I. Introduction and Context

Country Context

The following context issues have specific relevance to this proposed project:

A renewed financial commitment to the sector provides evidence that education has become a high priority on the government’s national agenda. Public education spending was estimated to have been about $354 million equivalent in the fiscal year 2010/2011, representing an estimated 1% of GDP. The budget for education in 2013/2014 has risen substantially to about $1 billion equivalent, or about 12% of overall government spending. A large share of this new education spending is accounted for by increasing teacher wages, which are low by regional standards. But Myanmar is focused on the need to increase non-salary recurrent spending, as well as to increase both government and donor-financed investments. This rapid increase in public funding for education has begun to re-balance public funding with private spending on education. The Bank’s recent rapid assessment of education spending estimated private contributions to education to be about 2/3s of overall education spending in Myanmar in 2008/09, which is high by global standards. The
recent increase in public spending implies that a more balanced share of the cost of education being born by the public sector. Public education spending is likely to continue to increase in the near term in absolute terms and as a share of overall (public and private) education spending.

Education governance in Myanmar is gradually moving towards decentralization. Like other government systems, the governance of education is set to make a transition from a high degree of central control to more authority being decentralized to lower administrative levels. In addition to more decentralization of funding – which is the focal point of this project – Myanmar is likely to gradually increase the authority of sub-national governmental levels to adapt curricula to local concerns and to use local languages as the language of instruction. The transition is likely to be gradual and uneven, with region, state and district education offices exercising more or less authority depending on the local context. But Myanmar’s 330 townships are likely to be the focal point for service delivery in basic education across the country.

The education sector reflects Myanmar’s evolving political landscape. Education in Myanmar is reported to be highly valued, as demonstrated by the high private contributions to schooling. Underfunding of education has likely exacerbated inequalities, as poorer and more isolated areas comparatively lack financial means and technical capacity. The underfunding of the system is gradually being addressed. But the capacity and willingness of specific sub-national jurisdictions, including townships, and school-level committees (parent-teacher associations and boards of trustees) to represent all groups and to target scarce resources on disadvantaged groups or areas remains a subject of concern.

Myanmar has shown commitment to working with development partners to review its education policies, undertake analytical work and develop a new strategy. A rapid assessment phase of Myanmar’s Country Education Strategy Reform (CESR) process has just been completed, and work on a comprehensive sector plan is underway, expected to be delivered in 2014. While gaps will continue to exist in sector knowledge and in Myanmar’s capacity to plan and manage resources for education, the changing political landscape offers opportunities to scale up system-building support. Myanmar identified its school grants and stipends programs as priorities for ‘quick wins’ in its Framework for Economic and Social Reforms. The CESR rapid assessment and other sector analytical work has identified the lack of reliable information on learning outcomes as a major constraint to knowledge work and investment programming.

**Sectoral and Institutional Context**

Decentralized funding

The Ministry of Education (MoE) in Myanmar is currently decentralizing funding for education through two national programs: (1) it transfers funding for various operating expenditures through townships to schools based on the size of the school, and (2) it transfers funding through townships and schools to pay cash stipends to poor children and scholarships to high achieving students. The school grants program has its origins in the need to provide schools with operating funds following the government’s decision to make primary education (grades 1–5) free beginning in school year 2009/10.

Both these initiatives were established through ministerial decrees during the 2009-2010 school year. The decrees established the basic framework of the amounts and the flow of funds, but neither initiative seems to have been established as formal programs with statements of objectives, detailed
descriptions of responsibilities, performance indicators, or provisions for monitoring their impact on the education system.

The school grants program is national in coverage and growing quickly. While these programs are nominally national in coverage, both are small. Myanmar transferred an estimated $324 on average to primary schools, $1,216 on average to middle schools and $1,822 on average to high schools in direct subsidies to support spending on goods and services. The program supported more than 40,000 schools, and accounted for overall spending of about $18 million equivalent in 2012/13. These amounts appear to have been more than doubled in the 2013/14 budget. School grants programs in neighboring countries (Vietnam, Cambodia, and Lao) provide individual primary schools in the range of $2,000 to $3,000 per school annually. In addition to the spending on goods and services (which were transferred directly to schools), the budget for school maintenance was $43 million (approximately $1,100 per school) in 2012/13. These funds were not managed directly by schools but were managed by division and township officers. Myanmar is considering a gradual ramp up of its school grants funding in accordance with regional norms, and of gradually giving school headmasters and communities a greater say in how resources (both the budget for goods and services and the maintenance budget) gets spent. Gradually increasing external funding for the school grants initiative would be contingent on annual achievement of simple annual results targets, which may include timely reporting of access indicators in the target areas, preparation of school improvement plans, and the completion of beneficiary assessments.

The stipends program is also national in coverage, but is small in terms of financing and beneficiaries. About $700,000 equivalent is allocated annually for stipends. Depending on targeting methods and geographic coverage, Myanmar could set a 5-year target of [200,000-300,000] students receiving stipends annually. As with the school grants above, a gradual ramping up of external funding for the stipends initiative would be contingent on annual achievement of simple annual results targets, which may include timely reporting of school planning and community participation indicators in the target areas and the completion of beneficiary assessments. Funding for the stipends is awarded by townships to selected schools, and then the Head Master and other school officials award stipends to poor families and the caretakers of orphans. The process for selecting schools and any criteria to be used is apparently not prescribed by the center. School officials commonly consult with Parent-Teacher Associations and/or Boards of Trustees in making the stipend awards, but this consultation is not apparently mandated. There do not seem to be formal criteria for identifying need beyond choosing the poorest students and/or orphans. Scholarships are awarded to the students who score highest on school based tests. Compared to the stipends, the process for awarding the scholarships is well defined and transparent. This project is unlikely to directly support the scholarship program.

Central funds for these programs are devolved from the Ministry of Education to Township Education Offices. Each township is responsible for ensuring that the funds reach the school and are spent on eligible items in accordance with simple guidelines. Townships generally disburse funding to schools in cash. Schools are not currently required to prepare budgets or plans in order to receive funding. Purchases carried out by schools are recorded in account books and monitored by the Township Education Office.

Learning outcomes

The CESR rapid assessment identified the lack of reliable information on learning outcomes as a
significant obstacle for education reform. Information on learning outcomes is particularly important in a decentralized system where local stakeholders have decision making authority and financial discretion. In this environment, the role of central authorities becomes one of holding localities accountable and data on how well children are learning is crucial for assessing system performance. Standardized learning assessments are, therefore, a necessary complement to support for decentralized systems.

There are currently no regular assessments of student learning at the end of each cycle in Myanmar. As such, there is little information about whether students are mastering the key desired competencies at the end of the primary, or middle school cycles. The only regularly administered standardized examination is the Basic Education High School exam at the end of high school. But it is not clear that these exam results are comparable between years.

UNICEF has helped Myanmar conduct three rounds of assessments of Myanmar language and mathematics skills. In 2007, 3rd and 5th graders in 20 of Myanmar’s approximately 330 townships participated in a first round of assessments. In 2009 and 2011, students in the same townships were tested using the same test. Such exercises provide invaluable insights into the strengths and weaknesses of the education system (at different grade levels, and in different parts of the country). However, the students’ results have been kept secret. There is no mention of these exercises and their findings in the Ministry’s annual reports on the education system (dated October 2010 and October 2011).

Before beginning implementation of a new sector plan (the main objective of CESR Phase III), development partners aim to assist Myanmar to establish national baselines for selected learning outcomes. These would be used to monitor progress in the sector and could also contribute to refining learning standards for all grades.

**Relationship to CAS**

After more than two decades of absence from the country, the World Bank Group (WBG) has reengaged in the development of Myanmar. On October 30, 2012 the WBG approved an Interim Strategy Note (ISN) covering an 18-month period focusing on programs that can support the Myanmar government in the country's current triple transition - from an authoritarian military system to democratic governance, from a centrally-directed economy to market-oriented reforms, and from conflict to peace in the border areas. The ISN outlines support around three pillars: the first aimed at supporting government's efforts to transform institutions to allow them to deliver for citizens; the second aimed at building confidence in the ongoing reform process; and the third focused on preparing the way for the resumption of a full country program.

To support the Government improving its public service delivery, the WBG initiated engagement with Myanmar on their education reform agenda beginning in mid-2012. In particular, the WBG (alongside other development partners) started providing technical assistance to the Ministry of Education-led Comprehensive Education Sector Review (CESR). The CESR process is working toward preparing a comprehensive sector plan, complete with a costed sector strategy, and is expected to be completed in early 2014. A number of rapid assessments have just been completed and the initial findings provided evidence that government financial commitment to the education sector is low by international standards and the share of education funding provided by private contributions is one of the highest in the world. The assessment also identified a lack of reliable information on learning outcomes as a significant obstacle for education reform.
To signal its commitment to improving public service delivery, the Government has prepared a “Framework for Economic and Social Reform” and, in this Framework, it establishes the government’s ‘school grants’ program and its ‘stipends’ program as the two highest priorities for ‘quick wins’ in the education sector. It is on this basis that the Bank has engaged in a rapid response effort to attempt to support these programs.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)
The objectives of this project are (1) to improve and expand Myanmar’s existing decentralized funding mechanisms (schools grants and student stipends), and (2) to establish a baseline of reading acquisition skills in lower primary education (grades 1-3).

Key Results (From PCN)
Performance indicators will be established for each program as follows:

To track the improvement and expansion of the school grants program for basic education (grades 1-11), Myanmar aims to:

a. Increase the share of primary schools which have produced simple annual learning improvement plans (with budgets)
b. Triple the size of the funding transferred directly to schools using a formula-based approach (e.g. in the case of primary schools, average increase per school of about $300 per school annually in 2012-13 to approximately [$1,000] per school annually by 2017-18)
c. Provide professional development to about [2,000] township education officials and up to [20,000] school head masters

To track the improvement and expansion of the student stipend program, Myanmar aims to:

a. Target stipends on disadvantaged groups or geographic areas
b. Demonstrate improved access and retention among targeted groups or in targeted areas through increased enrollment, improved attendance and reduced drop outs
c. Expand the program from about 11,000 students in 2012-13 to approximately [500,000] students in 2017-18
d. Provide professional development to about [2,000] township education officials and up to [20,000] school head masters (combined with c. above)

To begin tracking progress in learning outcomes at a national level, Myanmar aims to establish a representative baseline of reading acquisition skills in each of its three basic education departments.

Myanmar’s existing information systems will be used to establish baselines and monitor annual progress for access and retention indicators (enrollment, attendance, drops outs) in target areas. An independent verification of MoE data will be established. Data will be disaggregated by gender. Special attention will be given to how girls’ access and retention are impacted by the decentralized funding programs.

III. Preliminary Description
**Concept Description**

The project would provide on-budget results-based financing to support the implementation of the Government’s school grants and stipends programs, as well as the implementation of professional development programs for township and school officials and periodic early grade reading assessments. A small secondary component will provide capacity building technical assistance to support implementation, monitoring and evaluation of the government’s programs.

The IDA credit would top-up Ministry of Education’s Union budgetary resources for these programs. IDA funding would be expected to be disbursed against Disbursement Linked Indicators (defined below) during the government’s 2014, 2015 and 2016 fiscal years. The MoE would be expected to match (but preferably exceed) the IDA allocation with its own budgetary resources during this period. The combination of union budgetary resources and IDA funding for these decentralization programs should allow the government to announce to schools and townships guaranteed funding for these programs during the 3 year program period, beginning with the 2014-15 school year.

IDA funding would be limited to a specific Eligible Expenditure Program (EEP) which will be defined using specific budget headings and budget lines within those headings. Maximum annual amounts, matching a share of government’s own funding for these programs, will be agreed with government before the appraisal is finalized. Project funding is currently proposed for the following budget headings and lines:

1. MoE’s recurrent budget allocated to primary schools, middle schools and high schools within each Department of Basic Education to fund disbursements through townships directly to schools; a list of eligible recurrent budget lines that schools can use would be clearly defined and, depending on government agreement, expanded to allow limited expenditure for priorities such as maintenance, feeding programs, hiring contract teachers, etc.,

2. MOE budget headings for stipends (05 transfers) to primary, middle and high school students, disbursed with the to fund direct cash payments to students,

3. MOE budget headings for refresher training at the Department of Education Planning and Training and DBE1, DBE2 and DBE3 to cover the costs of professional development to be undertaken at central, regional and township levels, and

4. MoE budget headings for research/survey costs to cover the costs of the early grade learning assessment surveys after the 2013-14 school year.

A series of disbursement-linked indicators (DLIs) will be identified, corresponding to intermediate results in the major government programs being supported. On-budget funding will be released annually against the achievement of these indicators. A preliminary description of the DLIs is included in Table 1 below, including example indicators. DLI progress will be reviewed annually and will be subject to independent verification. The initial review (scheduled for around May 2014) would focus on program design issues; the second annual review in 2015 would focus on fiduciary transparency and accountability issues; and the third annual review in 2016 would focus on program impact. In addition to the DLI reviews, the release of the annual installments, following the initial instalment in 2014, would be contingent on the full disbursement of the previous year’s funding. A
detailed timetable and procedure for annual review of DLIs, including the independent verification, will be agreed with MoE at appraisal.

In addition to providing $60 million in IDA credit to “top up” union budgetary resources, the World Bank plans to mobilize additional financial support in the form of international and national technical assistance to be focused on monitoring and evaluation of the programs and capacity building. Specially, the technical assistance program would (a) advise on system improvements and design new system inputs (such as improved targeting procedures, manuals, reporting formats, etc), (b) assist design and delivery of training programs, (c) monitor and report on the use of decentralized funding, and (d) periodically evaluate the programs, including impact evaluation.

The Ministry of Education would be responsible for managing financial accounts, preparing financial and progress reports.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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VI. Contact point

World Bank
Contact: James A. Stevens
Title: Senior Operations Officer
Tel: 473-2848
Email: jstevens2@worldbank.org
**Borrower/Client/Recipient**
Name: Union of Myanmar  
Contact: Nwe Nwe Win  
Title: Budget Director  
Tel: 66-95-6741-0322  
Email: nwenwewin1957@gmail.com

**Implementing Agencies**
Name: Ministry of Education  
Contact:  
Title:  
Tel:  
Email: myo gyi <myo.theingyi@gmail.com>

**VII. 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