PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US$60 MILLION

TO

ROMANIA

FOR A

RURAL EDUCATION PROJECT

April 4, 2003

Human Development Sector Unit
Europe and Central Asia Region
CURRENCY EQUIVALENTS
(Exchange Rate Effective April 4, 2003)

Currency Unit = Romanian Lei
1 Lei = US$0.000029
US$1 = 33,840 Lei

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>ADLIC</th>
<th>Computerized admission in secondary schools</th>
<th>NABE</th>
<th>National Assessment of Basic Education</th>
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<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
<td>NAES</td>
<td>National Assessment and Examination Service</td>
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<td>CEID</td>
<td>Commission for Education Innovation and Development</td>
<td>NED</td>
<td>National Education Database</td>
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<td>CPIU</td>
<td>Country Project Implementation Units</td>
<td>NEI</td>
<td>National Education Indicators</td>
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<tr>
<td>E&amp;TS</td>
<td>Education and Training System</td>
<td>NGO</td>
<td>Non Governmental Organization</td>
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<tr>
<td>EA</td>
<td>Environmental Assessment</td>
<td>ODL</td>
<td>Open and Distance Learning</td>
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<td>EMP</td>
<td>Environmental Management Plan</td>
<td>OECD</td>
<td>Organization of Economic Cooperation and Development</td>
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<td>FMS</td>
<td>Financial Management Specialist</td>
<td>PIRLS</td>
<td>Progress in International Reading and Literacy Study</td>
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<td>GA</td>
<td>Grant Agreements</td>
<td>PISA</td>
<td>Project for International Students' Assessment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
<td>PMU</td>
<td>Project Management Unit</td>
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<tr>
<td>GOR</td>
<td>Government of Romania</td>
<td>QER</td>
<td>Quality Enhancement Review</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
<td>RFP</td>
<td>Requests for Proposal</td>
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<td>IEC</td>
<td>Information Education Communication</td>
<td>ROL</td>
<td>Romanian Lei</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
<td>SCG</td>
<td>School-Community Grants</td>
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<td>ISE</td>
<td>Institute of Education Sciences</td>
<td>SPT</td>
<td>Sub-Project Team</td>
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<td>LEC</td>
<td>Local Education Councils</td>
<td>SR</td>
<td>School Rehabilitation</td>
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<td>MER</td>
<td>Ministry of Education and Research</td>
<td>TIMSS</td>
<td>Third International Mathematics &amp; Science Study</td>
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<tr>
<td>MIS</td>
<td>Management Information System</td>
<td>USD</td>
<td>US Dollar</td>
</tr>
<tr>
<td>MRC</td>
<td>Mobile Resource Centers</td>
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Vice President: Johannes F. Linn
Country Director: Andrew N. Vorkink
Sector Director: Annette Dixon
Sector Manager: Maureen McLaughlin
Task Team Leader: Ana Maria Sandi
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MAP(S)
IBRD 28710R
ROMANIA  
Rural Education Project

Project Appraisal Document  
Europe and Central Asia Region  
ECSHD

Date: April 4, 2003  
Team Leader: Ana Maria Sandi  
Sector Manager: Maureen McLaughlin  
Sector(s): Primary education (50%), Secondary education (50%)  
Country Director: Andrew N. Vorkink  
Theme(s): Education for the knowledge economy (P), Rural services and infrastructure (P), Education for all (S)

Project Financing Data

[X] Loan  [ ] Credit  [ ] Grant  [ ] Guarantee  [ ] Other:

For Loans/Credits/Others:
Loan Currency: United States Dollar  
Amount (US$m): 60.00

Borrower Rationale for Choice of Loan Terms Available on File:  
Proposed Terms (IBRD): Variable-Spread Loan (VSL)

Grace period (years): 4  Years to maturity: 17
Commitment fee: 0.75%  Front end fee (FEF) on Bank loan: 1.00%

Payment for FEF: Borrower to Pay from Own Resources

Financing Plan (US$m):

<table>
<thead>
<tr>
<th>Source</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
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<tr>
<td>BORROWER</td>
<td>29.96</td>
<td>0.04</td>
<td>30.00</td>
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<tr>
<td>IBRD</td>
<td>38.30</td>
<td>21.70</td>
<td>60.00</td>
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<td>LOCAL GOVTS. (PROV., DISTRICT, CITY) OF BORROWING</td>
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<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>COUNTRY</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>69.26</strong></td>
<td><strong>21.74</strong></td>
<td><strong>91.00</strong></td>
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Borrower: ROMANIA  
Responsible agency: MINISTRY OF EDUCATION AND RESEARCH

Address: Schitu Magureanu 1, Bucharest, Romania  
Contact Person: Tiberiu Velter  
Tel 40 1 3111358  Fax:  
Email: velter@ump kappa.ro

Estimated Disbursements (Bank FY/US$m):

<table>
<thead>
<tr>
<th>FY</th>
<th>Annual</th>
<th>Cumulative</th>
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<tbody>
<tr>
<td>2004</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>2005</td>
<td>8.82</td>
<td>12.82</td>
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<tr>
<td>2006</td>
<td>14.46</td>
<td>27.28</td>
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<tr>
<td>2007</td>
<td>17.62</td>
<td>44.90</td>
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<tr>
<td>2008</td>
<td>9.82</td>
<td>54.72</td>
</tr>
<tr>
<td>2009</td>
<td>5.28</td>
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Project implementation period: 6 years  
Expected effectiveness date: 09/15/2003  
Expected closing date: 09/15/2009
A. Project Development Objective

1. Project development objective: (see Annex 1)

The overall objective of the project is to have rural schools students benefit from improved access to quality education, as evidenced by higher achievement scores and completion and transition rates. This objective would be achieved through: (i) professional development of teachers and principals of rural schools; (ii) improvement of teaching conditions of rural schools both with respect to adequate minimum facilities and provision of basic teaching-learning materials; (iii) promotion of school-based innovation programs and community participation; and (iv) improvement of policy making capacity of local and central education authorities/agencies. The project will support a broader community involvement in education management, working not only with education authorities, but also with the local councils, parents and representatives of communities. It will aim to support decentralization by increasing the capacity of schools and local authorities to develop their own school improvement plans and to improve school management. Thus, the project is encouraging democratic school governance and is strengthening school-community linkages.

Romania embarked early on, during its transition to a democratic society and a market economy, on a comprehensive education reform. Although this is a long-term process, progress is already visible. The Bank has and is assisting Romania in all the three major areas important to education systems: quality, efficiency and equity through consecutive projects and sector work: the Education Reform project (1994-2002), the Higher Education Reform project (1997-2002), the School Rehabilitation project (1998-2004), the Education Policy Note-focused on finance, management and human resources issues (2002) and the proposed Rural Education project.

2. Key performance indicators: (see Annex 1)

The project is focusing on rural student achievements as the main measure of its success. The principal indicators that will be used to measure and monitor long term education outcomes will be:

- increasing rural students’ achievement scores in compulsory education as evidenced by assessments and examinations by end of school year 2008-2009;
- reducing the gap between urban and rural achievement scores in compulsory education by end of school year 2008-2009;
- increasing the compulsory education completion rate in rural areas by end of school year 2008-2009;
- reducing the gap between urban and rural completion rates in compulsory education by end of school year 2008-2009;
- increasing the transition rates to upper secondary and tertiary education for rural students by school year 2008-2009;
- reducing the gap between urban and rural transition rates to upper secondary and tertiary education by end of school year 2008-2009.

Evidence from other projects and studies indicates that it takes time for the impact of education interventions to have an impact on students learning. Consequently, the project impact will not be fully achieved during the life of the project. At least 10 years will be needed until the impact of project interventions on student achievements will start being visible. Since the data horizon for project reporting
will go beyond project closure, the Bank's Quality Enhancement Review (QER) for this project suggested that the Ministry of Education and Research (MER) should be assisted to put in place a monitoring mechanism to keep track of education progress in schools that benefited from one or more interventions. In this way, support will be given to MER and local decision makers to gain experience with results-based management. Moreover, the project would support efforts to improve the completeness and reliability of administrative data collection and reporting systems at national, county and local levels, including the interface with local governments.

Equity issues will be given priority in monitoring implementation. Equity in this case is seen in two dimensions. First, it is the equity that can be measured by comparison of performances of rural schools within counties (the comparison is rural against rural over time) and between counties. In this case, equity will be enhanced, if the observable equity-related variables improve average scores over time and reduce dispersions (standard deviation) among counties. For example, if the observable variable is learning achievement scores in Mathematics in rural schools, the average score within all the counties needs to increase and the standard deviation of the county average score needs to be reduced during the life of the project. The other dimension to observe changes in equity is by comparing equity between rural and urban schools over time in the entire country. In this case, the ratio of the observable equity-related variables in urban schools divided by the corresponding variables in rural schools need to decrease over time. The collection of participatory and other qualitative and contextual information would complement the information offered by quantitative data and would also be used to check its accuracy. During project implementation, information would be made available to the stakeholders that participated in the design process, to enhance their ability to use information for policy dialogue and to engage them in a learning process.

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

The CAS presents two distinct lending scenarios: (i) the high case scenario, to be adopted if Romania sustains accelerated reforms and (ii) the low case scenario, to be adopted if Romania pursues a hesitant pace of reforms. The Rural Education project is included in the lending program both scenarios, although with different projected loans amounts. Inclusion in both scenarios reflects the priority attached to the project's expected impact on poverty reduction and grass-roots capacity building.

Since December 2001, the high case scenario has been in effect. The Bank's assistance program focuses on: (i) targeted poverty interventions; (ii) promotion of growth through private sector development; and (iii) governance and institutional reform. The proposed Rural Education project will contribute to the first and the last of these goals. The targeted poverty interventions include: (a) strengthening of the social safety net; (b) improving the delivery of health services; (c) strengthening community-based development; and (d) revitalizing the economy in rural areas. The project aims at objectives (c) and (d). In particular, together with the Rural Finance loan, the Rural Development loan and the Irrigation Rehabilitation loan, the project seeks to reduce poverty in rural areas among groups for which poverty is deepest. The project will also support governance and institutional reforms by: (a) strengthening data collection and reporting for rural education; (b) improving policy formulation, coordination and implementation in education, especially related to basic education policy objectives such as quality, equity and efficiency; and (c) building local governments capacity to manage the schools together with education authorities, in a decentralized setting.
2. Main sector issues and Government strategy:

Background

Romania embarked on a comprehensive reform of education immediately after it began the transition to a pluralistic democracy and a market economy. Education reforms designed during 1993 and supported by the Bank have registered several important successes. Education has moved from a highly centralized system based on a standardized curriculum, single textbook per subject, state monopoly of textbooks publishing, no national education quality monitoring, to a system with a flexible national curriculum, alternative textbooks, a private textbooks publishing industry and a national assessment and examination service. The education system has also progressed in reforming teacher training, education management and school finance.

According to the education law, the compulsory cycle is free and consists of four years primary education and four years of lower secondary education. Children may start the grade one at age 6 or 7. In the near future it is planned to extend compulsory education by two additional years. There are three options for post-compulsory education: upper secondary education (including academic and technical schools), vocational schools and apprenticeship schools.

Romania has attained better access to basic education than countries in other regions at similar levels of income, particularly those in Latin American Countries and Middle East and North Africa. Gross enrollment rates are high. In year 2001, about 1,089,315 students were enrolled in primary education (grades 1-4) and 1,320,917 in lower secondary (grades 5-8), representing 95.8% of the children 7-14 years old (National Institute of Statistics and Economic Studies, 2001). There are 12,549 schools in the system (grades 1-8), 84.4% of them located in rural areas; 2,376,700 students are enrolled, 45.66% of them attending rural schools. Student-teacher ratios are typical for the region averaging around 14.6. However, public expenditure for education is low, averaging 3.2 to 3.7 percent of Gross Domestic Product (GDP) during the second half of the 1990s. The average public expenditure in education was 5.2 percent of GDP for Organization of Economic Cooperation and Development (OECD) countries in 2000 (OECD - Education at a Glance, 2000).

Despite universal access to schooling, a significant fraction of children are not successfully completing basic education. High dropout rates are a serious concern since research shows that in order for children to obtain even modest benefits from education they need a minimum of 5-6 years of schooling. Romania has performed unexpectedly poorly in international assessments. In 1995, it ranked 25th out of 38 countries participating in the Third International Mathematics and Science Study (TIMSS). From a rural vs. urban perspective, the scores were lower in rural areas: (i) scores for Sciences were 448.16 in rural areas, as compared to 493.68 in urban areas; and (ii) scores for Mathematics, were 448.15 in rural areas, as compared to 493.54 in urban areas.

Rural Education

According to the preliminary results of the 2002 census, 47.3% of Romanians live in rural areas. This population resides in 2868 communes (439 of them with less than 2000 inhabitants). The communes are made up of 10,409 small villages. Since the beginning of the transition from a centrally planned economy to a market system, large numbers of workers from failing industries have moved back to villages to make their living from subsistence agriculture, practiced on small pieces of land received under the land restitution law. The proportion of the school-aged population living in rural Romania has increased over the past decade. This has occurred because birth rates in villages and towns have been much greater than in the cities over the past decade. The average number of births per woman has been
seventy percent higher in rural than urban areas. If these fertility rates were to continue and migration between urban and rural areas were to cease completely, in only a generation, two-thirds of all children entering school would live in rural areas. Although the country has resumed economic growth during the last few years, migration will not be reversed soon. Therefore, government policies seek to improve living conditions in rural areas and stabilize the rural population rather than to encourage re-migrating to the cities. In the long run indeed, as the Romanian economy recovers and develops, with increased productivity in agriculture, the proportion of the population that could be gainfully employed in agriculture may fall sharply and most people now growing up in rural Romania will probably have to move to urban areas in order to find work. Even more so, the knowledge and skills that these migrants bring with them to larger towns and cities will largely determine their success in urban labor markets. Therefore, from this changed perspective, too, Romania must begin now to ensure that its rural schools prepare students for employment in the future in modern, urban settings.

During the transition period, rural education deteriorated. Rural-urban discrepancies are manifested in enrollment, participation, absenteeism, dropout, and completion rates. In 1997, the percentage of persons with no formal education or with only primary education in rural areas was 27.6, while the percentage in urban areas was only 2.6. In 1995, 8.2 percent of children aged 7-17 were not attending school in rural areas, compared with 5.7 percent in urban areas. However, the gap narrowed to 3.5 percent in rural areas vs. 2.7 percent in urban areas in 1998. Only 86 percent of graduates of rural primary schools entered lower secondary schools, while 98 percent of graduates of urban primary schools did so. School abandonment is also higher in rural than in urban areas. Losses in lower secondary education (grades 5-8) have been high: 10.4 percent in urban areas and 15.3 percent in rural areas during 1995-1999 and 9.3 percent in urban areas and 14 percent in rural areas during 1996-2000 (Institute of Educational Sciences (ISE), 2002). In 2000, only 36 percent of rural students taking the Capacitate examination at the conclusion of compulsory education (grade 8) scored "very good" on the native language examination, compared with 71 percent of urban candidates. Rural candidates were eight times more likely to score "unsatisfactory" on the science examination than urban candidates. More than half of the students from rural areas received marks of less than 6 (on a 1 to 10 scale) on the Capacitate, compared with less than one third in urban areas. Only 68 percent of the students from rural areas passed that national examination in 1999, as compared to 83 percent of the students in urban areas. Although nearly half of the school aged population lives in rural areas, only 24 percent of the students in academic upper secondary education and 37.5 percent of the students in vocational education come from rural areas. Only one percent of students in higher education come from rural areas.

A census of rural schools carried out by ISE (Rural Education in Romania, 2002) documents the substandard conditions in rural basic education schools. The report also includes an analysis of the causes of nonattendance and performance in rural basic education schools, based on three sources: a) a 2001 beneficiary assessment, including focus-group discussions with school principals and parents; b) multi-variate regression analysis of the results of the 1996 and 1998 Integrated Household Surveys; and c) multi-variate regression analysis of the results of the 1997, 1998, and 1999 Capacitate (grade 8) examinations. Following are some of the many findings of this rich analysis.

- Household income and regularity of income has a strong effect on school attendance. In particular, children from households with no salaried employees, employers or pensioners are three times more likely not to attend school than children from households with a regular source of income.

- Rural schools with higher proportions of unqualified teachers have lower student performance.

- Rural schools with higher proportions of teachers who live in the same community have higher
student performance than rural schools with higher proportions of teachers who commute.

- All rural schools have heating facilities of some kind. Ninety percent of rural schools have wood-burning stoves; 10% have gas or oil stoves. But most heating facilities in rural schools are inadequate, leaving classrooms very cold in the winter.

- School furniture in 13% of rural schools is completely unsatisfactory. Although many grades 1-4 schools operate with multi-grade teaching, almost none has school furniture that permits students to work in clusters, as effective multi-grade teaching requires.

- Only 5% of rural schools lack electricity – typically, because they are in villages, which lack electricity. But many rural schools have insufficient lighting for effective education during the winter months when natural light is inadequate.

- Most rural schools, and especially the grade 1-4 schools, have virtually no educational materials such as maps, dictionaries and other reference books, teachers’ guides, reading books, or science materials.

- Schools in communities, which participated in various activities of the school, have higher performance than schools, which lack community participation.

- In rural areas, 31% of kindergartens, 28% of grade 1-4 schools, and 17% of grade 1-8 schools lack any supply of water in the school. Where schools are equipped with a water supply, very rarely is it connected to toilet facilities. Although most rural schools have toilets or latrines of some kind, only 5% have toilet facilities with running water.

Studies conducted in preparation of the project, using Policy and Human Resource Development (PHRD) funds, executed by the MER, identified both supply and demand related factors that explain discrepancies. On the supply side the main factors are the lack of qualified teachers and the long time under-investment in rural schools. On the demand side the main factor is the relative poverty of rural areas. In addition, other factors identified were: weak school-community linkages, low capacity to collect education data and information and to use it for policy making.

**Supply factors**

On the supply side the following categories of factors have been identified (Rural Education in Romania, 2002; Barzea, 2002; Crisan 2002): human resources, infrastructure and teaching materials, finance and management (including school-community relationships).

**Human resources.** First, rural teachers benefited less than their urban colleagues from ongoing teacher training opportunities since these did not take into account their specific situation. Traditional approaches to teacher training are not well suited to rural areas because of: isolation, distance to training centers; lack of transportation; cost in relation to income; lack of cover for a teacher during training; higher proportion of non-certified teachers; difficulty in reaching teachers through usual communication channels (phone, fax).

As a result, the great majority of rural teachers have not been exposed to training on the new elements in the curriculum and to changes in the assessment system. They have not therefore been brought into contact with the new teaching skills related to these developments. Rural schools often have only limited teaching and learning resources and the home circumstances of the students are such that there
are few learning opportunities out of school. Moreover, in most cases there is limited liaison and cooperation between a school and its local community. However, training activities developed in the pilot rural education component of the Education Reform project demonstrated the interest of teachers in new approaches to learning and teaching (e.g., active teaching methods and greater use of learning materials). Directors who benefited from education management courses also expressed satisfaction.

Second, the percentage of teachers in rural areas who are fully, but not appropriately qualified and/or are non-qualified is high. Although Romania has an excess of teachers in urban areas in certain specializations, rural areas are faced with a chronic lack of "qualified" teachers. "Qualified" teachers in Romania are those who have completed an accredited higher education program, which includes pedagogic training in the subject(s) they teach. Teaching positions are filled following a competition. Teachers with a teaching position must pass, within a few years of teaching, the Definitivat examination which certifies them as teachers, after which they can pursue "degree 2" and "degree 1" levels as higher degrees of professional recognition. Presently, the group of "unqualified" teachers includes: (i) teachers without a regular teaching license, namely graduates of higher education (engineers, agricultural specialists, lawyers) and graduates of secondary education; and (ii) teachers with a regular teaching license, but with "out of the field" assignments. In addition, rural teachers lack access to accredited programs that will improve their skills and their credentials. Updated data on "unqualified" teachers should be available by appraisal.

The government has devised policies intended to attract well-qualified teachers to rural schools. Secondary school graduates have been offered scholarships to enable them to attend university; in exchange, the prospective students have been required to make a commitment to teach for an agreed period in their communities of origin. Teachers have been provided bonuses of 5-80 percent of their salaries for accepting appointment to a rural school. However, the impact of these measures has been modest, so far. Of the 105,000 rural primary and secondary school teachers in Romania in 2000/2001, about 17,000 (16%) have not completed training for accreditation. About 5,700 of these rural unqualified teachers are already in training courses, leaving about 11,000 who have not yet pursued further education for becoming fully qualified. This situation reflects the limited career pathways that exist to acquire qualification.

In 2002, the MER adopted an emergency decision aimed at eliminating "unqualified" teachers from the system. All positions previously filled in by "unqualified" teachers were offered to retired teachers and/or to regular teachers, in the form of "additional norms". This is a temporary solution that doesn't solve actually the "qualification" issue. "Additional norms" are appealing to regular teachers since they are a way to increase salaries. But, they also mean less time for lessons preparation. However, the most serious problem is that "additional norms" mean usually, in rural areas, "out-of-the-field" teaching (i.e., a teacher of biology teaching English). In addition, to clarify issues related to qualification, MER will issue a ministerial order in the next few months that will define "the special abilities and competences most likely to define teaching as a profession" (Paun, 2002).

Basic education conditions, both in terms of facilities and teaching-learning materials, are not met by many rural schools. Substandard conditions of facilities in rural primary schools create health risks, contribute to problems of incomplete school attendance and degrade teaching effectiveness and learning achievement. They also contribute to low motivation on the part of students and teachers.

The government has made a substantial effort to rehabilitate schools. Under the School Rehabilitation project (co-financed by the Bank and the Council of Europe Development Bank), 850 schools have been rehabilitated thus far; about 75% of them in rural areas. 350 more schools will be rehabilitated by the project closure. These were schools that were not safe, endangering students' lives. In addition, as
already mentioned, a significant number of rural schools lack minimum utilities—water, sanitation, heating, and lighting. This is a situation that represents a high risk for students' health and has a negative impact on school attendance.

Schools in rural areas suffer from a chronic lack of teaching and learning materials. The shortages in learning materials started being addressed in a pilot activity under the Education Reform project. 2,039 rural schools in eight counties received basic teaching materials (benefiting about 210,000 students), as well as training for teachers on how to develop their own teaching materials.

Education Finance. Budgetary constraints were extremely tight during the education reform period. The level of public expenditure on education (relative to GDP) in the period 1995-2000 was 3.3 percent, the lowest in the region, as compared with 6.8 percent in Estonia, 6.5 percent in Latvia, 5.7 percent in Lithuania, 5.6 percent in Poland, 5.6 percent in Slovenia, 4.8 percent in Hungary, 4.6 percent in Czech Republic, 4.2 percent in Slovak Republic and 4.0 percent in Bulgaria. Expenditures started increasing in 2001, aiming at reaching at least the minimum level of 4 percent stated in the Education Law.

The fiscal decentralization and local government reform program may put further at disadvantage rural schools. Fiscal decentralization and capitation-based financing were conceived as means to promote greater efficiency in the use of resources. However, special provisions for small rural schools in poor villages were not taken yet. As the Bank Education Policy Note (2002) has documented, governance arrangements have not been reformed to ensure the allocation of adequate funds, or accountability for school performance.

Fiscal decentralization seems to have been motivated more by reducing the national education budget by transferring costs and responsibilities to local authorities, rather than by the goal of ensuring access to quality education. The Education Reform project included a major component (Finance and Management) to support decentralization; additional funding has been provided through a UK Department for International Development (DFID) grant. However, preparation for decentralization was delayed for a long period of time due to lack of will across the political spectrum. In addition, successful decentralization required the collaboration of many sectors of the government, but efforts to establish cross-ministerial working groups failed. There is a wide variation in local capacity to implement such services as education. Starting with existing inequities, they have a challenge to reach consistent level of quality services across the country. Parents' influence of educational decisions at local level is minimal, although they are represented on School Councils. During recent years, schools in poor rural communes have not had many opportunities for experience in negotiating with local authorities for support. Communes lack the organizational structures and skills needed to enable broad participation of the community, professionals and laity, in discussing and debating local education issues. Local authorities often do not have the information or statements of broad public opinion needed to prioritize education needs or to devise ways to get the community to support schools.

Local budgets are often too small to allow for expenditures on schools beyond earmarked funds for salaries, textbooks, and scholarships. This problem will be compounded in the near future, when responsibility for many services, including education, will be decentralized. If schools in poor communities are to fulfill their mandate to educate children, they will have to take the initiative to address their own education problems and to obtain resources locally.

Demand factors

Demand for education is usually lower in rural areas than in urban areas. The main reason is the fact that demand is income elastic. That is, demand rises or falls as direct and indirect costs of education rise
or fall relative to a family's income level. Families make choices and set priorities. Demand-side analysis through beneficiary assessment identified problems that impede school attendance of rural students, low-income students and other marginalized or disadvantaged groups. In 1998, 40.5 percent of persons from rural areas were living below the poverty line, while only 27.6 percent of persons living in urban areas were living below the poverty line (World Bank and National Commission for Statistics, 1999). Empirical evidence shows that there are household constraints on schooling; children participation in the subsistence agriculture as "non-remunerated family workers" represents the main cause of the increased dropout rates in rural areas, especially at lower secondary level. 64 percent of the dropouts are leaving school before graduating compulsory education because they need to work to supplement family incomes. The gap in enrollment and in educational progress widened between the non-poor and the poor, between urban and rural areas and between various socioeconomic groups. Declining income and employment opportunities influence the decisions, including education decisions, of poor families. Covering indirect costs of schooling by scholarships is not effective, given the low level of available funds and tight eligibility conditions. The less visible costs to families involve: the costs of travel to and lodging in proximity to schools and the costs of food and uniforms, or clothing. There are also opportunity costs — namely work which children cannot perform at home when they are at school. There is also the cash income foregone by children obtaining an education rather than working for pay. Families need to make trade-offs with respect to the education of their children and parents cannot afford to pay for one or more secondary school students.

The government is implementing a school "Bread and Milk" program that is addressed to all pupils in pre-primary and primary education. Provision of this nutritional supplement is a very positive initiative, which is expected to contribute to better school attendance and performance, but it could also accentuate health risks unless the sanitary conditions in schools are improved.

School-Community Links

There is strong awareness that central authorities are limited in their ability to address local needs and to use local capacity to meet those needs. Recently, Romania adopted policies to transfer decision making from central to local authorities. However, communities' involvement in school management and resource mobilization is still quite low. Consequently, schools are still very much organized around bureaucratic efficiency. County inspectorates do not strive for educational efficiency for all, they strive to legitimate their actions through conformance to institutional rules. The value of small schools to the community and children is disregarded in the face of efficiency standards. Small schools, unable to provide quality instruction are automatically considered backward and old-fashioned. An alternative approach, in which improved instruction is best accomplished with strong local knowledge of individuals and community is still to be developed. Mechanisms to increase community's participation in the school life need to be identified, as well as ways to encourage parents to become involved in everyday life of schools. At present parents are contributing to schools through cash or in-kind, but the goal should be to involve them more in the process of the education of their children.

Education Data, Information and Policy Making

Through studies intended to evaluate the education system, and rural education in particular, a series of difficulties related to education data and information were identified: the lack of basic data which could allow the indicators for quality, efficiency and outcomes of the education system to be calculated; the insufficient accuracy of certain data, as a consequence of deficiencies in information gathering and in staff training; and the incompatibility between the way in which certain indicators are calculated in Romania and the way in which they are calculated by international organizations (OECD, EUROSTAT
etc.). Reliable data is not always available and incentives to provide good data do not help rural schools.

The education management information system is not well developed to monitor quality and equity in education. It does not help MER to make fully informed decisions and formulate sound policies. There are few instruments to do systematic and comprehensive monitoring, both for inputs (curriculum, textbooks, school buildings, equipment), for processes (teaching, school and class organization, school planning), and for outputs. Despite progress in school information systems through previous World Bank support, the design of data collection needs to be improved and the system of national indicators for education has to be changed to be in line with the international indicators. In Romania, both the MER and the National Institute of Statistics collect and process educational statistics. However, the availability of the data is limited, and some educators feel that the MER's data is not very reliable. At the county level and below, the availability of these statistics is particularly limited, and inspectors, school principals, and communities do not use it much for understanding local needs. At the same time, the present National Education Database (NED) is composed of various data, collected differently by different agencies, stored in various formats, and distributed among many locations and owners. Data collection is often redundant among different units in the educational system. At present, the INTERNET does not support communication between different levels of the educational hierarchy. Consequently, the upper levels of the hierarchy only have access to outdated data, and MER only has access to aggregated data, not school-level data. Developing a new report or an analysis requires weeks of communication and data processing across the education hierarchy.

Second, public education is often biased against the poor and the situation is only partially revealed by official data. The education system has inherited a tradition of reliance on formal administrative records that often do not reflect the situation on the ground. There is substantial information on enrollment rates, but little on actual school attendance, or school completion rates, despite increasing evidence that in certain areas school attendance is sporadic and dropouts have increased sharply. Teachers, principals, and school inspectors have all the incentives not to report and even to hide this type of data that would reflect badly on their activity. Instead of honestly recognizing the situation and seeking support to solve problems, realities are "covered". Likewise, repetition rates are low (on average 3.9 percent in rural areas), due to the inherited policy of automatic promotion in order to hide failures and avoid overspending.

Thirdly, although the national assessment capacity for implementing sample-based studies of student learning and national examinations is considerable, Romania is not fully using the results. The country is involved in international assessments - TIMSS, PISA (Project for International Students' Assessment), and PIRLS (Progress in International Reading and Literacy Study) - and has conducted its own grade four assessment in 1998 and 2000. Additional studies in all four programs are planned during the next three years. However, national funding for continuing participation in these studies is not yet secured, and to date Romania has not been able to undertake any secondary analyses of the rich databases that past studies provided, particularly with respect to the differences between urban and rural students. Other Government-sponsored research on primary and secondary education has been limited to studies sponsored by one institution, the Institute of Education Sciences (IES), and universities throughout the country do not have a tradition of studying educational issues. Some private institutions are partially filling this lack with studies sponsored by nongovernmental sources. In general, there is no national network of researchers studying the problems of rural primary and secondary education, reflecting on the findings, and sharing these findings with policy-makers.

The mentioned deficiencies generate the risk of incomplete evaluations and even of distorting the reality, with negative effects on education policies. The lack of empirical information about the
problems of rural education in Romania and the lack of a strong community of educators to reflect on problems are reinforced by the extent to which factors outside the education sector may influence decisions about education. The urgency of political pressure to solve immediate problems, of decisions on decentralization and community development priorities, and of international demands for information or program involvement tend to crowd out deliberate, careful analysis for decision-making. Also, at the county level and below, managers do not have the information, skills, or experience to use objective empirical data (from statistics and research) in making decisions. As the management of education is becoming more decentralized, local decisions on allocations of resources for primary and secondary education are demonstrating the importance of more objective analyses and understanding at local levels.

Not only are there problems of information availability and of the skills and will to use it. At the moment there does not appear to be any institution in Romania that has an overview of the sector and that could provide an effective coordinating link among the sources of information and between those who study and report on the system and decision-makers. More specifically, at both the national and local levels in Romania, empirical information – statistics, assessment results, and other research results – are not used effectively to understand the problems of rural education and to help identify possible solutions to those problems. If the improvements in rural education that are sought with current investments are to be sustained over the longer term, the capacity to understand the problems objectively, to assess their impact on students, and to inform decision-makers needs to be strengthened now.

Central and local authority's leadership

MER identified the urgent need to address equity issues, and took a series of consistent measures. In 1999, a Program for Educational Development in Rural Areas was initiated. A National Council for Development of Education in Rural Areas was established in September 2000. In 2000, the ISE developed a comprehensive study of rural schools: "Rural Education in Romania: Conditions, Issues and Development Strategies". In 2000, the government and the Bank agreed to re-allocate $11.5 million from an ongoing Education Reform project for a Rural Education pilot component, in view of learning lessons useful for a future project. Under this new component, basic teaching materials and teacher training were provided to rural schools in eight counties. Beneficiaries were 208,107 students from 2039 schools. An impact study has been prepared that identified initial effects and summed up relevant experience (Impact Assessment, 2002). In April 2000, the Romanian government asked the Bank's support for obtaining a grant for the identification and preparation of the Rural Education project. The Anti-Poverty, Promotion and Social Inclusion Commission has included rural education in its Poverty Alleviation Strategy. The main problems dealt with are: access to education, abandonment, unqualified teachers, lack of professional counseling, and low value of education.

In 2001, MER started implementing a school consolidation and busing program. So far 200 rural schools have been consolidated, 195 school buses have been purchased to serve 5,600 students from rural areas where a village school has been closed and children have been transferred to a larger center (180 such centers are currently operating). In 2002, the school consolidation process continues and another 195 mini buses are being procured and distributed to schools. Starting with 2001, the Government initiated a program that provides standard packages of student supplies to students from poor families. In 2002, the program "Bread and Milk" for primary students started throughout the country. In 2003 the program was extended to cover also preschoolers.
3. **Sector issues to be addressed by the project and strategic choices:**

The project will address three main issues:
(i) The much larger proportion of students performing poorly in rural as compared with urban areas, as evidenced by assessments and examinations results.
(ii) The lower attendance, promotion, completion, transition rates in rural areas as compared with urban areas.
(iii) The weakness of institutional structures in identifying equity issues in education and developing adequate strategies to confront it.

These issues would be addressed by:

a. Improving the teaching and learning process in rural areas. The project would: (i) provide school-based professional development for teachers; (ii) support the career development of rural teachers; and (iii) ensure that minimum standards are met for school utilities, furniture and basic teaching materials.

b. Strengthening linkages between schools and communities. The project would increase local participation in addressing problems of school quality through a school-community grants (SCG) program.

c. Strengthening the capacity of MER and local authorities to monitor equity issues in education, disseminate information on the performance of schools, and formulate strategies and policies to improve learning.

**Teaching and learning in rural schools.** The project will improve teaching and learning in rural schools by improving teachers' skills and qualifications and by providing the basic facilities and materials required for efficient instruction. The project will seek to stimulate rural teachers to be active in finding better ways to meet the needs of their students and show them how to implement a number of the more innovative features of the new curricula. Teachers will not only need to master the subject matter being taught, but also will need to deepen their understanding of student needs and of the learning process itself. The number of "unqualified" teachers in rural areas is high. This is partly due to the lack of interest of qualified teachers to work in rural schools; at present about 25,000 posts in the system are not filled by a tenured teacher. Approximately 20 percent of rural schools employ commuting teachers. The commitment and professionalism of these teachers are more likely to erode over time if they do not develop close links with the communities they serve.

In order to continuously increase their effectiveness, teachers must learn from their own experiences and the experiences of others, through on-going inquiry and reflection. This process can be facilitated through the development of "communities of practice" in which teachers discuss their work and the work of colleagues in a systematic way.

The project will improve basic conditions in rural primary schools. It is expected that better school conditions will contribute to solving problems of school attendance and will increase teaching effectiveness and learning achievement by motivating students and teachers. The project will support investments both in center commune schools (usually grade 1-8) and in smaller schools in nearby villages (usually grade 1-4). Allocation of the funds will be made so as to maintain an appropriate balance between project investments in center commune schools and investments in smaller village schools.

**Linkages between schools and communities.** The project will promote a participatory approach recognizing the importance of traditional and nontraditional partners in changing both the demand for and the supply of education in rural areas. The project will help to develop a collaborative local environment that helps make schools accountable to communities for the education services they provide.
Engaging all stakeholders in support of rural education will "democratize" the civic, social and economic opportunities for students in each community. The approach has already been tried in Romania and proved to be successful. Education pilot projects financed by NGOs and other donors encouraged community participation. Community based initiatives assisted through the Bank supported Social Development Fund program have lead to increased social capital as a result of the learning by doing process. Solutions and projects will be locally designed. Capacity building (leadership, technical and operational) will be strengthened, assisting local institutions in their new role of supporting education.

**Monitoring and evaluation capacity.** A well-organized educational system includes a monitoring system for measuring the results in terms of the learning process, channels through which the information may travel throughout the system and databases, meant both to facilitate better decisions on the part of the education managers and to serve the public at large. In this context, strengthening monitoring, evaluation and policy-making capacity at the local, county and central level is a necessity. This will improve the capacity for management for results, based upon data and information on educational outcomes that is continuously collected and analyzed and a range of policies and decisions that ensure quality education, equity and efficiency. Also, improving the monitoring, evaluation and policy-making system must lead to greater transparency and publicity, so that the public should be constantly informed about the performances and problems of the education system. These performances and results will be for everybody to see, that is for parents, teachers, students, managers, researchers, civilians, a fact which will improve the quality of public professional and scientific discussions on education problems and will provide the basis for developing educational policies in keeping with the society's needs, with the new requirements resulted from the social progress in a democratic society based on a free market.

The desired situation assumes: data is available instantly at any level in the educational hierarchical structure; all data is centralized in a unified database - this makes all data available at national level; therefore data is available all over the country; part of data is distributed in county educational databases - this makes for redundancy and data is more secure, and for easier access from county educational structures; updates to the database are automated and use INTERNET as a communication root; powerful analysis tools applied to this complete set of primary data are available to support decision makers at all levels; collection of raw-data from the educational system; all data is centralized in the form in which it is collected and primary, non-interpreted data is stored in educational databases; this allows for statistics to be created on-demand at any level; collection of raw data requires that each school report all the information required; the update needs to be automated.

**MER and local authorities' policy-making capacity.** The project will support steps to enhance the use of quantitative information in diagnostic studies and policy analyses as well as for impact assessments. Databases will focus on outcomes, rather than inputs or processes. Deficiencies in data, policy frameworks, institutional capacity and financial resources in addressing equity issues will be identified. The capacity for institutional evaluation, as well as for evaluation of specific programs and policies will be increased. Professionalism and management capacity of MER and local authorities for conscious policy-making will be strengthened; the capacity of the counties to identify and assist poorly performing schools and formulate strategies and policies to improve learning will be increased. Engagement at the local level will be ensured through Local Education Committees set up at the communes level; the communes will define education problems and priority needs. National, county and local level decision makers will be supported to acquire analysis and planning skills. Research and analytic capacities in national institutions and among educators will be improved.
C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

   It is envisaged that the project objective of making rural schools students benefit from improved access to quality education will be achieved through four components:

   Component 1: Improve teaching and learning in rural schools.
   Component 2: Improve school-community partnerships.
   Component 3: Strengthen monitoring, evaluation and policy-making capacity.
   Component 4: Strengthen project management capacity.

**Component 1: Improve Teaching and Learning in Rural Schools ($67.91 million)**

The objective of this component is to develop the professional competences of rural teachers and to improve basic education conditions in schools. Since education inputs have a significant effect on students' achievements, this component will focus on teachers, teaching/learning materials and school utilities. Under this component, the following sub-components will be implemented: (1.1.) school-based teachers' professional development; (1.2.) career development opportunities for teachers; (1.3.) basic education conditions in schools; (1.4) teaching-learning materials.

**Sub-component 1.1: School-Based Teachers Professional Development ($12.08 million)**

The objective of this sub-component is to support a conceptual and practical change in teaching that is critical to the improvement of student learning. Rural schools will have better access to methods, materials and opportunities for school-based professional development of their teachers. The sub-component will: (i) expose teachers to new ideas on how to improve learning; (ii) provide teachers and schools with learning resources for use in increasing knowledge of classroom management, instructional strategies, teaching methods and student assessment; and (iii) support teachers to design, implement and evaluate experiments in improving teaching. Special attention will be given to the idea that all children can learn and that the task of the teacher is to identify learning experiences that motivate the student and accommodate his or her learning needs. The project will also encourage the active involvement and support of school principals and other staff and seek to secure the support of their local communities for the change taking place in schools.

Although the necessity of strengthening the teaching profession is system-wide, this program will only address needs in rural areas. Since teachers cannot easily attend traditional in-service teacher training programs due to distance, lack of transportation means and of funds to cover high attendance costs, training will come to teachers instead of teachers traveling to training. The school-based teacher professional development will foster greater relevance of teacher training to school and students needs, will stress teamwork, systematic evaluation of results and sharing of experiences. It will also aim at expanding knowledge of alternative teaching methods, particularly those that emphasize student centered teaching, individualization, teaching for understanding and development of critical thinking skills. School-based training will also encourage teachers and principals to improve the general educational “climate” of the school, through learning and knowledge sharing. The criteria to be used in evaluating innovations will include not only academic performance, but also objective measurements of student and community satisfaction with the schooling experience.

Under the sub-component, schools in a commune will be grouped in a cluster and training will be offered to all teachers in the cluster, including those who are non-qualified or do not have appropriate
qualification. School-based activities will normally be conducted in the main school of the commune and may, where appropriate, be conducted in any of the other schools of the commune. The project will provide Mobile Resource Centers (MRC) with basic equipment and instructional materials. The MRCs will allow mentors to visit schools and facilitate training. The outreach concept is essential both to send a message of care, enabling the participation of those teachers who would otherwise be unable to attend training courses. The training will bring to such teachers stimulation to innovate, plus direct support for what they attempt in the classroom. Fixed site resource centers will be supported only in the case of coordinating schools resulting from school consolidation to enable outreach mentors and class teachers to be better assisted. In this case, basic equipment will be provided to the coordinating school.

The approach to professional development will emphasize guided activity by the teachers, who will actively seek solutions to problems. This will increase their sense of ownership of the new approaches to learning and teaching and extend their professional skills. The work will focus on needs as perceived by the teachers and will use teamwork and discussion among the teachers wherever appropriate. The mentors will assist teachers to identify their needs; plan how they will address them; be a resource to solve implementation problems; and ensure continuity of development. There will therefore be regular visits from the mentors to monitor progress and implementation; assist in the solution of problems; and assist the teachers to plan the next stage of development, with the intention that the cluster meetings should become a valuable resource.

The primary focus for professional development is the development in the schools of interactive, student-centered teaching; continuous assessment in the classroom; and adaption of the curriculum to the rural environment. A secondary but important focus will be to assist with problems that are frequently found in rural schools, such as multi-grade teaching, learning support and Romanian as a second language. Other modules concerned with such topics as learning about students’ backgrounds, using computers to learn and teach and school management may also be included, as the need may arise. Training modules and materials will be devised to address these needs in a teacher-centered way. The precise mode of application of the modules will however depend on the circumstances of the cluster.

Incentives for teachers to participate in training have been developed. Experience with NGO projects suggests that rural teachers will welcome the chance to participate in quality trainings, but it will be important to gain their sustained commitment to the substantial effort that will be required of them in changing their teaching practices. Thus, the planned training modules and, more particularly, how they will be delivered (recognition to the development work, often in teams, that teachers will undertake; the processes of self-evaluation and reflection that they will implement, and the trial that they will undertake in the classroom) will get accreditation from the National Center for Teacher Training. The guiding principles and speed of extension of the school-based professional development in rural schools will be reviewed and agreed after the initial phase is completed.

This approach to training is based on a body of mentors whose skills and approach have been adapted to a teacher-centered, school-based mode of professional development. Suitable teachers and other educators will be recruited to become mentors. Mentors will benefit from relevant incentives that will enable them to effectively undertake their tasks and stay in their mentoring jobs, such as attractive salaries and allowances and reserved jobs with secondments. Mentors will be able to call on the assistance of expert subject teachers where they judge that to be needed. Such teachers will be released by their schools to undertake this work on an ad hoc basis.

The proposed methodology of professional development will require that teachers are free to meet with the mentor and are able to engage in teamwork and reflection without the pressures of keeping classes in operation. Schools will use the facility granted to them by the MER to designate methodological days.
that can be used for training purposes.

The mentors, the principal and inspectors will assess teachers participating in the program. Following positive results in assessments, teachers will receive transferable professional credits that will account for the in-service training that all teachers are supposed to undertake periodically (every 5 years), according to the law.

Early in project implementation a suitable contractor will be selected to: (i) recruit and manage the mentors, (ii) develop training modules and materials; (iii) arrange and monitor the fieldwork; and (iv) ensure suitable feedback to MER. Since it is important to ensure that inspectors are familiar with the new school based support, inspectors will join school cluster meetings and classrooms visits whenever possible.

School-based professional development is new to Romania and in its initial stages there will be a need to refine the plans in light of experience in the schools. Thus, the initial number of schools involved will be sufficient to prove the approach in a variety of settings, but small enough to allow close attention to experience with a view to perfecting the techniques and materials in the actual Romanian rural schools. The contractor will monitor the process and will prepare a report with recommendations after sufficient experience had been gained; feedback from the first wave of schools on their experience; and independent evaluation of the process will be built in from the outset. The guiding principles and speed of expansion of the school-based professional development in rural schools will be reviewed and agreed after the initial phase is completed. The aim will be to improve the training progressively, so that during the life of the project quality opportunities for professional development had been offered to all teachers in rural schools in Romania.

After mentors have worked with a cluster for a complete school session, the inspectorate will encourage continuing activity by the teachers in the cluster. Mentors also will visit the cluster, but on a much less frequent basis, to help sustain their work.

Mentors will hold regular workshops for sharing experience and coordinating activities. In order to influence the inclusion of the new interactive methodologies in pre-service teachers training, the workshops will be held in universities with university staff participating in discussions and in evaluations of new activities taking place in schools.

The sub-component will be implemented by the mentors, in cooperation with the selected contractor, under the coordination of the PMU.

Sub-component 1.2: Career Development Opportunities for Teachers ($3.41 million)

The objective of the sub-component is to assist rural teachers to obtain formal qualifications as teachers for compulsory education through an Open Distance Learning (ODL) program. The target group: (i) subject teachers graduates from university who are also teaching subjects outside their subject area; (ii) graduates of higher education from non-teaching streams, who have some subject knowledge, but did not have pedagogical training (e.g. engineers, agricultural and administration specialists); (iii) graduates of upper secondary education who do not have training for teaching in primary schools (grades I-IV). These teachers usually live in the community or nearby and are not likely to leave the place once they get qualification. Qualification of this staff is not only going to increase the quality of instruction, but will also encourage the long-term commitment to the community and teaching profession, since at present, teachers from the last two categories may only be hired on a year to year basis, to fill staffing gaps.
The program to improve teacher's skills through training for qualifications will serve primary and secondary school teachers who satisfy the following criteria: having taught for a minimum of two out of the last three years in a rural school; having been offered a contract with a rural school that gives him/her a position as a teacher in the school, as long as the teacher successfully completes the program. In return, the applicant will commit to complete the program and to teach in schools in the commune for at least 4 years after receiving a diploma.

The qualification process will result not only in more qualified teachers, but also in a higher retention rate for effective teachers in rural schools. Presently, unqualified teachers are those more likely to accept living in rural community. Often these people were born and have families and houses in the community. Some are professionals that became unemployed in cities and moved back to communities of origin. More non-commuting teachers will mean a greater chance for the school to develop the education climate that requires more time from teachers than the time spent during class teaching. The qualification process may also lead to a reduction of teaching positions, qualified teachers being able to assume more responsibilities.

The program implementation will include two activities: (i) program design to be undertaken by professors from universities/institutions with ODL programs and to be further adopted by universities interested in provision of training; and (ii) provision of tuition fees to participants to pay for the course, materials and for taking examinations. The activities to be implemented in the first area will be undertaken by professors from universities/institutions selected as consultants. They will develop a national curriculum framework for training practicing teachers and will design materials and software. Training will include along with more traditional syllabi, modules specific to teaching in rural areas, such as teaching multi-grade classrooms, community-based approaches in teaching reading and writing etc. Universities with ODL programs interested in delivering the training will adopt the curriculum and will get accreditation for the program. The MER will administer the tuition fees program. Links with sub-component 1.1 will be established by involving, as much as possible, mentors in guidance and monitoring activities.

The envisaged outcomes are: (i) a national ODL program for teachers that will be available through a web-based program of learning modules, and also in print and recorded media (diskettes and/or tapes), for rural teachers without access to the INTERNET; (ii) the successful completion of the program by up to 4000 practicing teachers from the above mentioned three categories; and (iii) strengthened capacities for training teachers through ODL in the universities that get accreditation to deliver the program.

This sub-component will be implemented by the selected consultants and by universities, under the coordination of the PMU.

Sub-component 1.3: Basic Education Conditions in Schools ($34.42 million)

The objective of this sub-component is to upgrade education conditions in the most deprived rural schools to a minimum functioning standard. The MER has made an inventory of rural school and prepared a list of schools that do not meet minimum standards for sanitation, water, lighting or heating, or for provision of the most basic school furniture. National education standards clearly state minimum requirements, but until now few rural schools could comply with them, given shortages of funds and the general poor state of utilities in rural areas. Many schools were not able to get the hygiene permit to function and have only a temporary approval.
Resources under this sub-component are focused on the most urgent needs and schools to be upgraded are to be selected under an objective and transparent process. MER has prepared an initial list of about 1,500 schools that are proposed to be upgraded under the project. Schools were selected and prioritized according to three criteria: (i) the severity of the school deprivation; (ii) the number of students enrolled; and (iii) the poverty of the community. Prior to Board submission, using PHRD grant funds, an independent evaluation of the schools from the list will be conducted, for identification of inclusion and exclusion errors. A sample of schools from the list and outside the list will be used. If the level of errors identified is significant, MER will have to revise the list and resubmit it to the Bank. In this case, a new independent evaluation will be conducted, using project funds. Disbursements under this sub-component will be subject to no objection from the Bank to the list of schools to be upgraded. The exact number of schools to be upgraded under this sub-component will depend on the actual costs of upgrading selected schools. These costs will not be known before the preparation of detailed plans for upgrading. Once the prioritization of schools is agreed, rehabilitation will be carried out starting with the highest priority needs, until the funds allocated to this sub-component are exhausted.

The project will support rehabilitation of selected rural schools in four priority areas: (i) upgraded water and toilet facilities; (ii) upgraded heating facilities; (iii) improved lighting; and (iv) improved school furniture (benches, chairs and blackboards). The specific rehabilitation tasks to be carried out in each school are to be developed in the detailed plans, which consultants are to prepare for each school. MER has already adopted professional design standards for each aspect of school construction and rehabilitation. These standards, which provide for the technical soundness and safety of structures, were used in the School Rehabilitation Project. In order to promote cost effective solutions that comply with mandatory design standards, but reduce costs without in any way compromising the functionality of the facilities, MER commissioned the preparation of a Manual on Appropriate Solutions for Upgrading Schools. The Manual will be used to help guide the preparation of cost-effective upgrading plans for schools. The Manual is to provide recommendations based on the lessons learned under the School Rehabilitation project, and is to suggest the simplest solutions that are responsive to the needs in the selected schools. It will, for example, provide guidance on when installation of heating systems may be justified in preference to repair or replacement of individual stoves, and when repair of windows may be appropriate in order to retain heat in the classroom. A separate Handbook on maintenance will be developed under the project to include guidelines and norms for communities on maintenance and management of school utilities. The Manual will be published under the project and disseminated to all interested design companies. The Handbook will be published and distributed to schools and local authorities. Actual solutions to be used in individual schools will be discussed with teachers, parents and local authorities. After designs are prepared, stakeholders will again be consulted to make sure that designs are responding to needs and are correlated with resources available within communities.

This sub-component will be implemented by the PMU of the School Rehabilitation project and its regional and county level structures.

Sub-component 1.4: Teaching-Learning Materials ($18.01 million)

The objective of this component is to ensure access of rural students to basic teaching-learning materials.

Under the subcomponent, all schools participating in the School-Based Professional Development program will receive teaching-learning materials, to be used in classrooms (e.g. booklets, posters, maps) and by the school (books, science equipment, sports materials). Approximately 8,000 primary schools and 4,000 secondary schools will be able to reach a minimum standard regarding teaching-learning materials. These are schools that had not already benefited from the provision of materials from the
Rural Pilot component of the Education Reform project. Schools will choose educational materials relevant to the new curricula from a select catalog, prepared by MER. Orders will be collected by mentors and centralized by the PMU that will do the procurement. Distribution will be performed using MER's textbooks warehouses.

In addition, under this sub-component, the efficiency of the activity of textbooks and teaching-learning materials warehouses will be increased. Basic equipment (computers, printers and copiers) will be provided to warehouses in each county, thus improving the registration and monitoring system for textbooks and materials.

This sub-component will be implemented by the mentors and the PMU.

**Component 2: Improve School-Community Partnerships ($11.93 million)**

The objective of this component is to empower rural schools and communities in order to develop a broad collaborative environment supportive of education. The component will both improve the governance of schools and increase the contribution of schools to communities by encouraging and enabling schools and local authorities to work together to identify priorities, to diagnose problems and to formulate and implement solutions. Local Education Councils (LECs) will be set up at the level of each commune, involving the mayor and representatives of: (i) the School Management Council (SMC) of all the schools from the commune cluster; (ii) the local council; and (iii) the local firms and other local organizations. This component will include an outreach and behavior change, communication and sensitization activity through which schools and communities will be assisted by facilitators in discussing education needs and in preparing their own school improvement plans, as well as school improvement projects. School improvement projects will be financed through competitive grants. The LECs will be involved in managing planned activities including mobilizing community resources.

A School-Community Grants Program (SCG) will offer support to teachers, students, parents and the community at large for implementing local initiatives. The SCG will promote a "learning by doing approach" and will empower various stakeholders through greater access to information, broader participation in decision making, increased accountability to clients and increased local capacity to govern and manage schools.

Three categories of sub-projects will be supported: (i) sub-projects promoting students participation and providing support to disadvantaged students; (ii) sub-projects supporting the improvement of teachers' performance; and (iii) sub-projects strengthening partnerships, opening the school to the community and providing small repairs.

For example, sub-projects in the first category will include activities that develop critical thinking, support student group projects, and offer mentoring to disadvantaged students. Sub-projects in the second category will include activities to support collaboration between teachers, innovation in teaching strategies, development of educational materials, participation in cluster training. Sub-projects in the third category will include the use of school facilities to promote relationships between the school and the community, small school repairs, extracurricular activities supported by parents, cultural and social-educational activities.

The SMC will define, in consultation with the LEC, the sub-project objective(s) and will designate the Sub-Project Team (SPT). The SPT will have at least three members, including the school principal, a teacher and a representative of the community (possibly a parent).
Grants will be awarded in all counties, although the amount available to each county will be related to the county index (detailed in Annex 2 and the Operational Manual) and, starting with the second year of financing, related also to the evidence of county councils' allocation of an increasing agreed percentage of non-project related funds to contribute to the long-term financial sustainability of the program. Grants will be available to all rural schools in a county, although competition will be tougher for low risk schools (access to 20 percent of funds) and medium risk schools (access to 30 percent of funds), while high risk schools will have access to 50 percent of funds. The school risk index is detailed in Annex 2 and in the Operational Manual. Grants will be awarded on a matching basis, applicants being asked to contribute, in kind or financially, at least 10 percent of the total sub-project cost. The average grants value is US$4,000 and the ceiling of the grant value is US$7,000. Since the sub-project costs may vary significantly, the number of grants to be awarded cannot be predicted. However, it is estimated that at least 2,500 grants will be awarded during the life of the project.

The evaluation of proposals at the county level will be performed by the county Commission for Education Innovation and Development (CEIDs) to include members of the existing County Commission for Establishing the Annual Average Education Costs. The CEID should include the chief inspector (or the deputy) of the school inspectorate and the president (or the deputy) of the county councils and to be in charge in the future with the education development and innovation budgets. The CEID plays the role of a decentralized steering committee for this project component. It is expected that after the closing of the project, the CEIDs will have the responsibility of organizing and monitoring the competitions for grants in their jurisdiction.

The promotion of the competitions will be done through a series of county level seminars involving all principals of rural schools. In addition, facilitators that will train LECs and SPTs will use promotion materials. The eligibility and selection criteria for sub-projects are detailed in Annex 2 and in the Operational Manual.

At each round of competition, sub-project proposals cleared by LECs are sent by SPTs to the PMU. The PMU will: (i) group proposals by county; (ii) encode proposals; and assign appraisers from a different county than the county of origin. After receiving back the recommendations for financing, the PMU will un-code proposals and send them back to the county of origin. CEIDs will analyze the recommendations and approve them in special meeting. Minutes of the meeting and the final list of approved sub-projects will be sent to the PMU. The PMU will get the MER's minister decision and will conclude the Grant Agreements (GA). The PMU and the receiving SPT represented by the school principal, as well as the appropriate financial legal authority of the school will sign the GA. The GA specifies the disbursement tranches. The supervision of sub-project will be conducted by the county project implementation unit (CPIU); based on the CPIU supervision report that certifies fulfillment of conditions, the PMU will release subsequent tranches of financing.

The Bank will do ex-ante reviews of the criteria and procedures as applied in the competitions by each CEID. A sample of accepted and rejected grant proposals will be reviewed during the first two rounds of competitions organized by all CEIDs.

The outputs sought through the implementation of the component are: greater community participation in rural education; tested models for the local distribution and allocation of resources for education; improved quality of educational delivery (improved teacher and student attendance, more time spent on tasks, a richer array of local resources in schools etc.); experience at local level in expressing own needs and in project preparation and implementation.

This component will be schools and communities, under the coordination of the CEIDs, the PMU and its
CPIUs and School Inspectorates.

Component 3: Strengthen Monitoring, Evaluation and Policy Making Capacity ($3.34 million)

The overall objective of this component is to ensure the sustainability of educational reforms by strengthening the MER’s analytical capacity at national and local levels for policy analysis and formulation, as well as for planning and evaluation. These objectives will be achieved through establishing the National Education Indicators Set, improving the National Education Data Base, and preparing a National Assessment of Basic Education.

Establishing the National Education Indicators Set (NEI). The objective of establishing the NEI is to select and define an agreed-upon set of education indicators for monitoring and tracking the performance of the Romanian education system, including indicators that allow comparisons between urban and rural education. The outcomes will be: (i) a booklet describing the indicators and their use, distributed and explained to education policy-makers, administrative staff, and teachers; (ii) a network of experts in the system, led by a coordinating unit in the MER, who understand and are able to use the indicators to assess system performance at all levels and to compare the performance of rural education with the rest of the system; and (iii) basic computer skills certified for all involved personnel.

The MER will establish a full-time working group of at least three persons reporting to the Minister to lead all the activities under Component 3. The unit will work with MER’s specialized departments, the National Institute of Statistics (NIS), the ISE, and others to carry out the work on education indicators. Tasks identified include studying indicators in other countries in the European Community, assessing the adequacy and accuracy of current education data in Romania, defining the indicators with the raw data that will be needed to calculate them, reviewing and revising the indicators with comments from throughout the education system, revising data collection formats and procedures as needed, and preparing and sharing a booklet that explains the indicators and their use.

Improving the National Education Database (NED). The National Education Database will improve the existing NED to reflect the new indicators that will be established and to make it accessible to stakeholders throughout the country. The outcomes sought are a revised national computerized education database; procedures, rules and regulations on accessing the NED; and open access to the database for MER officials, other central managers and policy-makers, county inspectorates, and local school and administrative officials. The database will contain raw data on the education system, at least for compulsory education; processed educational indicators in easily read formats, broken down at least by county and by rural/urban areas; results of national students’ assessments, evaluations and examinations with similar breakdowns; and an electronic library of research results on education in Romania.

The shift from a traditional database of education statistics to one based on indicators and accessible to large numbers of people will require significant improvements over the current improved system. The primary system for data collection (formats, transmission, processing) will need to be reviewed and redesigned to meet the new needs. Communications systems using the INTERNET and the MER’s platform RoEduNet (Romania Education Network) will need to be strengthened and designed to allow participation by most rural schools which may not have access to the INTERNET. Computing skills and analytic capacities of all personnel in the system, particularly at the county level and below, will need to be strengthened, and publications on-line and in print must be made succinct enough and simple enough for everyone to use. The central coordinating unit will oversee this work, much of it to be done by staff elsewhere in MER; and it will rely locally on a professional who will be selected in each county to help implement the activities during the design and trial phase and then provide coordination for access and
dissemination once the system is in place. In order to be able to participate fully, all the administrative staff at both the local and central levels will be trained to obtain the European Computer Driving License (ECDL).

Preparing a National Assessment of Basic Education. The MER has decided to undertake an overall assessment of Basic Education (grades 1-10) using information on indicators from the NED, student assessment results on national examinations and in the international student achievement studies in which Romania is participating, and commissioned studies of specific issues. The objectives of preparing a National Assessment of Basic Education (NABE) are twofold: (i) to provide the opportunity for a national public dialogue on the Romanian Education system after 10 years of reform; and (ii) to provide an empirical analysis of the performance of the Basic Education system upon which to plan further improvements in Romanian Basic Education, particularly for the rural population. The project will support activities related to carrying out this assessment. It is planned that the following activities will be initiated, coordinated, and used by the national coordination team to prepare a published report that can be discussed and disseminated in 2008: the existing teams working on the PISA, TIMSS, and PIRLS international student assessment programs will complete Romania’s participation in these studies; MER will conduct a national assessment of student achievement in grade 4 in 2003 and 2006, as it did in 1998; and it will sponsor a national school effectiveness study using existing student achievement data from Romania’s own and the international achievement studies. The results of all these studies will be used to analyze progress on educational reforms and their impact on rural areas. Also, as the student achievement studies progress, MER will prepare and sponsor related studies that will explore locally issues identified by these studies, including a multi-year school-based longitudinal study on this project’s interventions using baseline information to be collected during the next school year (2003/2004). Starting in 2006 MER will publish an annual national synthetic report on the system using the indicators and national database that will be established by then. The national annual report will draw on county reports that will also be the basis for each county preparing an annual plan based on system performance.

The national coordinating unit will be responsible for planning and overseeing the details of the work to be undertaken in support of the National Assessment. The research studies will be contracted to Romanian institutions such as the National Assessment and Examination Service, the ISE, Non-Governmental Organizations (NGOs), and/or institutions of higher education. Technical assistance, both local and international, will be needed for some of the studies and has been budgeted. As this work progresses, the national coordinating unit will conduct seminars and workshops that will discuss the implications of all studies, national and local, in order to frame the content of, prepare, and disseminate the planned report that will report conclusions on the performance of Basic Education (the National Assessment) and recommend policies and programs for continuing the reform movement in Basic Education. Dissemination will include regional seminars, a national conference, and wide availability to the public of the written report.

The products of this sub-component on assessing the system are expected to include the published results of the PISA, TIMSS, PIRLS and 4th grade assessment studies; published studies on school effectiveness, on project influence on school performance, and other local studies that explore questions raised by the assessment test results and the other studies; a report of the National Assessment of Basic Education; published annual and semester reports on the education and training system from each county; and a methodology and experience for annual education planning at county school inspectorates and schools.

Component 4: Strengthen Project Management Capacity ($6.56 million)
The objective of this component is to provide support to project implementation, including project monitoring and evaluation and to ensure that all stakeholders and the public at large are informed about the project.

Under this component: (i) implementation units will be assisted; (ii) the project monitoring and evaluation activities will be assured; and (iii) an information, education and communication strategy for increasing the awareness of policy and decision makers and generating stakeholders’ support will be implemented (including policy advocacy and opinion-making).

Support to implementation units. The PMUs have already been established to coordinate project activities. During project implementation, the PMUs will ensure the general coordination between MER's departments and various institutions involved in the project (school inspectorates, local authorities, NGOs). The PMUs will be responsible for making sure that procurement, financing and reporting activities are done according to Bank guidelines. Under this component, the PMU will be supported. The School Rehabilitation PMU and its decentralized units that are implementing sub-component 1 3 will also get assistance, as well as the CPIUs, the decentralized arms of the PMU, engaged mainly in the implementation of component 2.

Project Monitoring and Evaluation. Monitoring activities will be based on the MIS already existing with the PMU. Evaluation activities will also include commissioning beneficiary assessments, surveys and focus groups.

Information Education Communication. The information, education and communication activities will be based on a strategy already commissioned by MER. They will include: organizing workshops and seminars; development, production and distribution of dissemination materials; production of TV and radio programs etc. These activities will be coordinated by the PMU and will be implemented at national and local levels.

This component will cover: (i) the costs of the central PMU functioning, training and technical assistance; (ii) the costs of the School Rehabilitation PMU functioning, training and technical assistance; (iii) the costs of the CPIUs functioning; (iv) the costs of the annual audits; (v) the costs of the monitoring and evaluation activities; (vi) the costs of implementing the Information Education Communication (IEC) strategy.

<table>
<thead>
<tr>
<th>Component</th>
<th>Indicative Costs (US$M)</th>
<th>% of Total</th>
<th>Bank-financing (US$M)</th>
<th>% of Bank-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improve Teaching and Learning in Rural Schools</td>
<td>67.91</td>
<td>74.6</td>
<td>47.25</td>
<td>78.8</td>
</tr>
<tr>
<td>2. Improve School Community Partnerships</td>
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<td>13.1</td>
<td>8.22</td>
<td>13.7</td>
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<td>3. Strengthen Monitoring, Evaluation and Policy Making Capacity</td>
<td>3.34</td>
<td>3.7</td>
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<td>4. Strengthen Project Management Capacity</td>
<td>6.56</td>
<td>7.2</td>
<td>0.74</td>
<td>1.2</td>
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<td>5. Unallocated</td>
<td>1.26</td>
<td>1.4</td>
<td>1.26</td>
<td>2.1</td>
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<td><strong>Total Project Costs</strong></td>
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<td><strong>100.0</strong></td>
<td><strong>60.00</strong></td>
<td><strong>100.0</strong></td>
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<td><strong>Front-end fee</strong></td>
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<td><strong>0.0</strong></td>
<td><strong>0.00</strong></td>
<td><strong>0.0</strong></td>
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<tr>
<td><strong>Total Financing Required</strong></td>
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<td><strong>100.0</strong></td>
<td><strong>60.00</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
2. **Key policy and institutional reforms supported by the project:**

The project is building on the progress of the education reform carried on so far, operationalizing changes at the school level. If in its first stages the reform focused on quality related policies, during the present stage equity related policies are pursued. The project is also in line with ongoing capacity building efforts in support of the decentralization process and progressive delegation of decision-making responsibility at local level.

At the school/community level, the project will encourage schools to become active in improving and developing the quality and range of educational experiences they offer to their students. Principals and school boards will be stimulated to reduce inequities and to use all resources more effectively. Greater community involvement in education will be promoted, as well as sensitization of schools to rural development issues.

At the county level, the project will support decentralization efforts, while not jeopardizing equity in education. Wide consultation between various stakeholders at local levels to reach consensus will be promoted. Through managing the School Community Grants Program, county representatives will get familiarized with education issues, needs and trade-offs.

At the national level, the project will support policy-making on education quality, equity and efficiency that is based on accurate data and analyses. In addition, the project will support the creation of a school-based professional development system, complementary to the existing in-service teacher training system that is based on county training centers. Existing training providers that were trained during the previous Education Reform project and are capable of delivering modern and high quality teacher training programs will have a chance to offer services in rural areas.

3. **Benefits and target population:**

The main beneficiaries of the project are the students from rural areas who will no longer be faced with big discrepancies in education opportunities, when compared with urban students. They will benefit from access to improved schools, basic learning materials and teachers with improved teaching practices. New school-community linkages will also create an environment conducive to improved learning opportunities.

In addition, teachers from rural areas will have better career development opportunities. Education policy and decision makers at national and local levels will enhance their knowledge and skills. Independent training providers will benefit from professional development programs that will create opportunities for them to offer services on a competitive market. Local authorities and communities will benefit from capacity building activities.

Since project beneficiaries belong to the rural area in which poverty is much higher compared to urban areas, the project belongs to the category of poverty-targeted interventions.

4. **Institutional and implementation arrangements:**

The project will be implemented over an expected period of 6 years, with most activities to be completed during 5 years.

The MER has the overall responsibility for project implementation. However, given the decentralization in education, county and local level authorities will be highly involved in the process.

At the national level, MER will establish a project Steering Committee, based on the core task force that
was created during project preparation, and enlarged with other stakeholders’ representives. The PMUs will assume coordination responsibilities and will be accountable for procurement, financial management and reporting, as well as for monitoring and evaluation.

At the county level, County Commissions for Education Innovation and Development (CEIDs) will be established, chaired by the General Inspector and comprising various stakeholders and some of the "change agents" in the county. CPIUs will be staffed with two project officers, who will report to the Commission and will coordinate with the central PMU.

At the school/community level, LECs will be established to: (a) prepare a needs analysis and proposal for school improvement – after training, with technical assistance, and using nationally developed guidelines for project preparation; (b) liaise with the Mayor’s office to ensure the local authorities formal support for the proposal and a commitment of matching funds; (c) prepare and oversee the implementation of the project when funds are awarded; and (d) provide for other community inputs and leadership to improve the likelihood that the process begun with the school improvement project will continue afterwards.

5. Financial management:

Both the PMU and the SR PMU implementing entities are established within MER as departments, with no legal status of their own and reporting to the MER. The main PMU, that was responsible for the successful implementation of the Bank’s Higher Education Project (closed on 30 September 2002) and for the execution of the preparatory grant, will be in charge with all project financial management aspects.

With respect to component 1.3, the SR PMU, currently in charge with the implementation of the School Rehabilitation Project (with a closing date of 31 January 2004), will be responsible for the day to day implementation of activities under the subcomponent and will report monthly to the PMU. The SR PMU has gained extensive experience in the school rehabilitation activities under the successful School Rehabilitation Project.

The PMUs will draw to the extent needed upon the experience and expertise of the MER staff (a number of technical experts will provide technical assistance in developing the technical specifications). In each county, there will be CPIUs (county PIUs) established within the local MER Inspectorates, as local level "extensions" of the main PMU.

Project funds will flow from: (i) the Bank, either through the two Special Accounts, which will be replenished on the basis of SOEs, or by direct payment on the basis of direct payment withdrawal applications; or (ii) the Government, via the Treasury, on the basis of payment requests prepared by the PMUs.

The Loan Agreement will be signed between the Bank (IBRD) and the Borrower, through the MPF. The MPF will authorize the MER, through the PMUs to handle the loan amounts. The PMU and the SR PMU will have their own Special Accounts (SA), the PMU for all project activities except component 1.3 and the SR PMU for activities within component 1.3 only. The SAs are to be opened at a commercial bank acceptable to the Bank. The PMU will receive monthly reports from the SR PMU in view of consolidating the project financial statements.

Counterpart contributions payments will be made from separate Treasury project sub-accounts of the main MER budgetary account that will just be used specifically for the Romanian contributions to the project. These contributions will be received monthly, directly through the MER budget, as part of the statutory budgetary system.

The PMUs will have full rights to operate both the special and the project accounts. All documentation
pertaining to the project (relating to Loan funds, to the local contributions and other donors as applicable) will be kept at the PMUs.

In respect of the SCG established under component 2 of the project, the CPIUs will be involved in the collection and analysis of the grant financing requests, based on a codified matrix, so that no CPIUs evaluates the financing requests from its home county, to avoid any conflict of interest. Once the schools are selected and endorsed by the PMU and MER, a financing agreement is signed between the schools and the PMU. The draft format of the financing agreement and its contents is included in the Financial and Administration manual. The agreement confirms the responsibility of the grant recipient to maintain appropriate books and records in respect of grant expenditures and gives the PMU or anyone authorized by the PMU (e.g. auditor) full access to these books and records for inspection.

After the grants are awarded to the schools, the CPIUs will ensure the day-to-day supervision of the activities by grant beneficiaries and will monitor and analyze the results of the implementation and prepare reports that will be submitted to the PMU in view of the use of funds by each school per tranche, mentioning whether the sub-project milestones have been met, thus justifying the release of the next tranche of the grant.

The procedures for the SCG adopted by the project are based on the Bank's ECSSD booklet "Good Practices in Procurement, Disbursement and Financial Management for Competitive Grant Schemes in ECA, February 2002". The PMU adopted a tranche based procedure, so that for the typical grant, amounting to an average of $4,000 (out of which the Bank will finance 75% and the Government 25%), there will be 3 stages: 30%, 60% and 10%, triggered by the achievement of various implementation milestones. For very small grants, of less than $1,000, the PMU agreed on a simplified 2 stages model with 90% and 10% tranches, in line with the Bank guidelines. The SA 90 days advance procedure was adopted, whereby each tranche is advanced for a maximum period of 90 days, after which the grant recipient must either produce evidence of a completed stage of the tranche or return the funds.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

The main scope of the project is to offer better chances to rural students for participation in the socioeconomic life and for personal fulfillment. Several design options were considered, favoring a particular implementation scheme or focusing more on certain supply or demand factors: (a) financing only small grants for school improvement projects; (b) focusing on infrastructure needs; (c) focusing the project mainly on demand factors. The first option was rejected given the urgent needs in reaching a basic/minimum functioning standard and the fact that centralized implementation has the speediness advantage. In addition, information on schools situation is already available at central level following a rural school census.

The second option was rejected since Romania has already benefited from a significant loan from the Bank for school rehabilitation. The outcomes of that project will be 1,200 schools rehabilitated. Most schools are in rural areas and these were the schools identified as putting students lives at danger. In addition, other financiers (the Council of Europe Development Bank and the European Investment Bank) are interested in financing these types of activities. Moreover, following decentralization in education, local authorities are in charge with school repairs and maintenance.
The third option was rejected since social safety nets start being active in Romania following the passing of the minimum income guarantee law. The school "Bread and Milk" program is in the second year of implementation, and is improved based on the experience gained.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

<table>
<thead>
<tr>
<th>Sector Issue</th>
<th>Project</th>
<th>Latest Supervision PSR Ratings (Bank-financed projects only)</th>
</tr>
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<tbody>
<tr>
<td>Bank-financed</td>
<td></td>
<td>Implementation Progress (IP) Development Objective (DO)</td>
</tr>
<tr>
<td>Quality reform in education</td>
<td>Education Reform</td>
<td>S S</td>
</tr>
<tr>
<td>Quality reform in education</td>
<td>Reform of Higher Education and Research</td>
<td>S S</td>
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<tr>
<td>Safe schools</td>
<td>School Rehabilitation</td>
<td>S HS</td>
</tr>
<tr>
<td>Poverty alleviation and increased</td>
<td>Social Development Fund I</td>
<td>S HS</td>
</tr>
<tr>
<td>social capital</td>
<td></td>
<td></td>
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<tr>
<td>Other development agencies</td>
<td></td>
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</tr>
<tr>
<td>Quality in education</td>
<td>Education 2000 (Soros support)</td>
<td></td>
</tr>
<tr>
<td>Quality in education</td>
<td>Documentation and information centers in rural areas (French assistance)</td>
<td></td>
</tr>
</tbody>
</table>

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

_**International best practices**_

Approaches to improving teaching and learning. Effective teachers are essential to quality education. While formal qualifications do not ensure that teachers will be effective, well-targeted training is crucial. Various models have been applied in providing additional teacher training. Brazil is nearing completion of a program to certify all unqualified teachers by 2003 using a distance education model based on television, videos, written materials, and local facilitation groups. Portugal has enabled early childhood workers to pursue university degree courses through evening lessons, practical projects and a thesis.
More than 40 countries have used some form of distance education for teacher professional development, in general (18 in Africa, 11 in Latin America, 8 in Asia). Models such as the “Open University” or the university extensions have been also successfully applied. Several countries have established special, distance education centers. The various models differ in terms of emphasis on subject matter knowledge vs. pedagogy, and the number of media used. About half the projects combined academic training with pedagogy, and used combination of correspondence, face-to-face training and mass media. Overall, experience demonstrates that the conditions for success included: the provision of high quality instructional methods and materials, formative evaluation and participation of local groups.

Many countries relied on cascade training to quickly deliver new ideas and methods to teachers; however this approach is most frequently limited to training courses without practice and often results in dilution of the original message, as it is passed down. Western countries (France, UK and USA) have combined practical work with training. This has proved far more effective since it affords opportunities to apply immediately what has been learned. World Bank projects have also revealed that the impact of training is increased where in-school support is combined with practice. This finding has been verified in countries applying school-based programs, mobile teacher training, tutorial activities in cluster resource centers. In the US, tertiary teacher training institutions cooperate with school districts in “professional development schools”, serving both degree-seeking students and teachers and practicing teachers. In such models, an important role can be played by NGOs contracted for training services (Latin America, the Escuela Nueva movement that started in Colombia).

Higher learning outcomes are more likely when basic education conditions are ensured. Better physical facilities, furniture, basic learning materials, schools supplies have contributed to significant improvements in student performance, reduced failure, repetition rates and dropouts (Brazil).

School Improvement Planning, linked to grants programs proved to be an efficient mechanism for various stakeholders to share opinions and challenges and to find jointly endorsed solutions to problems (in Chile, Honduras, Trinidad and Tobago). Many developed countries have well-established systems of development planning by schools.

**Education Reform project and its pilot component on rural education**

A comprehensive education reform has been implemented in Romania starting in 1994 supported by the World Bank Education Reform Project. This was primarily a top down intervention covering the entire sector. However, with its pilot on the development of rural education, the project addressed capacity building issues at grass root level. An impact study showed that excellent feedback was received from participants on the training provided at community level with wide participation of teachers, parents, community representatives including the local authorities, the church, local private sector etc. Such training sessions confirmed the importance of increasing community awareness regarding school problems and facilitated very good interactions of community and school representatives. As a result, short and long-term plans were produced at local level reflecting proposals from all parties involved. Based on its interviews and focus group discussions, the conclusions of the impact study support the importance of: (i) stimulating school-community partnership through attracting parents, local authorities and the community at large in programs aiming at improving basic education facilities and strengthening linkages with other schools and communities; (ii) involving local authorities in supporting needy families; (iii) involving NGOs in community-based programs; (iv) increasing teaching competences in rural areas; (v) reducing teachers’ turnover; (vi) involving both community and students in extra curricular activities; and (vii) training parents on changing mentalities, motivation for having educated children and interpersonal relationships.
Social Development Fund project

The Social Development Fund APL has demonstrated that community driven development is effective in Romania. Despite initial reluctance by many authorities, the poorest communities in rural Romania proved to have the capacity to initiate projects and implement them, as long as they responded to the perceived needs of the community. Provision of additional support through a facilitation process not only enabled communities with low initial social capital to achieve success, but also increased levels of social capital.

Education studies and reviews

OECD Review. An extensive description of the development of education in Romania is given in the series of the OECD Reviews of National Policies for Education. The report provides an analysis of the entire education system and identifies key directions for the reinforcement of the reforms in light of the challenges faced by officials, communities, enterprises, educators, parents and students. Extensive reference is made to the articulation of a new “philosophy” or values in teaching and learning promoted by the education reform in the past several years and the shift from the “informative to the formative”, aiming at developing the learner’s thinking skills for lifelong learning. The report stresses that the challenge is to increase understanding of this new approach to education and its implications for classroom practice and teaching learning methodology. One of the main recommendations in the OECD report refers to the need for a concentrated effort of the national and local institutions to debate the new approach to teaching and learning and its implications for the classroom as well as for the training of teachers, inspectors and school managers.

Education Policy Note. The Education Policy Note, recently prepared by the Bank identifies important issues such as the qualification of unqualified teachers and the continuing professional development of qualified teachers. It also stresses the need to develop the institutional capacity required by the recent financial decentralization.

Consultants' Reports Financed under the PHRD Grant. During project preparation, a series of reports on rural education in Romania were produced. These reports, most of which are written by Romanians, present the social, demographic, and economic context of rural schools and the institutional environment in small villages. They describe the current indicators of access and quality of rural schools in contrast to urban schools. The reports also describe the tenuous relationship between schools and the communities they serve. They make it clear that conditions and needs among rural schools vary according to their geographic, economic, and social context. Nonetheless, one common feature of many rural schools is the poor performance of many students, as revealed by grade 4 and grade 8 test scores, in contrast to the performance of students in urban schools.

The reports summarize government and nongovernmental efforts to reach rural schools with additional resources and to make the allocation of resources between rural and urban areas more equitable and efficient. They describe some recent initiatives that the government is exploring to decrease rural-urban inequities and pilot projects of nongovernmental organizations with extremely poor schools and schools with minority ethnic populations, particularly Roma.

Two reports discuss the uses of technology (computers, radio, television) to improve instruction and management of schools; they also discuss related projects in Romania in information technology and the status of the Information Communication Technology (ICT) infrastructure.
Finally, the reports summarize recommendations on the range of interventions the project could support to improve rural schools in which students are not meeting the ministry's standards of academic progress. Lessons learned especially under successful small scale interventions made by education NGOs (e.g. Education 2000+) on strengthening community and government support of rural schools at local, county, and national levels, were taken into consideration, as follows: (i) make schools the focal point of project resources; focus training at the school-community level; (ii) use school-community teams to manage the change process, starting with an analysis of needs and a prioritization of needs; (iii) encourage projects that have school-community interaction and that have community contributions; (iv) involve county officials in school-community level activities so that they build the capacity to support the change process; (v) build networks among institutional partners; (vi) provide for visible results in a short period of time; (vii) take advantage of human resource development activities taking place outside the education sector in communities where the project is active; (viii) ensure that outcomes will be sustainable.

4. Indications of borrower commitment and ownership:

The Government of Romania demonstrates strong commitment to the project's objectives and the planned approach. The Bank's assistance in efforts to reduce inequities in education was specifically requested by the Romanian government. The situation of education in rural areas is widely recognized by the general public, the education and the local and national level authorities. Several institutions such as MER, IES, Education 2000+, school inspectorates have already been involved in identifying issues and defining solutions.

The governmental organizations have already initiated actions to reduce disparities: school consolidation and students busing, scholarships for poor rural students to support enrollment in higher education, bonuses for rural teachers, the nationwide school "Bread and Milk" program delivered to children in pre-primary and primary schools, provision of school supplies to needy students, provision of teacher training and teaching materials in rural schools from eight pilot counties.

5. Value added of Bank support in this project:

By improving institutional capacity, the Bank's assistance would facilitate a change in behaviors. The project will use a learning by doing approach through which investments are financed, while behaviors are changed and institutional capacity is increased. No other donor is available to provide the financial and technical resources needed to address education issues in rural areas at the needed scale. The Bank brings in addition the global knowledge acquired through education projects implemented worldwide.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):
   - Cost benefit
     - NPV=US$ million; ERR = % (see Annex 4)
   - Cost effectiveness
   - Other (specify)
   Project objective and least cost solution justification

2. Financial (see Annex 4 and Annex 5):
   - NPV=US$ million; FRR = % (see Annex 4)
   - NA
3. Technical:
The project design is based on the analysis of the current situation of the education system, and on the policy priorities reflected in the Government Education Strategy (2001-2004), providing adequate technical answers to issues of education equity. The project design was also guided by findings and recommendations of the OECD Education Review and of the Education Policy Note (World Bank, 2002). During project preparation, lessons learned from the implementation of other education operations in Romania (Education Reform and School Rehabilitation projects) were taken into account, as well as the international experience with rural education in European and Latin American countries. Technical papers were prepared during project preparation using a PHRD grant and systematic consultations with stakeholders and project beneficiaries were organized (MER decision makers, inspectors, principals, teachers, parents, local authorities representatives).

The project's technical design is appropriate to Romania's needs and it conforms to various standards. For example: (i) Teachers Standards will guide the teachers professional development sub-components 1.1 and 1.2; and (ii) utilities rehabilitation under sub-component 1.3 will be undertaken using existing standards, as well as the recommendations of the Manual on Appropriate Solutions for Upgrading Schools.

4. Institutional:
After implementing three education projects financed by the Bank, the MER has acquired a good implementation experience. However, monitoring, evaluation and policy-making capacity still needs strengthening. Support to MER and other institutions will be provided through all components, which include technical assistance and training. The teacher training and inspection systems are currently under revision and the project will propose an alternative to the existing practice through component 1. County and local authorities have no experience in education, for which they were given recently financial responsibility. The project will use a learning by doing approach to build the necessary capacity of local authorities and rural schools, especially through the School-Community Partnership component.

4.1 Executing agencies:
The MER will implement the project through its line units, county level school inspectorates and other agencies, such as the NAES. The central PMU has been established, with staff that was involved in previous Bank financed projects, as well as preparatory activities financed through a PHRD grant. The PMU will have small decentralized implementation units in each county (CPIUs) that will be involved mainly in the implementation of component 2. The School Rehabilitation (SR) PMU, a unit experienced in conducting similar activities under the School Rehabilitation project will implement the Basic Education Conditions sub-component (1.3). The SR PMU will be responsible with: (i) evaluation of investments for each school on the MER list; (ii) procurement of designs; (iii) organizing consultations with local stakeholders on the proposed designs; (iv) procurement of works based on standard bidding documents that would include detailed designs; (v) general monitoring of progress of works; (vi) monitoring and tracking of financial transactions.

4.2 Project management:
Project governance will be ensured by a Steering Committee in which major stakeholders will be represented. The Steering Committee will: (i) establish procedures and regulations that guide project implementation; (ii) monitor project implementation; and (iii) stimulate public debate in important issues that arise in the context of the project. Component Boards will be given a set of well-defined
responsibilities for particular policy domains and for monitoring project implementation. The management capacity of the implementing units/agencies has already been proved during the implementation of other projects.

4.3 Procurement issues.

The PMU will be responsible for all centralized procurements except for procurements under sub-component 1.3 and procurement under grants in component 2. The SR PMU will be responsible for procurements under sub-component 1.3. Procurement under grants in component 2 will be guided by Community Participation in Procurement (paragraph 3.15 of the Procurement Guidelines) and the Operational Manual.

4.4 Financial management issues:

The financial management arrangements of the project meet the minimum Bank financial management requirements.

As of the date of this report, the Borrower is in compliance with its audit covenants of existing Bank-financed projects. The PMU’s and SR PMU’s previous and current project financial statements and auditing arrangements are satisfactory and it has been agreed that these will be replicated for Rural Education Project with the needed customization and specifics for the new Project. The annual audited project financial statements will be provided to the Bank within six months of the end of each fiscal year and also at the closing of the project.

The first Country Financial Accountability Assessment (CFAA) for Romania has just started with the initial mission carried out in February 2003. When finalized, the document will detail the issues on the financial management risks for the country and the implications for the World Bank operations.

The interim CFAA work confirms that a certain improvement is required in the management of public expenditures, including the budget process and budget execution, as well as cash and debt management. Thus PMUs have developed policies and procedures that operate in addition to those of the current public expenditure management framework to minimize project financial management risks. The Bank conducted yearly a Country Project Portfolio Review of all projects under implementation in Romania and identified some common financial management issues; the Bank confirmed that all such issues have been appropriately addressed in the design of the project’s financial management arrangements.

The banking sector in Romania has strengthened in the past few years, with the liquidity and credit risks reduced to moderate levels. Both the PMU and the SR PMU have been operating satisfactorily their projects SAs in commercial banks acceptable to the Bank that have their financial status and statements reviewed on an ongoing basis by the Bank. As these arrangements have been satisfactory, they will remain in place during the Rural Education project implementation.

5. Environmental: Environmental Category: F (Financial Intermediary Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The investments to be supported under the Basic Education Conditions sub-component, mainly new and improved water, sanitation, electricity, and heating facilities, in addition to the activities to be supported under the School-Community Grant Program for improving school-community partnerships are expected to be positive for the environment, since they will serve for improved public health, living conditions and environmental conservation awareness.
No major environmental impacts are anticipated under the proposed project given the relatively small size of most of the investments. Apart from the small civil works to provide schools with new and improved water, sanitation, electricity and heating facilities, no new structures or works of significant size are envisaged under the project. The potential negative environmental impacts are expected to be localized or able to be mitigated during the construction stage.

The project is classified as FI because neither the individual schools to be rehabilitated nor the small grants have yet been identified.

5.2 What are the main features of the EMP and are they adequate?

The Environmental Management Plan (EMP) includes procedures and implementation arrangements for ensuring full consideration of environmental safeguards. The EMP is organized in five chapters and two annexes. In the Introduction, the project components are presented. In Chapter 2 a brief summary of the rural education conditions is made. In Chapter 3 describes the environment regulatory framework is described. Chapter 4 refers to the Environment Management Plan for sub-component 1.3 – ensuring basic education conditions in rural schools. In Chapter 5 the section of the Operational Manual related to grants selection, assessment and monitoring is presented, related to component 2. Annex 1 presents in detail the administrative, political and legal framework on environment and Annex 2 includes the Guidelines of Environment Management for Civil Works.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: N/A

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

The disclosure of the EMP included several steps: (i) an announcement published in a national newspaper informing about the EMP's content and its availability at the PMU and county school inspectorates, (ii) distribution of the EMP to the libraries of the county school inspectorates; (iii) posting of the EMP on the MER website.

Since local communities will be involved in consultation processes and project implementation, they will be continuously informed about the project and any related civil work activity. The Operational Manual provides for public consultations during the preparation of the downstream investments and describes procedures to be followed when civil works imply activities with tangible potential environmental impacts.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The central PMU and especially the SC PMU are responsible for monitoring and evaluating the impact of the project on the environment.

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The inherited tradition in Romania is to favor education elites. Since this is an equity focused project, special outreach activities will be developed, in order to increase public awareness on who the project beneficiaries should be and to enlist the support of various stakeholders. Interventions in center commune schools (that usually get all the attention) will be complemented with interventions in smaller, village
schools.

Special attention will be given to county school inspectorates that are undergoing a role change process, following the recent financial decentralization. Inspectors may perceive certain interventions that are aimed at local capacity building as further diminishing their power. Consequently, under the project inspectors will be invited to accompany the mentors' teams involved in teachers' professional development and to play a part in monitoring the progress of the project. County inspectorates will be involved in the evaluation process for School-Community Grants under the second component.

The project has several social development outcomes. By emphasizing education equity, the project is expected to increase social inclusion and social equity. By using the LECs and the SMCs, the project is strengthening the local organization capacity and is contributing to increased social capital. School-based professional development is meant to empower teachers, but also to make them more accountable for education outcomes.

6.2 Participatory Approach: How are key stakeholders participating in the project?

The whole project is based on a participatory approach. Stakeholders are involved in project management through the Steering Committee and the county level Commissions for Education Innovation and Development. The teachers' school-based professional development is conducted in a participatory manner. Under sub-component 1.3, consultations with parents, teachers and local authorities will be organized for discussing upgrading solutions and the way they are implemented. Under component 2, participation of all stakeholders is required in the School-Community Grants program. Under component 3, transparency will be promoted, as well as participation in policy making. A Participation Plan was developed by the PMU during project preparation.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

MER has already held broad consultations with NGOs on project design issues. Special workshops were organized with NGOs and other civil society organizations working on CDD projects on education. Information on implementation progress will be regularly disseminated through information, education and communication activities. Under the project component 3, a special effort will be made to increase the participation of various organizations in education research and to facilitate their access to education data through the online access to statistical databases.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

Institutional arrangements under the project are meant to create or strengthen the capacity of the education system to function in a decentralized setting. Communities will be involved in consultation processes and project implementation through the LECs and the school SMCs. At the county level, the Commission for Education Development and Innovation (CEIDs) will help county authorities to better understand education delivery issues that get involved beyond financing.

6.5 How will the project monitor performance in terms of social development outcomes?

The monitoring and evaluation system will include both quantitative and qualitative mechanisms. Beneficiary assessments will be used for evaluation of the level of satisfaction of beneficiaries with project outcomes. Changes in attitude of major stakeholders will be monitored through school and classroom observations. The institutional performance in resource allocation will be monitored in several ways: (i) the prioritized list of schools that need interventions to ensure basic teaching conditions will be checked by an independent evaluator, in order to minimize exclusion and inclusion errors; (ii) the allocation of funds to counties for the School-Community Grants program will be based on a County
Index; (iii) high risk schools will be favored in getting grants.

7. Safeguard Policies:

7.1 Are any of the following safeguard policies triggered by the project?

<table>
<thead>
<tr>
<th>Policy</th>
<th>Triggered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)</td>
<td>Yes</td>
</tr>
<tr>
<td>Natural Habitats (OP 4.04, BP 4.04, GP 4.04)</td>
<td>Yes</td>
</tr>
<tr>
<td>Forestry (OP 4.36, GP 4.36)</td>
<td>Yes</td>
</tr>
<tr>
<td>Pest Management (OP 4.09)</td>
<td>Yes</td>
</tr>
<tr>
<td>Cultural Property (OPN 11.03)</td>
<td>Yes</td>
</tr>
<tr>
<td>Indigenous Peoples (OD 4.20)</td>
<td>Yes</td>
</tr>
<tr>
<td>Involuntary Resettlement (OP/BP 4.12)</td>
<td>Yes</td>
</tr>
<tr>
<td>Safety of Dams (OP 4.37, BP 4.37)</td>
<td>Yes</td>
</tr>
<tr>
<td>Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)</td>
<td>Yes</td>
</tr>
<tr>
<td>Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*</td>
<td>No</td>
</tr>
</tbody>
</table>

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

**Environmental Assessment.** The Environmental Management Plan and the Operational Manual include procedures and implementation arrangements for ensuring full consideration of environmental safeguards. The procedures developed in the OM are mandated for project implementation through appropriate clauses in the legal document.

**F. Sustainability and Risks**

1. Sustainability:

The long-term sustainability of the project is addressed in a special component, i.e., component 3 that aims at increasing the equity related policy-making capacity of the authorities involved in education. At local level, sustainability is ensured through the empowerment of schools and communities to get involved in decisions concerning their students.

Sustainability of the School-Based Professional Development program (sub-component 1.1) will be ensured by including the principles of the program in the revised National Teacher Training Strategy and by encouraging each cluster of schools to continue to meet to share experience and engage in joint planning of ways to tackle shared problems. Under sub-component 1.2: (i) new ODL programs will continue to be offered by universities after project closure; and (ii) teachers participating in career development programs will be asked to sign contracts in order to make sure that they will continue to teach in their rural school for at least four more years after completion of the ODL courses. The sustainability of sub-component 1.3 relies upon special attention being given to the maintenance of utilities (Maintenance Handbook to be distributed to all beneficiaries) and involvement of local authorities in all stages of project implementation. The sustainability of the provision of learning materials under sub-component 1.4 is ensured through: (i) the quality of the materials selected, and (ii) the increased efficiency of the warehouses.

Sustainability of the School-Community Grant Program beyond the project investment phase is ensured by asking County Councils to provide evidence of their allocation of an increasing agreed percentage of non-project related funds to contribute to the long term financial sustainability of the program starting with its second year of implementation.
Since the CPIU and CEID activities are taking place at the County Council level, it is expected that the County Council is the mainstream location that may host the day-to-day management and more strategic thinking of this program once the project closes. Through the SCG program capacity in this host unit is built through the involvement of CPIUs in the day-to-day management of the SCG activities and the responsibility assigned to CEIDs for the approval of sub-project financing. This exercise is expected to increase the involvement at local level in resolving education issues and subsequently allocating additional resources from local budgets.

Another important sustainability aspect is the requirement of matching funds (in money and/or in kind) to be allocated by the recipient of approved proposals in an agreed proportion specified in the rules of the SCG appearing in the OM.

At the same time LECs and schools that went through the exercise of developing school improvement plans, preparing projects and applying for funding will be better prepared to access funds allocated to education innovation and development.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1).

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Rating</th>
<th>Risk Mitigation Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Outputs to Objective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand for education doesn't increase in rural areas.</td>
<td>S</td>
<td>The project would promote the participation of parents and the community in the school life leading to a better understanding by families of the role of education in improving prospects for a better livelihood.</td>
</tr>
<tr>
<td>Schools and local authorities in poor rural areas do not have access to funds to improve education.</td>
<td>H</td>
<td>Improved partnerships between schools and communities would lead to identification of cost-effective measures to improve education. Matching grants will ease financial constraints and improve ownership and sustainability.</td>
</tr>
<tr>
<td>Funds are not available for data collection, analyses, education policies development and results dissemination.</td>
<td>S</td>
<td>The project would promote a culture of data utilization for policy formulation both at national and local levels that would lead to an increased bargaining power of education authorities for resource mobilization.</td>
</tr>
<tr>
<td>From Components to Outputs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The majority of unqualified rural teachers are not interested in qualification.</td>
<td>M</td>
<td>MER will establish clear deadlines for qualification, after which unqualified teachers would not longer be accepted in the system. The project will finance outreach activities.</td>
</tr>
<tr>
<td>The in-service teacher training system resists changes</td>
<td>S</td>
<td>Main actors of the existing in-service teacher training system will be included in the project. The project will use the cadre of experts created by previous projects and will finance TA and training activities, in order to increase local expertise.</td>
</tr>
<tr>
<td>There is not sufficient local expertise in rural education and community development.</td>
<td>M</td>
<td>Transparent targeting mechanisms and operational procedures will be developed. Promotion and facilitation activities will be</td>
</tr>
<tr>
<td>There is political interference in sub-projects selection process.</td>
<td>S</td>
<td></td>
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</tbody>
</table>
implemented in order to involve rural schools in project implementation

<table>
<thead>
<tr>
<th>Overall Risk Rating</th>
<th>S</th>
</tr>
</thead>
</table>

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:

G. Main Loan Conditions

1. Effectiveness Condition
N/A

2. Other [classify according to covenant types used in the Legal Agreements.]

Disbursement Conditions:
- The Front End Fee of 1 percent of the loan paid by the Borrower from its own resources to the Bank.
- Disbursements under sub-component 1.3 would be conditioned by full satisfaction of the Bank with the prioritized list of schools to be upgraded.

Audits
The project financial statements, SOEs and SAs will be audited by independent auditors acceptable to the Bank and on terms of reference acceptable to the Bank. The annual audited statements and audit report will be provided to the Bank within six months of the end of each fiscal year.

Financial performance
First FMR furnished to the Bank no later than forty-five (45) days after the end of the first calendar quarter after the Effectiveness date; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter.

Project Management
- The Borrower, through MER, shall take all necessary measures to implement the Project in accordance with the EMP.
- The PMUs will maintain a financial management system acceptable to the Bank.
- Steering Committee responsible for overseeing the Project implementation at national level, established by the Borrower through MER by September 1, 2003 with a composition and TORs acceptable to the Bank.
- County Commissions for Education Innovation and Development (CEIDs) responsible for the selection of sub-projects for financing from the proceeds of the loan, sub-projects evaluation and approval (based on appraisal by CPIUs), established by the Borrower through MER by September 15, 2003.
- PMU maintained by the Borrower through MER during the execution of the project, with staffing and resources adequate to enable it to effectively implement the project (except for component 1.3 - Basic Education Conditions in Schools), responsible for financial management, procurement, disbursement, and preparation of progress reports and annual reports.
- School Rehabilitation PMU (SR PMU) assigned by the Borrower to carry out the activities under
component 1.3 - Basic Education Conditions in Schools of the project, under general oversight and supervision of the PMU.

- Borrower, through MER, to ensure that all sub-projects under the School Community Grants (SCG) Program will be selected, approved, carried out and evaluated in accordance with the criteria and procedures set forth in the Operational Manual and will provide financing on the basis of a Grant Agreement (agreed upon by the Bank) concluded between the PMU and each recipient.
- Prior Bank approval will be obtained for any amendments to the Operational Manual, including the standard Grant Agreement.
- Prior Bank approval will be obtained on a sample of accepted and rejected grant proposals during the first two rounds of competitions organized by all CEIDs under the SCG program.
- Prior Bank approval will be obtained on the initial three contracts under the SCG program for each type of Grants, regardless of value. The documents submitted for Bank prior review will include, inter alia, documents describing the scope and terms of the competition for Grants, evaluation report, and draft Grant Agreement.

Monitoring, review, and reporting

- Adequate policies and procedures maintained by the Borrower to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of its objectives.
- Mid-Term Report prepared under TORs acceptable to the Bank on or about June 15, 2006 to integrate results of the monitoring and evaluation activities and reflect the progress achieved in the carrying out of the project by this date and set out measures recommended to ensure efficient carrying out of the project and the achievement of objectives during the remaining period.
- Review with the Bank the Mid-Term Report by September 15, 2006 and take all measures required to ensure the efficient completion of the project and the achievement of the objectives based on the conclusions and recommendations of the Report and the Bank's views.
- Semi-annual reports on the progress of project implementation submitted by the Borrower through the PMU by February 28 and August 28 of each year including a draft annual project plan for the following year.
- Annual assessment to monitor the impact of the project carried out by the Borrower through the PMU.
- Management Information System (MIS) specifically designed to monitor and evaluate the progress in carrying out the School-Community Grants Program, developed by the PMU no later than January 3, 2004.

H. Readiness for Implementation

1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
2. b) Not applicable.
3. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
4. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
5. The following items are lacking and are discussed under loan conditions (Section G):
I. Compliance with Bank Policies

☒ 1. This project complies with all applicable Bank policies.
☐ 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

Ana Maria Sandi
Team Leader

Maureen McLaughlin
Sector Manager

Andrew N. Vorkink
Country Director
Annex 1: Project Design Summary
ROMANIA: Rural Education Project

<table>
<thead>
<tr>
<th>Hierarchy of Objectives</th>
<th>Key Performance Indicators</th>
<th>Data Collection Strategy</th>
<th>Critical Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector-related CAS Goal:</strong></td>
<td><strong>Revitalization of Rural Areas and Promotion of Community Development</strong></td>
<td><strong>Sector Indicators:</strong> Higher living standards in rural areas</td>
<td><strong>Sector/country reports:</strong> Country diagnostic reports</td>
</tr>
<tr>
<td><strong>Project Development Objective:</strong></td>
<td>Have rural schools students benefit from improved access to quality education, as evidenced by higher achievement scores and completion and transition rates</td>
<td><strong>Outcome / Impact indicators:</strong> Increasing rural students' achievement scores in compulsory education as evidenced by assessments and examinations, by end of school year 2008-2009</td>
<td><strong>Project reports:</strong> NAES National reports MER reports Comparative studies done at national and regional levels Bi-annual project progress reports Mid-Term evaluation Implementation Completion Report</td>
</tr>
</tbody>
</table>

- Increasing the compulsory education completion rate in rural areas by end of school year 2008-2009. 
- Reducing the gap between urban and rural completion rates in compulsory education by end of school year 2008-2009. 
- Increasing the transition rates to upper secondary and tertiary education for rural students by school year 2008-2009. 
- Reducing the gap between urban and rural transition rates to upper secondary and tertiary education by end of school year 2008-2009.
<table>
<thead>
<tr>
<th>Hierarchy of Objectives</th>
<th>Key Performance Indicators</th>
<th>Data Collection Strategy</th>
<th>Critical Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output from each</td>
<td>Output Indicators:</td>
<td>Project reports:</td>
<td>(from Outputs to Objective)</td>
</tr>
<tr>
<td>Component:</td>
<td>1. Students in rural areas have access to quality education</td>
<td>Project reports:</td>
<td>Demand for education gradually increases in rural areas.</td>
</tr>
<tr>
<td></td>
<td>1. About 70% rural teachers use interactive teaching-learning methods and are able to fully comply with the reformed curricula;</td>
<td>MER reports School Inspectorates evaluations Beneficiary assessment Research reports (including classroom surveys) National Assessment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.2. About 4,000 teaching staff from rural areas have upgraded their qualification;</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>1.3. About 1,500 rural schools have upgraded facilities;</td>
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<td></td>
<td>1.4. About 80% rural students use basic learning materials.</td>
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<tr>
<td></td>
<td>2. Empowered schools and communities, active in improving education in rural areas</td>
<td></td>
<td>Schools and local authorities in poor rural areas have access to funds.</td>
</tr>
<tr>
<td></td>
<td>2.1. About 2,500 communes have active LECs.</td>
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<td></td>
<td>2.2. About 2,500 schools have implemented sub-projects in partnership with communities.</td>
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<td></td>
<td>2.3. High grant beneficiaries' satisfaction.</td>
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<td></td>
<td>3. Capacity to monitor and address equity issues in education is enhanced.</td>
<td></td>
<td>Funds are available for education data collection, analyses and policies development and results dissemination.</td>
</tr>
<tr>
<td></td>
<td>3.1. A realistic set of indicators is developed and an effective equity monitoring system is in place.</td>
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<tr>
<td></td>
<td>3.2. Improved standardized statistical reports are developed for at least 2 years on compulsory education at national and county levels.</td>
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<tr>
<td></td>
<td>3.3. Reports on at least 2 years student assessment results analyzing causal factors and location/county disparities are prepared.</td>
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<tr>
<td></td>
<td>4. Effective project implementation</td>
<td></td>
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<tr>
<td></td>
<td>4.1. Education stakeholders are informed and trained.</td>
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<tr>
<td></td>
<td>4.2. Information, education communication activities are well targeted and financed.</td>
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<tr>
<td></td>
<td>4.3. Project activities are timely implemented.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>4.4. Project components are fully implemented, with expected outcomes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hierarchy of Objectives</td>
<td>Key Performance Indicators</td>
<td>Data Collection Strategy</td>
<td>Critical Assumptions</td>
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<td>-------------------------</td>
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<tr>
<td>Project Components / Sub-components:</td>
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<td>Project reports:</td>
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<tr>
<td>1 Improve Teaching and Learning in Rural Schools.</td>
<td>Inputs: (budget for each component)</td>
<td>Progress reports</td>
<td>(from Components to Outputs)</td>
</tr>
<tr>
<td>1.1 School-Based Teachers Professional Development.</td>
<td>1. US$67.91 million</td>
<td>Audit reports</td>
<td>The majority of rural teachers are interested in qualification.</td>
</tr>
<tr>
<td>1.2 Career Development Opportunities for Teachers</td>
<td>1.1 US$12.08 million,</td>
<td></td>
<td>The existing in-service teacher training system doesn't resist changes.</td>
</tr>
<tr>
<td>1.3 Basic Education Conditions in Schools.</td>
<td>1.2 US$3.41 million,</td>
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<td>1.4 Teaching-Learning Materials.</td>
<td>1.3 US$34.42 million,</td>
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<tr>
<td>2 Improve School-Community Partnerships.</td>
<td>1.4 US$18.01 million</td>
<td>Supervision reports</td>
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<tr>
<td>3 Strengthen Monitoring, Evaluation and Policy Making Capacity.</td>
<td>2. US$11.93 million</td>
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<tr>
<td>4 Strengthen Project Management Capacity</td>
<td>3. US$3.34 million</td>
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<td>4. US$6.65 million</td>
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Annex 2: Detailed Project Description

ROMANIA: Rural Education Project

By Component:

Project Component 1 - US$67.91 million

Improve Teaching and Learning in Rural Schools

The objective of this component is to develop the professional competences of rural teachers and to improve the basic education conditions in schools. The component will have four sub-components: 1.1 School-Based Teachers Professional Development; 1.2 Career Development Opportunities for Teachers; 1.3. Basic Education Conditions in Schools; and 1.4 Teaching-Learning Materials.

Sub-Component 1.1: School-Based Teachers Professional Development (US$12.08 million)

Objective

The objective of this sub-component is to support a conceptual and practical change in teaching that is critical to the improvement of student learning.

Principles

Outreach. If most rural teachers are unable to come to the training, the training must come to them.

Relevance to the local situation. The state of readiness to adopt new approaches varies from school to school, as do the resources that can be brought to bear in effecting development. Teachers themselves should evaluate the nature of local training needs and their prioritization. Training would therefore be focused on matters that the teachers perceived to be important in the real situation that they face.

Relevance to national needs. The first aim of the program would be to improve the quality of learning of rural students and therefore it will focus on key aspects of the education reform that encourages student-centered approaches and their implications for the development of new teaching methods and skills.

Continuity of development. Acquisition of new skills and attitudes does not happen overnight. Sustained work to translate theory into practice is required. This cannot be achieved only by providing equipment and documentation. What is needed is illustration of good practice and reflection by the teachers on how they should change their practices. A preacher is not needed; rather a "mentor" who can provide appropriate stimuli and guide the process of reflection. Training would have input sessions of various kinds: oral, video and demonstration, but also guided discussion in workshop mode. The emphasis would be on helping teachers to find the best way, in the circumstances of their school, to improve the quality of the teaching and learning that go on.

A dynamic within the school. A prerequisite for progress is active understanding and support from school principals, so an essential stage is an awareness workshop for principals both about what is sought in the project and the role of the principal in bringing it about. Aspects of the management of change will be included, to reinforce the idea that change does not come by order or by wish, but by patient wrestling with a problem. The program involves considerable effort on the part of the teachers and it will be essential that there is leadership from within the school.
**Sustained support.** Mentors would visit the school/cluster on a regular, monthly basis to support and monitor progress. The mentors would be trained to work in the mode of facilitation of the teachers' work, rather than in instruction about how that work is to be done. Mentors will be able to call upon trainers qualified to provide support in the topics that the teachers choose to develop.

**A progressive development.** The available supply of mentors would not permit the project to reach all rural teachers from the outset. In the first stage, a limited number of schools/clusters will be included, based on expressions of interest and capacity evaluations made by county inspectorates and the project Steering Committee. The program will be continuously improved in the light of experience and the number of schools will increase year by year to cover all rural schools during the life of the project.

**Main features**

The main aspects of the school-based professional development program will be:

1. **Planning at national level.** A contractor will be selected that would be responsible for designing the training and specifying the materials to be used, adapting existing training courses as necessary to meet the needs of the rural school (such as paucity of resources). The training program, based on a local participatory approach will be accredited by the National Center for Teacher Training. Training will be conducted during the methodological days granted to schools by MER. The guiding principles and speed of expansion of the school-based professional development in rural schools will be reviewed and agreed after the initial phase is completed.

2. **Modular training.** Modules that would be needed would be focused on improving the quality of the mainstream teaching practice of the school. Such modules might include:

   *Interactive, student-centered teaching.* To use methods of teaching that engage students actively in the lesson and help them to take the lead in thinking through problems, solutions, procedures, etc.; to manage small group work, cooperative learning, etc.; and to respond to the different levels of student work in a way that ensures that all students make the best possible progress.

   *Continuous assessment in the classroom.* To use a range of tools for frequently judging how well every student has met the lesson (curriculum) objective; to identify students who need additional learning support, to adjust the lesson's materials and methods when many students are not meeting the lesson's objectives.

   *Adapting the curriculum to the rural environment.* To develop lessons that help students relate the information and knowledge prescribed in the national curriculum to the environment that they know; to develop projects and courses that help students learn about and appreciate their rural environment.

Specific modules may be devoted to problems that are frequently found in rural schools:

*Multi-grade teaching.* The management of classes that include two or more grade levels, using small groups of students at the same level of mastery; peer tutoring, etc.

*Learning support.* To provide slow learners with suitable alternative materials and learning approaches to help them to catch up to grade level.

*Romanian as a second language.* To provide students who do not speak Romanian at home with suitable alternative materials and learning approaches that enable them to understand, speak, read and write sufficiently to master the school curriculum.
Another module may be *Learning about Students' Backgrounds*. This would use a range of tools to learn about the individual learning styles of students in the class, their home environment, their health, and other social, contextual factors that influence their capacity to learn in the classroom.

To the extent that rural schools have access to computers, a module on *Using Computers to Learn and Teach* will be included. This would help teachers to become familiar with the utility of computers as aids to teaching and learning and to practice using computer-based instruction in the classroom or as remedial tools and to become familiar with the use of the Internet as an instructional tool.

3. **Identification and training of mentors.** Following the Education Reform project, there are qualified trainers of trainers in each county. A significant number of trainers with useful experience were also qualified through projects such as those developed by NGOs (Education 2000+, British Council). The National Center for Teacher Training has undertaken a survey of existing trainers in the formal education system and in NGOs and the private sector. Trainers will be invited to a forum on the subject of the school-based professional development of rural teachers. National TA will make inputs. Opportunities for participants to brainstorm would be included, leading to the identification of a suitable number of thoughtful, dynamic mentors. A development team of such people will be formed to define the content of the training and the methods and materials to be used. The contractor mentioned above will further train mentors and prepare a number of training modules in cooperation with appropriate authorities.

4. **Dissemination.** The first target audience will be the principals of rural schools. Large awareness building seminars in selected counties will be organized. During these seminars, suitable publicity and explanatory materials (modest length, good graphic) will be distributed. At the seminar there would be oral and other inputs of various kinds, covering such topics as: why change was needed, the meaning of change in quality, the management of change; and the school-based professional development mechanism proposed to assist schools to improve quality. These inputs would be from national or counties officials who are already fully briefed about and supportive of the suggested approach, and the project's trainers. There would then be workshop sessions in groups of about 12 - 15 responding to questions or topics planned in advance, followed by brief feedback from the working groups. Finally there would be a request that principals would consult their teachers and school administration council about involvement in the project. Schools will express interest in participation by writing to the PMU a letter of intent, assuring to make time and effort available to the project, either in the first or in subsequent phases.

5. **Selection of schools to be included in the first phase of the program.** On the basis of the nature of the letters of intent, as well as objective criteria such as the availability of mentors, access issues (in particular how mentors and teachers are to be enabled to get to the cluster focus school and back again), and in addition subjective evaluation of the suitability of particular schools or clusters for participation, a manageable number of schools would be selected from those expressing interest in being part of the first phase of the program. Selection will be made by the project Steering Committee, in consultation with the county School Inspectorates.

6. **Planning at school level.** In each selected school (which would normally be a local cluster with a coordinating school) a seminar would be held for all the teachers. The purpose would be to gain the commitment of the staff to making the effort to develop their current work, to suggest to them possible modules of training, and to prepare the ground for them to identify what aspects of their work were most in need of development. Mentors using materials devised for the purpose would guide the process of self-evaluation. The objective would be to identify the perceived needs or weaknesses of the school, measured against the demands of the new curricula. In the first instance it would be inevitable that only a limited range of training modules would be available, and the selection within that range would need to be negotiated with the school.
The provision of the school-based professional development program will thus depend on the need in the school cluster concerned. Such training would:

- be complementary to provision through the Teachers House. Teachers House meets a range of needs identified as common to a significant number of teachers or schools, but necessarily the Teachers House courses only involve directly a minority of teachers. School-based training identifies and addresses needs peculiar to the school or cluster, and can involve all teachers in the school/cluster.
- seek to energize the school/cluster to become active in self-evaluation solving problems actively, rather than waiting for solutions to be provided making best use of any resources that are available in the school/locality.
- focus on perceived needs in the school/cluster.
- seek to develop a sense of teamwork among the staff so that they became a professional community of learners.
- provide a focus for debriefing teachers who attend a course at a central location and for considering how to make use of what they have learned.
- provide a focus for any local training, which may be offered by mobile units or other national or regional agencies.
- enable the schools in a cluster to cooperate in the slow and difficult process of moving from a position of understanding what is required, to the position of having the pedagogical skills to put the ideas into practice.
- emphasize the school as part of the local community, making full use of such local resources as exist and cooperating with the community to maximize the learning of students.

7. Incentives for teachers' participation. The main incentive for teachers' participation will be represented by the quality of the program. In addition, teachers will be interested in getting credits for the training. The mentors, the principal and inspectors will assess teachers participating in the program. Following positive results in assessments, teachers will receive transferable professional credits that will account for the in-service training that all teachers are supposed to undertake periodically (every 5 years), according to the law.

8. Management of mentors. MER has defined the conditions of service of mentors, including the size and nature of the incentives to be offered to encourage enough of them to undertake the demanding work of school-based professional development in rural areas and arrangements agreed to secure good management and accountability. Mentors will be selected from the best teachers trainers and appropriate incentives will be provided to motivate them to take over a difficult and demanding job. Incentives for mentors will include: (i) direct monetary benefits (salary, allowances, fringe benefits); and indirect monetary benefits (professional support in the way of training, mentor guides, books, instructional supervision; good office accommodation with facilities for reporting and communication; and personal support such as holding of their school positions while mentors). Non-monetary benefits might include professional status in the community; recognition and approval by significant people associated with the mentor etc. MER will approve the secondment of mentors from their existing posts, with security of tenure being assured.

Mentors will participate in the process of developing and improving the training. To facilitate this process, mentors will meet to share and reflect upon experience gained in the schools. As part of the project information, communication, education activities, main colleges and universities will host mentors' meetings during which mentors will exchange experience among themselves, but also with
professors from the host institutions. In this way, the project will have an impact on the way pre-service education is delivered, making it more linked to the local needs.

After mentors have worked with a cluster for a complete school session, the inspectorate will encourage continuing activity by the teachers in the cluster and mentors will visit the cluster, but on a much less frequent basis, to help sustain their work.

9. Monitoring and evaluation. Monitoring of the process by the contracted agency will take place from a fairly early stage, after the initial period of initiating the task. The monitoring would be to ensure that mentors had engaged effectively with the staff of the school, that the tasks being undertaken by the staff were appropriate and realistic, and that the contents of the training modules were being covered in a way that was suitable to the circumstances of the school. Monitoring of the training process by the regional inspectorates will be encouraged and performance indicators will be agreed with them.

An independent evaluator will be contracted by the PMU after the first year of project implementation to assess the effectiveness of the new approach to professional development, both as regards the growth in competence of the teachers and the effect on the rural schools concerned; the economics of the provision; and the implications for in-service training more widely. The evaluation will form part of the evidence upon which modification and development of the approach to training would be based.

10. Reporting. The views of the school on the program will be recorded toward the end of the school session. A proforma to guide their feedback will be prepared by the contractor. At the end of each year, the PMU will summarize feedback from schools and mentors in a report that would provide further evidence upon which to develop the professional development aspects of the project.

11. Mobile and Fixed Resource Centers

The project will set up a network of Mobile Resource Centers (MRCs) to be staffed by the mentor teams, who take to rural schools the instructional modules developed by the project and other useful materials. The MRCs will visit participating schools in order to share and demonstrate the instructional modules and other methods and materials and to help teachers apply what they learn from the modules to their teaching. The "unqualified" teachers who teach in participating schools and are enrolled in ODL courses (Component 1.2) will also benefit from the equipment and materials provided by the MRCs.

The MRCs will be minivans equipped with video projectors, laptops, flip charts and teaching materials. They will also function as mobile lending libraries, making available documents, brochures and other print materials produced by MER, its agencies and school inspectorates.

2 mentors will staff each MRC. Whenever possible, an inspector and or Teachers House staff person will accompany the MRC team and, after acquiring the needed expertise, will function as a full team member, thus extending the team’s capacity and increasing the likelihood that its expertise remains in the county beyond the life of the project.

The project will provide 41 MRCs. In principle, each county will host one MRC, providing office space for the two team members and secure parking for the car. In some cases, depending on relative size and the needs of the rural schools in the counties, two or more counties may share one MRC, and in other cases the county may use more than one MRC. The MRC will travel out each day to serve one or two cluster of schools. It will park at one of the schools in the clusters, and teachers from other schools will travel to that school (it can go to the same or a different school on each visit, depending on needs and convenience).

Fixed Resource Centers will be developed in the coordinating schools in which students from
consolidated schools are learning. Since in this case there are no other schools in the cluster, the center will benefit from basic equipment and materials that would support its teachers.

Sub-Component 1.2. Career Development Opportunities for Teachers (US$3.41 million)

Objective

The objective of the sub-component is to assist rural teachers to obtain formal qualifications as teachers for compulsory education through an ODL program. It is accepted internationally that the students of teachers who are better qualified tend to achieve higher on student assessment tests. A logical explanation for this finding is that effective teaching requires good knowledge of content and of theoretical foundations for teachers to be able to creatively ground the day-to-day use of their teaching competences in the reality they find in their classrooms. Romanian studies have identified the under-qualification of rural teachers as contributing to the difference in results between rural and urban students. The recent public concerns in Romania about unqualified teachers have been dealt with by MER for the short-term during the 2002-2003 school year by hiring mainly retired teachers and by asking qualified teachers to accept additional teaching norms. However, this solution does not resolve the issue of qualifying rural teachers, especially because the extra teaching done by many teachers is not in the subject for which they were trained. Very few rural teachers have the means to return to full-time study for a qualifying diploma, and time, distance, and expense make it difficult to take advantage of the universities’ existing distance learning and open education programs that would qualify them. A challenge in the improvement of rural education in Romania is to improve these teachers’ access to programs that will give them better professional qualifications that will produce higher learning outcomes for rural students.

Target Population

The program to improve teacher’s skills through training for qualifications will serve primary and secondary school teachers from the following categories:

- subject teachers, graduates from university, who are also teaching subjects outside their subject area;
- graduates of higher education from non-teaching streams, who have some subject knowledge, but did not have pedagogical training (e.g. engineers, agricultural and administration specialists); and
- graduates of upper secondary education who do not have training for teaching in primary schools (grades I-IV).

The criteria for enrolling in the program will be:

- having taught for a minimum of two out of the last three years in a rural school;
- having been offered a contract with a rural school that gives him/her a position as a teacher in the school, as long as the teacher successfully completes the program.

In return, the applicant will commit to complete the program and to teach in schools in the commune for at least 4 years after receiving the diploma they study for.

Applicants who have a higher education diploma with teaching qualifications may apply for a program of modules that will qualify for a specialization other than the one he/she is already qualified in (a teacher with a primary education diploma may add a subject; non-school-subject graduates may qualify in a school subject; qualified teachers in one subject may add another subject). If the applicant is a graduate of a general lycee he or she may apply for a program leading to a diploma that will qualify them to teach
in the primary grades. The ODL program design will respond to the different categories of needs among groups in the target audience, leading to: a) a diploma to teach primary grades (for general lycee graduates), or b) a diploma that qualifies a higher education graduate to teach one or more subjects beyond what he/she was originally trained in.

Providers

If the professional development of rural "unqualified" teachers is to be improved, many institutions and groups must cooperate. First, MER has the responsibility for setting qualification standards with the National Board for Teacher Training and the National Council for Evaluation and Accreditation of Higher Education. Second, if rural teachers in the most isolated and needy communes are to be served, full-time study is not possible; and distance and cost make regular attendance at classes impossible. Alternative ODL mechanisms are a logical choice in response to these constraints. In this area, the universities' departments for ODL have a comparative advantage in being able to undertake ODL courses to qualify teachers. They have more flexibility in course designs than other university departments; they can reach practicing rural teachers, even in the most isolated areas; and they have already begun to offer ODL diploma programs for practicing teachers. Finally, many institutions besides public universities and the MER, such as: private education institutions, NGOs, and consulting organizations have experience in training practicing teachers, particularly in helping teachers apply what they learn to their teaching. Qualified institutions that have experience and skills to offer will be drawn upon in the design of the ODL programs that want to improve the qualifications and performance of rural teachers. ODL provision has to be in line with the provision of the special government decision (HG 1214/2000). Practicing teachers, current school heads, and school inspectors all have experience with real-world teaching issues that make them essential to the design and implementation of new courses that will qualify their peers in ways that will improve classroom performance. These groups will be consulted in the design of the program.

Given the variety of actors and their different capabilities for contributing to qualifying teachers, a team approach to program design and implementation will be used. Given the newness and current level of ODL in Romania and the lack of experience with the kind of distance teacher training program outlined below, international technical assistance that brings knowledge and lessons from similar efforts in other countries will be available.

Professors from universities/institutions already engaged in ODL programs will undertake the program design. The professors will be selected as individual consultant and will develop a national curriculum framework for training practicing teachers, as well as materials and software. Training will include along with more traditional syllabi, modules specific to teaching in rural areas, such as teaching multi-grade classrooms, community-based approaches in teaching reading and writing etc. Universities with ongoing ODL programs will get accreditation for providing training to teachers, according to the national curriculum framework and using the already developed materials and software.

The MER will administer the tuition fees program. Links with sub-component 1.1 will be established by involving, as much as possible, mentors in guidance and monitoring activities.

Program Design: Principles, Delivery System, and Materials

Rural teachers find it difficult to take advantage of existing programs that will improve their qualifications and career possibilities because of their isolation, the cost of such programs, and, for some, the lack of courses that respond to their training needs. At the same time, during the nineties, Romanian universities created much of the infrastructure, in the ODL Departments, upon which a program that
overcomes these obstacles could be built. This section outlines the structure, delivery system, and materials that will guide the design of the program built on the existing ODL infrastructure.

**Principles of Program Design.** First, all study programs must lead to a diploma, that will allow teachers who participate to progress towards becoming tenured teachers. Second, if a participant’s completion of a program of study is to have acceptability nationally, the curriculum framework and delivery system’s structure should be the same throughout the country. Thus, an integrated, collaborative process of program and course development is required. The program’s design will be based on knowledge, abilities and competences that the MER’s teaching standards provide. The standards will be used to formulate the curriculum framework of the proposed program, including explicit theoretical and practical learning objectives. Each institution wishing to implement the framework with support from the program will have to prepare detailed course modules that fit the framework, and they will have to seek accreditation for each collection of modules/courses through the normal procedures for the approval of the new programs in higher education.

It will also be necessary to ensure that course materials are provided to participants in a readily accessible form. Therefore, since most teachers will be far from urban settings, all materials should be available as print versions, but they may be based on information technology planning and formatting and be delivered by the INTERNET or on diskettes or CDs for participants who have access to and know how to use a computer. At any rate, the participants should be able to study materials, discuss them, and complete most assignments at the school level, saving travel time and costs and encouraging direct application of what’s learned to their teaching.

The delivery system and materials for the program to develop professional qualifications of rural teachers will reflect these principles.

**The Delivery System.** Starting from the point of contact with teachers who are students, the delivery system will have the following elements:

- print, visual, and/or INTERNET materials in the hands of all participants;
- regular face-to-face discussion of the materials among teachers near each other in regular small group meetings facilitated by local teacher mentors;
- less frequent (2-3 times per semester) larger group meetings of participants at a central place with a higher education professor for additional information and for questions to be answered;
- on-demand availability by phone and/or INTERNET of teacher mentors and professors for participants and of professors for the teacher mentors under their supervision;
- a local team of ODL practitioners and teacher educators based in a higher education institution to oversee program delivery, record student results, and provide logistical and administrative support;
- professors from universities/institutions to be competitively selected to coordinate course preparations;
- program delivery, monitoring, and student record-keeping to be done by each university;
- a Steering Committee to provide direction and oversight to the full program.

**Materials.** Distance learning materials will be provided in the form of printed documents, videos, computer diskettes, CDs and/or INTERNET sites. A mix of such materials will be needed to reach rural teachers throughout the country. All materials will need to be in print for most teachers to use them effectively. They will need to be deliverable by post and usable without a computer.
The project Operational Manual (OM) is describing the program, guiding everyone who wants to participate. The OM includes the following:

- goals and objectives of the overall program;
- identification of who may participate and what they may achieve as a result of participation;
- application and selection procedures;
- a statement of the participants' incentives (scholarships, diploma, security as a teacher, etc.) and obligations (attendance, successful progress and completion, commitment to teacher, etc.).

In addition, after university professors will finish their work, the PMU will prepare a booklet to be broadly disseminated, describing:

- the overall program design (the master curriculum and individual requirements for each type of qualifying diploma to be offered);
- module designs and the delivery system;
- evaluation mechanisms for each kind of qualification offered.

In addition, universities will prepare a full range of program materials based on the materials already designed. These materials may be organized into self-sufficient modules (or courses) that can serve as building blocks for satisfying qualifying requirements for different qualifications. For example, modules on general classroom pedagogy, the teaching of mathematics, and the content of the mathematics curriculum through secondary schools will qualify mathematics teachers. A teacher with strong knowledge of mathematics through engineering study, but no teacher training, might apply to be exempted from the mathematics content module while a graduate of a pedagogic lycée might ask to skip the general classroom pedagogy module. Collectively, the full array of modules would provide full coverage of the courses needed to qualify teachers according to the qualification categories that are decided upon.

Each module's design will include the following:

- explicit knowledge, abilities, and competences that a participant must exhibit for successful completion of the module;
- a pretest of the participant's position vis-à-vis these objectives (could be used to award exemption);
- the content of the module;
- activities and assignments, written and practical as well as required and suggested for participants to complete;
- cases and simulations (as appropriate);
- additional readings, either attached to the basic materials or as referrals in a bibliography;
- auto-evaluation tests for participants (with feedback loops to the textual materials);
- a summative evaluation mechanism for the participant to demonstrate completion of the module (may include tests, a portfolio, a demonstration, etc., and may be used as the pretest for exemption as well).

Administration and Financing. The MER will administer the tuition fees program. Universities will be responsible for recording and tracking the participants' progress and performance in the program. Unsatisfactory performance by a participant will result in the loss of subsidies and eventual expulsion from the program.
The ODL units in universities will deliver courses at an average cost of US$300 per year. The MER will provide tuition fees to teachers and will cover the travel costs and accommodation for participation in examinations. The teachers would have to contribute by covering the costs of attending intermediary meetings. The tuition fees will be provided each semester to registered participants upon confirmation of successful completion of the last semester. The participant would be responsible for paying the fee directly to the higher education institution. Nonpayment would need to be reported regularly to the unit that distributes the tuition fees in order to monitor the participants’ use of the funds. The tuition fees will be paid back if the teacher will not teach in the rural school during the agreed period of four years.

Sub- Component 1.3: Basic Education Conditions in Schools (US$34.42 million)

Objective

The objective of this sub-component is to upgrade education conditions in the most deprived rural schools to a minimum functioning standard. More specifically, through this sub-component rural schools will be helped to meet basic needs of students for school utilities and furniture. Following a general inventory of school utilities and furniture, MER has prepared a list of more than 1,500 rural schools that do not meet minimum standards for sanitation, water, heating, lighting and furniture.

List of Schools

Schools were selected and prioritized according to the following criteria:

- the severity of the school deprivation;
- the number of students enrolled; and
- the poverty of the community.

Before Board submission, using PHRD grant funds, an independent evaluation of the schools from the list will be conducted, for identification of inclusion and exclusion errors. A sample of schools from the list and outside the list will be used. If the level of errors identified is significant, MER will have to revise the list and resubmit it to the Bank. In this case, a new independent evaluation will be conducted, using project funds. Disbursements under this sub-component would be conditioned by full satisfaction of the Bank with the list of schools to be upgraded. The exact number of schools to be upgraded under this sub-component will depend on the actual costs of upgrading selected schools. These costs will not be known before the preparation of detailed plans for upgrading. Once the prioritization of schools is agreed, rehabilitation will be carried out starting with the highest priority needs, until the funds allocated to this sub-component will be exhausted.

Manual and Handbook

The recent experience offered by the implementation of the School Rehabilitation project (in which 850 schools were rehabilitated so far and 350 schools are still to be rehabilitated) indicate the need for developing design criteria and model solutions appropriate for rural areas. Consequently, during project preparation, MER commissioned the preparation of a Manual on Appropriate Solutions for Upgrading Schools. The Manual is to be used to guide the preparation of cost-effective upgrading plans for schools. The manual is to provide recommendations based on the lessons learned under the School Rehabilitation, and is to suggest the simplest solutions that are responsive to the needs in the selected schools. It will, for example, provide guidance on when installation of heating systems may be justified in preference to repair or replacement of individual stoves, and when repair of windows may be appropriate in order to retain heat in the classroom. A separate Handbook on maintenance will be developed to include...
guidelines and norms for communities on maintenance and management of school utilities. The Manual will be published and disseminated to all interested design companies. The Handbook will be distributed to schools and local authorities. Actual solutions to be used in individual schools will be discussed with teachers, parents and local authorities. After designs are prepared, stakeholders will again be consulted to make sure that designs are responding to needs and are correlated with resources available within communities.

**Specific Upgrading Interventions**

Under the project, schools lacking running water, toilets, electricity, heating, benches, chairs and blackboards will be provided with these facilities that are important for students well being. Actual solutions to be used in individual schools will be discussed with teachers, parents and local authorities. After designs are prepared, stakeholders will again be consulted to make sure that designs are responding to needs and are correlated with availability of resources within communities.

**Water and Toilet Facilities.** The first priority of the sub-component is to improve sanitation in rural schools by providing adequate water supply and toilet or latrine facilities to rural schools, which currently lack any water supply. All rural schools, which lack water supply, will be provided with water supply, and toilet/latrine facilities will be improved in order to improve sanitation conditions in schools. Wherever possible, this will involve providing linkages to existing water networks. Where this is not possible, it will involve providing a well and pump for the school, or, in extreme cases, where this is not feasible, a reservoir-based water supply. Toilet facilities which pose health risks because they are too close to schools will be relocated. Toilet and latrine facilities will be upgraded to make them more sanitary, to reduce their environmental risks, and to facilitate regular servicing. Water will be provided to toilet facilities, as well as schools themselves. For schools, which lack separate facilities for boys and girls, these will be provided.

**Heating Facilities.** The second priority of the sub-component is to improve the effectiveness of teaching and learning, as well as attendance in rural schools by improving school heating. In most cases, this will involve replace existing classroom stoves with more effective models. In larger schools, it will involve rehabilitation of heating systems.

**Lighting.** The third priority of the sub-component will be to support improved lighting and safety of electrical systems in rural schools. Typically, this will involve better placement and modernization of light fixtures to provide better illumination. It will also support an evaluation of the electrical circuits in rural schools, to confirm that these fully meet safety requirements. Where improvements in electrical circuits are necessary to meet safety standards, this upgrading will be provided (including provision of lighting rods).

**School Furniture.** The fourth priority of the sub-component will be to support the provision of school furniture (student desks and chairs, blackboards, teacher desk and chair) to schools that lack adequate furniture. The desks and chairs are to be suitable for group learning.

The implementation of this sub-component will be made through the same institutional arrangements as the implementation of the School Rehabilitation project.

**Sub-Component 1.4: Teaching-Learning Materials (US$18.01 million)**

**Objective**
The objective of this sub-component is to ensure access of rural students to basic teaching-learning materials. In addition, this sub-component will aim at increasing the efficiency of warehouses for textbooks and teaching-learning materials.

The project will support the following activities: (i) provision of teaching-learning materials for compulsory education rural schools; and (ii) provision of basic equipment for county warehouses storing textbooks and teaching-learning materials.

**Teaching-learning materials**

Basic teaching and learning materials will be provided to all primary and gymnasium rural schools, excluding schools previously covered under the Education Reform Project (ERP) through the Rural Education Pilot. Defining the discrete list of materials to be procured will be done using the experience from the ERP - the Rural Education Pilot component (Impact Assessment, 2001). In the case of the eight pilot counties included under the pilot, all rural schools received packages of booklets and materials to be used in primary classrooms, supplemental reading, science equipment, maps and globes for lower secondary schools.

In the frame of this Rural Education Project, schools would have the chance to actively participate in the choice of the materials. A catalogue of materials will be defined based upon the identified needs and the available funds, including such materials as: classroom mini-libraries for primary education, maps, globes, and supplemental reading and science equipment for lower secondary education. Schools will have a virtual allocation that will depend upon the type of school and enrollments.

**The teaching-learning materials catalogue.** The catalogue will include two categories of items: (i) the booklets and reading materials to be used for primary education and dictionaries, encyclopedia for secondary education; and (ii) materials such as mathematics games to be used for primary education, globes, maps to be used for both primary and secondary education, science equipment for secondary education.

Under the first category, a specialized commission appointed by MER will preselect the titles included in the catalogue. The selection will be made as follows: publishers will be informed by the MER on the upcoming selection during the specified book fair event; the publishers will display their offers including price and discounts depending on number of copies; the commission will select booklets and other reading materials taking into account curriculum needs, quality and price. The materials from the second category, such as mathematics games, globes, maps and science equipment will be briefly described in the catalogue (for example: map of Europe, its dimensions, to be used for grades 5-10).

**Selection process.** Schools would use their allocations to order such teaching-learning items. Individual schools’ selections should cover the needs in all grades in that school. It is estimated that selections could range, as follows: for primary education, orders would include 50% booklets and 50% other materials; for lower secondary, orders would include 25%-30% books such as dictionaries and encyclopedias and 70% materials. Schools will be guided in this process by the mentors who will circulate in the country under the School Based Teachers’ Professional Development sub-component (see sub-component 1.1 above). The mentors will distribute order forms to schools participating in trainings under sub-component 1.1; an additional criterion for getting teaching-learning materials would be for teachers to demonstrate that they are actively engaged in preparing their own materials and that they are pursuing the policy of recuperating textbooks in good condition and using them again. It is estimated that approximately 8,000 schools will benefit from teaching-learning materials.
Procurement procedures. Materials will be centrally procured by the PMU and distributed to schools through warehouses according to their requests. Two categories of procurement procedures will be used: (i) direct contracting for booklets and reading materials which are of a proprietary nature, and (ii) international competitive bidding for all the other materials.

County warehouses

Under this sub-component, the efficiency of the activity of textbooks and teaching-learning materials warehouses will be increased. Basic equipment (a computer, a printer and a copier) will be provided to warehouses in each county, thus improving the registration and monitoring system for textbooks and materials. The contract for equipment provision will necessarily include training of the warehouses staff on how to use such equipment. All 42 county warehouses in the country will receive both such equipment and training in an estimated amount of US$5,000 per warehouse.

Given this infrastructure and training to be provided under the project, the MER will subsequently be in a position to ensure the connection of all warehouses among themselves, with the schools in the network and school inspectorates. This would give the possibility to have a more efficient textbooks distribution and monitoring system.

Project Component 2 - US$11.93 million

Improve School-Community Partnerships

Objective

The objective of the School-Community Partnership component is to empower schools and communities to effectively improve the quality of education in rural schools. Schools and local authorities will be encouraged to collaborate in diagnosing problems and in formulating and implementing solutions. In addition, communication between schools and their clients within the community will be encouraged in order to strengthen accountability for school performance.

The project will support two sets of linked activities: (i) it will provide assistance to Local Education Councils (LECs), and county Commissions for Education Innovation and Development (CEIDs); and (ii) it will fund and manage a School-Community Grants (SCG) Program for the purpose of motivating and assisting communities in implementing local initiatives to improve learning.

Specific objectives. It is expected that the SCG program will bring about externalities such as, inter-alia, at the local level, improvements in: (i) the collaborative environment between the rural schools and their surrounding community (weak or nonexistent at the present time); (ii) the internal school behavioral dynamics including horizontal and vertical communication among school actors (school principals, teachers, students, inspectors, parents, etc.); (iii) learning and teaching processes; (iv) the internal school efficiency in terms of increased completion rates and increased transition rates from one cycle to another; and (v) the local capacity to manage the school system. It is also expected that this program will provide SCG’s stakeholders with new, non-traditional views, attitudes and approaches on how to address pedagogical issues affecting the quality of education. Finally, at a national level, it is expected that this SCG program will contribute improve the access of rural school students to quality education in Romania.

Targeting

Targeting will be made through positive discriminatory criteria. The program will be applied nationwide
in 41 counties, comprising about 2,868 local councils and a little less than 12,000 rural schools. In this context, it is important to consider the use of positive discriminatory criteria to ensure that: (i) the program in fact improves equity; (ii) no single local council and rural school is denied access to the competitive program during the entire project implementation cycle; and (iii) the program is implemented within the financial limits of this component.

The positive discriminatory criteria are required to ensure that more proportional SCG resources are allocated on a yearly basis to the counties showing significant acute rural school inequity issues, and within each county, to the most needy rural schools that are able to prepare good-quality and pertinent projects. In the absence of these criteria, there is a possibility to increase the rural school inequity, as the most able rural schools, and the most capable counties will get the "lion share" of the totality of resources made available by this project component during the entire implementation cycle.

Accordingly, the program will use a County index that indicates the degree of rural education inequity severity in each jurisdiction and allows the ranking of counties accordingly in descending order. This ranking provides an analytical instrument to construct a distribution to allocate yearly SCG's resources to counties in a proportion attuned to their inequity degree. With such a distribution, counties showing more severe issues of rural education inequity will receive more yearly grants than those doing much better. Starting with the second year of financing, it is envisaged that the amount allocated to each county is to be related also to the evidence of county councils allocation of an increasing agreed percentage of non-project related funds as a contribution to the long term financial sustainability of the SCG program.

The index includes for each county seven variables, as follows: (i) percentage of rural population; (ii) the rural migration rate (from urban to rural areas); (iii) county rural development index (as defined by the Romanian Social Development Fund); (iv) percentage of multi-grade teaching schools; (v) enrollment rate; (vi) percentage of not promoted students; (vii) index of results at the Capacitate examination, defined as the percentage of students with low performance (average mark under 7) relative to the percentage of students with higher performance (average mark above 8). As of the second year of implementation onwards, this index ought to include as an additional variable, a measure of the county performance in implementing the SCG program in order to penalize those counties with unsatisfactory performance and encourage those with highly satisfactory performance. It is expected that by mid-project implementation cycle, and again, at the time the project is about to close, the county index will be revisited in case it needs to be fine tuned. Details of the methodology used to structure the county index are to be found in the project Operational Manual.

At the level of each county, a second index, the school risk degree is established, in order to group proposals from participating rural schools according to their risk situation. This school index includes five variables for each rural school, as follows: (i) village development index (as defined by the Romanian Social Development Fund); (ii) percentage of students attending multigrade teaching classes; (iii) percentage of not promoted students; (iv) learning outcomes (rate of students with "good" and "very good" performance - for primary education; the results at the Capacitate examination - for gymnasium); (v) participation at the Capacitate examination (the weight of 8th grade students who attended the Capacitate examination). Rural schools are classified according to this index and to a given predefined scale in: (a) high-risk; (b) medium-risk; and (c) low-risk schools. Clear indications on ranges based on which a school is considered as falling under high-risk, medium risk or low-risk ranking are to be found in the Operational Manual.

The school index is applied in order to improve equity if a significant portion of the yearly SCG allocation approved to a county is utilized to finance good-quality and pertinent sub-projects prepared by high-risk schools, but at the same time, allows for the financing of few good-quality and pertinent
sub-projects prepared by the low-risk school. This latter set of sub-projects may have a positive
demonstrative effect in the long run. 50 percent of the resources approved to a county will go to finance
good quality and relevant proposals prepared by high-risk schools, 30 percent to medium-risk schools,
and 20 percent to low-risk schools. This distribution may be revised at the mid-term, and again, at the
time the project will close.

Both the county index, as well as the school risk degree index is constructed based on reliable, timely and
available information to perform their functions. Thus the variables included in the indexes were defined
on current available information and not on desirable information to be obtained at later stages of project
implementation. In the Operational Manual, the following are to be found: (i) a distribution for the
allocation of yearly grants to each county; and (ii) a proposal of the proportion of grants to be allocated
to each group of schools per county.

Sub-projects menu

The main categories of sub-projects will be:

(i) Sub-projects promoting students participation and providing support to disadvantaged students (e.g.
team work discovery, develop interactive learning methods, students career guidance, tutoring
disadvantaged students, visits to museums and libraries located in cities, gardening - greenhouse, school
orchard or school botanic garden, processing local raw materials and food production, workshops, Junior
Achievement projects helping students to understand and appreciate free enterprise and provide them
with the necessary skills to play an active in economy.).

(ii) Sub-projects supporting the improvement of teacher's performance (e.g. develop games and games
techniques, development of critical thinking skills and collaborative group learning using basic
multimedia environments, develop new didactical materials).

(iii) Sub-projects strengthening partnerships, opening the school to the community and providing small
repairs (e.g. school's open doors days, cultural community center, our community in facts and figures,
keep traditions alive, school radio station, school- community theater, small school repairs).

Eligibility

Eligibility criteria. The initial conditions that need to be met by interested parties in order to access the
competition process are:

- sub-project proposal is endorsed by the LEC;
- there is evidence of the beneficiaries' contribution (in kind and/or in cash);
- the proposal doesn't exceed the financial ceiling (US$7,000).

Eligible expenditures. Activities under grants have to be as flexible as possible; restrictions are to be set
only to percentages to be used for particular categories of expenditures after a piloting phase (for
example, no more than 45% of a grant would be acceptable to be allocated for small repairs or
equipment). Also, specific non-eligible items such as acquisition of land are mentioned in the
Operational Manual.

Possible universe. Given the demand driven character of the SGC program, it is difficult to foresee the
exact number of grants to be awarded. The program will cover a manageable number of grants and at the
same time will give the opportunity to compete for an amount at the level needed by any school in the
country. With an average project grant of US$4,000, it is expected that during the life of the project the total number of approved grants will be around 2,500. A ceiling of US$7,000 will be used.

**Learning curve.** The learning curve is based on the following assumptions: (i) the duration of the project implementation cycle is 6 years; (ii) approved sub-projects have a maximum implementation cycle of one year; (iii) the first year of implementation (counted after effectiveness) will be mostly devoted to set the SCG into motion, implying piloting the cycle from dissemination and awareness campaigns to signing the first 200 GA, including the guiding of LECs, the training of the sub-project teams (SPTs) and the training of the sub-project evaluators; and (iv) during the last year, no new preparation of proposals is to take place as the project closes at the end of the sixth year and time is also needed to allow for an orderly closure of the project. The approximate number of grants to be awarded yearly is the following: 200 grants in the first year of implementation; 425 grants in the second year of implementation; 625 grants in the third year of implementation; 750 grants in the fourth year of implementation, and 500 in the fifth year of implementation. In case the MER succeeds to have a faster implementation pace, the number of grants to be awarded per year may be modified.

**Expected SCG implementation schedule and its organization.** Once the project is declared effective by the Bank the following activities will take place: (a) dissemination and awareness activities of the SCG; (b) identification of the first group of initial LECs to be assisted, based upon their demand; (c) training of facilitators who will train both the LECs and SPTs; (d) training activities for the first group of LECs; (e) training of the first group of SPTs; (f) completion of sub-project preparation activities; (g) training of the staff of the County Project Implementation Unit (CPIU) who will have the role of evaluators and supervisors; (h) review of the first set of proposals; and (i) signing of the first group of GAs. It is estimated that as this process becomes recurrent and actors acquire expertise in managing it, the total timing per cycle could be shortened to about six months, thus ensuring about two such project evaluations per calendar year from year three onwards.

Qualified consultants (firms and/or NGOs) hired by the PMU will prepare the training materials and modules needed for the above mentioned activities and will provide the training itself.

A local team of two (if necessary, three) persons will function at the local level as the CPIU and representing the technical branch of the Project Management Unit (PMU) during the SCG implementation cycle; the CPIU will also function as the CEID's technical secretariat. The county CEID will function as a decentralized Steering Committee of this project component having the responsibility of approving the sub-project proposals in the respective county (appraised by the CPIU from a different county as described below); the CEID technical secretariat will organize and monitor the competition events in their jurisdiction every year of the life of the project. This implies the CEID is overseeing that all the stages included in the execution of the SCG program at the local level are carried out appropriately and timely.

The PMU will have a staff familiarized with all the operational aspects of the SCG at the time of project launching (on or about project effectiveness). This requirement will ensure appropriate management and monitoring of the SCG program by the PMU. It will also ensure the carrying out of periodic random spot checks in the field of all the operational aspects involved in the yearly execution of the SCG. The PMU will rely on the two staff in its technical branches at the level of each county (CPIUs), to organize and monitor the yearly competition activities and the implementation of approved proposals.

**The SCG General Cycle**

The five phases of the SCG general cycle: 1. dissemination and awareness activities; 2. preparation of
proposals, 3. evaluation of proposals; 4. entering of GAs, and 5. implementation and monitoring.

1. Dissemination and awareness activities. These activities are designed to reach the entire universe of SCG stakeholders, including all the rural schools (about 12,000), all the LECs (about 2,868) and the 41 school inspectorates and county councils. The first promotion activities will offer information about the general and specific objectives of the project and of the SCG program. To the extent possible promoters should facilitate discussions of rural community education needs and problems, as well as possible solutions. The SCG will be then presented as a tool to support solutions to education problems. Specific information will be made available regarding: (i) the general characteristics of the SCG process including average amounts of grants and expected schedule; (ii) the competitive nature of this program; (iii) its nationwide scope, (iv) its purposes; and (v) the steps to be taken by interested parties to participate in the program, including an address to get further information. Dissemination brochures will have attached standard letters of interest to be sent to the competition organizers. The letter of interest will contain essential information about the school and the community attached to it, including number of grades offered, enrollment and the number of teachers.

The PMU will start distributing early on the dissemination brochures and letters of interest based on its plan for dissemination. Dissemination seminars will be organized in all counties; all school principals as well as county council presidents or their designated representatives are expected to participate.

Operational Manual. An OM approved by the MER and satisfactory to the MPF and the Bank is a condition of Board presentation. A draft OM was prepared. The OM has a section dedicated to the SCG program. This will be sent to those LECs manifesting a participation interest in the form of a simple document, user friendly, easy to read, with links to other separated SCG- related guidelines, such as the ones for project preparation, evaluation guidelines, procurement and financial management.

The outline of the OM - SCG section includes: (i) background on the rural education equity issue in the country; (ii) the rationality as to why the SCG can contribute to improve equity in the rural education sector; (iii) general and specific objectives of the SCG; (iv) rules of the SCG program including the pre-allocation and eligibility criteria; (v) institutional arrangements of the SCG program and of the organizational requirements of the yearly competition at the county level; (vi) description of the SCG yearly cycle; (vii) general information concerning the steps involved in the preparation of a proposal including diagnosis, setting of general and specific objectives of SCG proposal, operational description of the proposal’s activities, budget (recurrent and investment) and schedule; (viii) the training of LECs and SPTs including monitoring and provision of on-site technical support during the preparation phase; (ix) the evaluation process including criteria for eligibility and selection process, as well as matching funds (in kind or money considered as beneficiary contribution; (x) GAs and accountability (fiduciary) responsibilities; (xi) implementation process including disbursement of tranches and general information on the rules of procurement of goods and service (selection of consultants); (xii) expenditure documentation for reimbursement purposes; (xiii) monitoring; and (xiv) cross-dissemination of experiences. An Annex with a sample of the project preparation format is also to be found in the OM. The OM will be written in Romanian and English.

2. Preparation of proposals. This SCG phase assumes the following sequential stages: (i) operational LECs; (ii) guiding process with the LECs; (iii) operational SMCs and appointment of SPTs; (iv) training of the SPTs; (v) project preparation;

Operational LECs The LEC is preparing School Improvement Plans for all schools under their jurisdiction in consultation with the SMC (see description below) of all schools in the respective commune. The LEC is defined through the MER Order No. 4747/16.10.2001 – Art. 46, 48 of the Annex
- and will be set up at the commune level. The LEC will have maximum 15 members, as follows:

- representatives of the SMCs of all schools in the commune;
- representatives of the local council;
- the mayor;
- representatives of local firms and other organizations (including the church).

The president of the LEC is elected and should be a teacher. Before embarking on the preparation of School Improvement Plans, the LEC will be trained by facilitators on how to prepare such plans (see below).

Facilitation process. The facilitation process aims at generating an enriching reflection and discussion process of the LECs in the pedagogical context of the rural school(s) under their jurisdiction. In addition, the facilitation process is required to set the appropriate enabling working and communication conditions at the LEC level for three distinct groups of participants that have seldom worked as a team in the pursuit of a common goal (school stakeholders, members of civil society and local authorities). Facilitators will support the process of comprehensive education planning in order to initiate the process of local capacity building and school improvement. In order to do so, such facilitators will have been trained under the project on preparing School Improvement Plans and on school effectiveness. In this LEC training process, information and training manuals will be made available, detailing the different areas of school planning and administration: preparation of school improvement plans; planning and administration of budgets; raising own resources.

The rural school diagnosis, a reading of the complex school reality by the LECs need to include a reflection on the strengths and weaknesses of that particular school with respect to: (i) its student population; (ii) its teaching labor force; (iii) its pedagogical and managerial leadership or lack of it, from the school principal and the supervisor and / inspectorate bodies; (iv) teaching materials including textbooks and other reading material, as well as audiovisual equipment, computers, laboratories and other teaching aids; (v) the classroom pedagogical transactions; (vi) the school behavioral climate and communication among its actors, both horizontally among teachers, teachers and parents, school and its community, as well as vertically, between students and teachers, teachers and school principals; (vii) the opinion (perception) that the community has about their images of the school (mirror diagnosis); (viii) school management; and (ix) the community social and economical contextual situations including the students' families and their support into the day-to-day education of their children.

School development plans. The LECs will formulate an institutional school development plan for each rural school under their jurisdiction. It has been the sad experience in many other countries, that when these school plans are formulated as part of a requirement coming from the upper echelon authorities, disconnected from concrete school activities addressing specific pedagogical school-related issues, once these are finished, they are seldom used. This plan has to emerge from the discussions taking place at the level of the LECs, once a SCG is in execution, and observable benefits (externalities) are available. Then a school development plan can be formulated in an inductive fashion (bottom-up) as a natural next step to follow up on the impact of the SCG.

The number of facilitators needed to carry out the yearly guiding process required is determined as a function of the number of LECs entering that year in the SCG program and assuming a ratio of three proposals for one approved grant; the consultant (firm and/or NGO) hired by the PMU will be entrusted with setting in motion this guiding processes.

Operational SMCs and Appointment of SPTs. Based on the School Improvement Plan, the SMC, in
consultation with the LEC, is defining the objectives of a project proposal and designates a sub-project team (SPT). A SPT has at least three members including the school principal, a teacher and a representative of the community (possibly a parent).

The SMC is established through the Law of Education, Art 145, item 1 – it is functioning at the school level, in the case of schools with legal authority. The SMC includes 5-11 members, as follows:

- head teacher;
- deputy head teacher;
- chief accountant;
- teacher(s) designated by the teachers’ council;
- representatives of parents;
- representatives of local public administration;
- representatives of local firms;
- representatives of affiliated smaller schools (which do not have a legal entity status).

Training of SPTs. SPTs are trained by facilitators (who are also training the LECs on School Improvement Plans) on how to prepare a sub-project proposal. Training materials and modules are to be developed immediately after the project has been declared effective. This is a key element in the entire SCG program. The success of this program and the preparation of good-quality and pertinent proposals largely depends on the appropriateness and effectiveness of the training materials and modules, as well as on the quality and leadership played by both the master trainers and the trained facilitators themselves. The training materials need to consider that a project preparation activity requires enabling the SPT to translate their pedagogical experience into a concrete project with a standardized format with a unique content depending on the particular issue to be addressed by this proposal.

Sub-Project preparation and submission. The SPTs will prepare the sub-project proposal and send it to the CPIU. The CPIU will screen all proposals for eligibility and sends back non-eligible proposals with comments. The eligible proposals are consolidated and sent to the PMU.

The SCG program assumes that the SPTs seek guidance from their LECs during the preparation exercise. This in turn assumes, that LECs need to review and monitor the progress of the preparation of the proposal, and endorse the final version of the sub-project proposal.

3. Evaluation of proposals. The SCG evaluation process requires: (i) functional CEIDs at each county whose key personnel has been involved in SCG program awareness activities; (ii) the availability of evaluation guidelines and procedures; (iii) a crosscutting evaluation procedure; and (iv) feedback to recipients of approved and non-approved proposals.

CEIDs. CEIDs will be established as sub-commissions of the existing County Commissions for Establishing the Annual Average Education Costs. The CEIDs should necessarily include the chief inspector of the School Inspectorate (or the deputy), the president of the County Council (or the deputy). The CEIDs play the role of decentralized Steering Committees for this project component.

Each CEID will be assisted by two qualified staff, one of them skilled in pedagogical matters and another in information technology. Such staff will function as the CPIU and as a technical secretariat of the CEID. It is expected that as a condition for Board, the Borrower will provide terms of reference, satisfactory to the Bank, for the selection of qualified staff in the CPIU in the totality of counties in the country.
The CPIU will perform the required eligibility screening of submitted proposals in the respective county and appraisal and ranking of proposals submitted in a different county. The CPIU staff will receive appropriate training in sub-project evaluation prior to the start of their activities. It is expected that each member of the CPIU will review every proposal. Discussion among CPIU members will be held to achieve consensus only with those controversial proposals showing significantly different ranking by each CPIU member.

**Evaluation guidelines and procedures.** The training of CPIU will also be done by the qualified consultants (firms and/or NGOs) that will develop appropriate training materials and modules, and in addition, conduct the training of the CPIUs. It is expected that by mid-project implementation cycle, and then again, at project completion, the CPIUs will receive a refresher training on evaluation aspects, factoring in all the lessons learned during the life of the SCG program. Evaluation guidelines and procedures need to ensure that the assessment of proposals is done under a standardized context along all participating counties, in order to ensure the highest degree of objectivity in the utilization of the agreed assessment criteria.

**Evaluation criteria.** The following evaluation criteria will be used:

- the extent to which the proposal objective is in line with the School Improvement Plan;
- the extent to which the proposal is addressing the problems of disadvantaged groups (e.g. Roma);
- justification of per-student cost;
- soundness of the financial plan;
- the extent to which the proposal addresses and solves environmental issues (if any);
- sub-project sustainability.

**Crosscutting evaluation procedure.** Based on the proven good experience of other evaluation activities carried out in Romania, like the ones conducted by the National Assessment and Examination Service, and in order to ensure transparency in the entire evaluation and ranking procedure, to avoid corruption and political interference, proposals from one county will be appraised in another county. Proposals are submitted by SPTs to their corresponding CPIU, where a screening takes place to see if the proposal complies with the eligibility criteria. Only eligible proposals, grouped by degree of school risk, are submitted to the PMU. The PMU removes the identification of the proposals and encodes them. The PMU then randomly assigns the eligible, anonymous proposals grouped by school risk from one county, to be reviewed and ranked by the CPIU in another county. It is important that the recipient county maintains certain cultural affinity with the county of origin, in order to increase the likelihood of project contextual understanding during the evaluation process. Appraised and ranked proposals are submitted back to the PMU, with a signed Minute of the Appraisal process. The PMU uncodes the proposals by assigning them their right identification and sends them back to the CPIU (county) of origin. The CPIU submits all proposed projects and the recommendations for financing to its CEID for approval. After final evaluation, the CEID sends to the PMU the list of approved projects and the minutes of the approval meeting which records any deviation from the recommendations made by the CPIU that appraised the project proposals. The PMU prepares and submits to the education minister a report including all the proposals approved for financing and the minutes received from CEIDs. The minister decides on financing the proposed list of projects.

**Feedback.** Whereas, the recipients of the approved proposals will receive a notification from their corresponding CPIU instructing them to sign a GA, those recipient of non-approved proposals need to receive a constructive feedback from the CPIU's findings corresponding to the review of their proposals. This in turn, requires the CPIU's members to be trained in providing positive feedback to communicate to the responsible SPTs of non-approved sub-projects how to enhance their proposals and encourage them.
to submit them in the next round of grants allocation.

4. Grant Agreements. Depending on the legal status of the schools that are awarded grants, the PMU will conclude GAs as follows:

- with the principal and the accountant of the school that was awarded the grant, in case the school has a legal status;
- with the principal of the coordinating school, the principal of the school that was awarded the grant and the accountant of the coordinating school, in case the school does not have a legal status and is affiliated to a coordinating school;
- with the mayor, the principal of the school that was awarded the grant and the mayor's office accountant, in case the school does not have a legal status and is financially affiliated to the mayor's office.

Once a GA is signed, and evidence of matching funds (at least 10% of the total sub-project cost - in cash and/or in kind) is presented by the recipient, the SPT opens an account in which the PMU sends the first tranche of the grant. As a rule, grants under US$ 1,000 will be disbursed in two tranches (90%; 10%). Grants above US$ 1,000 will be disbursed in three tranches (30%, 60%, 10%). In special situations, the GA may specify other percentages. In these cases, the project proposal should specifically include a justification for the deviation from the general rule. Tranches will be released upon presentation of evidence of progress (completion of activities, as the case may be) and supportive expenditure documentation. The CPIU supervises the sub-projects and informs the PMU when conditions are met for disbursement of subsequent tranches.

It is expected that the recipient will keep all the supportive expenditure documentation as well as progress reports in case they are subjected to Bank and/or Government random post-review process.

5. Implementation and monitoring. In order to ensure implementation readiness of all the approved proposals the following aspects will be covered:

Procurement and Financial management. Simple Bank procurement financial management guidelines and short training will be offered to recipients of approved grants immediately after GA signing (prior to their sub-project launching activities) in order for them to be able to procure procedures and maintain proper accounting and supportive expenditure documentation. This documentation will most likely be in the forms of invoices, receipts, bills, payrolls, etc.

Appropriate and timely on-site technical support. The supervisors from the CPIUs will provide on-site advisory support for implementation. Once sufficient SCG experience is achieved, it is conceivable to utilize graduates of this program (recipients who have completed successful proposals), as institutional on-site providers of technical assistance to newcomers. The Bank-financed project could then facilitate the mobilization and logistics of the on-site support provided by these graduates to be.

Participatory monitoring. The use of participatory monitoring is essential in SCG programs. In this respect, the grant supervision will be performed by the CPIU staff with participation of a peer reviewer from another village or community, as well as with the participation of local stakeholders.

Management Information System. A management information system will be mounted in each CPIU to monitor information related to the SCG program, such as: (i) proposals in execution including physical and financial progress; (ii) proposals whose implementation has been completed; (iii) proposals under preparation; (iv) number and identification of non-approved proposals; and (v) other relevant related
information. The PMU will select a qualified consultant (individual or firm) to centrally design such a system and, once it is fully functional, mount it in each CPIU. A SCG-related management information system (MIS), as part of a larger MIS related to the entire Bank-financed Rural Education Project will be used.

The biannual Bank field supervision missions will provide an important (additional) source to assess and monitor the effectiveness of this program.

The costing of the SCG program includes the carrying out of regional cross-fertilization events (dissemination activities, brochures, newsletters, videos, etc), in order to promote networking among recipients of ongoing "successful" Grants and/or to provide sound advice to incoming recipients of approved grants or to interested parties in accessing the grant’s fund.

Project Component 3 - US$ 3.34 million
Strengthen Monitoring, Evaluation and Policy Making Capacity

Objective

The overall objective of this component is to ensure the sustainability of the project by strengthening capacity in leadership and decentralized educational management at the local level and increasing the institutional and analytical capacity at national and local levels for policy analysis, formulation and planning. This will lead to: (i) improved capacity for management for results, based upon data and information on educational outcomes that are continuously collected and analyzed; and (ii) a range of policies and decisions that ensure quality education, equity and efficiency, especially for rural students.

The objectives will be attained through:

- establishing the National Education Indicators (NEI);
- improving the National Education Database (NED);
- preparing a National Assessment of Basic Education (NABE).

National Education Indicators

Objective. The objective of establishing a National Education Indicators (NEI) set is to provide the policy makers as well as the public at large with an accurate overview of the education and training system (E&TS) in Romania. As Romania moves towards joining the European Community, the NEI set needs to comply with the World Education Indicators (WEI), the Education for All (EFA) indicators, the European Statistics (EUROSTAT) indicators, the UNESCO indicators, the OECD indicators, the Quality Indicators for Life Long Learning (EU), and the OECD, UNESCO and EUROSTAT-compatible set of indicators to be used to assess the implementation of the work program of the European Commission’s Standing Group on Indicators (SGI). For each indicator, the NEI set will provide the following: definition; purpose; formula; data required; data sources; type of desegregation; interpretation; quality standards; limitations; compliance. The NEI set will provide a classification of the indicators in accordance with the strategic objectives for the development of the E&TS in Romania towards 2010, including desegregation that allow analysis of the problems of rural education. The NEI set will include definitions and examples of benchmarks. Establishment of the NEI set will be done in cooperation with the National Institute for Statistics (NIS) and will be promoted through a ministerial ordinance.

Activities. For the purpose of developing the national indicators a full-time group of 3 persons, the national coordinating unit, will be established. This unit will report to the minister and will be
responsible for all three areas of activity on this component of the project. On the indicators sub-component, the unit will work with a selection of education experts from the Institute of Education Sciences, universities and other research institutions, teachers and specialists from MER, etc. This work group will cooperate with the NIS and the experts working within the network of work groups of the European Commission (EC) for the implementation of the detailed work program on follow-up of the objectives of education and training systems throughout Europe. The development of Romania’s indicators will be achieved starting from analyses and research on the national and international indicators in education elsewhere (their classification, definition and interpretation criteria) and the availability and accuracy of data in Romania. A comparative study will be prepared on the national and the international indicators of education and their potential application in Romania. Together with these activities, field visits will also be organized (meetings with the departments within CSI for the purpose of analyzing the types of means used for data collection, the human resources involved and their training needs etc.). Also, consideration will be given to analyzing the evaluation indicators for the European Commission’s education system and to selecting and adjusting the European indicators to Romania’s needs. As a result of this analysis and research activity, a Manual/booklet for implementing the national indicator system for education in Romania will be drafted.

Dissemination of the National Education Indicators will take place by:

- publishing the booklet for the national indicator system for education in Romania;
- organizing a National Conference to discuss the indicators and the current situation;
- organizing 6- 8 regional seminars similar to the National Conference;
- organizing workshops at the local level (for staff training in basic information gathering and processing).

Institutional arrangements. Setting up NEI will involve a number of institutions that are part of this field, the main role being played by the Ministry of Education and Research, the National Institute of Statistics (NIS), and the Institute for Education Sciences. Also, in order to develop NEI, protocols will be issued for collaboration with the Ministry of Labor and Social Solidarity (MLSS) and the National Work Force Agency (NWFA), which will be used:

- to select the indicators to be included in the booklet for the national indicator system;
- to adjust, in accordance with the selected indicators, the statistical questionnaire(s) for collecting the basic information used by MER-CI (the specialized departments) and NIS- the County Statistics Departments, so as to match the marked indicators (to enable their being calculated);
- to set up, in agreement with NIS, MLSS and NWFA, the pattern for collecting the data for the job statute of pre-university graduates;
- to adopt the definitions, the calculation method, the interpretation etc. used by the international organizations in the field of education, in order to accurately evaluate the quality, the efficiency and the results of the education system in Romania and to enable a comparison with the education systems in other countries.

Outputs. The following outputs are expected:

- An experts’ team and experts’ network on education indicators will be developed. This network will include both people at the central level and people from institutions at all levels of the education system. This network will provide the education system with new possibilities for understanding and adjusting the processes, which it oversees.
- The statistical questionnaire(s) for collecting basic data will be revised.
- The NEI set booklet will be published. It will include: aspects regarding the compatibility between
the European Commission’s indicator system for education and the national system; the list of
dicators for evaluating the education system in Romania: definition, purpose, calculation method,
basic data required, data sources, data structure, interpretation, quality standards, limitations. The
NEI set booklet will be intended for the staff engaged in collecting and processing basic information
about the education system in order to improve the indicators’ completeness and accuracy; for the
teachers in order to optimize the teaching process and to raise the awareness of how to reflect on and
to improve their own activity at the institutional level; for the experts in evaluation of the education
system; and for the policy makers in order to ensure a scientific basis for the educational policy.

- The NEI booklet will be disseminated. The dissemination of the NEI set booklet will lead to its being
used for the National Evaluation Report for the education system (achieved within component 3.3), a
document that is expected to become the basis for the policies that will continue the educational
reform already underway (and to which the World Bank has been contributing).

- Awareness and skill of policy makers, administrative staff and teachers on the use of educational
indicators in decision-making, planning, monitoring and evaluation will be increased.

National Education Database

Objective. The objective of this sub-component is to ensure that the concrete content and structure of the
NED will supply accurate indicators on a timely basis so that they may be used for monitoring, evaluation
and policymaking.

Activities. Building on the MIS infrastructure and experience of the nineties, the existing national
database will be restructured in accordance with the new NEI set according to the definitions, data
requirements and desegregation types for each indicator of the NEI set. The NED will permit calculation
of each indicator as per NEI set and will also include results of all national assessments, evaluations and
examinations (including PISA, TIMSS, PIRLS and 4th grade national students’ assessment). Besides
actual data and indicators the National Education Data will also include an electronic library consisting
of documents produced during researches performed on the E&TS. The documents to be included will be
selected according to criteria to be established. The NED will be structured at four access levels (for
consultation and reports printing): policy makers (MER); central administration personnel and
representatives of the central administration (MER, NIS & other central institutions and ministries,
county school inspectorates, county council); local administration personnel (school headmasters, local
council); and the public. The NED will be stored on the MER’s Data Center and will be fully compatible
with the existing and further developed ICT Aided Educational System program and will be accessible
on-line through the MER portal. Access will be granted at the previously mentioned four levels ensuring
full security. A complete set of procedures, rules and regulations on the update and consultation of the
national database will be elaborated and promoted through at least ministerial ordinance (if not higher
level legislation act – e.g. inter-ministerial ordinance or GOR ordinance).

Description of the proposed solution. The solution builds on the existing information and communication
technologies used by the MER. The database will be upgraded in accordance with the requirements of an
open information system that uses agreed-upon indicators for reporting. The process of putting this
solution in place includes: (i) establishment of the selection criteria for the electronic library; (ii)
installation of the NED on the MER Data Center hardware; (iii) establishment of the procedures, rules
and regulations on the update and consultation of the NED with formal sanctions through ministerial
ordinance or higher-level legislative acts; and (iv) granting access to the NED according to the
procedures, rules, and regulations established.

The solution relies on the existing MER data center and its communication capabilities. The Data Center
will store the data and will allow for creation of specialized reports through high-level multidimensional
analyses The existing educational portal of the MER (http://portal.edu.ro) will be extended and will be used as a single point of access for communications, data entry, and reporting for all components of the solution. The portal is hosted on the MER's data center and already offers both public and private/secure access to its functions, and it is suitable for further modular development. Partial copies of information (based on relevance considerations) will be stored in county school inspectorates and even in schools. Since most of the hardware to support the database and its use is already developed or under development, at least down to the county level, the project's funding of hardware is minimal.

The main activities related to implementation are outlined below under the following headings:

establishing the primary system to collect the data from the system, data communication, national data-storage, collection of raw-data, levels of analysis, publishing information for the public.

**Establishing the primary system for data collection.** The primary data collection will be processed at the regional and national level with unique statistical methods, which will reduce the risk of a wrong report. The local data collection component is present with each school, including the rural schools, connected or not to the Internet. The local data collection component must incorporate statistical functions, graphical functions of multi-parameter representation, prediction functions and others to be defined later. The data communication to the system will be achieved from all types of terminals developed by up-to-date technology (computer, wireless equipment, cable communications).

**Data-communications.** The communication root for the solution is the INTERNET. The INTERNET provides the means for sharing data, accessing information at various levels, updating regional or national data stores. An important note is that Internet is not primarily used for web browsing, but for automated data transfer. The communication is vital for other sub-components such as collection of raw-data and high-level analysis. This sub-component also supports the communication infrastructure. Communication infrastructure involves providing all levels in the educational hierarchical structure with physical means for connecting to INTERNET. The main INTERNET infrastructure is provided by RoEduNet, the educational INTERNET provider funded by MER. RoEduNet already covers MER and every CSI office. Pilot projects have already been conducted for testing the reliability of the INTERNET for connection of educational units throughout the country, one of them being the computerized admission and distribution of candidates in secondary school units (ADLIC- Admiterea in liceu computerizata). Funds will be provided within this project to insure the connection at the lowest level possible. The solution proposed does not aim to insure Internet connection in each school; INTERNET connection will be made available in cluster, below the county level that will serve groups of schools located in the proximity. In time, the network will become more and more refined, until each school will have its own INTERNET connection. Since all schools have computers, those schools without connection to the INTERNET will initially submit their data on diskettes.

**Connectivity services.** Mostly RoEduNet will make services available. The project will help to strengthen RoEduNet's information infrastructure in order to improve the effectiveness of communications between the project end-users and promoters.

**National data-store.** The only means for obtaining instant reports and having an instant view of the actual present situation of the educational system is to have all relevant data stored in a central database. The solution proposed here will re-use the powerful platform already existing at MER, consisting of an adequate-capacity data center and of the Oracle platform.

**Collection of raw-data.** This activity is essential for the instant creation of original reports or statistical and multidimensional analysis. Raw-data must be collected from the lowest levels in the educational hierarchical structure, which are the schools. Raw-data collected from schools is transferred to regional county offices. Although the regional authorities have the possibility for regional interpretation and analysis of data, for obtaining reports of regional relevance, the raw-data will be transferred from regional servers to the national data-store "as is", and not in an aggregated form. This allows for the
 MER to obtain its own national interpretations, analysis and reports in a customable manner.

Software for collection of raw data. Software will be made available at all levels in the educational administrative hierarchy.

Levels of analysis. A set of NEI will be defined both for public information and for internal MER analysis (as mentioned above). Interpretation and analysis of the data will be executed at each level: school level, CIS and MER. The data set must not be regarded as a static set of metrics. Existence of raw-data within the NED allows for metrics to be refined, or even completely new ones to be defined, as new needs for analysis arise. For local schools, a basic set of reports will be available. The reports must be customizable in an adequate manner, including: selecting level of detail and quantity of information presented. In the county school inspectorates (CSIs), data interpretation and analysis will be done with modern multidimensional analytic tools already available in each county office. MER will perform a training needs analysis in each CSI before training will take place. Basic reports (containing non-interpreted data or other simple reports), and also results of high-level analysis will be made available for authorized personnel from the county education database or from the national database — through secured INTERNET connection.

Analysis performed by the MER. Data interpretation and analysis will be done by modern multidimensional analysis tools already available in MER. MER personnel will have access to information based on three levels of privilege: a) IT administrators - to maintain and administer the educational database. b) Operators – to create specialized reports through high-level multidimensional analysis; the operators are provided with simple tools for creating the reports. They must have knowledge in the field of statistical analysis. A training program will be conducted for the specialized compartments in MER for operation of the analysis tools. The departments envisaged are not only "Evaluation, Prognosis and Development" and "Budget and Finance", but also all the other departments according to specific needs. c) MER officials and decision makers: basic reports (containing non-interpreted data or other simple reports), and also results of high-level analysis will be made available to authorized personnel from the county education database and from the NED through secure INTERNET connections.

Publishing information for the public. MER web sites already offer services for publishing basic information regarding the educational system. The services will be upgraded according to the indicators defined within this project. Raw-data will be made available to the public to the extent the information is not private/confidential (such as personal information for school personnel or pupils). The collaboration that started in the last two years with the ADLIC project between MER and the Romanian Ombudsman institution ("Avocatul Poporului") will be continued with regard to the privacy of information and what can be published legally.

Dissemination. One of the main methods for the dissemination of the project is the Web. The educational portal offers information on the educational system (as stated above), information on the projects within the educational system: stage, success indicators, and other information that should be public.

The electronic library. The central coordination unit will organize the library and the input of the data will be made on-line using the second and the third access levels of the NED. The annual timetable for the updating of the NED for the first two sectors (raw statistical data and assessments data) will be established. The timetable will be promoted through ministerial ordinance and it will be established within the existing and the to-be-created institutional structures the exact responsibilities regarding the input for the NED.

Institutional arrangements. Achieving the objectives with respect to indicators and the database requires setting up new institutional arrangements that will satisfy the following requirements: (i) the backbone of
the institutional structure to support implementation of the component will have two coordinating levels: a central one and a local one; (ii) the central coordination level will consist of a small MER based unit working in cooperation with the MER and external structures of the MER (the various institutions subordinated to the MER, other institutions related to the E&TS); the central coordination unit will ensure coordination of the activities related to the establishment and use of the system herein envisaged, will lead the preparation, elaboration and publishing of the National E&TS Assessment (see below), will periodically provide policy makers with the necessary information required for decision making, planning, monitoring and evaluation processes, and will ensure public dissemination on the developments in the field of education (an annual public report starting in 2006); (iii) at local level a professional will be nominated at each school inspectorate (e.g. the deputy general inspector in charge with evaluation, development and prognosis); the local professional will ensure coordination of the activities related with the input for the NED as well as the access and dissemination of the processed information from the NED, hence supporting decision, planning, monitoring and evaluation at local level down to the school level.

For staff at both the central and local levels to guide the activities for improving the system's analytic and policy-making capacity administrative staff will need training to contribute to and benefit from the (processed) information stored in the NED. Therefore, all the administrative staff at both central and local levels (down to county school inspectorates) needs to have basic digital competences. The European Computer Driving License (ECDL)/ECDL- start is considered as the required standard for basic digital competences (sub-contracting training for the MER and county school inspectorates' personnel in order to achieve ECDL/ECDL- start.

**Outputs.** The following outputs are expected:

- A functional national and publicly accessible database that produces information on education indicators for all actors involved in developing the educational policies and managing and coordinating the education system
- A central coordination unit with specified concrete responsibilities related to policy-making, monitoring, and evaluation of the E&TS.
- Local professionals with data processing and analysis skills (at least an ECDL/ECDL- start diploma)
- The improved use of data and information on the education system to inform and explain the Government's educational reform and development activities.

**National Assessment of Basic Education**

**Objectives.** The objectives of preparing a National Assessment of Basic Education (NABE) are twofold: (i) to provide the opportunity for a national public dialogue on the Romanian Education system after ten years of reform; and (ii) to provide an empirical analysis of the performance of the Basic Education system upon which to plan further improvements in Romanian Basic Education, particularly for the rural population.

**Activities:** The Ministry of Education and Research has decided to undertake an overall assessment of Basic Education (grades 1-10) using information on indicators from the NED, student assessment results on national examinations and in the international student achievement studies in which Romania is participating, and commissioned studies of specific issues. It is envisioned that the following activities will be initiated, coordinated, and used by the national coordination team to prepare a published report that can be discussed and disseminated in 2008:

1. The existing teams working on the PISA, TIMSS, and PIRLS international student assessment programs will complete Romania's participation in these studies in the next four years.
2. MER will conduct a national assessment of student achievement in grade 4 in 2003 and 2006, as it did in 1998 and 2000, and use the comparative results to assess progress on educational reforms, and their impact on rural areas;

3. MER will sponsor a national school effectiveness study using existing student achievement data from Romania's own and the international achievement examinations in order to establish empirically which school and non-school factors contribute significantly to school achievement (both studies will result in a publication and dissemination).

4. Starting in 2006 MER will publish an annual national synthetic report on the system using the indicators and national database that will be established by then. The national annual report will draw on county reports that will also be the basis for each county preparing an annual plan based on system performance.

5. Based on a preliminary analyses of the issues related to student achievement, MER will prepare and sponsor related studies that will explore locally the issues identified. One of these studies will be a multi-year longitudinal study on this project's interventions that will collect baseline information on selected variables, including student achievement, in 2003/2004 and revisit the study's sample sites over the next four years to provide data on the project's inputs and their influence on the schools' performance.

6. As this work progresses, the national coordinating unit will conduct seminars and workshops that will discuss the implications of all studies, national and local, in order to frame the content of and prepare the planned report that assesses the performance of Basic Education (the National Assessment).

7. MER will prepare the National Assessment Report and disseminate it through a national conference, regional seminars, and wide availability to the public of the written report.

Institutional Arrangements. The national coordinating unit will be responsible for planning the details of the work to be undertaken in support of the National Assessment. It will link this work's activities to the start of annual reporting on indicators (to start in 2006) and their implications through frequent interaction of the people involved. The unit will also be responsible (in the frame of the research program related to the National Assessment) for defining the research questions, the scope and location of the studies, time frames, and Terms of Reference (both general and subject-specific) for researchers to be commissioned to carry out the work. Technical Assistance for these tasks, both local and international, will be needed and has been budgeted.

Outputs. The following outputs are expected:

- published results of the PISA, TIMSS, PIRLS and 4th grade assessment studies;
- published studies on school effectiveness, project influence on school performance, and other studies that explore questions raised by the assessment test results and the other studies;
- a NABE (published and disseminated);
- the availability of annual and semester reports on the E&TS from each county (published);
- methodology for annual planning at county school inspectorates and schools;
- county annual plans formulated based on data analysis under implementation throughout the country.

Project Component 4 - US$6.56 million
Strengthen Project Management Capacity

The objective of this component is to provide support to project implementation, including project monitoring and evaluation and to ensure that all stakeholders and the public at large are informed about the project.
Implementation units

The PMU and its decentralized units. Under the component, support will be provided for the operation of a PMU within MER that is already functioning and has implemented the PHRD preparation grant. The PMU will have at all times at least the following core staff: director, coordinators of the 3 components, procurement specialist, financial specialist, and secretary/translator. The PMU will: (i) coordinate the activity of the MER’s departments and agencies, of various institutions and of local authorities involved in the project implementation; (ii) ensure that procurement and financial management activities are conducted according to Bank procedures; (iii) coordinate project monitoring and evaluation activities; (iv) coordinate implementation of the project information, education and communication strategy. The PMU will coordinate all activities under the project, providing timely and cost-efficiently resources to implementing groups. At the same time, the PMU will ensure that all resources are managed according to the Bank requirements for procurement and financial management.

The PMU will establish in each county a small (two staff) project implementation unit (CPIUs). The CPIUs will be involved mainly in implementing component 2 (organizing rounds of competition, supervising sub-projects etc.). Additional consultants may be hired in CPIUs, to cope with increased workload, when a high number of sub-projects will need to be processed.

The School Rehabilitation PMU. Under the component, support will be also provided to the School Rehabilitation PMU (SR PMU) that is implementing another Bank financed project. The SR PMU will: (i) coordinate the activity of defining and prioritizing the list of schools to be upgraded; (ii) coordinate the distribution of the Manual; (iii) contract the development of the maintenance guidelines and ensure its distribution; (iv) procure design services and upgrading works; (v) monitor the quality control of works; (vi) monitor the consultation process at local level. In its activity, the PMU will use its district project implementation units.

Monitoring and Evaluation

The PMU will be in charge with project monitoring and evaluation and progress reporting by using its own MIS. In line with these responsibilities, the PMU will be in charge of commissioning a program of study for sample surveys of students in schools benefiting from project interventions to assess project outcome progress (as described in detail under component 3), including the provision of a methodology and appropriate monitoring indicators for measuring the final impact of project interventions beyond its completion. The PMU will coordinate this activity through whch assessments of immediate project impact would be further on integrated into the MER final measurement of the full impact of the project in the long run.

The PMU will also be responsible for the preparation and submission to the Bank of annual reports on implementation progress, a Mid-Term Evaluation Report (by June 15, 2006) in view of the Mid-Term Review (no later than September 15, 2006).

Information Education Communication.

The PMU will coordinate the IEC activities that will aim at: (i) informing the general public about the goals and progress of the project; (ii) targeting special groups (teachers, parents and local authorities) to highlight the benefits of the project and build the necessary support among key stakeholders; (iii) ensure transparency on all activities developed under the project. Special promotion materials will target local authorities, in order to increase their involvement in education.
Through the IEC activities, the PMU will support the MER's efforts to explain the reform and the project to peers and constituents, not just at the outset of the project, but throughout its life and beyond. At a more general level, the purpose of IEC activities would be to provide grounds for a permanent dialogue between the MER and the society at large, given that the education reform program in Romania will have a significant agenda of ongoing tasks both during this project, but also beyond it. The target audiences, the messages and the means of delivering those messages would be best designed locally and the PMU would coordinate this activity.

To ensure effective coordination of project implementation, the project will finance: (i) technical assistance and training in project management, procurement, financial management (including disbursements) and use of software; (ii) incremental operating expenses of the PMU staff and share of expenses of the SR PMU staff; (iii) essential office equipment, software and cars; (iv) workshops and seminars; (v) development, production and dissemination of outreach materials; (vi) production and broadcasting of TV and radio programs; (vii) surveys and focus groups; (viii) incremental operating costs of the PMU including cost of communication, translation, interpretation, banking fees, transportation, office supplies, equipment maintenance, audit fees.
### Annex 3: Estimated Project Costs

**ROMANIA: Rural Education Project**

<table>
<thead>
<tr>
<th>Project Cost By Component</th>
<th>Local US $million</th>
<th>Foreign US $million</th>
<th>Total US $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1. Improve Teaching and Learning in Rural Schools</td>
<td>48.76</td>
<td>19.15</td>
<td>67.91</td>
</tr>
<tr>
<td>Component 2. Improve School- Community Partnerships</td>
<td>11.70</td>
<td>0.23</td>
<td>11.93</td>
</tr>
<tr>
<td>Component 3. Strengthen Monitoring, Evaluation and Policy Making Capacity</td>
<td>2.61</td>
<td>0.73</td>
<td>3.34</td>
</tr>
<tr>
<td>Component 4. Strengthen Project Management Capacity</td>
<td>6.19</td>
<td>0.37</td>
<td>6.56</td>
</tr>
<tr>
<td>Unallocated</td>
<td>0.00</td>
<td>1.26</td>
<td>1.26</td>
</tr>
<tr>
<td><strong>Total Baseline Cost</strong></td>
<td><strong>69.26</strong></td>
<td><strong>21.74</strong></td>
<td><strong>91.00</strong></td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Contingencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>69.26</strong></td>
<td><strong>21.74</strong></td>
<td><strong>91.00</strong></td>
</tr>
</tbody>
</table>

| Front-end fee                                                      | 0.00              | 0.00                | 0.00              |

| **Total Financing Required**                                       | **69.26**         | **21.74**           | **91.00**         |

<table>
<thead>
<tr>
<th>Project Cost By Category</th>
<th>Local US $million</th>
<th>Foreign US $million</th>
<th>Total US $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Equipment and Materials</td>
<td>10.46</td>
<td>20.09</td>
<td>30.55</td>
</tr>
<tr>
<td>Works</td>
<td>26.70</td>
<td>0.00</td>
<td>26.70</td>
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<tr>
<td>Consultant Services</td>
<td>2.39</td>
<td>0.14</td>
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<td>Training</td>
<td>3.48</td>
<td>0.25</td>
<td>3.73</td>
</tr>
<tr>
<td>Grants</td>
<td>11.00</td>
<td>0.00</td>
<td>11.00</td>
</tr>
<tr>
<td>Consultant Services - Local Firms</td>
<td>3.35</td>
<td>0.00</td>
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<tr>
<td>Incremental Operating Costs and Salaries</td>
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<tr>
<td>Unallocated</td>
<td>1.26</td>
<td>1.26</td>
<td>1.26</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>69.26</strong></td>
<td><strong>21.74</strong></td>
<td><strong>91.00</strong></td>
</tr>
</tbody>
</table>

| Front-end fee                                                      | 0.00              | 0.00                | 0.00              |

| **Total Financing Required**                                       | **69.26**         | **21.74**           | **91.00**         |

Identifiable taxes and duties are 16.88 (US$m) and the total project cost, net of taxes, is 74.12 (US$m). Therefore, the project cost sharing ratio is 80.95% of total project cost net of taxes.
Annex 4
ROMANIA: Rural Education Project
Economic and Financial Analysis

Introduction

The overall objective of the project is to make rural school students benefit from improved access to quality education, as evidenced by higher achievement scores and completion and transition rates. The objective of the project has, therefore, an equity dimension. It is not appropriate to estimate an economic return for the project because the project's objective is equity promotion rather than income enhancement, although some rural beneficiaries are expected to earn higher incomes as a result of the project interventions. The Bank's Operational Policies OP 10.04, paragraph 5 states that "If the project is expected to generate benefits that cannot be measured in monetary terms, the analysis a) clearly defines and justifies the project objectives, reviewing broader sectoral or economy wide programs to ensure that the objectives have been appropriately chosen, and b) shows that the project represents the least-cost way of attaining the stated objectives". Indeed, even if the objective of the project were income enhancement, it would be of dubious significance to estimate a rate of return to the project investments because the techniques for estimating the income effects of improved education quality are not well developed.

The main outcomes, which are expected from the project, are non-monetary, involving improved access to quality education in rural areas. As indicated in the proposed monitoring and evaluation plan (Annex I), these development outcomes are to be measured through performance indicators such as improved rural school completion rates, improved rural teacher qualifications, and improved assessment results of learning achievement be rural students.

For these reasons, the economic analysis presented in this Annex focuses on: a) justifying the project objective within the agreed CAS, and b) demonstrating that the proposed project design represents the least-cost approach for achieving the stated objectives. It does not attempt to estimate an economic rate of return for the project investments.

Justification of Project Objective and Approach

Substandard conditions in rural primary schools in Romania create health risks, contribute to problems of incomplete school attendance and degrade teaching effectiveness and learning achievement. They also contribute to low motivation on the part of students and teachers. The MER recently carried out a census of rural primary schools Rural Education in Romania: Conditions, Challenges, and Strategies of Development, Ministry of Education and Research, Institute for Educational Sciences, Bucharest, 2000, which documents the substandard conditions in rural basic education schools. The report includes an analysis of the causes of non-attendance and low performance in rural basic education schools, based on three sources: a 2001 beneficiary assessment, including focus-group discussions with school principals and parents, multivariate regression analysis of the results of the 1996 and 1998 Integrated Household Surveys, and multivariate regression analysis of the results of the 1997, 1998, and 1999 capacitate (grade 8) examinations. Among the many findings of this analysis are that rural schools with higher proportions of unqualified teachers have lower student performance, and that schools in communities which participated in various activities of the school have higher performance than schools which lack community participation. Accordingly, the Project includes interventions to raise the qualifications of teachers (Components 1.1 and 1.2) and to increase community participation in schools (Component 2).
These actions are expected to promote the project development objective of improved quality of rural education, as gauged by improved student achievement scores and higher completion and transition rates.

The census of rural primary schools also documented the very poor physical condition and impoverished state of teaching and learning conditions in rural schools, including the following: 31% of kindergartens, 28% of grade 1-4 schools, and 17% of grade 1-8 schools lack any supply of water in the school. When schools are equipped with a water supply, very rarely is it provided to toilet facilities. Most rural schools have toilets or latrines of some kind, but only 5% have toilet facilities with running water. Since September 2002, the new “Bread and Milk” program is providing free bread and milk to all students in pre-primary and in the first four grades. Although this nutritional program is expected to lead to improved attendance and attentiveness of students in poorer areas, the Government is, appropriately, concerned that it could lead to health risks in schools with inadequate sanitary facilities. Although most rural schools have heating facilities of some kind, most heating facilities in rural schools are inadequate, leaving classrooms very cold in the winter, which adversely affects school attendance and the effectiveness of teaching and learning. School furniture in 13% of rural schools is completely unsatisfactory. Although most grade 1-4 schools operate with multi-grade teaching, almost none has school furniture that permits students to work in clusters, as effective multi-grade teaching requires. Only 5% of rural schools lack electricity – typically, because they are in villages, which lack electricity. But many rural schools have insufficient lighting for effective education during the winter months when natural light is inadequate. Most rural schools, and especially the grade 1-4 schools, have virtually no educational materials such as maps, dictionaries and other reference books, teachers’ guides, reading books, or science materials. The school improvements, which are being provided under Component 1.3 and the improved educational materials, which are being provided under Component 1.1, are designed to address these needs. In doing so, they are also expected to contribute to the project development objective of improved quality of rural education, as gauged by improved student achievement scores and higher completion and transition rates.

In addition to these specific findings on the needs of rural basic education in Romania, there are broader reasons for the proposed project focus and approach. Quality education for all is a central thrust of the Bank wide Education Sector Strategy, Education Sector Strategy, The World Bank, 1999. Inequitable access to quality education is widely recognized as a threat to social cohesion and high productivity. A recent OECD report cites the importance of early attention to access and equity problems in education as a cost-effective means of avoiding greater expenditures later to deal with the social and economic consequences of access gaps (Education Policy Analysis: Education and Skills, OECD, 2001).

The project is explicitly provided for in the agreed CAS. The current CAS (Memorandum of the President of the International Bank for Reconstruction and Development and the International Finance Corporation to the Executive Directors on a Country Assistance Strategy of the World Bank Group for Romania, World Bank Report No. 22180-RO, May 22, 2001) provides for the Rural Education Project under both the high-case and low-case scenarios. The project is provided for as a targeted poverty intervention: "The targeted poverty interventions would emphasize investments in the delivery of key social and infrastructure services, especially in rural areas. This should address problems of inequitable access to education and primary health care services, as well as other community services, across regions and among the most vulnerable groups – children, women, and ethnic minorities." (paragraph 58).

Least-Cost Approach for Attaining Improved Rural Access to Quality Education

To examine the cost of alternative designs, which would achieve the project objective, as well as the
proposed design, we consider, first, that, given the deficiencies of the current system, any effective approach to raising educational quality in rural schools would need to include major initiatives to provide teacher training, educational materials, and upgrading of school facilities, (which are to be provided under Component 1 of the proposed project), strengthened community participation in schools (which is to be supported under Component 2), and strengthened management capacity (which is to be supported under Component 4). The monitoring, evaluation, and improved policy-making capacity activities (Component 3) are indispensable in order to judge the development effectiveness of the project. The School-Community Partnerships activity (Component 2) is included because school-community partnerships have been found in other settings to be a cost-effective approach for raising educational quality and school performance—especially in rural settings.

The main alternative approaches that were considered for providing equal opportunities to rural students to assess quality education were: a) bussing children from rural areas to improved, central schools, and b) reliance on distance education to reach rural schools. Detailed estimates, which are available in the Project file, confirmed that the costs of these alternatives significantly exceed the cost of the proposed project design or may not be achievable in the present context of Romania.

Financial Analysis

The project is expected to affect education expenditures of three kinds: a) state budget recurrent and investment expenditures; b) local budget investment and recurrent expenditures; and c) household expenditures. The project activities are expected to lead to a modest increase in state budget requirements, a net decrease in local government expenditures for education, and a decrease in household expenditures for education. The project is estimated to generate incremental investment and recurrent costs to the state budget of less than 3% of current state budget expenditures for education. This modest increment to state budget expenditures on education is expected to be sustainable. This amount is well within the recommended increase in budget financing proposed in the recent Romania Education Policy Note, World Bank Report No. 24353-RO, October 1, 2002 and in the Programmatic Adjustment Loan, which is currently in preparation.

The Project is expected to affect aggregate expenditures for education as follows:

- **State budget, investment.** As shown in Annex V, the direct costs of the project are estimated at a total of $90 million over the initial six years of implementation, or an average of $15 million per year over that period. Project expenditures are expected to be heaviest during the initial years of the project, with maximum expenditures of $22.6 million projected during the third year of implementation. This maximum projected annual increment to education expenditures is less than 3% of total education expenditures under the state budget (which were 20,173 billion lei, or $929 million in 2000.)

- **State budget, recurrent.** The only significant impact of the Project on state budget recurrent expenditures is expected to occur through the higher salaries which will be paid to teachers who become fully qualified under component 1.2 of the project. Qualified teachers currently earn 2,928,000 lei, or $86.84 per month. Unqualified teachers earn 2,338,000 lei, or $69.35 per month. A total of 4,000 teachers are projected to be qualified under Component 1.2. Multiplied by the $209.88 annual salary increment for qualified teachers, this implies total incremental salary costs of $839,520 per year for teacher upgrading at project completion. (Teachers’ social benefits and location premia are not affected by upgrading qualifications). This increment amounts to less than one-eighth of one percent of total state budget outlays for teacher salaries (which amounted to 14,504 billion lei, or $668 million in 2000).
Local expenditures on education. Teacher salaries and special educational initiatives of the central government are financed from the state budget, but local governments are legally responsible for construction, operation and maintenance of primary and secondary schools. Local government outlays on education totaled 2,578 billion lei, or $118 million in 2000. The project will affect local government expenditures in several ways. First, the school rehabilitation, which will be carried out under Component 1.3, will, in most cases, reduce local expenditures on school maintenance by substituting lower-maintenance materials for more maintenance-intensive materials. School rehabilitation in many cases is expected to lead to lower fuel costs through improved thermal insulation of schools. In some cases, school rehabilitation may lead to modestly higher electricity charges as the illumination of classrooms is improved, and higher fuel costs as functioning stoves or heating plants replace inoperative units. Provision of water to schools, which currently lack water supply, will lead to a modest increase in local water and/or electricity charges for the localities in which these schools are located. On balance, the increases in local expenditures for school operations and maintenance occasioned by the rehabilitation investments under Component 1.3 are expected to be roughly offset by reduced outlays for maintenance and fuel. Local governments will also be responsible for the operations and maintenance costs of the 41 mobile resource centers, which are to be provided under Component 1.1 of the Project. These costs, estimated at $3,000 per year per unit, are expected to be well within the budgetary capacity of the counties, which will be responsible for their operation. In some cases, local governments may contribute financially to the 10% beneficiaries' contribution to school-community grants (averaging $4,000), which are to be carried out under Component 2. This contribution is not expected to be burdensome for local governments because the bulk of local contributions are expected to be in the form of locally provided labor. But these combined recurrent-budget effects of the project (which are expected to lead to a modest net increase in recurrent outlays of local governments for education) are expected to be more than offset in the aggregate by the investment-budget savings to poor communities.

Household expenditures on education. The Project interventions are expected to reduce educational outlays of poor rural households by providing under the project educational inputs such as educational materials that would otherwise be provided by households, or would not be provided at all. This reduction of the private costs of education to poor, rural households is expected to contribute to the equity objective of the project by lowering the economic barrier to school attendance in rural areas. Household contributions to the school-community grants under Component 2 are expected to be almost exclusively in the form of labor contributions by parents. This increased parental involvement is itself expected to yield monitorable benefits in the form of school attendance, school completion, and student achievement.
### Annex 5: Financial Summary

**ROMANIA: Rural Education Project**

**Years Ending**

**June 30**

<table>
<thead>
<tr>
<th>IMPLEMENTATION PERIOD</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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<td>0.3</td>
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<td><strong>Total Project Financing</strong></td>
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<td>25.1</td>
<td>15.7</td>
<td>9.1</td>
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</tbody>
</table>

**Main assumptions:**

The project is expected to affect education expenditures of three kinds: a) state budget recurrent and investment expenditures, b) local budget investment and recurrent expenditures, and c) household expenditures. The project activities are expected to lead to an increase state and local budget requirements, and a decrease in household expenditures for education. The amounts of projected increase in state and local budget requirements are modest in relation to current expenditures in the sector, and are well within the recommended increase in budget financing recommended in the recent *Education Policy Note. Romania Education Policy Note*, World Bank Report No. 24353-RO, October 1, 2002. They are therefore considered sustainable. The expected decline in household budget outlays would contribute to the equity objective of the project by lowering the economic barrier to school attendance in rural areas. The estimates of financial impacts of the project will be refined at appraisal, and the detailed results presented in the final documentation for the project.

6.2. The project will be financed by a Bank Loan of US$60.0 million equivalent, a Government counterpart of US$30.0 million equivalent and Beneficiaries contributions of US$1 million equivalent. The aggregate cost of the investment, counterpart funds and Beneficiaries contribution is US$91.0 million equivalent.

6.3. A General Procurement Notice (GPN) would be published in the UN "Development Business" around the period of Loan Negotiations and would be annually updated. For ICB goods contracts and large-value consultants contracts (more than US$200,000), Specific Procurement Notice would be advertised in the Development Business and national press, and in the case of NCB, in a major local newspaper (in the national language).

6.4. The MER will have overall responsibility for the project. The management of its procurement activity will be carried out by two PMUs established within the Ministry. The PMU that implemented the Reform of Higher Education and Research project, and is also in charge with the project preparation under a PHRD Grant (TF026809) will be responsible for all components except sub-component 1.3.

For the Sub-Component 1.3, which involves rehabilitation works for schools, coordination will be done by the School Rehabilitation Project Management Unit that is also in charge with the ongoing School Rehabilitation Project (further SR PMU).

The Grants program will be implemented at the local level through Community Participation in Procurement, however overall responsibility for supervision and procurement Management will remain with the PMU.

The procurement arrangements under the project are primarily based on the Bank appraisal of the existing procurement management capacity of these two Agencies.

The Capacity Assessment is shown in Table B to this Annex and the action plan to increase
Procurement Scope and Procedures Arrangements

6.5. The Project will finance the procurement of goods, works, consultant services, training contracts and grants. The relevant procurement procedures are described in the succeeding paragraphs. Table A summarizes the project costs by procurement arrangements. The procurement plan is shown in Table B1. A summary assessment of procurement capacity of the implementing agency is presented in Table B and the Bank’s review process is shown in Table C. For procurement financed by the Bank Loan, the Borrower shall use the Bank’s latest Standard Bidding Documents, Standard Form of Consultant Contracts and Request for Proposals (RFP), and Standard Bid Evaluation Forms.

Procurement of Goods and Works

6.6. The following methods of procurement will be used:

**International Competitive Bidding (ICB).** Goods contracts estimated at more than US$1,000,000 equivalent per contract, will be procured using International Competitive Bidding (ICB) procedures in accordance with the Bank Procurement Guidelines. Bid documents for ICB will be prepared in accordance with the Bank Standard Bidding Documents (SBD) for Procurement of Goods.

**International Shopping (IS) and/or National Shopping (NS).** IS procedures will be used for the purchase of goods estimated to cost less than US$100,000 equivalent per contract. NS procedures will be used for the purchase of goods estimated to cost per contract less than US$50,000 equivalent per contract. IS/NS procedures applied would be consistent with the provisions of the Bank Procurement Guidelines. The Bank’s ECA Regional sample format for International Shopping "Invitation to Quote" available on the ECA Procurement Web Site will be applied. The IS format will be modified for use in National Shopping.

**National Competitive Bidding (NCB).** This procedure would be used for contracts up to US$1,000,000 for procurement of civil works such as rehabilitation of lavatories and the water, heating and electrical utilities, as well as for procurement of goods below US$250,000, such as furniture and teaching materials etc.

**Small Works (SW).** Works estimated to cost less than $100,000 equivalent per contract may be procured under lump sum, fixed- price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully.

**Direct Contracting.** For procurement of reading materials under component 1.4, the direct contracting may be used provided there would be no opportunity for the competitive selection at the time when the packages are prepared. This will be used for
buying training materials for individual schools available of the shelf of proprietary nature based on the catalogue prepared by MER. A detailed description of the procedure to be followed is in Annex 2 and will also be clarified in the project Operational Manual.

**Procurement of Consulting Services and Training**

6.7. Contracts for consultant services and training to be executed by the PMUs as shown in Table B1 will be packaged in a manner that will combine related skills and services.

- **Quality and Cost Based Selection (QCBS).** QCBS procedures would be used for all consultant services with firms with the exception of those cases when other procedures are justified.

- **Least Cost Selection (LCS) procedures.** LCS would be used for auditing services contracts, preparation of surveys, analyses, assessments, and for the engineering design of non-complex.

- **Consultant Qualification (CQ) procedures.** CQ procedures would be used for contracting specialized firms for contracts, largely devoted to local training contracts, beneficiary assessments with individual contract value below US$100,000.

- **Individual Consultants (IC).** IC would be hired in accordance with Section V of the Consultant Guidelines. Individual consultants would be used for small assignments of short-term duration such as evaluation, analyses, and other activities under sub-component 1.3 and monitoring and evaluations for the project management.

- **Open Distance Learning Modules under sub-component 1.2 for which no suitable alternatives for private sector consultants are available due to requirements of language and knowledge of local standards, and the participation of local government owned universities is critical to the objective of the project, it is proposed to select a group of the university professors which will be responsible for the development of curriculum framework for training of primary unqualified and secondary education unqualified teachers.**

- **Community Participation in Procurement** as described in paragraph 3.15 of the Guidelines will be used for Component 2, Improve School-Community Partnership. Under this component demand driven grants will be financed. The average grant value will be approximately US$ 4,000 with a ceiling of US$ 7,000. The total value of the grants is US$10 million. The purpose of these grants is to support local initiatives of teachers, students, parents and other members of community. Procedures for selection of grantees will be developed by PMU by Board and described in details in the project Operational Manual, including procurement methods to be followed during disbursement of grants.

- **Training.** The institutions that will conduct trainings and will organize seminars under components 1, 3 and 4 will be selected on the basis of availability of services, period of training and reasonableness of the cost.

6.8. Review by the Bank of Procurement Decisions
Scheduling of Procurement. Procurement of goods and services for the project would be carried out in accordance with the agreed procurement plan (Table D), which would be updated annually, included in the progress report, and reviewed by the Bank.

(i) Prior Review:

*Works and Goods.* Prior review of bidding documents, including review of evaluation, recommendation of award and contract would be conducted for all ICB. The first two IS, NS and NCB contracts would require prior review. All direct contracts would be subject to prior review.

*Consulting Services and Training.* Terms of Reference for all consulting assignments would be subject to prior Bank review. Requests for Proposal (RFP), short lists, terms of condition of contracts, as well as evaluation reports and recommendation for award would be prior reviewed by the Bank for contracts for individual consultants above US$50,000 and firms above US$100,000. All documents and recommendations involving sole source contracting would be subject to Bank prior review.

Following the award of procurement contracts, the Bank reserves the right to conduct Prior Review of any material modifications or waiver of terms and conditions of a contract which would result in a significant change in the scope of the contract (Terms of Reference in the case of consultant services) and/or increase or decrease of more than fifteen percent of original contract amount.

(ii) Grants

For School Community Grants (SCG) under project component 2, the first two contracts under sub-projects and contracts for sub-projects estimated to cost more than US$50,000, will be subject to prior review by the Bank.

The PMU shall submit for the Bank’s approval the first two Grant Agreements for each category of sub-projects prior to signing the Grant Agreement. The documents submitted for Bank prior review will include, inter alia, a description of the scope and terms of the competition for Grants, the evaluation report, and the draft Grant Agreement.

(iii) Post Review

Those contracts below the Bank’s prior review threshold are subject to the Bank’s ex-post review. Periodic ex-post review by the Bank of not less than 1 in 5 procurement contracts will be undertaken during regular supervision missions.


The following action plan is recommended to strengthen the procurement administration capacity of the PMUs:

(i) Initiating a Project Launch Workshop immediately after the loan effectiveness, as part of the project implementation/capacity building initiatives, especially in procurement. As part of the Project Launch Workshop, it would be beneficial for the stakeholders who are directly involved in the project, if a 2-3 day workshop is carried out on the different phases of goods and
works procurement process, as well as selection of consultants.

(ii) In order to build-in and maintain strong management capacity, it is recommended that Procurement Specialists undergo appropriate training in procurement of civil works and goods, as well as selection of consultants. It is recommended that they attend training on international procurement management organized by ILO in Turin, or by other relevant training center, to be financed by the loan. The procurement training for other staff in the PMUs shall be provided at the workshop to be run by the country office in FY2003.

(iii) Supervision of the procurement activities in the project by the Bank every 6 months.

(iv) Periodic ex-post review by the Bank of 1 in 5 contracts during the supervision missions.

Procurement methods (Table A)

### Table A: Project Costs by Procurement Arrangements
(US$ million equivalent)

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<th>NCB (US$ million)</th>
<th>Other (US$ million)</th>
<th>N.B.F., (US$ million)</th>
<th>Total Cost (US$ million)</th>
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1 Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

2 Includes civil works and goods to be procured through small works, national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local educational units.

Government is financing the Front-end fee up front.

Total amounts are less than the total project cost and total loan amount, due to the unallocated amount of $1.26 million.
## Table B: Thresholds for Procurement Methods and Prior Review

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<th>Expenditure Category</th>
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<td>Below 100,000</td>
<td>NCB</td>
<td>Small works</td>
</tr>
<tr>
<td>2. Goods</td>
<td>Above 250,000</td>
<td>ICB</td>
<td>All contracts</td>
</tr>
<tr>
<td></td>
<td>Below 250,000</td>
<td>NCB</td>
<td>First two contracts</td>
</tr>
<tr>
<td></td>
<td>Below 100,000</td>
<td>IS</td>
<td>First two contracts</td>
</tr>
<tr>
<td></td>
<td>Below 50,000</td>
<td>NS</td>
<td>First two contracts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Direct Contracting</td>
<td>All contracts</td>
</tr>
<tr>
<td>3. Services</td>
<td>Above 100,000</td>
<td>Firm</td>
<td>All contracts</td>
</tr>
<tr>
<td></td>
<td>Above 50,000</td>
<td>IC</td>
<td>All contracts</td>
</tr>
<tr>
<td>4. Grants</td>
<td></td>
<td>CP, as per OM</td>
<td>The first two contracts for each procurement category, regardless of the value of the contract and all contracts over 50,000</td>
</tr>
</tbody>
</table>

**Total value of contracts subject to prior review:** US$20 million

**Overall Procurement Risk Assessment:** High

**Frequency of procurement supervision missions proposed:** One every 6 months
(includes special procurement supervision for post-review/audits)
Table C: Summary of Procurement Activities

<table>
<thead>
<tr>
<th></th>
<th>ICB</th>
<th>NCB</th>
<th>IS</th>
<th>NS</th>
<th>DC</th>
<th>Other Methods (CPP/SW)</th>
<th>% of Loan Subject to Prior Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods Procurement</td>
<td>Above 250,000</td>
<td>Below $250,000</td>
<td>Below $100,000</td>
<td>Below 50,000</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>thresholds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works Procurement</td>
<td>Above $1,000,000</td>
<td>Below $1,000,000</td>
<td>N/A</td>
<td>Below $50,000</td>
<td>N/A</td>
<td>Below $100,000</td>
<td></td>
</tr>
<tr>
<td>thresholds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior Review</td>
<td>All packages</td>
<td>First 2 contracts</td>
<td>First 2 contracts</td>
<td>First 2 contracts</td>
<td>All contracts regardless the value</td>
<td>The first two contracts for each procurement category regardless of the value of the contract and all contracts over 50,000</td>
<td>33%</td>
</tr>
<tr>
<td>QCBS (firms)</td>
<td>N/A</td>
<td>Below $100,000</td>
<td>Below $100,000</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Consultant Qualifications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Least Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agreed Procedure (AP) (Training)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Consultants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Source</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultants</td>
<td>N/A</td>
<td>Below $100,000</td>
<td>Below $100,000</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Prior Review</td>
<td>Shortlist, TORs, evaluation reports and draft contracts for all contracts</td>
<td>Shortlist, TORs</td>
<td>Shortlist, TORs, evaluation reports</td>
<td>Requests including availability of services, period of training and reasonableness of cost</td>
<td>Shortlist, TORs, evaluation reports, and draft contracts for contracts above $50,000</td>
<td>Shortlist, TORs, evaluation reports and draft contracts for all contracts</td>
<td></td>
</tr>
</tbody>
</table>

1) Thresholds generally differ by country and project. Consult "Assessment of Agency's Capacity to Implement Procurement" and contact the Regional Procurement Adviser for guidance.
Annex 6(B) Financial Management and Disbursement Arrangements
ROMANIA: Rural Education Project

Financial Management

1. Summary of the Financial Management Assessment

Country Issues

The first Country Financial Accountability Assessment (CFAA) for Romania has just started with the initial mission carried out in February 2003. When finalized, the document will detail the issues on the financial management risks for the country and the implications for the World Bank operations.

The interim CFAA work confirms that a certain improvement is required in the management of public expenditures, including the budget process and budget execution, as well as cash and debt management. The PMUs have developed policies and procedures that operate in addition to those of the current public expenditure management framework to minimize project financial management risks. The Bank conducted yearly a Country Project Portfolio Review (CPPR) of all projects under implementation in Romania and identified some common financial management issues; the Bank confirmed that all such issues have been appropriately addressed in the design of project’s financial management arrangements.

The banking sector in Romania has strengthened in the past few years, with the liquidity and credit risks reduced to moderate levels. Both the PMU and SR PMU have been operating satisfactorily theirs Projects SAs in commercial banks acceptable to the Bank that have their financial status and statements reviewed on an ongoing basis by the Bank. As these arrangements have been satisfactory, they will remain in place during the Rural Education Project implementation.

Strengths and weaknesses

The significant strengths that provide a basis of reliance on the project financial management system include: (i) the experience of the PMU and SR PMU and their staff in implementing Bank-financed projects and satisfying Bank financial management requirements; and (ii) the unqualified audit reports and positive management letters issued by the PMU and the SR PMU project auditors.

There are no significant weaknesses of the project financial management system.

Implementing Entities

Both (PMU and SR PMU) implementing entities are established within MER as departments, with no legal status of their own and reporting to the Minister of Education and Research. The main PMU, that was responsible for the successful implementation of the Bank Higher Education Project (closed on 30 September 2002) and execution of the preparatory grant, will be overall in charge with all project financial management aspects.

In respect of component 1.3, the SR PMU established also within the MER, and currently in charge with the School Rehabilitation Project (with a closing date of 31 January 2004) will be responsible for the day to day implementation of activities under subcomponent 1.3 and will report monthly to the PMU. The SR PMU has gained extensive experience in the school rehabilitation activities under the successful School Rehabilitation Project.
The PMUs will draw to the extent needed upon the experience and expertise of the MER staff (a number of technical experts will provide technical assistance in developing the technical specifications). In each county, there will be CPIUs (County PIUs) established within the local MER Inspectorates, as local level "extensions" of the main PMU.

**Flow of Funds**

Project funds will flow from: (i) the Bank, either through the two SAs which will be replenished on the basis of SOEs or by direct payment on the basis of direct payment withdrawal applications; or (ii) the Government, via the Treasury on the basis of payment requests prepared by the PMUs.

The Loan Agreement will be signed between the World Bank (IBRD) and the Borrower, through the MPF. The MPF will authorize the MER, through the PMUs to handle the loan amounts. The PMU and the SR PMU will have their own SAs, the PMU for all project activities except component 1.3 and the SR PMU for activities within component 1.3 only. The SAs are to be opened at a commercial bank acceptable to the Bank. The PMU will receive monthly reports from the SR PMU in view of consolidating the Project Financial Statements.

Counterpart contributions payments will be made from separate Treasury project sub-accounts of the main MER budgetary account that will just be used specifically for the Romanian contributions to the project. These contributions will be received monthly, directly through the MER budget, as part of the statutory budgetary system.

The PMUs will have full rights to operate both the special and the project accounts. All documentation pertaining to the project (relating to Loan funds, to the local contributions and other donors as applicable) will be kept at the PMUs.

In respect of the SCG established under component 2 of the Project, the CPIUs will be involved in the collection and analysis of the grant financing requests, based on a codified matrix, so that no CPIUs evaluates the financing requests from its home county, to avoid any conflict of interest. Once the schools are selected and endorsed by the PMU and MER, a financing agreement is signed between the schools and the PMU. The draft format of the financing agreement and its contents is included in the Financial and Administration Manual. The agreement confirms the responsibility of the grant recipient to maintain appropriate books and records in respect of grant expenditures and gives the PMU or anyone authorized by the PMU (e.g. auditor) full access to these books and records for inspection.

After the grants are awarded to the schools, the CPIUs will ensure the day-to-day supervision of the activities by grant beneficiaries and will monitor and analyze the results of the implementation and prepare reports that will be submitted to the PMU in view of the use of funds by each school per tranche, mentioning whether the sub-project milestones have been met, thus justifying the release of the next tranche of the grant.

The procedures for the SCG adopted by the Project are based on the Bank ECSSD booklet “Good Practices in Procurement, Disbursement and Financial Management for SCG in ECA, February 2002”. The PMU adopted a tranche based procedure, so that for the typical grant, amounting to an average of $4,000 (out of which the Bank will finance 75% and the Government 25%), there will be 3 stages: 30%, 60% and 10%, triggered by the achievement of various implementation milestones. For very small grants, of less than $1,000, the PMU agreed on a simplified 2 stages model with 90% and 10% tranches, in line with the Bank guidelines. The SA 90 days advance procedure was adopted, whereby each tranche is advanced for a maximum period of 90 days, after which the grant recipient must either produce
evidence of a completed stage of the tranche or return the funds.

**Staffing**

The PMUs are fully staffed according to their organizational charts and it is deemed that there is sufficient staff capacity to handle the financial management aspects of the project, as for each PMU there is a director, a finance manager, and a number of accountants, economists and procurement specialists and decentralized staff at county level.

The PMUs have allocated the tasks related to the new project and prepared a complete outline of responsibilities for all staff that is included in the Project Financial Management Manual. In addition to the PMUs teams, other experts from the MER will get involved in various implementation areas, when required.

The PMUs accountants handle all financial accounting records, ensure that accounting records are kept up to date within the accounting software and in charge of payments. PMUs economists are mainly in charge with financial analysis, follow up on the contracts execution and planning and budgeting. The PMUs finance managers supervise the accountants and are overall responsible for the planning, budgeting, auditing and reporting aspects, reporting to the PMU directors.

The PMUs have good experience of implementing Bank-financed projects and have demonstrated their capabilities of fulfilling the financial management needs of the project.

**Accounting Policies and Procedures**

The accounting books and records are maintained on a cash basis and project financial statements are presented in Romanian Lei in accordance with the statutory requirements, reporting to the Bank and to the Government. The PMUs have instituted a set of appropriate accounting procedures and internal controls including authorization and segregation of duties, documented in the Project Financial Management Manual.

The PMUs will maintain all documentation related to project expenditures and will keep financial records in accordance with sound accounting practices. The PMUs are responsible for keeping the full accounting records of the Project, in charge of all payments, operating the accounting software, handling the SAs and the other Project Accounts, filling documents on a timely basis and organized in a manner to ensure the full audit trail with the accounting software records.

**Reporting and Monitoring**

The PMUs have developed detailed financial statements and reporting formats. Detailed accounts will be kept for each project component and its sub-components. The accounts also reflect: the status of payment against each contract; utilization of the Special Accounts and replenishments made by the Bank, utilization of the Government contribution and uses of the funds.

The PMUs will prepare reports showing detailed budgeted and actual expenditures, uses of funds by source, summary of withdrawals and forecasts, statements of progress achieved to date and the objectives for the forthcoming quarter and semester. The main PMU will include data received from the SR PMU and will submit the quarterly Financial Monitoring Reports (FMRs) to the Bank starting with the period in which disbursements commence, most likely the quarter ending September 30, 2003 and quarterly (calendar quarters) thereafter, no later than 45 days after the relevant quarter's end. The budgeting and
financial forecasting are an integral part in the process of preparing the FMRs. These activities will involve the PMUs director, the finance managers, the accountants and the procurement specialists.

The PMU has designed appropriate FMRs, as follows

- Project Sources and Uses of Funds
- Uses of Funds by Project Activity
- Special Accounts Statements Plus Local Bank Accounts Statements
- Physical Progress Reports
- Procurement Monitoring Reports

The format of the FMRs is documented in the project Financial Management and Administration Manual.

**Information Systems**

The Bank agreed with the PMUs that their existing project financial management and accounting software systems be also used for the new Project, to allow the PMUs to use their existing experience and capacity. The existing software systems were customized to fully respond to the specifics of the project. The systems feature customized charts of accounts, detailed financial statements, reporting formats and methods, etc. The systems produce reports for expenditures by project components, sub-components and activities, by categories and procurement methods.

The accountants, procurement specialists and finance managers are the primary operators of the software, with the PMU directors responsible for authorizing all payments. The procurement specialists have limited rights to access the software on procurement related aspects.

**Financial Management Action Plan**

There are no remaining financial management actions.

**Supervision Plan**

During project implementation, the Bank will supervise the project’s financial management arrangements in two main ways: (i) review the project’s quarterly financial management reports as well as the project’s annual audited financial statements and auditor’s management letter; and (ii) during the Bank’s supervision missions, review the project’s financial management and disbursement arrangements (including a review of a sample of SOEs and movements on the Special Accounts) to ensure compliance with the Bank’s minimum requirements. As required, a Bank-accredited Financial Management Specialist will assist in the supervision process.

2. **Audit Arrangements**

   a. **Internal Audit**

   The PMUs have no internal audit function and none is considered necessary given the size of the organizations

   b. **External Audit**

   No significant issues have arisen in the audit of the Bank-financed projects implemented by the PMU and
the SR PMU. The audit opinions were unqualified and no significant internal control issues were mentioned in the management letters for both PMUs.

The PMU’s previous and current auditing arrangements and findings of the audits are satisfactory to the Bank and it has thus been agreed that similar audit arrangements will be adopted for the Rural Education Project, to include the Project financial statements, SOEs and Special Account. The audit terms of reference were updated to cater for the Rural Education Project, starting with CY2003. The Project will require that in addition to the standard Bank Project and PMU audit terms of reference, the auditors will have to audit the sub-component 1.3 implemented by SR PMU and to audit the CGS under component 2, including the audit of a representative sample of CPIUs and recipient schools countrywide.

Independent private auditors, acceptable to the Bank, will conduct the audit of the project, on terms of reference acceptable to the Bank, and procured by the PMU through the Least-Cost Selection procurement method. The annual audited project financial statements will be provided to the Bank within six months of the end of each fiscal year and also at the closing of the project. The contract for the audit awarded during the first year of project implementation and thereafter may be extended from year-to-year with the same auditor, subject to satisfactory performance. The cost of the audit will be financed from the proceeds of the loan.

The following chart identifies the audit reports that will be required to be submitted by the project implementation agency together with the due date for submission.

<table>
<thead>
<tr>
<th>Audit Reports</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity</td>
<td>N/A</td>
</tr>
<tr>
<td>Project, SOE and Special Accounts</td>
<td>Within six months of the end of each fiscal year and also at the closing of the project</td>
</tr>
</tbody>
</table>

In addition, the Romanian Court of Accounts, the country’s supreme audit institution, performs ad hoc external audits of the PMUs and the projects under their implementation.

3. Disbursement Arrangements
IBRD funds will be disbursed under the Bank’s traditional procedures including SOEs and direct payments. Supporting documentation for SOEs, including completion reports and certificates, will be retained by the Borrower and made available to IBRD during project supervision. Disbursements for expenditures above the SOE thresholds will be made against presentation of full documentation relating to those expenditures. There is no plan to move to periodic disbursements.

To facilitate disbursements against eligible expenditures, the Government would establish two Special Accounts. The Special Account A will be operated by the PMU and the Special Account B will be operated by the SR PMU, under terms and conditions satisfactory to the Bank. The authorized allocations for the Special Accounts will be: (i) for the Special Account A- US$3.5 million; and (ii) for the Special Account B- US$2.5 million. Replenishment applications will be submitted monthly and will be fully documented, including bank statement and reconciliation statement, except for expenditures, which may be claimed on the basis of the Statement of Expenditures. Independent auditors acceptable to the Bank would audit Special Accounts annually.

Table C shows the allocation of Loan proceeds for civil works, goods and consulting services.

Allocation of loan proceeds (Table C)

- 90 -
Table C: Allocation of Loan Proceeds

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Amount in US$million</th>
<th>Financing Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Equipment and Materials</td>
<td>24.44</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex factory cost) and 80% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>Works</td>
<td>21.36</td>
<td>100% of foreign expenditures and 80% of local expenditures</td>
</tr>
<tr>
<td>Training</td>
<td>1.01</td>
<td>100% of foreign expenditures and 75% of local expenditures</td>
</tr>
<tr>
<td>Consultant Services including audit services</td>
<td>4.43</td>
<td>75% of expenditures incurred by local consultants and 84% of expenditures incurred by foreign consultants</td>
</tr>
<tr>
<td>Grants</td>
<td>7.50</td>
<td>75%</td>
</tr>
<tr>
<td>Unallocated</td>
<td>1.26</td>
<td></td>
</tr>
<tr>
<td>Total Project Costs</td>
<td>60.00</td>
<td></td>
</tr>
<tr>
<td>Front-end fee</td>
<td></td>
<td>Paid by Borrower (not capitalized)</td>
</tr>
<tr>
<td>Total</td>
<td>60.00</td>
<td></td>
</tr>
</tbody>
</table>

Use of statements of expenditures (SOEs):

Withdrawal applications would be fully documented. The reimbursement of expenditures made from the Special Accounts may be made on the basis of certified Statements of Expenditures (SOEs), for the following items:

(i) Goods: contracts amounting to less than US$100,000 equivalent each;
(ii) Works: contracts amounting to less than US$100,000 equivalent each;
(iii) Consulting firms: contracts amounting to less than US$100,000 equivalent each; and
(iv) Consulting services-individuals: contracts amounting to less than US$ 50,000 equivalent each.

Expenditures above these thresholds will be fully documented.

Special account:

To facilitate disbursements against eligible expenditures, the Government would establish two Special Accounts. The Special Account A will be operated by the PMU and the Special Account B will be operated by the SR PMU, under terms and conditions satisfactory to the Bank. The authorized allocations for the Special Accounts will be: (i) for the Special Account A- US$3.5 million; and (ii) for the Special Account B- US$2.5 million. Replenishment applications will be submitted monthly and will be fully documented, including bank statement and reconciliation statement, except for expenditures which may be claimed on the basis of the Statement of Expenditures (SOEs). The Special Accounts would be audited annually by independent auditors acceptable to the Bank.
Annex 7: Project Processing Schedule

ROMANIA: Rural Education Project

<table>
<thead>
<tr>
<th>Project Schedule</th>
<th>Planned</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time taken to prepare the project (months)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>First Bank mission (identification)</td>
<td>04/12/2002</td>
<td>04/12/2002</td>
</tr>
<tr>
<td>Negotiations</td>
<td>03/10/2003</td>
<td>03/18/2003</td>
</tr>
<tr>
<td>Planned Date of Effectiveness</td>
<td>09/15/2003</td>
<td></td>
</tr>
</tbody>
</table>

Prepared by:
The Ministry of Education and Research, Project Preparation Unit

Preparation assistance:
A Japan PHRD Grant (TF026809) in the amount of US$462,540 was received and used for project preparation by the recipient to contract consulting services for the following preparation activities: (i) identification of obstacles to school attendance and satisfactory education achievements in rural areas, policies and programs development; (ii) policies and programs feasibility studies; (iii) identification of approaches for strengthening community-school linkages; (iv) capacity building for project implementation, including the preparation of the Project Implementation Plan.

The grant was successfully executed by MER. The planned outputs were completed and consultant performance was satisfactory, with significant transfer of technical knowledge to the client. Both the client and stakeholders benefited from consultative workshops and gained experience in program management, financial management, and procurement.

Bank staff who worked on the project included:

<table>
<thead>
<tr>
<th>Name</th>
<th>Speciality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ana Maria Sandi</td>
<td>Program Team Leader, Task Team Leader (ECSHD)</td>
</tr>
<tr>
<td>Mariana Doina Moarcas</td>
<td>Operations Analyst (ECSHD)</td>
</tr>
<tr>
<td>Juan Prawda</td>
<td>Lead Education Specialist (LCSHE)</td>
</tr>
<tr>
<td>Michael Mertaugh</td>
<td>Lead Education Economist (ECSHD)</td>
</tr>
<tr>
<td>James Socknat</td>
<td>Education Specialist, QER, Panel Chair (Consultant)</td>
</tr>
<tr>
<td>Joel E. Reyes</td>
<td>Sr. Institutional Development Specialist QER Panel member (LCSHE)</td>
</tr>
<tr>
<td>Helen Craig</td>
<td>Education Specialist, QER Panel member (Consultant)</td>
</tr>
<tr>
<td>Vladimir Krasikov</td>
<td>Sr. Procurement Specialist (ECPS)</td>
</tr>
<tr>
<td>Edward Heneveld</td>
<td>Education Specialist (Consultant)</td>
</tr>
<tr>
<td>Bogdan Constantinescu</td>
<td>Financial Management Specialist (ECPS)</td>
</tr>
<tr>
<td>Raluca Marina Banioth</td>
<td>Program Assistant (ECCRO)</td>
</tr>
<tr>
<td>Jennifer Manghinang</td>
<td>Program Assistant (ECSHD)</td>
</tr>
<tr>
<td>Nicholas Chistyakov</td>
<td>Sr. Finance Officer (LOAG1)</td>
</tr>
<tr>
<td>Irina Kichugina</td>
<td>Sr. Counsel (LEGEC)</td>
</tr>
<tr>
<td>Samuel McClelland</td>
<td>Education Specialist (Consultant)</td>
</tr>
<tr>
<td>Rita Cestti</td>
<td>Sr. Water Resources Economist (ECSSD)</td>
</tr>
</tbody>
</table>
Annex 8: Documents in the Project File*

ROMANIA: Rural Education Project

A. Project Implementation Plan

Project Implementation Plan
Operational Manual
Environmental Management Plan

B. Bank Staff Assessments

Romania Education Reform Project Implementation Completion Report, August 2002.
Assessment of the Capacity of the Project Management Unit to Undertake Procurement Administration for Romania Rural Education Project, Vladislav Krasikov, Antonia Viyachka, October 2002.
School Based Professional Development, Samuel McClelland, September 2002.
Technical Description of School Community Grants, Juan Prawda, August 2002.

C. Other

Government of Romania, Rural Education Project, Environmental Management Plan and Environmental Guidelines, Basic Education Conditions in Schools (Sub-component 1.3) and School Community Grant Program (Component 2).
The Current Status of Rural Education in Romania: Diagnosis and Priority Problems, Cezar Barzea, 2002.
Reform Measures From the Rural Education Perspective, Cezar Barzea, 2002.
Rural Education in Romania's Social-Demographic Context, Ionica Berevoescu, 2002.
School - Community Partnerships, Cristina Vlădu, 2002.
Institutional Assessment, Gabriel Ivan, 2002.

*Including electronic files
### Annex 9: Statement of Loans and Credits

**ROMANIA: Rural Education Project**

26-Mar-2003

<table>
<thead>
<tr>
<th>Project ID</th>
<th>FY</th>
<th>Purpose</th>
<th>Original Amount in US$ Millions</th>
<th>Difference between expected and actual disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>P067367</td>
<td>2003</td>
<td>FOREST DEVT</td>
<td>$25.00</td>
<td>-95.00</td>
</tr>
<tr>
<td>P067575</td>
<td>2003</td>
<td>PSAL 2</td>
<td>$300.00</td>
<td>0.00</td>
</tr>
<tr>
<td>P068062</td>
<td>2003</td>
<td>ENERGY EFF (GEF)</td>
<td>$0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>P069679</td>
<td>2003</td>
<td>PPIBL</td>
<td>$18.60</td>
<td>0.00</td>
</tr>
<tr>
<td>P057960</td>
<td>2002</td>
<td>RURAL DEV (APL #1)</td>
<td>$40.00</td>
<td>0.00</td>
</tr>
<tr>
<td>P065065</td>
<td>2002</td>
<td>AG POLLUTION CONTROL (GEF)</td>
<td>$0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>P066068</td>
<td>2002</td>
<td>SDF 2 (APL #2)</td>
<td>$20.00</td>
<td>0.00</td>
</tr>
<tr>
<td>P056891</td>
<td>2001</td>
<td>RURAL FIN (APL #1)</td>
<td>$80.00</td>
<td>0.00</td>
</tr>
<tr>
<td>P068783</td>
<td>2001</td>
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<td>HEALTH SECTOR REFORM</td>
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<td>PIBL</td>
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<td>GENL CADASTRE</td>
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<td>SECOND ROADS</td>
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<td>RAILWAY</td>
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<td>PETROL SECT REHAB</td>
<td>$175.60</td>
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Total: $1417.70  | 0.00  | $20.65  | 47.30  | 646.77  | 275.51  | -88.63  | -95.00
### Romania

**Statement of IFC's Held and Disbursed Portfolio**

**Jun 30 - 2002**

In Millions US Dollars

<table>
<thead>
<tr>
<th>FY Approval</th>
<th>Company</th>
<th>Committed IFC</th>
<th>Disbursed IFC</th>
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<td></td>
<td>Loan</td>
<td>Equity</td>
<td>Quasi</td>
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<tr>
<td>1999</td>
<td>4.76</td>
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<td>0.00</td>
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<tr>
<td>1998/02</td>
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<td>0.00</td>
<td>10.00</td>
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<tr>
<td>2001</td>
<td>5.92</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1998</td>
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<tr>
<td>1998</td>
<td>2.14</td>
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<tr>
<td>2001</td>
<td>5.56</td>
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<td>0.00</td>
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<td>1998</td>
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<tr>
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<td>14.89</td>
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<td>0.00</td>
</tr>
<tr>
<td>1998</td>
<td>4.10</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>2002</td>
<td>0.00</td>
<td>2.03</td>
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<tr>
<td>1997/00</td>
<td>1.77</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>1997</td>
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<tr>
<td>1994/98/01</td>
<td>4.00</td>
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<td>0.00</td>
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<tr>
<td>Total Portfolio:</td>
<td>45.46</td>
<td>4.43</td>
<td>12.00</td>
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<table>
<thead>
<tr>
<th>FY Approval</th>
<th>Company</th>
<th>Approvals Pending Commitment</th>
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<td>Equity</td>
</tr>
<tr>
<td>2001</td>
<td>30.20</td>
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</table>

**Total Pending Commitment:** 30.20 0.00 0.00 45.73
Annex 10: Country at a Glance

ROMANIA: Rural Education Project

<table>
<thead>
<tr>
<th>POVERTY and SOCIAL</th>
<th>Romania</th>
<th>Europe &amp; Central Asia</th>
<th>Lower-middle-Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population, mid-year (millions)</td>
<td>22.4</td>
<td>475</td>
<td>2,164</td>
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<tr>
<td>GNI per capita (Atlas method, US$)</td>
<td>1,720</td>
<td>1,960</td>
<td>1,240</td>
</tr>
<tr>
<td>GNI (Atlas method, US$ billions)</td>
<td>38.6</td>
<td>930</td>
<td>2,677</td>
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</table>

Average annual growth, 1995-01

<table>
<thead>
<tr>
<th></th>
<th>Population (%)</th>
<th>Labor force (%)</th>
<th>Most recent estimate (latest year available, 1995-01)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.2</td>
<td>0.2</td>
<td>30</td>
</tr>
<tr>
<td>Poverty (% of population below national poverty line)</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban population (% of total population)</td>
<td>55</td>
<td>63</td>
<td>46</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>70</td>
<td>69</td>
<td>69</td>
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<tr>
<td>Infant mortality (per 1,000 live births)</td>
<td>19</td>
<td>20</td>
<td>33</td>
</tr>
<tr>
<td>Child malnutrition (% of children under 5)</td>
<td></td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Access to an improved water source (% of population)</td>
<td>58</td>
<td>90</td>
<td>80</td>
</tr>
<tr>
<td>Anemia (% of population age 15+)</td>
<td>2</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Gross primary enrollment (% of school-age population)</td>
<td>104</td>
<td>102</td>
<td>107</td>
</tr>
<tr>
<td>Male</td>
<td>105</td>
<td>103</td>
<td>107</td>
</tr>
<tr>
<td>Female</td>
<td>103</td>
<td>101</td>
<td>107</td>
</tr>
</tbody>
</table>

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

| GDP (US$ billions) | 28.8 | 38.2 | 38.7 | |
| Gross domestic investment/GDP | 30.3 | 28.0 | 19.7 | 21.0 |
| Exports of goods and services/GDP | 17.8 | 33.0 | 33.5 | |
| Gross domestic savings/GDP | 24.1 | 14.0 | 13.8 | |
| Gross national savings/GDP | -28.9 | 15.3 | 15.8 | |
| Current account balance/GDP | -3.5 | -3.6 | -6.0 | |
| Interest payments/GDP | -6.0 | 1.4 | 1.5 | |
| Total debt/GDP | 7.4 | 26.6 | 28.7 | |
| Total debt service/exports | 15.2 | 2.4 | 18.6 | 16.8 |
| Present value of debt/GDP | 102.5 | 126.2 | 28.7 | 60.4 |

GDP per capita (average annual growth) | 4.8 | 5.3 | 5.4 | 5.2 |

Exports of goods and services (average annual growth) | 3.5 | 6.0 | 5.4 | 6.0 |

| (% of GDP) | | | | |
| Agriculture | 10.4 | 18.3 | 12.5 | 15.0 |
| Industry | 56.6 | 45.1 | 34.1 | 34.5 |
| Manufacturing | 27.0 | 36.6 | 53.4 | 50.4 |
| Services | | | | |
| Private consumption | 53.3 | 60.7 | 79.0 | 79.9 |
| General government consumption | 12.3 | 15.2 | 8.9 | 6.3 |
| Imports of goods and services | 21.5 | 38.7 | 41.6 | |

Growth of Investment and GDP (%) | | | | |
| Growth of exports and Imports (%) | | | | |

Note: 2001 data are preliminary estimates
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.
### PRICES and GOVERNMENT FINANCE

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<th></th>
<th></th>
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<tbody>
<tr>
<td>Domestic prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(% change)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Consumer prices</td>
<td>3</td>
<td>170.2</td>
<td>45.7</td>
<td>34.5</td>
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<tr>
<td>Implicit GDP deflator</td>
<td>195.0</td>
<td>44.1</td>
<td>37.0</td>
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<tr>
<td>Government finance</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of GDP, includes current grants)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current revenue</td>
<td>38.9</td>
<td>31.2</td>
<td>30.5</td>
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<tr>
<td>Current budget balance</td>
<td>6.3</td>
<td>-0.7</td>
<td>0.0</td>
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<tr>
<td>Overall surplus/deficit</td>
<td>0.3</td>
<td>-4.0</td>
<td>-3.3</td>
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### TRADE

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</thead>
<tbody>
<tr>
<td>(US$ millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total exports (fob)</td>
<td>11,180</td>
<td>4,266</td>
<td>10,387</td>
<td>11,385</td>
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<td>Textiles</td>
<td>634</td>
<td>1,658</td>
<td>1,516</td>
<td>1,500</td>
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<tr>
<td>Metals</td>
<td>621</td>
<td>822</td>
<td>749</td>
<td>749</td>
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<td>Manufactures</td>
<td>2,636</td>
<td>6,984</td>
<td>8,122</td>
<td>8,122</td>
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<tr>
<td>Total imports (cif)</td>
<td>5,793</td>
<td>13,095</td>
<td>15,552</td>
<td>15,552</td>
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<td>Food</td>
<td>785</td>
<td>932</td>
<td>1,207</td>
<td>1,207</td>
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<tr>
<td>Fuel and energy</td>
<td>2,626</td>
<td>1,893</td>
<td>2,237</td>
<td>2,237</td>
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<tr>
<td>Capital goods</td>
<td>980</td>
<td>3,767</td>
<td>4,326</td>
<td>4,326</td>
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<tr>
<td>Export price index (1995=100)</td>
<td>93</td>
<td>98</td>
<td>96</td>
<td>96</td>
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<tr>
<td>Import price index (1995=100)</td>
<td>101</td>
<td>91</td>
<td>88</td>
<td>88</td>
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<tr>
<td>Terms of trade (1995=100)</td>
<td>92</td>
<td>108</td>
<td>110</td>
<td>110</td>
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### BALANCE of PAYMENTS

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<tbody>
<tr>
<td>(US$ millions)</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Exports of goods and services</td>
<td>13,462</td>
<td>4,946</td>
<td>12,133</td>
<td>13,379</td>
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<td>Imports of goods and services</td>
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<td>6,191</td>
<td>14,071</td>
<td>16,557</td>
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<td>Resource balance</td>
<td>184</td>
<td>-1,245</td>
<td>-1,939</td>
<td>-3,178</td>
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<td>Net income</td>
<td>-1,017</td>
<td>15</td>
<td>-281</td>
<td>-282</td>
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<td>Net current transfers</td>
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<td>218</td>
<td>860</td>
<td>1,143</td>
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<td>Current account balance</td>
<td>-833</td>
<td>-1,012</td>
<td>-1,359</td>
<td>-2,317</td>
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<td>Financing items (net)</td>
<td>596</td>
<td>1,199</td>
<td>2,285</td>
<td>3,801</td>
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<td>Changes in net reserves</td>
<td>238</td>
<td>-187</td>
<td>-926</td>
<td>-1,484</td>
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<tr>
<td>Memo:</td>
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<td>Reserves including gold (US$ millions)</td>
<td>1,010</td>
<td>3,396</td>
<td>4,880</td>
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<td>76.4</td>
<td>20,954.1</td>
<td>29,808.6</td>
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### EXTERNAL DEBT and RESOURCE FLOWS

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<td>(US$ millions)</td>
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<tr>
<td>Total debt outstanding and disbursed</td>
<td>10,447</td>
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<td>1,876</td>
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<td>Total debt service</td>
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<td>IDA</td>
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<td>0</td>
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<td>Composition of net resource flows</td>
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<td>Official grants</td>
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<td>36</td>
<td>103</td>
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<td>Official creditors</td>
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<td>510</td>
<td>111</td>
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<td>Private creditors</td>
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<td>115</td>
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<td>101</td>
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<td>293</td>
<td>31</td>
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<td>Interest payments</td>
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<td>0</td>
<td>104</td>
<td>103</td>
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<tr>
<td>Net transfers</td>
<td>273</td>
<td>3</td>
<td>189</td>
<td>-72</td>
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MAP SECTION