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Report No: PAD4074

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EUR21.5 MILLION
(US\$25 MILLION EQUIVALENT)

TO THE

REPUBLIC OF NORTH MACEDONIA

FOR A

PRIMARY EDUCATION IMPROVEMENT PROJECT

November 17, 2020

Education Global Practice
Europe and Central Asia Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective October 30, 2020)

Currency Unit = Macedonian Denar (MKD)

MKD 52.7 = US\$1

MKD 61.7 = EUR 1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BDE	Bureau for Development of Education
CPF	Country Partnership Framework
DA	Designated Account
EGMA	Early Grade Mathematics Assessment
EGRA	Early Grade Reading Assessment
EHSG	Environment, Health and Safety Guidelines
EMIS	Education Management Information System
EMP	Education Modernization Project
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMP	Environmental and Social Management Plan
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social Standards
EU	European Union
EUD	European Union Delegation
FM	Financial Management
GAC	Grant Approval Committee
GDP	Gross Domestic Product
GIIP	Good International Industrial Practice
GOM	Grant Operational Manual
GRM	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IFR	Interim Financial Report
IMF	International Monetary Fund
INSET	In-service Teacher Professional Development
IRR	Internal Rate of Return
IRT	Item Response Theory

IT	Information Technology
LAYS	Learning Adjusted Years of Schooling
M&E	Monitoring and Evaluation
MOES	Ministry of Education and Science
MPST	Multi-professional Support Team
NAP	National Assessment Program
NATO	North Atlantic Treaty Organization
NBRNM	National Bank of the Republic of North Macedonia
NEC	National Examination Center
NPF	New Procurement Framework
OECD	Organisation for Economic Co-operation and Development
OIP	Other Interested Parties
PDO	Project Development Objective
PEIP	Primary Education Improvement Project
PIRLS	Progress in International Reading Literacy Study
PISA	Program for International Student Assessment
PMU	Project Management Unit
POM	Project Operations Manual
PPP	Purchasing Power Parity
PPSD	Project Procurement Strategy for Development
PRESET	Pre-service Professional Development
SABER	Systems Approach for Better Education Results
SAO	State Audit Office
SDISP	Skills Development and Innovation Support Project
SEI	State Education Inspectorate
SEP	Stakeholder Engagement Plan
SIP	School Improvement Plan
STEP	Systematic Tracking of Exchanges in Procurement
TIMSS	Trends in International Mathematics and Science Study
TOR	Terms of Reference
TSA	Treasury Single Account
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VET	Vocational Education and Training
WEO	World Economic Outlook
WB	World Bank
WG	Working Group

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
North Macedonia	Primary Education Improvement Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P171973	Investment Project Financing	Moderate

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
11-Dec-2020	27-Feb-2026

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The PDO is to improve conditions for learning in primary education.

Components

Component Name	Cost (US\$, millions)
Improving Learning at the School Level	17.50



Reform of the Monitoring and Evaluation of the National Progress in Learning	2.30
Enhancing Teacher, Multi-Professional Support Teams, and School Leader Competences	3.40
Sector management, Project management and M&E	1.80

Organizations

Borrower: North Macedonia
 Implementing Agency: Ministry of Education and Science

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	25.00
Total Financing	25.00
of which IBRD/IDA	25.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	25.00
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INSTITUTIONAL DATA

Practice Area (Lead)

Education

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks



SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Maintain throughout Project implementation, a Project management unit within MoES (PMU), with composition, staff in numbers and with qualifications, resources, terms of reference, and functions acceptable to the Bank.

Sections and Description

Maintain throughout Project implementation the Working Group, with composition, resources, terms of reference and functions acceptable to the Bank.

Sections and Description

Unless otherwise agreed with the Bank, not later than six (6) months after the Effective Date, establish and maintain throughout Project implementation the grant approval committee (GAC), with composition, resources, terms of reference and functions acceptable to the Bank.



Sections and Description

The Borrower, through MoES, shall make each Grant under a Grant Agreement with the respective Beneficiary on terms and conditions approved by the Bank.

Conditions

Type	Description
Disbursement	No withdrawal shall be made under Disbursement Category 1 (Grants) until: (i) the Grant Approval Committee (GAC) has been established in a manner acceptable to the Bank; and (ii) the Grant Operational Manual (GOM) has been adopted in a manner acceptable to the Bank.



I. STRATEGIC CONTEXT

A. Country Context

- 1. The Republic of North Macedonia is a small upper-middle-income country in the Balkan peninsula that aspires to achieve the living standards of the European Union (EU).** North Macedonia's population, about 2 million, is aging and shrinking.¹ Nearly 25 percent of the population lives in the capital, Skopje, and close to 40 percent live in rural areas. In 2019, North Macedonia's gross domestic product (GDP) per capita was US\$6,100, about one-sixth of the average for EU member states. Its purchasing power parity (PPP) GDP per capita stood at US\$17,815², still only one-third of the EU average.
- 2. North Macedonia's economy has been growing; its average annual GDP per capita growth of 2.8 percent in 2000–2019 exceeded the 1.8 percent average for Europe and Central Asia in the same period.** In the period following the global financial crisis (2009–2016), the annual average GDP per capita growth slowed to 2.3 percent, but it was still above the regional average. After a slowdown in 2017 to 1.1 percent, by 2019, GDP per capita growth increased to 3.2 percent, opening fiscal space for economic and social sector reforms. Nevertheless, the unexpected outbreak of the COVID-19 pandemic swiftly reversed the growth dynamic and plunged the economy into recession.
- 3. The first COVID-19 case in the country was confirmed on February 26, 2020.** The Government swiftly imposed strict containment measures, such as restrictions on gatherings, and closures of the borders, educational institutions and commercial facilities. Restrictions were somewhat relaxed in June 2020, but new, stricter measures, commensurate to the severity of the pandemic have been added recently. The COVID-19 containment measures have significant adverse impact on the economy. GDP is expected to shrink by 4.1 percent (compared to pre-crisis growth of 3.2 percent), as all sectors of the economy decline - particularly retail and industry - as the major drivers of growth, but also services. Moreover, lower external demand and disrupted supply chains have crippled exports. This has led to layoffs of workers and a rise in unemployment, the effects of which were cushioned somewhat by the Government response measures. The combined effect of lower labor incomes and remittances will increase poverty to pre-2015 levels to 23 percent in 2020, wiping out the gains made over the last four years.
- 4. The pandemic is having an adverse effect on the fiscal accounts and public debt.** North Macedonia entered the COVID-19 crisis in a relatively solid fiscal position with gradually declining deficit and stable public debt since 2017. In response to the pandemic the Government implemented four sets of anti-crisis measures estimated at over 7 percent of GDP. These include: (i) government payment of minimum monthly salaries to employees; (ii) deferment of the advance payment of corporate and personal income tax for the companies in the tourism, transport and food and catering sectors and other companies affected by the confinement measures; (iii) moratorium on loan repayments, partial credit guarantees, and (iv) tax rate cuts, exemptions and free-VAT weekends, shrinking the already low revenue base. On social assistance, the government provided one-off financial assistance to vulnerable groups, high-school and university students, tourism vouchers for low-wage earners, and relaxed the Guaranteed

¹ By 2040, more than 20 percent will be over the age of 65. The fertility rate has declined to only 1.5, lower than the regional average.

²<https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=MK>



Minimum Income eligibility criteria. However, this has had an adverse effect on the fiscal accounts, which combined with declining revenues due to the economic slowdown, is set to push the fiscal deficit to over 8 percent of GDP and public debt over 60 percent of GDP, the highest levels in recorded history.

5. **Over the medium-term growth is expected to rebound to 3.6 percent in 2021, but the speed and intensity will depend on the duration and spread of the pandemic, as well as the steps that policymakers will take to address structural weaknesses.** The recent NATO membership as well as the possible launch of the EU accession negotiations should provide impetus for structural reforms that will boost productivity and strengthen investors' confidence.

6. **North Macedonia has made considerable progress in reducing poverty and inequality since the global financial crisis.** The percentage of the population living on an income below the upper-middle-income class poverty line of US\$5.5 per day has decreased from about 35 percent in 2009 to 18 percent in 2017 (latest available household survey data). Improvements in job opportunities and higher labor earnings have been critical in reducing poverty. Higher pensions have also played a role, although to a lesser extent compared to labor market incomes. A solid increase in the incomes of the less well-off is behind this marked reduction in poverty. Incomes for the bottom 40 percent grew at an annualized rate of 7 percent between 2012 and 2017, among the highest in Europe and Central Asia. This has also contributed to a significant reduction in income inequality; the Gini index decreased from about 42 in 2009 to 34.2 in 2017. The global COVID-19 outbreak and the containment measures will negatively affect household welfare and poverty mostly through a decrease in employment and labor income losses. A simulation analysis³ predicts that the combined effect of lower labor incomes and remittances could increase poverty to pre-2015 levels in the absence of government responses. As such, the proportion of individuals with an income lower than the poverty line is predicted to increase to about 23 percent in 2020. This means that over 130,000 vulnerable individuals are expected to become poor because of the COVID-19 outbreak and the measures taken to contain it.

7. **North Macedonia's labor market has been improving, but unemployment is still high and labor force participation is low, driven by low female and youth participation rates.** The labor market continued to improve in 2019. However, unemployment was still high at 17.3 percent in 2019, and labor force participation was low, especially for those younger than 25 years and older than 55 and for women. While the employment rate increased by 2.2 percentage point to 47.3 percent in 2019, the activity rate increased only slightly to 57.2 percent. The employment expansion was broad based, with significant gains for young people and women in their prime working years. Most of the new jobs were created in manufacturing and activities closely related to tourism. Nevertheless, despite an initial mild impact of the COVID-19 crises on the labor market, part of these labor market gains are likely to be lost as the Government will not be able to subsidize employment retention for long periods due to the limited fiscal space and the crisis is not likely to end soon. In addition, other structural issues like low employment, together with the aging and shrinking population, pose a serious challenge to the sustainability of social sector spending and social services.

³ Simulations consider first order approximation of the potential impact of the COVID-19 shock, before any government responses. They assume three main channels of transmission: (a) labor income from each economic sector of employment, (b) type of work (employee or self-employed), and (c) non-labor incomes in the form of household private transfers. Finally, simulations represent the average impact over a whole year.



8. **The resolution of the decades-long dispute with Greece over the country's name marks a turning point in North Macedonia's history as an independent nation.** On June 12, 2018, the Governments of North Macedonia and Greece signed the Prespa Agreement,⁴ aimed at resolving the prolonged name issue.⁵ The Parliament in Skopje endorsed the necessary constitutional changes in January 2019 and the new name 'Republic of North Macedonia' was introduced on February 12, 2019. In parallel, North Macedonia signed the North Atlantic Treaty Organization (NATO) accession protocol, a process that was stalled for years because of the dispute. On March 27, 2020, North Macedonia became the 30th member of NATO. On March 30, 2020, the EU decided to open accession talks with North Macedonia.⁶ The current coalition Government, elected on August 30, has a pro-EU agenda, which can also be a catalyst for key structural reforms.

9. **Climate mitigation and adaptation are priorities for the Government, given that North Macedonia's economy is vulnerable to the impacts of climate change.** North Macedonia is committed to responsible climate change policies, as evidenced by the country's ratification of the Paris Climate Agreement in February 2018. By 2030, the country aims to reduce CO₂ emissions from fossil fuels combustion by 30 percent and 36 percent at a higher level of ambition, compared to the business-as-usual scenario. Due to the extensive use of fossil fuels for electricity production across the country, there is significant potential for climate change mitigation through energy efficiency improvements. Additionally, the effects of climate change and the country's geography make it prone to river flooding and extreme temperatures, with a high incidence of both, especially since 2012. This is particularly problematic in school settings, given research showing that the impacts of climate change can negatively affect learning environments, for example, through contamination, debris, and inadequate temperature regulation.⁷ As a result, this operation explicitly aims to support primary schools to address climate vulnerability within the scope of upgrading school facilities, as described in section II.

10. **The World Bank has been a partner of choice of the Republic of North Macedonia for over 25 years.** The current Country Partnership Framework (CPF) 2019-2023 (Report No. 135030-MK) was endorsed in April 2019. Its preparation was informed by broad consultations with various stakeholders, which included members of parliament, government institutions, opposition representatives, nongovernmental organizations, academia, and the private sector. The result is a CPF which aims to support North Macedonia's ability to achieve faster, inclusive, and sustainable growth and provide its citizens with greater opportunities for a better life. The CPF is organized around three focus areas that will help North Macedonia (a) improve the environment for a dynamic private sector to enhance export-led growth, (b) strengthen human capital for inclusive development, and (c) build sustainability.

⁴ The text of the agreement can be found at <https://vlada.mk/sites/default/files/dokumenti/spogodba-en.pdf>.

⁵ The country became a member of the United Nations in 1993, but because of a dispute with Greece over the use of the name Macedonia, it was admitted under the provisional description of 'the former Yugoslav Republic of Macedonia'.

⁶ https://eeas.europa.eu/headquarters/headquarters-homepage/76696/accession-talks-albania-and-north-macedonia-and-eu%E2%80%99s-commitment-western-balkans_en.

⁷ Sheffield, P.E., and P.J. Landrigan. 2010. "Global Climate Change and Children's Health: Threats and Strategies for Prevention." *Environmental Health Perspectives* 119 (3): 291–298.



B. Sectoral and Institutional Context

11. **According to the World Bank's 2020 Human Capital Index,⁸ a child born in North Macedonia today will be 56 percent as productive when she grows up as she could be if she enjoyed complete education and full health.** North Macedonia's Human Capital Index is lower than the average for its region and income group. Poor educational outcomes largely explain this loss of lifetime productivity. Children in North Macedonia can expect to complete 11 years of preprimary, primary, and secondary school by age 18. However, when years of schooling are adjusted for quality of learning, the result is equivalent to 7.3 years of education, equivalent to a learning gap of 3.7 years. As noted in the North Macedonia Systematic Country Diagnostic, gaps in human capital start early and expand over time. The education system fails to provide students with the skills they need to successfully complete each stage and move confidently to the next. These challenges persist from preschool education to graduate university degrees, including non-formal education. With the workforce shrinking and labor productivity low, the country's future growth will increasingly rely on the formation of human capital.

12. **While access to primary education has improved in the last decade, the quality of education remains a challenge.** System deficiencies are visible even in the early years of primary education. EGRA and EGMA⁹ assessments (USAID 2017)¹⁰ give an indication of literacy and numeracy in early primary years. Even though there are improvements in reading skills between Grades 2 and 3, the results for oral reading fluency and comprehension (the sub-tasks most highly correlated with literacy) are still significantly below international benchmarks. Results also differ by the language of the test taker, particularly for the more advanced reading sub-tasks, with Macedonian-speaking students doing better than Albanian- and Turkish-speaking students in these.

13. **The USAID report finds that below-average results in oral reading fluency and comprehension, particularly at the end of Grade 3, explain why children may not acquire the necessary reading skills at school,** such as (a) insufficient resources at school and home, (b) insufficient learning time (for example, during and/or after school), (c) teachers/principals having little incentive to improve learning, (d) rigid and overly ambitious curricula that do not match the learning levels of the students, (e) teachers not individualizing instruction, and (f) low-performing students not getting extra help.

14. **Similarly, in mathematics, simpler tasks such as number discrimination and geometric pattern extension are completed by most students** (more than 90 percent), whereas fewer students are able to successfully complete more advanced tasks like subtraction (54 percent in Grade 2 and 57 percent in Grade 3) followed by word problems (66 percent for Grades 2 and 3). The main predictors of student success in mathematics are (a) the higher education of parents, (b) education in central or urban schools and monograde classrooms, (c) attendance at preschool institutions, and (d) availability of books at home.

⁸ The Human Capital Index quantifies the contribution of health and education to the productivity of the next generation of workers. <https://www.worldbank.org/en/publication/human-capital>.

⁹ EGRA and EGMA stand for early grade reading/mathematics assessments.

¹⁰ USAID (United States Agency for International Development). 2017. *Nationwide Study of Early Grade Reading and Mathematics Assessment in the Republic of North Macedonia*.



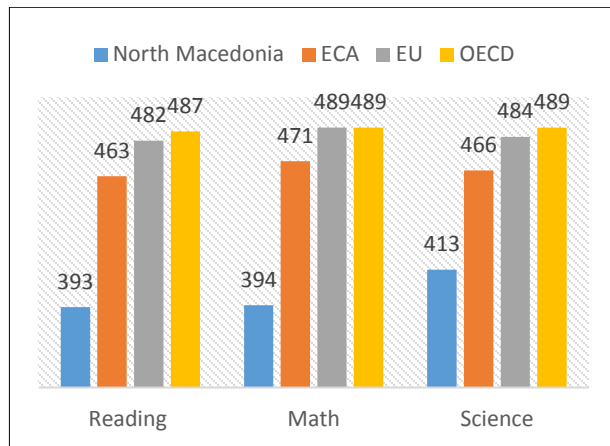
15. **North Macedonia’s results from international student assessments (most recently PISA¹¹) reveal comparatively weak levels of student achievement at the end of lower secondary grades, suggesting that learning deficiencies which start in primary education persist through later grades.** North Macedonia participated in PISA in 2000, 2015, and 2018. While the country had the greatest improvements in results of any developing country in 2018, the results only returned the country to a level about 10–15 points above the 2000 results, after a weak set of results in 2015 (figure 1). Though scores are improving, these results are modest and remain well below the mean scores for the Europe and Central Asia region, the EU, and the Organisation for Economic Co-operation and Development (OECD) group of countries (figure 2). This leaves students from North Macedonia at a distinct disadvantage at 15 years of age relative to peers.

Figure 1. North Macedonia PISA Results over Time

North Macedonia PISA results over time			
	Reading	Math	Science
2000	373	381	401
2003	-	-	-
2006	-	-	-
2009	-	-	-
2012	-	-	-
2015	352	371	384
2018	393	394	413

Source: PISA 2018 Country Brief, World Bank 2019.

Figure 2. 2018 PISA Mean Scores by Region



Source: PISA 2018 Country Brief, World Bank 2019.

16. **While the percentage of students performing below basic proficiency in all three PISA subjects has dropped, approximately half of all students still find themselves in that bracket.¹²** There are also wide performance gaps between the top and bottom income groups, with students from the latter lagging by 90 PISA points (roughly equivalent to two years of schooling), and between language groups (by a 40-point difference). Female students are also doing consistently better than boys—by a 46-point spread on average.

17. **Despite a swift education sector response to the COVID-19 pandemic in North Macedonia, learning losses are anticipated, requiring mitigation and recovery measures.** During school closures, the Ministry of Education and Science (MOES) responded to the immediate health risks to pupils and the education workforce from COVID-19 by closing schools on March 10, 2020. Distance learning measures were put in place with the intention of covering primary and secondary education in all areas of the

¹¹ PISA stands for Programme for International Student Assessment. North Macedonia also participated in Trends in International Mathematics and Science Study (TIMSS) (1999, 2003, 2011, and 2019) and Progress in International Reading Literacy Study (PIRLS) (2001 and 2006).

¹² 55 percent, 61 percent, and 49 percent of students find themselves in the below-basic proficiency in reading, mathematics, and science.

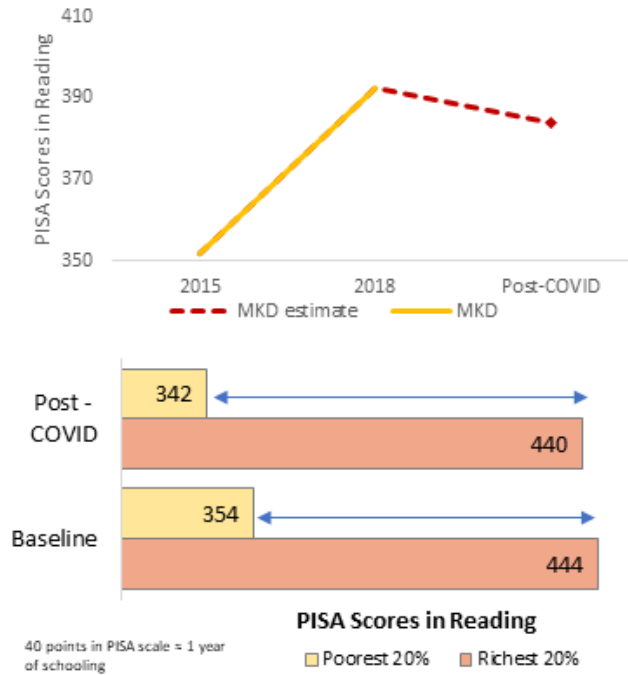


country. Despite the significant efforts made by the Government to ensure continuity of learning, the management and organization of the learning process was left largely to the discretion of individual schools and teachers, creating unequal opportunities for learning and leading to significant learning losses, on top of the already existing challenges with learning outcomes and learning inequality that preceded COVID-19. While the new government program places a big emphasis on distance learning education, and digitalization overall, the pandemic revealed that the education system is facing a myriad of preexisting issues to going digital—including access to broadband connectivity, particularly for marginalized and low-income populations, and low information and communication technology (ICT) adoption. According to the recent United Nations Children’s Fund (UNICEF) survey (July 2020) with selected North Macedonian school directors, teachers, and parents, almost 77 percent of the teachers could not maintain regular communication with students during distance learning. Close to 80 percent of parents—who play a critical role in students’ achievements—had difficulty supporting their kids with distance learning and close to 65 percent had technical difficulties accessing necessary equipment (including lack of internet connectivity, computer/printer, and so on). Such findings reinforce the need for further support in digital education.

18. **Disadvantaged and vulnerable students face the greatest risk of learning loss.** World Bank estimates suggest that such losses will be in the order of a 6- to 10-point decline¹³ for the mean PISA score for North Macedonia (393 in 2018) (figure 3). The effect on the number of students below minimal competency in PISA may rise from 55 percent to 64 percent, according to the most pessimistic modeling scenario (more details in annex 2). Primary schools will reopen on October 1, 2020, but only for students up to Grade 3, while for students up to Grade 9, distance learning will be ensured. For students who will return to school, the MOES should continue to ensure the health and well-being of students and the workforce while also promoting mitigation and learning recovery measures for all students after this unanticipated break by putting in place diagnostic student assessments, catch-up sessions, and training on remedial approaches for weak students. For those who will continue to follow distance learning, the MOES should ensure access to the internet and the availability of affordable devices, especially for disadvantaged students, and adequate support to the teachers.

¹³ Azevedo, Joao Pedro, Koen Geven, Diana Goldemberg, Amer Hasan, and Syedah Aroob Iqbal. 2020. "Country Tool for Simulating COVID-19 Impacts on Learning and Schooling Outcomes." World Bank, Washington, DC.

Figure 3. Estimates of COVID-19 Impact on Learning Loss for North Macedonia



Source: North Macedonia Country Brief: Estimate of COVID-19 Impact on Learning Loss, World Bank 2020.

19. **North Macedonia has newly approved laws for primary education¹⁴ and teachers.¹⁵** A USAID project¹⁶ that closed in 2016 (a) financed the drafting of the necessary legal framework for a teacher professional and career development system, (b) identified possible financing streams available, and (c) developed professional competencies and standards for teachers and school support staff. Those documents and the OECD evaluation¹⁷ of the education system in North Macedonia underpinned the two laws on primary education and teachers. The latter introduces four categories of the teacher (trainee, teacher, mentor, adviser); distinguishes the professional competences associated with each of these categories in terms of knowledge, skills, and values; and presents the new professional development model that is to be put in place. Aspects of these laws have started to be enacted; for instance, the new teacher categories are currently being rolled out (mentors in 2020 and advisers in 2022).

20. **Reform is nevertheless required at school and system levels.** The recent OECD report and the World Bank Public Finance Review¹⁸ indicate several measures needed to improve outcomes, including (a) empowering schools to become the nexus of institutional change, (b) improving national assessment

¹⁴ Law of Primary Education, Official Gazette of Republic of North Macedonia, no. 161, August 5, 2019.

¹⁵ Law of Teachers and Schools' Multi-professional Support Teams, Official Gazette of Republic of North Macedonia, no.161, August 5, 2019.

¹⁶ Teacher Professional and Career Development Project (2012–2016).

¹⁷ OECD. 2019. *OECD Reviews of Evaluation and Assessment in Education: North Macedonia*, OECD Review.

¹⁸ The sector has also benefitted from strong analytical work on student learning outcomes: a report on EGRA/EGMA (2017) and PISA 2015. New PISA results were also released on December 3, 2019.



systems, (c) putting into action recently developed professional competencies, and (d) strengthening sector-level fiscal efficiency. These are briefly discussed in the following paragraphs.

Insufficient Managerial Capacity and Accountability for School Improvement

21. **Despite being the focus of policy efforts and being the frontline service providers to students with considerable autonomy, schools and school-level actors are not yet in a position to play a central role in implementing reforms to improve learning.** Although schools in North Macedonia have a high level of autonomy and a wide range of support that they should be able to draw on in principle, most schools operate in far from ideal circumstances and have not yet recognized that they are—or should be—the primary institutional agent for change. This is a critical challenge given that inadequate management and planning at the school level undermines school quality. Apart from their central mandate of improving student learning outcomes, schools must also recognize that they will be called upon to play an important part in addressing other pressing challenges, such as those related to the ongoing COVID-19 epidemic (or other unforeseeable events). While evidence shows that inadequate school management and planning capacity can undermine schooling quality, the reverse is also true: effective school leadership supported by school evaluation and improvement planning can be instrumental in improving learning. The 2018 World Development Report on education highlighted such research across countries showing that improved school management capacity contributes to measurable increases in student learning outcomes.

22. **Since 2008, schools in North Macedonia have been required to undertake self-evaluations every two years, though these processes are not yet contributing to quality enhancement.** Both external and self-evaluations focus primarily on compliance with regulations and administrative processes, and the evaluations do not currently provide feedback on how to improve learning and teaching practices. Moreover, the MOES and its agencies provide little support and training to schools for improving the quality and relevance of these self-evaluations so that they support school improvement planning.

23. **Schools need to be better supported centrally, through the school evaluation framework and better data, to critically reflect on their performance and set their own objectives for teaching and learning.** In addition to more effective school improvement planning processes, the OECD (2019) report also suggests how schools can become supportive communities for teachers' professional development, by reinforcing existing promising practices like the teacher groups (the 'Teacher Actives'), regular appraisals, and the multi-professional support teams (MPSTs). Teacher development should also be encouraged by the recognition and incentives provided by a new performance-based teacher career path.

Inadequate Physical Conditions of School Learning Environments and Sanitary Installations

24. **Physical conditions of school facilities and sanitary installations in schools are often inadequate for ensuring a safe and inclusive learning environment, a problem made more urgent by COVID-19 and the necessity for maintaining minimum standards to ensure proper hygiene.** Underfunding by local municipalities and a lack of transparency in funding allocations typically means that many schools do not have adequate resources to cover their basic running costs and certainly not to invest in improvements in the instructional environment or in enhancements to the resilience of facilities to geophysical and climate-induced hazards. The lack of science laboratories poses a particular challenge for implementing the



inquiry-based science curricula that prioritizes content mastery and critical questioning.¹⁹ The study²⁰ on infrastructural development and technical equipment in primary schools in North Macedonia found that rural schools and satellite schools are much less likely to have sanitary installations, which is particularly concerning for ensuring gender equity in access to safe school facilities and proper hygiene in response to COVID-19. Many schools lack basic items needed for menstrual hygiene such as soap, toilet paper, and sanitary hot water, which contributes to higher absenteeism among girls.²¹ Improving physical conditions in schools is a priority, particularly given the strong global evidence on how school conditions affect student learning.²² There are also opportunities, depending on the school location and condition of facilities, to address climate mitigation vulnerability while also improving infrastructure conditions. For example, in those schools that do have running water, electric heating boilers are commonly used to produce sanitary hot water, but such systems often operate at a lower power than necessary, thus with reduced efficiency of electricity consumption.²³

Need to Better Assess Learning throughout the System

25. **The current student assessment system does not adequately inform teaching and learning processes at the system or school levels.** As mentioned earlier, international student assessment surveys indicate significant learning deficiencies, which start in the first few years of schooling. This confirms a need to systematically investigate the extent of these deficiencies in primary education as well as the factors affecting outcomes. The lack of this data prevents effective evaluation of education quality and formulation of evidence-based education policies that are aimed at improving learning outcomes. The MOES recognizes the importance of such assessment-related data (as evidenced by ongoing participation in a range of international surveys including PISA, TIMSS, and PIRLS) but also that objectively verifiable evidence concerning current learning progress is limited. The need to gather data through a National Assessment Program (NAP) in primary education is highlighted in the recent OECD review of evaluation and assessment (OECD 2019). The OECD's recommendations with regard to designing and implementing national assessment are entirely in line with the Government's own Comprehensive Strategy for Education 2018–2025. Therefore, the inclusion of a component dedicated to developing a NAP in the proposed Primary Education Improvement Project (PEIP) meets a clearly recognized need and a national priority.

26. **Reforms needed to modernize assessment policy and practice have begun, but support is needed to scale them up and build institutional capacity.** The National Examination Center (NEC) of the country represents a well-established and respected institution for the conduct of a wide range of assessments including high-stake examinations and sample-based assessments. Recently, the status of the NEC has been revised to make it more independent from the Bureau for Development of Education (BDE) and its structure has been adjusted to better match its increasing range of core functions, including the conduct of the proposed NAP. Most importantly, the Government recently adopted a Concept for

¹⁹ Stojanovska, et al. 2020. "Challenges and Recommendations for Improving Chemistry Education and Teaching in the Republic of North Macedonia." *Center for Educational Policy Studies Journal*, Ljubljana, Vol. 10, Issue 1.

²⁰ Association of Young Analysts and Researchers, AYAR Skopje (2018).

²¹ Journalists for Human Rights, Skopje (2018).

²² For example, see Barrett, P., A. Treves, T. Shmis, D. Ambasz, and M. Ustinova. (2019). *The Impact of School Infrastructure on Learning: A Synthesis of the Evidence*. International Development in Focus. Washington, DC: World Bank.

²³ MOES. "Guidelines Manual for Maintenance of School Buildings: Part Two."

http://mon.gov.mk/stored/document/Upatstvo_so_priracnik_za_odrzivanje_vtor_del_ENG.pdf.



National Assessment²⁴ to guide the development and conduct of the NAP in primary grades. In line with this, a position paper has been drafted by the NEC's expert working group outlining the issues, considerations, and recommendations for this NAP.²⁵

Incomplete Transition to a System of Professional Competences for School Staff

27. Currently, teachers, school leaders, and schools' MPSTs have either unclear mandates or misaligned incentives that are not in the interests of improving student learning.

- (a) **Teachers.** Effective education systems place a strong emphasis on selecting, training, and retaining teachers with the competencies needed to help students succeed. While North Macedonia has begun to develop more robust systems for teacher selection, assessment, professional development, and promotion, efforts have not been sustained and a comprehensive reform of the career path and teachers' professional development has still not been implemented. As a result, teachers lack the means to develop professionally to become and remain effective educators.
- (b) **MPSTs.** All primary schools in North Macedonia benefit from an MPST that includes (i) a 'pedagogue' (pedagogical expert), (ii) a psychologist, and (iii) a 'defectologist' (roughly, a special needs adviser). However, according to the OECD report, these teams seem to have a narrow particular definition of learning support, one that focuses on 'problem' students rather than supporting teachers "to understand the learning needs of each student and help them design lesson plans that create a more inclusive and effective learning environment" (OECD 2019). The mission of the MPST needs to be updated to focus on contributing to improving student learning outcomes for all.
- (c) **School leaders.** They tend to be mostly accountable for the administration of the school in compliance with laws and regulations, rather than for school improvement and student learning.

28. It is time to implement the newly defined professional competences of school-level actors—teachers, MPSTs, and school leaders. Competent, motivated, and well-supported professionals are crucial to addressing the urgent issues of improving learning outcomes in primary schools. Competencies define and clarify expectations about these professions. Not only do these competencies need to be put in place, as the newly passed law requires, but so do career paths and in-service professional development for these three sets of professionals, as well.

29. In-service teacher professional development (INSET) requires significant reform. This is because several aspects of the system are weak. For instance, teacher appraisal (the procedure to assess a teacher and thereby identify his or her professional development needs) used to be carried out by several ministerial entities but without an underlying harmonized framework. This left the different appraisals incomparable and inconsistent and would not, reportedly, clearly identify the actual skills gaps and/or needs of teachers. In addition, without any clear means for recognizing and promoting good teachers on

²⁴ MOES. 2020. Concept for National Assessment in Primary Education, Skopje.

²⁵ *National Assessment of Student Achievement in the Republic of North Macedonia: Issues, Considerations, and Recommendations: A Position Paper drafted by the National Examination Centre's Expert Working Group for preparing the State Testing Concept* (Skopje 2020).



the basis of competence, there has been little incentive for teachers to pursue professional development seriously. Further, with limited funding for INSET, consensus has emerged that the relevance and quality of the professional development programs in place were questionable. Recognizing that the model for evaluating teachers' professional development needs and addressing those needs through in-service professional development was no longer effective, the MOES began to pursue reforms to modernize it. In addition, in the last five years, several significant initiatives have supported these reforms, all of which have important ramifications for reform of INSET. The analytical work on teachers (SABER²⁶-Teachers, MCEC 2013,²⁷ and OECD 2019); the development of standards (USAID); and the new laws are all positive developments.

30. Recently, the MOES has also begun to show interest in new technologies as a way to deliver online professional development modules, a move which will be made possible by the national expansion of broadband services (supported by the World Bank), and an online resource platform, the #Inno4Edu platform (UNICEF), which is currently under development.²⁸ The need to remain in contact with and support teachers professionally while in lockdown during the COVID-19 pandemic has provided an increased impetus for this move toward internet- and mobile-based technologies.

31. **In addition to improving the effectiveness of those teachers currently in service, improving the caliber of new teachers entering the profession is needed.** At the moment, they are not sufficiently prepared (OECD 2019), and to address this, reform efforts would be needed in the following areas: (a) admission into pre-service training needs to be more selective; (b) pre-service training needs to more fully prepare candidates for the challenge of teaching today; and (c) final admission into the profession (selection from teacher training into induction, the form of the induction period itself, and final accreditation as a teacher) needs to be more rigorous, based in large part on the new teachers demonstrating that they have mastered the necessary teacher competencies required to teach effectively in North Macedonia classrooms today in a manner that enhances student learning.

Low Fiscal Efficiency in the System

32. **Education spending has been steadily declining over the past decade.** Between 2011 and 2018, public spending on education as a share of GDP slipped from 4.3 percent to 3.5 percent (0.8 percentage points), and as a share of total government spending from 12.5 percent to 11.5 percent (1 percentage point). A comparative analysis of the average spending on education as a share of GDP reveals that North Macedonia spends less on education than Western Balkan countries, whose average is 3.9 percent, and

²⁶ SABER stands for Systems Approach for Better Education Results.

²⁷ USAID. 2013. *Policy and Practice Analysis of Teacher Professional and Career Development in the Republic of Macedonia*. Macedonia Civic Education Center, Skopje.

²⁸ The idea of an online teacher platform in North Macedonia is extremely important, both in pre- and post-COVID-19 periods, though it faces several challenges with regard to technical feasibility, infrastructure needs, content, and use. Chief among these is technical feasibility. Currently, broadband internet coverage in North Macedonia is only partial. Although major cities and some rural areas have coverage, most more remote rural areas remain without service. Similarly, mobile penetration is incomplete. There are few 4G networks, so smartphones outside cities can only be used for 'talk and text.' Using them to access the internet would be unfeasible unless there is Wi-Fi connectivity. After piloting Wi-Fi kiosks in 680 rural locations (many of which were in schools and were found useful by teachers), the MOES plans to upgrade to more modern connectivity in all schools. For the moment, though, what exists in schools is limited to about 2 GB, enough for about two computers. Given the current technical setup of most schools outside of urban centers, it is unlikely that the online platforms would function well. This would have to be addressed.



far less than the EU average of 4.6 percent of GDP. The vast majority of pre-university spending²⁹ is toward current spending, as only 5 percent is dedicated to capital spending, even though a third of school buildings need repairs, reconstruction, or adaptation. Also, the composition of current spending favors salaries rather than non-personnel current expenses. Salaries and other staff compensation account for 71 percent of total spending and the rest is for food, heating, and transportation. Finally, even though formally local governments are in charge of education spending, about 95 percent of the funding comes from central government block grants to cover salaries and maintenance costs. The public management situation at the local level is challenging as local governments face difficulties in either topping up the central government financing or fully paying the maintenance costs, which leads to inequalities in the amounts allocated for education. In the current COVID-19 environment, these difficulties are even more pronounced due to increased financing needs for hygiene maintenance and online learning.

33. There is a significant discrepancy between the increasing numbers of teachers and support staff in the system despite the decreasing number of students, indicating concerns about fiscal efficiency and sustainability in the system. For example, the numbers of schools, class sizes, and teachers have not decreased to compensate for falling enrollment. Depending on the location, the student-teacher ratio can be as low as 3:1 while being 18:1 elsewhere. And yet, as spending on capital investments is low (only 5 percent), many primary schools are overcrowded and must resort to double or even triple shifts, even though in some cases other primary schools have an excess of classrooms available. Furthermore, the primary and secondary per student funding formulas are designed to protect low-density schools (which usually have low-income students), but they also create incentives for smaller class sizes leading to an unsustainable fiscal situation. Inefficient spending makes the weak student learning outcomes in North Macedonia troubling, because efficiency improvements could help address learning deficiencies. Recent analytical work³⁰ reveals that several policy areas with the potential for improving efficiency require further analysis and technical assistance. These areas include various approaches to school network optimization and revising per student financing formulas. Further technical assistance in these areas is needed so that the Government has evidence-based strategies to improve efficiency in the system without compromising on access, quality, or inclusion.

C. Relevance to Higher Level Objectives

34. The World Bank Group's engagement in North Macedonia is guided by the Country Partnership Framework (CPF) FY19-23, endorsed by the Board on April 18, 2019. The CPF has three focus areas: (i) export-oriented growth, (ii) inclusive growth, and (iii) sustainable growth. A Systematic Country Diagnostic completed in November 2018 underscored the need to focus on productivity, which is critical to boost growth and create more better-paying jobs; social inclusion, to address opportunity gaps; and social, fiscal, and environmental risks, which may jeopardize the country's future prosperity. The three focus areas of the CPF remain relevant, even in the midst of the COVID-19 pandemic. A Performance and Learning Review (PLR) is planned to be delivered by Q4, FY21.

35. The project is aligned with the World Bank Group's CPF (2019—2023) in North Macedonia, which aims to support the country's ability to achieve faster, inclusive, and sustainable growth and

²⁹ Pre-university spending accounts for about 80 percent of overall public spending on education.

³⁰ North Macedonia Public Finance Review (World Bank 2019); Earmarked and Block Grants in North Macedonia: Options for Reform (Herczyński 2019); North Macedonia: Sustainability of Delivery, Financing for Municipal Infrastructure and Services (World Bank Policy Note 2019).



provide its citizens with greater opportunities for a better life. The Program would contribute towards enhancing the quality of primary education system by equipping students with the necessary foundational skills to ensure better employment outcomes of the young people. Foundational skills are essential to conveying and receiving information that is critical to training and workplace success of the young people and help their preparation for the future of work. The project will contribute towards promotion and development of more competitive and adaptive human capital and help ensure that social groups that have traditionally been marginalized gain better access to education services. Specifically, the project will contribute to Focus Area II (Inclusive Growth: Expand Skills and Opportunities for the Most Vulnerable) and CPF Objective 2 (Improve the Quality and Relevance of Education). The CPF's Objective 2 anticipates supporting new investments in basic education, by (a) increasing instruction quality in primary schools; (b) piloting new methodologies to monitor student achievement, providing adequate learning support to vulnerable and ethnic minority students, and addressing shortcomings in the curriculum; and (c) improving teacher performance and career development—all of which are addressed in this new project.

Relationship to WBG's COVID-19 Response

36. **The country program in North Macedonia has been adjusted in response to COVID-19.** The Bank's response is aligned with the *World Bank Group COVID -19 Crisis Response Paper: Saving Lives, Scaling up Impact, and Getting Back on Track*. The CPF proposed an indicative lending program of around US\$ 420 million. US\$310.8 million has been delivered through investments in agriculture, energy efficiency, local roads, social insurance administration, strengthening public finances, improving market competition and reducing regulatory burden. In response to the COVID-19 crisis, the Bank mobilized and redirected around EUR 127 million in FY20, through an Emergency COVID-19 Response Project (P173916) and an activation of the Contingent Emergency Recovery Component (CERC) of the Local Roads Connectivity Project (LRCP P170267). The remaining country program has been aligned with the Approach Paper "Saving Lives, Scaling-up Impact and Getting Back on Track".

37. **To save lives (Pillar 1) and protect the poor and vulnerable (Pillar 2):** In April 2020, the Bank approved the EUR 90 million Emergency COVID-19 Response Project (P173916) to: a) increase the health system's readiness, and b) provide social assistance support to the poorest and most vulnerable.

38. **To save livelihoods, preserve jobs, and ensure more sustainable business growth and job creation (Pillar 3):** The CERC of EUR 37 million from the LRCP (P170267) was activated on May 14, 2020, to support the government wage and social subsidies support program, for the months of April, May and June, for around 20,000 SMEs, employing 155,000 people.

39. **To strengthen policies, institutions and investments for resilient, inclusive, and sustainable growth (Pillar 4):** The North Macedonia Digital Economy Project (P170993) (US\$33.8 million) is being prepared to improve access to and utilization of the high-speed broadband network in target project areas, to promote the provision of better public services, and to increase access to business opportunities and markets. The Primary Education Improvement Project (P171973) (US\$ 25 million) aims to improve conditions for learning in primary education and build the foundation of a modern and efficient primary education system. The proposed North Macedonia Advisory Services and Analytics (ASA) program for FY21 is aligned to Pillar 4 through the following recovery-focused technical assistance: (i) VAT gap analysis; (ii) Microsimulation tax modeling – improving PIT performance; (iii) Environmental taxation (iv) Tax administration efficiency assessment – using the Tax DIAMOND toolkit; (v) Organic Budget Law – legal



drafting of the new law; (vi) Upgrading the Integrated Financial Management Information System ; (vii) Debt Management –new public debt law and debt strategy; (viii) Innovation and Competitiveness -making an ecosystem for firm-level innovation and competitiveness more effective.

40. **Selectivity, Complementarity, Partnerships.** The Government managed to close the financing gap for 2020 by borrowing from IFIs, issuing a Eurobond and tapping on the domestic market. There is a close coordination through regular joint meetings with the International Monetary Fund (IMF), the European Union (EU), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and other donors. While the IMF and the EU provided budget support through the Rapid Financing Instrument (EUR 177 million) and Macro-Financial Assistance (EUR 160 million), respectively, the Bank focused on the emergency response to strengthen the health sector, support the poor and vulnerable and protect jobs, through the two projects listed above totaling EUR 127 mill. The Bank efforts in the health, labor market and SME support were coordinated and complimented by the EU grants in these sectors totaling EUR 60 mill. EBRD also provided targeted support, but to a much smaller extent, while EIB extended the credit line for SME support. The Government was also issued a Eurobond (EUR 700 million) in May 2020 as well as tapping into the local market through T-bills (EUR 350 million envisaged with the supplementary budget) and a short-term loan of EUR 132.9 million from commercial banks.

41. **The project also takes into consideration the current World Bank guidance for COVID-19 responses,** as expressed in the COVID-19 Education Policy Response, which states that education systems in their responses to the pandemic, now have an opportunity to “build back better:” they can use the most effective crisis-recovery strategies as the basis for long-term improvements in areas like assessment, pedagogy, technology, financing, and parental involvement.³¹ In addition, the project would also be well aligned with the new education approach outlined in the World Bank’s Human Capital Project, especially the Literacy Policy Package, which consists of evidence-based interventions to achieve learning targets with the students, teachers, and managers in place today.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

42. The Project Development Objective (PDO) is to improve conditions for learning in primary education.

43. In the theory of change underlying this project, ‘conditions’ for learning refers to several key factors that come together at the school level to enhance student learning outcomes: (a) learning environments with sufficient resources, equipment, and physical and sanitary conditions (Component 1); (b) school improvement plans (SIPs) that are evidence-based; that is, informed by student assessment results, and supported through school grants to serve as a key tool for enhanced school managerial capacity (Components 1 and 2); and (c) teachers demonstrating effective teaching practices in the classroom in line with standards and professional development programs informed by learning assessments (Components 2 and 3). Schools that benefit from these factors are well-positioned to meet

³¹ World Bank (2020). “The COVID-19 Pandemic: Shocks to Education and Policy Responses.” Washington, DC: World Bank.



students’ needs and enhance learning. The PDO indicators (table 1) measure these three factors at the project level.

PDO Level Indicators

Table 1. PDO Level Indicators

No.	Key Results Indicators
1.	Proportion of classrooms with improved learning environment at the primary level resulting from project interventions
2.	Proportion of (implemented) school improvement plans that use performance data and monitoring tools for improving student learning
3.	Proportion of classrooms with improved quality of teaching practices as measured by in-class teacher observation tool

B. Project Components

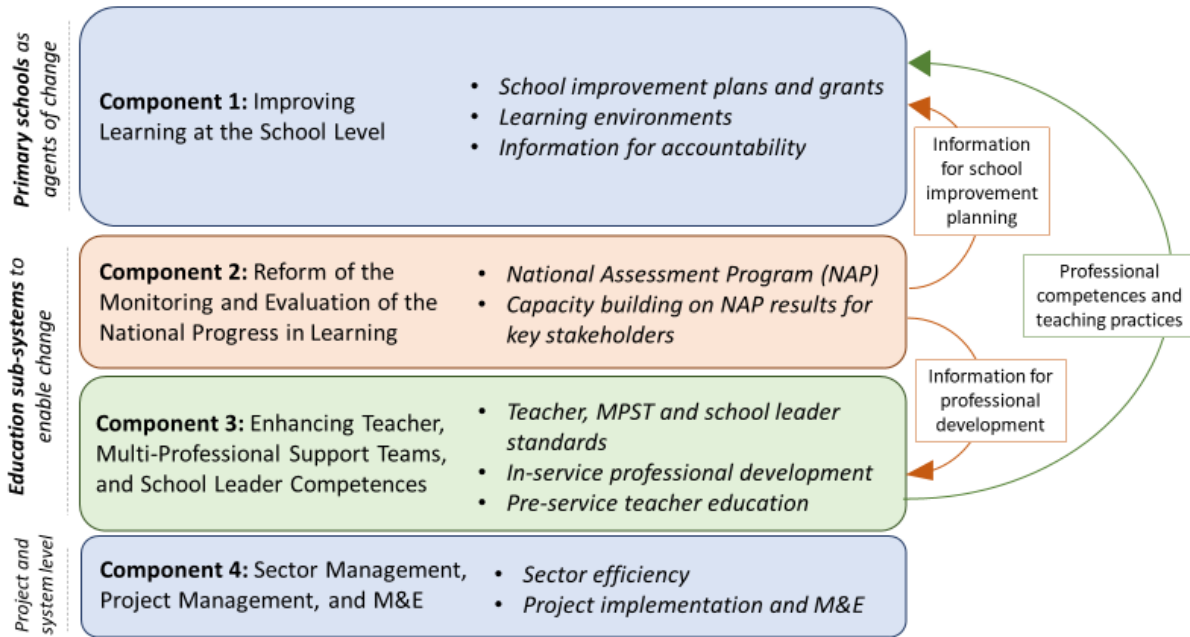
44. The proposed project will be organized around three main elements that need to be aligned to complement each other.

- The core element (Component 1) focuses on school-level interventions, which are closest to students and most likely to affect learning while also mitigating and recovering learning losses generated by COVID-19. Component 1 will directly contribute to PDO indicator 1 on classrooms with improved learning environments. Two enabling elements are system-level reforms, which would create the necessary enabling conditions so that teachers are empowered with data on learning and up-to-date training.
- Component 2 would develop a comprehensive National Assessment Program (NAP) to inform both school improvement planning (contributing to PDO indicator 2) and professional development programs serving to link the school and system levels.
- Component 3 would put into practice professional competences for educators, thereby contributing to PDO indicator 3 on improved quality of teaching practices. Together, these elements will provide adequate information, tools, training, and support to create effective and improved conditions for learning (as in the PDO) that build on the schools’ preexisting level of autonomy and ultimately increase student achievement.
- Component 4 would strengthen evidence-based sector management, project management, and monitoring and evaluation (M&E), in light of the recent COVID-19 pandemic and its consequences on the sector. The legal framework for implementation of the abovementioned reform interventions was recently adopted and there is an adequate institutional setup to embed and further enhance them.

45. The project activities are targeted toward building the foundation of a modern and efficient primary education system that is orienting all parts of the system toward learning. All project components reinforce each other to improve conditions for learning in primary education. The project would thus include the following components, as shown in figure 4.



Figure 4. Project Components



Component 1: Improving Learning at the School Level (US\$17.50 million)

46. The objective of this component is to improve conditions for learning at the school level through: (a) the revision and use of SIPs focusing on improving student learning, supported by school grants to build on schools’ preexisting level of decision-making autonomy; (b) the upgrading of the physical learning environment, supported through centrally procured investments; and (c) the sharing of information to promote accountability. Teaching and learning constitute the core work of the school, and school staff should strive to provide the best possible learning experience to their students. The project will finance activities aimed at improving the capacity of schools to conduct self-evaluation and develop a SIP. The SIP will be a key instrument in identifying areas in which the school team (principal, teachers, support team, and community) will work together to improve learning and promote learning recovery in the context of COVID-19. As such, the SIPs represent a key decision-making tool for schools to capitalize on their autonomy to make the right decisions to improve learning. This component will also finance minor refurbishments of existing facilities.³² Among others, the project will finance minor civil works needed for the installation of school ICT and science laboratories, improvement of sanitary conditions, painting, wiring, refurbishment of floors, and so on. No land acquisition or resettlement is anticipated. In addition, the project will finance the procurement of equipment to support effective teaching and learning as well as activities envisioned in the SIP to improve learning.

³² There is a new operation in North Macedonia (P149990) that will help municipalities enhance the energy efficiency of public buildings such as schools or hospitals. It was agreed with the Government that this project will finance nonstructural refurbishments focused on the quality of the learning environment, while the energy efficiency project will finance “out-door infrastructure, insulation, heating systems, and so on.”



Subcomponent 1.1: School Improvement Plans (SIP) and Grants (US\$2.59 million)

47. Promoting SIPs as a key instrument to improve student learning outcomes implies a new vision for the role of the school; the school team (that is, school leaders, teachers, and the MPSTs); and the school community. Building on the schools' preexisting level of decision-making autonomy, they will be expected to work together to improve student learning outcomes. The school improvement cycle that currently exists will be revised to focus more exclusively on this result.³³ Schools will self-assess while the Inspectorate will continue to externally assess schools. With technical assistance and support provided by the project, schools' decision-making autonomy can be harnessed toward school improvement. School teams will develop SIPs that convincingly demonstrate ways to improve student learning outcomes, entitling schools to then receive grants to implement their ideas. These SIPs will be expected to show how to address the following:

- (a) **In the immediate term**, the community- and school-level challenges linked to the COVID-19 pandemic will be prioritized in the SIPs. Schools that are hardest hit and have vulnerable students will be prioritized with these school grants. This will require the SIPs to include effective strategies for promoting school attendance after an interruption, tackling the drop in learning after a forced absence, supporting the psychosocial needs of students (and teaching staff), and so on. It may also require that schools prepare for the possibility of a second wave of infection by putting in place measures to ensure continuity of learning through distance learning and offline materials and by adopting the 'e-diary' for all concerned stakeholders (families and schools) to stay connected, in the case of confinement, as well as procurement of tablets for vulnerable students.³⁴
- (b) **In the short to medium term**, the SIPs will prioritize community- and school-specific strategies needed to ensure effective learning for all students, which might for instance include ways to encourage school attendance; ensure remedial education for weak students, especially for those made most vulnerable by the COVID-19 pandemic; and improve learning results in minority groups, such as Roma students, especially Roma girls, special needs students, and so on. Schools that use the SIPs effectively in these ways, will be selected as resource schools to mentor other interested schools in improving their learning outcomes.

48. This subcomponent will finance technical assistance activities aimed at (a) revising the school improvement framework and training the education inspectors and BDE staff, (b) supporting all primary schools to develop their SIPs, and (c) designing and implementing a school grant program to support activities.

49. The school grants program to primary schools will finance activities to ensure effective learning for weak and vulnerable students and those made most vulnerable by the COVID-19 pandemic. The indicative budget for the grant program for primary schools is US\$1.1 million and total indicative amount per school is up to US\$10,000. All primary schools are eligible for the grant program and will receive technical assistance to develop their SIPs and grant applications. The activities related with tutoring, counseling, and coaching of vulnerable group of students (Roma students, students with special education needs, students from low-income families, other students with high dropout risk, and so on), which can

³³ The school improvement cycle would become results based, following international good practice.

³⁴ Targeting will be done in cooperation with the Ministry of Labor and Social Policy.



support schools to become inclusive, provide equal opportunities for all children, and provide skills for lifelong learning will be eligible for financing. The grant application in addition to individual learning plans for the selected students will need to include resumés of selected mentors/tutors.³⁵ The MOES will also receive technical assistance for the development of a Grant Operational Manual (GOM), which will define the grants' approval and implementation arrangements for awarding grants. The completion of the GOM satisfactory to the World Bank will be a condition for disbursing against this activity. The key instrument for implementing grants will be the grant agreement between the MOES and the awarded schools.

50. **Citizen engagement.** The school self-assessments and SIPs that result from the process will be developed with the participation and engagement of local communities, specifically parents and students as beneficiaries of primary education, as well as teachers, associates (MPSTs), and local authorities (founders) as representatives of the school. Together, representatives of these groups comprise the school board for each school. While the school has the autonomy and responsibility for preparing the SIP, the school board will be consulted and engaged in that SIP preparation process. School boards can suggest areas for improvement based on their meetings with other parents and students and request that the school adapt or improve the SIP. This participatory process will ensure that key stakeholders' voices are heard and that they are aware of actions taken based on their feedback, thereby closing the feedback loop. Grants will only be provided in cases where the SIPs were developed with the active participation and engagement of local communities through their school board and where such engagement has been credibly documented as part of the school self-assessment and planning process. An annual online survey of school board members will be conducted to capture feedback and report on board members' satisfaction with their engagement during the SIP preparation process and with the actions taken as a result of their feedback. This survey will be complemented by face-to-face or virtual focus group discussions with school board members to obtain feedback on the effectiveness of the SIP processes and discuss survey results to inform implementation. This will inform the beneficiary feedback indicator in the project Results Framework. Citizen engagement budgets are included in the component costs.

Subcomponent 1.2: Improving the Learning Environment (US\$14.48 million)

51. Spaces that are designed with young students in mind promote learning.³⁶ In line with this, this subcomponent will finance investments to upgrade and improve the learning environment in primary education. Such investments, to be made centrally by the MOES through the Project Management Unit (PMU), will include the following:

- (a) **Upgrading of the physical learning environment.** While no major works are planned, select schools may benefit from the following:
 - (i) **Upgrades in basic infrastructure.** Where needed, minor rehabilitation will be provided to upgrade electricity, lighting, connectivity, gender-sensitive³⁷ toilet and sanitation facilities (annex 3), and community spaces for teachers and learners. Investments in school infrastructure will be done for schools that have a utilization rate above 65

³⁵ The criteria for selection of mentors/tutors will be provided in the Grant Operational Manual (GOM).

³⁶ Barrett et al. (2019).

³⁷ The project will support the MOES to develop standards, criteria, and guidelines for gender-sensitive sanitation facilities (for example, separate toilets with doors; with access to water, soap, and toilet paper; and garbage disposal).



percent and are not located in earthquake-prone zones. The school utilization rate shall be determined based on the following formula.³⁸

$$\text{School Utilization rate} = \frac{\text{Number of students served}}{\text{Maximum enrolment capacity}} \times 100$$

- (ii) **Enhancements to learning environments** that are multifunctional, internet connected, and conducive to learning. The project will finance multifunctional ICT rooms, science laboratories, and libraries, with age-appropriate furniture and the most appropriate equipment.
- (b) **Updating of learning resources.** Classrooms will also be provided with teaching and learning materials: resources such as age- and level-appropriate books; learning manipulatives (objects, toys, and games); posters; and so on will be provided in all official languages in North Macedonia.

Climate Mitigation and Adaptation Approach

52. Under the SIPs supported in Subcomponent 1.1, the project will support distance learning measures, offline materials, and adoption of the 'e-diary' to maintain connectivity with students and parents and ensure continuity of learning in the face of shocks, including future waves of COVID-19 as well as climate-induced incidents which prevent students from physical attendance. While distance learning measures are intended to support educational resilience broadly, they will also help schools adapt their delivery model and maintain continuity of operations in the event of environmental hazards like floods or extreme weather events that require localized school closures.

53. Under Subcomponent 1.2, project-supported investments in basic infrastructure, learning environments, and learning resources will be made with a view toward strengthening climate resilience of primary schools in North Macedonia, in line with global good practices and EU norms and standards. As mentioned earlier, North Macedonia has the potential to improve climate mitigation through greater energy efficiency and improve climate adaptation through better resilience to common climate-induced hazards, namely river flooding and extreme temperatures. Though infrastructure upgrades will be minor in scope, the project will guarantee efforts to adapt school infrastructure to such hazards through climate-proof design and planning. Basic infrastructure investments will be made in accordance with EU norms for climate mitigation (including, among others, energy efficient equipment and appliances and solar panels for carbon-neutral lighting, heating of facilities, and producing sanitary hot water) and climate adaptation (including, among others, drainage improvement for flood control and insulation measures to adapt to extreme temperatures). Learning environment enhancements will include, among others, ICT equipment, air conditioning devices, network infrastructure, specialized IT equipment for students with disabilities or special educational needs, science laboratory equipment, and school furniture. These investments will also comply with good practices of climate resilience and environmental management (for example, by prioritizing energy efficient equipment). Given that all investments under Subcomponent

³⁸ Number of students served is the total number of students who attend the school at a given date in all shifts; maximum enrollment capacity is the number of classrooms in use, multiplied by the maximum number of students allowed in a classroom.



1.2 will be procured centrally by the MOES through the PMU, the MOES will be able to ensure investments are made consistent with national laws and European norms for climate resilience as mentioned in the EU Strategy for Climate Adaptation and associated technical standards. Minor civil works supported under Subcomponent 1.2 will be aligned with or supplemental to the major works funded under a separate energy efficiency support operation (P149990).

54. The science and ICT laboratory equipment and associated learning resources and materials, including books, will also support improved implementation of the natural sciences curricula in primary schools, which together with civic education curricula covers topics relevant to climate adaptation and mitigation like environmental protection and sustainable development.³⁹ For example, by Grade 8, Macedonian students are expected to understand and explain the problems and consequences of anthropogenic activities; pollution of soil, water, and air; changes in water supply; measures for protecting water resources and air quality; and urbanization and pollution problems in big cities and rural areas. The science laboratory and ICT equipment, along with associated learning materials, will facilitate improved teaching and learning of natural and earth sciences that are critical for developing environmental literacy in the next generation, ultimately contributing to climate adaptation and mitigation over the long term.

Subcomponent 1.3: Promoting Accountability through Information Sharing (US\$0.43 million)

55. A complement to Subcomponents 1.1 and 1.2, Subcomponent 1.3 will be included to promote accountability by sharing information about schools with stakeholders, as this has been shown to be a simple yet effective way to hold concerned actors (schools) more accountable to stakeholders (families, local community, and the MOES). Several ways to do this are available.⁴⁰ The most appropriate model for North Macedonia will be starting with a ‘soft’ approach, which includes (a) the presentation of information on simple descriptive statistics for each school (number of students, number of teachers in the school, major findings of the school’s self-assessment, details of the SIP and progress toward SIP objectives/targets, and so on, like a ‘school report card’) and (b) consultations with local communities to ensure awareness of school performance information. As data on school-level student learning outcomes become available, this information might eventually be included to strengthen the accountability chain and provide key stakeholders at the school and community level with more detailed information on student learning results.⁴¹

³⁹ Environmental education is integrated as part of the natural sciences curricula in Grades 1–6 and as part of the biology, geography, and chemistry curricula for Grades 7–9. Elective courses for Grades 7–9 also include a separate course on environmental education.

⁴⁰ See Bruns, et al. 2011. *Making Schools Work*. This can be done by reporting on results at the student or the school level; Cheng, Xuejiao, and Kurt Moses. 2016. “Promoting Transparency through Information: A Global Review of School Report Cards.” <https://www.semanticscholar.org/paper/Promoting-transparency-through-information-%3A-A-of-Cheng-Moses/161dc58ba41337354358acac0d4c8f8f0a50ae39>.

⁴¹ In some cases, making sensitive information available can cause problems. When schools in Los Angeles, California, were mapped, there was a general outcry because the weakest schools were in the poorest neighborhoods where funding to schools was low, while the best schools were in wealthy neighborhoods. The lack of equity was decried.



Component 2: Reform of the Monitoring and Evaluation of National Progress in Learning (US\$2.30 million)

56. The objective of this component is to improve the student assessment system at the primary level through (a) the development of the NAP and (b) dissemination and utilization of assessment data at school and central levels.

57. **The MOES recognizes the importance of assessment-related data in evaluating the quality of education and formulating policies.** The MOES is committed to evidence-based policy making but recognizes that objectively verifiable evidence with regard to the current situation is limited. The MOES requires the proposed NAP to provide an accurate snapshot of standards achieved by learners in the primary phase of education and establish a reliable baseline against which future progress may be monitored.⁴² The project will provide technical assistance to the MOES and NEC in establishing the NAP aiming to provide reliable and objectively verifiable data on the standards of achievement of students in learning domains considered to be of special importance during primary education. The data will provide evidence for developing and advancing educational policies in the country to achieve modern world educational standards. This component will also support the NEC's participation in international large-scale assessments.

58. **Developing a NAP for primary grades will require developing age-appropriate sample-based assessments for, initially, Grades 3 and 5.**⁴³ These will focus on the key enabling skills of basic mathematics (numeracy) and language (that is, mother tongue/language of instruction). The assessment frameworks and tests for the NAP for primary education that will be developed will be rooted in the curricula of the MOES and the levels of achievement used for reporting will reflect both the learning objectives contained within national curricula, associated standards, and the reality of the situation in the nation's classrooms. This will be a sample-based assessment,⁴⁴ an approach used in all international studies, which allows sufficiently precise measurement of student achievement while using minimum resources. Data obtained will be aggregated at the system and district levels with an acceptable level of precision.⁴⁵

59. The component will, therefore, support the Government's agenda to reform assessment through the following subcomponents.

Subcomponent 2.1: Development of a National Assessment Program (US\$1.53 million)

60. This subcomponent aims at providing technical assistance to the MOES and NEC to implement the NAP as stipulated in the Concept for National Assessment in Primary Education as well as to strengthen the relevant capacity of the NEC in terms of human, technical, and financial resources. The project will support the development and administration of at least two cycles of literacy and mathematics

⁴² The NEC's expert working group has developed a Concept outlining the issues, considerations, and recommendations for this NAP: Concept for State Testing in Primary Education" Decision No. 18-5737/1, June 12, 2020.

⁴³ When national assessments for these cohorts are well-established and when resources allow, a third target cohort will be added to complete the system, students nearing the end of Grade 9, and a third subject, science, might be added at all grade levels.

⁴⁴ Once it is embedded in the system, it may be possible to move toward the testing of all learners in Grades 3 and 5 (and possibly Grade 9) to track the progress of individual students. This should be a long-term goal.

⁴⁵ Data from the assessment cannot and will not be used by any authority to monitor the performance of individual students, evaluate the performance of individual teachers, or make comparisons between the achievements of individual schools.



assessment in Grades 3 and 5 initially. The process for each grade takes three years to complete: the first year includes survey design and pre-testing of instruments, main data collection (testing) takes place in the second year, and reporting and dissemination take place in the year following the main data collection. The project will support strengthening the capacity of the MOES and, in particular, the NEC to carry out the entirety of this process.

Subcomponent 2.2: Maximizing Use of NAP Results at the Ministerial and School Level (US\$0.77 million)

61. Once results from the NAP are developed, they will be used to inform policy reform at the ministerial level and through action at the school level. This will entail providing technical assistance and training in the following ways:

- (a) **For NEC staff.** The NEC staff will receive comprehensive training and support in data analysis and reporting. Strengthening the NEC's capacity to carry out the necessary psychometric analysis, including the application of item response theory (IRT), will be an immediate priority. Specialized software will be procured, and two or more members of staff will be trained in its use in applying IRT. Following analysis, preliminary quantitative results will be summarized in tables, diagrams, and charts. The NEC's staff will also be trained to follow international standards in presenting such data. In particular, all key statistical indicators will be presented with relevant standard errors or confidence intervals to allow meaningful comparisons to be made.
- (b) **For MOES, BDE, and State Education Inspectorate (SEI) staff.** Concerned ministerial stakeholders will be provided with training to learn how to interpret and analyze the NAP data in the interest of using it for policy reform.
- (c) **At the school level.** For those schools covered in the sample, training will be provided to the school principals on how to interpret and act on the NAP results at the school level, while training for teachers will focus on how to help them interpret and act on the NAP results at the student level. Schools not directly included in the sample will still receive feedback on the overall results of the assessment at the national and local/regional level and will be supported (under Component 1) to use that information together with data specific to their school to develop their SIPs.
- (d) **Stakeholders: local authorities, parents, and academia.** Customized reports will be made available for each of these groups, along with dissemination workshops.

Component 3: Enhancing Teacher, Multi-Professional Support Teams, and School Leader Competencies (US\$3.40 million)

62. The objective of this component is to improve competencies of school staff through (a) implementation of professional standards and (b) modernization of in-service professional development programs.



Subcomponent 3.1: Implementing Teacher, Multi-Professional Support Teams, and School Leader standards (US\$ 0.51 million)

63. A significant body of research demonstrates that both the teacher and the quality of teaching are crucial determinants of student learning.⁴⁶ The objective of this subcomponent is to operationalize the standards that have already been developed in line with the new laws on Primary Education and Teachers as laid out in the relevant rulebooks.⁴⁷ The operationalization of the standards also requires strengthening capacity in terms of human, technical, and financial resources in the MOES and concerned agencies, such as the BDE and SEI.

64. In particular, this will also involve the following:

- (a) **Technical assistance being provided to support the BDE to operationalize the standards.** For teachers, these standards have been defined in the rulebook. The standards will be used for teacher self-assessment to identify professional development needs and for a formative assessment of the teacher by the BDE and school directors to support improvements in teaching. The assessment will result in a report with feedback and directions for further work, which will be kept in the teacher's file. Teacher assessment reports will be used to improve school performance and inform career advancement.
- (b) **Technical assistance will also be required to operationalize career paths for teachers, MPSTs, and school leaders.** The new laws identify new positions⁴⁸—in teaching, for instance, there will be new mentor-teacher and adviser-teacher positions—and putting these into place will require the necessary procedures and budgetary support. The project will help the BDE develop these procedures and monitor the introduction of these new positions. These new positions are essential for the reform effort because they will help identify the teaching expertise needed to improve INSET (and possibly pre-service professional development [PRESET]). These master teachers can (i) support weaker teachers with their professional development needs, (ii) lead INSET efforts in schools more generally within the Teacher Actives, or (iii) work online. These positions could also be involved in strengthening PRESET by being mentors to (i) student-teachers during their practicums, (ii) trainee teachers during their induction period, and (iii) novice teachers entering the first years of service.

Subcomponent 3.2: Modernizing In-service Professional Development (US\$2.60 million)

65. The new project is in a strong position to build upon the ongoing reforms in INSET that have been started in North Macedonia, such as the competency-based teacher standards that have been developed, the new Law on Teachers, the online platform for teachers, and the existing Teacher Actives. The modernizing of INSET requires not only strengthening the BDE's capacity in terms of human, technical,

⁴⁶ Darling-Hammond, L., L. Flook, C. Cook-Harvey, B. Barron, and D. Osher. 2019. "Implications for educational practice of the science of learning and development." *Applied Developmental Science*, 24:2, 97-140.

⁴⁷ Pursuant to article 24, paragraph (2) of the Law of Teachers and Teaching Assistants in Primary and Secondary School ('Official Gazette of the Republic of North Macedonia' no 161/2019); Rulebook on the Basic Professional Competencies of the Teachers in the Primary and Secondary Schools by Areas (MOES 2020); and Rulebook on the Form and Content of the Personal Plan for the Professional Development of Teachers and Professional Associates in Primary and Secondary Schools (MOES 2020).

⁴⁸ The Palestine Teacher Professional Development Index could serve as a model.



and financial resources but also other related agencies as well, like the SEI and concerned units with the MOES.

66. In particular, the new Law on Teachers stipulates that teachers are required to pass 60 hours of professional learning within three years. In response to this, the BDE is expected to prepare a catalog of available professional learning courses, based on teacher standards, accredit the professional learning programs and providers in this catalog, and monitor the implementation of these learning courses.

67. In line with this, the project will support the BDE to make in-service training more pertinent by

- (a) Allocating appropriate resources to and strengthening capacity in the BDE;
- (b) Identifying professional development needs and developing content;
- (c) Adjusting delivery—how professional development is provided;
- (d) Improving support to teachers (through learning resources, Teacher Actives, and resource persons); and
- (e) Providing incentives and strengthening accountability for professional development.

68. The BDE requires the appropriate resources so that it can lead the reform in in-service professional development. The necessary staff, technical assistance, and material conditions will be made available to the BDE to support the reform agenda.

69. Identifying professional development needs will be carried out with the following approaches that evaluate teacher competencies (what they know and how they teach it):

- (a) Assessment of a teacher's competency in relation to established teacher standards will be done through self-assessments.
- (b) Assessment of classroom practices (the strategies teachers are using to teach) will be done through classroom observations, like the World Bank's TEACH instrument.

70. Evidence from these evaluations will guide the development of professional development content. The assessments above will reveal what should be mandatory learning for all teachers and what could be elective. The BDE will oversee the development of this content. Once the content of the courses and the audience for these courses is agreed upon (the faculties of education could be involved in establishing guidelines), the BDE will invite teacher professional development providers to develop professional learning modules that become part of an available catalogue of professional development offerings. The BDE will accredit these providers and their professional development offerings. Once the learning modules are developed, they need to be tested to see that teachers are effectively learning from them. In all cases, technical assistance will be provided to help the BDE (a) create a catalogue of face-to-face and online modules (some of which will be new and some already provided by UNICEF and the MOES through the new national platform for online learning); (b) ensure the quality of online content through



accreditation;⁴⁹ (c) implement those modules;⁵⁰ and (d) monitor their effectiveness in improving teacher knowledge, instructional practice, or attitudes. To this end, the BDE will be trained to use the TEACH tool. TEACH is the first tool to holistically measure what happens in the classroom. It does so by considering not just time spent on learning but, more importantly, the quality of teaching practices.⁵¹

71. **Adjusting the delivery of professional development.** The BDE's capacity to offer good quality in-service professional development will be improved by using multiple high-quality training pathways (a) in dedicated centers for professional development (as is currently the case); (b) in schools where professional development can be encouraged through the Teacher Actives; and (c) through online initiatives,⁵² which will require software solutions, platforms, and the training of learning staff (see following paragraphs). It is by combining these three channels, connecting them all, that a move from professional development being an occasional activity to making it an ongoing concern can occur more readily.

72. **Improving support to teachers is essential.** This can be done by the following initiatives:

- (a) **Making resources such as teaching materials, including online resources, available through the national platform for online learning.** The main goal of this initiative is to support the newly established national web-based platform that will improve the quality of teaching and learning through co-creation and innovation and will involve teachers, parents, and children. The project will offer technical assistance and financial resources to ensure the appropriate quantity and quality of the resources found on that platform.
- (b) **Making resource-persons available** by (i) training mentor-teachers to support teachers;⁵³ (ii) training adviser-teachers to support the Teacher Actives,⁵⁴ and (iii) identifying resource persons that support the use of technology.⁵⁵

73. It is also important to provide incentives and strengthen accountability in connection to professional development. To this end, the project will support the implementation of the provisions in the new legislative framework related to teachers' professional development and career advancement.

⁴⁹ Through Quality- and Cost-based Selection (QCBS).

⁵⁰ 60 hours of professional learning for each teacher within the period of three years.

⁵¹ *Teach: Helping Countries Track and Improve Teaching Quality* (World Bank 2019).

⁵² A move that has been jump-started by the need to stay connected during the COVID-19 lockdown.

⁵³ Start with teacher in-class instructional practice and provide support and coaching to improve that instructional practice. Use COACH to assess that practice.

⁵⁴ Semiformal school bodies that are usually established by the school director in each primary school and serve as horizontal support for teachers and exchange of good practices among teachers who are responsible for teaching the same subject.

⁵⁵ Examples of good practices from other countries reveal methods to prepare educators to use technology for teaching and learning. One important way is facilitating peer mentoring. Korea, for example, piloted and then fully launched an online peer support program to help teachers transition to distance learning. The program connects volunteer teachers nationwide with peers who have requested support, and they work together to set up an online classroom or plan for online lessons. Between 2015 and 2019, Finland provided national-level funding to train a network of 'tutor-teachers' responsible for supporting their peers' learning, with a focus on using digital tools. Almost all municipalities surveyed reported that they planned to continue the tutor-teacher program even once national funding ended. Similarly, Estonia has a network of school-based educational technologists—teachers who specialize in helping their peers integrate technology in innovative ways. During distance learning, they have provided support in their schools and at the national level through an educational technology advice hotline.



Technical assistance and financial support will be made available to assist the BDE in developing a management system to track teachers' professional development and reward them accordingly.

Subcomponent 3.3: Introducing Changes to Pre-service and New Teacher Selection (US\$0.29 million)

74. It has been noted that new teachers entering the profession are weak, so measures will be taken to improve pre-service education. As PRESET cannot be significantly revised at the moment, a first reform step⁵⁶ for pre-service training will be to improve the transition from pre-service training into teaching by improving the coaching and mentoring of (a) student-teachers during in-school practicums (in pre-service training) and (b) new trainee teachers as they go through induction and (c) new teachers in their first years of service. The new positions of mentor-teacher or adviser-teacher in the new law could ensure this role. The project will support the BDE in the selection of the model schools that will provide this practicum and capacity building of new mentor-teachers for this new role.

Component 4: Sector Management, Project Management, and M&E (US\$1.80 million)

75. This component will support the day-to-day management of project implementation and M&E of its objectives and outcomes. This component will finance the activities that will ensure effective administration and implementation of the project by supporting (a) the operation and straightening of the PMU, including the provision of operating costs, and (b) development and implementation of an M&E system for the project. In addition, this component will support analytical work related to the primary education sector efficiency and feasibility and necessary preconditions required to implement recommendations.

Subcomponent 4.1: Improving Evidence-based Sector Management (US\$0.30 million)

76. As noted earlier, inefficiencies in the sector and feasibility of solutions deserve greater study so that the Government can be better informed and better placed to take evidence-based steps to improve efficient management of the system and fiscal resources without infringing on access, quality, or inclusivity. In need of study are the issues of school optimization feasibility and adequacy of funding formulas, both of which are directly connected to the organization and quality of instruction in primary schools. The Government considers school optimization and revision of the current funding formula as top priorities and both are featured in its recent plan for 2020-2024 for the education sector. The analytical underpinnings for the new formula in primary education are done during project preparation and, to some extent, in the analytical work related to school network optimization. Because of the constraints on movement and the limitations on the use of school facilities imposed by the COVID-19 pandemic, the assessment of the network could not be studied during project preparation and so should be explored during project implementation.

77. **School optimization feasibility.** The project will support the Government to undertake a detailed feasibility study to explore the extent to which different optimization options and scenarios are possible depending on local conditions and defined criteria. This will suggest how school networks at the local level could be adjusted over time to better use physical and human resources in relation to the declining student population without compromising on education quality, access, or inclusion. Optimization may offer an opportunity to make education spending more efficient and, provided it is done equitably, could

⁵⁶ This would be the first step. A road map outlining pre-service reform could be developed, which could be followed up in a later project.



release facilities for preschool and secondary programs and reduce the need for some auxiliary services, such as lodging and transportation. It could also be an exercise that helps rebalance student/teacher ratios through human resource reallocation, one that does not necessarily imply teacher attrition.

78. **Primary and secondary per-student funding formulas.** This subcomponent will also support the MOES to evaluate the adequacy of the current primary and secondary funding formulas. Both formulas aim to protect resources for low-density schools, which usually have low-income students and are likely to be allowed higher per student amounts. However, this creates smaller class sizes. Meanwhile, education funds do not adequately cover the capital investments required to keep facilities in good condition. In other words, the current formulas create an unsustainable financial situation. Recent recommendations on this deserve to be revisited.⁵⁷

Subcomponent 4.2: Project Implementation and M&E (US\$1.50 million)

79. This subcomponent will support the operation of a PMU, which will report to the Project Director and which will be responsible for all day-to-day project implementation activities, as well as procurement, disbursement, accounting, and safeguards functions. World Bank financing will be provided for consultants hired in the PMU, as well as for assistance and training to all project staff, project audits, office equipment, and incremental operating costs. Strengthened analytical capacity and M&E activities will provide important feedback mechanisms for policy, effectiveness, and credibility of the activities supported under the project. The project will support the design and implementation of (a) tools to monitor the Results Framework for the project, (b) evaluations to review and assess the implementation of the programs/activities supported under the project, and (c) implementation of citizen engagement activities and surveys.

C. Project Beneficiaries

80. Direct beneficiaries of the project will include primary education students, but focused support will be given to those who are vulnerable (Roma, girls, students disproportionately affected by the closure of schools due to the COVID-19 pandemic). They are expected to benefit from improved learning and the physical environment in their schools as well as from better-trained teachers. Primary education teachers, school principals, and MPSTs will benefit from more efficient professional development and career advancement, teaching aids, and grant programs to implement their SIPs. The MOES's staff will benefit from the different opportunities for professional development through interaction with international experts and study visits as well as through the strengthening of the institutional capacity with a focus on increasing its efficiency and accountability.

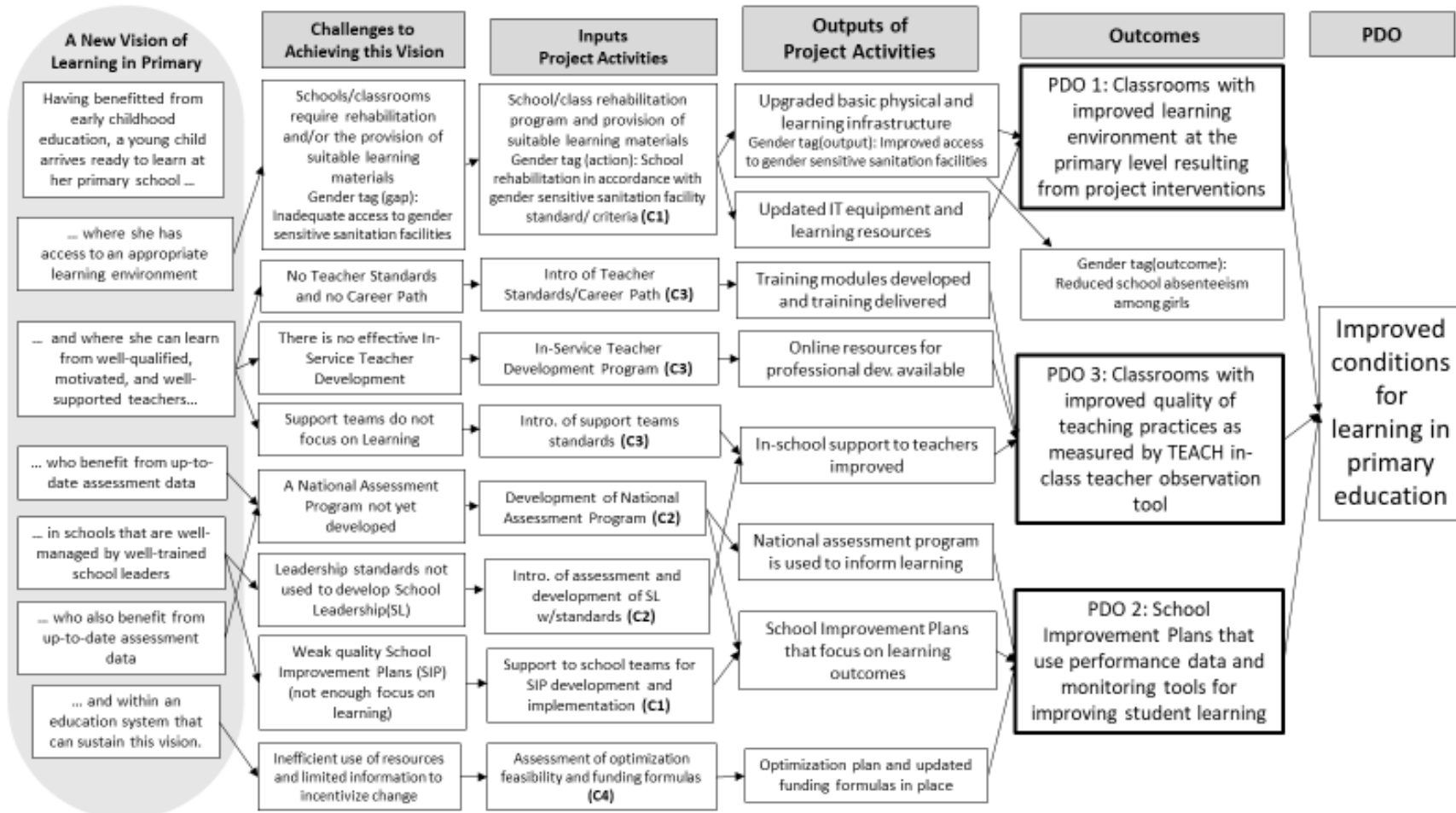
D. Results Chain

81. The Results Chain (figure 5) outlines this new vision for learning in primary education and links it with the project-supported activities, outputs, and outcomes.

⁵⁷ Herczyński, J. 2019. "Earmarked and Block Grants in North Macedonia: Options for Reform." Working Paper.



Figure 5. Results Chain





E. Rationale for Bank Involvement and Role of Partners

82. **The rationale for public sector provisioning/financing is strongly justified in North Macedonia, particularly in disadvantaged areas.** The public sector remains the sole source of education provision in most areas of the country, except in Skopje, Tetovo, and Struga where there is limited private sector presence. The economic and social returns to public investment in basic education are well established. Investing in primary education is not only morally advisable but has been empirically proven to provide the greatest gains to a more productive society and therefore higher wages and overall higher returns to all future public and private investments. Other benefits to increasing access to quality primary education, especially to disadvantaged populations, include improvements in health outcomes and greater equity and social welfare. These positive social externalities of the project provide an additional rationale for investment.

83. **Several reasons justify the World Bank's support for this project.** First, the World Bank has been able to mobilize significant resources for this project that would leverage successes of earlier World Bank projects in education and other sectors and which will also complement other donors' support to the sector.

84. Second, the World Bank, recognized for its experience in education and its long and successful track record in North Macedonia, brings innovative solutions in terms of project design to this project context. Previous World Bank operations in North Macedonia have been successful in establishing the institutional preconditions required for more substantive reforms in the sector while accounting for decentralization. These include, for example, establishment of school self-evaluation processes, demand-driven in-service teacher training systems, and an Education Management Information System (EMIS). The World Bank will leverage this experience while tapping into its extensive experience in developing education projects elsewhere in the region that support the development of teaching practices and content, fostering access to quality and inclusive physical learning environments, and strengthening institutional capacity. This includes experience with areas of reform that would be targeted under this operation: teacher training; national assessment; and effective use of information, learning environment, and education financing. These areas build on the World Bank's past support for the sector through prior operations, which were aimed at establishing preconditions for more substantive reform in a decentralized context. Through the proposed project, the World Bank can continue to support and strengthen the Government's broader reform program in primary education by refining the articulation, alignment, and implementation pace of different aspects of the reform and by improving the institutional capacity of the MOES and other key institutions. The World Bank has already provided technical assistance to the development of the new Concept for National Assessment Program and has provided extensive comments to the Comprehensive Strategy for Education for 2018–2025 and Concept for Inclusive Education. This creates a strong basis for the World Bank's engagement through this operation to support their implementation.

85. Third, the World Bank has learned and applied valuable lessons from its previous education projects in North Macedonia to be able to strengthen this design, notably on disbursement, procurement, and financial management (FM).

86. The World Bank's support is complementary to development partners' areas of intervention. All donors active in education in North Macedonia work in line with the Government's sectoral plan laid out in the Comprehensive Strategy for Education for 2018–2025. The project would be aligned with ongoing projects supported by UNICEF, European Union Delegation (EUD), USAID, and the British Embassy as part of the Government's wider reform program for quality and inclusive primary education. OECD, in cooperation with UNICEF, conducted a country review of the evaluation and assessment system. The report underpinned the design



of the project's first and second components. UNICEF has also been active in raising awareness about the importance of inclusive education and has been providing support and expertise to the MOES in drafting and incorporating measures and policies in legislation that would improve inclusive education in the country. The recently developed Concept for Inclusive Education will serve as a valuable resource to all primary schools in the country in the process of self-evaluation and preparation of the SIPs. Besides, UNICEF and the UK government project 'Foundation for the Future' was key for designing and piloting teacher training courses to strengthen teacher capacities in inclusive education and approaches for horizontal support among the teachers. The courses for inclusive and character education will be included in the catalog of professional development offerings. The EUD, through the 'Improving the Quality of Education' project financed by the Instrument for Pre-Accession (IPA) 2, will enhance mechanisms for data gathering, data sharing, and data analysis of students' achievements in international assessments and strengthen the quality and inclusive education approaches in secondary education. The project will help in establishing the Policy Unit within the MOES and provide technical assistance in better utilization of the available data from the international large-scale assessment in evidence-based policy making. The capacities of the Policy Unit will be further advanced through the PEIP. USAID, through its 'Youth Ethnic Integration Project', supports the MOES in strengthening the multiethnic interaction among the students in preprimary and primary education. USAID's Supporting Entrepreneurial Education in Europe and Eurasia Project provides support to students in primary education in the development of entrepreneurial skills. Both projects address the shortcomings in the system, which have a high priority on the Government's agenda but are not addressed through the PEIP. Throughout project preparation, the team has consulted all these partners and organized a workshop to discuss the project design and the possibility of synergy with the abovementioned projects. The team will continue to work collaboratively with these partners throughout project implementation.

F. Lessons Learned and Reflected in the Project Design

87. **Appropriate coordination mechanisms need to be considered when multiple institutions are involved in project implementation.** This is one of the most important lessons learned from the Conditional Cash Transfer Project and Skills Development and Innovation Support Project (SDISP). This project embodied this lesson in its institutional and implementation arrangements by including the BDE and NEC staff in the project working group and BDE and SEI staff in the Grant Approval Committee (GAC) for the grant program. Another lesson learned is that key personnel deployed for project implementation should be persistent and empowered throughout project implementation. Therefore, it was agreed that most of the MOES, BDE, NEC, and PMU staff who worked on the project preparation will remain members of the Working Group (WG) and will actively contribute to project implementation.

88. **A participatory approach is a key element to the successful implementation of an education project, which has at its core community participation.** Almost all major decisions in the Education Modernization Project (EMP) were adopted at a forum attended by various groups: MOES, BDE, NEC, schools, parents, and municipalities. This approach generated commitment and support in the implementation of activities, and it was crucial for the successful and undisturbed finalization of the project. Local self-government representatives, parents, and students will be part of the decision-making process in this project, especially during the school's development planning and grant application processes. One of the important tools to disseminate information will be the 'My School' website, which will serve as a resource for parents, educators, and the community to find information about the schools.

89. **Adequacy of international tests as project outcome indicators needs to be considered carefully.** The use of international student assessments as outcome indicators should be considered cautiously, particularly in favor of other alternatives under the Government's direct control. The use of such tests raises concerns of attribution



and their timing is beyond the control of the Government. In the case of the EMP, PIRLS was selected as an instrument to proxy the education outcomes achieved through the project. However, the application cycle of PIRLS was not consistent with the project's implementation period and thus not enough time for the interventions to be reflected in gains in student achievements. This project will support the implementation of the NAP but will not use test scores as a measure for capturing improved learning/education quality.

90. **Successful management of modern educational systems and related effective policies are strongly related to a culture of monitoring routines at all levels.** In many projects like EMP, the investment in an EMIS was limited to improvements in information technology (IT) systems, and insufficient attention was paid to the creation of an institutional culture of data reporting and management. This project will support the strengthening of the technical capacities in the MOES, BDE, and SEI by creating the data demand and by fostering a culture of open communication, data exchange, and data application.

91. **A focused design enhances the likelihood of a project succeeding.** The project has an important development objective and strategic goal, yet the design is simple and focused only on a few, but key systemic improvements, which would have, at the end, a concrete impact on the areas targeted under the project.

92. **Lessons learned from the Support to Uruguayan Public Schools Project state that the development of a long-term strategy for school infrastructure and maintenance improved the quality of school infrastructure.** This project will support the Government to develop a long-term strategy and manual that will provide recommendations and guidelines on school infrastructure and facility maintenance. The schools will develop SIPs that include school rehabilitation and maintenance plans to enhance the quality of school facilities and monitoring and supervision mechanism. This process will support the institutionalization of a long-term strategy at the school level.

93. **The literature supports improvements in the learning environment as a way of helping enhance student achievement, which is being taken into consideration for the design of the project.** Glewwe et al.⁵⁸ conducted a literature review followed by a meta-analysis study of the relationship between school resources and student test scores. Better resources such as textbooks, basic furniture, blackboards, school libraries, and better infrastructure were found to have a positive impact on test scores. The authors concluded that “a fully functional school - one with better-quality roofs, walls or floors, with desks, tables, and chairs and with a school library – appears to be conducive to student learning.” Branham⁵⁹ studied over 200 schools in the Houston Independent School District in the United States and found that the quality of school infrastructure has a significant effect on student attendance and dropout rates. Cuyvers et al.⁶⁰ analyzed the impact of school infrastructure on the well-being of students in Flemish secondary schools in Belgium and concluded that the quality of school infrastructure has a strong effect on a student's perception of his or her well-being. The school rehabilitations and modernization activities supported by Component 1 are based on this research evidence.

⁵⁸ Glewwe, P., E. Hanushek, S. Humpage, and R. Ravina. 2011. “School Resources and Educational Outcomes in Developing Countries: A Review of the Literature from 1990 to 2010.” NBER Working Paper 17554.

⁵⁹ Branham, D. 2004. “The Wise Man Builds His House Upon the Rock: Effects of Inadequate School Building Infrastructure and Attendance.” *Social Science Quarterly* 85 (5): 1112–1128.

⁶⁰ Cuyvers, K., G. De Weerd, S. Dupont, S. Mols, and C. Nuytten. 2011. “Well-being at School: Does Infrastructure Matter.” *CELE Exchange* 2011/10, OECD.



III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

94. The project will be implemented over a period of five years, with the MOES as the key implementing agency. The MOES will be accountable for the execution of project activities and implementation would rely on its existing structures, with the additional support of the existing PMU. As the key implementing institution, the MOES has demonstrated strong commitment and has acquired extensive experience in implementing World Bank-financed projects in the last 15 years. Decisions will be made by the MOES in coordination with the BDE, NEC, and SEI. The project implementation structure will consist of (a) the PMU, (b) the WG consisting of the MOES staff and its agencies, (c) GAC for grant program chaired by the MOES, and (d) primary education schools. The capacity of the MOES to carry out the fiduciary and M&E functions for the project is weak, so it will be vital that the MOES continues to rely on the existing and well-functioning PMU.

95. The PMU will report to the MOES and will be responsible for day-to-day project implementation, overall project coordination, monitoring activities, environmental and social compliance, fiduciary functions, and reporting. The PMU will be housed in the MOES and will be headed by a Project Director. Additional key PMU functions include coordinators for each component, a grant coordinator, environmental and social experts (ensuring environmental and social management and compliance with the requirements of the Environmental and Social Framework [ESF] and Environmental and Social Standards [ESS]), fiduciary staff (procurement and FM specialists), an IT officer, an M&E expert, and a civil engineer. Some of the existing SDISP PMU staff will assume the listed jobs.

B. Results Monitoring and Evaluation Arrangements

96. The project will include a robust M&E framework to enable decision-makers to track performance, adjust implementation as needed, and demonstrate the impact of policy interventions financed by the project. M&E under the project will be integrated into regular monitoring functions of the MOES and PMU. The PDO-level and intermediate results indicators would be monitored using the following sources and methodologies: (a) regular data collection process, including existing administrative data systems; (b) baseline and follow-up surveys, including on citizen engagement in school improvement planning processes; and (c) evaluation reports. In addition to the project M&E mechanisms, a quick and flexible impact evaluation will be carried out to assess and review implementation of the grant program as well as the impact of investments in the learning environment. This evaluation would involve an agile design to reduce implementation costs and to support the NEC so the approach can be deployed in the future when the Government needs sound evidence of policy implementation. In addition, performance and operational audits will be carried during project completion to assess and review implementation of the awarded grants to the schools. Finally, the project will support implementation of the NAP and dissemination infrastructure as well as soft accountability mechanisms for the schools to report about their activities and achievements.

C. Sustainability

97. The proposed project aims to transform the sector by focusing on the key elements needed at this juncture to ensure sustainability of North Macedonia's education sector reform effort. Following evidence found in the literature and principles laid out in the World Development Report 2018, this includes (a) introducing evaluation mechanisms that allow key stakeholders to assess learning and act on that evidence at the classroom



and sectoral level; (b) empowering schools to be greater agents of change in direct response to the learning needs of their students; and (c) aligning all actors by strengthening an evidence-based approach to learning, both in the classroom (used by teachers) and in the MOES. Developing systems within schools and the MOES that are centrally and critically focused on improving student learning outcomes will ensure sustainability.

98. Reforms to be supported by the proposed project enjoy solid backing from the Government of North Macedonia. The project's sustainability builds on the strong legislative and policy framework, including new laws for Primary Education and Teacher Professional Development and Career Advancement; newly adopted Concepts for National Assessment Program and Inclusive Education; and rulebook in the area of quality assurance, assessment, and teacher training supporting the reforms in the country's primary education system. The Government prioritized the strengthening of the education system in the new government program (2020), which envisages digitalization of the primary and secondary education, improvement of the learning environment, and internet connection for all primary education schools in the country. In addition, the project will assist in reviewing and implementing the funding formula for primary education that will improve the efficiency of the primary education system. Finally, the project's full alignment with North Macedonia's Comprehensive Strategy for Education for 2018–2025 ensures ownership and sustainability of project interventions.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

99. The economic analysis confirms that the project's investment of US\$25 million planned for 2020–2025 is well justified and that the proposed interventions are likely to bring private and public benefits and savings far exceeding the project's initial costs. The benefits of the proposed project are driven by a set of four comprehensive educational interventions expected to have a significant and lasting impact on learning of North Macedonian students at the primary education level. These interventions cover several dimensions of the education system, focusing on (a) supporting primary schools' learning environment, (b) supporting teachers' professional development, (c) strengthening institutional management, and (d) helping the MOES develop an accountability framework.

100. Improving the quality and relevance of primary education is an early investment in the life cycle that expands skills and labor opportunities. The project seeks to support the public provision of adequate learning and be well aligned with the new education approach outlined in the World Bank's Human Capital Project, especially the Literacy Policy Package. This educational project is a package of four evidence-based components that seek to increase student learning gains, which could potentially translate into future returns on wages. By improving the public provision of education, these components also increase the children's probability of additional years of education. Additional years of education—and, more precisely, the accumulation of education—have positive benefits on students' life through increased productivity observed in higher wages.

101. From the cost-benefit analysis, based on the design and implementation aspects of the project's components, the project's overall efficiency is rated Substantial. The economic analysis uses a cost-benefit economic model that accounts for the cash flow generated by a person over the course of his or her productive lifetime. The analysis is based on the estimated benefits from future earnings attributable to an improved and more efficient provision of public primary education in place by first calculating the number of beneficiaries per intervention and component. Once the number of beneficiaries was calculated, through increases in higher quality



and additional years of education, the effect of each on the quantifiable economic outcome according to evidence from current literature was estimated.

102. The economic and efficiency analysis estimates an internal rate of return (IRR) of 18.29 percent and a benefit-cost ratio of 10.5 using a discount rate of 8 percent. Further, the estimates should be considered a lower-to-middle-bound estimate of the benefits from these investments. This analysis does not cover other critical individual gains from investing in education due to data limitations and complexity in the quantification of benefits. The conservative estimates of graduation rates and teacher attrition rates are also being considered. Nonetheless, the estimated IRR of 18.3 percent makes the project an attractive investment. Table 2 summarizes the most relevant numbers.

Table 2. Results of the Cost-Benefit Analysis

Discount rate used	8%
GDP per capita (2018)	US\$16,625
Overall estimated benefit-cost ratio	10.5
Overall estimated IRR	18.3%

103. The results are in line with specialized literature providing evidence that the earlier the investments in education, the higher the returns to society and individuals. The economic analysis is presented in detail in annex 2. It includes a sensitivity analysis taking into account different scenarios with varying values in the model’s assumptions. The sensitivity analysis confirms that the proposed project is a good investment in all the cases considered, including those that use assumptions of lower-bound impacts. In all scenarios, the IRR and the cost-benefit analysis remain not only positive but positions the project also as an attractive investment. It also includes an analysis of the fiscal impact that shows that the project costs do not compromise the fiscal sustainability, impact of the COVID-19 effects, and how can the project help mitigate the impacts.

B. Fiduciary

(i) Financial Management

104. The FM arrangements for the project are acceptable to the World Bank and will be further strengthened through the finalization of the financial part of the draft Project Operations Manual (POM). The MOES will oversee overall implementation of the project, and the existing PMU within the MOES will assume FM responsibilities for the project and will be the focal point for reporting to the World Bank. A full set of unaudited interim financial reports (IFRs) will be submitted to the World Bank quarterly throughout the life of the project. The reports will incorporate detailed information on amounts transferred to the MOES from the Designated Account (DA), amounts transferred to the beneficiaries, and any unused funds that are transferred from the DA. Locally developed software used for project accounting and reporting of the ongoing the Skills Development and Innovation Support Project (SDISP) will also be used for this project. The software showed solid historic performance on financial transparency and reliability of the project data. The annual audited project financial statements will be provided to the World Bank within six months of the end of each fiscal year and at the closing of the project.

105. Appropriate internal controls and flow of funds arrangements designed and instituted for the SDISP will be used for the project. These are essential in ensuring proper controls and monitoring of the flow of funds and will ensure that the funds will flow only to the entitled beneficiaries and for intended purposes. Appropriate checks and evidence are instituted as requirements to provide reasonable assurance in this respect. The



respective controls and procedures are described in annex 1 of this document and are developed in detail in the financial part of the POM.

106. The National Bank of the Republic of North Macedonia (NBRNM), where the DA will be opened, is maintaining the Treasury Account. The funds will flow from the DA through the transit Macedonian denar account opened for the project within the Treasury Single Account (TSA) to the MOES account within the TSA (which will provide sufficient level of transparency and ability to track the project funds as a separate line item).

107. Overall, FM risk is Substantial, and with adequate mitigation measures the risk is assessed as Moderate, due to the complexity and specifics of the project.

(ii) Procurement

108. The World Bank’s New Procurement Framework (NPF), effective as of July 1, 2016, will govern procurement under the proposed project. Procurement of contracts for goods, works, and non-consulting and consulting services financed from the project will be carried out in accordance with the World Bank’s Procurement Regulations for IPF Borrowers: Procurement in Investment Project Financing for Goods, Works, Non-Consulting, and Consulting Services (Procurement Regulations), issued in July 2016 and revised in November 2017 and August 2018.⁶¹ The project will use the Systematic Tracking of Exchanges in Procurement (STEP) to plan, record, and track procurement transactions. It will be used by the PMU initially to create and later to revise the Procurement Plan for the project and monitor performance, manage procurement procedures, and store related documentation for all steps in a procurement activity. As required by the NPF, a Project Procurement Strategy for Development (PPSD) has been prepared by the PMU.

109. The current PMU within the MOES, which has successfully implemented the World Bank-financed SDISP (P128378), closing on April 30, 2021, will provide support to the MOES with regard to implementation of the proposed project. The PMU has substantial experience in World Bank procurement procedures and has shown satisfactory performance in procurement for World Bank-financed projects. It has a solid management structure and is staffed with one experienced procurement specialist managing procurement under the current SDISP operation. Diligence is also observed in record keeping and quality of evaluation. The procurement and contract management in the ongoing project implemented by the PMU was rated Satisfactory. The PMU is familiar with the World Bank’s procurement documents and procedures; however, continuous training on the NPF and STEP is needed.

110. Based on the capacity of the implementing agency and overall risk analysis, the overall risk for procurement after mitigation is set to Moderate.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

⁶¹ <http://pubdocs.worldbank.org/en/178331533065871195/Procurement-Regulations.pdf>.



D. Environmental and Social

111. **This project was screened for climate and disaster risks and no potential impacts were found.** North Macedonia's geography makes the country prone to river flooding at a high-risk level. Other geographical hazards (earthquakes, landslides, droughts, and wildfires) are at the low-risk level. These hazards mostly affect the country's agriculture. This project, however, supports the Government in reforming and aligning the key system mechanisms at the central and local levels. The project activities would take place in urban and mostly sufficiently developed rural areas. Thus, the risk of the project's exposure to climate and geographical hazards is considered Low.

112. **The environmental risk of the project is rated Moderate,** and the following ESS have been found relevant for the project: ESS1 (Assessment and Management of Environmental and Social Risks and Impacts), ESS2 (Labor and Working Conditions), ESS4 (Community Health and Safety), and ESS10 (Stakeholder Engagement and Information Disclosure). The anticipated adverse impacts of the project are mainly associated with the activities under Component 1, envisaging minor nonstructural refurbishment of the existing school facilities, including, among others, the installation of school science laboratories, improvement of sanitary conditions, painting, wiring, refurbishment of floors, and so on. These impacts are minor and easily avoidable or mitigable, according to the requirements of the relevant ESS, through Environment, Health and Safety Guidelines (EHSG), good international industrial practices (GIIPs), and good laboratory practices, to be incorporated into due diligence instruments—Environmental and Social Management Plan (ESMP) checklist to be developed and implemented for each site to be refurbished and/or equipped under the project. The template ESMP checklist has been developed and disclosed by the MOES before project appraisal. The MOES has also prepared and disclosed an Environmental and Social Commitment Plan (ESCP) as of November 4, 2020, which lists specific actions to be implemented in line with each of the relevant ESS.

113. **The social risk of the project is rated Moderate.** Considering the fact that the project will finance only minor civil works related to the nonstructural refurbishment of the existing school facilities in public ownership, no permanent or temporary land acquisition or asset loss is expected. Thus, ESS5 will not be relevant. The major social project risk is related to the possibility of vulnerable and disadvantaged groups being excluded from the project benefit. This risk will be addressed through a two-tier approach: (a) through the environmental and social due diligence for each subproject (ESMP checklist screening protocol for children with disabilities) that will assess the risk and propose adequate mitigation measures, which will, consequently, be integrated into project designs and (b) through the stakeholder engagement processes.

114. **Citizen and stakeholder engagement and accountability measures for the proposed activities are the key to project success.** The project will affect a broad group of stakeholders such as teachers, students, parents, local self-government officials, and so on. To ensure timely and precise stakeholder identification, a Stakeholder Engagement Plan (SEP) was developed by the borrower before project appraisal. The SEP identified project-affected parties and other interested parties (OIP), as well as vulnerable groups, and ensured that planning, implementation, and monitoring of citizen engagement activities are adequately coordinated across key stakeholders. Furthermore, the project-level grievance redress mechanism (GRM) is presented as a part of the SEP. Potential risks of exclusion of vulnerable and disadvantaged groups will also, partly, be managed through citizen engagement activities. Schools with a higher number of students identified as vulnerable and/or disadvantaged (Roma students, students with



disabilities, and students from low-income households) will be recognized and will be put through enhanced outreach activities. The strategic frame for such activities is given in the SEP. OIP defined in the SEP are (a) teachers (including teacher unions), (b) parents of primary school children, and (c) training providers. Taking into account such a wide group of stakeholders, the citizen engagement process will be two dimensional: (a) enabling of the engagement of project-affected parties and OIP on issues of national relevance and applicable to all subprojects primarily (Components 2 and 3) and (b) school-level activities (primarily Component 1). Both dimensions will mainstream engagement of vulnerable groups and ensure that they benefit from the project. The stakeholder engagement activities will start during the early preparation of the project and will continue throughout the project's lifecycle.

115. **Potential social risks associated with ESS2 (Labor and Working Condition)** under the project are related to activities under Component 1 that finance minor nonstructural refurbishment of the existing school facilities. The standard will apply to (a) direct workers hired to implement the project (PMU, consultants hired by the PMU for project implementation, and civil servants seconded to the project) and (b) contracted workers (employees of construction firms). Because direct workers will be hired under the World Bank's procurement guidelines, labor risks for this group of workers are minor. Labor risks for contracted workers are also considered low due to the nature of the construction works financed by the project. However, the North Macedonia Country Report on Human Rights Practices by the US Department of State in 2018 describes problems concerning enforcement of minimum wage, hours of work, occupational safety and health standards, and child labor in informal economies. Considering the low labor risk, no project-level labor management procedures will be developed. Instead, to ensure compliance with the ESS2, the ESMP checklist will include adequate provisions and proportionate mitigation measures, including the establishment of GRMs for project employees. Furthermore, labor risks will be addressed in the ESCP and the POM.

116. **The project gender-based violence risk is expected to be low** because of the expected (a) a low number of workers on site and (b) locally generated employment. Nevertheless, all contractors will adopt the code of conduct for gender-based violence.

V. GRIEVANCE REDRESS SERVICES

117. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VI. KEY RISKS

118. Table 3 summarizes the risks associated with the project. The overall risk is Moderate.

Table 3. Project Risks

Risk	Rating	Comment
Overall	Moderate	
Political and governance	Substantial	It is expected that the post-election political environment will be stable given that the political parties which form the Government have been leading the country since 2017 and because of the achievement of the key milestones such as resolving the country name issue, NATO membership, and the opening of the accession talks with the EU. However, given the decentralized management of primary education schools, the local elections next year may slow down implementation of the project activities. School principals are key for smooth implementation of activities in the primary schools, and the new Law of Primary Education stipulates a merit-based selection of principals. Thus, the impact of the local elections on implementation may be significant. However, regarding the risk of the possible changes of the local education sector actors after the election, this risk will be mitigated with their engagement in the project activities through the different engagement techniques envisaged in the SEP.
Sector strategies	Moderate	The MOES has a fairly robust strategy in place, including an action plan with costing and sources of financing. The Government recently passed the Law of Primary Education and Law of Teachers and Schools' Multi-Professional Support Teams that mandate related policy reforms. Moreover, the policy papers for a NAP and inclusive education were recently adopted, as well as the critical bylaws for teacher professional development and career advancement.
Macroeconomic	Moderate	The COVID-19 crisis will lead the economy into a recession, the duration of which will depend on the length and severity of the pandemic and possible repetition of the containment measures, as well as the speed of the recovery of North Macedonia's main trading partners. Under the baseline scenario, growth is expected to recover in 2021, but downturns could potentially undermine reform efforts in the sector, as funding might come under pressure due to the depleted fiscal buffers and the needs for consolidation. Nevertheless, the project design and secured funding (without government contribution) have the potential to mitigate the impacts of the COVID-19 crisis and contribute to building a resilient primary education system. In addition, the program of the newly elected Government has a strong focus on education, in particular primary education.
Technical design	Moderate	The project does not present significant technical challenges given that there are agencies in place, which have sufficient technical knowledge and experience in designing and implementing the interventions envisaged in the project.
Institutional Capacity	Moderate	The MOES and its agencies have a modest capacity to support the implementation of most activities. However, the existing well-performing PMU, that will be sustained after the closure of the World Bank SDISP, will be of great support to the MOES in day-to-day implementation of project activities, including the fiduciary ones. Besides, the NEC and BDE have experience in the administration of international large-scale assessments and teacher training,



Risk	Rating	Comment
Fiduciary	Moderate	respectively. The World Bank's NPF will govern procurement under the project. As required by the NPF, a PPSD has been prepared. The PPSD provides information on the specific risks of procurement and the proposed mitigation measures. The FM assessment does the same. The PMU, established within the MOES, will manage the SDISP and will be responsible for fiduciary management under this project. Fiduciary performance under the ongoing SDISP is currently rated Satisfactory with a Moderate risk.
Environmental and Social	Moderate	The anticipated risks are minor and can be easily avoided or minimized. Those risks are mainly associated with the implementation of activities under Component 1, envisaging minor nonstructural refurbishment of the existing school facilities, including, among others, the installation of school science laboratories, improvement of sanitary conditions, painting, wiring, refurbishment of floors, and so on. The environmental risks associated with the implementation of these minor civil works will be mitigated by implementation of measures determined by site-specific ESMP checklists, which will be in line with the World Bank EHSG, including occupational health and safety, GIIPs, and good laboratory practices. The social risk of the project is rated Moderate. Considering the fact that the project will finance only minor civil works related to nonstructural refurbishment of the existing school facilities in public ownership, no permanent or temporary land acquisition or asset loss is expected. Thus, ESS5 will not be relevant. The major social project risk is related to the possibility of vulnerable and disadvantaged groups being excluded from the project benefit. The environmental and social risks will be duly addressed through the development and implementation of site-specific ESMP checklists.
Stakeholder	Moderate	Given the expected scope and breadth of activities, stakeholder risks are assessed as Moderate. The project will ensure that planning, implementation, and monitoring are adequately coordinated across key stakeholders at the central and local levels. Any potential opposition to the project and other stakeholder risks will be managed through a comprehensive stakeholder engagement process.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: North Macedonia

Primary Education Improvement Project

Project Development Objectives(s)

The PDO is to improve conditions for learning in primary education.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Improving Learning at the School Level							
Proportion of classrooms with improved learning environment at the primary level resulting from project interventions (Percentage)		0.00	5.00	10.00	20.00	25.00	30.00
Proportion of (implemented) school improvement plans that use performance data and monitoring tools for improving student learning (Percentage)		0.00	20.00	30.00	50.00	60.00	60.00
Enhancing Teacher, Multi-Professional Support Teams, and School Leader Competences							
Proportion of classrooms with improved quality of teaching practices as measured by in-class teacher observation tool		to be determined by baseline assessment of a representative sample of schools					40 % of classrooms improved as measured by the follow up assessment of a



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
(Text)							representative sample of schools

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Improving Learning at the School Level							
Students benefiting from direct interventions to enhance learning (CRI, Number)		0.00	5,000.00	10,000.00	20,000.00	25,000.00	30,000.00
Students benefiting from direct interventions to enhance learning - Female (CRI, Number)		0.00	2,000.00	3,000.00	6,000.00	10,000.00	12,000.00
Number of primary education schools with upgrades in basic infrastructure as a result of the project (Number)		0.00	20.00	40.00	60.00	80.00	100.00
Decrease in number of absences from school among female students (Text)		To be collected					To be determined
Number of schools with enhancements to IT equipment for learning purposes as result of the project (Number)		0.00	20.00	50.00	100.00	120.00	150.00
Proportion of school improvement plans focusing on improving student learning		0.00	20.00	30.00	50.00	55.00	60.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
(Percentage)							
Share of project supported primary schools that implement the grants in compliance with grant performance indicators (Percentage)		0.00	50.00	60.00	70.00	70.00	80.00
Proportion of school board members satisfied with their engagement during school improvement plan preparations (Percentage)		0.00	50.00	60.00	70.00	75.00	80.00
Proportion of students and parents satisfied with their engagement during school improvement plan preparations (Percentage)		0.00	50.00	60.00	70.00	75.00	80.00
Reform of the Monitoring and Evaluation of the National Progress in Learning							
National Assessment in third grade conducted (Text)		National assessment program in 3 grade doesn't exist	pre-test conducted				The main data collection conducted
National assessment in grade fifth conducted (Text)		National assessment program in 5 grade doesn't exist	pre-test conducted				Main data collection conducted
NEC staff and associates capacity in test construction, data analysis and reporting improved (Number)		4.00	10.00	15.00	20.00	30.00	30.00
Number of customized reports from the national assessments produced (Number)		0.00	0.00	4.00	6.00	7.00	8.00
Enhancing Teacher, Multi-Professional Support Teams, and School Leader Competences							



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Teachers recruited or trained (CRI, Number)		0.00	1,000.00	4,000.00	7,000.00	8,000.00	10,000.00
Number of teachers trained (CRI, Number)		0.00	1,000.00	4,000.00	5,000.00	7,000.00	9,800.00
Teachers recruited or trained - Female (RMS requirement) (CRI, Number)		0.00	500.00	2,000.00	3,000.00	4,000.00	5,000.00
Number of teachers recruited (CRI, Number)		0.00	20.00	30.00	80.00	100.00	150.00
Identification of the professional development needs completed (Text)		Identification of professional development needs outdated	Identification of professional development needs done.	Teacher training providers selected and accredited			Catalog for teacher professional development and accredited providers available
Sector management, Project management and M&E							
Plan for optimization of the primary education network adopted (Text)		The analysis doesn't exist	TOR for the review of the school network agreed	Study conducted	Plans for optimization reviewed and discussed with the stakeholders		Plan for optimization adopted
Revised funding formula for primary education adopted (Text)		The current formula is outdated and contributes to financial inefficiency in primary education	the analytical underpinnings competed	the draft new formula discussed with stakeholders			The new formula is adopted
Impact evaluation of the grant program conducted (Text)		The baseline data collection will be done before the program launch	the IE methodology approved	baseline data collection carried out			follow up data collection carried out



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Proportion of classrooms with improved learning environment at the primary level resulting from project interventions	This refers to the percentage of all primary education classrooms upgraded with learning aids and technology. The numerator will be the number of primary education classrooms that have been upgraded and the denominator is the total number of primary education classrooms.	semiannual	Ministry of Education procurement documentation School reports	Review of the school progress reports	MOES/ PMU
Proportion of (implemented) school improvement plans that use performance data and monitoring tools for improving student learning	This refers to the percentage of SIPs which include students' performance data and monitoring tools. The numerator will be the number of SIPs that have included students' performance data and monitoring tools and the denominator is the total number of SIPs. The Grants' Operational Manual will provide a list of suggested data/tools to be used.	annual	School SIPs SEI reports	Review of the school SIPs by the MOES and SEI	PMU and SEI
Proportion of classrooms with improved quality of teaching practices as measured	This indicator measures the percentage of classrooms	One baseline and one	Assessment reports	Evaluation with the assessment tool	BDE



by in-class teacher observation tool	that undergo the evaluation by quality assessment tool "TEACH" and improved quality. Improved quality would be defined in accordance with the measurement scales of the assessment instrument.	follow up assessment		"TEACH"	
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Students benefiting from direct interventions to enhance learning		semi-annual	Project progress reports	Review of the reports to define the number of students who benefited from the project supported interventions. The definition of beneficiaries will be aligned with the CRI Guidance note.	Schools and PMU
Students benefiting from direct interventions to enhance learning - Female		semi-annual	school reports	review of the school reports	schools and PMU
Number of primary education schools with upgrades in basic infrastructure as a result of the project	This indicator measures the total number of rehabilitated primary education schools financed by the project. Basic	Semi-annual	schools reports	review of the school reports	schools and PMU



	infrastructure rehabilitation includes an upgrade of electricity, lighting, connectivity, gender-sensitive toilet and sanitation facilities, and community spaces for teachers and learners.				
Decrease in number of absences from school among female students	This indicator measures a decrease of absences from school among female students benefiting from the comprehensive package that includes interventions to improve menstrual hygiene management, such as school rehabilitation in accordance with gender-sensitive sanitation facilities standard and criteria and communication with school psychologist and pedagogues regarding menstrual hygiene management.	Monthly	school reports	review of the school reports	schools and PMU
Number of schools with enhancements to IT equipment for learning purposes as result of the project	This indicator will measure the total number of schools with upgraded IT classrooms under the project.	annual	schools reports	review of the school reports	schools and PMU
Proportion of school improvement plans focusing on improving student learning	This indicator measures the percentage of all SIPs that include clearly identified learning targets and tools to monitor achievement of the	annual	school improvement plans	review of the school improvement plans	PMU



	learning targets				
Share of project supported primary schools that implement the grants in compliance with grant performance indicators	The requirements for grants performance will be defined in the GOM.	annual	School reports and performance audit reports	performance audit	PMU
Proportion of school board members satisfied with their engagement during school improvement plan preparations	This indicator measures citizen engagement and beneficiary feedback as part of the School Improvement Plan development process. It directly captures feedback from the school board members involved in preparing the SIP regarding their satisfaction with their participation and engagement in the process and with actions taken in response to their feedback.	Annual	Survey of school board members	Survey of school board members	PMU
Proportion of students and parents satisfied with their engagement during school improvement plan preparations	This sub-indicator measures student and parent engagement and beneficiary feedback as part of the School Improvement Plan development process. It directly captures feedback from students and parents involved in preparing the SIP regarding their satisfaction with their participation and engagement in the process	Annual	Survey of school board members	Survey of school board members	PMU



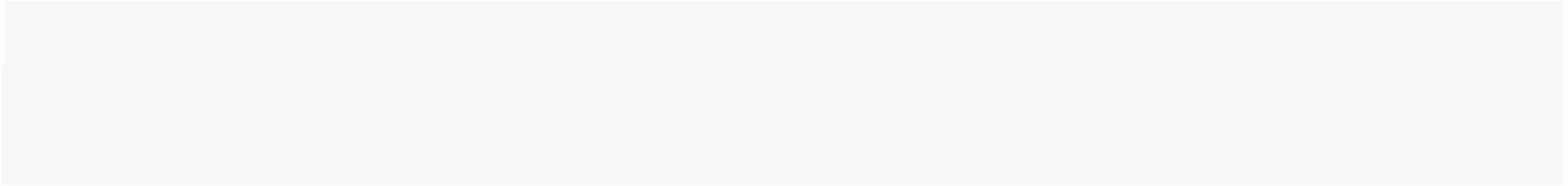
	and with actions taken in response to their feedback. (This sub-indicator excludes teachers, associates, and founders which would be included in the main indicator).				
National Assessment in third grade conducted	This indicator will monitor the compliance of the third grade’s national assessment implementation with the standards stipulated in the concept for national assessment in primary education.	Three times during the project lifetime	Project Progress Report	MOES will monitor progress	MOES
National assessment in grade fifth conducted	This indicator will monitor the compliance of the fifth grade’s national assessment implementation with the standards stipulated in the concept for national assessment in primary education.	Three times during the project lifetime	Project progress reports	MOES will monitor progress	MOES
NEC staff and associates capacity in test construction, data analysis and reporting improved	This indicator is defined as the number of NEC staff and associates who receive training in item writing, national assessment test designing, data analysis and	annual	project progress reports	MOES will monitor progress	MOES



	report writing as part of the project interventions. The international partner hired to provide technical assistance to NEC should provide training and report/ provide evidence about the NEC staff's capacity to run a national assessment in accordance with the international norm and standards.				
Number of customized reports from the national assessments produced	This indicator will monitor the total number of customized reports the NEC will produce after completion of each national assessment cycle. It is expected that the NEC will produce the following reports after each cycle: 1) technical report, general report, reports for teachers including examples of used items, and short reports for the general public/parents.	Twice during the project lifetime	Project progress reports	MOES will monitor progress	MOES
Teachers recruited or trained		annual	BDE administrative data	BDE administrative data	BDE
Number of teachers trained		annual	Progress reports	BDE administrative data	BDE



Teachers recruited or trained - Female (RMS requirement)		annual	progress reports	BDE administrative data	BDE
Number of teachers recruited		annual	progress reports	BDE administrative data	BDE
Identification of the professional development needs completed	This will be measured using: a) report that summarizes teachers' professional development needs to be based on their self-evaluation, and b) BDE report on the quality of teaching practices	Once during the project lifetime	BDE and school reports	BDE will monitor progress	BDE
Plan for optimization of the primary education network adopted	This indicator will be measured with the creation of the plan/guidelines for the optimization of the primary education network and its adoption (as part of the regulation in bylaws).	annual	Reports	MOES will monitor progress	MOES/PMU
Revised funding formula for primary education adopted	This indicator will be measured with a revision of the funding formula for primary education and its adoption.	annual	MOES	MOES will monitor progress	MOES/ PMU
Impact evaluation of the grant program conducted	Impact evaluation of the primary education grants program designed, conducted and findings reported.	one baseline and one follow up impact evaluation	impact evaluation reports	impact evaluation	PMU





ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: North Macedonia Primary Education Improvement Project

Project Institutional and Implementation Arrangements

1. The project will be implemented over a period of five years, with the MOES as the key implementing agency. The MOES will be accountable for the execution of project activities and implementation would rely on its existing structures, with the additional support of the existing PMU. As the key implementing institution, the MOES has demonstrated strong commitment and has acquired extensive experience in implementing World Bank-financed projects in the last 15 years. In addition, the BDE, NEC, and SEI will play a significant role in implementation of the system-level reforms and in providing support to the schools in improving the quality of teaching process and learning outcomes. Decisions will be made by the MOES in coordination with the BDE, NEC, and SEI. The project implementation structure will consist of (a) the PMU, (b) the WG consisting of the MOES staff and its agencies, (c) GAC for grant program chaired by the MOES, and (d) primary education schools. The capacity of the MOES to carry out the fiduciary and M&E functions for the project is weak, so it will be vital that the MOES continues to rely on the existing and well-functioning PMU. Figure 1.1 summarizes the institutional and implementation arrangement of this project.

2.

3. The PMU will report to the MOES and will be responsible for day-to-day project implementation, overall project coordination, monitoring activities, safeguards, fiduciary functions, and reporting. The PMU will be housed in the MOES and will be headed by a Project Director. Additional key PMU functions include coordinators for each component, a grant coordinator, safeguards experts (environmental and social safeguards issues), fiduciary staff (procurement and FM specialists), an IT officer, an M&E expert, and a civil engineer. Some of the existing SDISP PMU staff will assume the listed jobs.

4. **Working Group (WG).** The WG was established at the beginning of project preparation and comprises technical experts from the MOES, BDE, and NEC. The WG has been meeting regularly with the World Bank team to discuss ongoing policy development and preparation issues. The WG would be maintained throughout project implementation to provide technical expertise and support.

5. **Grant Approval Committee (GAC).** It will be established before introduction of the grant program and will consist of two representatives of the MOES, one member from the BDE, one representative of the SEI, and one representative of the Association of the Units of Local Self-government. The GAC will be established and will be headed by the MOES and PMU. It will be responsible for evaluating and selecting grant applications from the schools. The GAC will be guided by criteria described in the GOM, as approved by the World Bank.

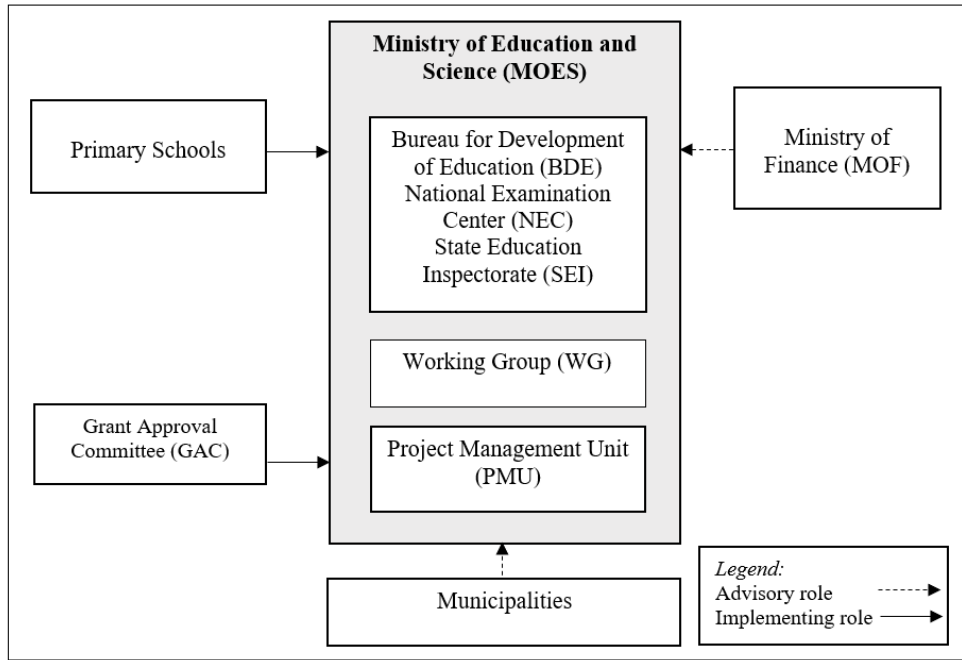
6. **Primary education schools.** Schools will be responsible for conducting self-evaluation, developing the SIPs and their implementation, and preparing applications for the grant program. Details of procurement procedures and related responsibilities will be elaborated in the POM. The PMU will ensure process quality control and will conduct periodic and random checks on participating schools in grant



program. Training and support will be provided to all participating schools during application preparation and implementation.

7. Municipalities will have an advisory role and will be main actors in ensuring data availability and constructive participation in the process of modelling of local school networks under different optimization assumptions. It is expected that some municipalities will pilot the school optimization network to improve efficient use of space and resources.

Figure 1.1. Summary of Implementation Arrangements/Organogram



Financial Management Implementation Arrangements

8. Risk analysis. The overall FM risk for the project is substantial before mitigation measures, and with adequate mitigation measures agreed, the FM residual risk is rated moderate. Table 1.1 summarizes the FM assessment and risk ratings of this project.

Table 1.1. FM Assessment and Risk Ratings

Risk	Risk Rating	Risk Mitigation Measures	Risk Rating after Mitigation Measures
Inherent Risk			
Country level. Perceived corruption in the country is high. Capacity of the SAO (local Supreme Audit Institution) is still rather insufficient to cover all tasks mandated by legislation. Internal audit has strengthened in the last years, and	S	Risk as described on the left allows using the Treasury system and the DA to be opened in the NBRNM. Corruption risk will be mitigated by instituting additional procedures and strengthening system of internal controls. The internal controls to be applied in practice will be described in the financial manual	S



Risk	Risk Rating	Risk Mitigation Measures	Risk Rating after Mitigation Measures
<p>recommendations are usually followed up. It still has low capacity at the local level and needs to gain more experience regarding the specific procedures of international financial institution-financed projects. The GoNM has well-functioning Treasury operations and exercises good control over spending of budget entities. This was confirmed by the 2015 Public Expenditure Review, which mentions the recent regulatory and system improvements, regarding multiyear commitments. Further enhancements in the Treasury Information System are expected in the following years. The NBRNM efficiently administers the TSA on behalf of the GoNM.</p>		<p>(integral part of the POM). Quarterly IFRs will be submitted to the World Bank, and the World Bank's FM specialist will perform regular on-site supervision. Risk imposed by the limited capacity of SAO will be mitigated by using a private auditor acceptable to the World Bank for the project audit.</p>	
<p>Entity level. The MOES is currently implementing the SDISP. In this respect, the new loan increases the risks of insufficient human resources to manage the project properly.</p>	S	<p>The MOES has substantial experience in the implementation of World Bank-financed projects, which could be beneficial for efficiency and effectiveness of the work of the current staff. Staffing capacity will be regularly reviewed and would be supplemented during implementation, if needed.</p>	M
<p>Project level. The size of the project is small (US\$25 million), with no complexities related to design or flow of funds.</p>	S	<p>Appropriate FM arrangements will be instituted for the project, as for the ongoing one. The current internal controls framework is assessed as reliable. System of internal controls implemented for the project will be documented in a financial manual, part of the POM, which will describe all the relevant controls and procedures (that is, accounting, reporting, authorization paths, segregation of duties, lines of responsibilities, flow of funds, and flow of documents) to be used for project implementation. The MOES has substantial experience in World Bank procedures and requirements.</p>	M
<p>Overall Inherent Risk</p>	S		M
<p>Control Risk</p>			
<p>1. Budgeting and planning. Capacity for budgeting and planning is adequate, and there is substantial experience in this area. However, care should be taken that variances of actual versus budgeted figures are monitored on a regular basis and appropriately analyzed and followed up.</p>	S	<p>The PMU will document the follow-up and corrective actions taken for any significant variances between budgeted and actual figures. The PMU will report to the task team leader on any possible deviation from the initial implementation plan. The above will be verified by the World Bank's FM specialist during regular supervisions.</p>	M
<p>2. Accounting. Project transactions may</p>	S	<p>An acceptable accounting software is being used for</p>	M



Risk	Risk Rating	Risk Mitigation Measures	Risk Rating after Mitigation Measures
not be reflected to a proper level of detail in the entity books and ledgers to provide transparent and reliable financial information about the project.		ongoing project accounting and reporting and will be also used for the new one. The software can produce the quarterly IFRs automatically and provide reliable data on contract monitoring.	
3. Internal controls	M	No other mitigation measures are required. The project will use the system of internal controls already instituted for the ongoing project, which was considered acceptable and described in an FM manual prepared as integral part of the POM and reviewed and accepted by the World Bank. The financial section of the manual will be updated with the latest FM and disbursement arrangements to be implemented for the new project.	M
4. Funds flow	M	Flow of funds, including related procedures and controls, such as authorizations and approvals of payments should be clearly described in detail in the financial part of POM. Application of the procedures in practice will be verified during the World Bank's supervision. A DA in euro will be opened in the NBRM, with correspondent transit accounts in local currency as part of the TSA. Such arrangements for the DA are the default choice for projects in Macedonia and are considered reliable.	M
5. Financial reporting	M	No additional mitigation measures are required. The quarterly IFRs of the project will be generated from the accounting system, as for the ongoing loan. The quality of such reports was assessed as satisfactory. The World Bank FM specialist will monitor the quality and reliability of reporting on the project use of funds.	M
6. Auditing	M	A private audit firm acceptable to the World Bank will perform audit of the project following acceptable terms of reference (TORs) agreed at negotiations. The auditor will review compliance with each of the financial covenants assumed in the Loan Agreement and report on any instances of noncompliance in the Management Letter.	M
7. Staffing. Given that the project represents additional workload for the existing SDISP as part of ongoing World Bank project, staffing capacity will continue to be monitored and any potential gap between the capacity and project needs will be addressed.	S	The existing PMU has substantial experience with the implementation of World Bank projects. The PMU has an experienced and qualified financial officer who was involved in the implementation of the previously signed IBRD loans. The World Bank team will provide training and advice, as needed. The World Bank will continuously monitor the progress and performance of staff.	M
Overall Control Risk	M		M
Overall FM Risk	S		M

Note: GoNM = Government of North Macedonia; SAO = State Audit Office.



Rating: S = Substantial; H = High; M = Moderate; L = Low.

9. **FM performance of the active project.** As mentioned in the Appraisal Summary section of the Project Appraisal Document, the FM arrangements of the ongoing project implemented by the MOES are satisfactory. There are no outstanding IFRs or audit reports under the current project.

10. **Staffing.** The PMU has all core functions appropriately staffed and the capacity of the unit can be assessed as sufficient. The financial manager within the unit, who will be assigned with FM responsibilities for the project, is a qualified specialist with experience in implementation of World Bank projects.

11. The financial and administrative officers will also support the financial manager. In addition, if the workload requires, additional staff to the FM part of the PMU would be hired to take over some of the responsibilities. TORs for the FM staff with detailed descriptions of duties are included in the financial part of the POM. The implementing entity is responsible for the project's FM arrangements and its accountant will provide supplementary expertise and time as will be required for the specificity of World Bank procedures for accounting, reporting, and disbursement procedures.

12. **Planning and budgeting.** The PMU has adequate capacity for planning and budgeting in terms of human resources, availability of quality information, and IT systems. Staff have experience in budget preparation. However, it should be observed whether variances of actual versus budgeted figures are monitored on regular basis and appropriately analyzed and followed up. The PMU will prepare a single budget for all project activities. The PMU will collect information on the budgeted figures from the beneficiaries. The MOES is assessed to have sufficient capacity to perform the abovementioned tasks and experience in coordinating similar tasks.

13. **Information systems.** The MOES uses the Treasury system for its accounting and reporting. The World Bank team assessed the Treasury system as sound, with reliable reporting and ex ante controls. Locally developed software, including reporting, used for the ongoing SDISP will be upgraded, tailored, and used for the proposed project. The PMU will be requested to complete the upgrade within two weeks of project effectiveness to ensure smooth implementation. The software provides financial transparency and reliability of the project data, which is particularly important given the need to consolidate all project information in one place.

14. **Accounting policies and procedures.** The accounting books and records will be maintained on cash basis with additional information on signed contracts. Project financial statements will be presented in euro. The entity implementing the project should apply in practice a set of acceptable accounting procedures and internal controls including authorization and segregation of duties for the project. To improve safeguard of assets, additional internal control procedures are instituted (for example, reconciliation between accounts and records and reconciliation of cash and bank balances) and described in the financial manual. The financial part of the POM sets out the FM and internal control policies and procedures and is intended to guide staff and minimize the risk of errors and omissions, as well as delays in recording and reporting. These written standards also clarify responsibilities, including level of authority and clear control over cash and bank accounts, and they ensure timely and accurate financial reporting.

15. **Financial reporting and monitoring.** Project management-oriented unaudited IFRs will be used for project monitoring and supervision. The format of the IFRs will be agreed during negotiations. The reports will include consolidated financial information on all project funds. The reports will also



incorporate detailed information on amounts transferred to the MOES, amounts paid to beneficiaries, and any unused funds which were transferred from the DA. The PMU will produce a full set of IFRs for each calendar quarter throughout the life of the project. They will be due 45 days after each quarter ends. The IFRs will comprise the following reports presented in the agreed format: (a) statement of sources and uses of funds, (b) use of funds by activity, (c) DA statement, (d) unit of output by activity, and (e) narratives to the reports. The accounting for the project is cash basis with additional information provided for commitments on signed contracts.

16. **Internal controls.** An adequate system of internal controls and procedures was instituted as part of the ongoing project. Such system is assessed as reliable and will continue to be applied to the new project as well. The current management control framework, described in the FM section of the existing POM for SDISP, is replicated in the respective chapter of the POM of this project. Key internal controls to be applied for the project include (a) appropriate authorizations and approvals; (b) segregation of duties (with no single person having the responsibility for all phases of transaction); (c) regular reconciliations between records and actual balances, as well as with third parties; and (d) complete original documentation to support project transactions.

17. **Additional controls.** These controls are required to ensure that the funds flow to selected beneficiaries and that the funds are used for intended purposes and will be detailed in the FM section of the POM. The controls include

- Appropriate procedures for selection of beneficiaries (staff that performs evaluation, the procedure and criteria, summary reports);
- Procedures to determine funds needed—methods of calculating quarterly need for funds;
- Transparency of flow of funds—need for information about the transferred funds, together with supporting documentation, including statements of accounts (MOES account within TSA, DA) to be submitted to the PMU from the Treasury. The PMU will include detailed information in the quarterly IFRs; and
- Reporting back to the PMU—on the executed transfers from the MOES account (supporting documentation, such as evidence of bank transfer confirming bank account), and on unused funds.

18. **External audit.** The implementing entity follows audit requirements of the existing World Bank-financed projects. The MOES is audited by the North Macedonia SAO as any other government entity. However, as the capacity of the SAO for conducting efficient financial audit is still quite limited, the project's financial statements will be audited in accordance with TORs acceptable to the World Bank by a private sector audit company acceptable to the World Bank, and the audit report will be submitted to the World Bank at the latest six months after the end of the period audited. The annual cost of the audits of the project will be covered by the project funds.

19. **Flow of funds and disbursement arrangements.** Disbursements will be made in accordance with the Disbursement Guidelines for Investment Project Financing (dated May 17, 2017). Once the project becomes effective, a DA in euro will be opened in the NBRNM, to which the funds will be transferred. A mirror denar account will be opened within the TSA to serve as an operating account for withdrawals from



the foreign currency account. The DA will be managed and operated by the PMU with the authorized signatories, which include a ministerial (MOES) representative. All transfers will take place through it, with a corresponding transfer of the denar-equivalent amount from the foreign exchange account.

20. The procedures relating to the flow of funds, including paths for authorization and approval of payments are described in detail in the FM section of the POM. The procedures should clearly describe all steps of the process and authorized signatories for administering the account funds. Bank statements indicating turnover and balance in the denar subaccount will be submitted on a daily basis. The PMU will include balances of all project-related accounts in the quarterly IFRs.

21. **The DA ceiling has been indicated in the Disbursement Letter as Euro 1.5 million.** An initial advance up to the ceiling amount will be disbursed to the DA upon project effectiveness. Applications for replenishment of the DA will be supported by statements of expenditures and will be submitted at least quarterly. Bank statements of the DA, which have been reconciled, would go with all replenishment requests. Applications for reimbursements will be supported by statements of expenditures, direct payments by records, and special commitment by a letter of credit.

22. **Supervision plan.** During project implementation, the World Bank will supervise the project's FM arrangements in two main ways: (a) review the project's unaudited IFRs for each calendar quarter as well as the project's annual audited financial statements and auditor's management letter and (b) perform on-site supervisions and review the project's FM and disbursement arrangements to ensure compliance with the World Bank's minimum requirements. The supervision may include the PMU within the MOES and a random sample of final beneficiaries as considered necessary. The World Bank-accredited FM specialist will perform supervisions of the project.

Procurement Implementation Arrangements

23. **Capacity assessment.** The current PMU within the MOES, which has successfully implemented the World Bank-financed SDISP (P128378) closing on April 30, 2021, will provide support to the MOES with regard to implementation of the proposed project.

24. The project would finance activities aimed at improving the capacity of schools to conduct self-evaluations and develop SIPs, minor refurbishments of existing facilities/selected schools, civil works needed for the installation of school ICT and science laboratories, improvement of sanitary conditions, painting, wiring, refurbishment of floors, and so on; procurement of equipment to support effective teaching and learning as well as activities envisioned in the SIP to improve learning; services for data collection for simple descriptive statistics; various training and capacity-building activities, including and not limited to training and support in data analysis and reporting; psychometric analysis, including the application of IRT; procurement of IRT specialized software, including training in applying IRT; project financial audit; development of M&E system for the project; PMU capacity building; and operating costs.

25. The PMU has substantial experience in World Bank procurement procedures and has shown satisfactory performance in procurement for World Bank-financed projects. It has a solid management structure and is staffed with one experienced procurement specialist managing procurement under the current SDISP. Diligence is also observed in record keeping and quality of evaluation. The procurement and contract management in the ongoing project implemented by the PMU was rated Satisfactory. The



PMU is familiar with the World Bank's procurement documents and procedures; however, continuous training on the NPF and STEP is needed.

26. **Procurement policy and procedures.** The World Bank's NPF, effective as of July 1, 2016, will be governing procurement under the proposed project. Procurement of contracts for goods, works, non-consulting, and consulting services financed from the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers: Procurement in Investment Project Financing for Goods, Works, Non-Consulting, and Consulting Services (Procurement Regulations), issued in July 2016 and revised in November 2017 and August 2018.

27. **Procurement documents.** The World Bank's Standard Procurement Documents will be used as required by the Procurement Regulations. They are all accessible at www.worldbank.org/procurement.

28. **Use of STEP.** The project will use STEP to plan, record, and track procurement transactions. It is mandatory for all procurement transactions subject to post and prior review under the project. This will ensure that comprehensive information on procurement and implementation of all contracts for goods, works, non-consulting services, and consulting services awarded under the whole project are automatically available. This tool will be used to manage the exchange of information (such as bidding documents, bid evaluation reports, no objections, and so on) between the implementing agencies and the World Bank. It will be used by the PMU initially to create and later to revise the Procurement Plan for the project and monitor performance, manage procurement procedures, and store related documentation for all steps in a procurement activity.

29. **Publication of procurement notices.** The General Procurement Notice and all procurement notices for contracts following international market approach will be published in United Nations Development Business (UNDB) online and on the World Bank's external website through STEP. Procurement notices for contracts following national market approach will be published on the electronic system for public procurement, hosted by the Public Procurement Bureau at <https://e-nabavki.gov.mk/PublicAccess/Home.aspx#/home>, on the website of the MOES, and/or in national newspapers with wide daily circulation.

30. **PPSD.** As required by the New Procurement Framework, a PPSD has been prepared by the PMU. The PPSD is the basis for the procurement arrangements under the project. The short form of PPSD is used and includes details on project overview, strategic assessment of the operating context and borrower's capability to manage procurement, procurement risk analysis, procurement objectives, procurement approach options and recommendations, preferred arrangements for low-value low-risk contracts, and a summary Procurement Plan. The PPSD addresses how procurement activities will support the development objectives of the project and deliver the best value for money under a risk-based approach. It also provides an adequate justification for the selection methods in the Procurement Plan. The level of details and analysis in the PPSD are proportionate to the risk, value, and complexity of the project procurement. The PPSD also provides information on the procurement-specific risks and the proposed mitigation measures. The proposed procurement and review thresholds applicable to the project shall be aligned with the World Bank's most recent Thresholds for Procurement Approaches and Methods. The procurement and review thresholds relevant for the project are indicated in the PPSD. Accordingly, an initial Procurement Plan is prepared and agreed with the World Bank for the first 18 months of the project.



31. **Frequency of procurement supervision and oversight.** Based on the capacity of the implementing agency and the Moderate risk rate for procurement, procurement implementation support missions will be carried out once a year and on an as-needed-basis. The Procurement Plan indicates the review arrangements for each contract to be financed from the loan proceeds. Contracts not subject to prior review by the World Bank will be post reviewed by the World Bank’s procurement specialist assigned to the project. Post review of contracts shall be carried out once a year. At a minimum, 1 out of 10 contracts will be randomly selected for post review.

32. **Procurement risk analysis.** Based on the capacity of the implementing agency and overall risk analysis, overall risk for procurement after mitigation is set to Moderate.

33. The procurement-specific risks, the proposed mitigating measures, and the risk owner are indicated in table 1.2.

Table 1.2. Procurement-specific Risks

Risk Description	Description of Mitigation	Risk Owner
1. Identifying the needs and planning the procurement		
Persons involved in procurement integrity, having as possible consequences increased procurement costs, delays in procurement procedures, misuse of resources, unsuitable products or services, unethical conduct, and procurement procedure cancellation.	<ul style="list-style-type: none"> • Provide specific training on/inform accurately the Evaluation Committee members about fraud and corruption as defined in the World Bank’s Anti-Corruption Guidelines. • Implement best practice policies, guidelines, and practices. • Maintain an ethical environment. • Using a probity assurance adviser, if necessary. 	PMU, MOES, members of the Evaluation Committee, and project beneficiaries
2. Developing technical specifications, technical requirements, and TORs		
Predisposed specifications, having as possible consequences low competition, claims, and cancellation of procurement procedure.	<ul style="list-style-type: none"> • Use functional and performance specifications. • The PMU to support the beneficiaries in drafting business processes, drafting TORs, and preparing technical specification for different types of procurements. • To engage experts whenever there is a need for development of specific technical specifications and TORs. 	PMU and project beneficiaries
3. Procurement documents		
Providing inadequate information, having as possible consequences variations in bids prices, increased number of clarification requests from the bidders causing delays in tender closing, and cancellation of procedure.	<ul style="list-style-type: none"> • Ensure trained and experienced staff under the PMU. • Use the World Bank’s standard procurement documents. • Carefully review the procurement documents. • Ensure accurate and transparent evaluation and qualification criteria. 	PMU and project beneficiaries
4. Launching, clarifying, and evaluating of bids and awarding the contracts		
Favoritism in providing information, having as possible consequences complaints from bidders, withdrawal of bids, and cancellation of selection procedure.	<ul style="list-style-type: none"> • Answer all clarification requests in writing to all bidders. • Ensure that all potential bidders are provided on time with the procurement documents and any addenda. 	PMU



Risk Description	Description of Mitigation	Risk Owner
Breach of confidentiality, having as possible consequences complaints from bidders, withdrawal of bids, cancellation of selection procedure, mistrust of bidders, and lack of competition.	<ul style="list-style-type: none"> • Train staff and Evaluation Committee members on their obligations. • Evaluation Committee members to sign declaration of impartiality/lack of conflict of interest. 	PMU and project beneficiaries
5. Selecting the successful bidder		
Award the contract to an inappropriate bidder, having as possible consequences failure to fulfill the contract and termination of the contract.	<ul style="list-style-type: none"> • Ensure that the Evaluation Committee members have appropriate experience in carrying out evaluation and suitable financial and technical skills. • The evaluation criteria to be clearly identified and described. 	PMU and project beneficiaries
6. Negotiations		
Impossibility to successfully finalize negotiations, having as possible consequences: disputes, delays, reduction in value for money; purchase of less suitable goods/services; inefficient use of resources; and need to restart procurement.	<ul style="list-style-type: none"> • Include accurate conditions of contract in the procurement documents. • Negotiations to be carry out by trained and experienced staff. • Clarify all ambiguities before signing the contract. 	PMU and project beneficiaries
7. Contract management		
Failure of either party to fulfill the conditions of the contract, having as possible consequences contract disputes, failure to fulfill the contract objective, and delays in delivery and legal action.	<ul style="list-style-type: none"> • Each relevant party should dedicate appropriate and adequate resources to ensure that the contract is implemented according to the agreed terms and conditions. • Hold regular inspections/meetings and ensure progress reports. • Ensure that all staff know responsibilities and conditions. • Ensure good record keeping and documentation. 	PMU and project beneficiaries
Inadequately administering the contract, having as possible consequences cost increases, failure of contract, failure to fulfill the contract objective, and contract/supply disputes.	<ul style="list-style-type: none"> • Ensure that all staff are suitably trained and experienced in contract planning and management. 	PMU and project beneficiaries
Fraud, having as possible consequences misuse of funds, legal action, and disruption to procurement activities.	<ul style="list-style-type: none"> • Maintain an ethical environment. • Follow and maintain fraud control procedures. 	PMU and project beneficiaries



ANNEX 2: Economic and Financial Analysis

1. **The proposed project aims to improve conditions in North Macedonia for learning in primary education, which is aligned with the CPF (2019–2023).** The project is a set of four comprehensive educational interventions that are expected to have a significant and lasting impact on the learning of North Macedonia students at the school level. These interventions cover several dimensions of the education system, focusing on (a) improving learning environment at the school level; (b) reforming the NAP; (c) enhancing teachers', school leaders', and MPSTs' competences; and (d) strengthening the institutional management and monitoring, in light of the COVID-19 pandemic.

- The first component is designed with the priority of improving learning outcomes by providing more educational resources; expanding the inclusive physical learning environments, including minor civil works and ICT and science labs; and fostering capacities to develop SIPs, efficient planning, self-assessment, and coordination among school-level and community actors to better address future school interruptions due to COVID-19 or any other emergency.
- The second component strengthens the institutional capacity of the MOES, focusing on increasing its efficiency and accountability, as well as supporting the reform of M&E and promoting a 'low-stakes' environment using the NAP.
- The third component focuses on developing competency-based standards, enhancing teaching practices through in-service professional development, and developing PRESET and support to new teachers.
- The fourth component seeks to enhance the sector efficiency and strengthening institutional capacity, project implementation, and M&E.

2. The overall project will contribute to CPF Focus Area II (Inclusive Growth: Expand Skills and Opportunities for the Most Vulnerable) and CPF Objective 2 (Improve the Quality and Relevance of Education).

Project's Development Impact

3. **Improving the quality and relevance of primary education is an early investment in the life cycle that expands skills and labor opportunities.** The project seeks to support the public provision of adequate learning and be well aligned with the new education approach outlined in the World Bank's Human Capital Project, especially the Literacy Policy Package. This educational project is a package of four evidence-based components that seek to increase student learning gains, which could be translated into future returns on wages. By improving the public provision of education, these components increase the children's probability of additional years of education. Additional years of education—and, more precisely, the accumulation of education—have positive benefits on students' life through increased productivity observed in higher wages. In fact, Montenegro and Patrinos (2014) estimated an increase of 5.7 percent in wages for each additional year of education in North Macedonia. The project also improves the quality of primary education for students by having better teachers, more inclusive and enhanced



learning environments and materials, evidence-based management decisions, and informed monitoring evaluation of country institutions.

4. **In terms of macroeconomic growth, there is vast evidence that investing and equalizing education leads to a higher average level of cognitive skills, which in turn leads to higher economic and social returns through higher labor productivity and improved human capital.** There are two main channels in which education can increase productivity in the economy. The first is one by increasing access to education for those who lack the opportunity to attend formal schooling. The second one is by improving the quality of the education provided. In line with recent literature, Hanushek and Woessmann (2008) show that the quality of education is positively correlated to higher individual earnings and, therefore, higher achievement rates, which ultimately translate into higher labor productivity, which leads to higher wages once individuals enter the labor market. This process can eventually lead to increases in the country’s economic growth. Similarly, Daruich (2018) argues that underinvestment in children’s development increases inequality and has a substantial negative impact in terms of intergenerational social mobility.

5. **The first component improves the quality of education for students by having more inclusive enhanced learning environments and materials.** Emerging evidence shows that improving learning environments for primary education have an impact on student achievement. In line with a growing body of literature during the last 20 years, Hong and Zimmer (2016) found that capital investments increased long-term primary school students’ reading proficiency by 0.1 to 0.3 standard deviations during a five- to seven-year period. According to the authors, the effect was mainly driven by construction capital, compared to a pooled effect of total expenditures that included construction capital and other types of inputs. Similar results were found by Neilson and Zimmerman (2014). One possible explanation for linking enhanced learning environments to student achievement is the teacher premium that means that schools with better facilities may be able to recruit better teachers (Hornig 2009). Others suggest that capital investments lead to safe and clean school environments, not overcrowded, and with good lighting, all of which foster better student and teacher morale and effort (Filardo et al. 2006; Jones and Zimmer 2001). Table 2.1 summarizes the recent studies on the impact of improved learning environment on student learning.

Table 2.1. Recent Studies on the Impact of Improved Learning Environment on Student Learning

Authors	Link to Project	Student Achievement
Hong and Zimmer (2016)	Infrastructure (capital investments)	0.1 to 0.3 SD during 5-year period equivalent to 0.06 SD per year
Neilson and Zimmerman (2014)	School construction	0.15 SD on reading scores

6. **The second component strengthens the MOES’s institutional capacity with a focus on increasing its efficiency and accountability and supporting the reform of M&E and promoting a ‘low-stakes’ environment using the NAP.** At the system level, a large body of research in the literature has provided increasingly empirical evidence that supports the importance of institutional characteristics for student learning performance (Fuchs and Woessmann 2005; Hanushek and Woessmann 2011). The accountability systems, through increased use of assessments, are cost-effective measures for improving outcomes. Emerging evidence argues that the use of assessments at the school level has an impact on student learning. De Hoyos, Garcia-Moreno, and Patrinos (2017) found that an intervention providing data to teachers and principals on student learning and technical assistance to design SIPs in Mexico and



monitoring student learning had an impact on mathematics test scores by 0.12 standard deviations. Also, De Hoyos, Ganimian, and Holland (2017) estimate an impact of 0.28 to 0.34 standard deviations in mathematics learning scores of a training program focused specifically on the use of student learning data for school improvement in the province of La Rioja, Argentina. The impact of diagnostic feedback demonstrates the potential of large-scale assessments to inform school management and classroom instruction (table 2.2).

Table 2.2. Recent Studies on the Impact of the Reform of the M&E and Accountability Measures on Student Learning

Authors	Link to Project	Student Achievement	Region
De Hoyos, Garcia-Moreno, and Patrinos (2017)	Use of assessments	0.12 SD	Mexico
De Hoyos, Ganimian, and Holland (2017)	Use of assessments	0.28–0.34 SD	Argentina

7. **The third component focuses on providing continuous professional development for primary school teachers, school leaders, and MPSTs, to enhance teaching practices and school leader competencies.** Teachers and educators play a central role in the quality of education of students and, therefore, in their performance and life outcomes. A growing body of research indicates that teachers are the most important school-based determinant of student learning (Kraft, Blazar, and Hogan 2018). In line with this, the project targets training and developing the skills of current teachers and educators. Furthermore, the project also focuses on their teaching practices as well as ensuring effective curriculum implementation. By training teachers and educators, the project increases the quality of education, which in turn can translate into improved learning outcomes, higher wages, and better life outcomes. Chetty, Friedman, and Rockoff (2013) found that teachers not only have an impact on learning outcomes of students but also have an effect on critical long-term outcomes such as college attendance, career orientation, and a reduction of teenage pregnancy.

8. **In the quest to improve learning outcomes, evidence suggests that policy makers have policy options to enhance learning through teachers** (World Bank Group 2018b). Emerging evidence suggests that developing and implementing practical, coherent training, and support programs that focus on specific practices tied to improving student outcomes can have sizeable impacts on managerial practices and, ultimately, on student outcomes. Moreover, the emergency of COVID-19 has made more evident the importance of establishing training programs for teachers to overcome the challenges related to technology and online learning practices. Table 2.3 summarizes the recent studies on the impact of improved quality of teaching and school leader competences on student learning.

Table 2.3. Recent Studies on the Impact of Improved Quality of Teaching and School Leader Competences on Student Learning

Authors	Link to Project	Student Achievement (SD)
Bold, et al. (2017)	Teacher content knowledge, pedagogical knowledge, and skills	0.25
Conn (2017)	Meta-analysis of 56 studies on pedagogical interventions	0.26
Kane et al. (2011)	Improvement in classroom practices	0.11
McEwan (2015)	Teacher training	0.12
Popova et al. (2018)	Professional development program involving teaching practice	0.10
Snilstveit et al. (2016)	Pedagogical intervention	0.11



9. **The fourth component seeks to enhance the productivity of the education sector and strengthening institutional capacity.** This component supports (a) the MOES to improve sector management by developing disaster risk planning, (b) studies to reflect on ways to improve fiscal efficiency in the sector, and (c) project management and M&E. Effective management practices support schools to deal with unexpected events or shocks of various types such as natural disasters and public health crises. Contingent emergency response plan practices are an essential strategy that school leaders could use to mitigate the impacts of risk events. This strategy provides a route for emergency response and is expected to have support from a cohesive network of stakeholders. Shocks have been shown to have impact on student achievement (Di Pietro 2018). Better operations and management can help in creating and following emergency response plans and having support from a cohesive network of stakeholders after a natural disaster. Also, this component of the project strengthens the MOES’s institutional capacity that enables efficient and effective fiscal management of the education system through evidence-based educational diagnostics/studies. Also, this component of the project strengthens the MOES’s institutional capacity through project management and M&E. Still, there is no doubt that the MOES will benefit from the efficiency gains, alignment to the national strategy, better management of the education system, and M&E system.

Cost-Benefit Analysis

10. **The economic and efficiency analysis estimates an IRR of 18.3 percent and a benefit-cost ratio of 10.5 with a discount rate of 8 percent.** The analysis is based on the estimated benefits from future earnings attributable to an improved and more efficient provision of public primary education in place by first calculating the number of beneficiaries per intervention and component. Once the number of beneficiaries was calculated, the effect of the project is estimated on learning outcomes (first for each component, based on the evidence from the literature presented in the earlier section, and then summed up for the overall project effect). This is then expressed in economic terms using a direct relation between learning outcomes and wages according to Jaume and Willen 2018). The estimation resulted in total changes in education outcome variables on wages using 2019 minimum annual wage (US\$3,889) as a proxy for average earnings given the high levels of informality in the labor market across North Macedonia and the differences among the regions. The model was estimated under the following assumptions: (a) students who benefited from the program enter the workforce at age 22 and retire at age 60 (after 38 years of work); (b) an average population growth of 0 percent estimated from World Bank data; (c) a discount rate of 8 percent is used for the estimation of the cost-benefit analysis; (d) the impact of the program is assumed to be 10 years with incremental benefits during implementation (from 2020 to 2029), and depreciation of benefits after that, which is a conservative assumption as the literature suggests 15 to 20 years of impact for similar programs with infrastructure investment.

11. Further, the estimates should be considered a lower-to-middle-bound estimate of the benefits from these investments. This analysis does not cover important individual gains from investing in education due to data limitations and difficulty in the quantification of benefits. Nonetheless, the estimated rate of return of 18.29 percent makes the project an attractive investment. Table 2.4 summarizes the most relevant numbers.

Table 2.4. Results of the Cost-Benefit Analysis

Discount rate used	8%
Overall estimated benefit-cost ratio	10.5



Overall estimated IRR	18.3%
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12. Sensitivity estimates indicate that the IRR and cost-benefit ratio are robust to changes in parameters and relaxing of the assumptions indicated above. A sensitivity analysis was performed using additional scenarios with varying parameters of those used in the base case. The first scenario (low case) assumed a reduction in half of the return to education due to the project, the benefit-cost ratio was 3.4 points less than the base case, and the IRR was only 2 percent less than the base scenario. The second scenario (high case) assumed a greater monetary return (of 15 percent of the base case) as a consequence of the four components, the benefit-cost ratio being only 1.5 percent greater than the base scenario. In the third scenario (base case), the assumption was that project components' impact was the lowest possible bound, that is, an overall impact of 20 percent of the impact suggested by current literature. The modification to this assumption in the impact implies that the benefit-cost ratio reduced to 8.66 percent in comparison to the base case.

13. The results of all the scenarios (table 2.5) are in line with literature and emphasize the idea that the earlier the investments in education, the higher the returns to society and individuals. Therefore, it makes sense that the IRR and the cost-benefit analysis results of all the scenarios of the sensitivity tests remain not only positive but present the project as an attractive investment.

Table 2.5. Results of the Sensitivity estimates Analysis

	On Return to Education			On Student Learning		
	Low Case	Base Case	High Case	Low Case	Base Case	High Case
Estimated benefit-cost ratio	7.1	10.5	12.0	8.66	10.5	14.13
Estimated IRR (%)	16.0	18.3	19.0	17.2	18.0	20.0
Assumptions	50% of the base wage	20% of the suggested overall project impact	15% additional monetary return of the base case	50% of the base learning gain	20% of the suggested overall project impact	15% additional monetary return of the base case

Impact of COVID-19 Pandemic on the Education System

14. **COVID-19 forced North Macedonia to close schools for four months, excluding the usual summer break,⁶² and put in place emergency remote teaching using online platforms and TV-based broadcasts.** However, the effectiveness of these alternative modes of teaching, due to the emergency nature, is likely to be lower than traditional instruction and the access to them heterogenous across student populations. This section analyzes the impact of COVID-19 on learning, schooling, and life cycle earnings. For discussion purposes, the estimates may be considered as a contrafactual situation of what would have been the impact of COVID-19 on learning outcomes in the absence of the project. Such reflection is useful to understand the value of the project and how COVID-19 has exacerbated the learning crisis, justifying the interventions of the present project even more.

15. **Based on a World Bank simulation tool (Azevedo et al. 2020), the impact of COVID-19 in North Macedonia can be estimated in terms of the expected learning loss due to school closures and family**

⁶² From March 10, 2020, to the end of May and during September.



income shock and expressed in three types of estimates: (a) learning adjusted years of schooling (LAYS), (b) learning outcomes scores in PISA, and (c) the share of learners below minimum proficiency levels in PISA. The tool also allows to estimate the effects using three scenarios: (a) the baseline, where no school closure took place; (b) an intermediate one, where schools closed for four months and mitigation effects were 45 percent effective for the overall population, although differentiated by wealth quintile;⁶³ and (c) a pessimistic one, where schools closed for seven months and mitigation effects were also less effective like in the previous scenario (45 percent for the overall population with differentiated levels by income).

16. **The first type of estimates refers to the effect of COVID-19 on LAYS.** They show that at baseline (using the 2017 Human Capital Index data), North Macedonians were expected to complete 6.8 LAYS⁶⁴ or years of education adjusted for learning before the pandemic. This figure is estimated to drop to 6.6 LAYS in the intermediate scenario, representing a loss of learning of –3 percent, and to 6.4 LAYS in the pessimistic scenario, indicating a loss of –6 percent. This means that in terms of learning, students will not be able to catch up for the months lost during the pandemic, and their education attainment expectations are lesser than what was expected before COVID-19. This learning loss estimate can be also expressed on average annual earnings loss to show the long-term effects, considering the rates to return to education, the expected earnings in the labor market, life expectancy, and labor force participation indicators. According to the baseline scenario, North Macedonians were expected to earn US\$15,274 (2017 PPP US dollars) per student and per year. The impact of COVID-19 in the intermediate scenario may imply a reduction in earnings of US\$324, or –2 percent, to US\$14,950, and in the pessimistic scenario North Macedonians were expected to earn US\$532, or –2.5 percent, to US\$14,742. The total learning loss can be calculated to cost around US\$1 billion (2017 PPP US dollars) in both scenarios, estimating the present value lifetime earning loss for all students.

17. **The second type of World Bank estimates refers to the COVID-19 impact in terms of PISA scores.** North Macedonia was among the top improvers in PISA 2018; however, the country was 94 points behind the OECD average (see left side of figure 2.1), equivalent to 2.3 years of schooling.⁶⁵ Under the estimated intermediate scenario, learning in North Macedonia is expected to drop the equivalent of –6 points in PISA and under the pessimistic scenario learning is expected to drop –10 points (–1.4 percent and –2.4 percent correspondingly, compared to the baseline scores). However, the learning gap among students by wealth quintiles was already an issue before COVID-19. At the baseline, North Macedonia scored 444 points for the richest quintile and 354 for the poorest quintile, a gap of 90 PISA points that implied that the richest students attained on average 2.2 years of schooling more than the poorest students. With the pandemic, the estimates under the intermediate and pessimistic scenarios show that the learning gap is expected to become larger, reaching 95 and 98 PISA points of difference between richest and poorest students, respectively, representing 2.4 years and 2.5 years of schooling more for the richest quintile, as shown in the right side of figure 2.1. The reasons behind the learning gap widening may be attributed to an heterogeneous supply, access, and effectiveness of the distance learning implemented across the different student populations. With COVID-19, students from lower socioeconomic backgrounds are at further risk because of the limited access to electronic devices, poorer or nonexistent internet connectivity at home, less parental support, or teachers with less advanced digital skills.

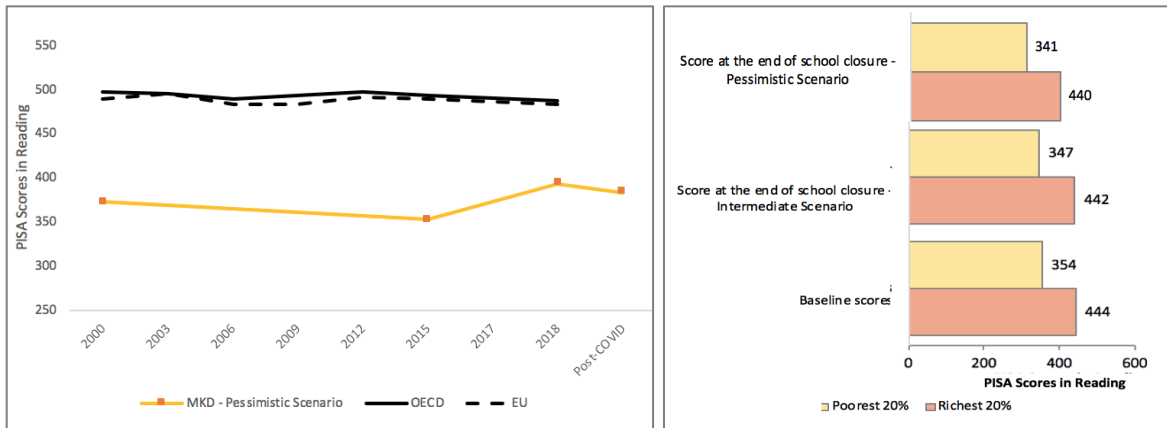
⁶³ 25 percent for the poorest quintile and quintile 2, 50 percent for quintiles 3 and 4, and 75 percent for the richest quintile.

⁶⁴ According to the 2020 Human Capital Index database, the expected years of schooling (EYS) are 11.0, but factoring for the level of learning, LAYS falls to 7.3 years. This is compared to 11.2 EYS and 6.8 LAYS according to the 2017 Human Capital Index.

⁶⁵ 40 points in PISA are roughly equivalent to one year of schooling.



Figure 2.1. Estimated PISA Scores Changes Considering COVID-19 Impact



Source: North Macedonia Country Brief: Estimate of COVID-19 Impact on Learning Loss, World Bank 2020.

18. **The third type of World Bank estimates refers to the effect of COVID-19 on learning poverty** or the share of students below the minimum proficiency levels in PISA (Level 2 equivalent to 407 points). At baseline, the proportion of students below functional literacy was 55 percent. However, the estimates show that this share is expected to increase up to 11 percentage points. Under the intermediate scenario, the share may increase up to 64 percent, and in the pessimistic scenario up to 66 percent, assuming, as explained before, that not all students are affected equally by the pandemic. These estimates considered different distributions, including one where students at the bottom fall behind (skewed distribution) and another one where students at the bottom fall behind, but students at the top move ahead (flatter distribution).

19. **The previous estimates under different scenarios can be understood as a counterfactual of what would have happened in the absence of the present project.** The learning loss will affect the entire student population, but specially more those from lower socioeconomic backgrounds. The country is already in the intermediate scenario of a school closure of four months. The estimates considered that 100 percent of the students were supplied and had access to the alternative teaching modes but that the distance teaching was 45 percent effective when compared to the traditional teaching mode. If further school closures eventually happen, the country may fall under the pessimistic scenario if no other mitigation measure is put into place. This is why the present project could precisely help the education system mitigate the negative COVID-19 effects estimated and avoid falling into the pessimistic scenario. Rebuilding better education systems is needed to recover the important setback described earlier. In fact, because of the expected project outcomes of an improved school learning environment, improved teacher practices, and improved tools for school performance monitoring, the project could even help redress the COVID-19 effects and put North Macedonians on an accelerated track to attain the learning objectives devised in their national strategy and other international learning goals, such as halving learning poverty.

20. It should be considered, however, that if PISA scores drop 6 to 10 points, depending on the duration of the school closure, COVID-19 may also affect the short-term impact of the cost-benefit analysis of the project, which can be estimated in a decrease of about 1.68 of the benefit-cost ratio and almost 1 percent in the IRR, resulting in the following diminished figures (table 2.6) but still with benefits exceeding the costs of the present project.



Table 2.6. Results of the Cost-Benefit Analysis after Considering COVID-19 Impact

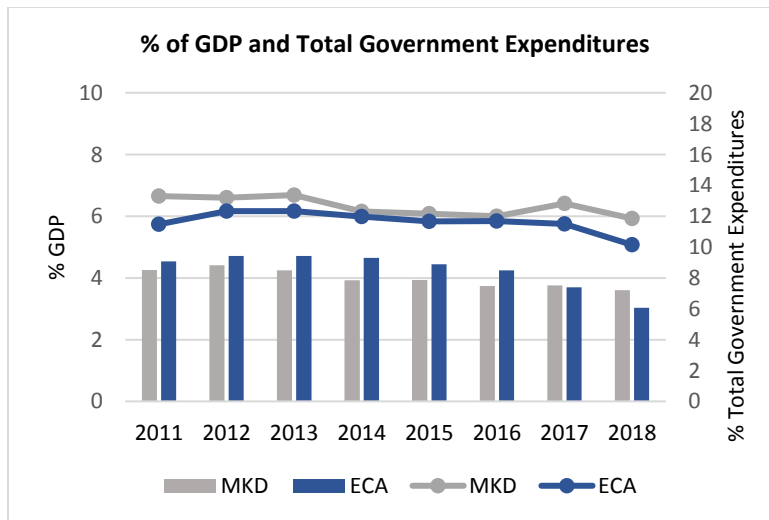
Overall estimated benefit-cost ratio	8.9
Overall estimated IRR	17.3%

Public Sector Provision as Appropriate Financing Vehicle

21. **Public financing for the project is justified on three grounds.** First, as noted earlier, investing in primary education is not only morally advisable, but it has also been empirically proved that it provides the greatest gains for a more productive society through higher wages and overall higher returns to all future public and private investments. Second, receiving the right primary education has more substantial benefits for society that include higher economic growth, healthier societies, less crime, fewer teenage pregnancies, and higher life satisfaction, among others. Furthermore, given that all students in primary education in North Macedonia are enrolled in public schools (World Bank Group 2018a), it is not possible to make a cost-benefit analysis considering private financing for the project activities, ruling out any possible alternative design to compare with.

22. **Public financing could however increase to further maximize the benefits described earlier, given that the share of education expenditures over total government expenditures has been historically low,** a trait observed in the Europe and Central Asia region, as shown in figure 2.2. On average, the country spent 12.6 percent of total government expenditures on education from 2011 to 2018, but in a decreasing trend, from 13.3 percent in 2011 to 11.9 percent in 2018. The Europe and Central Asia region’s average for the same period has been slightly lower, with Europe and Central Asia countries spending around 11.6 percent of total government expenditures. The same trend is observed in terms of percentage of GDP, with North Macedonia spending on average 4 percent of its GDP on education from 2011 to 2018, a figure that dropped from 4.26 percent in 2011 to 3.6 percent in 2018. The Europe and Central Asia region’s average for the same period has been slightly larger with Europe and Central Asia countries spending around 4.25 percent of their GDP on education. This means that North Macedonia’s Government could make additional efforts to ensure the financial sustainability of project activities in the long term once the World Bank agreement ends.

Figure 2.2. Education Expenditures



Source: World Bank (2019). Republic of North Macedonia Public Finance Review.



23. **Despite a diminishing spending in education, the country is making efforts to invest more in primary education, an argument in favor of the project’s financial sustainability.** Historically, the country has spent 47 percent of the education expenditures on primary education from 2009 to 2018. Nevertheless, the 2020 education budget shows an increased allocation of 57 percent going to primary education. In addition, the outcomes expected from the present project regarding an improved physical learning environment, better teaching competences, and stronger institutional and system capacities will last after the program ends, even if activities cannot be sustained. Finally, the financial gains resulting from the school optimization to better use physical and human resources in relation to the school population could be used to sustain the project activities.

Project’s Fiscal Impact

24. **The fiscal impact analysis shows that the project will have a limited impact on North Macedonia’s education spending and fiscal accounts, implying that the project will not undermine the country’s fiscal sustainability.** A fiscal analysis was performed to assess an average impact of the project costs of 0.98 percent on the education expenditures for the next five years (see table 2.7), indicating a small impact on sector spending. A more detailed approach analyzed the fiscal space effects that the project costs would entail on the overall GDP,⁶⁶ considering four scenarios: (a) a base scenario A of education expenditures over GDP without considering the project and assuming the IMF revised projections for GDP growth for the next years; (b) a second scenario B considering the project costs on the education expenditures over GDP and also assuming the IMF estimates; (c) a third scenario C with optimistic GDP growth estimates (1 percent higher than IMF estimates) and therefore implying less burden of the project on the country’s fiscal stance; (d) a fourth scenario D with conservative GDP growth estimates (1 percent smaller than IMF estimates), implying thus a higher burden of the project on the fiscal accounts. A summary of results is provided in table 2.7.

Table 2.7. Project Fiscal Impact Analysis

	2019	2020 (Base)	2021 (Year 1)	2022 (Year 2)	2023 (Year 3)	2024 (Year 4)	2025 (Year 5)
Project cost by year (US\$, millions)	0	0	5	5	5	5	5
Project cumulative cost (US\$, millions)	0	0	5	10	15	20	25
Education expenditure (US\$, millions)	460.8	471.4	482.2	493.2	504.5	516.1	527.9
Education expenditure including project (US\$, millions)	460.8	471.4	487.2	498.2	509.5	521.1	532.9
Project cost on education expenditure (%)	0.00	0.00	1.03	1.00	0.98	0.96	0.94
A: Base Scenario without the Project and IMF Estimates							
GDP, constant 2010 (US\$, millions)	11,739	11,269	12,058	12,488	12,892	13,311	13,747
GDP growth (%)	3.6	-4.0	7.0	3.6	3.2	3.3	3.3
Education expenditure (% of GDP)	3.93	4.18	4.00	3.95	3.91	3.88	3.84
B: Scenario with the Project and IMF Estimates							
GDP, constant 2010 (US\$ millions)	11,739	11,269	12,058	12,488	12,892	13,311	13,747
GDP growth (%)	3.55	-4.0	7.0	3.6	3.2	3.3	3.3
Project cost on GDP, %	0.000	0.000	0.041	0.040	0.039	0.038	0.036

⁶⁶ The data sources included the World Bank BOOST database for education and total government expenditures from 2011 to 2018, the World Bank World Development Indicators database and IMF International Finance Statistics database for GDP figures from 2009 to 2019, and the IMF World Economic Outlook (WEO) database for GDP growth from 2009 to 2021. Projections for next years were estimated based on the 10-year annual rate of published figures.



	2019	2020 (Base)	2021 (Year 1)	2022 (Year 2)	2023 (Year 3)	2024 (Year 4)	2025 (Year 5)
Education expenditure, including project (% of GDP)	3.93	4.18	4.04	3.99	3.95	3.91	3.88
C: Scenario with Optimistic GDP Growth (+1%)							
GDP, constant 2010 (US\$, millions)	11,739.0	11,386.8	12,297.8	12,858.5	13,403.2	13,973.3	14,570.3
GDP growth (%)	3.55	-3.0	8.0	4.6	4.2	4.3	4.3
Project cost on GDP (%)	0.000	0.000	0.041	0.039	0.037	0.036	0.034
Education expenditure, including project (% of GDP)	3.93	4.14	3.96	3.87	3.80	3.73	3.66
D: Scenario with Conservative GDP Growth (-1%)							
GDP, constant 2010 (US\$, millions)	11,739.0	11,152.0	11,821.2	12,123.8	12,394.8	12,674.2	12,962.2
GDP growth (%)	3.55	-5.0	6.0	2.6	2.2	2.3	2.3
Project cost on GDP (%)	0.000	0.000	0.042	0.041	0.040	0.039	0.039
Education expenditure, including project (% of GDP)	3.93	4.23	4.12	4.11	4.11	4.11	4.11

Note: GDP growth for 2022 is based on differential between cumulative GDP growth for 2010–2021 (without COVID-19), less the cumulative GDP growth 2010–2021 (with COVID-19). Recovery is assumed from 2023 onward.

25. **Results show that the project costs would entail a change in the share of education expenditures over GDP for 2021 to 2025 between –3 percent and 5 percent, depending on the scenario selected for GDP growth,** leaving the Government enough fiscal space to continue with the program after the end of the agreement with the World Bank. The first comparison shows an increase in this share of 0.04 percentage points, or 1.0 percent change, when comparing the base scenario A that excludes the project (average share of 3.92 percent) with scenario B that considers the project and the IMF estimates (average share of 3.95 percent). If the more optimistic scenario C for GDP growth is considered, the comparison shows an expected decrease in the share of education expenditures over GDP of 0.1 percentage points, or -3.0 percent change (average share for the optimistic scenario is 3.8 percent). Finally, if the more the conservative scenario D, considering a slower GDP growth, is compared, the project cost would entail an expected increase in the share of education expenditures over GDP of 0.2 percentage points, or 5.0 percent change (average share for the conservative scenario is 4.11 percent).

26. **For discussion purposes, the same four scenarios were run using the IMF estimates before COVID-19** (3.4 percent for 2020 and 3.2 percent for 2021⁶⁷), as the revised IMF estimates of GDP growth (–4 percent for 2020 and 7 percent for 2021⁶⁸) consider the impact of COVID-19 pandemic on the economy as a contrafactual situation to understand what would have been the impact of the project on the fiscal account if the pandemic had not taken place. The comparisons between the different scenarios show changes in the share of education expenditures between –3 percent and 5 percent too, so details are not provided. This confirms, however, that even in the contrafactual situation where COVID-19 had not taken place, the project costs would have implied a low fiscal impact on North Macedonia.

⁶⁷ From historical WEO database.

⁶⁸ From WEO April 2020 database.



Value Added of World Bank Support

27. The World Bank's technical inputs and implementation support will provide a high value added in two ways:

- (a) The World Bank will tap into its extensive experience in developing education projects in the region that support the development of teaching practices and content, foster access to quality and inclusive physical learning environments, and strengthen institutional capacity
- (b) To achieve the project's goal, the World Bank's team will pursue preliminary assessments, impact evaluations, and the design and implementation of pilot programs to validate proposed innovations

28. Based on the findings from the cost-benefit analysis and the design and implementation efficiency aspects described earlier, the project's efficiency is rated Substantial.



ANNEX 3: Gender Tagging: Analysis, Actions, and Results

COUNTRY: North Macedonia
Primary Education Improvement Project

Analysis/Gap	Action	Indicator
<p>In North Macedonia, inadequate access to safe and gender-sensitive sanitation facilities in a school poses an obstacle for girls. Data show that 30 primary schools, including 28 satellite schools, do not have sanitary facilities.^a According to the survey results, 90 percent of the respondents answered that schools and workplaces lack adequate facilities for menstrual hygiene management, 40 percent responded low hygiene in toilets, and 35 percent responded that the toilets in schools and workplaces had no doors.^b Inadequate access to safe sanitation facilities and girls' inability to manage their menstrual hygiene in schools has resulted in school absenteeism. For example, survey results show that nearly 90 percent of girls from rural areas took 4–5 days off each month from school during menstruation, and 75% of girls from urban areas took 2–3 days off per month.^b</p>	<ul style="list-style-type: none"> • Support the MOES to develop a standard and criteria on gender-sensitive sanitation facilities^c (for example, separate toilets with doors, with access to water, soap, toilet paper, and garbage disposal) • Infrastructure investment in gender-sensitive sanitation facilities in schools • Discussion with school psychologists and pedagogues regarding menstrual hygiene management to overcome cultural norms and stigmas 	<ul style="list-style-type: none"> • Decrease in number of absences from school among female students

Note:

a. Association of Young Analysts and Researchers, Infrastructural Development, and Technical and Technological Equipment in the Primary Schools of Republic of Macedonia (2018).

b. Journalist for Human Rights. 2019. "Estimation for Menstrual Poverty in Macedonia." <http://jhrmk.org/wp-content/uploads/2019/05/HERE.pdf>.

c. The project will support the ministry to develop standards/criteria and guidelines for the gender-sensitive sanitation facilities.



ANNEX 4: References

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