

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB3063

<b>Project Name</b>	TP Education Sector Support
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Sector</b>	Primary education (50%), secondary education (25%), and tertiary education (25%)
<b>Project ID</b>	P095873
<b>Borrower(s)</b>	Ministry of Planning and Finance
<b>Implementing Agency</b>	Ministry of Education and Culture
	Ministry of Education and Culture
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### 1. Country and Sector Background

1. *Background.* Timor-Leste achieved independence in 2002. The years since have been characterized both by progress and turmoil. The country has made progress in rehabilitating its economy, improving human development indicators, reconstructing its infrastructure, and in building a nation. However, significant social and political divisions remain, and disturbances by unemployed and disenfranchised youth have been frequent during the last years. Timor-Leste has an advantage that most lower-income countries do not – oil and gas reserves that can be harnessed to fund development.<sup>1</sup> However, capacity constraints make it likely that it will be some years before these funds can be optimized by the Government. The GoTL's FY 06/07 budget is US\$328 million, considerably higher than the FY 06 budget of US\$130million.

2. Significant improvements have been made in the education sector, particularly in terms of increasing access through the provision of new schools, and bringing primary net enrollment rate from 51 percent in 2000/01 to 80 percent in 2004/05. The MoE has also produced a basic education strategy which has won significant international backing through the Fast Track Initiative. Despite these improvements, challenges remain. Over 40 percent of adults are illiterate; life expectancy at birth is only 62; infant mortality is above the low-income country average; malnutrition is widespread with almost half the population of children under five being stunted and underweight; and two in five people in Timor-Leste are considered poor and unable to attain a minimal standard of living. Timorese society is young, with more than 50 percent of the population being under 15, and the country has one of the highest fertility rates in the world, placing stress on an already seriously challenged education system.

<sup>1</sup> The Treaty, signed between Australia and Timor-Leste, gives GoTL 90 percent of the royalties from the shared zone of undersea exploration of oil and gas reserves.

3. *Sector issues.* The rapid expansion of the population and rapid growth of the education system has placed pressure on a Ministry that is experiencing severe capacity constraints at all levels.<sup>2</sup> Although MoEC does not, as yet, have a capacity building plan, capacity analyses have been completed and a draft plan is being prepared with the assistance of NZAID.<sup>3</sup> In addition to an absence of trained staff, few existing staff have had exposure to either education principles, systems or good practice. Virtually all are new managers with little previous experience with large scale reforms. In recent years, the Ministry has tended to rely heavily on technical assistance to complete many of its routine operations. Most decisions are made by small cadre of senior Ministry officials, without the benefit of strong management, implementation, or information systems. Until recently there was no functioning EMIS or a means of collecting reliable system data to support the management decision making process.

4. The challenges faced by this new Ministry are further compounded by the lack of systematic recruitment policies and a human resource development plan. MoEC's initial staffing decisions have weighed heavily on language skills, perhaps at times to the disadvantage of applicants with education and management experience. In-country production of high level manpower is critical to the long-term development of the Ministry and of the country. Although the tertiary sector is expanding to meet this need, it is doing so without quality assurance policies or systems..

5. MoEC's budget execution is weak. As of March 2007, budget execution averaged only 33% of the Ministry's FY06/07 allocation.<sup>4</sup> This low level of expenditure is linked to: (i) the lack of planning and procurement capacity to link the Directorates' Annual Action Plans (AAPs) to a sector strategy/program outlined in the Sector Investment plan (SIP), (ii) the lack of technical capacity to execute the AAPs, and (iii) the absence of the capacity to thoroughly review of AAPs prior to submission to the Ministry of Planning and Finance. Efforts to address these weaknesses include: (i) the Bank-financed Planning and Financial Management Capacity Building Program (PFMCBP) that is strengthening public sector management in all ministries, including the MoEC, and (ii) capacity building activities in MoEC that include this project and the NZAID's upcoming capacity building program (CBP). Furthermore, the design of ESSP reflects sufficient flexibility to respond to capacity building shortfalls as they arise.

6. Student achievement, especially in mathematics, is low and correlated with levels of poverty, as evidenced by the results of the Primary School Assessment Survey of 2003.<sup>5</sup> On average, third graders answered only 28 percent of the questions in the test correctly; fourth graders did marginally better, getting an average of 37 percent correct. Gender disparities existed in the results, with girls performing worse than boys. More recently, the 2006 Measuring of Learning Achievement Study (MLA) found that 80 percent of grade 3 students failed to meet a minimum level of learning in mathematics.<sup>6</sup> The poor quality and relevance of education provided is a major contributory factor to the high repetition and drop out rates and overall internal inefficiencies in the system.

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<sup>2</sup> Of the 79 staff currently employed in the central Ministry, one has a Masters degree, nine have a bachelors degree, three have a post-secondary diploma, one has junior secondary education plus a three-year teaching diploma while the remainder have only a secondary education or less. In the district offices, of the 114 employees, one has a bachelors degree, two have post secondary diplomas, and eight have junior secondary education plus a three-year teaching diploma while the remainder have only a secondary education or less

<sup>3</sup> Timor-Leste, MoEC Capacity Building Program, Draft Program Design Document, NZAID, March, 2007.

<sup>4</sup> By component, MoEC had executed 62 percent of its salaries and wages allocation, 24 percent of its goods and services allocation, 21 percent of its minor capital allocation, and zero percent of its capital development allocation.

<sup>5</sup> The Primary School Assessment Survey tested 3,487 students in the third and fourth grades in 95 schools with the same test in mathematics.

<sup>6</sup> Measuring Learning Achievement, Pilot Study, 2006, UNTL and UNICEF, 2006.

7. The lack of instructional materials is also a major concern at all levels. While all primary and pre-secondary students receive the *Lafaek* children's magazine, there are few universally distributed texts.<sup>7</sup> At the primary level, a few basic texts that support the new curriculum and some newly purchased Portuguese texts are in the country but have not as yet reached most classrooms. At the pre-secondary level, most available texts are in Bahasa Indonesia, while textbooks in Portuguese, the official language of instruction at that level, are only available for teachers to share, making teaching in the language of instruction difficult.<sup>8</sup>

8. Both Ministry statistics and reports from district superintendents and teachers suggest that drop-out occurs most frequently at two points: during the first three years of schooling and in the final grades of pre-secondary school. Reasons cited include: an absence of apparent benefits from schooling; indirect costs and opportunity costs in respect to working at home.<sup>9</sup> In addition, teachers' and parents' views illustrate both a concern over the quality of general schooling and a growing demand for skills training, particularly in respect to skills that are locally relevant or linked to information technology.<sup>10</sup>

9. The recent crisis also highlights the need for improved service delivery. One source of the unrest is that the public is not seeing any benefits from the oil revenues that Timor-Leste is receiving in their everyday life. This is apparently further compounded by a lack of confidence in education services: in interviews, parents have reported that they do not see post-primary education as relevant nor is it thought adequate to provide access to employment.<sup>11</sup> In the fragile economic and social environment that exists in Timor-Leste, the provision of quality education services could contribute significantly to reestablishing confidence in the government.

10. *Government strategy.* Government has recognized the need for a stronger education program and has articulated this in a number of key documents: the first of these was the National Development Plan (NDP) 2002-7, and the most recent, the National Education and Culture Policy (NECP) of 2006. The NDP, which was presented to the World Bank and the IMF and endorsed as the country's Poverty Reduction Strategy Paper, anticipated a strong education sector serving as a cornerstone to alleviate poverty and stated that building that system was a national priority. Emphasis was placed on expanding access, improving system efficiency and quality; strengthening management capacity; and developing tertiary education. By 2006, little had changed in terms of priorities, although an emphasis on basic education was far more apparent as the NECP prioritized access to basic education, placing emphasis on universal primary education through improving the quality of schooling, expanding the teaching of Portuguese, developing curriculum and providing teaching materials; vocational and skills education; and

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<sup>7</sup> Under contract to FSQP, CARE International Timor-Leste provided: the regular *Lafaek* magazine to 105,000 children in classes 4-6 of primary school and 7-9 in junior secondary; *Lafaek Ki'ik* to 155,000 school children in classes 1-3 and pre-school; and a teachers guide to 7,500 teachers in primary, junior secondary. The regular *Lafaek* contains 32 pages of curriculum support materials and information on child rights; *Lafaek Ki'ik* contains 16 pages of basic reading, writing and counting material; and the *Lafaek* magazine for teachers contains 18 pages of education policies, teaching methodology; lessons for the classroom, interviews with teachers and tips for the teacher. The *Lafaek* scheme has been proven to be successful and effective. The magazines are instrumental in developing literacy, usage and standardization of Tetum and Portuguese as national languages.

<sup>8</sup> Mission observations, February 2007 and information from UNICEF

<sup>9</sup> MoEC data and findings from a social assessment completed by the Bank in February 2006

<sup>10</sup> Government has also begun to articulate its interest in expanding young peoples' access to skills development courses, both formally via MoEC and informally via the Ministry of Labor and Community Reinsertion.

<sup>11</sup> Observations of the Bank mission, February 2007

improving government's capacity to manage service delivery.<sup>12</sup> The NECP also recognized the need to promote and regulate post-basic education.

11. Prior to the approval of the NECP, the MoEC began to address the Government's priorities through the gradual development sub-sector strategies. The first of these, the 2005 Strategic Plan for Universal Primary Completion by 2015 (SP-UPC), represents a significant step forward for the MoEC. The SP-UPC integrates all ongoing and proposed projects and interventions in the primary sub-sector into a focused medium to long-term program. One year after its endorsement by donors and its subsequent support by the Fast Track Initiative (FTI) in October 2006, MoEC reviewed progress against the SP-UPC during the first Annual Joint Program Review (AJR) and drafted its first sub-sector three-year rolling plan.<sup>13</sup> While the SP-UPC provides a coherent strategy for the attainment of universal primary completion, the sub-sector strategies for secondary and tertiary education remain to be developed. A first step in this direction was taken during the 2006 AJR when the Ministry focused a session on the issues in these two sub-sectors and developed a draft framework for a sector-wide three-year rolling plan (see Annex 1).

12. The next step is for the Ministry to begin to articulate and discuss its priorities for secondary and tertiary education and to move towards defining sub-sector strategies along the lines of the SP-UPC. Sub-sector plans and associated three-year rolling plans are necessary for the MoEC to gain the 'whole of government' commitment required to ensure adequate budget allocations over the medium term. The sub-sector strategies and plans will also stimulate much needed donor investment in system reforms and capacity development. MoEC will host a National Education Congress in early 2008 with support from ESSP, to engage a broad range of stakeholders in a consultative process around the development of the sub-sector strategies.

13. MoEC's allocated budget for FY07 is US\$35 million (of which US\$10 million is for capital development, i.e., school construction), almost twice the allocation of US\$18.5 million it received in FY06. Efficient management of these resources presents a challenge to MoEC. Issues faced include: how to build a meaningful and long-term incentive systems for teachers as part of the proposed civil service reforms; how to ensure that large non-salary expenditures are effectively utilized; and how, and in what magnitudes, to allocate resources for learning-related inputs - an area that is largely unfunded by the GoTL at present, and in which investments are most likely to yield the highest returns in learning outcomes.

## 2. Objectives

14. *Project development objective.* ESSP will strengthen the capacity of the Ministry for effective policy development, resource management, and innovation.

15. *Key project indicators.*

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<sup>12</sup> *De facto* language policy has evolved to the point where Portuguese is introduced in the early grades by ill-prepared and ill-equipped teachers. Although no assessment of the impact of this early introduction to Portuguese has been completed, visits to schools reveal that many teachers are having difficulty teaching a language they have not mastered in an environment that rarely includes Portuguese in daily life.

<sup>13</sup> The AJR is linked to the annual planning and budget progress of sector. MoEC intend to developed the AJR process to include the review of the three year rolling plan and the drafting of annual action plans for each directorate. The AJR has been welcomed by the development partners as an effective way to strengthen donor coordination, to ensure alignment of donor programs to MoEC priorities, and to continuously ensure that strategies remain streamlined.

- MoEC staff with improved skills to effectively contribute to sector management and service delivery.
- Enhanced quality learning materials for all primary and pre-secondary students and teachers.
- Enhanced and expanded learning conditions through quality school facilities.
- Improved work skills and attributes of pre-secondary school leavers.

### **3. Rationale for Bank Involvement**

16. The Bank has developed a comprehensive understanding of sector issues and of the challenges faced by the government as it strives to create a satisfactory education system. Via the Trust Fund for East Timor financed Fundamental School Quality Project (FSQP), the World Bank and its partners funded, over the last five years: school construction and rehabilitation; school construction quality assurance – provided via the MoEC’s Infrastructure Facilities Unit (IFU). Learning materials – the *Lafaek* children’s magazine was provided to all primary and pre-secondary students and their teachers; and policy development including the SP-UPC.

17. Over the last year, the FTI financed Primary Education Support Project (PESP) funded the most critical of the SP-UPC interventions that were not financed by other donors, including the developing of a teacher competency framework and development of the education management information system (EMIS). It also provided bridge financing for *Lafaek* and for the IFU. The attention to sector MDGs provided by the Bank through the Country Assistance Strategy (CAS), the Transition Support Program, the Consolidation Support Program, and the FTI has helped to bring focus to Ministry programs.

18. The current CAS (Report No. 32700-TP) indicates that the Bank financed activities in the sector will concentrate on improving access to and enhancing the efficiency and quality of basic schooling. In support of the SIP, the CAS also highlights the need to focus on: a) coverage, efficiency, and quality, particularly at the primary and pre-secondary levels, b) building capacity for sector management, and c) developing a strategy for rationalizing post-secondary skills development. These goals are pursued through this project.

19. Over recent years, and especially in respect to the SP-UPC, the Bank has assumed the role of lead donor in the sector, providing a trusted source of policy guidance and large scale bridge financing to support education in advance of an increasing GoTL budget. Maintaining the Bank’s leadership role in sector dialogue and in donor coordination provides both experience and continuity for government. As MoEC is now focusing on its institutional development, together with AusAID, NZAID, the Bank will work with the Ministry to develop the capacity building program necessary to bring about effective resource management and improved learning outcomes. Furthermore, in partnership with other donors, the Bank will play an influencing role in MoEC’s development by introducing global perspectives on and experiences in education systems reform. It will also ensure that the public sector management interventions under PFMCBP are embraced by the Ministry.

20. Although AusAID has not been an active participant in basic or secondary education in Timor-Leste, it has recently expressed interest in joining other major donors in both policy dialogue and sector support. AusAID’s engagement in ESSP will build on its involvement in technical and vocational education and in TFET, through which it supported the sector-wide program. Furthermore, ESSP presents a strong vehicle for AusAID to deliver assistance to Timor-Leste in line with its institutional priorities in supporting basic education and improving the quality and relevance of schooling. AusAID’s particular interest in skills development is expressed through its leadership in developing Component 4 of ESSP.

21. Both the Bank and AusAID are closely engaged in the dialogue on macro-economic and budgetary issues to improve planning and budget execution. The proposed project will facilitate donor coordination and harmonization thus reducing the burden on government. Although government revenues from petroleum are rapidly increasing, funding gaps persist relative to attaining the MDGs. Pooling and focusing donor funds to meet the sector's needs, including the pressing need for capacity development, should allow the government to more effectively and efficiently meet its goal of planning, executing, and monitoring its own budgetary resources.

#### **4. Description**

22. ESSP builds on the positive achievements of the Bank's previous work in the sector. It represents a number of modest steps to contribute to an improved education system and better student outcomes (see diagram below). There are four components: the first strengthens the capacity of the MoEC to effectively develop and execute policy, and increase efficiency in sector and resource management; the second improves learning conditions by providing learning materials for primary and pre-secondary schools and by assisting the MoEC to develop and operationalize textbook and learning materials policies; the third provides the technical assistance necessary to ensure that MoEC's investments in infrastructure result in high quality schools at a reasonable cost; and the fourth provides skills-based learning opportunities for pre-secondary students. In addition to these clearly defined components, ESSP sets aside a pool of funds to provide the Ministry the flexibility to quickly respond to currently unidentified capacity and systems and program development needs as they arise.

##### *Component 1. Capacity Building for Policy, Planning and Program Development [US\$3.7 million].*

23. The project will support the development of sub-sector strategies for both secondary and tertiary education. To inform each of these strategies, prior to their drafting and to provide the new government with just-in-time policy guidance, ESSP will finance a number of policy advisory notes designed to provide decision makers with evidence of good practice and viable options.<sup>14</sup> Important components of each sub-sector strategy will be inclusion of a 3-year rolling plan with costs and financing sources and an articulation of how the sub-sector will progress towards key performance benchmarks. ESSP will also finance a National Education Congress in early 2008 as a means of engaging a broad range of stakeholders in a consultative process around the development of the sub-sector strategies. ESSP will finance workshop activity linked to the 2009 AJR to ensure that the SP-UPC and the two sub-sector strategies developed under ESSP are synchronized, expressed as a sector strategy, and reflected in a sector-wide medium term expenditure framework (MTEF). A comprehensive review of the sector strategy will be carried out in 2011.

24. This component is closely integrated with the NZAID CBP. The two projects will collaborate to complete a capacity needs assessments at each level of the ministry (national, district and school) and will both support the development and implementation of a Ministry-wide capacity building strategic plan, using a common results framework. While ESSP will focus on developing MoEC's systems and staff capacities in respect to policy planning and resource management, the NZAID CBP will develop staff skills in respect to administration and program execution at the national, district and school levels. Both ESSP and the CBP will support the implementation of that strategy through programs that include on-the-job training and participation in short-courses in specialised areas.

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<sup>14</sup> To date, the MoEC have indicated their interest in policy options papers that address: demand for schooling; minimum service standards; accreditation; teacher professional development; teacher deployment; school financing/school grants; school based management; scholarships; language of instruction; school mapping and site determination; school construction and rehabilitation standards; system monitoring; and student assessment.

25. ESSP will continue the monitoring and program improvement currently provided to the school grants program (SGP) by PESP. The project will also assist the Ministry to ensure that the SGP aligns with other MoEC programs that support school based management and with the school level capacity development provided by the CBP that will target school principals.

26. To address the issue of unequal quality of higher education institutions, ESSP will also support the establishment of a National Commission for Academic Assessment and Accreditation (NCAAA) to oversee the accreditation and licensing of all higher education institutions, both public and private. Extensive stakeholder consultation and training in the development of a quality assurance system will ensure Timorese ownership of the process. Careful attention will be placed on setting realistic initial standards for accreditation. Remedial steps will be developed to guide those institutions that do not meet these standards. Technical support will assist the Vice Minister of Higher Education in the development of the tertiary sub-sector strategy outlined above, the operation of the NCAAA and the activities of the Vice Minister's office and the Directorate of Higher Education. The project will also finance a study of the national university with the intention of providing government with options for its focus, development and location.

27. MoEC's capacity will be strengthened in procurement, financial management and contract management. Procurement and financial management specialist positions in the Directorate of Administration and Finance that are currently financed under PESP will be continued under ESSP. In addition to the training provided during the project launch workshop and on-going on-the-job training, key procurement and financial management staff will have access to specialized overseas training that focuses on internationally recognized standards.<sup>15</sup>

28. To strengthen sector-wide planning and monitoring, ESSP will provide a Program Facilitator and an M&E specialist to assist the Ministry's Policy and Planning Directorate to develop and disseminate planning tools and monitoring standards and procedures, and to provide ministry-wide training in M&E. ESSP will support sector performance review linked directly to the AJR process.<sup>16</sup> The project will support analysis of appropriate data prior to each AJR to ensure that a core set of system indicators are adequately reported on. To further facilitate and consolidate the AJR process, the costs of AJR will be borne by ESSP in projects years 2 to 5.<sup>17</sup> In order to evaluate education quality and student achievement on a continuous basis, the project, in cooperation with UNICEF and PESP, will support Ministry's Measuring Learning Achievement program, in which learning is assessed in grades 3 and 5, and will assist in the development of a grade 6 assessment program.<sup>18</sup>

#### *Component 2. Learning Materials [US\$3.7 million].*

29. The project will support the ministry's outsourcing of the production of learning materials. This will be achieved by assisting MoEC to: (i) finalize its textbook and learning materials policy, (ii) establish a unit within the Ministry that will manage the tendering process for teaching and learning materials;<sup>19</sup>

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<sup>15</sup> Possible training options include courses offered by UNDP/IAPSO, UN system procurement training, World Bank procurement and financial management training that is offered by the Administrative Staff College in Hyderabad.

<sup>16</sup> It is also quite probable that additional support for EMIS and M&E development will be provided by AusAID via a combination of pre-project inputs and additional support during the life of the project for specific EMIS and M&E activities and for the AJR.

<sup>17</sup> In project year 1 this cost will be covered by the PESP.

<sup>18</sup> Initial work on the Measuring Learning Achievement was completed with UNICEF assistance in 2005 and subsequent development is being financed by PESP.

<sup>19</sup> The tendering process includes (a) drawing up bidding documents - with particular emphasis on technical and content specifications, (b) evaluating bids, (c) identifying the best submission or submissions - taking into

and, (iii) contribute to the financing of high quality learning materials, such as *Lafaek*, for primary and pre-secondary students provided that these materials are closely linked to and supportive of the new primary curriculum, facilitate the introduction of textbooks and curricula, and reflect good practice in language instruction.

30. PESP will fully finance the cost of the learning materials in project year 1 and ESSP will finance the materials over project years 2 to 5 on a declining basis. The project will also fund a study tour to neighboring countries for key MoEC staff.

*Component 3. Construction/Rehabilitation Design and Quality Assurance [US\$4.1 million].*

31. ESSP will assist MoEC to ensure the quality and cost-effectiveness of the GoTL-financed construction/rehabilitation of an estimated 2,100 classrooms over the course of the project.<sup>20</sup> This is expected to add approximately 65,000 new student places.<sup>21</sup> To achieve this, the project will support MoEC's IFU, including: (i) consultant services; (ii) office equipment; (iii) operating costs; (iv) production and dissemination of construction and maintenance guidelines and building standards; (v) stakeholder workshops, and (vi) building and maintaining a school mapping database. ESSP support will ensure that MoEC can maintain the high quality architectural and engineering design and supervision, infrastructure quality assurance and school mapping capacities that it has successfully developed under FSQP. The project, via the procurement specialist financed under Component 1, will develop MoEC's capacity to manage complex and multiple contracts so that the management of the IFU can be fully transferred to the Directorate of Administration and Finance. The project will also support (i) a review of school site selection procedures and criteria to help the Ministry ensure that new school construction and rehabilitation is responsive to prioritized needs, especially in respect to providing access to un-served and under-served areas; (ii) a review of those rural and remote locations that may merit multi-grade schools; (iii) a review of existing primary school dormitories to assess the possibility of expanding these as an option for further system expansion; and (iv) a review of kitchen needs at schools participating in the MoEC/World Food Program school feeding program.

32. PESP will fully finance the IFU and its activities in project year 1, and ESSP will finance these costs over project years 2 to 5 on a declining basis. From project year 3 on, should the Ministry prefer to switch from the current IFU structure of multiple consultant contracts to one in which the IFU's services are provided under a single consultant contract, ESSP would contribute to the cost of that contract at a dollar level equivalent to the declining contribution to the costs of the IFU that the project would make according to the ESSP IDA Grant Agreement.

*Component 4 Work Skills for Pre-Secondary Students [US\$2.2 million].*

33. This component reflects a new strategic direction for the MoEC in addressing youth related concerns by providing skills development opportunities to students and by responding to the expanding labor market demand for employability. Through a pilot program, ESSP will develop an innovative skills development curriculum module for the final year of pre-secondary school that will help prevent youth disengagement from education particularly during the final stages of pre-secondary schooling, as well as

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account text, illustrations, page layout, and paper, board and binding quality, (d) specifying any changes that need to be made, and (e) checking that required changes are made during the textbook development process.

<sup>20</sup> Prior to FY 06, virtually all construction/rehabilitation costs were borne by the donor community. As the government has committed to bear the costs of physical construction and rehabilitation starting in FY 07, there is no plan for the donor-financed portion of the project to contribute to meeting the costs of either school construction or rehabilitation contracts.

<sup>21</sup> It is probable that these numbers will change once the education mapping is completed in FY 07/08.



developing work skills and attributes. It is intended that the curriculum module developed be for a compulsory grade 9 subject that is build around a community development activity. Once completed, the module will provide the guidance necessary for year 9 teachers to: (i) design a community development activity in consultation with their community that places an emphasis on creating the opportunity for participating students to acquire skills in areas such as, water provision, infrastructure finishing, agriculture, utilization of primary produce and tourism; (ii) identify the skills and other assets required to deliver the activity, and (iii) assess student performance as skills are developed and improved over the course of the year. The project will set aside adequate resources to allow a degree of flexibility among schools as they identify their community activity. The pilot will include testing, evaluation and refinement of the module prior to its integration into the pre-secondary curriculum that is being developed by MoEC and UNICEF.

34. ESSP will engage lead teachers to guide the pilot program’s expansion from its initial introduction in three schools in project year 2 to a possible 96 schools in project year 5. Each lead teacher will receive two months of training in community development course design at selected qualified institution, either local or overseas. This will be followed by three months of in-country training in curriculum development during which they will contribute to the initial development of the module. Given the innovative nature of the program, it will be closely monitored and evaluated to assess its impact on students. The evaluation will also allow MoEC to make an informed decision related to possible program expansion.

## 5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	2.91
IDA	6.00
AusAID	6.00
	Total
	14.91

## 6. Implementation

35. The MoEC will have overall responsibility for coordination and implementation of ESSP, including procurement, disbursement and financial management. Project policy and executive management will be the responsibility of the Minister/Vice Minister(s). On a day-to-day basis, the management of project activities will rest with the Directors in whose Directorates project activities fall (Primary Education, Pre-Secondary Education, Higher Education, Curriculum, and Planning, and Administration and Finance). A monthly financial and technical report to the Minister, Vice Ministers and Director General by the Directors will be introduced as a standard project procedure. This process will be supported and informed by the EMIS.

36. Each Directorate’s Annual Action Plan (AAPs) and the AJR will link the project’s activities to the Ministry’s annual and three-year rolling plans and budgeting processes. All project activities for the forthcoming year will be detailed in an annual implementation and procurement plan (to be approved by the Bank). Progress against the AAPs will be assessed against agreed performance indicators during each AJR. Mid-year project performance assessments that coincide with Bank reviews will be coordinated by the project facilitator and chaired the Minister.

37. The MoEC chaired Program Coordinating Committee (PCC) will serve as the overall coordination vehicle for ESSP implementation and for capacity building within the sector. Currently this committee is known the EFA Steering Committee and it includes donors, senior ministry staff and

representatives of other key ministries. However, the ministry are intending to expand terms of reference of the committee so that it may help guide the entire MoEC Program. A sub-committee of the PCC (the capacity building steering group), chaired by the Director of Planning and Development, will serve as the steering body for both the development of the MOEC's strategic plan for capacity building and its implementation.

38. Responsibility for MoEC's school construction/rehabilitation program will rest with Directorate of Administration and Finance and the project-financed IFU will report to the Director as will the project-financed procurement and financial management specialists. This positioning of project supported assistance is critical to ESSP's efforts towards efficiency gains, particularly as the Ministry of Finance has delegated authority to this Directorate to procure contracts up to a per contract value of US\$100,000.<sup>22</sup>

39. The NCAAA will be established as an independent body, responsible for licensure and accreditation of higher education institutions. Although the Commission may begin as a predominantly governmental function, and will be overseen by the Directorate of Higher Education, it is expected to evolve into a decision-making body independent of MoEC by project year 3.

## **7. Sustainability**

40. *Institutional Sustainability:* Although the MoEC does not yet have a capacity building plan in place, it has committed to its institutional development. ESSP invests heavily in capacity building and focuses on those areas in which gains are critical to improved policy, planning and budget execution and to improve the learning environment. The assistance provided to the Directorate of Administration and Finance will result in an adequate number of Ministry staff trained and tested via on-the-job experience in financial management, procurement and contract management. The Directorate will also be provided, via its management of the IFU, the capacity to oversee a comprehensive school building and facilities maintenance program. By project closing, the MoEC's curriculum unit will have capacity to design, and procure learning materials and textbooks, having developed the associated policies and had three to five years of experience in executing them under a program of decreasing guidance from project consultants. ESSP's curriculum development activity provides intensive training to a number of teachers and the curriculum unit's staff and provides adequate on-the-job opportunities for reinforcing and consolidating acquired skills. By establishing mechanisms for quality assurance in higher education under an independent body, ESSP provides a sustainable platform for quality post-secondary education. In all cases, to better ensure long term sustainability of ESSP supported activities, the terms of reference of project-financed consultants will clearly articulate the requirement to ensure the transfer of skills and technology to the Ministry's core staff via on-the-job training and one-on-one coaching. The likelihood of the skills and systems developed under ESSP being sustained will be enhanced by the contribution of the NZAID CBP to the Ministry.

41. Although ESSP focuses on interventions and skills development that will influence the longer term capacity of the MoEC to consistently improve service delivery, external factors will play a critical role in their success. Whether or not the MoEC can maintain the institutional, individual and system gains made under ESSP in a climate of severe instability will depend just as much, if not more, on the achievement and preservation of political and social stability in the country as it will on the quality of the project activities and interventions and the manner in which they are designed and implemented.

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<sup>22</sup> Although the ceiling for procurement by the MoEC is currently US\$100,000, there are efforts underway to have this raised to US\$250,000 so that the majority of new school construction contracts can be processed entirely by the Ministry of Education.

42. *Fiscal sustainability.* Prospects for financial sustainability and budgetary expansion over the medium-term are strong for two important reasons: (i) there are national budgetary surpluses due to large oil and gas revenues that came on line after the signing of the Timor Gap Treaty, and (ii) the high priority given to the education sector in the national policy agenda. With the exception of the possible contribution from the Millennium Challenge Account to post-secondary, though undefined, “skills development”, donor flows to the education and training are expected to decline in the years ahead. In light of this eventuality and the appearance of more of GoTL’s oil and gas revenues in the national budget, the Government is beginning to scale-up its allocation to the sector – in FY 07, MoEC is expecting to receive US\$35million, almost twice its FY 06 allocation of US\$18.5million.

43. Basic education (which includes early childhood, primary, and pre-secondary) will continue to take the largest share of the MoEC budget, although declining slightly to around 55 percent of the total education budget between FY 07 and FY 09 from a high of 72 percent in FY 05. While it is highly unlikely that a lack of financial resources will hamper the development of the education sector, the larger constraint is MoEC’s current lack of capacity to manage its resources and effectively implement policies and projects. ESSP’s assistance to MoEC in budget execution, via inputs into planning, procurement and financial management will be critical to the future effectiveness of the Ministry and its resource utilization.

## **8. Lessons Learned from Past Operations in the Country/Sector**

42. The project design has benefited from the Implementation Completion Reports of the Emergency School Readiness Project and FSQP, in-depth analytical sector work, and from input from Ministry counterparts and other development agencies.

43. *Dependency of consultants and mitigating the risks of low government implementation capacity.* Over recent years, MoEC has had many of its routine tasks completed by consultants, implemented by donors, or strongly influenced by donor and consultant inputs. Although it is anticipated that a dependence on technical assistance will remain over the course of the project, it is not unrealistic to expect that the Ministry’s capacity to deliver services can be substantially enhanced. However, it must be realized that technical assistance is essential to effect that change.

44. The challenge is not to remove the Ministry’s dependency on consultants *per se*, but rather to ensure that consultant input strengthens the quality of services despite the MoEC’s weak capacity and the time it will take to sufficiently strengthen it. MoEC and ESSP have accepted that continued dependence on third party providers is essential as is the need to leverage small inexperienced government teams with external contractors, as per the IFU experience. They have also recognized the need to place increasing emphasis on Timorese rather than international experts as was done in the IFU, where gradually Timorese engineers have replaced their international counterparts.

45. Although FSQP initially suffered from a lack of strong leadership and direction and as a result, continually failed to reach key performance targets, putting project management more clearly in the Minister’s portfolio and securing dynamic external advisors put project implementation back on track. Lessons are drawn from this experience: in the absence of broad government capacity, MoEC leadership must be assisted by competent, experienced and dynamic advisors. Much more explicitly than did FSQP, ESSP places executive project leadership responsibility in the hands of the Minister and the Vice-Ministers, while providing experienced senior advisors to assist in improving management, planning and service delivery in key directorates. In addition to this focused support for capacity development and implementation, the Bank’s supervision of project agreements will help ensure project focus and that targets are met.

46. *The role of capacity building.* In order for reforms in education management and service delivery to take root, it is necessary to take into account institutional, systems and staff capacity constraints. In situations where government capacity is severely limited, its development should take precedence over other inputs to the system. ESSP balances its contribution to capacity development and the need to support service delivery and system maintenance by taking into account (i) the need for adequate technical assistance to ensure that service delivery improves; (ii) the efforts of other donors, in particular NZAID, UNICEF and Portugal, that are also focusing on capacity development; and (iii) the need to provide inputs such as learning materials. The outcome is that ESSP invests in and develops capacity in those areas where the Bank has had proven success and is a recognized partner, namely, policy development, planning, and procurement and resource management; system maintenance through the provision of learning materials and support of the IFU; and in additional capacity development, particularly in contract management and curriculum development.

47. *Simplicity and flexibility.* Given the difficult environment facing the education sector and unstable political situation in Timor-Leste, simple and well-defined project components help counterparts focus on implementation from the outset. Flexibility within components and the ability to make changes during execution are central factors in maintaining project relevancy while supporting an evolving education strategy. ESSP reflects a balance of addressing need, the requirements for simplicity and flexibility. The project design is straightforward, technically sound, and build upon the strengths of three successful interventions: the IFU, Lafeak and the development of the SP-UPC. The project's design is responsive, unambiguous in intent and focused on achievable targets and outcomes on the ground. The MoEC's AJR process automatically allows the MoEC flexibility as project activities will be determined on an annual basis by the process and outcome of the AJR.

## 9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management ( <a href="#">OP 4.09</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cultural Property ( <a href="#">OPN 11.03</a> , being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests ( <a href="#">OP/BP 4.36</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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