



# Project Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 05-Dec-2019 | Report No: PIDA27173



## BASIC INFORMATION

### A. Basic Project Data

Country Moldova	Project ID P167790	Project Name Higher Education Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 06-Dec-2019	Estimated Board Date 30-Mar-2020	Practice Area (Lead) Education
Financing Instrument Investment Project Financing	Borrower(s) Republic of Moldova through the Ministry of Finance	Implementing Agency Ministry of Education, Culture and Research	

Proposed Development Objective(s)

The Project Development Objective is to improve the labor market orientation of selected higher education institutions and the quality assurance mechanisms.

#### Components

- 1 – Improving the Quality Assurance Mechanisms
- 2 – Improving the Labor Market Orientation through Targeted Interventions
- 3 – Project Management

## PROJECT FINANCING DATA (US\$, Millions)

### SUMMARY

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

### DETAILS

#### World Bank Group Financing

International Development Association (IDA)	40.00
IDA Credit	40.00



Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

## B. Introduction and Context

Country Context

1. Moldova is a small lower-middle-income country in Eastern Europe, with a population of approximately 2.7 million.<sup>1</sup> Moldova's economy has been expanding with an annual Gross Domestic Product (GDP) growth of 4 percent in 2018 (World Development Indicators). The poverty rate in Moldova has rapidly declined, with a poverty headcount ratio at national poverty lines decreasing from 22 percent to 9.6 percent of the population, from 2011 to 2015. The economy has seen significant structural changes since the 2000s. While the share of the agricultural sector in the GDP accounted for 29 percent in 2000, it declined to 14 percent in 2016. In contrast, the service sector, which is the current key economic driver, increased its share from 49 percent to over 70 percent of the GDP, from 2000 to 2016. Moldova has also performed well in promoting shared prosperity, with 4.8 percent growth in consumption among the bottom 40 percent of the consumption distribution (the bottom 40) in 2009–14, compared with 1.3 percent across the entire population.

2. Moldova faces the steepest demographic challenges of Europe and Central Asia (ECA) region. Moldova's population has been rapidly shrinking since the country's independence in 1991. From 1990 to 2015, the population dwindled by 21 percent.<sup>2</sup> Three trends contributed to this: emigration among the youth population, sharply declining fertility rates, and slow progress in life expectancy. Longevity, on the other hand, has been slowed by low access to health care. These factors lead to an annual decrease of the population of around 1 percent. If this trend continues, Moldova can expect to see its population shrink by another 31 percent, or a reduction of 1.2 million people, by 2060.

Sectoral and Institutional Context

3. The mentioned demographic challenges and the rapidly changing labor market highlight the need for reforms in Moldova's education system. A continuous decline of the number of students have had a negative impact on the education system's efficiency, calling for immediate action from the Government. Moldova's economic development objectives and the skills that are required for participation in a fast-changing labor market implies that increasing emphasis is placed on the acquisition of basic skills by students. Improving the relevance of Moldova's education system is fundamental to address this challenge.

4. The Ministry of Education, Culture and Research (MoECR) plays the most important role in the governance

<sup>1</sup> National Bureau of Statistics, 2019.

<sup>2</sup> Estimated by the United Nations, which does not include Transnistria. See World Population Prospects: The 2015 Revision (database), Population Division, Department of Economic and Social Affairs, United Nations, New York, <http://esa.un.org/unpd/wpp/>.



of Moldova's higher education system, by setting the strategic guidance, making policies and monitoring the performance. Other actors with key roles in the system include the (i) Ministry of Finance, (ii) Ministry of Agriculture, Regional Development and Environment, (iii) Ministry of Health, Labor and Social Protection (MoHLSP), (iv) Ministry of Economy, and the (v) National Agency for Quality Assurance in Education and Research (NAQAER). While the MoHLSP and other line Ministries are responsible for the agenda of those who are unemployed, including their reskilling, the NAQAER is responsible for the overall external quality assurance of Moldova's higher education system.

5. Moldovan employers report that inadequate workforce skills hamper the performance of the firms. The three biggest challenges that affect firms and their performances are insufficient job-specific skills, unsatisfactory work ethic, and poor motivation. These skills gaps are more pronounced in the case of middle-skilled employees than for high-skilled employees. Middle-skilled workers lack motivation, willingness to learn, analytical and problem-solving skills and computer skills. High-skilled workers are more hindered by poor foreign language skills.
6. Within this context, the World Bank and the MoECR are preparing an investment project aimed to improving the labor market orientation of selected higher education institutions and the quality assurance mechanisms across the entire system. It would support the Government of Moldova's efforts to make higher education more attractive to Moldovan students who are currently leaving the country for academic and economic reasons.

### C. Proposed Development Objective(s) (PDO)

7. The Project Development Objective is to improve the labor market orientation of selected higher education institutions and the quality assurance mechanisms.

#### Key Results

8. The following PDO level indicators is being proposed to measure the outcomes specified in the PDO statement. A final set of PDO level indicators will be available upon completion of the project appraisal.
  - Share of students enrolled in Bachelor programs that are in high demand in the labor market.
  - The status of the labor market information system.<sup>3</sup>
  - The status of the registration of NAQAER in the European Quality Assurance Register for Higher Education (EQAR).<sup>4</sup>
  - The status of the higher education management information system.<sup>5</sup>

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<sup>3</sup> Status of the labor market information system: the end target is that the system is operational, and its data is used for planning and/or decision-making.

<sup>4</sup> The registration of NAQAER in EQAR is important for the recognition of diplomas issued by Moldovan public universities in Europe.

<sup>5</sup> Status of the higher education management information system: the end target is that the system is operational, and its data is used for planning and/or decision-making.



#### D. Project Description

9. The proposed Project would be implemented over a period of five years, organized around three components, which are presented below, and financed by an International Development Association Credit of US\$40 million. The Project design includes systemic interventions in higher education quality monitoring capacity, financing and management, as well as a targeted program to be implemented by selected universities and pedagogical colleges to address some of their most pressing needs in labor market orientation. The Project components are described below.

10. Component 1 – Improving the Quality Assurance Mechanisms. This component aims to improve Moldova higher education system's quality assurance mechanisms, which would also contribute to improving its labor market orientation. It comprises three sub-components that support activities in higher education quality, financing and information systems (management and monitoring), which would benefit all Moldovan universities. It would also benefit Moldovan citizens, including university graduates, who look for jobs and currently struggle with the lack of reliable information on labor market needs and job offers.

11. The Project Component 1 would complement the Government of Moldova's efforts toward an improved higher education system that is more efficient, affordable and of better quality. More specifically, it would support the piloting and implementation of a new performance-based financial model. It would also support the development and implementation of an electronic admission system that would optimize existing outdated processes and bring in additional efficiencies for both students (applicants) and universities. *This package of interventions would be transformational and complement the initiatives to consolidate the network of public universities.*

12. Sub-Component 1.1 – National Qualifications Framework and Quality Assurance. This sub-component would finance relevant activities in higher education quality assurance, including the development and revision of qualification standards in alignment with the National Qualifications Framework, and the improvement of the existing quality assurance mechanisms.

13. Sub-Component 1.2 – System Management and Monitoring. This sub-component would finance activities aimed at improving the capacity for the collection of data and the subsequent utilization of information for the monitoring of the higher education system. It would also finance a system-wide higher education graduates tracer study. This sub-component would help job seekers (including university graduates) and employers through the implementation of the Labor Market Information System.

14. Sub-component 1.3 - Higher Education Financing. To improve the internal efficiency of Moldova's higher education system, which would ultimately help to channel more public funds toward the improvement of this system's quality, this sub-component would support the piloting and implementation of the new financial model, which includes a performance-based component that was developed in 2018.

15. Component 2 – Improving the Labor Market Orientation through Targeted Interventions. This component would finance the design and implementation of a needs-based program aimed at improving the labor market orientation of Moldova's higher education institutions. This program would benefit selected public universities in the areas of pedagogy, information technologies, engineering and health (medicine), as well as pedagogical colleges.



16. Component 3 – Project Management. This component would support the day-to-day management and monitoring of the proposed Project through the establishment and maintenance of the Project Management Team. This component would also finance: (i) project monitoring studies or surveys, (ii) the required annual project audits, as well as (iii) the design and implementation of a project-specific Grievance Redress Mechanism.

#### Legal Operational Policies

##### Triggered?

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

#### Summary of Assessment of Environmental and Social Risks and Impacts

17. The proposed Project components are environmentally neutral except for the Higher Education Improvement Program (component 2), which would support minor civil works for renovation of pedagogical colleges. Minor civil works and supply of goods will be required for the expected improvements in research, learning and labor market relevance. While the proposed Project would not directly finance activities to generate a significant impact (negative or positive) on environmental conditions of urban areas, the sub-component that includes minor civil works to improve the learning environments of pedagogical colleges would consider carefully potential issues such as inadequate water supply, solid waste management, air pollution, and noise during the implementation stage. The minor civil works in pedagogical colleges would take place within the existing footprint. They would not generate adverse environmental impacts on or substantial risks to the human population. The likely impacts are predictable, and expected to be temporary, reversible, low in magnitude, site specific, limited to the immediate surroundings, and can be managed through the implementation of cost-effective mitigation measures. No adverse impacts such as involuntary land acquisition, as well as impacts on indigenous peoples, biodiversity and habitats are expected.

18. Social risks related to project activities are generally low at this stage. Issues of social inclusion, especially vulnerable and disadvantaged groups, and inclusive public outreach have been discussed with the counterparts to enable a more equal access to project benefits. The Project is designed to improve the quality of higher education and improve the labor market relevance of higher education. To address needs in this sector, the Project will aim to support public universities and colleges, and ultimately benefit any students (including from vulnerable and disadvantaged communities) seeking education there.

#### E. Implementation

##### Institutional and Implementation Arrangements

19. The MoECR play the role in policymaking, strategic planning and monitoring in/of higher education in Moldova. Other institutions with relevant roles in higher education are the NAQAER and universities. The Ministry of Finance is responsible for budgeting. Within this context, the proposed Project would be



implemented by: (i) the MoECR for components 1 and 3, as well as for part of component 2; and (ii) beneficiary public universities and pedagogical colleges for the implementation of the targeted program under component 2.

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## APPROVAL

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