I. Project Context

Country Context

Moldova is an International Development Association (IDA) member country approaching middle income status and belongs to a group of "medium human development" countries. Over the last two decades, Moldova has suffered from rising poverty resulting from an economic downturn in the 1990s, territorial secession, armed conflict, severe demographic decline, significant outmigration, and was hit hard by the global financial crisis in 2009 (with Gross Domestic Product - GDP contracting at around 15 percent). In 2010 the country returned to economic growth but at present the economy is still slightly above half of what it was in 1990. The favorable period of economic growth in 2000-2008 was driven mainly by remittances rather than capital inflows, exports or foreign direct investments. Migrants have become the crutch on which Moldova’s economy now rests and it will continue to be a significant feature of economic development. In order to ensure future prosperity, the country needs to develop a second engine of growth from exports of goods and services, and conduct a series of deep fiscal and structural reforms.

In the past three years, the political landscape in the country has been volatile but the election of a new President on March 16, 2012 has eliminated the risk of early elections providing the Government with a full political mandate to carry out an ambitious reform agenda. Despite a turbulent political environment from 2009 onwards, the Government of the Alliance for European Integration was able to restore macro-economic stability and lay the seeds for economic recovery. The main challenge for Moldova remains the ongoing implementation of important structural reforms, which include key regulatory reforms in the business environment, rationalization of fiscal expenditures, pro-growth policies and infrastructure investments to support sustainable growth and the country's European integration agenda. Strong and robust economic growth and development will necessarily have to rely on the country’s human capital. Improving the quality, relevance and efficiency of the education system is thus a main priority for the country. Sound quality enhancing policies substantiated by the efficient financing in the education sector are vital to the advancement of the sector in accordance with national priorities.

II. Sectoral and Institutional Context

The Government of Moldova’s higher objective in education is to provide its children schooling that is aligned to the needs of the labor market and the broader economy. However, the demographic and fiscal realities of the country have not made it easy for the Government to fulfill its mandate in education. Over the years, the education sector in Moldova has witnessed uneven education quality and a lack of efficiency. While investments in modernized textbooks, curricula and teacher training practices have been made, much of it with IDA and other donor support, these have not matched the needs of a sector that aims to educate workers for an increasingly competitive global economy. As a result of demographic decline due to low fertility rates and massive outmigration, the student population has shrunk significantly (by 48% since 1991). In response, GoM through its education reform program has re-emphasized the need for quality, efficiency, and evidence-based policymaking.

Quality of education. The GoM has recently turned its attention to the urgent need for improving the quality of education. One illustration of this was Moldova’s participation in the Organization for Economic Co-operation and Development’s (OECD’s) Programme for International Student Assessment (PISA) 2009 Plus round of international student assessments. The Ministry of Education has also started the monumental task of overhauling the country’s school leaving exam system (Baccalaureates). Moldova’s performance in PISA is a substantive illustration of the symptoms of quality challenges the system currently faces. The results on PISA 2009 Plus show that the performance of the country’s 15-year-olds in reading, math, and science is among the lowest in the region. The performance gap with other European post-Soviet countries is about 70 points, equivalent to a little more than two years of schooling. In short, around 60% of Moldova’s 15-year-olds lack the basic levels of proficiency in reading and math literacy needed to participate effectively and productively in society. These results show the need to continue, consolidate and extend reforms in curriculum, student assessments, teacher training and textbook design.

Teacher quality is considered to be one of the most important contributing factors to improving student achievement. The latest school-level data from the National Bureau of Statistics show 36,000 teachers employed in the country’s general education institutions, two thirds of whom hold some sort of pedagogical certification and 19% of whom are past retirement age. A recent study sponsored by the United Nations Children’s Fund (UNICEF) found that during 2002-2007 alone, the share of teaching staff of retirement age more than doubled, indicating a rapid aging of the profession. The resources for teacher training are spread too thin across a large number of under-qualified teachers, leading to
underinvestment in the current and future workforce. Clearly, the system of recruitment, training, accreditation, quality assurance, and incentives for both teachers and school directors is a key area where alternative, modern systems need to be promoted.

Efficiency of resource allocation. The GoM is acutely aware of the efficiency challenges facing the sector. With the piloting of per student financing under the World Bank’s Quality Education in the Rural Areas of Moldova (QERM) project, the GoM took critical steps to improve the efficiency of resource allocation in General Education. This commitment was strengthened further by the passing in Parliament of the much needed and groundbreaking package of amendments to the existing Education Law on April 26, 2012. These legal changes create an enabling environment that allow for the implementation of efficiency reform measures, such as the introduction of per student financing nationwide and the change in the ownership of a school from a mayor to the rayon council. In order to achieve better results, against the backdrop of the improved legal framework, the utilization of budget resources needs to streamlined.

At present, the education sector is characterized by an oversized network of increasingly small schools and a high number of poorly paid teachers and non-teaching staff. Of the 1,460 general education institutions in Moldova, three-quarters are located in the country’s nearly 1,000 villages, yielding an average of 1.1 schools per village. An average school in Moldova operates at 54% of the capacity for which it was designed leading to wasteful expenditures in the form of heating bills and public utilities. A recent Ministry of Education sponsored feasibility study concluded that up to half of Moldova’s rural schools may need to be reorganized or shut down in the next three to five years in order to counteract the sharp population declines that have taken place over the last 20 years. It is important to note here that the restructuring of the school network is not a goal in itself. The main purpose of the reforms would be to improve quality of education through consolidation of schools, better utilization of resources (human and physical), and a long-overdue response to the effects of the demographic transition.

Evidence-based policymaking. The Ministry of Education has been collecting detailed data from schools for the past five years in order to populate its school mapping database. This data collection exercise is both thorough and wide-reaching, requesting data for more than 400 indicators from schools three times a year. While the existence of the school mapping database is a solid foundation on which to build a more effective system, policy decisions on issues of education quality and resource allocation continue to take place without adequate evidence. At present, Moldova does not have a consolidated Education Management Information System (EMIS) that links school-based with financial data and the country’s student assessment system. The Ministry of Education’s existing school mapping system has been running for five years and provides patchy and piecemeal data on school conditions. This system’s database is populated through self-reporting by schools, which is done in an inconsistent manner three times a year without data collection guidelines. This database doesn’t store any data on students, teachers and non-teaching staff.

The weak analytic capacity within the Ministry of Education (MoE) makes it difficult for decision makers to set education policy on the basis of detailed information about sector conditions. In other countries, student-level EMIS data is increasingly becoming indispensable for tracking the performance of schools, teachers, and individual students. In Moldova the MoE recognizes that failing to ensure the quality of student data results in poor sector knowledge at the school, rayon and central levels. The school mapping system needs to be transformed into a solid EMIS and should include education statistics and results from various student evaluations that allows for timely analyses to inform policy and decision making. At the same time, MoE staff needs to be trained in methods of education data analysis that can take advantage of improved data capabilities.

The development and utilization of a consolidated EMIS for the MoE is critical for three reasons. First, because policies and reform initiatives need to be designed, implemented and monitored using quality data. Second, within the context of an ever-shrinking education budget, the availability of quality data would enable the Government of Moldova to better prioritize and focus public resources on the main priorities of the education sector. And lastly, quality data would be essential in effectively monitoring continued access to education for students who may be relocated due to school closures.

While access to primary education is not a concern at this time (with net enrollment rates remaining stable at around 87.7% over the last five years), issues of access and participation in compulsory lower secondary education need to be carefully monitored. The lower secondary net enrollment rates have been declining steadily in the past years from 86.2% in 2006 to 83.3% in 2010. This is why a reliable EMIS is critical for monitoring the effects of the school network reforms. An important lesson learned from similar reform in Bulgaria shows that school consolidations may have exacerbated school drop-out rates. Results of a rigorous impact evaluation study suggest that school closures and consequent consolidations contributed to a small but significant increase in school dropout rates in Bulgaria. The average dropout rate was 14.9% in schools that closed, compared to 6.2% among schools that were not closed.

Gender. From a gender perspective, access to basic compulsory education does not show any significant disparities. Net enrollment rates are comparable for boys and girls, remaining largely flat in primary education in recent years (at around 87% for girls and 88% for boys) and declining slightly for both genders in lower secondary education (from 85.9% to 83.1% for girls and from 86.4% to 83.6% for boys between 2006 and 2010). Learning outcomes, as measured by PISA 2009 Plus, show no cause for concern with respect to gender disparities, as girls tend to perform better than boys in reading and science and score comparably to boys in math proficiency. There is a need to monitor drop outs and education quality measures from a gender perspective and, where relevant, implement mitigation measures that are gender-specific.

III. Project Development Objectives
The project development objective is to strengthen the quality of education while supporting the efficiency reforms being implemented in the education sector.

IV. Project Description
Component Name
Component 1: Strengthening the Quality of Education
Component 2: Improving the Efficiency of the Education Sector
Component 3: Improving the Ministry of Education’s Capacity to Monitor the Reform

V. Financing (in USD Million)
VI. Implementation
The Ministry of Education would be the main implementing agency for the Project. Project implementation would rely primarily on the existing structures of the Ministry and the activities proposed under the Project would be part of the everyday work of its staff. For this reason, the Project would not require the establishment of a parallel structure or a full scale Project Implementation Unit. Instead, a group of local consultants comprised of one Project Coordinator, one Project Assistant, and one Procurement and Financial Management Officer would be hired for the purposes of the MERP.

VII. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td>✖</td>
<td></td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td>✖</td>
<td></td>
</tr>
</tbody>
</table>

VIII. Contact point

**World Bank**
Contact: Scherezad Joya Monami Lat  
Title: Senior Education Specialist  
Tel: 458-2488  
Email: slatif@worldbank.org

**Borrower/Client/Recipient**
Name: Ministry of Finance  
Contact: H.E. Veaceslav Negruta  
Title: Minister of Finance  
Tel: +373 2 22 66 29  
Email: 

**Implementing Agencies**
Name: Ministry of Education and Youth  
Contact: Valentin Crudu  
Title: Project General Coordinator  
Tel:  
Email: email address: rural@edu.nd

IX. 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
Web: http://www.worldbank.org/infoshop