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Report No: PAD1015

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 7.9 MILLION  
(US\$ 11 MILLION EQUIVALENT)

TO THE

REPUBLIC OF KOSOVO

FOR AN

EDUCATION SYSTEM IMPROVEMENT PROJECT

August 19, 2015

*Education Global Practice  
Europe and Central Asia*

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective as of July 31, 2015)

SDR 1 = US\$1.3947

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

BFD	Budget and Finance Department
CPS	Country Partnership Strategy
DCPS	Division for Coordination of Policies and Statistics
DDPE	Department for Development of Pre-university Education
DI	Division of Inspectorate
DSME	Division for Standards, Monitoring, and Evaluation
DTPD	Division for Teacher Professional Development
EC	European Commission
ECTS	European Credit Transfer and Accumulation System
EMIS	Education Management Information System
EPIP	Education Participation Improvement Project
EU	European Union
FM	Financial Management
FMM	Financial Management Manual
FMS	Financial Management Specialist
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GIZ	Germany International Development Agency ( <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> )
GRS	Grievance Redress Service
HED	Higher Education Department
HEI	Higher Education Institution
IDA	International Development Association
IDEP	Institutional Development for Education Project
IT	Information Technology
KCF	Kosovo Curriculum Framework
KCSAA	Kosovo Curriculum, Standards and Assessment Agency
KESIP	Kosovo Education Systems Improvement Project
KESP	Kosovo Education Strategic Plan
KFMIS	Kosovo Financial Management Information System
LFS	Labor Force Survey
MED	Municipal Education Directorate

MEST	Ministry of Education, Science and Technology
MTEF	Medium-Term Expenditure Framework
MTBF	Medium Term Budget Framework
PCU	Project Coordination Unit
PEFA	Public Expenditure Financing Assessment
PD	Professional Development
PDO	Project Development Objective
PFR	Public Financing Review
PFM	Public Financial Management
PISA	Programme for International Student Assessment
POM	Project Operational Manual
PSC	Project Steering Committee
PUEPD	Pre-University Education Policies Department
SABER	Systems Assessment for Better Education Results
SDG	School Development Grant
SDP	School Development Plan
SDR	Special Drawing Rights
SGAB	School Grants Approval Board
STR	Student Teacher Ratios
USAID	U.S. Agency for International Development

Regional Vice President:	Cyril Muller
Country Director:	Ellen A. Goldstein
Senior Global Practice Director:	Claudia Maria Costin
Practice Manager:	Mario Cristian Aedo Inostroza
Task Team Leader:	Flora Kelmendi



**KOSOVO**  
**Education System Improvement Project**  
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# PAD DATA SHEET

*Kosovo*

*Education System Improvement Project (P149005)*

## PROJECT APPRAISAL DOCUMENT

*EUROPE AND CENTRAL ASIA*

Report No.: PAD1015

Basic Information			
Project ID P149005	EA Category C - Not Required	Team Leader(s) Flora Kelmendi	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 01-Nov-2015	Project Implementation End Date 31-Dec-2019		
Expected Effectiveness Date 15-Oct-2015	Expected Closing Date 31-Dec-2019		
Joint IFC No			
Practice Manager/Manager Mario Cristian Aedo Inostroza	Senior Global Practice Director Claudia Maria Costin	Country Director Ellen A. Goldstein	Regional Vice President Cyril Muller
Borrower: Republic of Kosovo			
Responsible Agency: Ministry of Education, Science and Technology			
Contact: Telephone No.: 381(0) 38 244 974	Arsim Bajrami	Title: Email: arsim.bajrami@rks-gov.net	Minister of Education
Project Financing Data(in USD Million)			
[ ] Loan	[ ] IDA Grant	[ ] Guarantee	
[ X ] Credit	[ ] Grant	[ ] Other	
Total Project Cost:	11.00	Total Bank Financing:	11.00
Financing Gap:	0.00		

<b>Financing Source</b>	<b>Amount</b>
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	11.00
<b>Total</b>	<b>11.00</b>

### **Expected Disbursements (in USD Million)**

Fiscal Year	2015	2016	2017	2018	2019	2020	0000	0000	0000	0000
Annual	0.00	1.50	2.50	4.50	2.50	0.00	0.00	0.00	0.00	0.00
Cumulative	0.00	1.50	4.00	8.50	11.00	11.00	0.00	0.00	0.00	0.00

### **Institutional Data**

#### **Practice Area (Lead)**

Education

#### **Contributing Practice Areas**

#### **Cross Cutting Topics**

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

#### **Sectors / Climate Change**

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	General education sector	100		
<b>Total</b>		<b>100</b>		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

#### **Themes**

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Public sector governance	Other public sector governance	20
Human development	Education for all	80
<b>Total</b>		<b>100</b>

<b>Proposed Development Objective(s)</b>		
The Project Development Objective is to strengthen selected systems that contribute to quality, accountability, and efficiency improvements in education in the Republic of Kosovo.		
<b>Components</b>		
<b>Component Name</b>	<b>Cost (USD Millions)</b>	
Enhancing strategic planning, financial management, monitoring and decision-making in the education sector	5.20	
Strengthening management capacity and accountability to enhance quality of education	5.00	
Implementation and Communications Support	0.80	
<b>Systematic Operations Risk- Rating Tool (SORT)</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Political and Governance	Substantial	
2. Macroeconomic	Substantial	
3. Sector Strategies and Policies	Moderate	
4. Technical Design of Project or Program	Moderate	
5. Institutional Capacity for Implementation and Sustainability	Substantial	
6. Fiduciary	Moderate	
7. Environment and Social	Low	
8. Stakeholders	Moderate	
9. Other		
<b>OVERALL</b>	Moderate	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01		<b>X</b>
Natural Habitats OP/BP 4.04		<b>X</b>

Forests OP/BP 4.36		<b>X</b>
Pest Management OP 4.09		<b>X</b>
Physical Cultural Resources OP/BP 4.11		<b>X</b>
Indigenous Peoples OP/BP 4.10		<b>X</b>
Involuntary Resettlement OP/BP 4.12		<b>X</b>
Safety of Dams OP/BP 4.37		<b>X</b>
Projects on International Waterways OP/BP 7.50		<b>X</b>
Projects in Disputed Areas OP/BP 7.60		<b>X</b>

### **Legal Covenants**

<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Coordination Unit (PCU)	<b>X</b>		CONTINUOUS

#### **Description of Covenant**

The Recipient shall establish, and thereafter maintain a Project Coordination Unit (PCU) within MEST, satisfactory to the Association.

<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Steering Committee (PSC)	<b>X</b>		CONTINUOUS

#### **Description of Covenant**

Within 60 days from the Effective Date, the Recipient shall establish, and thereafter maintain, a Project Steering Committee (PSC) responsible for providing policy guidance for, and oversight of, the Project.

<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Implementation Committee (PIC)	<b>X</b>		CONTINUOUS

#### **Description of Covenant**

Within 40 days from the Effective Date, the Recipient shall establish, and thereafter maintain, a Project Implementation Committee (PIC), with composition comprising among others directors of the relevant departments in the MEST, and with terms of reference and resources satisfactory to the Association.

<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
School Development Grants (SDGs)	<b>X</b>		CONTINUOUS

#### **Description of Covenant**

The Recipient shall make School development Grants (SDGs) to selected schools on the terms and conditions set out in the School grants Manual and sign the School Development Subproject Agreements with the Municipalities concerned and the selected School.

<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Annual Work Plan and Budget	<b>X</b>		Yearly

#### **Description of Covenant**

The Recipient shall through the MEST prepare and furnish to the Association not later than November 15 of each Fiscal year during the implementation of the Project, an Annual Work Plan and Budget

containing all activities proposed to be included in the Project during the following Fiscal Year and a proposed financing plan for expenditures required for such activities.

**Conditions**

Source Of Fund	Name	Type
IDA	Project Coordination Unit (PCU)	Effectiveness

**Description of Condition**

The Recipient has established a Project Coordination Unit (PCU) and recruited core staff, satisfactory to the Association.

Source Of Fund	Name	Type
IDA	Project Operations Manual (POM)	Effectiveness

**Description of Condition**

The Recipient has adopted the Project Operations Manual (POM) in form and manner satisfactory to the Association.

**Team Composition**

**Bank Staff**

Name	Role	Title	Specialization	Unit
Flora Kelmendi	Team Leader (ADM Responsible)	Senior Operations Officer	Task Team Leader	GEDDR
Kashmira Daruwalla	Procurement Specialist	Senior Procurement Specialist	Procurement	GGODR
Jonida Myftiu	Financial Management Specialist	Financial Management Specialist	Financial Management	GGODR
Andrea C. Guedes	Team Member	Senior Operations Officer	Operations Specialist	GEDDR
Zlatan Sabic	Team Member	Information Technology Specialist	Information Technology	GHNDR
Bekim Imeri	Safeguards Specialist	Senior Social Development Specialist	Safeguards Specialist	GSURR
James Gresham	Team Member	Consultant	Monitoring and Evaluations	GEDDR
Jose C. Janeiro	Team Member	Senior Finance Officer	Disbursement Arrangements	WFALA
Lucas Gortazar	Team Member	Consultant	Economic analysis	GHNDR
Margaret Png	Counsel	Lead Counsel	Legal Counsel	LEGLE

**Extended Team**

Name	Title	Office Phone	Location

<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required? Consulting services to be determined					

## II. STRATEGIC CONTEXT

### A. Country Context

1. **Despite sustained economic growth and tangible gains in poverty reduction, Kosovo remains one of the poorest countries in Europe.** The Republic of Kosovo has experienced solid and consistent growth, including during the post-2008 global financial and Eurozone crises, averaging 4.2 percent during 2008–14. The headcount poverty rate in Kosovo, having fallen from 45.1 percent in 2006 to 29.7 percent in 2011 (no later data exist), remains high, reflecting very difficult labor market conditions with an employment rate of only 25 percent and an unemployment rate of 30 percent. Over the medium-term horizon, the growth outlook remains moderately buoyant, notwithstanding the declining marginal contributions of key engines of past growth (in particular, workers’ remittances, foreign aid, and public investments).

2. **Overall, Kosovo has managed to maintain healthy public finances, but legislative and financing constraints limit the scope for expansionary fiscal policies.** Fiscal deficits averaged less than 2 percent of gross domestic product (GDP) during 2008–14, leaving Kosovo with a public debt-to-GDP ratio of 11 percent at end-2014. Kosovo’s economy has experienced periodic, typically election-related episodes of expenditure increases beyond the budget’s ability to absorb them. In response, Kosovo secured support from the International Monetary Fund (IMF) for a staff-monitored program in 2011 and a 20-month, €107-million Stand-By Arrangement in 2012, which was successfully completed at end-2013. In 2014, however, across-the-board increases of public sector salaries and pensions, the introduction of social benefits to former political prisoners and war veterans, as well as the agreement to a large, budget-financed infrastructure project in transport have constrained the available fiscal space considerably. These decisions have risked 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. Still, the European Union (EU) has determined that there were no legal obstacles for Kosovo to open negotiations for a Stabilization and Association Agreement (SAA), the first formal step towards Kosovo’s eventual EU membership. The SAA, initialed in 2014, is expected to be signed in 2015.

### B. Sectoral and Institutional Context

3. **In recent years, considerable progress has been made in improving access to education, mostly at the pre-primary and upper secondary levels, even though gender-balance has not (yet) been reached.** As of 2012, enrollment rates for Grade 0 have increased to 72 percent. While enrollment rates in primary and lower secondary education are almost universal, upper secondary gross 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) for basic education have increased since 2009 and remained at high levels between 97 and 100 percent. 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. Specifically, girls’ rates of transition drop 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.

**4. Although international comparable data on learning outcomes is lacking, poor relevance and skills shortages in the labor market indicate the low quality of the system.**

Although Kosovo's participation in PISA 2015 will show a more accurate picture of where the system stands in terms of quality, the initial results of Grade 5 sample-based tests undertaken in 2010 suggest large gender differences in favor of girls, especially in Albanian language, and large regional differences, with urban students outperforming their rural peers. Overall, the education system is failing to provide students with adequate skills for the labor market. The 2013 Enterprise Survey found that an inadequately educated workforce was a major constraint for 23 percent of manufacturing firms surveyed, suggesting that skills shortages may constrain private sector growth. Unemployment rates for workers with primary or upper general secondary education are above the national average (40 per cent and 38 per cent, respectively), according to the 2013 Labour Force Survey (LFS).

**5. Public spending in education is low relative to regional comparators indicating the need to prioritize education in public spending.**

The Government spent 4.1 percent of GDP on education 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 neighboring Serbia (4.7 percent) and Croatia (4.4. percent). The total public expenditure on education is around 14 percent of total government expenditure, in line with other middle income countries. 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.

**6. Kosovo's education system lacks transparency and reliable monitoring mechanisms, hindering management and planning decisions in the sector.**

Policy decisions are often taken without adequate data and evidence. The current Education Management and Information System (EMIS) is still not fully functional, with the web-based EMIS software introduced in 2012 collecting data only at the classroom level. The Ministry of Education, Science, and Technology (MEST) conducts external student assessments and exams (Grade 5, Grade 9, and State Matura<sup>1</sup>) but the results are not properly maintained or analyzed. Moreover, the expansion of higher education – through the establishment of new public universities – has been affected by the lack of a strategic plan, partly due to the complete lack of accurate and readily available data for tertiary education. This has resulted in duplication and limited or no assessment of the relevance of study programmes to the labour market needs, and inadequate financial autonomy.

**7. The Government is placing 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 overall objectives of the strategy are to provide inclusive and equitable access to quality, non-discriminatory education for all students 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 and universities; (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 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

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<sup>1</sup> The State Matura is the upper secondary school exit exam, which is also a requirement for entrance to universities.

gender and the needs of vulnerable, poor and disadvantaged students; and (vi) strengthening the capacities for monitoring system performance.

8. **Specifically, 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, as outlined below.** The Institutional Development for Education Project (IDEP), precursor to the proposed project, supported most of these reforms.

(a) **Strengthening sector organization and financing to improve adequacy and efficiency of pre-university education.** Key framework laws clarifying the roles and responsibilities for education delivery and accountability were developed. These have brought clarity in terms of goals and responsibilities, and formed the basis for reforms in financing and transfer of responsibilities from municipalities to schools. Since 2009, reforms in improving the financing of pre-university education were initiated. A revised per-capita funding mechanism became the basis for budget allocation from the central level to municipal level. Additionally, to incentivize improved resource management and support to the municipalities, a municipal-to-school budget allocation formula was introduced, along with initial steps in introducing school financial autonomy. This reform has resulted in all schools receiving a budget allocation in 2011 on the basis of the formula parameters, a first step towards increased school autonomy. Implementation of the municipal formula and delegation of financial autonomy for recurrent expenditures has however been slow and uneven, due to the varying capacities of municipalities.

(b) **Strengthening management of teachers.** 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 teaching 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 to improve the pre-service teacher training and link it with the needs of the education sector.

(c) **Curricula reform.** Curricular reform began in 2009 with a review of Kosovo's 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 new social, economic, labor market, and technological developments. A new curriculum is gradually being rolled out to schools.

(d) **Improved school infrastructure.** In recent years the Government eliminated triple shift schools and has invested in expanding school buildings and improving conditions of existing buildings. 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.

9. **In higher education, the government policies in recent years have focused on setting up the accreditation system for both public and private higher education providers, and in**

**expanding access to higher education.** The accreditation system for higher education providers is operational and continues to review and accredit both private and public providers. In terms of access, the Government has established new public universities, and has increased the enrollments in the main public university – University of Prishtina. However, issues of management capacity and relevance and quality in the newly established universities have not been properly planned or addressed. The Government is planning to address these issues through the reforms envisaged in strengthened academic and financial autonomy – through the revisions in the Law on Higher Education – expected to be adopted in 2015. At the same time, the Government is finalizing the Law on Regulated Professions that would introduce a professional licensing exam in priority economic fields. The law is also to be adopted in 2015 and is expected to contribute to issues of quality and accountability in both public and private higher education provision.

### **C. Higher Level Objectives to which the Project Contributes**

10. **The proposed project is aligned with the World Bank Group’s Country Partnership Strategy (CPS) 2012 -2015 (Report No. 66877-XK) for the Republic of Kosovo and the Government’s Education Strategic Plan 2011.** The first pillar of the CPS seeks to accelerate broad-based economic growth and employment generation through actions in six priority areas, one of them being investing in education and skills to improve its quality and relevance. The project would contribute to strengthening key mechanisms of Kosovo’s education system, a requisite for quality and relevance. The project builds upon the achievements of its predecessor (IDEP), focusing on system-level improvements to enable stronger system management, effective policy making, and efficient resources allocation.

11. **The project contributes to the World Bank’s twin goals of reducing poverty and boosting shared prosperity.** Investments in education are linked with lower levels of transmission of intergenerational poverty, and promote prosperity at the individual and national level. In particular, the proposed project’s school-level investments would disproportionately benefit children from rural areas and from localities with lower levels of socioeconomic development.

## **III. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

12. The Project Development Objective (PDO) is *to strengthen selected systems that contribute to quality, accountability, and efficiency improvements in education in the Republic of Kosovo.*

### **B. Project Beneficiaries**

13. **As the project focuses at the system level, its interventions would affect beneficiaries across all levels of the education system.** At the same time, subcomponent 1.3 envisions support for targeted schools, focusing on poorer rural areas, covering approximately 45,000 students (around 20 percent of all primary schools). Indirect beneficiaries for that subcomponent would include school teachers, administrators, and other staff employed in those schools. Subcomponent 2.1 envisions support for the implementation of the teacher licensing and performance assessment, which would directly affect about 25,000 teachers in pre-university education.

### C. PDO Level Results Indicators

14. The following PDO level indicators are proposed.

Proposed PDO Indicators	Corresponding Sub-component	Strengthened Systems Contributing to Ultimate Results (Expected Project Outcomes)	Ultimate Results
1. Percent of municipalities allocating resources to schools according to revised formula	1.1 - Strengthening strategic planning and financial management capacities	Strengthened accountability through transparent budget allocation	<i>Improved accountability</i>
		Improved and rationalized allocation of resources	<i>Improved efficiency</i>
2. Percent of school report cards distributed and publicly displayed at schools	1.2 - Enhancing existing Education Management Information System (EMIS)	Improved education data collection, management, and utilization	<i>Improved quality and accountability</i>
	2.2 - Strengthening capacities of key institutions for monitoring educational outcomes and assessment of student learning	Improved education quality monitoring through student assessments	
		Strengthened school-level accountability and quality through information dissemination on student performance and sources/uses of funds	
3. Percent of beneficiary schools disseminating reports on grant budget allocation and utilization	1.3 - School Development Grants	Strengthened school-level accountability mechanisms through information dissemination on uses of funds for school level intervention	<i>Improved accountability</i>
4. Number of licensing exams piloted	2.3 - Improving accountability and quality assurance of higher education through the development of key professional licensing statutes in priority economic fields	Improved higher education quality monitoring through piloting and assessment of a licensing mechanism	<i>Improved quality</i>
		Improved accountability of higher education institutions for learning outcomes	<i>Improved accountability</i>

Note: Sub-component 2.1 on the Teacher Career System will be measured with intermediate indicators.

15. By their very nature, most of the improvements in quality, accountability, and efficiency will materialize only with a considerable lag after the Project's close. Therefore, the PDO indicators are defined to measure the achievement of expected outcomes that are directly attributable to project interventions (see in table above). They serve as proxy measures of progress towards the ultimate results of improved quality, accountability, and efficiency throughout Kosovo's education system. Currently weak systems for measuring quality and efficiency will be strengthened by the Project.

## IV. PROJECT DESCRIPTION

### A. Project Components

16. **The proposed project is organized into three components:** (i) Enhancing strategic planning, financial management, monitoring and decision-making; (ii) Strengthening management

capacity and accountability to enhance quality of education; and (iii) Implementation and communications support. The project builds upon the investments and achievements supported under IDEP, as illustrated below.

***Component 1: Enhancing strategic planning, financial management, monitoring and decision –making in the education sector (US\$5.2 million equivalent)***

17. This component is divided into three sub-components, as described below, and covers: (i) the national level through the MEST, (ii) the municipal level through Municipal Education Directorates (MEDs), as well as (iii) schools and universities.

***Subcomponent 1.1: Strengthening strategic planning, financial management capacities and decision making capacity***

18. The objective of this subcomponent is to strengthen strategic planning and financial management capacities of MEST, MEDs, schools and universities to improve spending efficiency and increase accountability.

19. In pre-university education, this subcomponent would continue the work started under IDEP by supporting: (i) review of the adequacy and equity of existing allocation formulas; (ii) development of annual monitoring procedures for national and local budgeting processes and resource allocation based on the revised per capita financing formula; and (iii) capacity building and support to MEST, MEDs and school directors in planning, budgeting and financial management. Investments in the EMIS, financed under subcomponent 1.2, would be closely linked with the development of monitoring indicators related to spending efficiency. To support school level autonomy, the project would support the programs for school director licensing as envisaged in the pre-university education law. In parallel, the project would aim to provide technical support in *school network management* that would be implemented in a small number of municipalities, and potentially rolled out to a larger number of schools.

20. In higher education, this subcomponent would support activities aimed at strengthening the strategic financial autonomy, accountability, and management capacities at universities. The project would support the continued expansion of financial autonomy at public universities by strengthening governance and management structures and training at the institutional level. Activities would include: (i) developing criteria and programs for full institutional financial autonomy for public universities; (ii) defining accountability norms and standards through bylaws developed within the context provided by the proposed revisions to the law on higher education; and (iii) developing procedures for assessing performance of university leaders and management.

***Subcomponent 1.2: Enhancing the existing Education Management Information System***

21. The objective of this subcomponent is to enhance and modernize the systems and practices of data collection and analysis in the education sector through the development of an integrated Education Management Information System (EMIS). The subcomponent will benefit from the successful implementation experience of IDEP by continuing the simplification of management processes and improving quality information available for policy making. The activities would

enhance the national-level management of education data, and help to provide education planners, administrators and managers with appropriate, reliable and timely data and information required for decision making. This subcomponent would finance the following activities: (i) establishing rules and procedures for effective information management, use, data analysis and dissemination; (ii) enhancing data availability by implementing critical registries (students and school/university registries); (iii) developing a secure platform to integrate existing information systems and databases for further automation; (iv) enhancing existing EMIS capabilities to extract and aggregate data for expansion of the catalogue of indicators and more advanced statistical analysis; and (v) capacity building and training to schools, MEDs, universities, and central government staff (including MEST departments) for the use of all systems that would be implemented. The project would also develop data protection systems aligned with Kosovo's legislation.

### *Subcomponent 1.3: School Development Grants*

22. The objective of this subcomponent is to strengthen the capacity of schools to plan and manage resources, and promote citizen engagement through the participation of teachers, parents and communities in educational planning, implementation, and monitoring of school activities. This subcomponent would continue building the capacity of school managers in planning, financial management, procurement, and monitoring, following the satisfactory experience of IDEP in which 207 schools benefited from the grants. This subcomponent would finance activities that would: (i) strengthen the school development planning system; (ii) support selected primary schools to prepare and implement multi-year school development plans (SDPs) and offer training on management, planning and self-evaluation; and (iii) finance school development grants (SDGs) ranging from US\$10,000 to US\$15,000 to selected primary schools. Grant allocation would be based on criteria targeting schools in rural and remote areas with a higher proportion of socioeconomic disadvantaged groups. Eligible schools would be expected to prepare an SDP 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 SDG scheme. A School Grant Manual – to be part of the Project Operations Manual – will detail school eligibility criteria, application and selection procedures, and activities eligible for financing. The allocation amount would be based on school size, as measured by the number of students. Additionally, a small number of schools supported under the IDEP would be eligible to submit proposals under a parallel competitive grants scheme.

### ***Component 2: Strengthening management capacity and accountability to enhance quality of education (US\$5 million equivalent)***

23. The objective of this component is to support and institutionalize the teacher career system, and facilitate the use of international best practices in assessing the quality of education.

#### *Sub-component 2.1: Implementation and Improvements to the Teacher Career System*

24. The objective of this subcomponent is twofold. It would support MEST to: (i) implement the career system for teachers' professional development (PD), performance assessment (PA), and promotion; and (ii) provide policy support to further strengthen, complement and systematize the teacher career system and licensing scheme. This subcomponent will continue the implementation

of the conceptual framework developed under IDEP, which links teachers' career advancement with professional development and performance assessment. With IDEP support, about 80% of teachers were licensed at the level of Career Teacher, the lowest of four teacher licenses, and a teacher licensing database was developed to facilitate the collection and verification of teacher credentials and the implementation of a salary scale that differentiates by qualification (salary grades) and years of service (salary steps within each grade). To support the next stage of implementation, this subcomponent would finance the: (i) development and implementation of a plan for teacher performance assessment aligned with local capacities; (ii) development of competency-based teacher licensing and promotion scheme that defines key competencies for each type of license in the existing scheme and links these with financial incentives; and (iii) setting up of an induction program for new teachers, and other activities aimed at improving and institutionalizing teacher performance assessment and professional development.

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

25. The objective of this subcomponent is to revise and upgrade the current system of national student assessment and examination in grades 5, 9 and 12, and bring it in line with international best practices. In this regard, the project would continue supporting learning assessment activities launched under IDEP and strengthen the capacity of the MEST, through its Division for Standards, Monitoring and Evaluation (DSME), to design, administer and process high quality examinations and large-scale student assessment surveys. This subcomponent would finance activities to (a) set up a model national assessment programme incorporating procedures, technical standards and reporting methods aligned with international best practices; (b) develop feedback systems for examination for decision makers and schools that are timely, and provide comprehensive information on learning outcomes; (c) establish an integrated ICT system for processing examinations and assessments; and (d) participate in international student assessments, including analyzing results.

*Subcomponent 2.3: Improving accountability and quality assurance of higher education through the development of key professional licensing statutes in priority economic fields*

26. The objective of this subcomponent is to strengthen the capacities of MEST to carry out professional licensing, and establish a mechanism for holding higher education institutions accountable for outcomes. To this end, this subcomponent would support the (i) development of a coherent national strategy, including bylaws, on professional licensing; and (ii) piloting of licensing activities in key professions to provide quality assurance to the labor market related to the knowledge and skills of graduates from public higher education institutions in the targeted fields of study. Technical support, software and financing would be provided for developing, piloting and conducting a pilot in one or two key professional fields.

***Component 3. Implementation and Communications Support (US\$ 0.8 million equivalent)***

27. The objective of this component is to provide adequate support for project implementation. To this end, the subcomponent would finance consultant services, non-consultant services, training directly related to project implementation, and operating costs for the Project Coordination Unit

(PCU). It would also support communication, including workshops, communication materials, and outreach events to key stakeholders, beneficiary communities, and the public at large.

## B. Project Financing

28. **The proposed project is to be implemented over a period of four years, between 2015 and 2019.** It would be fully financed by an IDA credit in the amount of US\$11 million equivalent.

Project Components	Project cost (US\$ equivalent)
<b>1. Enhancing strategic planning, financial management, monitoring and decision-making in the education sector</b>	<b>5,200,000</b>
1.1 Strengthening strategic and financial planning capacities	1,100,000
1.2 Enhancing existing EMIS to facilitate the use of data analysis for supporting sector monitoring and management decisions	2,100,000
1.3 School Development Grants	2,000,000
<b>2. Strengthening management capacity and accountability to enhance quality of education</b>	<b>5,000,000</b>
2.1 Teacher Career System	1,000,000
2.2 Strengthening capacities for monitoring educational outcomes and assessment of student learning	3,000,000
2.3 Improving accountability and quality assurance of higher education through the development of key professional licensing statutes	1,000,000
<b>3. Implementation and Communications Support</b>	<b>800,000</b>
<b>Total Project Cost</b>	<b>11,000,000</b>
<b>Total IDA Financing</b>	<b>11,000,000</b>

## C. Lessons Learned and Reflected in the Project Design

29. **Project design benefitted from implementation lessons of the previous education projects in Kosovo,** the Institutional Development for Education Project (IDEP). The project emphasized the need for developing and strengthening institutions and mechanisms within the education system required to design and implement education policies. IDEP also demonstrated the benefits of community participation to foster accountability, particularly at the school level.<sup>2</sup> These objectives are streamlined throughout the design of the proposed project.

30. **Project design also considered the importance of avoiding overly complex projects, particularly in contexts of weak institutional capacity.** The proposed project strikes a balance between realism and ambition; nearly all activities supported by the project are a natural continuation of activities initiated under the previous project, ensuring that its complexity is relative to the existing implementation capacity of the Recipient.

31. **Finally, the proposed design also addresses lessons reflected in the 2014 Public Financing Review (PFR).** In particular, the PFR highlights the need for continued reforms in teacher professional development and education financing to improve the efficiency of spending.

<sup>2</sup> International evidence on school-based management is summarized in *Making Schools Work: New Evidence on Accountability Reforms* (2011), by Barbara Bruns, Deon Filmer, and Harry Anthony Patrinos.

The proposed project supports the implementing of the new teacher career development system linking salary increases to professional development. It also supports the review and implementation of the capitation funding formula.

## V. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

32. **The project would be implemented over a four-year period by the Ministry of Education, Science and Technology (MEST) of the Republic of Kosovo.** The Ministry will be responsible for the overall implementation of the project, the prioritization and preparation of the annual activity plans, and the coordination of various activities in the project across different departments, municipalities, schools and universities. MEST line units would be responsible for implementing activities corresponding to their areas of responsibility. On a need basis, external technical expertise can be recruited to support these units in implementing the project.

33. **Policy oversight would be the responsibility of the Project Steering Committee (PSC) chaired by the Minister of Education, Science and Technology or his designee,** and consisting of representatives from MEST, including its Donor Coordination Office, the Ministry of Finance, the Ministry of Local Government and Administration, and three municipalities on a rotating basis. The Steering Committee will meet on a semi-annual basis and on an ad-hoc basis, as required, to provide policy guidance, review and approve annual work plan and budget.

34. **A Project Coordination Unit (PCU) would be established within MEST to support day-to-day project management, implementation, and monitoring.** The PCU would have fiduciary responsibility over the project, including procurement, financial management, reporting on the use of project funds, and project monitoring, including producing semi-annual progress reports to be submitted to the Bank. The PCU would consist of a full-time Project Coordinator, a Procurement Specialist, a Financial Management Specialist, a School Grants Coordinator and a team assistant. Additional staff support for the PCU could be recruited on a need basis, with prior Bank agreement.

35. **Implementation coordination would take place in monthly meetings of the Project Implementation Committee, chaired by the Minister of Education, Science and Technology or his designee,** and consisting, among others, of the Deputy Ministers, Directors or Departments, heads of relevant divisions, and heads of executing agencies involved in implementation. These meetings will be organized to coordinate and monitor progress of the project and decide on actions to prevent and address bottlenecks. The PCU will serve as the Secretariat of these monthly meetings.

### B. Results Monitoring and Evaluation

36. The PDO level and intermediate result indicators would be monitored using the following data collection instruments: (i) regular data collection processes, complemented by implementation support visits; (ii) administrative data; and (iii) semi-annual monitoring reports prepared by the PCU. Specifically, the PCU will bring together the representatives of various departments and divisions of the MEST and MEDs to monitor the project's objectives and results

and will communicate with the World Bank according to the frequency of reports described in Annex 1.

37. Furthermore, the project will support efforts to strengthen systems and capacities for policy planning, monitoring and evaluation at the central, municipal and school level. The monitoring and evaluation reports produced under the project will inform the annual reporting under the Joint Annual Review for Education Sector.

38. A qualitative survey would be carried out in a small subset of schools to study the effect of the School Development Grants on school-level capacity and autonomy. Baseline, midline, and end surveys are anticipated. The survey could also be expanded to cover aspects of financial autonomy from subcomponent 1.1.

39. *Monitoring of citizen engagement.* Citizen engagement would be monitored over the project implementation cycle by measuring the participation of community representatives in planning and decision-making in the implementation of the school grants. The proposed approach of school grants allows for the engagement of students, their parents and representatives of local communities at the planning and implementation stages. When the proposals are being prepared, the participation of these actors is important to ensure that the proposed activities are aligned with the relevant needs of beneficiaries. During the implementation, this participation is also important for monitoring purposes. The project would measure the percentage of project-supported schools that implement the grants in compliance with applicable requirements for citizen engagement, which will be detailed in the POM.

### **C. Sustainability**

40. **The sustainability of the proposed project is determined by three factors: Government's ownership of the project, institutionalization of project activities, and long term budgetary implications.** The proposed project is aligned with the Government's commitment to strengthen the capacities and systems as envisaged under the *Kosovo Education Strategic Plan* (2011–2016), and the decision to make education one of the five priority sectors for economic growth. The system's strengthening activities – particularly the support for an institutionalized education financing mechanisms, an upgraded EMIS harmonized with international standards, a functioning teacher career system, professionalized student assessment and examination systems, and professional licensing - reflect government priorities that are aimed at modernizing the country's education sector and increasing its sustainability, in line with accepted global practices. Given that project financing accounts for one percent of the annual education budget, focusing on system efficiency and governance promotes sustainability over the long term. At the same time, activities supported by the project would have budgetary implications that need to be sustained over the long term. These would include recurrent costs on maintenance of the new EMIS modules and the upgraded DSME, salary increases derived from teacher career advancement, and costs for management capacities and oversight of system financing at MEST, MEDs, schools and universities.

## VI. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

41. **The overall implementation risk is moderate.** While the project would be implemented against the backdrop of a fragile country, with overall weak institutional capacity and fiscal constraints, its design builds upon the successful achievements of the previous project, selectively identifying activities for further support. As such, the project is a natural evolution of the previous operation and MEST technical staff are familiar with many of the interventions supported under the project, as well as with World Bank procedures. Project design foresees influencing policy changes in the areas of teacher careers and higher education, two potentially contentious areas that will require political commitment to adopt and sustain changes. Overall project design is simple and supports activities that contribute to spending efficiency.

42. **Nevertheless, certain risks are judged to be substantial.** In particular, the Political and Governance Risk, the Macroeconomic Risk and the Institutional Capacity Risk are substantial. To minimize these risks, the key mitigation measures include: (i) a strong focus on capacity building and institutional strengthening; and (ii) a close engagement with the Project Steering Committee to ensure proper planning and streamlining of Project activities in the yearly budget planning; and (iii) a close implementation support, especially in the early stages to ensure that Project implementation is launched on a strong foundation.

## VII. APPRAISAL SUMMARY

### A. Economic Analysis

43. **The proposed Project targets system reform rather than input investments, thus aiming at ensuring that current inputs are used more effectively to accelerate learning.** Following the previous operations, the project adopts a similar approach to the World Bank's *Education Strategy 2020*, which proposes "aligning governance, management of schools and teachers, financing rules, and incentive mechanisms with the goal of learning for all". In particular, the project would focus on various aspects of the Strategy such as: (i) financial decentralization and planning capacities at all governance levels; (ii) enhancement of information systems to facilitate coordination and management decisions; (iii) strengthening and supporting the implementation of the teacher career system; and (iv) professionalizing the Curriculum, Standards and Assessment Agency for monitoring educational outcomes of student learning. Kosovo has significantly increased access to basic education, reaching almost universal levels of enrollment. Similarly, significant improvements are expected within the next years for pre-primary and upper secondary education. While a traditional cost-benefit analysis presents limitations to quantify the benefits of the proposed investments, there is extensive evidence supporting a systemic approach for investments in education. Strengthening different layers of the system is a pre-requisite to sustainable quality improvements.

### B. Technical

44. **The proposed project builds upon the achievements and lessons of its predecessor, selectively supporting key interventions identified as pre-conditions to strengthen Kosovo's**

**education sector and increase the quality of its education system.** The proposed project would help the Government to consolidate and implement a system-wide reform focusing on increased system management and planning capacity, improved evidence-based policy making, higher qualification of teachers, and enhanced capacities and responsiveness of tertiary education institutions to the labor market. Technical assistance would be provided to strengthen the ability of the MEST and all other levels of the education sector to implement the reforms. Managerial and analytical capacity building would take place at all levels to ensure an effective and coordinated approach.

### **C. Financial Management**

45. **As part of project preparation, a financial management assessment was carried out to determine the financial management implementation risk and to help establish adequate financial management arrangements for the proposed operation.** The project financial management responsibilities will remain in MEST's Budget and Finance Department (BFD). The most significant strength of BFD is reflected by their past experience in implementing the previous IDA financed project, and observed compliance at acceptable levels with the Bank financial management and disbursement requirements. However, it is to be noted that BFD has been supported by an external FM consultant placed in the PCU during said project, and the same technical support would be available under the proposed project.

46. **Areas that require further strengthening were discussed and recommendations and complementary actions were agreed upon to ensure that the project is implemented within a sound fiduciary environment and meets the minimum requirements under OP 10.00,** namely, (i) recruitment of a qualified Financial Management Specialist (FMS) (effectiveness condition) and provision of user access to Kosovo Financial Management Information System (KFMIS); (ii) periodic and on-the-job training of the FM staff (MEST and FMS) in Bank financial management and disbursement procedures; (iii) documenting financial management procedures, including internal controls in the Financial Management Manual (FMM) that is the part of the Project Operational Manual (POM); and (iv) revision of the existing School Development Grant manual, an integral part of POM. The timeline of such actions is provided in Annex 3.

47. **The MEST budget would pre-finance project expenditures to be reimbursed from IDA credit proceeds based on quarterly financial reports that will document such expenditures.** Other allowed disbursement methods will include direct payment and special commitment. Appropriate annual project budget needs would be requested in a timely manner by MEST to the Ministry of Finance (MoF) as part of the regular budget preparation cycle, and would be included in the Budget Law. Appropriate project accounting records would be maintained by MEST and grant recipient schools.

48. **The annual audit reports for the project financial statements would be provided to the Bank within six months after the end of each fiscal year.** The audit reports would be made publicly available as per the World Bank Policy on Access to Information.

## **D. Procurement**

49. **Procurement arrangements for the project draw from the experience of previous similar projects implemented by MEST.** A project procurement capacity and risk assessment was conducted in September 2014. The key issues and risks concerning procurement for implementation of the project have been identified and include: (i) limited procurement capacity on World Bank policies and procedures; (ii) limited capacity of most of the potential beneficiary primary schools in planning and managing grants; (iii) lack of prior experience with Bank procurement procedures among most grant beneficiaries; (iv) monitoring challenge given numerous grant beneficiaries; and (v) potential risks of delays in project implementation due to lack of Terms of References/technical specifications for EMIS prepared for the first year of project implementation. The above key risks would be mitigated through the: (i) preparation of a detailed procurement plan for the first 18 months of project implementation by negotiations; (ii) preparation and adoption of a Project Operational Manual including a detailed chapter on procurement by effectiveness; (iii) recruitment of a full-time Procurement Specialist with adequate qualifications and experience acceptable to the Bank by effectiveness; (iv) start the preparation of the bidding/proposal documents for the first year of project implementation well in advance to facilitate initiation of the procurement/selection procedures; (v) provision of training and direct support to build the capacity of primary schools throughout the grant implementation cycle, mainly in the initial stages; and (vi) regular procurement support, including training, during project implementation by Bank procurement staff.

## **E. Social (including Safeguards)**

50. **KESIP does not trigger the Bank's social safeguards policies,** as no form of involuntary resettlement would be allowed under the project, and Kosovo's population does not include indigenous peoples.

51. **Social.** As the project focuses at the system level, its interventions would benefit stakeholders across all levels of the education system, as well as society in general. At the same time, School Development Grants (subcomponent 1.3) targets schools in rural areas, and with poorer socio-economic background and lower education outcomes. Approximately 45,000 students are expected to be covered by this activity. Grant proposals are expected to be context specific and to respond to issues identified by the schools when preparing their diagnosis (i.e. School Development Plans). The number of disadvantaged students will be a significant factor in determining the eligibility of the schools.

52. **Gender.** A qualitative study on girls' transition to upper secondary education, and girls' and boys' retention to secondary education is being prepared. Gender-disaggregated information and analysis would be derived on the reasons for lower female transition to and lower male retention in secondary education. The findings of the study are expected to be used by individual schools when preparing their School Development Plans as well as grant proposals.

53. **Grievance redress.** Communities and individuals who believe that they are adversely affected by specific activities financed by the proposed project may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are

promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

#### **F. Environment (including Safeguards)**

54. **No safeguards are triggered under the proposed project, and its environmental category is "C"**. No construction or rehabilitation activities are envisaged under the proposed project. The Project's Operational Manual, as well as the School Grants Manual will include specific language regarding the ineligibility of civil works under the project.

**Annex 1: Results Framework and Monitoring**  
**KOSOVO: Education Systems Improvement Project**

<b>Project Development Objective</b>											
The proposed Project Development Objective is to strengthen selected systems that contribute to quality, accountability, and efficiency improvements in education in the Republic of Kosovo.											
<b>Project Development Objective Indicators</b>											
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source / Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End target			
Municipalities allocating resources to schools according to revised formula		Percentage	0%	0%	30%	50%	80%	80%	Annual	Project Monitoring Report	MEST and municipalities
School report cards distributed and publicly displayed at schools		Percentage	0%	0%	0%	40%	90%	90%	Annual	Project Monitoring Report	MEST / DSME
Beneficiary schools disseminating report on grant budget allocation and utilization		Percentage	0%	0%	50%	70%	80%	80%	Annual	Project Monitoring Report	MEST
Licensing exams piloted		Number	0	0	1	2	At least two	At least two	Annual	Project Monitoring Report	MEST / DSME
<b>Intermediate Results Indicators</b>											
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source / Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
<b>Component 1 – Enhancing strategic planning, financial management, monitoring and decision-making in the education sector</b>											
National and municipal-to-school per capita funding formulas officially revised and used for resource allocation		Text	Not applicable	Reviewed	Revised	Revised formulas are in use	Revised formulas are in use	Revised formulas are in use	Annual	Project Monitoring Report	MEST
Budgeting and financial management rules or bylaws for school financial autonomy approved and used		Text	Bylaws not in place	Bylaws developed	Bylaws approved	Bylaws in use	Bylaws in use	Bylaws in use	Annual	Project Monitoring Report	MEST
Rules for full financial autonomy in universities developed and approved		Text	No rules in place	Rules developed	Rules approved	Rules implemented	Rules implemented	Rules implemented	Annual	Project Monitoring Report	MEST

Education institutions updating student-level data in EMIS twice a year		Text	No student-level data in EMIS	Student-level module developed	Student-level module is functional with first round of data entered	60% of schools and higher education providers update student-level data twice/year	80% of schools and higher education providers update student-level data twice/year	80% of schools and higher education providers update student-level data twice/year	Semi-Annual	EMIS	MEST
EMIS integrated and data exchange automated with four databases on teacher licensing, student assessment, school map, and expenditures		Text	EMIS not integrated	Integration and interoperability framework developed	Integrated and data automated with at least 1 of the four databases	Integrated and data automated with at least 3 of the four databases	Integrated and data automated with all databases	Integrated and data automated with all databases	Annual	Project Monitoring Report	MEST
Number of schools that receive School Development Grants		Number	0		100		At least 150	At least 150	Annual	Project Monitoring Report	MEST
Number of beneficiary schools in which parents and/or community members were involved in grant planning or implementation (citizen engagement indicator)		Number	0		100		At least 150	At least 150	Annual	Project Monitoring Report	MEST
Percent of school directors reporting improved planning capacity		Percentage	0		Increase from the baseline		Increase from year 2 collection	Increase from year 2 collection	Baseline, Year 2, Year 4	Beneficiary Survey	MEST
<b><i>Component 2 – Strengthening management capacity and accountability to enhance quality of education</i></b>											
Percent of registered teachers licensed at the Advanced level		Percentage	0%	7%	14%	21%	35%	35%	Annual	Teacher Licensing Database	MEST
Female registered teachers licensed at the Advanced level		Percentage Sub-Type							Annual	Teacher Licensing Database	MEST
Teacher career and licensing system finalized and operational		Text	Bylaws for teacher licensing, profession	Bylaws defining competencies for each level of	All bylaws used in rolling out teacher	All bylaws used in rolling out	All bylaws used in rolling out teacher career and	All bylaws used in rolling out teacher career and	Annual	Project Monitoring Report	MEST

			nal development and evaluation in place, and licensing for career teachers completed.	license and associated salary increase developed and approved. Staggered teacher performance assessment plan developed.	career and licensing system based on the staggered implementation plan.	teacher career and licensing system based on the staggered implementation plan.	licensing system based on the staggered implementation plan.	licensing system based on the staggered implementation plan.			
Grade 9 and 12 examinations revised in line with Kosovo Curriculum Framework and evaluated after piloting		Text	Grade 9 and 12 exams not aligned with KCF	Exams revised	Exams revised	Exams piloted	Revised Grade 9 and 12 exams piloted and evaluated	Revised Grade 9 and 12 exams piloted and evaluated	Annual	Project Monitoring Report	MEST / DSME
System for learning assessment at the primary level	X	Yes/No	No	No	No	Yes	Yes	Yes	Annual	Project Monitoring Report	MEST / DSME
Rating Scale for primary-level learning assessment system	X	Supplemental Value Sub-Type	0	0	0	1	2	2	Annual	Project Monitoring Report	MEST / DSME
Bylaws on professional licensing developed and approved		Text	No bylaws in place	Bylaws developed	Bylaws approved	Bylaws in place	Bylaws in place	Bylaws in place	Annual	Project Monitoring Report	MEST / DSME

## Results Framework: Indicator Definition

Indicator Name	Indicator Definition
<b>PDO Indicators</b>	
Municipalities allocating resources to schools according to revised formula	Number of municipalities which allocate budget to schools according to revised funding formula, divided by total number of municipalities
School report cards distributed and publicly displayed at schools	Number of schools that receive and publicly display school report cards, divided by the total number of schools. School report cards will contain information on enrollment, teachers, per-student funds received in comparison with other school types (e.g. urban versus rural, municipal average, national average) and student assessment/examination performance (when available). The updated EMIS will produce school report cards.
Beneficiary schools disseminating report on grant budget allocation and utilization	Number of grant-recipient schools that disseminate their grant budget allocation and utilization reports, divided by the total number of grant-recipient schools.
Licensing exams piloted	Number of professions for which licensing exams have been piloted.
<b>Intermediate Results Indicators</b>	
Direct project beneficiaries	The number of individuals who directly derive benefits from project interventions.
Female beneficiaries	The number of females who directly derive benefits from project interventions, divided by the total number of individuals who derive benefits from project interventions.
<b>Component 1 – Enhancing strategic planning, financial management, monitoring and decision-making in the education sector</b>	
National and municipal-to-school per capita funding formulas officially revised and used for resource allocation	Target is met when both the national-to-municipal <i>and</i> municipal-to-school funding formulas are officially revised and used to allocate resources to schools.
Budgeting and financial management rules or bylaws for school financial autonomy are approved and used	Target is met when budgeting and financial management rules or bylaws for school financial autonomy are officially approved and used by municipalities and schools.
Rules for full financial autonomy in universities developed and approved in higher education law	Target is met when rules for full financial autonomy for universities has been developed and approved within the context of the new (2015) higher education law.
Percent of education institutions updating student-level data in EMIS twice a year	Number of schools and higher education institutions that update student-level data in EMIS at least two times per calendar year, divided by the total number of schools and higher education institutions.
EMIS integrated and data exchange automated with four databases on teacher licensing, student assessment, school map, and expenditures	Target is met when EMIS can access and/or exchange data contained in four databases on teacher licensing, student assessment, school map, and expenditures.
Number of schools that receive School Development Grants	Total number of schools that receive School Development Grants financed under the Project.
Number of beneficiary schools in which parents and/or community members were involved in grant planning or implementation (citizen engagement indicator)	Total number of grant-recipient schools in which parents and/or community members were involved in grant planning or implementation. This is the citizen engagement indicator.
Percent of school directors reporting improved planning capacity	The percent of school directors surveyed who report improvements in planning capacity in a specific set of tasks to be defined relative to the baseline.
<b>Component 2 – Strengthening management capacity and accountability to enhance quality of education</b>	

Percent of registered teachers licensed at the Advanced level	Number of teachers registered in the national teacher licensing database who are licensed as the “Advanced” level, divided by the total number of teachers registered in the national teacher licensing database.
Female registered teachers licensed at the Advanced level	The number of female teachers registered in the national teacher licensing database who are licensed at the “Advanced” level, divided by the total number of registered teachers licensed at the Advanced level.
Teacher career and licensing system finalized and operational	Target is met when administrative instructions defining teacher licensing competencies and associated salary/promotion increases/scheme are developed (or harmonized with other administrative instructions relating to licensing and performance evaluation), approved, used by MEST in the rolling the teacher licensing system. Licensing is a continuous process.
Grade 9 and 12 examinations revised in line with Kosovo Curriculum Framework and evaluated after piloting	Target is met when both the Grade 9 and Grade 12 <i>Matura</i> student examinations are revised in line with the Kosovo Curriculum Framework and are validated through piloting and subsequent evaluation.
System for learning assessment at the primary level	This is a core indicator, with two stages. The value for this indicator is “No” (Stage 1) when assessment lacks one or both of the following characteristics: (i) the official purpose of the assessment is to measure overall student progress toward agreed system learning goals; and (ii) the assessment is given to a representative sample or census of the target grades or age levels. If the assessment has both characteristics, the value for this indicator is “Yes” (Stage 2).
Rating Scale for primary-level learning assessment system	If the answer to either of the Stage 1 criteria is NO, the rating for this indicator is 0. The value for this indicator is 1 when the answer to Stage 1 is YES, but data are not analyzed and/or results are not reported to education policymakers and/or the public. The value for this indicator is 2 when the answer to Stage 1 is YES, and data are analyzed and results are reported. The value for this indicator is 3 when the answer to Stage 1 is YES, data are analyzed and results are reported, and results are disaggregated for at least one student subgroup (e.g. gender, urban/rural, geographic region, etc.)
Bylaws on professional licensing developed and approved	Target is met when bylaws on professional licensing have been developed and officially approved.

**Annex 2: Detailed Project Description**  
**KOSOVO: Education System Improvement Project**

1. **The Project Development Objective is to strengthen selected systems that contribute to quality, accountability, and efficiency improvements in education in the Republic of Kosovo.** The proposed project builds on the ongoing reform effort and achievements made to date in the education sector in Kosovo, many supported by the World Bank through the previous project, Institutional Development of Education (IDEP). The detailed links of the proposed project components with the previous Bank's support are outlined in Table 1 in this Annex 2. The proposed project is organized around three components, presented below.

**Component 1: Enhancing strategic planning, financial management, monitoring and decision –making in the education sector (total estimated cost US\$ 5.2 million equivalent)**

2. The Objective of this component is to strengthen planning, financial management and evaluation capacities at different levels of the education sector, including the national level through the MEST, the municipal level through MEDs, at school level, and at the universities. This component is divided into three subcomponents, as described below.

*Subcomponent 1.1: Strengthening strategic planning and financial management capacities (estimated cost US\$ 1.1 million equivalent)*

3. The objective of this subcomponent is to strengthen strategic planning and financial management capacities of MEST, MEDs, schools and universities to improve spending efficiency and increase accountability. These activities seek to continue the work started under IDEP, which supported the development of a legal framework, strengthened the management capacities at the municipal and school level, piloted the municipal-to-school formula-based funding, and enhanced the initial steps in introducing school financial autonomy.

4. This subcomponent would initially support a detailed review and assessment of the existing allocation formulas, focusing on adequacy and equity, especially in light of demographic changes and new policies being implemented. Investments in the EMIS, financed under subcomponent 1.2, would be closely linked with the development of monitoring indicators related to spending efficiency. The MEST Budget and Finance Division (BFD) would be responsible for the analysis and provision of information related to strategic and financial planning for MEST. The focus would be on strengthening the capacities of MEST, namely BFD responsible for the national allocation formula for pre-university education and the Pre-University Education Policies Department (PUEPD) responsible for the municipal-to-school formula, and ensure further collaboration between these two departments. Support would also be provided to MEDs in planning, allocation and management of the municipal-to-schools budget. The Higher Education Department (HED) would be responsible for issues related to higher education and universities. These activities are described in more detail below.

5. **At the central level**, the following activities would be supported under the project, *inter-alia*:

- (i) *Review of the national allocation formula for the education specific grant going to pre-university education*, to assess the adequacy and equity of the allocation formula parameters for different levels of education; the impact on the final budget allocation; and comparability from international perspective. Analysis of the process through which the national formula is reviewed by the inter-governmental Grants Commission will also be carried out and a methodology for annual adjustments and alignment established.
- (ii) *Review of local budgeting processes in pre-university education* to assess the complete municipal-to-school formula and the incentives yielded by its parameters. The review would also assess the extent to which these parameters were applied with the aim of supporting municipalities in their daily work, and ensure sustainability of the formula through needed adjustments or simplifications.
- (iii) *Development of annual monitoring procedures for national and local budgeting processes and resource allocation based on the revised per capita financing formula*, which would standardize information about basic indicators and allocation trends. Guidelines for MEDs, school directors and school boards would be developed to facilitate the budgeting process, including calendar, preparation and reporting, models to facilitate allocations, and transparency requirements.
- (iv) *Development of education spending indicators to assess and monitor education spending efficiency*, along with guidelines explaining the indicators and their usage in coordination with subcomponent 1.2.

6. **At the municipal level**, the proposed project would support the work of MEDs by strengthening their capacity to strategically use the formula and to apply the guidelines provided by the MEST. This would be achieved through a series of trainings and on-the-job support for MEDs and schools. To support these activities, an Analytical Unit or a permanent technical group would be established within MEST to be responsible for the national and local allocation formulas and their implementation. Further capacity building activities for BFD staff to deliver a realistic medium-term expenditure framework (MTEF) for the specific Education Specific Grant<sup>3</sup> for pre-university education would be supported. Specifically, projections on education expenditures based on indicators, enrollment trends, and demographic shifts would be developed as bases for estimates of future resource needs.

7. **At the school level**, the project would support further expansion of school financial autonomy by strengthening the financial management capacities of school directors. Activities would include the development of criteria and programs for school director licensing as envisaged in the pre-university education law, and the development of procedures for assessing performance of school directors, including but not limited to budget planning and execution, and training of school directors. In these areas, the project would build on the work started by the USAID Basic Education Project and the GIZ Basic Education Project.

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<sup>3</sup> Education Specific Grant pertains to the national to municipal allocation on the basis of the formula.

8. In parallel, the Project would aim to provide technical support to the MEST and MEDs in *school network management*. This activity would be developed based on international best practices, and would aim to support the MEST to establish criteria for MEDs to follow in order to efficiently and effectively plan their school network and prepare for rationalization, as needed. The project would support a small number of municipalities to conduct public consultations and develop school rationalization plans (which would include class or schools consolidation, transportation of students etc), and support the municipalities in the implementation of these plans. This work would be reviewed and evaluated, and, would serve as a basis for implementation in other municipalities.

9. **At the university level**, the project would support the continued expansion of financial autonomy at public universities by strengthening governance and management structures and training at the institutional level. Activities would include: (i) developing criteria and programs for full institutional financial autonomy; (ii) defining accountability norms and standards through bylaws developed within the context provided by the new (2015) law on higher education; and (iii) developing procedures for assessing performance of university leaders and management, including but not limited to budget planning and execution as related to agreed key performance indicators.

*Subcomponent 1.2: Enhancement of the existing Education Management Information System (EMIS) (estimated cost US\$ 2.1 million equivalent)*

10. The objective of this subcomponent is to enhance and modernize the systems and practices of data management and analysis in the education sector. It builds on previous IDEP work, which made a functional EMIS deployed and running in schools, so that authorities at the central, municipal, and school levels can now have access to quality information.

11. This subcomponent seeks to:

- i. *Establish rules and procedures for effective information management, use, data analysis and dissemination, thereby moving away from basic statistical reporting.* This involves the development of the institutional framework that defines the roles of all involved institutions (most importantly, schools and MEDs) and MEST divisions (including the Division for Coordination of Policies and Statistics (DCPS) responsible for education statistics), and introduction of regulation with basic standards for data management. The role of DCPS would be revisited moving it from responsibilities for statistics and analytical work to more leading and coordinating role and responsibility for general education information management improvement and implementation of computerized information systems on all governance levels. Revising the institutional framework also implies improving the institutional capabilities (capacity and resources) for enhanced information management. This activity will also enhance the information management regulatory framework, including introduction of more standards for data management. The activities would include setting up a clear coding system to be used across education sector stakeholders, as well specific standards related to, for example, student ID, individual student record structure, data exchange standards, and data security standards.

- ii. *Set up core central registries and detailed design of systems for integrated information management (new architecture and systems).* The design would build on the existing systems features (most importantly, current EMIS reporting capabilities, existing teacher licensing database, and existing schools infrastructure mapping database), to define roles and responsibilities for core registries database. The design would be based on the conceptual architecture prepared with the DCPS staff as part of project preparation activities supported by the Western Balkans Investment Facility. The new architecture would allow for the creation and maintenance of critical registries (students, teachers and schools) and would promote ease of use by end users.
  
- iii. *Develop and implement key central systems, such as (a) student registry covering both pre-university and university students of public and private sector that would be linked with the student assessment and examination system to be supported under subcomponent 2.2. To facilitate the process, the initial population of the registry would be supported by a firm, as it would require controlled input of almost 500,000 records and support for schools; (b) human resources for pre-university education registry, which would allow for the registration of pre-university education staff. It would primarily support the teacher licensing system by tracking qualification and professional development of teachers (envisaged under subcomponent 1.1) but also directly support human resources business functions related to other school staff. The Division for Teacher Professional Development (DTPD) and the Inspection Department would be responsible for the registry update on teachers licensing; (c) schools registry would keep records on educational institutions (schools, university-level faculties, academies, etc.) such as basic school data, locations, infrastructure and inventory mapping, and financing data. Responsible institutions and departments would have controlled access to functions supported by the system (e.g. MEST infrastructure department would be responsible for updating records in the registry on educational institutions infrastructure); and (d) EMIS One Stop Shop implies an enhancement of current EMIS with one-stop-shop interface to allow access to all registries' functions and EMIS analytical and statistical features to end users, regardless of the architecture and systems at work "behind the scenes. The project would also develop data protection systems aligned with Kosovo's legislation. These activities would ensure an adequate information environment<sup>4</sup> supporting the effective and coordinated implementation of information systems in the education sector.*
  
- iv. *Enhance existing EMIS capabilities to extract and aggregate data for expansion of the catalogue of indicators and more advanced statistical analysis.* The EMIS already has strong analytical and statistical reporting and provides access to many useful indicators. The project would improve these capabilities in three ways: (a) by adding more indicators to the catalogue that may be generated by the current EMIS database scheme, (b) by adding generation of indicators based on students' individual data collection, and (c) by introducing data warehouse and business intelligence (BI) capabilities for dynamic generation of various analytical reports and indicators, including support to capitulation

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<sup>4</sup> In this context, the "education sector information environment" can be defined as an aggregation of principles, regulations, standards, data sets, and systems that allow education sector subjects (organizations, individuals and systems) to generate, collect, process, disseminate and use the information for their daily work, in order fulfill their mission and objectives.

formula and flexible generation of school reporting cards. The new architecture would allow all other systems (registries and other internal or external systems) to automatically feed data into the EMIS data warehouse, thus allowing dynamic, daily analytical reporting.

- v. *Enhance system platform for hosting and integrating existing and new information systems and databases.* The central registries, upgraded EMIS and provision of the interfaces to external systems will require a stronger system platform (including hardware, system software and communications equipment and services). Therefore, the project would finance the purchase and installation of needed equipment and related services. For the purpose of hosting the system platform, the MEST would seek the options of hosting it at the central eGovernment data center of the Ministry of Public Administration.
- vi. *Pilot the introduction of information systems in schools.* Based on the new architecture (central registries and data exchange tools), the schools would be able to implement different information systems to automate their daily business processes, thus allowing them to automatically report statistical data to EMIS. This is an inevitable approach and one that would facilitate the daily business of schools and their administration, but it is a long term investment that is out of the scope of the project. However, the project would help to initiate that process. Technical assistance would be provided to the MEST to support schools in preparing an investment and implementation plan for this purpose. Given the limited timeframe and funding available, the proposed project would aim to pilot this approach in a limited number of schools (up to 10 schools), by investigating the potential use and adaptation of existing eSchool/eDiary systems.
- vii. *Build capacity of schools, MEDs, university leaders and managers, and central government staff (including MEST departments) for the use of all systems that would be implemented.*

*Sub-component 1.3: School Development Grants (estimated cost US\$ 2 million equivalent)*

12. The objective of this subcomponent is to strengthen the capacity of schools to plan and manage resources, and promote citizen engagement through the participation of teachers, parents and communities in planning, implementing, and monitoring school activities. This subcomponent would continue building on IDEP's experience, under which 207 schools benefited from grants. The subcomponent would: (i) strengthen the school development planning system; (ii) support selected primary schools to prepare and implement up multiple-year school development plans (SDPs) and offer training on management, planning and self-evaluation; and (iii) finance school development grants (SDGs) ranging between US\$10,000 to US\$15,000 equivalent to eligible schools. School councils would be expected to prepare an SDP 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 SDG scheme. Approximately 150 primary schools that did not receive support under IDEP would be eligible to receive non-competitive grants (detailed eligibility criteria to be included in the POM). Another 20 schools that did receive support under the IDEP

would be eligible to submit proposals under a parallel competitive grants scheme. 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 (both supported under Component 2). The work would be coordinated with the European Commission (EC) Twinning Project on school-based quality assurance.

13. *Grant Allocation.* The subcomponent would target poor and rural schools, and the grant allocation per primary school would be based on a formula that incorporates socioeconomic disadvantages. The following variables would be weighted in the formula: (i) total number of enrolled students receiving social assistance; (ii) total number of Roma students; (iii) gender inequality in enrollment, academic performance, or graduation rates; (iv) student performance in Grade 9 assessment, when available; and (v) graduation rates. A School Grant Manual – to be part of the Project Operations Manual-- would detail school eligibility criteria, application and selection procedures, and activities eligible for financing. Allocation amount would be based on school size, as measured by the number of students. The Manual would also describe the role of the schools, MEDs, and MEST. Similarly to IDEP, the School Grants Approval Board (SGAB) would be established with the role to review and approve the list of beneficiary school and the SDPs. The SGAB would be composed of responsible MEST staff and external representative, including but not limited to a development partner representative and parents association.

14. This subcomponent would also support a qualitative survey to be carried out in a small subset of schools to study the effect of the SDGs on school-level capacity and autonomy. Baseline, midline, and endline surveys are anticipated.

## **Component 2: Strengthening management capacity and accountability to enhance quality of education (Estimated total cost US\$ 5 million equivalent)**

15. The objective of this component is to support and institutionalize the teacher career system, and facilitate the use of international best practices in assessing the quality of education and certification.

### *Sub-component 2.1: Implementation and Improvements to the Teacher Career System (estimated US\$ 1 million equivalent)*

16. The objective of this subcomponent is twofold. It would provide policy support to MEST through its Department for Development of Pre-university Education (DDPE), namely the Division for Teacher Professional Development (DTPD), and the Division of Inspectorate (DI)<sup>5</sup> to: (i) implement the career system for teachers' professional development (PD), performance assessment, and promotion (or career advancement) developed under the IDEP; and (ii) strengthen, complement and systematize the teacher career system and licensing scheme.

17. Under IDEP, the first phase of the licensing scheme focused on: (i) developing the conceptual framework for a teacher career system that links teacher PD with performance assessment, and (ii) institutionalizing the criteria and procedures for teacher licensing. The State

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<sup>5</sup> Expected to become an independent Agency for Inspection in the Republic of Kosovo as per MEST Administrative Instruction 39/1013 for internal organization and systematization of working places at MEST.

Council for Teacher Licensing was established, which led the policy discussion and preparation of the legislative framework for teacher licensing, professional development and performance assessment. As part of that effort, the teacher salary structure was revised and implemented allowing for differentiation by pre-service qualifications. Since 2013, when the licensing process began, around 80% of teachers (approximately 22,000) were licensed at the level of Career Teacher, the lowest of four teacher licenses.<sup>6</sup> A teacher licensing database was developed which facilitated the collection and verification of teacher credentials and regional inspectorates were trained to operate the software. The licenses issued are up for renewal every five years, subject to a satisfactory performance assessment and completion of pre-defined hours of professional development training. The proposed project aims to support further implementation of the reform.

18. The existing teacher career system needs to be expanded *vertically* to link licensing and career advancement, as well as *horizontally* to link the licensing scheme to several core features of an effective and sustainable career advancement scheme, such as professional development and induction training. Implementation of these elements of the system would strengthen the incentives for certification and retention of high-performing teachers. This subcomponent would provide policy and implementation support in several areas, described below:

- i. In terms of *teacher performance assessment*, this subcomponent would provide technical assistance to support the development of a staggered implementation plan that: (a) outlines the process of relicensing and licensing of teachers at advanced levels; (b) outlines the process of recruitment of teacher evaluators from this pool of more advanced teachers; and (c) develops and implements capacities of teacher evaluators or inspectors, schools principals and MEDs in rolling out performance assessment. This activity would make the implementation of the teacher career system more feasible, since teachers who have completed the licensing requirements at the advanced level will directly assist the Inspection Unit in the task of teacher assessment, thus strengthening the pedagogical component of the quality assessment. It also demonstrates potential career prospects to effective teachers who, over the course of their careers, are encouraged to take on activities that benefit not only their own students but also other teachers, other schools, and ultimately the education system. This would also alleviate the pressures on hiring new inspectors, and increase the capacities of the MEST Inspection Department.
- ii. In terms of vertical expansion, this subcomponent would provide policy support in developing *Competency-Based Teacher Licensing and Promotion Scheme* that: (a) defines key competencies for each type of license in the existing scheme and links these with financial incentives; and (b) defines the salary scale in alignment with the competency-based licensing and promotion scheme. These two aspects are critical to the success of the reform, and are consistent with global good practices in the area of teacher career ladders. This competency-based licensing scheme will increase teachers' motivation to undergo licensing and advancement.
- iii. This subcomponent would support the *development of an induction program for new teachers* with temporary one-year licenses. This induction program would be aligned with

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<sup>6</sup> MEST Administrative Instruction 05/2010 describes four types of teacher licenses in an ascending order: Career Teacher, Advanced Teacher, Mentor Teacher, and Meritorious Teacher.

international best practices, and linked with the competency based teacher licensing system and would aim to pair more experienced licensed teachers with new or temporary licensed teachers.

- iv. In terms of *teacher professional development (PD) System* this subcomponent would, support the: (a) upgrade of the teacher licensing database to ensure real time updates of all teacher data and trainings (this activity is linked with investments under subcomponent 1.2); (b) development of procedures for accreditation, classification (e.g. basic versus supplementary) and quality assurance of PD; and (c) the assessment of the different PF formats (e.g., school based and cluster-based training) and funding mechanisms (e.g. school grants versus vouchers). The project would draw on existing experiences with school- and cluster-based training, organized under the current USAID project. It is also envisaged that in the second half of Project implementation, assistance is provided in the studying possible linkages of PD with the European Credit Transfer and Accumulation System (ECTS) in higher education. The eventual introduction of the credit system would enable teachers to continuously earn credits towards a higher education degree. Such a move would strengthen the lifelong learning of teachers.

*Subcomponent 2.2: Strengthening capacities of key institutions for monitoring educational outcomes and assessment of student learning (estimated cost US\$ 3 million equivalent)*

19. The objective of this subcomponent is to revise and modernize the current system of national student assessment and support participation in international assessments. It builds on the achievements under IDEP which supported the development of a learning assessment system for grade 5 and its implementation, the development of an assessment policy and reporting standards, improvements in the administration of Matura exam, and application for PISA 2015. This subcomponent aims to strengthen the capacity of the MEST, through its Division for Standards, Monitoring and Evaluation (DSME), to design, administer and process high quality examinations and large-scale student assessment surveys for a range of purposes.<sup>7</sup> To that end, the support would increase the availability, relevance, and quality of assessment-related data and qualitative information made available to policymakers and practitioners.

20. Currently the DSME is responsible for conducting assessment activities at the pre-university level, including PISA in 2015. Human and physical resources at DSME are not commensurate with the importance, scale and scope of its work. The Kosovo Education Strategic Plan (KESP) and the Law on Pre-University Education in Kosovo include the objective of establishing a Kosovo Curriculum, Standards and Assessment Agency (KCSAA) but this may take some time to be established. Therefore, the subcomponent would provide resources and strengthen capacities within the DSME to the point where it is acting as the national centre of excellence for educational assessment with the potential to be incorporated into the KCSAA as/when required. This would include the design of the structure, capacities and profiles the DSME would need be able to ensure it can independently carry out these functions.

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<sup>7</sup> The SABER framework describes four types of assessment: examinations, national large-scale assessments, international large-scale assessments and classroom assessments. This project does not explicitly include activities in the field of classroom assessment. This aspect has been, and continues to be, addressed by activities supported by USAID in support of MEST's recent curriculum reforms.

21. To enable these improvements, this sub-component would provide support in several areas, as described below: (i) Development of a coherent national framework for student assessment with the backing of a steering group that would be established by DSME, and supported by international technical assistance; (ii) Design and implementation of new logistical procedures and security measures to improve the administration of examinations and reduce malpractice; (iii) Technical advice, hardware, and software to establish an integrated ICT system for processing examinations and assessments. This would include modules for key processes, including student registration, administration of examination centres/rooms, score processing (scoring, scaling, standards setting), and analysis/reporting; (iv) Train DSME staff and their associates (i.e. item writers in key subjects) in the principles of assessment, item writing and test design, statistical analysis and reporting; (v) Technical assistance and financing for developing and validating through field trials new examinations aligned with the Kosovo Curriculum Framework (KCF). Specifically a new Grade 9 and 12 examination incorporating the competency-based approach would be developed, piloted, evaluated and prepared for implementation; (v) Technical support, software, and financing for developing, piloting and conducting a sample-based national assessment survey at a key stage of basic education, namely Grade 5. This would include, for example: probabilistic sampling, test linking and scaling using item response theory (IRT) methods, estimation of errors, and comprehensive reporting procedures; (vi) Participation in the next round of PISA; and (vii) development of ‘school report cards’ based on examination outcomes to facilitate self-evaluation and school-level monitoring, and including other relevant information on school financing, teacher qualifications etc., that would be drawn from the EMIS developed under subcomponent 1.2.

22. In addition to enhancing the limited capacities of the DSME, financial support would be provided to recruit additional staff within DSME until permanent posts are established. An initial needs analysis suggests that four additional staff would be needed: an administration, logistics and security specialist; an ICT specialist; and two (trainee) statisticians.

23. DSME<sup>8</sup> would play the central role as the implementing agency for all activities under this subcomponent, and would need to collaborate (as it does now) with MEDs and schools to facilitate, for example, the piloting of new examinations and the conduct of sample-based assessments. Most importantly, DSME would need to collaborate closely with the Ministry’s EMIS team to ensure that the architecture and technical standards of its ICT system were compatible with those of the EMIS.

*Subcomponent 2.3: Improving accountability and quality assurance of higher education through the development of key professional licensing statutes in priority economic fields (estimated cost US\$ 1 million equivalent).*

24. The objective of this subcomponent is to strengthen the capacities of MEST to carry out professional licensing, and establish a mechanism for holding Higher Education Institutions (HEI) accountable for outcomes.

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<sup>8</sup> Given the scale, diversity and, in some cases, highly technical nature of the support recommended above, the subcomponent would finance a contractual agreement to ‘twin’ the DSME with an institution, consortium or service provider of international reputation having suitable experience and capacity in the fields indicated above

25. This subcomponent would support the development of licensing mandates in key professions. Expanding licensing mandates to other professions is expected to provide quality assurance to the labor market related to the knowledge and skills of graduates from public higher education institutions and address the perceived skills mismatch between the outcomes of university education and the needs of the labor market.

26. Specifically, the subcomponent would finance the: (i) development of a coherent national strategy, including bylaws, on professional licensing. The work would be led by the Department for Higher Education, and a new Unit to be established under the DSME, or under the KCSAA, when the latter is established; and (ii) development and piloting of professional licensing in one to two key professional fields. Licensing would take into account best practices in the EU, in particular, and would build upon competency-based approaches. This would include, for example; identification of experts to develop voluminous exam questions to be accessed via random computer selection during the exam; the computers and servers to support the work on the exam question databases as well as on the adaptive, cutting-edge testing technology necessary to execute such professional licensing exams.

***Component 3. Implementation and Communications Support (Estimated total cost US\$ 0.8 million equivalent)***

27. The objective of this component is to ensure adequate support for the implementation of the proposed project activities, and communication and outreach activities.

28. Specific activities to be supported by this component include: (i) financing the staff time of core members of the Project Implementation Unit (PCU) to be hired as consultants to MEST; (iii) implementing and managing the processes of procurement, disbursements, and financial management, project monitoring and reporting; (iv) financing the operating costs of the PCU related to project implementation; (v) acquiring small amounts of office equipment, computer hardware and software, as needed for the operations of the PCU; (vii) facilitating the coordination, communication flows and dissemination of information with participating institutions through the convening of working groups, seminars and workshops; and (viii) providing training to PCU staff in the areas covering procurement, disbursements, information technology, project management and other areas identified and proposed in the course of project implementation.

**Table 1. Links between the Proposed Components and previous or ongoing work**

Education Level	Proposed Education Systems Improvement Project (upcoming)	Institutional Development for Education (completed)
<b>Component 1: Enhancing strategic planning, financial management, monitoring and decision-making</b>	Subcomponent 1.1: Revision and use of revised formula for pre-university education financing. (Continuation and expansion)  Review and revision of the national and municipal formula in light of new policies and demographic trends (continuation);	Revision of the national formula and its application; Introduction of the municipal-to-school formula and its application;

<b>in the education sector</b>	<p>Setting up of budgetary procedures, and monitoring framework on allocation and use of resources (continuation and expansion); Setting up a school principal licensing mechanism (new);</p> <p>Subcomponent 1.1 Strengthen financing and management capacities for higher education (New)</p>	<p>Allocation of school budgets and creation of school treasury accounts; Training of schools and MEDs in budgeting and FM Procedures;</p>
	<p>Subcomponent 1.2 Enhance and modernize EMIS (Continuation and expansion)</p> <p>Setting up procedures for data management within the MEST and other affiliated institutions (continuation and expansion); Developing and implementing per student module for pre-university and higher education (new); Integration and automation of data exchange between different databases (new);</p>	<p>Development of the web-based EMIS system, and training of MEST, MED and school staff in data entry. EMIS collects data to the level of school and classroom; Development of the school infrastructure database, and training of MEST staff in its use and update. Development of web-based teacher licensing database, and training of MEST and Regional Inspectorate offices in its use.</p>
	<p>Subcomponent 1.3 School Development Grants to primary schools (Continuation)</p> <p>Grants to schools with higher proportion of disadvantaged students (continuation); School based management training/capacity building (continuation);</p>	<p>Subcomponent 1.2 School Development Grants</p> <p>Grants to schools with higher proportion of disadvantaged students; School based management training and capacity building;</p>
<b>Component 2: Strengthening management capacity and accountability to enhance quality of education</b>	<p>Subcomponent 2.1 Teacher Career System (Continuation)</p> <p>Rolling out teacher performance assessment (continuation); Developing competencies for each teacher license (continuation); Developing an induction program for teachers (new); Improvements to teacher licensing database (continuation);</p>	<p>Establishment of the State Council for Teacher Licensing; Developed and adopted the legislative framework for teacher licensing, professional development and performance assessment; Development, piloting and adoption of teacher performance assessment instruments. Revised teacher salary structure to differentiation by pre-service qualifications;</p>

		<p>Rolling out licensing for teachers at the Career Teacher license;  Development of teacher licensing database;</p>
	<p>Subcomponent 2.2 Strengthen for monitoring educational outcomes and assessment of student learning  (Continuation and expansion)</p> <p>Development of a coherent national framework for student assessment  (continuation);  Design and implementation of new logistical procedures and security measures to improve the administration of examinations (continuation and expansion);  Technical advice, hardware, and software to establish an integrated ICT system for processing examinations and assessments.  (new);  Technical assistance and financing for developing and validating through field trials new Grade 5, 9 and 12 examination  (continuation and expansion);  Development of 'school report cards' based on examination outcomes (new);  Technical support for the participation in the next round of PISA (continuation);</p>	<p>Development an assessment policy and reporting standards;  Development of a learning assessment system for grade 5;  Improvements in the administration of Matura exam;  Application for PISA 2015;</p>
	<p>Subcomponent 2.3 Improve accountability and quality assurance through the development of key professional licensing statutes (New)</p>	

**Annex 3: Implementation Arrangements**  
**KOSOVO: Education Systems Improvement Project**

**Project Institutional and Implementation Arrangements**

*Project administration mechanisms*

1. **The proposed project would be implemented over a four year period by the Ministry of Education, Science and Technology (MEST) of the Republic of Kosovo.** The Ministry will be responsible for overall project implementation, the prioritization and preparation of the annual activity plans, and the coordination of various project activities across different departments, municipalities, schools, and universities.<sup>9</sup> MEST line units would be responsible for implementing activities corresponding to their areas of responsibility. On a need basis, external technical expertise could be recruited to support these units in implementing the project.

2. **Policy oversight would be the responsibility of the Project Steering Committee chaired by the Minister of Education, Science and Technology or his designee,** and consisting of representatives from MEST, including its Donor Coordination Office, the Ministry of Finance, the Ministry of Local Government and Administration, and three municipalities on a rotating basis. A member of the Kosovo Assembly Committee on Education, Science, Youth and Sport will also be appointed to this committee. The Steering Committee will meet on a semi-annual basis and on an ad-hoc basis, as required, to provide policy guidance and oversight. *The Project Steering Committee would be established within 60 days of project effectiveness.*

3. **A Project Implementation Committee chaired by the Minister of Education, Science and Technology or his designee, would be established, to promote coordination and address implementation bottlenecks.** This committee, formed by the Deputy Ministers, Directors, heads of relevant departments or divisions, and heads of executing agencies involved in implementation, would meet monthly. The PCU will serve as the Secretariat of these meetings. Project Implementation Committee would be responsible for (i) overall coordination of Project activities with those of other donors in the education sector, (ii) reviewing and validating the draft Annual Work Plans and Budgets; (iii) addressing implementation issues; and (iv) promoting coordinating coordination between the respective Departments and Units responsible for implementation of Project, and other Government institutions, including but not limited to the Ministry of Finance.

4. **A Project Coordination Unit (PCU) would be established within MEST to support day-to-day project management and implementation.** The PCU would report to the General Secretary, and be responsible for procurement, financial management, and reporting on the use of project funds. The PCU would be formed by the following full time core staff: (i) project coordinator; (ii) financial management specialist; and (iii) procurement specialist. To support the work of the PCU, the following full time staff would also be hired: (i) grant coordinator; (ii) grant assistant; and (iii) administrative assistant. The PCU will be responsible for monitoring

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<sup>9</sup> Activities under subcomponent 2.2 will be carried out by the DSME until the Curriculum, Standards and Assessment Agency (KCSAA) is established, at which point the DSME would be transferred under the Standards and Assessment pillar of the agency. The Agency would report to the Minister of Education.

implementation progress and producing semi-annual progress reports to be shared within the Ministry, its agencies and key stakeholders, and with the Bank. On a need basis and with the Bank's prior approval, short- or long-term technical support could be provided as may be required during implementation with the objective of building capacity within the Ministry, municipalities and schools. Details on institutional and implementation arrangements would be set out in a Project Operational Manual (POM). *The establishment of the PCU and selection of its core staff, with qualifications and experience satisfactory to the Bank, and the approval of the POM satisfactory to the Bank, are conditions of effectiveness.*

## **Financial Management, Disbursements and Procurement**

### *Financial Management*

5. Kosovo has participated in a number of detailed reviews of its public financial management (PFM), among them two central government Public Expenditure Financing Assessment (PEFA) in 2007 and 2009, a municipal PEFA (2011), a country fiduciary review (2012), annual EU-SIGMA reviews, and other analyses by the World Bank. The various reviews have plotted the significant progress Kosovo has made in improving PFM. The Country Fiduciary Assessment conducted in March 2012 showed that key strengths of the system are the sound legal framework, the integrated central treasury system, and an increasingly effective external audit office. The strengths are offset by limited professional and technical capacities and gaps in implementation. There is considerable scope for improving the quality of budget planning and preparation, internal financial control, audits, debt management, and capital investment management. The authorities are aware of these limitations, and progress is occurring with support from international bodies. Lagging areas include: (i) limited coordination of budgets, medium-term expenditure framework (MTEF), sector plans, and budget ceilings; (ii) not fully linked Budget preparation with Treasury systems; and (iii) FM control and audits not fully effective.

6. The Medium Term Budget Framework (MTBF) and the Annual Budget Law are the two main documents presented for Assembly review and approval. Public FM in Kosovo is highly centralized in relation to budget policy and institutional control. The annual budget covers 16 ministries, eight agencies, around 30 independent institutions, reserved powers, and 38 municipalities (although 3 municipalities only partially participate) – excluding resources and activities funded by Serbia.

7. Budget execution is controlled through the setting of allocation limits, which are based on forecasts of available resources and the individual needs of the spending institution, with due regard to seasonality of revenues and expenditures. Treasury manages allocations through the year and controls budget execution and cash management based on the cash plan submitted by Budget Organizations themselves. The Kosovo Financial Management Information System (KFMIS) is an important tool in managing and executing the budget. In general internal control procedures are well understood. The Treasury is serviced through the Single Treasury Account (STA) with the Central Bank of Kosovo (CBK), through which all government revenues and expenditures are recorded. Reconciliations between Bank and Treasury records are performed on a daily basis. The financial information is inputted into the KFMIS, which produces reports. Records and information are produced, maintained, and disseminated to meet decision-making control,

management, and reporting purposes, as needed. Budget execution reports are by structure of the budget and present fund balance commitment on a monthly and quarterly basis for each economic category.

8. The system of municipal PFM in Kosovo is fully compatible and integrated with the PFM system that operates at the central government. The strength of the existing PFM system is centered on the successful roll out of the financial management information system to the municipalities through training and certifying staff in its application. This has ensured that commitment control is applied in budget execution and that reporting on budget execution is timely and meets the need of management for effective decision-making. Basic ingredients necessary for a national PFM system are in place and are integrated. This includes: (i) basic legislation which is modern, compliant with good practice, and updated as needed; (ii) annual budget legislation which provides yearly appropriations; (iii) an established annual budget process which includes all the necessary ingredients and which works on a familiar schedule; and (iv) specific units and staff in each municipality who have the designated responsibility for budget formulation and execution. The report of the Auditor General of 2013 has noted significant improvement in the quality of public FM at the municipality level over the past two years; however there remain areas for improvements.

9. The project would rely extensively on the various elements of Kosovo's public FM systems, including: (i) planning and budgeting, (ii) internal control, (iii) flow of funds and payments, and (iv) accounting and reporting.

10. An FM assessment was carried out to determine the FM implementation risk and help establish adequate FM arrangements for the proposed operation. The overall FM risk is considered moderate.

11. The existing financial management arrangements in MEST and in selected municipalities were reviewed. Bank policies and procedures on FM and disbursement require that the Recipient and project implementing entities maintain FM systems—including accounting, financial reporting, staffing and internal controls, budgeting and planning, flow of funds and auditing systems—adequate to ensure that they can provide the Bank with accurate and timely information regarding project resources and expenditures. Areas that require further strengthening were discussed, recommendations and complementary actions were provided to ensure that project is implemented within a sound fiduciary environment and meet minimum requirements under OP 10.00, namely: (i) hiring of a qualified FM specialist and provision of user access to KFMIS; (ii) periodic and on-the-job training of the FM staff (MEST and FMS) during implementation in Bank financial management and disbursement procedures; (iii) documenting financial management procedures, including internal controls in the Financial Management Manual (FMM) that is the part of the Project Operational Manual (POM); and (iv) revision of the existing School Development Grant manual.

12. The Budget and Finance Division (BFD) is responsible for planning and budgeting and processing of payments. The division reports to the General Secretary (GS) through the Director of Finance and General Services and follows policies and procedures established by the Law on Public Financial Management (LPFM) and financial rule on public fund expenditure. MEST has

demonstrated to have adequate FM capacity and compliance with related legislation and rules. The most recent audit report revealed some improvement areas with respect to revenue management, budget execution and procurement, and management and monitoring of investment projects. From the financial management perspective, the PCU will coordinate closely with the BFD on commitments and payment of project expenditures, and planning and budgeting of project activities to ensure funds are available for financing project expenditures, as well as preparation of quarterly IFRs for the project. The PCU FM Specialist would be assigned the Commitment officer role (in KFMIS) for the project activities, being able to submit Commitment and Purchase Orders in the system. In addition he/she should be able to view and generate project reports from KFMIS. In addition, the FM specialist in the PCU would prepare withdrawal applications including supporting documentation. Training on Bank financial management and disbursement policies and procedures will be provided for the MEST BFD and FM Specialist.

13. **Budgeting.** The mechanisms for budgeting and opening the budget (release of funds) in the education sector are considered to be adequate to cater for the needs of the proposed project. The budget instructions issued by MEF would guide the MEST budget planning and execution process. These instructions provide nominal ceilings for the various budget categories at the planning stage and approved allocations for the budget execution stage. To indicate the project activities in the MEST budget, a separate project code would be assigned. The project budgets would be consolidated in MEST budget, therefore the project budgeting process would be coordinated by MEST FBD. The process would follow step-by-step the MEST budget preparation process. The approved procurement plan would be the basis for the preparation of the initial draft of the forecast (to be prepared by the PCU FMS). The budgets and forecasts would reflect technical inputs from the project coordinator, procurement specialist, MEST technical departments and concerned agencies. The project budget would include the cash forecasts for the school grants components. These budgets would form the basis for allocating funds to project activities, and when expenditures are paid, for requesting funds from the Bank. Final project budgets consolidated in MEST's budget, would therefore be approved by the MEST General Secretary. Given the characteristics of the pre-financing mechanism, *the risk pertaining to insufficient or untimely budgetary allocations is substantial.*

14. The investment spending forecast prepared in accordance with Project Implementation Plan should be included in the MTEF and the Kosovo Consolidated Budget for 2015 and beyond.

15. **Internal controls.** General government regulations for processing transactions and approving contracts exist. The MEST would maintain an effective internal control system to ensure that project expenditures are properly verified and authorized; supporting documents are maintained; accounts are reconciled periodically; and project assets, including cash, are safeguarded. The Financial Management Manual that is part of the Project Operational Manual (POM) would elaborate the FM, disbursement and internal controls policies and procedures, and is intended to guide staff and minimize the risk of errors and omissions, as well as delays in recording and reporting. These written standards also clarify segregation of duties and responsibilities, including level of authority, clear control over funds and assets, and it ensures timely and accurate financial reporting. Policies and procedures for implementation of the project would be documented in the POM. From the financial management perspective, the procedures adopted for School Development Grant Program in the previous IDEP, such as internal controls,

budgeting and funds flow, accounting and financial reporting, and grant monitoring are considered to be adequate for the implementation of the school grants. The existing SDG manual would be adopted and tailored for the new program. Key internal controls and procedures that need to be in place with respect to grants mechanism should include *inter alia*: (i) clear description of eligibility criteria for beneficiaries; (ii) clear description of eligibility criteria for activities; (iii) procedures for evaluation and selection of SDG proposals, including determining and describing responsibilities for this process; (iv) budgetary procedures for timely transfers of funds to beneficiary school; (v) procedures and processes for SDG implementation monitoring, including on reporting on the use of funds and technical progress and maintaining appropriate accounting records and supporting documentation; and (vi) procurement process for the SDG implementation.

16. **Accounting System.** MEST's Budget and Finance Department, supported by the PCU, would maintain project financial records (budget appropriations, allocations, commitments, and actual expenditure) in the KFMIS (Free balance system) on cash basis. The effective use of KFMIS would enable the generation of financial reports. The project chart of accounts would be based on the KFMIS. Project funds would be accounted separately and identified by the project code. However, the existing chart of accounts does not enable recording of project expenditure by activity. KFMIS is able to generate project reports by nature of expenditure, institution and program. MEST would be required to maintain parallel contract monitoring financial data which would also enable reporting by activity. The data would be cross-checked periodically to KFMIS. The grants that would be extended to schools participating in the School Development Grant program and respective actual expenditure would be easily identifiable in the KFMIS's Chart of Accounts through economic sub-accounts and institutions' codes.

17. **Financial reporting.** The MEST BFD, supported by the PCU, would prepare financial information on a quarterly basis and submit it through the IFRs containing at least (i) statement of sources and uses of funds (with expenditure classified by component), (ii) contract monitoring, and (iii) KFMIS budget execution reports. The IFRs would be submitted for Bank's review within 45 days from the end of the quarter. The annual project financial statements would be prepared based on IPSAS cash basis. The report would cover the fiscal year which coincide with the calendar year. The functional and reporting currency would be EUR. The format of IFRs and annual project financial statements will be confirmed during project appraisal, and described in OM. The financial reports would include financial information on school development grants executed through the municipalities' budget. Grants beneficiaries will maintain adequate accounting records and supporting documentation as well for the transactions incurred from grants funds.

18. **Audit.** The project's Financial Statements would be audited annually by independent auditors, under Terms of Reference acceptable to the Bank. The project would be audited under the existing auditing arrangements in Kosovo whereby the Ministry of Finance contracts out an independent audit firm to audit all World Bank-financed projects. World Bank procurement procedures would be followed for the selection of the auditors. The annual audit scope would include a relevant sample of school development grant beneficiaries. The audit of the project Financial Statements would be financed from project resources. The audited project financial statements shall be presented to the Bank no later than six months after the end of the fiscal year and would be made publicly available in a timely fashion and in a manner acceptable to the Bank.

19. **Financial Management Action Plan.** An action plan has been prepared and agreed with MEST. In addition to the hiring PCU core staff requirement, the following steps should be undertaken to ensure that adequate FM systems are in place before implementation.

**Table 3.1: Financial Management Action Plan**

Action	Responsible	Completion date <sup>10</sup>
Project investment spending forecast in accordance with expected project implementation plan is adequately included in 2016 budget and MTEF 2016-2018	MEST/MOF	September 15, 2015
Prepare and adopt Project Operation Manual: FM and SDG to be included as integral parts.	MEST	Effectiveness

*Disbursements*

20. The project would be completely financed by an IDA Credit. The GoK preferred method of disbursement is reimbursements of funds pre-financed from the budget to finance project expenditures. The other preferred methods are direct payments and special commitments to third parties (consultants, suppliers, contractors).

21. All payments would be made by the MEST from its own sources of funds and no designated account would be needed. MEST would prepare all the relevant documents in support of applications for withdrawal, sign it and forward it to the Bank.

22. Bank funds disbursed using the reimbursement method would be documented by quarterly financial reports, i.e. the project would use Interim un-audited Financial Reports (IFR) to support applications for withdrawal, and the project would not provide the Bank with a detailed list of expenditures. Should the Bank determine at any time that the IFRs are not adequate to support the disbursement process, it reserves the right to revert to the traditional disbursement methodology (SOEs, summary sheets etc.). Withdrawal applications would be sent to the Bank every three months with the IFRs. Quarterly IFRs for the project would also include consolidated financial information on subcomponent 1.3 School Development Grants to be executed through the Municipalities' budget, as MEST would be able to generate financial information through KFMIS.

23. Upon receipt of each application for withdrawal from the Credit, the Bank shall, on behalf of the Recipient, withdraw from the Credit Account and deposit into the Single Treasury Account an amount equal to the amount requested.

24. For direct payments, the Bank would require either copies of the original documents evidencing eligible expenditures in such form and substance specified in the Disbursement Letter. Records include such documents as invoices and receipts or a statement of expenditure summarizing eligible expenditures paid during a stated period. In all cases MEST is required to maintain original documents evidencing eligible expenditures and making them available for audit or inspection. These documents should be maintained for at least two years after receipt by IDA

<sup>10</sup> This column presents the estimated completion date and is not an indication of legal conditions.

of the audit report and for a period required by local legislation. Further details on the project disbursement arrangements are provided in the project’s Disbursement Letter.

25. The flow of funds under Subcomponent 1.3 would follow the same arrangements as under the previous IDEP procedures. Once the school grants are awarded and formally approved, the requested funds would be transferred from MEST to the school accounts through the respective municipality’s budget. The school would then be able to use such funds based on their grant proposal and procurement plan. The amount extended to the school and the actual use of funds would be presented in the quarterly IFRs.

**Table 3.2: Expenditure Categories**

<b>Category</b>	<b>Amount to be financed by the Credit (in US\$ equivalent)</b>	<b>Percentage of expenditures to be financed</b>
(1) Goods, non-consulting services, consultants’ services, Training, Grants, and Operating costs for the project, including audit	11,000,000	100%
<b>Total</b>	<b>11,000,000</b>	

*Procurement*

26. *Public procurement environment in Kosovo.* While the Kosovo’s public procurement legal framework is entirely harmonized with the specific European *acquis communautaire*, the practical implementation of the legislation and the insufficient overall transparency and trust in the public procurement system remains a matter of public concern.

27. *Procurement implementation arrangements and procurement capacity and risk assessment.* Due to the proposed project components, which would finance grants to primary schools, the procurement arrangements would be organized at two levels – centralized and decentralized. The centralized procurement would be conducted by the MEST, which has experience with Bank-financed projects. The decentralized procurement would be conducted by schools and would be governed by the Project Operational Manual, which incorporates the School Grants Manual. Even though the MEST has experience in implementing similar projects, taking into account the estimated volume of procedures, the capacity of grant beneficiaries, and the need of guidance, coordination, reporting and monitoring of the procurement function, it is important to strengthen the existing MEST procurement capacity. Given the procurement challenges under the previous Institutional Development for Education project, the procurement risk for the proposed project is rated as *substantial*. An experienced Procurement Specialist would be hired under the project, in addition to a Grant’s Officer, who will also have fiduciary responsibilities regarding grant implementation under the project.

28. The key issues and risks concerning procurement for implementation of the project have been identified and include: (i) limited procurement capacity of MEST on World Bank policies and procedures; (ii) limited capacity of most potential beneficiary primary schools in planning and

managing grants; (iii) lack of prior experience with Bank procurement procedures among grant beneficiaries; and (iv) monitoring challenge posed by numerous grant beneficiaries.

29. *Risk mitigating measures.* To mitigate the identified procurement-related risks, the following actions were agreed between the Bank and the client during project preparation; once implemented, the procurement risk should be lowered to moderate.

**Table 3.3: Procurement Risk Mitigation Measures**

Actions		Deadline/Status
1	Prepare a detailed procurement plan for the first 18 months of the implementation of the project.	Negotiations
2	Prepare a draft Project Operational Manual including the chapter on School Development Grant.	Negotiations
3	Prepare and adopt a Project Operational Manual including a detailed chapter on procurement.	Effectiveness
4	Recruit a full-time Procurement Specialist with adequate qualifications and experience acceptable to the Bank.	Effectiveness
6	Ensure extensive capacity building efforts for primary schools throughout the grant implementation cycle, mainly in the initial stages.	Ongoing, with a focus on the first year of project implementation
7	Regular procurement support, including training, during project implementation by Bank procurement staff.	Ongoing

30. **Applicable procurement procedures.** Procurement for the proposed project would be carried out in accordance with the World Bank’s “Guidelines for Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants” dated January 2011, revised July 2014; and “Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Recipients” dated January 2011, revised July 2014, as per provisions stipulated in the Financing Agreement. The different procurement or consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Recipient and the Bank project team in the Procurement Plan. However, it is anticipated that a single-source selection method will be adopted for the enhancement of the existing EMIS application system with features that will allow it to be integrated to the new information management architecture supported by the Project. The rationale for this proposed action is that it is a natural continuation of previous work carried out by the software development company that developed the original EMIS (under IDEP) and therefore would require less time and guidance to develop the detailed design of required upgrades and to start interventions on existing source code. This would also imply that future maintenance and support arrangements of the existing system would likely result in being less complicated.

31. The Procurement Plan would be updated at least annually or as required to reflect actual project implementation needs and improvements in institutional capacity. Bank standard bidding documents, including evaluation for procurement of works and goods would be used, as well as the Bank’s standard request for proposal for selection of consultants, including the standard evaluation report. Specific rules and regulations set forth in the Project Operational Manual are to be followed during implementation of the project. The following methods for goods and non-

consulting services required under the project may be used: International Competitive Bidding, Limited International Bidding, National Competitive Bidding, Shopping and Direct Contracting. For selection of Consultants, the following methods may be used: Quality and Cost-Based Selection (QCBS), Quality-based Selection (QBS), Selection under a Fixed Budget, Least Cost Selection (LCS), Selection based on Consultants' Qualifications (CQS), Single-source Selection (SSS) of consulting firms, Commercial Practices which have been found acceptable to the Association, Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants and Single-source procedures for the Selection of Individual Consultants with prior Bank's approval. Terms of Reference, irrespective of prior/post review status, may be subject to the Bank Team's prior review and no objection.

32. The centralized procurement would be conducted by the MEST and is planned to include mainly consulting services, procurement of goods and training. The decentralized procurement will be conducted by the grants beneficiaries and would be governed by the Project Operational Manual, which includes the grant's manual.

33. **Retroactive Financing.** To facilitate prompt execution of project preparation, retroactive financing of up to SDR 359,000 (US\$ 0.5 million) equivalent would be provided to finance agreed upon eligible project expenditures incurred on or after September 15, 2014 and incurred following World Bank procurement guidelines. These pre-financed funds would be provided by the Recipient from its own resources and reimbursed to the Recipient after the project becomes effective. Retroactive financing would finance PCU staff salaries and other expenditures related to project activities.

34. **Training.** The procurement of training, seminars and similar activities would be carried out on the basis of the analysis of the most suitable program for training offered by organizations, availability of services, period of training, and reasonableness of cost.

35. **Short list comprising entirely of national consultants.** A short list of consultants for services, estimated to cost less than US\$ 300,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

36. **Procurement Plan.** The draft Procurement Plan for the first 18 months of implementation, available as a separate project document, was prepared by MEST before negotiations. The Procurement Plan would be updated annually or as needed by the MEST to: (i) reflect project implementation; (ii) accommodate changes that should be made; and (iii) add new packages necessary for the Project. Each update would be subject to Bank prior review. The Procurement Plan would be published in the World Bank's website. Procurement under the project would be carried out in accordance with the agreed Procurement Plan and as updated.

37. The procurement planning under the grants would be governed by the provisions of the POM, including the grant's manual which is part of the POM. The procurement chapter of the POM should cover all procurement aspects such as: procurement implementation arrangements; procurement planning and reporting; procurement methods and thresholds; responsibilities of

procurement staff and evaluation committees; and procurement process including contract monitoring, procurement control procedures, and complaints-handling procedures.

38. Procurement under the project would include the following categories: Goods, non-consulting services and consulting services. Goods will include IT hardware and software, office equipment and others. Consultant services would include technical assistance to support the design and implementation of project activities. The thresholds for procurement methods and Bank prior review applied for procurement are mentioned in the Procurement Plan. The procurement thresholds may be adjusted during the project implementation to reflect the increased capacity of the implementing agency.

39. **Post-review.** Contracts not subject to prior review would be subject to post-review as per procedures set forth in Paragraph 5 of Appendix 1 of the Procurement Guidelines and Consultant Guidelines. The Bank would carry out procurement post-reviews on an annual basis with a sampling rate of initially 20 percent. This sampling rate can be adjusted periodically during project implementation based on the performance of the project implementing agency.

40. **Records keeping and filing.** The PCU would keep procurement documentation safe and filed at their premises for each contract funded under the project.

**Table 3.4 Procurement Packages and Time Schedule**

<b>Contract Package</b>	<b>Contract Description</b>	<b>Type</b>	<b>Procurement Method</b>	<b>Expected Bid Announcement Date</b>	<b>Expected Contract Completion Date</b>
1.2.4/ESIP	Central System	G	ICB	09/19/2016	06/30/2018
1.2.7/ESIP	System Platform (EMIS)	G	ICB	03/20/2017	12/31/2018
2.2.4/ESIP	Software Development for Assessment Division	G	ICB	04/24/2017	11/30/2017
2.3.2/ESIP	Development of Assessment Tool	G	ICB	11/16/2016	05/31/2019
2.3.5/ESIP	System Platform (TEMIS Element)	G	ICB	04/26/2017	12/31/2018
1.3.1/ESIP	Implementation of School Development Grants	CS	QCBS	10/12/2015	12/31/2018
2.2.1/ESIP	Twinning arrangement for Professional Capacity Building	CS	QCBS	01/29/2016	10/30/2019

*Environmental and Social (including safeguards)*

41. As there are no civil works foreseen under the project, it does not trigger environmental safeguards and the project is classified as a Category “C”. The Project’s Operational Manual, as well as the School Grants Manual will include specific language regarding the ineligibility of civil works under the project.

42. Under subcomponent 1.3, the project would target socio-economically disadvantaged students and, as such, its social impact is expected to be positive. The school development grants, through the eligibility criteria for selection, would target rural and disadvantaged schools which are often associated with poorer educational outcomes. The number of disadvantaged students will be a significant factor in determining the eligibility of the schools. Subject to the priorities identified by the selected schools, grant financed activities would be tailored to the context and needs of specific groups, considering gender differences, and for disadvantaged groups, including students of low-income families or of parents with low education or minorities.

### *Monitoring & Evaluation*

43. The Project Development Objective outcomes and intermediate result indicators would be monitored using the following data collection instruments: (i) regular surveys and data collection processes, complemented by implementation support visits; (ii) administrative data; and (iii) monitoring reports prepared by the PCU. The PCU would be responsible for day-to-day coordination of monitoring activities, including assembling data and information from other units of the Ministry and submitting it to the Bank. Specifically, the PCU would bring together the representatives of various departments and divisions of the MEST and Municipal Education Directorates (MEDs) to monitor the project's objectives and results and will communicate with the World Bank according to the frequency of reports described in Annex 1.

44. Furthermore, under the proposed project, efforts would be directed at strengthening systems and capacities for policy planning, monitoring and evaluation at the central, municipal and school level. In that sense, monitoring and evaluation under the project will be integrated into the regular monitoring functions of the MEST through the annual reporting under the Joint Annual Review for Education Sector.

45. *Impact Evaluation.* A qualitative survey would to be carried out in a small subset of schools to study the effect of the SDGs on school-level capacity and autonomy. Baseline, midline, and end surveys are anticipated. The survey could also be expanded to cover aspects of financial autonomy from subcomponent 1.1.

46. *Monitoring of Project Inclusiveness.* Whenever relevant and possible, PDO-level indicators and select intermediate results indicators would be monitored disaggregated by gender.

47. *Monitoring of citizen engagement.* Citizen engagement would be monitored over the project implementation cycle by measuring the participation of community representatives in planning and decision-making in the implementation of the school grants. The proposed approach of school grants allows for the engagement of students, their parents and representatives of local communities at the planning and implementation stages. When the proposals are being prepared, the participation of these actors is important to ensure that the proposed activities are aligned with the relevant needs of beneficiaries. During the implementation, this participation is also important for monitoring purposes. The project would measure the percentage of project-supported schools that implement the grants in compliance with applicable requirements for citizen engagement, which will be detailed in the POM.

*Role of Partners (if applicable)*

48. *Complementarity with other development partners in the Kosovo education sector.* The project was designed taking into consideration activities supported by other development partners in order to avoid duplication and ensure consistent support to the MEST and the sector. Potential synergies have been accounted for in the proposed project activities. The PCU would ensure participation in existing collaboration mechanisms, such as the donor coordination meetings and the Joint Annual Review. A staff from MEST's Donor Coordination Office will be part of the Project's Steering Committee, and regular meetings to discuss education sector activities would also take place with the main development partners.

**Annex 4: Implementation Support Plan**  
**KOSOVO: Education Systems Improvement Project**

**Strategy and Approach for Implementation Support**

1. The Bank team would support the implementation of planned project activities by the implementing agencies, provide technical advice necessary to facilitate achieving the PDO as well as ensure that risk mitigation measures are implemented. The Bank team would maintain constructive dialogue with the project’s major stakeholders throughout implementation to ensure provisions of quality advice and effective support to implement the project.

2. The Bank team would undertake implementation support visits to review implementation progress and ensure needed institutional strengthening on a semi-annual, and if needed more frequent, basis. Regular dialogue with the Government would facilitate early identification and overcoming of problems and obstacles that could delay implementation. Fiduciary oversight would ensure compliancy with the Bank fiduciary standards through the regular supervision of the project’s financial management and procurement arrangements.

**Implementation Support Plan**

3. The table below reflects the Implementation Support Plan for the proposed project.

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate</b>	<b>Partner Role</b>
First twelve months	Technical and operational support: (i) enhancing strategic planning, financial management, monitoring and evaluation capacity, (ii) strengthening management capacity and institutions to enhance quality of pre-university and higher education (iii) overall implementation	Senior Operations Officer (TTL)	12 weeks	Participation in joint reviews
		Education Economist	4 weeks	
		IT Specialist	4 weeks	
		Senior Education Specialist	4 weeks	
		Higher Education Specialist	4 weeks	
		Operations Officer	5 weeks	
	Financial Management support	Financial Management Specialist	2 weeks	
Procurement support	Procurement Specialist	4 weeks		
	Social Development support	Social Development Specialist	1 week	
13 <sup>th</sup> -48 <sup>th</sup> months	Technical and operational support: (i) enhancing strategic planning, financial	Senior Operations Officer (TTL)	30 weeks	Participation in joint reviews
		Education Economist	18 weeks	

	management, monitoring and evaluation capacity, (ii) strengthening management capacity and institutions to enhance quality of pre-university and higher education (iii) overall implementation	IT Specialist	18 weeks	
		Senior Education Specialist	18 weeks	
		Higher Education Specialist	12 weeks	
		Operations Officer	28 weeks	
	Financial Management support	Financial Management Specialist	4 weeks/year	
	Procurement support	Procurement Specialist	4 weeks/year	
	Social Development support	Social Development Specialist	1 weeks/year	

*Skills Mix Required*

<b>Skills Needed</b>	<b>Number of Staff Weeks</b>	<b>Number of Trips</b>	<b>Comments</b>
Task Team Leader	12/year	2/year	Locally based staff
Education Economist	6/year	2/year	
IT Specialist	6/year	2/year	
Senior Education Specialist	6/year	2/year	
Higher Education Specialist	6/year	2/year	
Operations Officer	10/year	-	Locally based staff
Procurement Specialist	4/year	2/year	
Financial Management Specialist	4/year	2/year	
Social Development Specialist	1/year	1/year	

**Annex 5: Economic and Financial Analysis**  
**KOSOVO: Education System Improvement Project**

**INTRODUCTION**

1. **The proposed project supports and further strengthens many of the successful results achieved under the previous World Bank operations.** It is a natural continuation of a long-term engagement between the World Bank and the Republic of Kosovo, which includes the Institutional Development for Education Project (IDEP) started in 2008 and completed in December 2013, and the two rounds of the Education Participation Improvements Projects (EPIP), approved in 2003 and 2007 respectively.
2. **The proposed project targets system reform rather than input investments, with a focus on ensuring that current inputs are used more effectively to accelerate learning.** Building upon the previous operations, the project adopts a similar approach to the World Bank’s Education Strategy 2020, which proposes “aligning governance, management of schools and teachers, financing rules, and incentive mechanisms with the goal of *learning for all*”. In particular, the project would focus on various aspects the Strategy such as: (i) financial decentralization and planning capacities at all governance levels; (ii) enhancement of information systems to facilitate information for coordination and management decisions; (iii) strengthening and supporting the implementation of the teacher career system; and (iv) professionalizing the Curriculum and Assessment Agency for monitoring educational outcomes of student learning.
3. **Although there is extensive evidence supporting a systemic approach for investments in education, there are limitations to quantify benefits and costs as compared to capital investments.** As such, rather than a traditional economic analysis, a qualitative assessment of the proposed project’s expected development impact was carried out, grounded on international evidence on the impact of each specific activity.

**EXPECTED DEVELOPMENT IMPACT**

4. **The Project Development Objective is to strengthen selected systems that contribute to quality, accountability, and efficiency improvements in education in the Republic of Kosovo.** The project is a natural continuation of its predecessor (IDEP), building upon its achievements; without the proposed interventions, many initiatives supported under IDEP would not be fully completed. Upon project completion, it is expected that the education financing mechanisms in place would work effectively, the EMIS be operational and harmonized with international standards, the teacher career system be rolled out, and the MEST’s capacity to monitor educational outcomes and lead/implement student assessments be strengthened. Furthermore, key professional licensing statutes are expected to be fully in place, and the school grants component is expected to simultaneously support interventions aimed at improving education quality and reinforcing beneficiary schools’ capacity for planning and decision making.
5. **The project’s approach and focus are well aligned with the World Bank’s Education Strategy 2020 and responds to the need to develop the system’s capacity to deliver high quality education for all students.** Two strategic directions were established to achieve this goal:

- i. **Strengthening the education system** so that it *“efficiently delivers better learning outcomes through interrelated mechanisms which connect the various parts of the system (governance, management, financing, incentives) and support clear and aligned functions, authority, and relationships of accountability within the system.”* This priority has been widely addressed in the project design, tackling all interrelated parts of the system mentioned in the 2020 Strategy. Project interventions are expected to strengthen the tools and mechanisms required to improve system management, governance and accountability.
- ii. **Building a High-Quality Knowledge Base to Underpin Education Reforms.** The World Bank Education Strategy mentions three important advances in education data management that need to be in place in developed countries. First, a strong Education Management Information System should enhance allocation efficiency through accurate information on schools, teachers, and students, for all levels of education. Second, sample-based household surveys should track the relation between access to education and poverty. Third, and more importantly, literacy and numeracy outcomes should be measured through national assessments systems. The proposed project would heavily invest in supporting the development and/or enhancement of instruments required to build the sector’s knowledge base to guide decision making. A key project intervention is enhancing the EMIS, including expanding its coverage vertically and horizontally, thus enabling the provision of timely and reliable data for decision making. The project would also support efforts to develop and enhance MEST’s analytical capacity for regularly monitoring education outcomes, including the application of student assessments.

## RATIONALE FOR PUBLIC PROVISION

6. **The provision of education is generally accepted as a government obligation and private financing is mostly non-existent in Kosovo.** According to Kosovo’s Constitution, “every person enjoys the right to free basic education. Mandatory education is regulated by law and funded by public funds.” Thus, education in Kosovo is mostly public, with more than 95 percent of students attending public schools.

7. **There is a strong economic rationale for public investments in education derived from equity considerations and market failures,** which can be related to: (i) information asymmetries, with parents being unaware and uninformed about the individual returns to investment in education for their children; (ii) bandwidth poverty<sup>11</sup>, which can limit severely the effectiveness of household decisions to efficiently provide their children with good education; and (iii) imperfect capital markets that do not allow households to borrow for education investments. Moreover, the lack of investment in education can generate negative externalities for society as a whole, through social transfers, behavioral costs (violence, drug abuse or conflict), lack of political participation as well as lack of contribution to economic growth. These market failures tend to be exacerbated

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<sup>11</sup> See World Development Report 2016. According to recent psychological research, poverty limits cognitive functioning through excessive focus on immediate needs of individuals. Evidence shows that through this phenomenon, also described as “brain tax”, individuals end up making decisions that leave them worse off because they lack the ability to focus properly.

among low income and vulnerable groups, which makes public involvement and coordination even more necessary in terms of equity and efficiency.

8. **The provision of quality education requires, among others, the existence of effective mechanisms that inform policy making and ensure accountability in the sector.** Given the complexity of having multiple organizations at various government levels responsible for education, the existence of adequate mechanisms to coordinate, inform, regulate, and oversee education delivery is necessary. The proposed project supports targeted interventions to strengthen such mechanisms, including supporting efforts to increase the availability, frequency and reliability of data required for coordinated action and informed policy making.

## **WORLD BANK VALUE ADDED**

9. **The support provided by the World Bank for this project builds on the well-established partnership with the Government of Kosovo since 1999.** Following a series of Interim Strategy Notes, the Bank adopted the first four-year Country Partnership Strategy (CPS) for Kosovo in 2012. In the education sector, the Bank has contributed through several projects, including the Institutional Development for Education Project (IDEP) which closed in December 2013. Through IDEP, critical support was provided to build and strengthen the capacities of post-independence institutions to promote quality improvements in education. The proposed project aims to build and support phase two of key reforms initiated under IDEP. The World Bank has broad experience in the activities and components included in the project and such areas would contribute to improving the quality of education, which is at the top of Kosovo's education policy agenda, as stated in the KESP 2011-2016.

## **EXPECTED BENEFITS**

10. **This project aims at directly targeting governance and indirectly targeting quality of education, two of the keys for successful learning outcomes.** On the governance side, the project would promote the modernization of the EMIS, fine-tuning existing budget allocation mechanisms, strengthening and expanding student assessment systems, and efforts to strengthen planning and management capacity of schools through the introduction of a new round of School Development Grants. With respect to quality, the project would support the implementation of the teacher career system developed under IDEP complemented by professional development, and strengthening quality assurance in higher education through the development of key professional licensing statutes. A potential expected benefit would be the attraction and coordination of large investments from other international donors, as a result of increased capacity of systems, institutions, and management.

11. **By strengthening and enhancing the EMIS, the project would enable evidence-based policy making, and information availability on the status of the system as a whole to stakeholders.** The World Bank's SABER-EMIS module identifies four core policy areas that are shared by high-quality educational data systems: (i) *Enabling environment*, through a sustainable infrastructure and human resources that can handle collection, management and access; (ii) *System soundness*, through processes and a structure that supports that components of a comprehensive information management system; (iii) *Quality data*, by focusing on accuracy and security in

collection, as well as timely information and; (iv) *Utilization for decision making processes*. The project would improve the system soundness, through a set of rules and procedures for information management, use, data analysis and dissemination thus moving away from a concept of purely statistical reporting. It would also support the development of a platform to integrate existing information systems, databases and databanks for further automation. Moreover, it would support strengthening of quality and comprehensiveness of data by implementing the per-student module in pre-university education, strengthening systems for generating and extracting data, and developing information analysis software for decision-making processes.

**12. Through fine tuning existing education budget allocation mechanisms as well as promoting decentralized decision making through the School Development Grants, the project would promote sector governance.** Through its first component, the project aims at strengthening strategic and financial planning capacities at central, municipal and school level. In particular, the activities envisaged would support a thorough review of the allocation formula and the local budgeting processes, provide technical support to the school network management, strengthen the capacity at all three levels (MEST, MED, and schools), and support financial autonomy by strengthening the capacities of school directors. This is likely to have an impact on the quality of governance in education given the large body of evidence<sup>12</sup> stressing the importance of: (i) adequate materials and resources through the school grants (see Pritchett and Filmer, 1999); (ii) explicit criteria at the national or subnational level to decide education funding (see Alonso and Sanchez, 2011); (iii) transparency and comprehensiveness needed regarding the planning and execution of the budget (PEFA Secretariat, 2005); and (iv) coordination between local and central government so that information flows timely and expenditures are consolidated at the central level (Schaeffer and Yilmaz, 2008).

**13. By supporting the implementation of several levers that are closely aligned with improved teacher performance, the project should indirectly impact student performance.** Vegas (2013) developed a framework which, based on extensive evidence from developing and developed countries, sets eight clear policy goals that are most closely aligned with improved student performance. These goals are those which high-performing education systems fulfill to ensure that every classroom has a motivated, supported, and competent teacher. Through Component 2, this project explicitly addresses at least 4 of these 8 policy goals: (i) *Preparing teachers with useful training and experience*, by providing newcomers to the profession with a more efficient professional development system; (ii) *Monitoring teaching and learning*, by improving the quality and availability of data on student and school performance as well as supporting teacher performance assessment implementation; (iii) *Supporting teachers to improve instruction*, by providing opportunities for teacher professional development with high-quality opportunities that are collaborative and focused on instructional improvement; and (iv) *Motivating teachers to perform*, by linking career development and compensation with teacher performance and having mechanisms in place to hold teachers accountable through the support of teacher performance assessment implementation.

**14. Through efforts to build the MEST's capacity to oversee student assessments and monitor educational outcomes, the project would contribute to sector accountability.** Research shows an overall weak, but positive, link between the uses of data from system level

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<sup>12</sup> For more information, see World Bank (2013)

assessments and accountability in schools as well as student learning outcomes (see Carnoy and Loeb, 2002 or Hanushek and Raymond, 2003). That being said, evidence suggests that the significance and effectiveness of such links are tightly related to a set of factors which Darling-Hammond and Wentworth (2010) summarize in a framework composed of three pillars: (i) an *enabling context* through legislative and leadership support, political will to implement evidence-based policies, public engagement, stable sources of funding, and strong institutional arrangements; (ii) *system alignment* with other components (learning goals, curriculum or teacher practices) of the education system and; (iii) *quality of the assessment*, which refers to the instruments, processes and procedures used for the assessment activity. KESIP will focus mainly *the quality of assessment* by strengthening the capacity of the DSME, but will also *tackle system alignment* through the school report cards and curriculum coupled with the support of a team of item writers that will be part of the DSME.

**15. By supporting the development of licensing mandates in key professions with closer links to the labor market, the project promotes accountability and quality assurance in higher education.** A recent analysis highlighted the gap between skills supply and demand in Kosovo, pointing that Kosovo’s education institutions lack adequate management of student performance, while students are unaware of their own skills (Gallopini, 2013). Kleiner and Krueger (2009) analyze the extent and influence of occupational licensing in the U.S and find increased wages for licensed individuals compared to other workers. The proposed activities would address labor market challenges through increased transparency in the system and quality control of higher education degrees by taking into account best practices in the EU. The proposed interventions seek to increase the quality and relevance of tertiary education diplomas and will generate more credibility and trust among employers.

**16. Overall, it is expected that the project’s long-term benefits based on strategic system interventions will exceed its costs.** Expenditures in education comprised EUR 204 million in 2013. A project of US\$ 11 million over a period of four years accounts for 1% of the annual education budget. The Bank’s previous work on sector diagnosis suggests that the proposed activities are the most effective compared with alternatives and will exceed the expected moderate costs that the project will generate. Similarly, the recurrent costs generated by the project—EMIS maintenance, salary increases, and management capacities and oversight—are expected to be relatively minor, while the focus on strengthening systems is expected to contribute to improved quality, accountability, and efficiency in education in Kosovo.

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# KOSOVO

- KOMUNA/OPŠTINA CAPITALS\*
- RRETH/OKRUG CAPITALS\*\*
- ⊙ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- KOMUNA/OPŠTINA BOUNDARIES
- RRETH/OKRUG BOUNDARIES
- INTERNATIONAL BOUNDARIES

\* The first name is in Albanian and the second one is in Serbian.  
 \*\* Names of the Rreth/Okrug are the same as their capitals.

