 Education Sector Development Program V (ESDP V). ESDP V translates the nation’s strategic goals into an action program for the education sector. It is aligned with the World Bank Group’s Country Partnership Strategy (CPS) for Ethiopia FY2013-FY2016, the new Country Partnership Framework (CPF) for Ethiopia FY 2017-2021 (under preparation), and the Bank’s Education 2020 strategy. The second pillar of the CPS aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach to social protection and risk management. This includes equitable access to quality education services. The Program also contributes to two of the three pillars of the Bank’s Education 2020 strategy, namely: “investing smartly” in education and “investing for all”. By supporting ESDP V, the proposed Program aims to improve the education sector's efficiency, equity and quality as well as to support system-level improvements that can enable more rational education system management.

The proposed Program is also aligned with the World Bank’s Africa Regional’s strategic focus (high quality human capital) and the Ethiopia Systematic Country Diagnostics (SCD) “Priorities for ending extreme poverty and promoting shared prosperity” (World Bank, 2016). The SCD identified low levels of human development as one of the binding constraints for Ethiopia’s progress on ending extreme poverty and promoting shared prosperity. The proposed PforR Program builds on the achievements and lessons of GEQIP I and II, financed by IDA, the development partners (including DFID, Finland, Italy, Norway, the Netherlands, UNICEF, and USAID), and the Global Partnership for Education under a pooled funding arrangement.

D. Rationale for Bank Engagement and Choice of Financing Instrument

Government and donors, including the Bank, have worked successfully within a harmonized aid framework for almost a decade, with the Bank managing the partners' pooled funding. GEQIP I (2009-2013) and II (2014-2018) are the main education projects to support the education sector in Ethiopia. To build on GEQIP’s accomplishments, Government and the Development Partners look forward to the World Bank continuing its financial and technical support. The Government also anticipates that the Bank’s strong commitment to the continued partnership with the Government and its large financial contribution for the proposed Program (USD $300 million) will catalyze more financial support from other donors. Several donors have indicated that they would be able to provide additional funding which could support the PforR through a pooled
Multi-Donor Trust Fund. \textsuperscript{xvi}

The proposed Program expects to focus on areas and populations that are still lagging behind others in participation, efficiency, and learning. The knowledge accumulated through GEQIP I and II helps identify such areas and populations and the possible sources of the variations in outcomes. To support the sustainability of the Government’s ESDP V, the proposed Program also expects to increase Government’s contribution to activities such as textbooks whose provision has been highly dependent on donor funding.

\textbf{PforR is an ideal financing instrument to accelerate the progress made so far in the sector.} It provides several advantages over other lending instruments, such as Investment Project Financing (IPF) and Development Policy Financing (DPF). First, the Government and the Bank have been working on the Government programs for a long period. Government's ESDP V, its implementation performance under GEQIP I and II, and its country systems, including its M&E system, are sound enough to support a PforR Program, albeit its country systems need capacity support. Implementing the PforR could further strengthen the Government ownership of the Program and its country systems, including its fiduciary, procurement, and M&E systems. Second, GEQIP I and II helped the Government to supply inputs to students. PforR lets the Government shift from inputs to results with accountability. These expected results can be achieved with preferential treatment of educationally lagging areas and populations to improve equity. Third, financial incentives or triggers could help Government leverage more impact from some of its policies. For example, the current school-grant formula is not structured to reward schools for meeting retention and completion goals. Modifying it to do so may help reduce the high drop-out rates in primary that result in lower completion rates.

The proposed Program comprises a Results-Based part and an IPF Technical Assistance component, which will strengthen the government’s systems and capacity for implementation. During the preparation stage, coordinated TA will be mapped out in consultation with the government and DPs.

\section*{II. Program Development Objective(s)}

\subsection*{A. Program Development Objective(s)}

The Program Development Objective is to improve the internal efficiency, equity, and quality of general education and the capacities of the education sector.

The proposed Program is expected to support quality, internal efficiency, equity, and capacity development in primary and secondary education. It will seek improved student learning outcomes at grades 2, 8, and 10 (quality) nationally, while giving special attention to targeted areas. It seeks reduced student drop-out rates at grade 1 and increased grade 8 completion rates (internal efficiency) by taking into account student’s socio-economic status, geographic, and gender dimensions (equity). It will seek to integrate the capacity development activities of all stakeholders at the national, regional and school levels to focus on providing minimum learning conditions and improving student outcomes. Capacity development activities will be implemented in a phased manner during the four-year period of the Program. Hence, the measurement of KPIs
for quality will focus on schools reached during the first phase.

B. Key Program Results

1. (Internal Efficiency) Reduce dropout rate at Grade 1, disaggregated by gender – DLI 1
2. (Internal Efficiency) Increase completion rate at Grade 8, disaggregated by gender
3. (Equity) Timely distribution of school grants targeting cluster resource centers equipped for special needs education (SNE) and schools in emerging regions – DLI 3
4. (Quality) Improve Grade 2 learning outcomes in mother tongue reading in the first phase schools
5. (Quality) Improve Grade 8 learning outcomes in English and mathematics in the first phase schools
6. (Quality) Improve Grade 10 learning outcomes in English and mathematics in the first phase schools
7. (Quality and Capacity Development) Improve the use of active teaching methods in the first phase schools as measured in School Inspection Standard 13 – DLI 4
8. (Capacity Development) Ensure timely procurement and delivery of textbooks

III. Program Description

A. PforR Program Boundary

The ESDP V for the years 2015-16 through 2019-20 constitute the Government program on which the PforR Program is based. ESDP V identifies six priority programs from which the goals for ESDP V derive: capacity development for improved management; general education quality; general education access, equity and internal efficiency; adult and non-formal education; Technical and Vocational Education and Training; and higher education. As table 2 shows, the proposed Program will focus on selected activities in the first three of these priority programs and on selected cross-cutting issues. Two of these three programs are general education programs, and the proposed Program will focus on pre-primary, primary and secondary education (grades 0-12).

Table 2: Boundaries of the PforR Program

<table>
<thead>
<tr>
<th>Government ESDP V Program</th>
<th>PforR Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capacity development for improved management</td>
<td>✓</td>
</tr>
<tr>
<td>Develop a relevant structure, with a clear distribution of mandates and responsibilities at all levels</td>
<td>✓</td>
</tr>
<tr>
<td>• Improving the education sector’s organizational structure</td>
<td>✓</td>
</tr>
<tr>
<td>• Managing the implementation of cross-cutting programs</td>
<td>✓</td>
</tr>
<tr>
<td>Provide regular gathering, processing and sharing of information to inform decision making</td>
<td>✓</td>
</tr>
<tr>
<td>• Gathering and processing education performance data</td>
<td>✓</td>
</tr>
<tr>
<td>• Gathering and processing financial data</td>
<td>✓</td>
</tr>
<tr>
<td>• Sharing information to inform decision making</td>
<td>✓</td>
</tr>
<tr>
<td>Promote good coordination and communication within and across levels</td>
<td>✓</td>
</tr>
<tr>
<td>• Job specifications and operational handbook</td>
<td>✓</td>
</tr>
<tr>
<td>• Improved use of existing documentation centers and sharing platforms</td>
<td>✓</td>
</tr>
<tr>
<td>Ensure adequate supply of staff with the right mix of technical and leadership skills in each</td>
<td>✓</td>
</tr>
</tbody>
</table>
post/level
- Profiles and recruitment
- Professional development: mentoring, training and on-the-job support

<table>
<thead>
<tr>
<th>Improve resources and conditions of work</th>
</tr>
</thead>
</table>

2. **Improve quality of general education**

Strengthen teachers’ and leaders’ development
- Transform teaching into a profession of choice
- Teachers’ training and professional development
- Leaders’ training and professional development

Improve curriculum development and provide sufficient teaching and learning materials
- Curriculum development
- Teaching and learning materials

Support schools to develop and implement School Improvement Plans (SIP)
- Community participation
- School environment
- Teaching and learning
- School leadership

Provide ICT infrastructure, facilities and resources
- ICT infrastructure for teaching and learning
- Content development for ICT

Strengthen quality assurance systems
- School inspection
- Teacher and school leader licensing
- Assessment and examinations

<table>
<thead>
<tr>
<th>3. Improve access, equity and internal efficiency in general education</th>
</tr>
</thead>
</table>

Increase access to pre-primary education
Increase access, equity and internal efficiency to primary education
Expand access to secondary education
Provide special support program for the four emerging regions

4. **Increase participation and improve quality in adult and non-formal education (ANFE)**

Expand IFAE and post-IFAE programs in all regions
- Design and implement effective IFAE programs
- Design and implement post-literacy programs with community participation

Improve female participation in IFAE and post-IFAE programs
Introduce continuing education programs in emerging regions
Improve the quality of ANFE
Create a strong and efficient institutional system for ANFE at all levels

<table>
<thead>
<tr>
<th>5. Increase access, quality and relevance of TVET</th>
</tr>
</thead>
</table>

Promote occupational standards development and assessment
- Improved ownership by sectors
- Improved recognition of competence through accessible and quality assessment and certification services

Expand trainees’ development and institutional capacity building
- Improve capacity of industry and institution trainers, TVET system leaders and support staff
- Increased access to TVET through expansion of institutions to all woredas
- Produce well-trained and competent graduates to satisfy industry needs
The proposed Program aims to build on the successes of GEQIP I and II. It thus focuses on improving student participation and learning outcomes in primary and secondary education (general education). TVET and Higher Education will have to be treated by other projects.

Within general education, there are several areas, which are considered important, but are not included in the proposed Program boundaries. For example, under “Capacity development for improved management” the proposed Program is not expected to support the development of new structures and systems. Instead the Program will focus on strengthening existing government structures and systems that are central to achieving the PDO.

Under ESDP V program area of “Improve quality of general education” it is proposed that all activities except ICT be covered. Given that procurement of IT equipment remains one of the biggest bottlenecks in disbursement under GEQIP II, the possibility of including ICT will be discussed only after the procurement issue for GEQIP II is resolved. It also must be shown that ICT clearly improves learning in Ethiopia without further exacerbating regional disparities in learning because of schools' unequal access to electricity and the internet.

Regarding “Improve access, equity and internal efficiency in general education” it is expected that all areas except expanding access to secondary education will be covered under the proposed Program. With regard to secondary school construction, the procurement process for classroom construction is more complicated than that for IT equipment and textbooks. During preliminary discussions, it was suggested that the government should explore different modalities to undertake construction of classrooms.

“Adult and Non-formal Education (ANFE)” is excluded from the PforR Program for the following reasons. First, the proposed Program is expected to build on and accelerate successes of GEQIP I and II, which focused on the formal primary and secondary education sub-sectors and not ANFE. In addition, the Bank has not worked on ANFE in Ethiopia, and other donors (e.g., UNESCO) may...
have a comparative advantage in this domain.

Similarly, on “Cross-cutting Issues”, the proposed Program proposes to focus on supporting interventions on gender and special needs and inclusive education. Other cross-cutting issues, which requires more inter-sectoral approaches with health, nutrition, and social protection sectors, are for now exclude from the Program boundaries. However, the Ministry, the World Bank, and the potential donors will continue to discuss them during the program preparation period.

**Proposed Program Description**

The PforR Program chose to focus on internal efficiency, equity, quality, and capacity development in general education. As discussed in Section B on the Program’s Sectoral and Institutional Context of the Program, the current education system needs further improvement in internal efficiency, equity, quality, and capacity development. Internal inefficiencies at the primary level (high dropout rates and low grade 8 completion rates) constitute an impediment to the flows of students through the education system, depressing the production of the higher levels of human capital that both the economy and individuals need. Although not sufficient, better internal efficiency at the primary level is necessary for increasing the rates at which students transition to and complete secondary education.

As emphasized in ESDP V, equity issues need to be addressed adequately in the proposed Program. There are serious regional and gender variations in various education indicators at both primary and secondary levels. In addition, students with special needs deserve more attention in order to improve their learning environments and ultimately lead to better learning outcomes.

Education quality (i.e., student learning outcomes) is central to the ESDP V. However, the recently conducted NLAs show the high percent of students at grades 4 and 8 who test at the below basic proficiency level. The below basic proficiency level at grade 4 indicates that an earlier intervention is needed. In fact, the low proportion of students in grade 2 that have sufficient proficiency of reading and numeracy contributes to students' low academic performance at grades 4, 8 and 10. It should be also noted that students' learning problems cannot be mitigated without adequate provision of inputs, such as textbooks, qualified and trained teachers, and adequate school grants.

In order to improve internal efficiency, equity, and quality, the current education system should be further strengthened with greater emphasis on accountability mechanisms and management systems, while promoting horizontal and vertical coordination. The limited information flow across directorates within the MoE impedes collaborative activities among national learning assessment, curriculum and textbook development, and teacher development. In addition, critical to improvement in student learning outcomes at school level is regular diagnostic classroom assessment on students' learning progress and provision of feedback to students. School Improvement Program (SIP) and Continuous Professional Development (CPD) play important roles to improve student learning outcomes. For those activities, greater collaborations among woreda and cluster supervisors, school leaders, and senior teachers are indispensable.

Annex 3 shows the results framework for the outcomes the PforR Program expects to support. In addition to KPIs and pertinent intermediate indicators, selected DLIs in internal efficiency, equity, quality, and capacity development are included to incentivize the government to achieve the PDO.
These DLIs are:

**DLI 1** (Internal Efficiency) Reduction in dropout rate in Grade 1, disaggregated by gender **KPI 1**

**DLI 2** (Internal Efficiency) Timely distribution of supplementary school grants rewarding improved internal efficiency outcomes

**DLI 3** (Equity) Timely distribution of school grants targeting cluster resource centers equipped for special needs education (SNE) and schools in emerging regions **KPI 3**

**DLI 4** (Quality) Improved use of active teaching methods in the first phase schools as measured in School Inspection Standard 13**KPI 7**

**DLI 5** (Capacity Development) Improved data integration, management, and utilization at the national and regional level

**DLI 6** (Capacity Development) Timely administration and reporting of assessments (EGRA and NLA)

**DLI 7** (Capacity Development) Government contributions to financing of textbook provision

Specifically, the Program supports:

- **Actions to improve internal efficiency, especially focusing on grade 1.** First, the PforR Program expects to support Early Childhood Development (ECD). The international literature shows that improving school readiness positively affects children's retention rates and learning achievement in primary education.\textsuperscript{6} The Program will support quality improvements to O-Class and an ECE pilot trial to test an innovative approach for enhancing school readiness in disadvantaged areas. Second, building upon the improved delivery of the per-capita school grants under GEQIP II, the Program proposes modifying the school grant formula to reward schools for increasing the retention rates of grade 1 entrants (DLIs 1 and 2). Third, the Program is in dialogue with the Bank's Social Protection team about including block grants and conditional cash transfers for keeping students in school in the bottom 20 percent of woredas.

- **In line with the equity priority of ESDP V, actions to target gender, disability and geographic sources of inequity.** While strategies for addressing equity will be further discussed during preparation, an indicative priority is the revision of the current school grant formula, to increase the financial incentives to improve learning conditions for students with special needs and in schools in emerging regions (DLI 3). Some of the new interventions, such as ECD could begin
in academically lagging areas. Similarly, TA for capacity development in the first phase will prioritize woredas having the highest share of Inspection level 1 schools. Increasing the number of textbooks and learning materials in mother tongue languages, especially in emerging regions, would also be a priority.

**Selected ESDP V activities proximate to the learning process: curriculum, textbooks, school management, and teacher quality.** This focus continues several priorities of GEQIP I and II that have worked well and that remain indispensable for improving student learning outcomes. However, in several cases, the focus of the PforR Program differs from GEQIP I and II. Curriculum revision should be based on observed patterns of learning problems (DLI 5). In addition to textbook provision, the PforR looks for their proper use by teachers in lesson planning and instruction and by students in learning, and how teachers use active teaching methods in the classroom (DLI 4). School management and teacher quality are conceptualized as a continuous learning process, School management and teacher quality are conceptualized as a continuous capacity development process, by strengthening feedback loops through peer learning and mentoring and the provision of supervision to improve teachers’ classroom practices rather than offering one-off training. Finally, for reasons of financial sustainability, the PforR Program proposes that Government assume financial responsibilities for some activities, especially textbooks (DLI 7).

**Development of the accountability systems and management at the national and regional levels to stimulate continuous improvement at the school level (DLI 5).** Bringing about improvement at the school level requires utilization of data to diagnose learning problems, identification of evidenced-based solutions and provision of support to schools and teachers. However, currently in the education sector, fragmented data management systems, weak collaboration among directorates at the national and regional levels, as well as limited capacity to analyze data, utilize findings for decision making, and monitor implementation have hampered progress toward improvement.

To address these issues, the proposed Program will support a capacity development process that aims to strengthen existing systems at two levels. The first level will foster a collaborative environment at the national and regional levels in order to improve: a) utilization of data from different sources to diagnose learning problems; b) identification of evidence-based solutions responding to those problems; c) continual monitoring of the implementation of these solutions; d) evaluation of results in subsequent administrations of the NLA and inspections (DLI 6); and e) reiteration of the above activities for further improvement. Program activities at the national and regional levels will involve MoE directorates and associated agencies, notably EMIS, CDID, TELD, NEAEA, and REBs. For the data integration and continuous collaboration called for by the Program, the powerful incentive (and benefit) is the financial transfer to the MoE upon achievement of the DLI 5.

The second level, at the woreda and school level, will focus on enhancing the effectiveness of the SIP and teachers’ continuous professional development in driving quality improvement at the school level. Under GEQIP II, the SIP process was developed and is being implemented nationally. However, weak focus on student learning outcomes, infrequent monitoring by woreda and cluster supervisors, and inadequate accountability systems have reduced effectiveness of SIP. To address these issues, Technical Assistance (TA) will be provided to woreda and cluster supervisors to
enhance their capacity to support schools in preparing results-focused SIPs and implementing them effectively. Woreda and cluster supervisors will also work on strengthening accountability systems by, among other things, promoting greater community involvement.

In addition, capacity development support will be provided to school leaders, senior teachers and supervisors to improve the effectiveness of teachers’ continuous professional development through peer learning and mentoring. In peer groups, teachers work together to increase their content knowledge and improve classroom practices with school leaders, senior teachers and supervisors serving as mentors.

At both national and school levels, TA will be provided to support capacity development activities. (The nature and scope of TA is briefly described in ANNEX 6.) Although some Program activities at the local level (i.e., woreda, cluster, and school) are in practice (e.g., in-service training and CPD for teachers), there will be a need to provide incentives to motivate supervisors, school leaders, and teachers to sustain the Program’s process of continuous improvement: analysis of data on student performance, identification of content and teaching interventions to improve performance, evaluation, and reiteration of the same activities to raise performance to the next achievable increment. School grants and woreda-block grants may be explored as potential incentives at this level. However, others would be explored during preparation, including provision of external TA to introduce novel content and pedagogy, assistance to Teacher Education Institutes (TEIs) for development of CPD programs relevant to student learning problems identified by teachers in schools within reach of the TEI, equipment and materials for cluster centers, travel and other support for school leaders and teachers attending peer learning sessions.

IV. Initial Environmental and Social Screening

A. Environmental and social systems aspects

There will be no land acquisition or resettlement, as all Program physical activities is envisaged to be carried out on existing sites and structures. The Program will avoid sub-project activities that are likely to have significant environment and social risks and impacts. However, since this is a national program, it will consider social effects on vulnerable communities that identify themselves as having the characteristics associated with population defined under OP4.10, or Core Principle 5 of the OP/BP9.00.

This program is expected to be implemented in different tiers of government (national, regional and woreda levels) with varying capacity to implement environmental and social safeguards regulations and procedures. The experience in the ongoing Education project (GEQIP) shows weak institutional capacity in documenting, reporting and monitoring social safeguards due diligence. This lesson will be incorporated in this program in strengthening government system to address environmental and social issues effectively without burdening the system with excessive documentation. Risk management tools and approaches will be incorporated in the program action plan, and DLIs for social accountability, grievance redress mechanisms as well as related social and environmental safeguards may be considered.

The Bank will conduct an Environmental and Social Systems Assessment (ESSA) to review the robustness of government’s system, as it relates to this program as per the OP/BP 9.00
requirements, and will assess the MoE’s capacity to plan and implement effective measures for environmental and social impact management at federal, regional and woreda levels. The ESSA preparation will be guided by the six core elements for environmental and social impact management incorporated in the OP/BP 9.00, Program-for-Results Financing: (a) General Principle of Environmental and Social Management; (b) Natural Habitats and Physical Cultural Resources; (c) Public and Workers Safety; (d) Land Acquisition and Loss of Access to Natural Resources; (e) Indigenous Peoples and Vulnerable Groups; and (f) Social Conflict.

The ESSA will be prepared, consulted upon and cleared by the Regional Safeguards Adviser and publicly disclosed in-country and at the Bank’s InfoShop before appraisal.

V. Tentative financing

Source: ($m.)
Borrower/Recipient: $5,200
IBRD:
IDA: $300
DFID: $100
Finland: $20
UNIEF: $4
Others (specify)
Financing gap: $300
Total: $5,921

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As measured by GDP per capita, adjusted by purchasing power parity in current prices.

ii The Ethiopian education system is organized into the O-Class, a nine-month school readiness program attached to government primary schools for children aged 6 years; primary education (grades 1-8, divided into the first cycle for grades 1-4 and the second cycle for grades 5-8); secondary education (grades 9-12, divided into the first cycle for grades 9-10 and the second cycle for grades 11-12); TVET (a five-level program after grade 10); and university education.

iii By the July 2016, midterm review, GEQIP II had procured 64 million textbooks and 60 million textbooks and other learning materials were being procured. The improved textbook procurement process saved about US $25 million. About 100,000 primary teachers and approximately 17,000 secondary teachers had completed/were in process of completing diploma and degree upgrading summer programs. About 9,000 would-be teachers had completed/were completing their Post-Graduate Degree in Teaching (PGDT) through the regular program. These initiatives significantly reduced the number of teachers who lack the required qualifications. By 2014/15, 75% of primary teachers and 91% of secondary teachers had met the standards. Pre-service activities included processes for selecting trainees, a teacher training module development, practicum, English Language Improvement Centres (ELICs), the Higher Diploma Program (HDP) for teacher educators, and the establishment of a Centre of Excellence in teaching. Most schools had developed school improvement plans (SIPs) with participation of the broader school community. In contrast to earlier years, 70% of the schools had received their school grants on time. An evaluation of the school grant program found that schools had generally followed the school grant guidelines—for example, it confirmed that most used 50% of the grant for teaching/learning activities, as stipulated by the guidelines. The 2015 NLA instruments were designed in such a way that learning achievements at grades 4 and 8 in 2011 and 2015 can be legitimately compared. Almost all 35,000 schools had been externally inspected and classified into four levels of performance, with levels 3 and 4 meeting the national standards.

iv The O class, although a relatively new initiative, has already achieved a net enrollment of 24%. The net intake rate for grade 1 is about 100% except for three of the four emerging regions (Afar, Gambella, and Somali).

v The NLA defines four proficiency levels, relative to subject and grade-specific learning goals: 1) Below Basic: Students at this level evidence only a minimal understanding of the subject and lack the skills to solve simple problems appropriate at the grade level; 2) Basic: Students at this level evidence a partial understanding of the subject and have skills to solve some simple problems appropriate at the grade level; 3) Proficient: students at this level evidence a solid understanding of the subject and have skills to solve a wide variety of problems appropriate at the grade level; and 4) Advanced: students at this level evidence a comprehensive and in-depth understanding of the subject and have skills to provide sophisticated solutions to complex question.

vi Ethiopia’s inspection framework weights the school’s score on input standards 25%; the score on process standards, 35%; and the score on outcome standards, 40%. Based on the weighted score for these 26 standards, schools are classified into 4 levels of performance, with Level 3 and Level 4 meeting the national standards. A weighted score of less than 50% is classified as Level 1, 50%-69.99% is classified as Level 2, 70%-89.99% is classified as Level 3 and 90%-100 is classified as Level 4.
The low Gini coefficient is mainly the result of a very equal income distribution in rural areas, which is where nearly 80% of the population resides, while urban Ethiopia features consistently higher inequality across time. Poverty rates have converged across regions because poverty reduction in Ethiopia has been faster in districts and regions where poverty was highest a decade ago.

The 2015 NLA collected data about the implementation of major GEQIP components, including textbooks. The percent of students with the textbooks for all subjects varied significantly by region—from 0 percent in Afar to 57 percent in Addis Ababa.

The average price of textbook purchased under GEQIP II is $0.58, significantly lower than the average price under GEQIP I ($0.68/book).

An assessment by the World Bank's Independent Evaluation Group of Bank-financed project and WBI training across all regions and sectors found that efforts to improve the human capital dimension of capacity often only partially succeeded or failed. The conditions required for training to translate into improved workplace performance were insufficiently in place, sometimes because the reasons for poor workplace performance were misdiagnosed as a human capital rather than as an organizational or incentive problem. See IEG (2008). Training to Build Capacity for Development. An Evaluation of the World Bank Project-based and WBI Training. World Bank, and OED (2005) Capacity Building in Africa: An OED Evaluation of World Bank Support. World Bank.

The Fast Track Initiative (FTI), now the Global Partnership for Education, contributed the lion's share of financing for GEQIP I (40%); the United Kingdom's DfID, the lion's share for GEQIP II (34%).

As of March 12, 2017, three donors are willing to commit financially to the proposed PforR Program: US$80–100 million from DFID, approximately US$17 million from Finland, and US$4 million from UNICEF.

The latest meta-analysis of the most rigorous evaluations of the effects of computer-assisted learning programs on access and learning outcomes finds decidedly mixed effects. In general, they have not positively affected language arts and composite test scores. Although effects on math test scores are more encouraging, program effects vary because conditions for effective use are often not met. [See B. Snilstveit, J. Stevenson, R. Menon, D. Phillips, E. Gallagher, M. Geelen, H. Jobse, T. Schmidt, and E. Jimenez. 2016. The impact of education programmes on learning and school participation in low- and middle-income countries: a systematic review summary report, 3ie Systematic Review Summary 7. London: International Initiative for Impact Evaluation (3ie)] Three conditions found to be key to effective use of ICT are not routinely met in Ethiopia, especially in schools in rural areas: access to electricity, internet access, and properly maintained equipment. For example, the 2012-13 Young Lives School Survey found that on the day of the survey only 17 percent of rural schools had electricity available. (See. World Bank, 2015. Investing in Ethiopia’s Future. World Bank. Washington, D.C.)
they have not positively affected language arts and composite test scores. Although effects on math test scores are more encouraging, program effects vary because conditions for effective use are often not met. [See B. Snilstveit, J. Stevenson, R. Menon, D. Phillips, E. Gallagher, M. Geelen, H. Jobse, T. Schmidt, and E. Jimenez. 2016. The impact of education programmes on learning and school participation in low- and middle-income countries: a systematic review summary report, 3ie Systematic Review Summary 7. London: International Initiative for Impact Evaluation (3ie)] Three conditions found to be key to effective use of ICT are not routinely met in Ethiopia, especially in schools in rural areas: access to electricity, internet access, and properly maintained equipment. For example, the 2012-13 Young Lives School Survey found that on the day of the survey only 17 percent of rural schools had electricity available. (See. World Bank, 2015. Investing in Ethiopia’s Future. World Bank. Washington, D.C.) Therefore, some evidence should be provided in the Ethiopia context before expanding to more schools.