

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

Report No.: AB5258

Project Name	Education System Performance Project
Region	EUROPE AND CENTRAL ASIA
Sector	Primary education (50%);Secondary education (50%)
Project ID	P120305
Borrower(s)	THE REPUBLIC OF BULGARIA
Implementing Agency	Ministry of Education, Republic of Bulgaria
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	November 25, 2009
Estimated Date of Appraisal Authorization	April 17, 2010
Estimated Date of Board Approval	July 20, 2010

1. Key development issues and rationale for Bank involvement

a. Context

Bulgaria has recently introduced sweeping reforms of its education system to promote more autonomy and accountability of schools for better learning outcomes and improved efficiency of public spending. Per-student-financing and delegated budgets have led to a wave of school closures that had become essential in the wake of a dramatic decline in student numbers. More than 300 schools have been closed in the past two years. Their closure has resulted in larger schools, with more opportunities to pool education resources (e.g. to provide students with better facilities), create larger class sizes and, in the future, attract and retain higher quality teachers. As opposed to the previous centralized system, school-based management with a considerable degree of decision-making power of the school principal has set the stage for schools to better adjust to local needs and opportunities for a better education. External student assessments are now routinely conducted and have substantially improved the evidence base for education policy-making, although the assessment system needs to be improved and made sustainable. Concerns remain as to the accountability of schools to the local community. While principals are accountable to the municipal authorities for the use of financial resources, parents have little formal ways of holding principals accountable for learning outcomes.

The reform was launched in the face of dramatic challenges in terms of unsatisfactory learning outcomes, early school leaving and considerable inequities in the education system. Bulgaria's participation in international student assessments on the eve of the reform has laid out the extent of the challenge. For example, the OECD international assessment (PISA) revealed that more than 50 percent of Bulgarian 15-year-olds can barely read, while too many young Bulgarians are leaving the education system early. This will have dramatic effects on productivity of labor in Bulgaria in view of the unfavorable demographics. Achieving the same standard of income with the advanced economies in the EU and supporting a growing number of retired people will fall on the shoulders of fewer Bulgarians. Creating more productive workers for the future implies investing in heightening the quality of the education that every child receives today. Bulgaria simply cannot afford to have as many socio-economically disadvantaged children drop out of school as is currently the case.

The reform has achieved impressive outcomes in terms of improved efficiency of public spending; the Government intends now to take the next step in this ongoing reform effort: improvement of quality and equity by improvement of the accountability elements of the reform.

b. Key development issues

Focus on quality: Many Bulgarian secondary school students leave education insufficiently prepared for the knowledge economy. While too few young Bulgarians are staying on in education, especially at higher levels, many who do stay in education do not acquire the necessary skills and competencies to compete in the knowledge economy and meet skill needs from employers – marketable, often vocational, qualifications which would guarantee a job. But this also holds for generic, transferable skills increasingly needed nowadays where learning to learn competencies becomes crucial. As indicated earlier, more than 50 percent of Bulgarian 15 year olds scored very low on the PISA 2006 reading test – a significantly higher share than elsewhere in the EU – new and old Member States alike – and other developed economies. Other international tests, like TIMSS, also showed worsening of quality of education over time.

Increased accountability for learning outcomes and results in schools is critical to the ultimate success of reform. Policy makers in the Ministry of Education need new instruments to hold school principals and mayors accountable for the added value of schools, particularly for student learning outcomes. The challenge is to build up the role of municipal authorities and school principals as active partners in identifying and implementing innovative solutions to improve the quality of education for all Bulgarians.

The system for student assessments that has been recently launched needs to be sustained to track performance at individual school level. Bulgaria has been building up systems of data collection, including on external student assessments. The challenge now is to (a) make the student assessment system sustainable, (b) ensure that all students in the grades assessed actually take the test, and (c) ensure that the system is effectively used to provide timely feedback on the education system overall, but also on how individual schools are doing and guide school improvement plans. The new, decentralized Bulgarian education system with school-by-school student assessment allows easier identification of poorly performing schools and, therefore, could tackle their problems in a targeted manner. This would also enable schools to become more accountable for their results, not just to Regional Inspectorates and to municipal authorities but to parents, employers and other stakeholders in civil society.

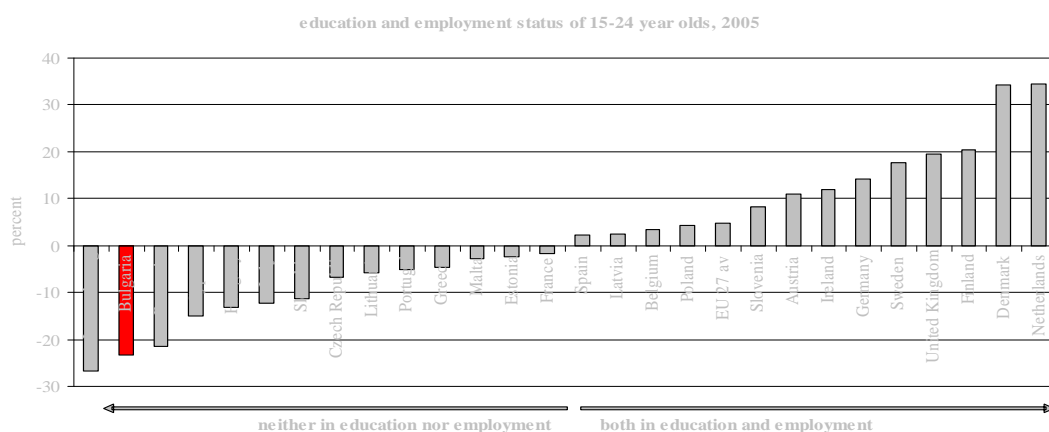
Performance incentives for teachers and a renewed offer of professional development opportunities are key for improving quality of primary and secondary education. Over the last two years, important efforts have been made to attract, train, retain and reward effective teachers. Furthermore, a parallel initiative has been successfully implemented with regard to school directors. It is urgent now to finish this agenda, first by consolidating the role of the Institute of Directors and the career development system of school directors; and second by monitoring the initial outcomes of the differentiated payment scheme introduced a year ago by the Ministry of Education. The closure of the National Pedagogical Center, anticipated by a Ministerial Decree in June 2009, clearly leaves a vacuum in the teacher policy framework of Bulgaria that needs to be addressed immediately.

Focus on equity: Bulgaria has an unusually wide dispersion in student performance. There is a high achievement gap between the top and bottom 20 percent of the student population and, as importantly, a large between-schools variation in student performance. In other words, there are many high quality schools but also many failing schools. This is consistent with anecdotal knowledge of vast underperformance of schools in socially excluded Roma localities. Although socioeconomic variables are obviously accounting for this dispersion, there are of course school and classroom factors which also

contribute to its explanation. A study on the determinants of learning carried out by the World Bank in 2008 shows that the performance of students does not seem to be determined by the qualifications of teachers but rather by the size of schools (with smaller schools doing worse, controlling for other factors) and the instructional time students spend at learning a particular subject, as well as students' time spent on working on assignments.¹

Too many young Bulgarians drop out of school early without enrolling in training or joining the labor market. Close to 25% of the 15-24 year old were neither in employment, education nor training in 2005 (Figure 1). Early school leaving has been particular pronounced among the Roma minority, with a considerable drop-out risk already at the primary level, often owing to inadequate learning environments in schools and at home.² In addition, the drop-out rates after the 7th grade of 70% are staggering suggesting that the existing exams could be reconsidered to provide incentives for more inclusive education.

Figure 1: Youth participation in education and employment



Source: Eurostat

Rationale for Bank involvement

The Bulgaria ESPP is in line with the priorities of the Country Partnership Strategy (CPS) for FY10-12³, which focuses on improving the well-being of Bulgarians by fostering greater equity, sustainability, competitiveness and sound macroeconomic management.

Additionally, the Bulgaria ESPP project design follows Bank/IEG recommendations for Bank investment in middle-income countries (MICs), including by:

- ③ Supporting and strengthening MIC own programs. This type of project is possible because the Bank operation is built on the client's own reform agenda, programs and indicators.
- ③ Demonstrating and sharing best practices, and transferring knowledge. The ESPP design benefits from inputs from other performance-based projects, and lessons learned from this project may be useful to other Bank clients in ECA and elsewhere.

¹ Husein Abdul-Hamid (2008): Assessing Bulgaria's Performance in 2006' PISA and PIRLS Studies, World Bank mimeo.

² World Bank (2008): *Bulgaria: Living Conditions before and after EU Accession*.

³ Currently under preparation.

- ③ Being more agile. The Project's approach follows the government's agenda and systems, which allows for more efficient preparation and implementation, while reinforcing the government's agenda of strengthening the results orientation of its sectoral program.

The World Bank as a long-term partner: The Bank's support in the first stage of the education reform program (through the Social Sector Institutional Reform DPL series) demonstrated the substantial value the Bank can bring to help align different levels of government in pursue of more efficient use of resources, more integrated services and, ultimately, better services. Thus, the Bank's support in the new stage of the reform program is a natural continuation of a successful partnership. Bank support would help the Government of Bulgaria deepen the implementation and impact of the education reform program, which after successfully focusing on school network consolidation, now focuses on improving the quality of education at all levels and adoption of school-based management strategies. Finally, the education sector would benefit from the Bank's role in facilitating articulation of central-level, municipal-level, and school-level policies and programs. As a result, during the implementation period for this loan, we propose that MOE benefits from a non-reimbursable Technical Assistance focused on supporting the progress towards achieving the DLIs and leveraging world-class knowledge and information on relevant policy issues in the education sector.

The choice of instrument: The Bulgaria ESPP would be the first one in the Region that follows an approach with disbursements linked to measurable results. Due to its design, this project does not bring any "additionality" to the Bulgarian budget, thus eliminating the fiscal pressures frequently generated by Specific Investment Loans. For the Ministry of Finance, this is an important feature of this performance-based design. On the other hand, for the MOE the main value-added lies in the Bank's support to sharpen their results-focus and the ongoing supportive role that the Bank teams bring through their regular visits and accompanying technical assistance. The proposed approach directly responds to the Ministry of Education's demand for continuous technical assistance from the Bank in the next stage of education reforms, while respecting the Ministry of Finance's request that the loan does not generate additionality.

2. Proposed objective(s)

The proposed project would deepen the implementation and impact of ongoing education reforms by focusing on improvement of the quality of education. In particular, the specific project development objective is the following:

1. Improve the quality of basic education, through strengthening the education accountability framework.

Proposed Project Development Indicators (PDIs). The proposed project development indicators are the following:

- ③ Percentage of schools with an operating School Board that sets performance goals for the school.
- ③ Percentage of schools led by a certified director.
- ③ Decrease in the number of students in the 4th and 7th grade excluded from taking the external student assessment
- ③ Percentage of schools with yearly gains in student performance, as measured by the external student assessments in grades 4th and 7th.

3. Preliminary description

The project is to be implemented in three years between July 2010 and June 2013, and will be financed by a World Bank loan in an amount of €200 million. These resources would be disbursed to the Treasury against budgeted and actual expenditures on an Eligible Expenditure Program (EEP) that has been identified as the per-student transfers to municipalities to finance school budgets known as “Single Standard”. These transfers finance recurrent costs paid at the school level (estimated 76% in salaries and 24% in other recurrent costs). The project will not finance any civil works because no construction/rehabilitation is needed to achieve the PDOs.

The project will follow a performance-based approach, and as such, project disbursements will be triggered by the achievement of agreed specific results that can include actions, outputs or outcomes. All these results gradually lead to the completion of the project development objective and each result will be linked to the disbursement of a specified loan amount. The project will rely on Bulgaria’s public financial management (including budget and treasury), monitoring and reporting systems.

The expected components are:

Component 1: Strengthen accountability of schools: This component is aimed at creating school-based mechanisms by which communities and parents can participate in school decisions, provide support to the school leadership and staff, and press for improvement of service delivery and outcomes. The estimated disbursement linked to achievement of results in this component is €50 million.

Component 2: Strengthen school leadership: This component is aimed at building the capacity of existing school leaders and creating a transparent mechanism for certification of school directors that guarantees the quality and effectiveness of school leaders, a critical element for the long-term success of a school autonomy reform. The estimated disbursement linked to achievement of results in this component is €45 million.

Component 3: Establish performance incentives for teachers and schools. This component is aimed at establishing incentives within the system for high-performing teachers and schools, while creating support and improvement mechanisms for municipalities with high numbers of failing schools. The estimated disbursement linked to achievement of results in this component is €40 million.

Component 4: Sustainable and improved external assessment system: This component is aimed at improving the technical design, data analysis, use, and dissemination of results of the external assessment system. It also intends to provide a scheme of operation that can make the external assessment system financially and institutionally sustainable. The estimated disbursement linked to achievement of results in this component is €65 million.

4. Safeguard policies that might apply

[Guideline: Refer to section 5 of the PCN. Which safeguard policies might apply to the project and in what ways? What actions might be needed during project preparation to assess safeguard issues and prepare to mitigate them?]

This project is rated an environmental Category C. No safeguard policies are triggered. The Environmental Assessment OP/BP 4.01 is not triggered as the project will include only financing schools staff salaries and recurrent costs which will not have environmental impacts.

5. Tentative financing

Source:		(\$m.)
Borrower		0
International Bank for Reconstruction and Development		200
	Total	200

6. Contact point

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