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Report No: 38474

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 3.9 MILLION
(US\$6.0 MILLION EQUIVALENT)

TO

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

FOR AN

EDUCATION SECTOR SUPPORT PROJECT

May 16, 2007

Human Development Sector Unit
East Asia and Pacific Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective April 30, 2007)

Currency Unit = US Dollar\$
US\$1.52493 = SDR 1

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

AJR	Annual Joint Review	MoPF	Ministry of Planning and Finance
AAP	Annual Action Plan	NCAAA	National Commission for Academic Assessment and Accreditation
AusAID	Australian Agency for International Development	NECP	National Education and Culture Policy
CAS	Country Assistance Strategy	NDP	National Development Plan
CCT	Conditional Cash Transfer	NER	Net Enrollment Ratio
CF	Catalytic Funds	NPF	National Education Policy Framework
DPs	Development Partners	NZAID	New Zealand Agency for International Development
EMIS	Education Management Information System	PESP	Primary Education Support Project
ESRP	Emergency School Recovery Project	PFMCBP	Planning and Financial Management Capacity Building Program (PFMCBP)
ESSP	Education Sector Support Project	PFMT	Procurement and Financial Management Support Team
FSQP	Fundamental School Quality Project	POM	Project Operations Manual
FTI	Fast Track Initiative	PRSP	Poverty Reduction Strategy Paper
GDP	Gross Domestic Product	PSAS	Primary School Assessment Survey
GER	Gross enrollment rate	SGP	School Grants Program
GoTL	Government of Timor-Leste	SIP	Sector Investment Program
IDA	International Development Association	SP-UPC	Strategic Plan for Universal Primary Completion
IFU	Infrastructure Facilities Unit	TFET	Trust Fund for East Timor
ILO	International Labor Organization	TLSS	Timor-Leste Living Standards Measurement Survey
IMF	International Monetary Fund	TVET	Technical Vocational Education and Training
MDGs	Millennium Development Goals	UNICEF	United Nations Fund for Children
METF	Medium Term Expenditure Framework	UNTAET	United Nations Transitional Administration for East Timor
MLA	Measuring Learning Achievement	VU	Victoria University
MoEC	Ministry of Education and Culture		

Vice President:	James W. Adams
Country Manager/Director:	Nigel Roberts
Sector Manager:	Christopher J. Thomas
Task Team Leader:	Jerry G. Strudwick

**TIMOR-LESTE
Education Sector Support**

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TIMOR-LESTE
 EDUCATION SECTOR SUPPORT
 PROJECT APPRAISAL DOCUMENT
 EAST ASIA AND PACIFIC
 EASHD

Date: May 16, 2007	Team Leader: Jerry G. Strudwick
Country Director: Nigel Roberts	Sectors: Primary Education (50%); Secondary Education (25%); Tertiary Education (25%)
Sector Manager/Director: Christopher J. Thomas/Emmanuel Y. Jimenez	Themes: Education for all (P)
Project ID: P095873	Environmental screening category: C
Lending Instrument: Specific Investment Loan	

Project Financing Data			
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:			
For Loans/Credits/Others: Total Bank financing (US\$m.): 6.00 Proposed terms: Standard for IDA Grant			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
BORROWER/RECIPIENT	1.08	1.83	2.91
IDA Grant	1.30	4.70	6.00
AUSTRALIA (Australian Agency for International Development)	1.30	4.70	6.00
Total:	3.68	11.23	14.91
Borrower: Democratic Republic of Timor-Leste Ministry of Planning and Finance GPA 5 Building Dili Timor-Leste			
Responsible Agency: Ministry of Education and Culture Vila Verde Dili Timor-Leste Tel: 670-723-4862 Fax: 670-332-2033			

Estimated disbursements (Bank FY/US\$m)									
FY	2008	2009	2010	2011	2012				
Annual	1.34	1.62	1.21	1.00	0.83				
Cumulative	1.34	2.96	4.17	5.17	6.0				
Project implementation period: Start September 3, 2007 End: August 31, 2012									
Expected effectiveness date: September 3, 2007									
Expected closing date: January 31, 2013									

Does the project depart from the CAS in content or other significant respects? <i>Ref. PAD A.3</i>	[] Yes [X] No
Does the project require any exceptions from Bank policies? <i>Ref. PAD D.7</i>	[] Yes [X] No
Have these been approved by Bank management?	[] Yes [X] No
Is approval for any policy exception sought from the Board?	[] Yes [X] No
Does the project include any critical risks rated "substantial" or "high"? <i>Ref. PAD C.5</i>	[X] Yes [] No
Does the project meet the Regional criteria for readiness for implementation? <i>Ref. PAD D.7</i>	[X] Yes [] No

<p>Project development objective <i>Ref. PAD B.2, Technical Annex 3</i></p> <p>The project's development objective is: To strengthen the capacity of the Ministry for effective policy development, resource management, and innovation.</p>
<p>Project description [<i>one-sentence summary of each component</i>] <i>Ref. PAD B.3.a, Technical Annex 4</i></p> <p>COMPONENT 1: Capacity Building for Policy, Planning and Program Development This component will develop MoEC's capacity in policy, planning and program development via the production of policy advisory notes and two sub-sector strategies, and via workshops, the establishment of a National Commission for Academic Assessment and Accreditation, and through technical assistance in procurement and financial management, monitoring and evaluation, school grants monitoring and program design.</p> <p>COMPONENT 2: Learning Materials This component will assist MoEC to develop and operationalize its textbook and learning materials policies and will also assist the MoEC to finance the provision of the quality learning materials for primary and pre-secondary schools.</p> <p>COMPONENT 3: Construction/Rehabilitation Design and Quality Assurance This component will ensure the quality and cost-effectiveness of the government-financed school construction and rehabilitation program.</p> <p>COMPONENT 4: Work Skills for Pre-Secondary Students This component will support the development and piloting of a pre-secondary curriculum module for developing work skills and attributes via community enhancement projects.</p>
<p>Which safeguard policies are triggered, if any? <i>Ref. PAD D.6, Technical Annex 10</i></p> <p>Safeguards policy OP 4.01 (Environmental Assessment) is triggered.</p> <p>In respect to the MoEC's proposed school construction program, while no major safeguard issues exist, ESSP will ensure that (i) appropriate construction and maintenance techniques are used on all school sites; (ii) water supply and sanitation facilities are properly placed; (iii) sewage is properly disposed of; (iv) building waste is properly disposed of; and (v) any impacts concerning asbestos material in existing</p>

construction are dealt with properly. There are no land acquisition or resettlement concerns as all civil works (financed by the government) will be conducted on sites on which existing schools are being rehabilitated, expanded or replaced, or on sites that are on vacant government land that is free from all encumbrances, habitation, dispute, claim and controversy. The use of the land will neither require a resettlement plan nor a resettlement framework.

Significant, non-standard conditions, **if any**, for:

Ref. PAD C.7

Board presentation:

None

Loan/credit effectiveness:

- Adopt a Project Operations Manual approved by the Bank that includes (i) a project overview; (ii) the responsibilities of key Ministry staff for ESSP activities; (iii) an implementation plan; (iv) financial management procedures; (v) a procurement plan for FY 08 and procurement procedures; (vi) MoEC school construction and rehabilitation standards; (vii) ToRs for all long-term technical assistance to be employed in the first year of the project and for the EMIS specialist and the text book policy and procurement specialists; and (viii) an Environmental Management Framework to manage the potential impacts from the proposed construction and rehabilitation of school buildings, including the provision of water and sanitation services and safe disposal of construction waste.

Covenants applicable to project implementation:

- Maintain the Annual Joint Program Review (AJR) process as the primary vehicle for the review of and planning for the MoEC's entire sector program.
- Appoint a Ministry-led Capacity Building Steering Group within one month of project effectiveness and develop a MoEC strategic plan for capacity building within six months of project effectiveness.
- Submit to the Bank for review, comment and clearance an Annual ESSP Action Plan (including a Procurement Plan for the upcoming financial year) no later than four weeks prior to AJR. The MoEC shall take into account the comments, if any, of the Bank, and thereafter cause the approved Action Plan to be carried out in accordance with its provisions. Submit a semi-annual progress report (including all applicable M&E results) in a format to be agreed with the Bank not later than 1 month before each AJR and not later than five months after each AJR.
- Maintain a financial management system and submit FMRs quarterly, no later than 18 days after the end of the quarter. Appoint a procurement specialist, a financial management specialist and a program facilitator not later than one month after effectiveness.
- Appoint a lead advisor for the work skills curriculum development activity not later than one month after project effectiveness.

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

1. *Background.* Timor-Leste achieved independence in 2002. The years since have been characterized both by progress and turmoil. The country has made progress in rehabilitating its economy, improving human development indicators, reconstructing its infrastructure, and in building a nation. However, significant social and political divisions remain, and disturbances by unemployed and disenfranchised youth have been frequent during the last years. Timor-Leste has an advantage that most lower-income countries do not – oil and gas reserves that can be harnessed to fund development.¹ However, capacity constraints make it likely that it will be some years before these funds can be optimized by the Government. The GoTL's FY07 budget is US\$328 million, considerably higher than the FY06 budget of US\$130million.

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

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

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

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

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

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

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

6. Student achievement, especially in mathematics, is low and correlated with levels of poverty, as evidenced by the results of the Primary School Assessment Survey of 2003.⁵ On average, third graders answered only 28 percent of the questions in the test correctly; fourth graders did marginally better, getting an average of 37 percent correct. Gender disparities existed in the results, with girls performing worse than boys. More recently, the 2006 Measuring of Learning Achievement Study (MLA) found that 80 percent of grade 3 students failed to meet a minimum level of learning in mathematics.⁶ The poor quality and relevance of education provided is a major contributory factor to the high repetition and drop out rates and overall internal inefficiencies in the system.

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

8. Both Ministry statistics and reports from district superintendents and teachers suggest that drop-out occurs most frequently at two points: during the first three years of schooling and in the final grades of pre-secondary school. Reasons cited include: an absence of apparent benefits from schooling; indirect costs and opportunity costs in respect to working at home.⁹ In addition, teachers' and parents' views

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

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

⁶ Measuring Learning Achievement, Pilot Study, 2006, UNTL and UNICEF, 2006.

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

⁸ Mission observations, February 2007 and information from UNICEF

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

illustrate both a concern over the quality of general schooling and a growing demand for skills training, particularly in respect to skills that are locally relevant or linked to information technology.¹⁰

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

10. *Government strategy.* Government has recognized the need for a stronger education program and has articulated this in a number of key documents: the first of these was the National Development Plan (NDP) 2002-7, and the most recent, the National Education and Culture Policy (NECP) of 2006. The NDP, which was presented to the World Bank and the IMF and endorsed as the country's Poverty Reduction Strategy Paper, anticipated a strong education sector serving as a cornerstone to alleviate poverty and stated that building that system was a national priority. Emphasis was placed on expanding access, improving system efficiency and quality; strengthening management capacity; and developing tertiary education. By 2006, little had changed in terms of priorities, although an emphasis on basic education was far more apparent as the NECP prioritized access to basic education, placing emphasis on universal primary education through improving the quality of schooling, expanding the teaching of Portuguese, developing curriculum and providing teaching materials; vocational and skills education; and improving government's capacity to manage service delivery.¹² The NECP also recognized the need to promote and regulate post-basic education.

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

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

¹¹ Observations of the Bank mission, February 2007

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

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

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

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

2. Rationale for Bank and AusAID involvement

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

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

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

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

experiences in education systems reform. It will also ensure that the public sector management interventions under PFMCBP are embraced by the Ministry.

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

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

3. Higher level objectives to which the project contributes

20. ESSP is consistent with the CAS goals of strengthening Timor-Leste's foundation of sustainable development and reducing poverty by enhancing human capital and creating the conditions for equitable growth. The project will strengthen the Ministry's ability to better manage the sector and to provide better service delivery and learning outcomes (assessed in terms of enrollment, student flows, and learning achievement). This will be achieved by building the MoEC's capacity to develop sector policies and strategies, establish service standards, and improve budget execution, via better financial management and procurement. In addition, the project will provide support for the development of pre-secondary curriculum options and for system maintenance, specifically in respect to maintaining gains made through previous Bank-financed interventions in policy development, access, facilities quality, and the provision of learning materials.

B. PROJECT DESCRIPTION

1. Lending instrument

21. The project will be financed by a Specific Investment Loan (SIL). This enables IDA to provide technical assistance to build capacity and to ensure the quality of facilities, financing for learning materials and the development pre-secondary curriculum options. The project is made possible by a grant of US\$6.0 million under IDA 14, a grant from AusAID of US\$ 6.0 million and a counterpart contribution of US\$2.9 million. A participatory and consultative preparation process involving the GoTL and other key donors has helped ensure project ownership within MoEC.

2. Project development objective and key indicators

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

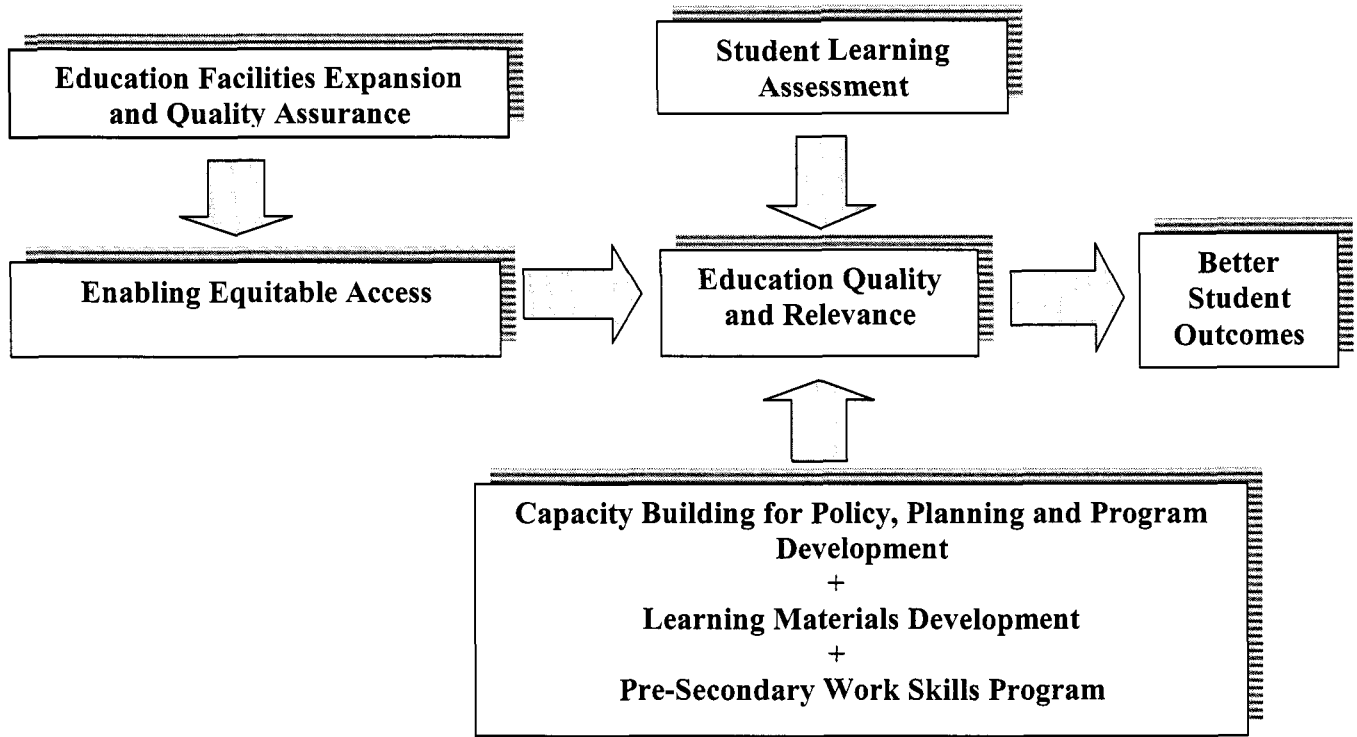
23. *Key project indicators.*

- MoEC staff with improved skills to effectively contribute to sector management and service delivery. (To be measured on three dimensions: (i) Directorates' performance against Annual Action Plans and Budget Plans; (ii) system performance data from the EMIS; and (iii) staff surveys to assess satisfaction with change)
- Enhanced quality learning materials for all primary and pre-secondary students and teachers. (To be determined via (i) an annual assessment of the content and relevance of the project-provided learning materials to student learning achievement outcomes, and (ii) annual surveys of teachers' and students' time on tasks in which these materials are used.)
- Enhanced and expanded learning conditions through quality school facilities. (To be measured in terms of (i) the percentage of newly constructed or rehabilitated classrooms and school facilities that are built and maintained to established MoEC/FSQP standards; and (ii) net primary and secondary enrollment rates.)
- Improved work skills and attributes of pre-secondary school leavers. (To be measured via: (i) an analysis of program monitors' assessment of skills developed by participating students over the course of their skills development program; and (ii) the transition rates from pre-secondary to senior secondary and to gainful employment of participating pre-secondary graduates v. those in a control group.)

3. Project components

24. ESSP builds on the positive achievements of the Bank's previous work in the sector. It represents a number of modest steps to contribute to an improved education system and better student outcomes (see diagram below). There are four components: the first strengthens the capacity of the MoEC to effectively develop and execute policy, and increase efficiency in sector and resource management; the second improves learning conditions by providing learning materials for primary and pre-secondary schools and by assisting the MoEC to develop and operationalize textbook and learning materials policies; the third provides the technical assistance necessary to ensure that MoEC's investments in infrastructure result in high quality schools at a reasonable cost; and the fourth provides skills-based learning opportunities for pre-secondary students. In addition to these clearly defined components, ESSP includes an unallocated category of expenditures that is made available to provide further support for those activities described in Component 1 and Component 4. These funds will allow a degree of flexibility as the project develops in the difficult environment and uncertainty that exists in the sector and in Timor-Leste more generally.

ESSP Framework



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

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

26. This component is closely integrated with the NZAID CBP. The two projects will collaborate to complete a capacity needs assessments at each level of the ministry (national, district and school) and will

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

both support the development and implementation of a Ministry-wide capacity building strategic plan, using a common results framework. While ESSP will focus on developing MoEC's systems and staff capacities in respect to policy planning and resource management, the NZAID CBP will develop staff skills in respect to administration and program execution at the national, district and school levels. Both ESSP and the CBP will support the implementation of that strategy through programs that include on-the-job training and participation in short-courses in specialised areas. Within the Ministry, capacity building activities will be coordinated by the Capacity Building Steering Group (CBSG), a sub-committee of the Program Coordinating Committee, that will be chaired by the Director of Planning and Development.¹⁵

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

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

29. MoEC's capacity will be strengthened in procurement, financial management and contract management. Procurement and financial management specialist positions in the Directorate of Administration and Finance that are currently financed under PESP will be continued under ESSP. In addition to the training provided during the project launch workshop and on-going on-the-job training, key procurement and financial management staff will have access to specialized overseas training that focuses on internationally recognized standards.¹⁶

30. To strengthen sector-wide planning and monitoring, ESSP will provide a Program Facilitator and an M&E specialist to assist the Ministry's Policy and Planning Directorate to develop and disseminate planning tools and monitoring standards and procedures, and to provide ministry-wide training in M&E. ESSP will support sector performance review linked directly to the AJR process.¹⁷ The project will support analysis of appropriate data prior to each AJR to ensure that a core set of system indicators are adequately reported on. To further facilitate and consolidate the AJR process, the costs of AJR will be

¹⁵ Currently the PCC is known as the EFA Steering Committee and includes donors, senior ministry staff and representatives of other key ministries. However, the ministry is intending to expand terms of reference of the committee so that it may help guide the entire MoEC Program. Specific sub-committees are to be appointed to facilitate and coordinate GoTL and donor-financed programs/activities in areas such as capacity building and curriculum development.

¹⁶ Possible training options include courses offered by UNDP/IAPSO, UN system procurement training, World Bank procurement and financial management training that is offered by the Administrative Staff College in Hyderabad.

¹⁷ It is also quite probable that additional support for EMIS and M&E development will be provided by AusAID via a combination of pre-project inputs and additional support during the life of the project for specific EMIS and M&E activities and for the AJR.

borne by ESSP in projects years 2 to 5.¹⁸ In order to evaluate education quality and student achievement on a continuous basis, the project, in cooperation with UNICEF and PESP, will support Ministry's Measuring Learning Achievement program, in which learning is assessed in grades 3 and 5, and will assist in the development of a grade 6 assessment program.¹⁹

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

31. The project will support the ministry's outsourcing of the production of learning materials. This will be achieved by assisting MoEC to: (i) finalize its textbook and learning materials policy, (ii) establish a unit within the Ministry that will manage the tendering process for teaching and learning materials,²⁰ and, (iii) contribute to the financing of high quality learning materials, such as *Lafaek*, for primary and pre-secondary students provided that these materials are closely linked to and supportive of the new primary curriculum, facilitate the introduction of textbooks and curricula, and reflect good practice in language instruction.

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

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

33. ESSP will assist MoEC to ensure the quality and cost-effectiveness of the GoTL-financed construction/rehabilitation of an estimated 2,100 classrooms over the course of the project.²¹ This is expected to add approximately 65,000 new student places.²² To achieve this, the project will support MoEC's IFU, including: (i) consultant services; (ii) office equipment; (iii) operating costs; (iv) production and dissemination of construction and maintenance guidelines and building standards; (v) stakeholder workshops, and (vi) building and maintaining a school mapping database. ESSP support will ensure that MoEC can maintain the high quality architectural and engineering design and supervision, infrastructure quality assurance and school mapping capacities that it has successfully developed under FSQP. The project, via the procurement specialist financed under Component 1, will develop MoEC's capacity to manage complex and multiple contracts so that the management of the IFU can be fully transferred to the Directorate of Administration and Finance. The project will also support (i) a review of school site selection procedures and criteria to help the Ministry ensure that new school construction and rehabilitation are responsive to prioritized needs, especially in respect to providing access to un-served and under-served areas; (ii) a review of those rural and remote locations that may merit multi-grade schools; (iii) a review of existing primary school dormitories to assess the possibility of expanding these as an option for further system expansion; and (iv) a review of kitchen needs at schools participating in the MoEC/World Food Program school feeding program.

¹⁸ In project year 1 this cost will be covered by the PESP.

¹⁹ Initial work on the Measuring Learning Achievement was completed with UNICEF assistance in 2005 and subsequent development is being financed by PESP.

²⁰ The tendering process includes (a) drawing up bidding documents - with particular emphasis on technical and content specifications, (b) evaluating bids, (c) identifying the best submission or submissions - taking into account text, illustrations, page layout, and paper, board and binding quality, (d) specifying any changes that need to be made, and (e) checking that required changes are made during the textbook development process.

²¹ Prior to FY 06, virtually all construction/rehabilitation costs were borne by the donor community. As the government has committed to bear the costs of physical construction and rehabilitation starting in FY 07, there is no plan for the donor-financed portion of the project to contribute to meeting the costs of either school construction or rehabilitation contracts.

²² It is probable that these numbers will change once the education mapping is completed in FY 07/08.

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

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

35. This component reflects a new strategic direction for the MoEC in addressing youth related concerns by providing skills development opportunities to students and by responding to the expanding labor market demand for employability. Through a pilot program, ESSP will develop an innovative skills development curriculum module for the final year of pre-secondary school that will help prevent youth disengagement from education particularly during the final stages of pre-secondary schooling, as well as developing work skills and attributes. It is intended that the curriculum module developed be for a compulsory grade 9 subject that is built around a community development activity. Once completed, the module will provide the guidance necessary for year 9 teachers to: (i) design a community development activity in consultation with their community that places an emphasis on creating the opportunity for participating students to acquire skills in areas such as water provision, infrastructure finishing, agriculture, utilization of primary produce and tourism; (ii) identify the skills and other assets required to deliver the activity, and (iii) assess student performance as skills are developed and improved over the course of the year. The project will set aside adequate resources to allow a degree of flexibility among schools as they identify their community activity. The pilot will include testing, evaluation and refinement of the module prior to its integration into the pre-secondary curriculum that is being developed by MoEC and UNICEF.

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

4. Lessons learned and reflected in the project design

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

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

39. The challenge is not to remove the Ministry's dependency on consultants *per se*, but rather to ensure that consultant input strengthens the quality of services despite the MoEC's weak capacity and the time it will take to sufficiently strengthen it. MoEC and ESSP have accepted that continued dependence

on third party providers is essential as is the need to leverage small inexperienced government teams with external contractors, as per the IFU experience. They have also recognized the need to place increasing emphasis on Timorese rather than international experts as was done in the IFU, where gradually Timorese engineers have replaced their international counterparts.

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

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

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

5. Alternatives considered and reasons for rejection

43. *Instrument.* Initially a DPL was considered for this operation. However, a DPL is not the appropriate instrument to promote significant policy reforms in the sector as the Ministry has a weak budget execution capacity. Over the short to medium term, there is a need for a specific investment to provide the technical assistance necessary to prepare the measures and policies that could be put into place under a DPL once the Ministry's budget execution capacity is adequate.

44. *Capacity Building.* Early consideration was given to an ESSP design that had a stronger emphasis on sector-wide capacity enhancement. However, as discussions evolved with MoEC and the development partners, it became clear that MoEC had agreed to NZAID extending their work on the SIP

to include the CBP which is expected to begin in early 2008.²³ To ensure coordination between projects, ESSP will participate with MoEC and NZAID in a series of capacity needs assessments that will be completed over the coming months and in a Ministry led activity to draft a strategic plan for capacity building that will be presented to key sector stakeholders before the end of 2007. Also under AusAID funding, Victoria University (VU) will develop, with a local training provider, a small managerial and administrative staff development program. This program will be developed in close consultation with ESSP and CBP.

45. *Higher education.* A more distinct project focus on higher education was also considered which would have supported a comprehensive sub-sector analysis, the establishment of a regulatory framework for tertiary education and training, the initial costs of twinning arrangements with overseas institutions and the strengthening of key institutions through staff development and facility development. A review of the status of the sub-sector revealed that this undertaking was too great for the resources available, and it was decided rather that the project would contribute sub-sector policies and strategies, the setting up of an accreditation board, and a study to assist the government to define of the role of the National University.

46. *School Grants.* An emphasis on establishing a school grants program was also considered as a means to further support the government access and school quality objectives. However, as the Ministry decided to accelerate its planned grants program with design and monitoring assistance provided through PESP, the project will now provide a more limited scope of program assistance: ESSP will support the continual improvement of grants program through a process of monitoring, review and design modification, as necessary. ESSP will also support the coordination of SGP with all school level management and capacity development activities. It will also finance a study of SGP's effectiveness in project year 2.

C. IMPLEMENTATION

1. Partnership arrangements

47. ESSP is financed by AusAID and IDA. Project Legal Agreements include: a Grant Agreement between IDA and GoTL; a Grant Agreement between IDA and GoTL regarding Trust Fund arrangements; and a Trust Fund Administration Agreement between AusAID and IDA. Both AusAID and IDA will each provide a grant of approximately US\$6 million towards total project costs of US\$14.9 million.

48. The GoTL, AusAID and the Bank have agreed on common technical and financial, as well as project performance indicators. They have also agreed on reporting formats and to rely on GoTL monitoring systems which will be strengthened over the course of the project. In addition, the Bank will lead a review of ESSP progress at the mid-point between AJRs.

49. MoEC has required that all project and program coordination be part of the AJR. The AJR will provide the key means of ensuring that ESSP activities coordinate with those of other donors including NZAID's CBP; Portugal's teacher education and language development program; UNICEF's sector support program; and Brazil's teacher training program. The existing multi-donor partnership around the SP-UPC is expected to extend support to the two sub-sector strategies developed with ESSP assistance.

²³ NZAID have informed both the World Bank and AusAID that although they would prefer to develop a stand alone project, every effort would be made to ensure that CBP and ESSP are fully complementary.

2. Institutional and implementation arrangements

50. The MoEC will have overall responsibility for coordination and implementation of ESSP, including procurement, disbursement and financial management. Project policy and executive management will be the responsibility of the Minister. Overall coordination is the responsibility of the Director of Planning and Development. On a day-to-day basis, the management of project activities will rest with the Directors in whose Directorates project activities fall (Basic and Secondary Education, Curricula, Planning and Development, Technical and Higher Education and Administration, Finance, Logistics and Supplies). A monthly financial and technical report to the Minister, Vice Ministers and Permanent Secretary by the Directors will be introduced as a standard project procedure. This process will be supported and informed by the EMIS.

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

52. The MoEC chaired Program Coordinating Committee (PCC) will serve as the overall coordination vehicle for ESSP implementation and for capacity building within the sector. A sub-committee of the PCC, the Capacity Building Steering Group, chaired by the Director of Planning and Development, will serve as the steering body for both the development of the MoEC's strategic plan for capacity building and its implementation.

53. Responsibility for MoEC's school construction/rehabilitation program will rest with Directorate of Administration, Finance, Logistics and Supplies, and the project-financed IFU will report to the Director as will the project-financed procurement and financial management specialists. This positioning of project supported assistance is critical to ESSP's efforts towards efficiency gains, particularly as the Ministry of Planning and Finance has delegated authority to this Directorate to procure contracts up to a per contract value of US\$100,000.²⁴

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

3. Monitoring and evaluation of outcomes/results

55. ESSP includes a range of performance indicators to appraise progress towards a strengthening of the Ministry's capacity for effective policy development, resource management, and innovation. The project will track indicators specified in the Results Framework (Annex 3) through five avenues: (i) MoEC's EMIS; (ii) the grade six assessment; (iii) the AJR process; (iv) staff capacity assessments; and the (v) impact assessment of the skills development for pre-secondary students pilot.

²⁴ Although the ceiling for procurement by the MoEC is currently US\$100,000, there are efforts underway to have this raised to US\$250,000 so that the majority of new school construction contracts can be processed entirely by the Ministry of Education.

ESSP performance indicators include:

Component 1: Capacity Building for Policy, Planning and Program Development

- MoEC's strategic plan for capacity building (reflecting results of the capacity needs assessments) approved and implemented.
- A capacity in MoEC in procurement, financial management and budgeting sufficient to improve budget execution adequate to ensure AAPs could be fully executed.
- An in-place sector strategy with effective budget execution against AAPs.
- A NCAAA that utilizes an accreditation and licensing framework to improve the quality of higher education institutions.
- An in-place systematic collection of performance data for a) monitoring progress against performance benchmarks, b) developing Annual Action Plans, and c) reporting at the AJR
- A functioning grade 6 student assessment system.

Component 2: Learning Materials

- Delivery of learning materials to students and teachers in all primary and pre-secondary schools.
- An in-place unit within MoEC that manages the procurement of learning materials and text books.

Component 3: Construction/Rehabilitation Design and Quality Assurance

- Increased access at the primary, pre-secondary, and senior secondary levels
- In-place school siting, construction, rehabilitation and maintenance standards.

Component 4: Skills Development for Pre-secondary Students

- In-place work skills-based community development module in the pre-secondary curriculum.
- Consistent participation by year 9 students in the work skills activities.

56. ESSP, in cooperation with PESP and UNICEF, will also assist the MoEC to develop within the EMIS a 'service delivery confirmation' mechanism to help ensure: a) that schools that are to receive inputs are able to confirm receipt and indicate use – this will be particularly useful for tracking inputs such as learning materials, school grants, teacher training, and facilities upgrades; and b) that communities are directly involved in monitoring what inputs reach their classrooms.

57. In order to ensure that project financed technical assistance performs to international standards and that skills are transferred as intended, annual performance evaluations of long-term consultants will be institutionalized. The evaluation will be completed by the MoE and its results shared with the Bank. Consultant contracts will include a clause requiring satisfactory annual performance ratings by the MoEC.

4. Sustainability

58. *Institutional Sustainability:* Although the MoEC does not yet have a capacity building plan in place, it has committed to its institutional development. ESSP invests heavily in capacity building and focuses on those areas in which gains are critical to improved policy, planning and budget execution and to improve the learning environment. The assistance provided to the Directorate of Administration and Finance will result in an adequate number of Ministry staff trained and tested via on-the-job experience in financial management, procurement and contract management. The Directorate will also be provided, via its management of the IFU, the capacity to oversee a comprehensive school building and facilities maintenance program. By project closing, the MoEC's curriculum unit will have capacity to design, and procure learning materials and textbooks, having developed the associated policies and had three to five years of experience in executing them under a program of decreasing guidance from project consultants.

ESSP's curriculum development activity provides intensive training to a number of teachers and the curriculum unit's staff and provides adequate on-the-job opportunities for reinforcing and consolidating acquired skills. By establishing mechanisms for quality assurance in higher education under an independent body, ESSP provides a sustainable platform for quality post-secondary education. In all cases, to better ensure long term sustainability of ESSP supported activities, the terms of reference of project-financed consultants will clearly articulate the requirement to ensure the transfer of skills and technology to the Ministry's core staff via on-the-job training and one-on-one coaching. The likelihood of the skills and systems developed under ESSP being sustained will be enhanced by the contribution of the NZAID CBP to the Ministry.

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

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

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

5. Critical risks and possible controversial aspects

62. While the risks associated with this project are relatively high and not all can be mitigated by actions taken within the project, the project's design is simple and flexible enough to accommodate and mitigate most risks. Overall, although the project will be implemented in a challenging environment the potential benefits outweigh the risks.

Risks	R	Planned Mitigation
To Project Development Objective		
Political instability	H	There is perhaps little that can be done within ESSP to mitigate this risk. It is considerable and it may well influence project processes, output and outcomes. The project will support a multi-stakeholder education congress early in 2008 to ensure broad engagement in the development of the sub-sector and sector strategies and to foster support from civil society for sector development efforts.

Risks	R	Planned Mitigation
The absence of a MoEC capacity development plan	M	All major institutional development efforts, including those of NZAID, VU and ESSP, will be coordinated and will adhere to the MOEC strategic plan for capacity building that is scheduled to be developed within the first six months of the project.
MoEC will not be able to attract experienced and talented educators.	S	While ESSP does not expect to directly influence government's recruitment processes over the short-term nor impact on the current freeze on hiring additional civil servants, the medium to long term impact of project interventions will make MoEC and the sector a more attractive workplace than it may otherwise have been.
To Component Results		
Policy making will be driven by political considerations	H	The MoEC has not yet developed either the capacity or confidence to rely on evidence-based decision-making. In the past, some policies have evolved that are politically expedient but not reflective of good practice or available knowledge. ESSP will provide timely policy advisory notes on key topics and will assist the ministry to develop sound strategies as part of its capacity development focus.
Maintaining qualified consultants in the IFU	H	Due to political and social instability and to a strengthening market place for technical skills, particularly in respect to infrastructure, difficulties are expected in attracting and retaining suitable consultants.
Absence of clarity on implementation of language of instruction policy	M	Clearly there is a strong drive from the MoEC to establish Portuguese as quickly as possible. Through its policy development and EMIS and M&E activities the project will assist the Ministry to make its language of instruction policy more effective. ESSP will help the ministry to define how its policy can best be applied in the classroom, in teacher training and via textbook and learning materials.
Knowledge and data gaps are substantial and as a consequence performance monitoring may be difficult	M	There is only limited data available on standard system measures including enrollment, drop-out, and retention rates, and virtually all that is currently available is for the primary sub-sector. Also, little is known about levels of student achievement or teacher practices and knowledge. Through its support for the EMIS and for M&E, ESSP will develop an understanding of the status of education in Timor-Leste adequate to facilitate system and student performance monitoring. This will, however, take time.
Low political will to effectively regulate the tertiary sub-sector.	M	As the number of institutions has declined in recent months (from 21 to about 10) there may be political resistance to placing accreditation demands on those that remain. In response to these concerns, MoEC has indicated that it plans to phase in its quality assurance program, and to give institutions the opportunity to transition towards accreditation over time.
Social unrest could interfere with the community-based work-skills activities being piloted in Component 4	M	First, where possible, to select schools in least troubled areas, and second, gain community support for development activities in their neighborhood to maximize 'protection of schools' projects.
Schools may develop community development based work-skills activities that are overly ambitious	M	During the initial years of the pilot, advisors and lead teachers will form support teams to review schools intended programs and will assist teachers in simplifying programs to achievable levels. Once complete the curriculum module will carry adequate guidance in this area.
Overall Risk Rating	H	

Risk Rating: H=High; S=Substantial; M=Modest.

6. Loan/credit conditions and covenants

Conditions of effectiveness

- Adopt a Project Operations Manual approved by the Bank that includes (i) a project overview; (ii) the responsibilities of key Ministry staff for ESSP activities; (iii) an implementation plan; (iv) financial management procedures; (v) a procurement plan for FY 08 and procurement procedures; (vi) MoEC school construction and rehabilitation standards; (vii) ToRs for all long-term technical assistance to be employed in the first year of the project and for the EMIS specialist and the text book policy and procurement specialists; and (viii) an Environmental Management Framework to manage the potential impacts from the proposed construction and rehabilitation of school buildings, including the provision of water and sanitation services and safe disposal of construction waste.

Legal covenants

- ♦ Maintain the Annual Joint Program Review (AJR) process as the primary vehicle for the review of and planning for the MoEC's entire sector program.
- ♦ Appoint a Ministry-led Capacity Building Steering Group within one month of project effectiveness and develop a MoEC strategic plan for capacity building within six months of project effectiveness.
- ♦ Submit to the Bank for review, comment and clearance an Annual ESSP Action Plan (including a Procurement Plan for the upcoming financial year) no later than four weeks prior to AJR. The MoEC shall take into account the comments, if any, of the Bank, and thereafter cause the approved Action Plan to be carried out in accordance with its provisions. Submit a semi-annual progress report (including all applicable M&E results) in a format to be agreed with the Bank not later than 1 month before each AJR and not later than five months after each AJR.
- Maintain a financial management system and submit FMRs quarterly, no later than 18 days after the end of the quarter. Appoint a procurement specialist, a financial management specialist and a program facilitator not later than one month after effectiveness.
- ♦ Appoint a lead advisor for the work skills curriculum development activity not later than one month after project effectiveness.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

63. *Economic analysis.* As elsewhere in the world, the evidence for Timor-Leste also attests to the level of educational attainment being one of the strongest predictors of poverty. The data from the Timor Living Standards Survey for 2001 indicates that the level of poverty steadily declines with level of educational attainment. For instance, while nearly half of those in households where the head of the household has not completed primary education are poor, the poverty rate falls to less than 14 percent where the head has senior secondary education. This important relationship between the level of education and the probability of being poor is also confirmed when other potential determinants of poverty are controlled for (through multivariate analysis). For instance, holding other things constant, increasing the level of education of household heads and spouses to at least 4 years of schooling is estimated to raise average living standards by 8-9 percent and reduce the proportion of population in poverty by 12-15 percent. Thus, large gains in poverty reduction can be expected from improved educational outcomes in Timor-Leste.

64. *Financial Analysis.* The main implications for the capital budget are on account of the government-financed cost of school construction. This is estimated at annual average of \$15.5 million. The education sector budget already anticipates a high level of allocation to capital development

expenditure. The share of capital development in the education budget has been augmented substantially (to over 30 percent average for 2006-10). The annual average capital budget allocation during 2006-10 is about \$13 million. Assuming that about two-thirds of this is already earmarked for school construction, the additional capital budget requirement is estimated to be about \$6.9 million. This is however only 1 percent of the overall average annual budgetary surplus of about \$718 million.

65. The implications for the recurrent budget are far more modest. The main implications are on account of (i) MoEC's contribution to the ESSP (averaging about \$518,000 per year), (ii) additional operating costs of the IFU as the project-funded costs are taken over by the government (estimated at about \$519,000 per year based on the estimated total costs of the IFU), and (iii) additional costs of textbooks and learning materials as the government expands its budget request for these items in the outer years of the project and the costs associated with the introduction of work skills-based curriculum module to all pre-secondary schools (roughly estimated at about \$47,000 per year equivalent to an additional 20 percent of the goods and services, minor capital and transfers component of the overall budget for primary and pre-secondary education). Altogether, this additional recurrent budget needs add up to \$1.6 million per year, which is only 0.2 percent of overall average annual budgetary surplus for 2006-10. Thus, the capital and recurrent budget implications together amount to only about 1.2 percent of the annual budgetary surplus and hence meeting these demands is not expected to be a significant imposition on the national budget.

2. Technical

66. The technical aspects of ESSP are sound. The project draws on the experiences of developing the SP-UPC as it reflects government's wish to establish and finance strategies for the secondary and tertiary sub-sectors. The project strategy seeks to improve the quality of education in Timor-Leste via policy and learning materials interventions and via the establishment of institutional and program standards at the tertiary and vocational levels. To address inequities in access to services, the project is working with government to ensure that new schools are sited in areas of most need and that access is afforded the most rural and remote populations.

67. ESSP facilitates the sustainability of each of its interventions by either building the enabling policy framework to carry the sub-sector strategies and quality assurance mechanisms developed forward or by working to an agreed financing plan that incrementally shifts the costs of the interventions (learning materials and the IFU) to government over the course of the project. By investing in and strengthening the EMIS and the AJR process the project will substantially enhance MoEC's monitoring capacity and its use of data to assess the performance of the sector, its institutions and its students. Through these mechanisms, ESSP also provides the means by which MoEC can better understand the effect of its policy decisions. The intended main-streaming of monitoring processes not only offers objective assessment of each aspect of the project but, to a significant degree, allows transparency in the application of resources and in decision making in such areas as the locating of new schools. The AJR also provides the opportunity for lessons from elsewhere and information on good practice to be introduced to the MoEC. The policy notes prepared under component 1 will also facilitate this goal.

3. Fiduciary

68. *Financial Management and Procurement.* ESSP follows-on from the successful implementation of the FSQP and PESP and it will utilize the same financial management and procurement arrangements. A major difference is that the consultants hired to assist the MoEC with financial management and procurement under ESSP will have a substantial capacity development responsibility – this was not the case under FSQP, where capacity development played only a minor role in the project as focus was placed on a) managing the Ministry's budget and facilitating directors' use of available resources, and b)

handling procurement that was directly related to FSQP. Under ESSP a much broader approach is taken to capacity development that includes a gradual transfer of skills in financial management, procurement and contract management to the staff of the Directorate of Administration and Finance. Utilization will be made of the standalone freebalance module developed for the implementation of development externally financed projects and this will provide the necessary accounting, reporting and control of transactions. A US dollar designated account will be established for the project and it is expected that disbursements for the project will be on a report basis. Project financial statements will be audited on an annual basis and quarterly financial monitoring reports will be provided to the Bank.

4. Social

69. As ESSP provides substantial support to the GoTL's program to improve service delivery and education outcomes, it is expected to have a positive social impact throughout Timor-Leste. MoEC's school construction program, to which ESSP applies a significant quality control mechanism, will disproportionately favor disadvantaged rural and dispersed children, in particular girls, by reducing the distance between school and home. By supporting the provision of more schools in rural areas, ESSP will also contribute to a reduction in the direct and opportunity costs of schooling to parents. ESSP is also expected to influence learning outcomes at the primary and pre-secondary levels by contributing to the costs of high quality learning materials and teachers' guides. This effort will go part way to addressing the serious lack of instructional materials, especially at the pre-secondary level. ESSP's assistance to establish a unit within the Ministry to manage the procurement and distribution of learning materials and books will also contribute to improved learning outcomes.

70. Through the sub-sector strategies developed with ESSP assistance and through the AJR process, ESSP will help to define an appropriate solution to the difficult issue of the language shift from Tetum and Bahasa to Portuguese. The skills development curriculum module that the project will assist MoEC to develop is intended to provide adequate stimulus to complete grade 9 for those students considering dropping out of school.

71. The disruptions of April 2006, resulted in some destruction of educational infrastructure and instructional materials, the educational disenfranchisement of a large population from eastern regions, many of whom are still living in IDP camps. A ripple effect has caused disturbances in outer districts. These events have strongly reconfirmed GoTL's earlier recognition of the need to substantially improve service delivery and access to quality, relevant and useful schooling in a conflict situation. ESSP will assist MoEC to deliver in these areas. It will assist in developing the Ministry's capacity to plan and deliver services, rehabilitating damaged schools, providing for expanding and underserved populations, providing learning materials, and developing relevant and immediately useful curriculum.

5. Environment

72. The proposed project is expected to have minimal adverse environmental impact. The project provides substantial technical assistance to the MoEC's IFU to ensure that school construction and rehabilitation is managed and completed according to accepted building codes and to Ministry's standards (developed under FSQP). Contractors' adherence to these requirements is independently reviewed and assessed by the IFU. MoEC has taken care over recent years to ensure the good practices from other school construction/rehabilitation programs in neighboring countries are reflected in their guidelines.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	[x]	[]
Natural Habitats (OP/BP 4.04)	[]	[x]
Pest Management (OP 4.09)	[]	[x]
Cultural Property (OPN 11.03, being revised as OP 4.11)	[]	[x]
Involuntary Resettlement (OP/BP 4.12)	[]	[x]
Indigenous Peoples (OP/BP 4.10)	[]	[x]
Forests (OP/BP 4.36)	[]	[x]
Safety of Dams (OP/BP 4.37)	[]	[x]
Projects in Disputed Areas (OP/BP 7.60)*	[]	[x]
Projects on International Waterways (OP/BP 7.50)	[]	[x]

73. In respect to the MoEC's proposed school construction program, while no major safeguard issues exist, ESSP will ensure that (i) appropriate construction and maintenance techniques are used on all school sites; (ii) water supply and sanitation facilities are properly placed; (iii) sewage is properly disposed of; (iv) building waste is properly disposed of; and (v) any impacts concerning asbestos material in existing construction are dealt with properly. Each of these concerns is addressed in the building standards that have already been developed and tested under FSQP. Prior to project effectiveness, the GoTL will provide a project operations manual for Bank approval that includes the Ministry's school construction and rehabilitation standards; applicable building codes. There are no land acquisition or resettlement concerns as all civil works (financed by the government) related to ESSP will be conducted on sites on which existing schools are being rehabilitated, expanded or replaced, or on sites that are on vacant government land that is free from all encumbrances, habitation, dispute, claim and controversy. The use of the land will neither require a resettlement plan nor a resettlement framework. This is a category C project. (See the Environmental Management framework in Annex 10.)

7. Policy Exceptions and Readiness

74. No policy exceptions are being sought. The project meets Regional criteria for readiness for implementation, regarding financial management, procurement, project staffing, disclosure requirements, and monitoring and evaluation mechanisms. There is an established procurement capacity within MoEC. It is not anticipated that any social safeguards issues will be triggered under the project and there will be no land acquisition or resettlement, nor is it anticipated there will be cultural property issues.

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

Annex 1: Country and Sector or Program Background

TIMOR-LESTE: Education Sector Support

Country Context

1. With a population of 925,000 people speaking 33 indigenous languages, and a per capita income of US\$550 (the non-petroleum GDP per capita was \$364 in 2005), Timor-Leste is among the poorest countries in the world. This is largely a function of the country's history. In May 2002, Timor-Leste became the first new nation of this millennium following a quarter century of occupation and conflict. The referendum in August 1999 voting for independence from Indonesia was followed by major social and economic upheaval—violence erupted, a large proportion of the population was displaced, and most of the country's physical infrastructure was destroyed or rendered inoperable.

2. In May 2006, after several increasingly unstable months, Timor-Leste slid into yet another complex political, social, and security crisis. In response to the worst violence the country has seen since 1999, the state was forced to turn to the international community to restore and maintain order. Most worryingly, identity divisions between east and west, historically unimportant, have become a central socio-political determinant in Dili. The violence left approximately 35 dead and up to 1,000 buildings destroyed. At the height of the crisis approximately 150,000, or two-thirds of Dili's population, were displaced from their homes, prompting an international appeal for humanitarian assistance. Approximately half sought shelter in religious institutions, public buildings, or parks in Dili, while others went to camps outside Dili or to their home districts to live with family members. Despite improvements in the security situation, many remain displaced.

3. Notwithstanding its difficult past, most recent political turmoil, and being in a state of conflict for the last 12 months (including an attack on the Ministry of Education and Culture (MoEC), in which all new stocks of learning materials were destroyed and MoEC buildings looted of computers, equipment and records), the country has made progress in rehabilitating its economy, improving human development indicators, reconstructing its infrastructure, and in building a nation. Timor-Leste has an advantage that most lower-income countries do not – oil and gas reserves that can be harnessed to fund development. However, it is likely to be some years before these funds can be optimized by the Government. The government's total budget is expected to increase to US\$328 million in FY07, considerably higher than the FY 06 budget of US\$130 million. Significant improvements have been made in the education sector, particularly in terms of increasing access through the provision of new schools, and bringing primary net enrollment rate from 51 percent in 2000/01 to 80 percent in 2004/05.

4. Despite these improvements, challenges remain. Over 40 percent of adults are illiterate; life expectancy at birth is only 62; infant mortality is above the low-income country average; malnutrition is widespread, with almost half the population of children under five being stunted and underweight; and two in five people in Timor-Leste are considered poor and unable to attain a minimal standard of living. Timorese society is young, with more than 50 percent of the population being under 15, and the country has one of the highest fertility rates in the world placing stress on an already seriously challenged education system.

Sector Issues

5. Prior to 1999, investment in education was low, resulting in poor levels of educational attainment. While primary education grew somewhat between 1979 and 1999, junior and senior secondary education expanded slowly. This has resulted in the older generation of Timorese having much lower levels of educational attainment than the younger generation. In 2001, 57 percent of the adult population had little

or no schooling; 23 percent had only primary education; 18 percent had a secondary education; and 1.4 percent had a higher education. Those in the poorest income quintiles were the worst affected.

6. During the violence that erupted after the August 1999 referendum, 95 percent of Timor-Leste's schools were damaged, and almost all non-Timorese teachers fled the country. Despite that collapse in the country's education system, substantial progress has been made over the last seven years. With the assistance of technical and financial support from the international community, the government embarked on a school construction and rehabilitation program and has hired new teachers. By 2003, the education system was once again fully operational. By FY04/05, 1,160 schools were in operation, of which close to 80 percent offered primary education and 80 percent were state operated. The total number of students enrolled was 241,033, and girls accounted for 48 percent of the total at the primary level (see Table 1).

Table 1
Summary of the Education Sector, FY04/05

Indicator	Primary	Junior Secondary	Senior Secondary	Total
Number of schools	968	134	58	1,160
<i>Percent that are GoTL schools</i>	86	70	41	80
Number of students	169,952	44,648	26,433	241,033
<i>Girls as percent of total</i>	48	47	49	48
Number of teachers	5,211	1,841	1,197	8,249
Student-teacher ratio	33	24	22	29
Repeaters as per cent of enrollments ^{\1}	20	21	22	21

Note: \1 FY2003/04 data.

Source: MoEC.

7. With support from the World Bank and other international donors, over the last few years, the government has produced several analytical reports outlining the many development challenges that the country continues to face, especially in the areas of poverty alleviation and education reform. Presented below are the most prominent of these issues as they have emerged from solid analytical work, policy papers prepared over the last few years, government's own analysis and stakeholder consultations.²⁵

8. Low management capacity. The rapid expansion of the education system has placed substantial pressure on a Ministry that is experiencing severe capacity constraints at all levels: of the 79 staff employed in the central Ministry, one has a masters' degree, nine have a bachelors' degree, three have a post-secondary diploma, one has junior secondary education plus a three-year teaching diploma, and the remainder have only a secondary education or less. At the district level, of the 114 employees, only one has a bachelors' degree, two have post secondary diplomas, eight have junior secondary education plus a three-year teaching diploma, and the remainder have only a secondary education or less.²⁶

9. While MoEC does not, as yet, have a capacity building plan, the Ministry has agreed to work with its development partners (NZAID and the Bank) to complete capacity analyses and to draft a strategic plan for capacity building over the coming months. Currently, only a few of the Ministry's staff have had any significant exposure to either education principles, functioning systems or good practice, and virtually

²⁵ These issues emerge from the rigorous analysis of surveys such as the Timor-Leste Living Standards Measurement Survey (TLSS) of 2001, School Mapping Survey 2001, Census surveys of 1999 and 2004, and UNICEF's Multiple Indicator Cluster Survey (MICS) 2002, among others. A new TLSS is currently in the process of being launched, which will provide a valuable update on issues of poverty and human development.

²⁶ Timor-Leste, MoEC Capacity Building Program, Draft Program Design Document, NZAID, March, 2007.

all are inexperienced managers who have not participated in large scale reforms. As a consequence of this, the Ministry relies on technical assistance to complete many of its routine operations. Most decisions are made by senior Ministry officials and there is little delegation or consultation. There is also evidence to suggest that some decisions have been made on an *ad hoc* basis rather than on the basis of evidence or a consideration of options. Until recently there was no functioning EMIS or a means of collecting reliable system data.

10. When compounded by the fact that there has been no systematic program of skills development within the MoEC, its policy of staffing more on the basis of mastery of Portuguese rather than on possession of applicable skills, has contributed to MoEC being a ministry that has difficulty achieving more than the basics of service delivery and the maintenance of the system at its current level. Further exacerbating this situation is the absence of a robust and well functioning administrative system where procedures, processes, roles, and responsibilities, and expected outcomes are clearly delineated. The lack of clarity in functions and responsibilities, though weak at the center, is especially acute at the district level.

11. Weak Budget Execution. As of March 2007, budget execution averaged only 33 percent of the Ministry's allocation.²⁷ This low level of expenditure is clearly linked to: (i) the lack of planning and procurement capacity as illustrated by the fact that Directorates' Annual Action Plans (AAPs) do not reflect a sector strategy or the sector program outlined in the Sector Investment Program (SIP), (ii) the lack of technical capacity to execute the plans in the AAPs, and (iii) the absence of a thorough review of AAPs, and the capacity to conduct that review, prior to their submission to the Ministry of Planning and Finance.

12. Absence of strategic policies and financing plans Public spending on education has been substantially supported by external financial flows. Total external assistance to the country has been large, amounting to around 60 percent of GDP in FY2005. Over the period 2000-04, external aid provided the equivalent of 11-15 percent of GDP for education expenditures in Timor-Leste. Education accounts for the largest share of the government's budget; about 12 percent in 2006/07. While the large initial donor flows contributed to the rapid reconstruction of the education sector, this seems unlikely to continue as external aid to education is declining; it fell to around 8 percent of GDP in FY 2004/5.

13. Because Timor-Leste has not yet developed a medium-term education sector financing plan – due primarily to an absence of overall sector policy, a strategic plan, and clear outcome objectives for each sub-sector – external funding has not been integrated into a unified budget or a unified program agenda, and has tended to run in parallel to Ministry priorities. As the country reduces its dependence on external financing, the MoEC faces the dual challenge of securing and sustaining government allocations into the sector in the medium and long-term as well as attracting donors to support activities in the post-primary sub-sectors.

14. MoEC has started to address its challenges by articulating key priorities through a series of sub-sector strategies based on the NECP and the Sector Investment Program (SIP). The first of these, the SP-UPC was completed in 2006. MoEC took this initiative an additional step during the 2006 AJR when it began the articulation of a three-year rolling plan for SP-UPC execution and undertook the first set of seriously focused sub-sector discussions on priorities and options for the future. Attachment 1 to this Annex provides the MoEC's planned policy action matrix that was developed during the 2006 AJR. The matrix includes baseline information, some indicators and the framework for a three-year rolling plan for

²⁷ By component, MoEC had executed 62 percent of its salaries and wages allocation, 24 percent of its goods and services allocation, 21 percent of its minor capital allocation, and zero percent of its capital development allocation.

primary, pre-secondary and senior secondary. The next step is for the Ministry to broaden the discussion of its priorities for secondary and tertiary education and to develop sub-sector strategies and complete the three-year rolling plans for their implementation. These documents should stimulate a 'whole of government' and a donor commitment to much needed investments, reforms and a capacity development process that must initially focus on ensuring that existing shortfalls do not become permanent bottlenecks that restrict further effective service delivery.

15. Low and inequitable access and low internal efficiency. Timor-Leste's education system has four pre-tertiary cycles: pre-school (two years, but far from universal); primary (six years); pre-secondary (three years); and senior secondary (three years). Under the transitional administration, enormous gains were made in increasing enrollment, especially from a gender perspective. Total primary school enrollments increased from around 100,000 in 1988/89 to around 175,000 in 2001/02 (and have since fallen back somewhat). Due to renewed optimism and the removal of school fees, the majority of the new enrollees were girls and from poor and rural families. Both primary gross and net enrollment rates have increased considerably between 1989/99 (prior to the transition) and present (see Table 2). While the achievements in increasing enrollments are undisputed, as Table 2 shows, NERs remain low, especially at the secondary level. The exact reasons for this are yet to be determined, but inadequate infrastructure and a large proportion of Timorese children entering school late may contribute to this phenomenon.

Table 2
Gross and Net Enrollment Rates (%), 1988/89-2004/05

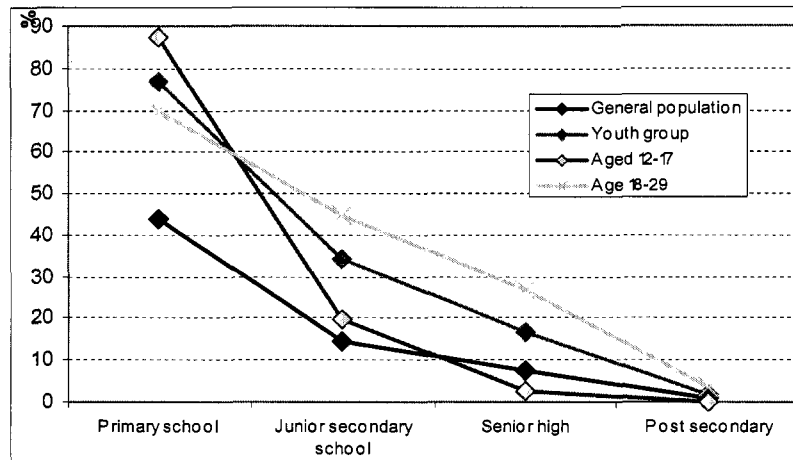
	1998/99	2000/01	2001/02	2002/03	2003/04	2004/05	2004/05 (a)
Gross enrollment ratio (GER)							
Primary (7-12 years of age)	89	121	125	128	117	119	101
Jr. secondary (13-15 years)	44	43	45	57	59	59	
Sr. secondary (16-18 years)	19	40	38	35	36	40	
Net enrollment ratio (NER)							
Primary (7-12 years of age)	51	68	74	77	84	86	80
Jr. secondary (13-15 years)	24	19	22	24	32	30	
Sr. secondary (16-18 years)	11	16	17	17	20	34	

Source: Ministry of Education and Culture, 2005.

Note: Column 2004/05 (a) reports MoEC data in respect to 6-11 age group.

16. Data from the Timor-Leste Living Standards Measurement Survey (TLSS) of 2001 indicates that only 64 percent of rural boys (from the 7-12 age group) from the poorest quintile were enrolled in primary school, compared with 90 percent from the richest quintile. Survey data also indicate that around 50,000 children were out-of-school at that time. Almost 80 percent of this total was between 7-10 years of age, (i.e. they were of primary school age). About 29 percent of the 7-14 year olds were from families in the poorest income quintile, while only 6 percent were from the top quintile (World Bank, 2004). Moreover, by the age of 13 and 14, many of those who do attend school begin to dropout - a problem that is most acute in the rural areas and among the poorest income groups. A recent World Bank analysis of Timor-Leste's youth profile (Figure 1) shows that (i) around 30 percent of the 18-29 age group has no education; and (ii) slightly less than half of those who went to school dropped out during transition from primary to pre-secondary schools. There is also a sharp reduction in those with pre-secondary school compared to primary schooling in the 12-17 age group, suggesting that the youth in Timor Leste face a serious problem of poor performance and inability to complete general education.

Figure 1
Education Attainment by Selected Population Groups



Source: World Bank (2006). "East Timor's Youth Profile."

17. The common reasons parents provided in the TLSS 2001 for not enrolling their children in school include: (i) parental belief that the child is not of the appropriate age to be enrolled in school; (ii) lack of interest in enrolling probably due to the opportunity costs of pulling their children out of work—in the home or in agriculture—and the perception of low returns to education given the very small proportion of wage employment in the economy; (iii) high household costs associated with schooling; and (iv) the long distances between home and the nearest school.

18. The present system of education is particularly inefficient and costly due to the high rates of repetition and dropout. According to Bank estimates, the current cost per student of six years of primary education is around US\$300, while the actual cost per student who completes primary is double at US\$600—due to the additional costs incurred when students repeat.²⁸ Data from the School Mapping Survey of 2001 highlights that around 20-25 percent of students repeat a grade, while around 10 percent dropped out of each grade at the primary level. A cohort flow analysis shows that, at this level of internal efficiency, only 67 percent of students would reach Grade 4, and only 47 percent would eventually complete Grade 6, while 53 percent would dropout. Timor-Leste's high fertility rate (7.8 children per woman) ensures a steady increase in each annual school cohort. It is therefore critical that problems of access and internal efficiency be addressed with some urgency.

19. *Poor quality and low student achievement* Roughly 56 percent of Timor-Leste's adult population is literate. Gender disparity in that group is considerable: 65 percent of males are literate compared to only 52 percent of females. Student achievement, especially in mathematics, is low and correlated with levels of poverty, as evidenced by the results of the Primary School Assessment Survey (PSAS) of 2003.²⁹ On average, third graders answered only 28 percent of the questions in the test correctly; fourth graders did marginally better, getting an average of 37 percent correct. Gender disparities existed in the results, with girls performing worse than boys. More recently, the 2006 Measuring of Learning Achievement Study (MLA) found that 80 percent of grade 3 students failed to meet a minimum level of

²⁸ World Bank, 2004

²⁹ The PSAS tested 3,487 students in the third and fourth grades in 95 schools with the same test in mathematics.

learning in mathematics.³⁰ The poor quality and relevance of education provided is a major contributory factor to the high repetition and drop out rates and overall internal inefficiencies in the system.

20. Although the situation is improving, many factors continue to be associated with the poor quality of education in Timor-Leste including: (i) lack of textbooks and learning materials – although all primary and pre-secondary students receive the Lafaek magazine, there are few universally distributed texts and those that are a few basic texts that support the new curriculum and newly purchased Portuguese texts do not seem to be reaching classrooms; (ii) lack of appropriately trained teachers – information on teacher shortages is currently being put together and there is more of a deployment issue than an employment issue as national student teacher ratio, particularly at the secondary level are low, however, almost universally teachers are inadequately trained, and while the application of the teacher competencies being developed under PESP will alleviate this problem, it can only do so after the MoEC begin to regulate and monitor teacher training and insist on the competencies forming the basis of all training; (iii) large classes, especially at the lower grades where a student-teacher ratio of well over 1:50 is not uncommon in class 1 in comparison to less than 1:20 in class 6; (iv) low contact hours by international standard – contact hours at the primary level average a little over three per day, depending on grade level and local conditions and may be even lower in schools with double-shifts; (v) high student and teacher absenteeism; (vi) language of instruction – see below; (vii) absence of a standardized assessment system at the primary and secondary levels, and the need to introduce a modern, competency based, national curriculum at the pre-secondary and senior secondary levels; and (viii) poor physical infrastructure – including lack of water or toilets in a majority of schools, a factor that adversely affects the attendance of girls.³¹

21. The recent crisis also highlights the need for improved service delivery. One source of unrest is that the public are not seeing any benefits from the oil revenues that Timor-Leste has in their everyday life. This is further compounded by a lack of confidence in the services they do have: post-primary education is not seen as relevant nor is it thought adequate to provide access to employment. In the fragile economic and social environment that exists in Timor-Leste, the provision of services of an acceptable standard, and, in the case of education, relevance, could contribute significantly to reestablishing confidence in government.

22. Language of instruction. Noting that Portuguese is to be the language of instruction at the pre-secondary level, except in religion, Tetum and arts & crafts, where Tetum will be the language of instruction, the MoEC clarified its language of instruction policy in 2005 as: (i) having as its primary goal the provision of opportunity for all Timorese children to reach their potential and their aspirations; (ii) the official national languages being Portuguese and Tetum with recognition of the value of nurturing and preserving all mother tongue languages; (iii) following global best practice, encouraging Tetum or the mother tongue in the early grades to provide the foundation for establishing literacy in Portuguese; (iv) ensuring that instruction in the higher grades of primary education be conducted effectively in Portuguese. The objective of the policy was to ensure that all primary students becoming functionally literate in both Tetum and Portuguese by the end of grade 6.

23. In reality, however, it appears that schools are not being encouraged to follow these guidelines nor is the MoEC facilitating their application. Aside from the Lafaek materials and new lower grade materials that are being packaged and distributed by UNICEF as part of its curriculum dissemination program, there is little if anything reaching the primary schools in Tetum. Texts being provided by the Ministry, even for first grade are entirely in Portuguese and in most cases the teachers are ill-equipped to use them. Although, it is clear that many young students are acquiring some degree of Portuguese

³⁰ Measuring Learning Achievement, Pilot Study, 2006, UNTL and UNICEF, 2006.

³¹ World Bank, 2004

proficiency at school, it is most probable that current classroom practices are not embedding either language adequately for even the majority of primary students to be adequately grounded in either by the end of grade 6. Poor language teaching and poor teaching of other subjects in a language that many, if not most, teachers have not mastered is neither effectively advancing students' language skills nor advancing their learning or their interest in other subjects. To date, there has not been a systematic evaluation of in-school language instruction or language use, nor has there been any attempt to effectively modify the instructional methods that appear to be frustrating the effective introduction of Portuguese.

24. Donor coordination. Progress in the sector is further hampered by an environment that does not readily facilitate donor coordination. Although a number of donors remain active in Timor-Leste (see Table 3), coordination among them has been difficult. Although the World Bank facilitated a coordinated approach to the review and endorsement of the SP-UPC for EFA FTI purposes, there is little appetite among the full group of donors for a fully integrated approach to addressing the issues outlined above. Particular interests have caused some donors, Portugal and New Zealand, for example, to prefer discrete programs, while others, such as the World Bank and UNICEF, have taken a more integrated approach to sector issues.

Table 3
Areas in which Major Donors Support Timor-Leste's Education Sector (FYs 06 and 07)

	<i>Sector-wide</i>	<i>Pre-Primary</i>	<i>Primary</i>	<i>Pre-Sec</i>	<i>Sr. Sec.</i>	<i>TVET</i>	<i>University</i>
<i>Policy Development</i>		UNICEF	TFET*			Brazil	
<i>Management, EMIS, M&E</i>	FTI		UNICEF FTI				
<i>School Infrastructure</i>	UNICEF FTI		TFET FTI	TFET		Brazil, Japan	
<i>Teacher Training Policy and Practice</i>	Portugal, Brazil FTI		Portugal UNICEF CARE				
<i>Curriculum, Textbooks and Learning Mats</i>			UNICEF TFET FTI	Brazil, TFET FTI		Brazil, ILO	
<i>Language Training</i>	Portugal Brazil						
<i>Tertiary Scholarships</i>							NZAID, Portugal, Australia, Japan, Brazil
<i>Accreditation</i>		UNICEF					IDA
<i>Social Mobilization</i>	UNICEF TFET FTI						
<i>School Feeding</i>			WFP	WFP			
<i>Capacity Development</i>	NZAID TFET		FTI				

* TFET = Trust Fund for East Timor, with interventions delivered through FSQP which ended in December 2006

Annex 1.1: October Annual Joint Review – Three-Year Rolling Plan

Cross Cutting Themes				
Policy Areas	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes	FY08-09 Expected Outcomes
1. Increased equitable access to education services				
A. Lower cost of education				
A1. School Financing Policy	<ul style="list-style-type: none"> School fees for all levels abolished. Nat'l school grant program for public schools introduced (grants not yet disbursed) Basic regulations for central government devolution to the districts drafted. 	<ul style="list-style-type: none"> Financial sustainability for school-based activities maintained. School grant program implemented. Basic regulations for central government devolution approved and implemented. 	<ul style="list-style-type: none"> School grant system implemented and risk review and assessment carried out Functioning PTAs involved in the decision making of school grant use. 	<ul style="list-style-type: none"> Study and policy for equity measure of school financing completed and introduced.
A2. Financial relief for disadvantaged students	Planned in SP-UPC but no confirmed activities as of now.			
B. Physical infrastructure				
B1. School mapping	<ul style="list-style-type: none"> EMIS to include PS data EMIS to include PSS and SS data Partial information on school infrastructure for PSS, PS, PSS, & SS available in IFU database 	<ul style="list-style-type: none"> EMIS to include school infrastructure information for PPS, PS, PSS & SS School mapping for all 918 PSs completed Results of PS school mapping reflected in IFU database 	<ul style="list-style-type: none"> School infrastructure database transferred and monitored by EMIS School mapping for PSS & SS including laboratories completed and data incorporated in EMIS Accuracy for PS data reviewed and validated Additional 120 reconstructed/rehabilitated projects for all levels of education 	<ul style="list-style-type: none"> Accuracy for PSS & SS data validated Data monitored and regularly updated
B2. Construction and rehabilitation	<ul style="list-style-type: none"> 116 schools rehabilitated 	<ul style="list-style-type: none"> National Budget rehabilitated/reconstructed 56 schools National Budget rehabilitated/reconstructed 129 projects 	<ul style="list-style-type: none"> Additional 120 reconstructed/rehabilitated projects for all levels of education 	<ul style="list-style-type: none"> Additional 120 reconstructed/rehabilitated projects for all levels of education

Cross Cutting Themes

Policy Areas	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes	FY08-09 Expected Outcomes
B3. Maintenance	<ul style="list-style-type: none"> Need based school maintenance carried out Set up cost-sharing arrangement for school maintenance with PTAs but details will be discussed after budget allocation is determined. 	<ul style="list-style-type: none"> Need based school maintenance carried out Cost-sharing arrangement of school maintenance with PTA finalized 	<ul style="list-style-type: none"> Need based school maintenance carried out 	<ul style="list-style-type: none"> Need based school maintenance carried out
C. Communication /Outreach	<ul style="list-style-type: none"> Back to School Campaign on-going in all districts. The program has a wide reach audience, and targets all students, but material is distributed solely to primary students only. 	<ul style="list-style-type: none"> The "Marta" campaign implemented. Radio show for socialization of MoEC program regularly broadcasted. Back to School Campaign carried out in all districts 	<ul style="list-style-type: none"> Information sharing and flow improved through MoEC bulletins and website Capacity of superintendence officers for communication improved through training Back to School Campaign carried out in all districts 	<ul style="list-style-type: none"> Information bulletin received regular contribution from District Superintendence MoEC website regularly updated Back to School Campaign carried out in all districts
2. Quality of Education				
A. Teacher Training				
A1. Competency Framework for all teachers	<ul style="list-style-type: none"> No agreement on what is required of a qualified teacher No national system of teacher certification Draft outline of competency framework 	<ul style="list-style-type: none"> National competency framework finalized and endorsed by MoEC Final Basic Education Law approved, granting ICE administrative autonomy 	<ul style="list-style-type: none"> Performance indicators based on nation competences drafted, approved and piloted Teacher performance gaps identified Competency framework used to plan training 	<ul style="list-style-type: none"> Competency framework evaluated and updated Annual training plan based on competences developed to upgrade skills and knowledge of teachers. Multi-level competences developed
A2. Teacher Training	<ul style="list-style-type: none"> 21 existing programs but lack of coordination and duplication of efforts. 1,112 teachers trained for new G1 curriculum. 	<ul style="list-style-type: none"> Training program coordinated by ICE to ensure harmonization between programs offered by DPs DPs agree to adapt their programs to the official framework Databasc for teacher training 	<ul style="list-style-type: none"> Database for teachers finalized and functional Status of ICE as independent body to approve and coordinate training 1000 teachers trained for new G3 curriculum 	<ul style="list-style-type: none"> Database used regularly to inform and manage training 1,000 teachers trained for new G4 curriculum

Cross Cutting Themes				
Policy Areas	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes	FY08-09 Expected Outcomes
		<p>designed and piloted</p> <ul style="list-style-type: none"> 1,000 teachers trained for new G2 curriculum All training courses evaluated to ensure learning outcomes. 	<ul style="list-style-type: none"> All training courses evaluated to ensure learning outcomes. 	<ul style="list-style-type: none"> Accreditation center established to evaluate quality of training providers
A3. Policy Implementation	<ul style="list-style-type: none"> No system of quality assurance - little monitoring & evaluation to ensure training quality 	<ul style="list-style-type: none"> All training courses evaluated to ensure learning outcomes. 	<ul style="list-style-type: none"> All training courses evaluated to ensure learning outcomes. 	<ul style="list-style-type: none"> Accreditation center established to evaluate quality of training providers
A4. Deployment and career development	<ul style="list-style-type: none"> Shortage of teachers in different areas due to political crisis No more 'volunteer teachers' in schools A general civil service law developed No policy on deployment, and little monitoring capacity. 	<ul style="list-style-type: none"> Civil service law implemented Deployment policy developed with monitoring capacity strengthened 		
B. Curriculum & textbooks				
B1. Strengthening curriculum division	<ul style="list-style-type: none"> Lack of budget to develop curriculum for PSS & SS Lack of staff to work on PSS & SS curriculum development Subject group review and analyze the newly developed textbooks. 	<ul style="list-style-type: none"> Curriculum Div staff trained for phase-in of new PS curriculum Study tour for Curriculum Div staff to strengthen their knowledge Nat'l Commission for Curriculum established 		
B.2. Structure/operational structure for textbooks & learning materials	<ul style="list-style-type: none"> No policy for text book development; Based on the Organic Law, the Curriculum 	<ul style="list-style-type: none"> A unit to manage the selection of textbooks and learning materials established and next steps identified 		

Cross Cutting Themes			
Policy Areas	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes
B.3 Language phase-in	<p>division is responsible for the development of sub-sector specific materials</p> <ul style="list-style-type: none"> Portuguese as language of instruction up to the 8th grade. 	<ul style="list-style-type: none"> Portuguese as language of instruction up to the 8th grade. 	<ul style="list-style-type: none"> Portuguese as language of instruction up to the 9th grade.
3. Management & Capacity			
A. Policy and Laws	<ul style="list-style-type: none"> Nat'l Education Policy under revision. Basic Law drafted; Organic Law drafted; Nat'l TVET System Law drafted. 	<ul style="list-style-type: none"> Nat'l Education Policy approved by CoM; Basic Law approved; Organic Law approved; Legislation for the nat'l TVET approved. 	
B. Structure & roles	<ul style="list-style-type: none"> The Organic Law drafted and submitted to the CoM; The New Procurement Regulations envisage the devolution of procurement responsibilities to the MoEC 	<ul style="list-style-type: none"> The MoEC structure defined by law; A Procurement Unit set up; The Basic Law for Education approved by the CoM. 	<ul style="list-style-type: none"> Procurement unit fully staffed MoEC fully operational under the new structure of the Organic Law
C. Institutional & staff capacity	<ul style="list-style-type: none"> Preparation for capacity building program. MoEC implement whole sector capacity building program; 	<ul style="list-style-type: none"> Capacity building program designed 	<ul style="list-style-type: none"> Implementation of capacity building program.
			<ul style="list-style-type: none"> Portuguese as language of instruction up to the 10th grade.

Cross Cutting Themes

Policy Areas	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes	FY08-09 Expected Outcomes
D. Monitoring system	<ul style="list-style-type: none"> • EMIS with relevant data from all PSs. • MoEC designates personnel at district level to work on EMIS data collection. • No data collection for other education levels • No M&E system for education program 	<ul style="list-style-type: none"> • Education program reviewed and key monitoring indicators and sub-sector indicators agreed at the First Annual Joint Review 	<ul style="list-style-type: none"> • EMIS to include pre-secondary level • Progress of the education sector program and agreed indicators reviewed at the second AJR 	<ul style="list-style-type: none"> • EMIS to include secondary level • Progress of the education sector program and agreed indicators reviewed at the third AJR

Primary				
Policy Areas	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes (AAP)	FY08-09 Expected Outcomes (AAP)
1. Access				
School feeding	<ul style="list-style-type: none"> WFP and MoEC to deliver the school feeding program to 6 districts MoEC pilot funding of school feeding program in 3 districts; Three MoEC staff appointed to coordinate Government feeding program 	<ul style="list-style-type: none"> Organic Law creating Timorese Institute of School Feeding (TISF) approved by the CoM; Implement a pilot Government program targeting 3 districts, 36 schools, and over 10,000 students 	<ul style="list-style-type: none"> Government program reaches all the primary schools in the 3 selected districts. TISF functioning and fully staffed. 	<ul style="list-style-type: none"> Program expending to cover all districts.
2. Quality				
Curriculum & textbooks				
A1. Strengthening curriculum division	<ul style="list-style-type: none"> Directorate for Basic Education fully responsible for curricula designing under the new Organic Law 			
A2. Development of strategy for curriculum	<ul style="list-style-type: none"> Curriculum for G1-G6 completed and officially launched. Curriculum for G1&G2 implemented. Curricula division develop textbooks and auxiliary pedagogical material for G1 &G2 	<ul style="list-style-type: none"> Phase-in of G2 curriculum in all schools Teacher training for G2 curriculum 	<ul style="list-style-type: none"> Phase-in of G3 curriculum in all schools Teacher training for G3 curriculum 	<ul style="list-style-type: none"> Phase-in of G4 and G5 curriculum in all schools Teacher training for G4 and G5 curriculum

Primary					
Policy Areas	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes (AAP)	FY08-09 Expected Outcomes (AAP)	
A3. Development and use of textbooks	<ul style="list-style-type: none"> No textbook policy Textbooks & teachers manuals for math and Portuguese for G1 purchased and distributed 	<ul style="list-style-type: none"> All primary schools receive books and auxiliary pedagogical material for G1 	<ul style="list-style-type: none"> Primary Education Directorate builds its capacity to develop textbooks 		
A4. Production and provision of <i>Lafæk</i>	<ul style="list-style-type: none"> Four kinds of <i>Lafæk</i> magazines for students and teachers distributed to all PS. 	<ul style="list-style-type: none"> 5 editions for 4 levels distributed to all PSs Library books distributed to libraries Alignment of <i>Lafæk</i> with curriculum 	<ul style="list-style-type: none"> Access to <i>Lafæk</i> for all PS 	<ul style="list-style-type: none"> Production of the <i>Lafæk</i> Magazine cost-shared with National Budget 	
A5. Development and use of learning materials	<ul style="list-style-type: none"> Learning materials for G1 distributed to all PSs. Development of learning materials for G2. 	<ul style="list-style-type: none"> Learning materials for G2 purchased. 	<ul style="list-style-type: none"> Distribution of learning materials for G2 completed Learning materials for G3 developed. 	<ul style="list-style-type: none"> Distribution of learning materials for G3 completed Learning materials for G4 and G5 developed. 	
A6. Revision of Teacher Guides	<ul style="list-style-type: none"> Teacher Guide for G1- G6 covering 6 subjects piloted in 32 cluster schools Teacher Guides reviewed and revised. <i>Lafæk</i> Magazine for educators (teacher guide) distributed nationwide. 	<ul style="list-style-type: none"> Teacher Guides finalized and distributed to teachers of all grades. 			

Pre-secondary			
	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes (AAP)
			FY08-09 Expected Outcomes (AAP)
1. Policy			
Development of sub-sector policy	<ul style="list-style-type: none"> No sub-sector policy for pre-primary education 	<ul style="list-style-type: none"> Sub-sector policy on Pre-Secondary School drafted 	
2. Access			
	<ul style="list-style-type: none"> See cross-cutting 		
3. Quality			
	<ul style="list-style-type: none"> See cross-cutting 		
A. Curriculum & textbooks			
A1. Development of curriculum strategy	<ul style="list-style-type: none"> Study on PSS curriculum conducted Implementation plan for PSS curriculum drafted 	<ul style="list-style-type: none"> Implementation plan approved PSS curriculum developed 	<ul style="list-style-type: none"> New PSS curriculum piloted
A2. Development and use of textbooks	<ul style="list-style-type: none"> Indonesian textbooks and Sebentas for G7 in use Sebentas for G8 developed 	<ul style="list-style-type: none"> G8 Sebentas in use; G9 Sebentas developed 	<ul style="list-style-type: none"> G9 Sebentas in use
A3. Development and use of learning materials	<ul style="list-style-type: none"> Indonesian learning materials used; Entrepreneurial Education program developed 	<ul style="list-style-type: none"> Entrepreneurial education teachers posted in all schools, with support material 	
A4. Teacher Guides & Devt of teaching learning materials	<ul style="list-style-type: none"> Material and textbooks developed with the assistance of Brazilian cooperation 		<ul style="list-style-type: none"> Teacher Guide for PSS developed
A5. Rehabilitation and equipping laboratory	<ul style="list-style-type: none"> Conditions of laboratories are not clear until school mapping is completed (see Crosscutting B1) 		<ul style="list-style-type: none"> Teacher Guide for G7-9 in use

Senior Secondary School			
	Oct 06 (Baseline)	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes (AAP)
			FY08-09 Expected Outcomes (AAP)
1. Policy			
A. Development of sub-sector policy	<ul style="list-style-type: none"> No sub-sector policy on senior secondary education exists 	<ul style="list-style-type: none"> sub-sector policy drafted 	<ul style="list-style-type: none"> Sub-sector policy approved and implemented
2. Access			
3. Quality			
A. Teacher Training	See cross-cutting		
A1. Specific training	<ul style="list-style-type: none"> Teachers trained in dealing with STD awareness. 	<ul style="list-style-type: none"> Teachers able to raise students awareness about STDs; 160 teachers familiar with lab kits. 	
B. Curriculum & textbooks	Also see cross-cutting		
B1. Development of curriculum strategy	<ul style="list-style-type: none"> Transitional curriculum in use No study for SS curriculum No implementation plan for SS curriculum 	<ul style="list-style-type: none"> Review of transitional curriculum & needs assessment for new curriculum conducted 	<ul style="list-style-type: none"> Development and implementation plan for SS curriculum
B2. Development and use of textbooks	<ul style="list-style-type: none"> Indonesian textbooks used 	<ul style="list-style-type: none"> Policy on textbooks and learning materials development agreed, with steps laid out 	<ul style="list-style-type: none"> New SS curriculum piloted

Senior Secondary School			
	FY06-07 Expected Outcomes	FY07-08 Expected Outcomes (AAP)	FY08-09 Expected Outcomes (AAP)
Oct 06 (Baseline)			
B3. Development and use of learning materials	<ul style="list-style-type: none"> • Indonesian learning materials used • No textbook policy for SS exists 	<ul style="list-style-type: none"> • Policy on textbooks and learning materials development agreed and following steps for SS laid out. 	<ul style="list-style-type: none"> • Development of learning materials for G10 started
B5. Teacher guides & devt of teaching learning materials	<ul style="list-style-type: none"> • No policy for teaching and learning material development 		<ul style="list-style-type: none"> • Teacher guides developed
B6. Rehabilitation and equipping laboratory	<ul style="list-style-type: none"> • Situation of laboratories not clear until school mapping is completed • 14 laboratory kits purchased • No lab training conducted 	<ul style="list-style-type: none"> • Kits distributed to schools with labs carried out and needs for the new lab identified in coordination with IFU, Curriculum Div, and SS Div. 	<ul style="list-style-type: none"> • Rehabilitation/ construction of lab and libraries started • Equipment installed and lab functional • Teacher training on lab use conducted

Higher Education		Current (AAP)
		Base for Planning of FY07-08 Prog Exp Outcomes for 06-07
1. Policy	Oct 06 (Baseline)	
	<ul style="list-style-type: none"> • UNTL Statute drafted but still requires review by UNTL and National Commission for Higher Education • Decree for Private Institutions for Higher Learning drafted but requires review • Curriculum sub-committee (50) and Commission for Development of Curriculum Minimum Content established • Curriculum prepared and translated into Portuguese and English. 	<ul style="list-style-type: none"> • UNTL Statute finalized and approved by CoM • Decree for Private Institutions for HL finalized and submitted to CoM • Nat'l Edu Policy and Basic Law approved • Use curriculum at institutions
2. Accreditation		
	<ul style="list-style-type: none"> • 23 institutions of higher learning exist but not all up to the expected level • Of 19 institutions under MoEC, only 3 are functioning due to the crisis • Training on Quality Assurance carried out for MoEC and selected member of Commission 	<ul style="list-style-type: none"> • Commission for Assessment and Accreditation established after the Policy Institution is established • Training for self-evaluation held to prepare strategic plans and to review institutional accreditation
3. Access	<ul style="list-style-type: none"> • Budget to rehabilitate two faculties and construction of one faculty allocated. 	<ul style="list-style-type: none"> • Two facilities rehabilitated • Study on long-term HR for the all ministries carried out by CNIC.

Source: MoEC, October 2006 Annual Joint Review

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

TIMOR-LESTE: Education Sector Support

Sector issues	Project	Latest Supervision (ISR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed Policy, planning and program development, learning materials, construction quality assurance	FTI Primary Education Support Project (2006-2008 US\$8.2 million)	S	S
School contraction and construction quality assurance, learning materials and policy development	Fundamental School Quality Project (2001-06, US\$20.6 million)	S	S
School construction and emergency materials	Emergency School Readiness Project (2000-01, US\$13.9 million)	S	S
Financial Management	Planning and Financial Management Capacity Building Program.	S	S
Other development agencies financed projects			
Curriculum development, school based management, learning materials, and teacher training	Basic Education Program		UNICEF
School feeding	School Feeding Program		World Food Program
Language training, teacher upgrading	Bacharelato (Teacher qualification upgrading and training) Portuguese language program		Portugal
Teacher development	Programa de Formacao de Professores do Ensino (Profep); Programa de Capacitacao de Profesores de Ensino Pre-Secundario e Secundario (Procapes); Ensino da Lingua Portuguesa Instrumental (ELPI); Promocao da Qualidade no Ensinodas Ciencias		Brazil
Sector investment planning	Annual support for the SIP		NZAID

**Annex 3: Results Framework and Monitoring
TIMOR-LESTE: Education Sector Support**

Results Framework

PDO	Outcome Indicators	Use of Outcome Information
<p>To strengthen the capacity of the Ministry for effective policy development, resource management and innovation</p>	<p>MOEC staff with improved skills to effectively contribute to sector management and service delivery.</p> <ul style="list-style-type: none"> • Directorate’s performance against Annual Action Plans and Budget Plans • Performance measurement data from EMIS • Surveys of staff show satisfaction with change <p>Enhanced quality learning materials for all primary and pre-secondary students and teachers.</p> <ul style="list-style-type: none"> • Assessment of materials’ content and relevance to student learning achievement outcomes • Increase time on task <p>Enhanced and expanded learning conditions through quality school facilities.</p> <ul style="list-style-type: none"> • Classrooms and facilities built to the established MoEC/FSQP standards. • Net primary and secondary enrollment rates <p>Improved work skills and attributes of pre-secondary school leavers.</p> <ul style="list-style-type: none"> • Value-added by the program to student’s skills as assessed by the program monitors • Transition rates from pre-secondary to senior secondary and to gainful employment of participating pre-secondary graduates v. those in a control group 	<p>These indicators and assessments will inform the continued improvement of (i) capacity development; (ii) learning materials and their use; (iii) facilities; and (iv) curriculum.</p> <p>System performance indicators (disaggregated by school type, gender, and location) will help monitor the overall progress of the education system.</p>

Intermediate Results	Results Indicators for Each Component	Use of Results Monitoring
<p>Component 1: Policy, Planning and Program Development</p>	<p>In-place strategic plan for capacity building.</p> <p>In-place sector strategy with key performance benchmarks and three-year rolling plans, with budget execution against AAPs.</p> <p>A functioning National Commission for Academic Assessment and Accreditation that utilizes an accreditation and licensing framework.</p> <p>A capacity in MoEC in procurement and financial management and budgeting sufficient to improve budget execution adequate to ensure AAPs could be fully executed.</p> <p>Systematic collection of performance data (procedures and standards for monitoring performance benchmarks established, reviewed and strengthened annually).</p> <p>Functioning Grade 6 assessment at two-year intervals.</p>	<p>Throughout implementation (and beyond) MoEC policies and strategies will be reflected in the Ministry's AAPs and progress assessed against them during the AJR.</p> <p>Assessment of technical progress and of budget execution against AAPs at each AJR.</p> <p>Periodic evaluation of the performance of the Commission to further strengthen quality assurance mechanism in higher education.</p> <p>Periodic evaluation of the Ministry's procurement and financial management processes and procedures will help establish internationally acceptable SOPs.</p> <p>Assess appropriateness and impact of MoEC and project resources towards enhancing service delivery.</p> <p>Evaluate the impact of project's overall investments on student performance.</p>
<p>Component 2: Learning Materials</p>	<p>All primary and pre-secondary school children and teachers receiving learning materials and teaching guides on a bi-monthly basis and the use of those materials in learning activities.</p> <p>In-place unit to support the procurement of learning materials and textbooks.</p>	<p>Impact assessment of project financed learning materials in schools will influence the package content and value in subsequent years.</p> <p>Periodic evaluation of the Unit's procurement processes and procedures will help establish internationally acceptable SOPs.</p>
<p>Component 3: Expansion of educational facilities in poor and underserved areas</p>	<p>Increased access at the primary, pre-secondary and senior secondary levels.</p>	<p>This indicator will track both new construction and rehabilitation. It will be</p>

	<p>In-place school siting, construction, rehabilitation and maintenance standards.</p>	<p>monitored in conjunction with the student enrollment trends, school mapping information, and IFU data on un-served and under-served communities. This type of outcome monitoring will allow MoEC to fine tune the targeting and pace of additional facility provision and rehabilitation.</p> <p>IFU tasks (quality assurance of construction and rehabilitation: construction management guidelines, building standards, school mapping, selection of sites, supervision of construction, etc.) will be assessed and fine tuned as needed to ensure both quality and appropriately sited schools.</p>
<p>Component 4: Skills Development for Pre-Secondary Students</p>	<p>In-place skills-based community development module in the pre-secondary curriculum.</p> <p>Consistent participation by grade 9 students in work skills activities</p>	<p>Evaluation of the program will inform the decision to scale-up and the possible future inclusion of senior secondary schools.</p> <p>Information on participation will help determine relevance to students of skills being developed</p>

Arrangements for Results Monitoring

Because of the weaknesses in the EMIS, baseline data is not yet available for much of the system. Establishing a comprehensive set of baseline data for the sector is a key priority for the Directorate of Policy and Planning and ESSP. The project and PESP will prioritize the strengthening of the EMIS system over the life of the projects. The initial output of these efforts will be the completion of baseline data for the MoEC core program and for the PESP and ESSP. Data that is not yet available from the EMIS is marked TBD (To be determined) in the table below. Once the data that is awaiting entry into the EMIS (for years 2004/5, 2005/6 and 2006/07) is entered, then trends and projections can be completed and targets set. The expectation of the Ministry is that data entry and analysis can be completed and that realistic system performance targets can be set early in 2008. At that time the table below will be updated.

Outcome Indicators	Baseline (2004/5 data)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
<p>MOEC staff with improved skills to effectively contribute to sector management and service delivery.</p> <ul style="list-style-type: none"> Directorate's performance against Annual Action Plans and Budget Plans Performance measurement data from EMIS Surveys of staff show satisfaction with change <p>Enhanced quality learning materials for all primary and pre-secondary students and teachers.</p> <ul style="list-style-type: none"> Assessment of materials' content and relevance to student learning achievement outcomes Increase time on task <p>Enhanced and expanded learning conditions through quality school facilities.</p> <ul style="list-style-type: none"> Classrooms and facilities built to the established MoEC/FSQP standards. Net primary and secondary 	<p>TBD</p> <p>ESSP places a priority on introducing performance assessment</p> <p>TBD</p> <p>TBD</p> <p>100% new classrooms to standard</p> <p>See below</p>						<p>Annual assessment of performance v AAPs Baseline in FY08</p> <p>Annually. Baseline in FY 08</p> <p>Annually. Baseline in FY08</p> <p>Annually. Baseline in FY08</p> <p>Annually</p> <p>Annually</p>	<p>Directorate's Annual plans and Annual Activity Reports</p> <p>Annual budget performance report</p> <p>Survey</p> <p>Professional assessment</p> <p>Survey</p> <p>IFU reports</p> <p>EMIS</p>	<p>Directorate of Policy and Planning</p> <p>Directorate of Policy and Planning</p> <p>Office of the Minister</p> <p>Directorate of Curriculum</p> <p>Directorate of Policy and Planning</p> <p>Directorate of Administration and Finance</p> <p>Directorate of Policy</p>

Outcome Indicators	Baseline (2004/5 data)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
enrollment rates									and Planning
Improved work skills and attributes of pre-secondary school leavers.	TBD						Annually – starting in FY09. Baseline in FY08	Professional assessment	Directorate of Curriculum
<ul style="list-style-type: none"> Value-added by the program to student's skills as assessed by the program monitors Transition rates from pre-secondary to senior secondary and to gainful employment of participating pre-secondary graduates v. those in a control group. 	TBD						Annually – starting in FY09. Baseline in FY08	EMIS and activity specific surveys	Directorate of Policy and Planning
Primary									
Net enrollment rate	80						Annually	EMIS	Directorate of Policy and Planning
Male	84								
Female	78								
Drop out rate	11						Annually	EMIS	Directorate of Policy and Planning
Male	11								
Female	11								
Repetition rate	11						Annually	EMIS	Directorate of Policy and Planning
Male	12								
Female	11								
Survival rate	46%						Annually	EMIS	Directorate of Policy and Planning
Efficiency rate	47%								
Transition rate from primary to pre-secondary	TBD						Annually. Baseline in FY08	EMIS	Directorate of Policy and Planning
Transition rate from pre-secondary to senior secondary	Est 36						Annually	EMIS	Directorate of Policy and Planning

Outcome Indicators	Baseline (2004/5 data)	Target Values					Data Collection and Reporting			Responsibility for Data Collection			
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Data Collection Instruments				
Secondary³²													
Net enrollment rate	TBD												Directorate of Policy and Planning
Male	TBD												Directorate of Policy and Planning
Female	TBD												Directorate of Policy and Planning
Drop out rate	TBD												Directorate of Policy and Planning
Male	TBD												Directorate of Policy and Planning
Female	TBD												Directorate of Policy and Planning
Repetition rate	TBD												Directorate of Policy and Planning
Male	TBD												Directorate of Policy and Planning
Female	TBD												Directorate of Policy and Planning
Completion rate	Est. 90												Directorate of Policy and Planning
Efficiency rate	Est. 75												Directorate of Policy and Planning
Results Indicators for Each Component	Baseline (2004/5 data)/1	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Data Collection Instruments	Responsibility for Data Collection			
Component 1:													
Sector strategy developed	SP-UPC complete	Sec SSS	Tert. SSS	n/a	n/a	n/a	Annually	MoEC program monitoring and the AJR	MoEC program monitoring and the AJR	Directorate of Policy and Planning			
NCAAA established	Not yet	Estab.	n/a	n/a	n/a	n/a	Yearly on progress			Directorate of Higher Education			
Procurement and FM capacity established	Not yet	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Quarterly on progress	Performance assessments	Performance assessments	Directorate of Finance and Admin.			
AAP's based on sector strategy	Not yet	Not yet	Estab.	n/a	n/a	n/a	Annually	MoEC program monitoring and the AJR	MoEC program monitoring and the AJR	Directorate of Policy and Planning			

³² Because of the weaknesses in the EMIS, baseline data is not available for secondary education. It is expected that a baseline data set will be completed during year one of implementation.

Outcome Indicators	Baseline (2004/5 data)	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Systematic collection of performance data	Not yet	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Bi-annually	MoEC program monitoring and the AJR	Directorate of Policy and Planning
Grade 6 assessment	Not yet	In devel.	Estab.	n/a	Ongoing	n/a	Annually then bi-yearly	MoEC program monitoring and the AJR	Directorate of Policy and Planning
Component 2: Learning materials distributed on agreed schedule to all primary and pre-secondary students and teachers	Currently the case with <i>Lafæk</i> No unit	Unit in in devep.	Unit in in place	Unit in in place	Unit in in place	Unit in in place	Yearly	CARE Survey EMIS Survey	Directorate of Curriculum
Text and learning materials unit in place		Unit in in devep.	Unit in in place	Unit in in place	Unit in in place	Unit in in place	Yearly	MoEC Program monitoring and the AJR	Directorate of Curriculum
Component 3: Increased access at the primary, pre-secondary and senior secondary levels	0 at project start	TBC	TBC	TBC	TBC	TBC	Quarterly	IFU activity reports	Directorate of Policy and Planning
In-place school siting, construction, rehab., and maintenance standards	All but school siting standards developed	Revisit and up-dated	n/a	Revisit and up-date	n/a	n/a	Annually	IFU activity reports	Directorate of Policy and Planning
Component 4: In-place skills-based community development module in the pre-secondary curriculum	Not yet	In devel	pilot	pilot	In place	In place	Annually	Pilot surveys MoEC Program monitoring and the AJR	Directorates of Curriculum and Policy and Planning

Annex 4: Detailed Project Description

TIMOR-LESTE: Education Sector Support

1. ESSP comprises four components. The first strengthens the capacity of the MoEC to effectively develop and execute policy, and increase efficiency in sector and resource management. The second improves learning conditions by providing learning materials for primary and pre-secondary schools and by assisting the MoEC to develop and operationalize textbook and learning materials policies. The third provides technical assistance to support the MoEC's policy of expanding and improving learning conditions. The fourth provides skills-based learning opportunities for pre-secondary students. Table 1 provides a summary of all technical assistance provided under the project, Table 2 provides details of project financing in respect to the cost sharing arrangements for learning materials (Component 2). Table 3 provides details of project financing in respect to cost sharing arrangements for the IFU (Component 3).

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

2. Component 1 consists for four sub-components: 1.1 Policy and Planning; 1.2 Higher Education Quality Assurance; 1.3 Resource Management; and 1.4 Monitoring and Evaluation.

3. Sub-component 1.1: Policy and Planning. The project will support the completion of sub-sector strategies for both secondary and tertiary education. To inform each of these strategies prior to their drafting and to provide the new government with just-in-time policy and guidance, ESSP will finance a number of policy advisory notes designed to provide decision makers with evidence of good practice and viable options. The topics of these notes will be determined by the MoEC. Important components of each sub-sector strategy will be inclusion of a 3-year rolling plan with costs and financing sources and an articulation of how the sub-sector will progress towards key performance benchmarks. ESSP will also finance a National Education Congress in early 2008 as a means of engaging a broad range of stakeholders in a consultative process around the development of the sub-sector strategies. ESSP will also finance workshop activity linked to the 2009 AJR to ensure that the SP-UPC and the two sub-sector strategies developed under ESSP are synchronized, expressed as a sector strategy, and reflected in a sector-wide Medium Term Expenditure Framework. A comprehensive review of the sector strategy will be carried out in 2011.

4. The policy advisory notes referred to above will assist MoEC to develop sub-sector strategies by providing much needed information on policy and program options suitable for Timor-Leste at its current stage of development. They will also provide information on good practice. As the topics addressed in the papers will be of immediate relevance to those drafting the sub-sector strategies, ESSP will support a dynamic approach to developing understandings around the papers' topics that includes seminars for staff, a workshop on each set of options, and study visits were appropriate.

5. The project will also continue to monitor and improve the school grants program (SGP), currently supported by PESP. The project will also assist the Ministry to ensure that the SGP aligns with other MoEC programs that support school based management. Key to the long-term success of the SGP will be the extent to which MoEC and MoPF are open to program redesign and to budgeting and implementing a professionally managed and executed grants monitoring and evaluation system. To facilitate this, ESSP will provide, through its support for EMIS development (see below), the means by which SGP monitoring data can be used to demonstrate the need for a continual effort to refine the program and to support school based management to improve its effectiveness.

6. Sub-component 1.2: Higher Education Quality Assurance. The project will support the establishment of a National Commission for Academic Assessment and Accreditation (NCAA) to

oversee the accreditation and licensing of all higher education institutions, both public and private. Accreditation experts will be engaged to assist the Commission in carrying out an institutional licensure and accreditation process and a workshop will be financed to prepare for this. Technical support will assist the Vice Minister of Higher Education in the development of the tertiary sub-sector strategy outlined above, the operation of the NCAAA and the activities of the Vice Minister's office and the Directorate of Higher Education. The project will also finance a study of the national university with the intention of providing government with options for its focus, development and location.

7. Sub-Component 1.3: Resource Management. The project will strengthen MoEC's capacities in procurement, financial management and contract management. Procurement and financial management specialist positions in the Directorate of Administration, Finance, Logistics and Supplies that are currently financed under PESP will be continued under ESSP. In addition to the training provided during the project launch workshop, key procurement and financial management staff will have access to specialized overseas training that focuses on international standards in these areas. On a day-to-day basis, the project financed consultants will develop the capacity of their government counterparts through an organized and agreed program of on-the-job training and assessment that gradually builds capacity and transfers responsibilities from the consultants to the counterparts. Counterparts' skills acquisition and performance will be reviewed on a quarterly basis with their respective directors so that on-the-job training programs can be adjusted accordingly.

8. Sub-Component 1.4: Monitoring and Evaluation. To strengthen sector-wide monitoring, the project will support a monitoring and evaluation specialist to assist the Ministry's Policy and Planning Directorate to develop and disseminate planning tools and monitoring standards and procedures, and to provide ministry-wide training in M&E. The specialist will support the EMIS data collection program by providing both the required guidance for systems development and the data analyses and linked capacity development necessary to ensure that a core set of system indicators are reported well in advance of each AJR. To further facilitate and consolidate the AJR process, the costs of AJR will be borne by the project in project years 2 to 5 (they are covered by PESP in project year 1). In order to evaluate education quality and student achievement on a continuous basis, the project will support the further development of the Ministry's Measuring Learning Achievement program, in which learning is assessed in grades 3 and 5, and will assist in the development of a grade 6 assessment program.

Component 2: Learning Materials [US\$3.7 million]

9. Component 2 consists of two sub-components: 2.1 Procurement Policies for Learning Materials; and 2.2 Learning Materials.

10. Sub-component 2.1: Procurement Policies for Learning Materials. The project will provide technical assistance to develop the capacity of the MoEC in all of the areas necessary to ensure that the Ministry can successfully manage the outsourcing of the production of textbooks, teachers' guides and teaching/learning materials. This will be achieved by assisting the Ministry to: (i) finalize its textbook and learning materials policy, and (ii) establish a unit within the Ministry that will manage the process of (a) drawing up bidding documents - with particular emphasis on technical and content specifications, (b) evaluating bids, (c) identifying the best submission or submissions - taking into account text, illustrations, page layout, and paper, board and binding quality, (d) specifying any changes that need to be made, and (e) checking that required changes are made during the textbook development process. The project will also fund a study tour to neighboring countries for key MoEC staff to familiarize them with good practice in text and learning materials purchasing.

11. Sub-component 2.2: Learning Materials. The project will also contribute to the financing of high quality learning materials, such as *Lafaek*, for primary and pre-secondary students providing that they are:

(i) closely linked to the new primary curriculum; (ii) facilitating the introduction of textbooks and curricula; and (iii) reflecting good practice in language instruction. A project-financed advisor will assist the MoEC as it works to ensure that the full range of learning materials that reach schools is grade relevant and of high quality.

12. Over recent years, MoEC has relied on the *Lafaek* children's magazine produced by CARE Timor-Leste to meet their needs in this area.³³ A Bank review conducted in early 2007 concluded that *Lafaek* does provide good quality relevant content in a very readable and enjoyable format at very reasonable unit price (particularly considering that the cost of *Lafaek* include distribution and follow-up support for teachers). Should the government wish to continue with *Lafaek* over part or the entire project, allowance is made in the procurement arrangements for the project for single source contracting for this product. However, if the MoEC determines that they wish at some point to replace *Lafaek* or add further materials to be funded by the project, four stipulations will apply. First, that the new material must be approved by the Bank in respect to content, presentation and cost. Second, that there will be no break in the provision of materials to schools over the period that *Lafaek* is replaced or over the period when the new (and approved) materials are provided to schools. Third, that any new provider will also guarantee timely distribution of their materials to all primary and pre-secondary schools and teacher training establishments. Fourth, that the overall contribution to the cost of the learning materials provided under this sub-component will not exceed the amount detailed in IDA Grant agreement for learning materials.

13. Both ESSP and PESP will finance the provision of learning materials over the project period. PESP will fully finance the cost of the learning materials in project year 1 and ESSP will finance the materials over project years 2 to 5 on a declining basis (see Table 2, below).

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

14. Component 3 has two sub-components: 3.1 Support for the Infrastructure Facilities Unit and 3.2 School Site Selection. Over the course of the project, MoEC is planning to construct or to substantially rehabilitate an estimated 2,100 classrooms.³⁴ This is expected to add 65,000 new student places.³⁵ In addition, the MoEC will allocate a gradually increasing sum to finance non-minor repairs - in FY 07-08 approximately \$400,000 of the \$14.4 million anticipated school construction budget is expected to be allocated for this purpose.³⁶

15. Sub-component 3.1: Support for the IFU. The project will assist MoEC to ensure the quality and cost-effectiveness of the government-financed program facilities development program. To achieve this, the project will finance MoEC's IFU, including: a) consultant services b) office equipment, c) operating costs, d) production and dissemination of construction and maintenance guidelines and building standards, e) stakeholder workshops, and f) building and maintaining a school mapping database. ESSP support will ensure that MoEC can maintain the high quality architectural and engineering design and supervision, infrastructure quality assurance and school mapping capacities that it has developed under

³³ MoEC are expected to request the provider of learning materials under this sub-component to produce and distribute four different materials or magazines: one for grades 1 and 2, one for grades 2 and 3, and one for grades 5 and 6 – this version is also to be provided to all pre-secondary students, and a fourth magazine (or guide) for teachers. Six editions of each magazine are printed each school year.

³⁴ Prior to FY 06, virtually all construction/rehabilitation costs were borne by the donor community. As the government has committed to bear the costs of physical construction and rehabilitation starting in FY 07, there is no plan for the donor-financed portion of the project to contribute to meeting the costs of either school construction or rehabilitation contracts.

³⁵ It is probable that these numbers will change once the education mapping is completed in FY 08.

³⁶ MoEC was unable to confirm allocations for anything other than FY 06-07 as the new government (expected to be in place in August 2007) will review all ministry's proposed budgets.

FSQP. The project, via the procurement specialist financed under Component 1, will development MoEC's capacity to manage complex and multiple contracts so that the management of the IFU can be fully transferred to the Directorate of Administration and Finance.

16. A new school mapping exercise will provide the Ministry with the thorough up-to-date facilities inventory and facilities needs assessment necessary to plan for its UPC objectives. The mapping will be completed in project year 1. Information gathered will be stored both in the IFU and the MoEC EMIS. ESSP will finance the subsequent systematic maintenance of the mapping and facilities needs database as part of its support of the IFU and EMIS.

17. The project, through its support of the IFU, will finance the development of an annual plan and a three-year rolling plan for facilities development and major maintenance. These will be completed and updated as a capacity development activity involving the Directorate of Administration, Finance Logistics and Supplies and the Directorate of Planning and Development. The two plans will be key inputs into the Ministry's annual budget preparation exercise. Progress against the two plans will be reviewed as part of the AJR process.

18. Currently the IFU consists of a large number of individually contracted specialists. While this situation is manageable under a project framework, it is possible that the Ministry will prefer to manage the IFU's support to their construction program through a single consulting contract. As it is ESSP's intention to ensure that the construction program continually receives high quality supervision and quality assurance services, the project will develop MoEC's contract management and oversight capacity. Once the MoEC's contract management capacity is adequate and if requested by the Ministry, the project will facilitate a move from an IFU made up of individually contracted consultants to a single contract for IFU services.

19. Sub-Component 3.2: School Site Selection As part of an activity to develop the Ministry's capacity to be responsive to prioritized needs, especially in respect to providing access to un-served and under-served areas in year 2 the project will support a review of the school site selection criteria and procedures. ESSP will then finance follow-on capacity development activities in project years 3 to 5 to help embed the site selection criteria and their use in the Ministry's standard operating procedures for determining new schools sites and schools that need to be rehabilitated and/or expanded. ESSP will also support the IFU's completion of three additional reviews: (i) a comprehensive review of those rural and remote locations that may merit multi-grade schools; and (ii) a review of existing primary school dormitories to assess the possibility of expanding these as an option for further system expansion; and (iii) a review of kitchen needs at schools participating in the MoEC/World Food Program school feeding program.

20. Both ESSP and PESP will finance the provision of IFU and associated services over the project period. PESP will fully finance the IFU and its activities in project year 1 and ESSP will finance these costs over project years 2 to 5 on a declining basis (see table 2, below). From project year 3 on, should the Ministry prefer to move from the an IFU consisting of individually contracted consultants to an IFU in which the services are provided under a single consultant contract, ESSP would contribute to the cost of that contract at a dollar level equivalent to the declining contribution to the costs of the IFU that the project would make according to the ESSP IDA Grant Agreement and AusAID Trust Fund Agreement.

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

21. This component supports the development and piloting of a curriculum module, based on a community development project, that will provide relevant work skills and attributes for pre-secondary students.

22. Sub-component 4.1: Developing a Work Skills Curriculum Module. This component reflects a new strategic direction for the MoEC in addressing youth related concerns by providing skills development opportunities to students and by responding to the expanding labor market demand for employability. Through a pilot program ESSP will develop an innovative skills development curriculum module for the final year of pre-secondary school that will help prevent youth from disengaging from education particularly during the final stages of pre-secondary schooling, as well as developing work skills and attributes.

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

24. The strategy employed in this component is one that is intended to renew interest in school, to encourage completion of the pre-secondary cycle, and to offer both work skills and, as an alternative to continuing on to senior secondary school, exposure to the types of work related and skills development activities that are offered in secondary TVET schools and formal informal skills training centers. The curriculum module being piloted will be designed to run in parallel to an ILO sponsored entrepreneurial skills development module also being piloted in pre-secondary schools.

25. ESSP will provide a full-time lead advisor for the pilot program, one international and two local community development advisors (short-term) and three international curriculum development advisors (short-term) to assist in the development of the module and to guide, train and provide follow-up support to lead teachers (see below). Over the course of the first year of the project, the lead advisor will work with the Directors of Curricula and Basic and Secondary Education and their staffs to design and draft the intended program module and develop and draft the policies and operational guidelines for the pilot. This process will also receive input from the short-term specialists. Policy oversight will be provided by a committee chaired by the Permanent Secretary that includes the Directors of Curricula, the Director of Basic and Secondary Education and a representative of the Ministry of Labor and Community Reinsertion. Quarterly progress reviews will be chaired by the Director General. An annual review of the pilot program will be conducted at each AJR.

26. ESSP will engage up to nine lead teachers who will be trained to guide the pilot program's expansion from its initial introduction in 3-12 schools over project years 2 and 3 to a possible 96 schools in project year 5. Each lead teacher will receive two months of training in community development course design at selected qualified institution, either local or overseas. This will be followed by three

months of in-country training in curriculum development and community engagement during which they will contribute to the development of the draft module.

27. Schools participating in the pilot will receive lockable, transportable teaching kits for each grade 9 class (valued at approximately \$400 – to be financed by the project until the end of project year 4). The management of these kits and of a \$25 materials grant per year per student (also project-financed until the end of year 4) will rest with participating schools. It is anticipated that the costs of new school level kits and the individual student materials grants will be included in the MoEC budget from project year 5 on.

28 Sub-component 4.2: Impact Assessment. Given the innovative nature of the pilot, ESSP will support both the monitoring of the pilot program and a comprehensive three-year impact assessment of the piloted intervention in which the original 12 participating schools will be compared with a control group of 12 non-participating schools. The project will finance the associated research costs necessary to complete this evaluation with the intention of ensuring that the MoEC is both provided with the best possible assessment of the “value-added” of the piloted curriculum module and with information that may influence the possible commencement of a similar program for senior secondary schools (to be financed from other sources).

Annex 4 Table 1
A Summary of International Technical Assistance provided under ESSP

<i>Area</i>	<i>TA Title</i>	<i>Directorate responsible</i>	<i>Anticipated Main Task</i>
<i>Component 1: Capacity Building for Policy, Planning and Program Development</i>			
<i>Sub-component 1.1. Policy and Planning</i>			
Policy Options Advisory Notes	Education Policy Specialists Short-term	Policy and Planning	Prepare advisory notes on key subjects to be determined by the MoEC
Secondary Ed. Strategy	Secondary Education Expert Short-term	Curriculum, Pre-secondary, Secondary and Vocational Technical	Capacity development centered around the drafting of a secondary education strategy and 3-year rolling plan
School Grants	School Grants Expert Short-term	Policy and Planning	Capacity building centered around the monitoring evaluation , and improvement of the existing program to increase its effectiveness
Project Coordination	Program Facilitator Long-term	Minister, Permanent Secretary, and Policy and Planning	Capacity building centered around assisting the MoEC to coordinate project activities, financial and technical reporting and the AJR process
<i>Sub-component 1.2. Higher Education Quality Assurance</i>			
Accreditation and Licensing for Higher Education Institutions	Accreditation Expert Short-term	VM of Higher Education and the Directorate of Higher Education	General capacity building in the Office of the VM of Technical and Higher Education and the Directorate of Higher Education centered on the completion of an institutional licensure and accreditation process
Support to the VM of Higher Education and Preparation of the Tertiary Education Strategy	Higher Education Specialist Long-term	VM of Higher Education and the Directorate of Higher Education	Capacity development centered around the drafting of a secondary education strategy and 3-year rolling plan and overseeing the operation of the NCAAA and other activities of the VM's office and the Directorate
Study of the National University	Higher education expert for National University study Short-term	VM of Higher Education and the Directorate of Higher Education	Conduct a study on future development options for the National University
<i>Sub-component 1.3. Resource Management</i>			
Procurement	Procurement Specialist Long-term	Administration and Finance	Capacity development centered on the procurement of goods and services and contract management.
Financial Management	Financial Management Specialist Long-term	Administration and Finance	Capacity development centered on financial management.
<i>Sub-component 1.4. Monitoring and Evaluation</i>			
Program Monitoring and Evaluation	EMIS and M&E Specialist Revolving short-term	Policy and Planning	Capacity development centered on the development of the EMIS, data collection, data analysis, and reporting.
Learning Achievement	Education Assessment Specialist	Curriculum, and Policy and Planning	Capacity development centered around the MLA for grades 3 and 5 and developing a grade 6 assessment.

<i>Area</i>	<i>TA Title</i>	<i>Directorate responsible</i>	<i>Anticipated Main Task</i>
Component 1: Capacity Building for Policy, Planning and Program Development			
	Revolving short-term		
Component 2: Learning Materials			
Sub-component 2.1 Procurement Policies for Learning Materials			
Learning Materials Procurement Policies	Learning Materials Procurement Specialist Revolving short-term	Curriculum and Administration and Finance	Capacity Development centered on the procurement of learning materials and textbooks.
Learning Materials Quality Assurance	Learning Materials Specialist Revolving short-term	Curriculum	Capacity Development centered on the ensuring the continued quality of learning materials provided by the project.
Component 3: Construction/Rehabilitation Design			
Sub-component 3.1: Support for the IFU			
Infrastructure Quality Assurance (See also Annex 4 Table 3)	Architects, engineers, and surveyors Long-term	Administration and Finance	Providing all aspects of quality assurance for the MoEC's school construction program.
Component 4: Work Skills for Pre-Secondary Students			
Curriculum Development Pilot Program	Chief Technical Advisor – Work-Skills Curriculum Development Specialist Long-term	Curriculum and Pre-secondary	Capacity development centered on the development of a work-skills based curriculum module for pre-secondary schools. Coordination of all activities under this component
Community Development	Community Development Specialists Short-term	Curriculum and Pre-secondary	Capacity development centered on the identifying and developing modules for community development activities, policies, guidelines and procedures
Curriculum Development	Curriculum Development Specialists Short-term	Curriculum and Pre-secondary	Develop modules for community development activities, policies, guidelines and procedures
Program Evaluation	Evaluation Specialist Revolving short-term	Curriculum and Pre-secondary	Carry out impact assessment for the piloted intervention

Annex 4 Table 2
Projected Costs and Proposed Cost Sharing Arrangements for Learning Materials (US\$)

(a) Cost by year

Project Yr/GoTL FY	Project Yr 1 FY 07-08	Project Yr 2 FY 08-09	Project Yr. 3 FY 09-10	Project Yr 4 FY 10-11	Project Yr 5 FY 11-12
Est. cost of Learning Materials (based on cost of <i>Lafaek</i>)	875,000	875,000	875,000	875,000	875,000

(b) Distribution of Costs

Project Yr/GoTL FY	Project Yr 1 FY 07-08	Project Yr 2 FY 08-09	Project Yr. 3 FY 09-10	Project Yr 4 FY 10-11	Project Yr 5 FY 11-12
PESP (Catalytic Fund)	875,000 100%	0	0	0	0
ESSP	0	875,000 100%	656,250 75%	437,500 50%	218,750 25%
MoEC	0	0	218,750 25%	437,500 50%	656,250 75%

(c) Effect of Cost sharing over 5 years

Total cost of <i>Lafaek</i> over five years	4,375,000 100%
PESP (Catalytic Fund)	875,000 20%
ESSP	2,187,500 50%
MoEC	1,312,500 30%

**Annex 4 Table 3
Project Costs and Proposed Cost Sharing Arrangements for
the Infrastructure Facilities Unit and Civil Works**

(a) Cost of the school construction

Project Yr/GoTL FY	Project Yr 1 FY 07-08	Project Yr 2 FY 08-09	Project Yr. 3 FY 09-10	Project Yr 4 FY 10-11	Project Yr 5 FY 11-12
Proposed MoEC construction budget	14,400,000	15,000,000	16,100,000	16,100,000	16,100,000

Total for FY 07-08 includes funds rolled over from FY 05-06 and FY 06-07.
Totals include annually increasing commitments to maintenance.

(b) Cost of the IFU

Project Yr/GoTL FY	Project Yr 1 FY 07-08	Project Yr 2 FY 08-09	Project Yr. 3 FY 09-10	Project Yr 4 FY 10-11	Project Yr 5 FY 11-12
Cost of the IFU staff	835,000	835,000	835,000	835,000	835,000
IFU Operating Costs	192,000	192,000	192,000	192,000	192,000
Replacement vehicles	690,000	0	0	0	0
Office Equipment replacement	10,000	10,000	10,000	10,000	10,000
Total IFU Cost	1,727,000	1,037,000	1,037,000	1,037,000	1,037,000

(c) Distribution of Costs

Project Yr/GoTL FY	Project Yr 1 FY 07-08	Project Yr 2 FY 08-09	Project Yr. 3 FY 09-10	Project Yr 4 FY 10-11	Project Yr 5 FY 11-12
PESP (Catalytic Fund)	1,727,000 100%	0	0	0	0
ESSP	0	1,037,000 100%	777,750 75%	518,500 50%	259,250 25%
MoEC	0	0	259,250 25%	518,500 50%	777,750 75%

Total cost of construction	77,700,000
Total cost of IFU	5,875,000 100%
PESP (Catalytic Fund)	1,727,000 29%
ESSP	2,592,500 44%
MoEC	1,555,500 27%

Annex 5: Project Costs
TIMOR-LESTE: Education Sector Support

Project Cost By Component and/or Activity	Local US \$million	Foreign US \$million	Total US \$million
A. Capacity Building Policy, Planning and Program Development	0.7	3.0	3.7
B. Learning Materials	0.0	3.7	3.7
C. Construction/Rehabilitation Design and Quality Assurance	2.8	1.3	4.1
D. Work Skills for Pre-Secondary Students	0.3	1.9	2.2
Total Baseline Cost	3.8	9.9	13.7
Unallocated (including contingencies)	0.0	1.2	1.2
Total Project Costs¹	3.7	11.2	14.9
Total Financing Required	3.7	11.2	14.9

¹Identifiable taxes and duties are about US\$0, and the total project cost, net of taxes, is US\$ 14.9 million. US\$6.0 million is being financed by IDA Grant. Therefore, the share of project cost, net of taxes, is 40.3%.

Annex 6: Implementation Arrangements

TIMOR-LESTE: Education Sector Support

General Project Management

1. The project management structure builds on the experiences with FSQP and PESP and is designed to further the long-term sustainability of the project.
2. *Executing agency.* MoEC will be the executing agency for the project and will have overall responsibility for coordination and implementation, including procurement, disbursement and financial management. The Minister of Education and Culture will be the executive authority for the project.
2. *Management and Coordination.* In order to promote the sustainability of the capacity building that is embedded in each sub-component, management of project activities is embedded in the Directorates in which they be implemented: Planning and Development; Administration, Finance, Logistics and Supplies; Basic and Secondary Education; Curricula; and Technical and Higher Education. Although the overall coordination of the project will be the responsibility of the Director of Planning and Development, coordination will be facilitated via a monthly financial and technical reporting meeting chaired by the Minister and attended by the Vice Ministers, the Permanent Secretary and the Directors with support provided by the Program Facilitator. (This meeting does not require a separate structure to be created as it is intended that it be part of every fourth weekly Directors' meeting.)
3. The MoEC chaired Program Coordinating Committee (PCC) will serve as the overall coordination vehicle for ESSP implementation and for capacity building within the sector. Currently this committee is known the EFA Steering Committee and it includes donors, senior ministry staff and representatives of other key ministries. However, the ministry is intending to expand terms of reference of the committee so that it may help guide the entire MoEC Program. A sub-committee of the PCC (the capacity building steering group), chaired by the Director of Planning and Development, will serve as the steering body for both the development of the MOEC's strategic plan for capacity building and its implementation
4. *Procurement and Financial Management Support Team.* In line with the importance the MoEC and the project place on improving resource management, a special team will be composed to set goals for the MoEC in this area and to assess the ministry's progress against those goals. The Procurement and Financial Management Support Team (PFMT) will be chaired by the Permanent Secretary and will have as its members the Director of Administration, Finance, Logistics and Supplies, the Director of Planning and Development and the two international consultants engaged to develop and maintain the Ministry's procurement and financial management capacities. The PFMT will have three main functions: (i) to track progress in these areas; (ii) to ensure that adequate capacity is built in procurement and financial management in the Directorate of Administration and Finance; and (iii) to coordinate with the wider efforts of the Bank and AusAID to improve capacities across ministries under the Ministry of Planning and Finance (MoPF). Procurement and Financial Management Capacity Building Project (PFMCBP).
5. *Internal Audit.* The Internal Audit will be completed by a contracted specialist under the direction of Director of Administration, Finance, Logistics and Supplies. The Internal Auditor will review and monitor the internal control systems in place, examine the quality and reliability of financial statements, review payments and transactions in compliance with laws, regulations, and project guidelines. Whenever necessary, the Internal Auditor will offer recommendations for areas of improvement. The Internal Auditor will report directly to the project executive, the Minister, upon

completion of each audit. The Internal Auditor will also work closely with the financial management consultants to ensure that MoEC capacity is enhanced.

Specific implementation arrangements

6. Under FSQP, it was not intended that any MoEC Director exercise implementation responsibility for any part of the project. Consequently, FSQP focused more on inputs to the system than on capacity building within the ministry. ESSP, however, reverses this approach and places full implementation responsibility on the Ministry's Directors. The project provides necessary support to help develop each Director's capacity and that of their staff. The long term goal of this effort is to create in each Directorate the capacity to manage inputs and processes and to achieve realistic performance targets.

7. *Component 1: Capacity Building for Policy, Planning and Program Development.* The Director of Planning and Development will be responsible for the completion of both the secondary and tertiary education sub-sector strategies and for expressing these and the SP-UPC as a single sector strategy and a sector-wide Medium Term Expenditure Framework (sub-component 1.1). The Director of Technical and Higher Education will be responsible for the establishment of the NCAAA and for overseeing its initial activities, as well as for ensuring that the project's study of the national University is completed on schedule (sub-component 1.2). The Director of Administration, Finance, Logistics and Supplies will be accountable for the project's procurement and financial management related activities. The Director will be assisted in this task by the project's procurement and financial management specialists (subcomponent 1.3). The Director Planning and Administration will be responsible to ensure that sector-wide monitoring improves over the course of the project, that the EMIS develops, that the MLA is further developed, that grade 6 assessments are put in place, that the ministry's understanding and use of monitoring data improves, and that AJRs are completed on schedule (sub-component 1.4).

8. *Component 2: Provision of Learning Materials.* Although activities related to this component will require management input from the Director of Basic and Secondary Education, the Director of Curricula will take overall responsibility for deliverables. And, as the Minister, the Vice Minister for Primary and Secondary Education, and the Permanent Secretary are all deeply engaged in learning materials issues, the project will support a learning materials oversight body under the Vice-Minister of Basic and Secondary Education's direction. In respect to learning materials financed by the project, the current mechanisms of the Editorial Board Panel and the Content Development Working Groups that facilitate the critical linkages between MoEC and the producers of the *Lafaek* materials, will be strengthened and reviewed.

9. *Component 3: Construction/Rehabilitation Design and Quality Assurance.* Responsibility for this component will rest with the Directorate of Administration, Finance, Logistics and Supplies. For the Foreseeable future, the Director will be assisted in managing IFU by the IFU's Head of Operations. An IFU operations review team, consisting of the Directors of Administration, Finance, Logistics and Supplies, Basic and Secondary Education, the IFU's Head of Operations, the IFU's senior consultants, and the MoEC's financial management and procurement teams, will comprehensively review the IFU program every six months. The review and redesign of school site selection process will be managed by the Director of Planning and Development (sub-component 3.2).

10. *Component 4: Work Skills for Pre-Secondary Students.* The Director of Curricula will be responsible for the development and piloting of the pre-secondary curriculum work skills module (sub-component 4.1). However, it is expected that the Director will manage this activity in close association with the Director of Basic and Secondary Education, and that the UNICEF pre-secondary curriculum development activity will be kept fully involved as this activity progresses. To facilitate the smooth running of the pilot program and the interaction between Directors and other stakeholders, including the

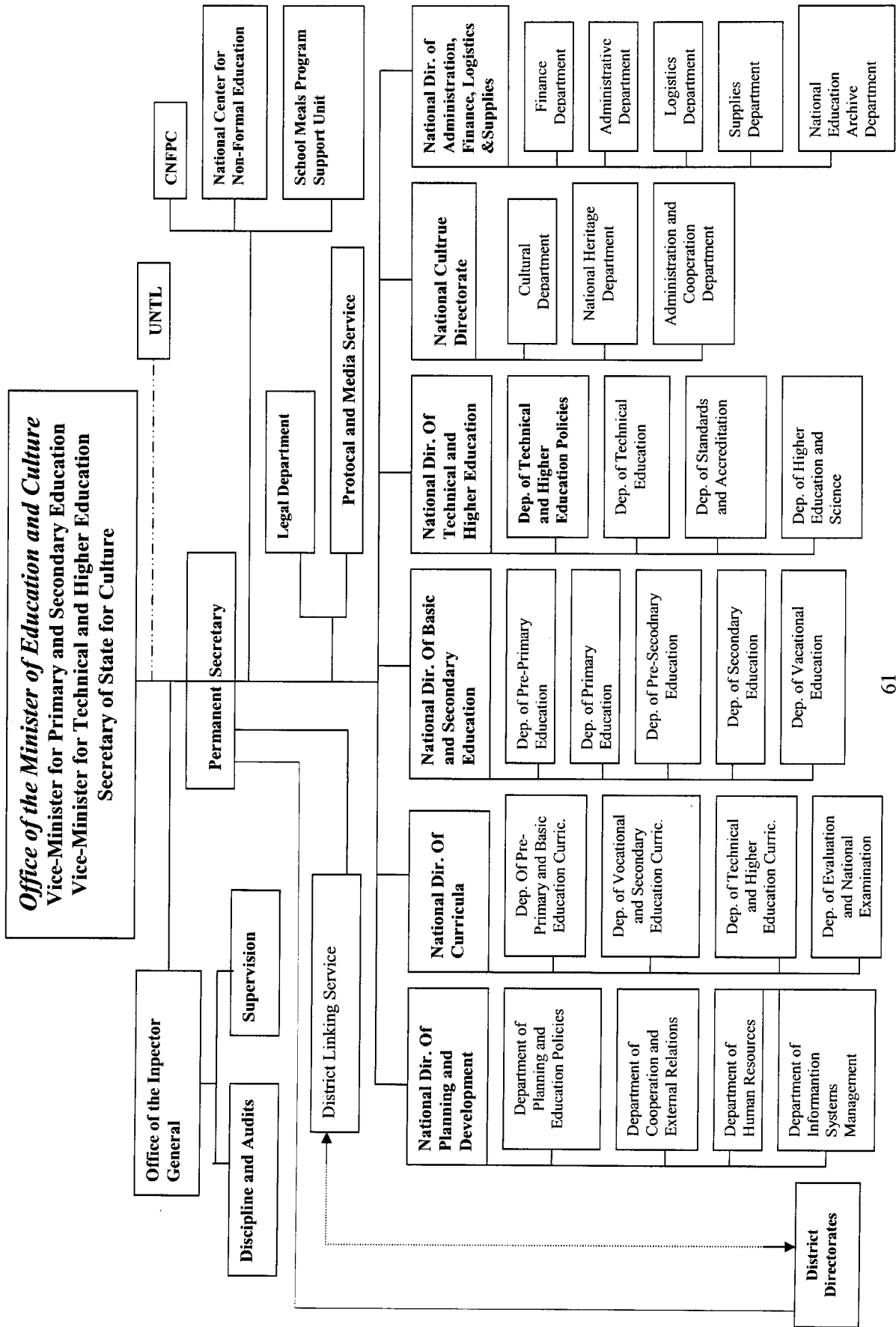
Ministry of Labor and Community Reinsertion and the ILO, employers, and other providers of skills programs at the pre-secondary level, the project will support a steering group (a sub-committee of the PCC) to be chaired by the Permanent Secretary. The steering group is expected to meet quarterly in the first two years of the program and then on an as-needed basis. The evaluation of the pilot and its impact assessment will be managed by the Director of Planning and Development (sub-component 4.2).

Project operating costs.

11. Management oversight of the project's operating costs will rest with the Permanent Secretary, who in turn will report to the project executive, the Minister, on a regular basis. Day-to-day oversight of project operating costs will rest with the project's procurement team under the Director of Administration, Finance, Logistics and Supplies.

Integration into Ministry activities

12. Over the course of the project, the MoEC's Annual Action Plans, produced by each Directorate and the AJR will link the project's activities to the ministry's annual and three-year rolling plans and budgeting processes. Progress against the Annual Action Plans will be assessed against agreed performance indicators during each AJR. At the mid-point between AJRs an informal project performance assessment will be coordinated by the Director of Planning and Development assisted by the program facilitator. This will be chaired by the Minister/Permanent Secretary and attended by the Ministry's directors and the donors.



Annex 7: Financial Management and Disbursement Arrangements

TIMOR-LESTE: Education Sector Support

1. The desired result of project financial management (FM) arrangements is that project funds will be used for the purposes intended. Financial management risk is the risk that grant proceeds and co-financing proceeds will not be used for the purposes intended and is a combination of country, sector and project specific risk factors. Taking into account the risk mitigation measures proposed under the project, the FM risk rating for this project is Moderate.

2. The core FM arrangements for the project will make use of the stand-alone FMIS used by GoTL for development projects, this system is currently in use for the PESP and the implementing agency is familiar with its operation. The GoTL financial management and budget systems which apply to development projects have been assessed as reliable and robust enough to cater for the needs of the project. The stand-alone FMIS will need to be maintained and utilized to a high standard in order to provide the requisite management information to monitor the project at an activity level. The implementing agency will be MoEC with the Directorate of Administration and Finance being responsible for the day to day financial management of the project. This directorate does not have suitably qualified financial management staff in place to provide the level of support to the project at the activity level which would be satisfactory. As part of the risk mitigating measures proposed, the existing level of support available under PESP will be carried over into the new project (that is, one national advisor for financial management and an international advisor with broader responsibilities for development of capacity).

3. Proceeds from the IDA Grant and AusAID co-financing trust fund will be pooled in a Designated Account which will not form part of CFTL³⁷. Expenditure authorization and accounting processes would follow the same procedures as for other recipient executed development projects which are using the stand-alone FMIS. Advances to the designated account would be accounted for through the stand-alone FMIS. There is a risk that the accuracy of the information contained in the accounting systems will be undermined due to coding errors and measures have been proposed to guard against this risk, primarily the requirement for regular reconciliation of the financial monitoring reports.

4. There will be separate legal agreements for the IDA grant and AusAID co-financing trust fund. So as to reflect the requirement of a reducing share of costs for both the Lafaek and IFU costs separate disbursement categories will be required for these two activities in both legal agreements. For the rest of the project a single disbursement category is proposed for each component with expenditure eligibility being defined in terms of the agreed annual activity plan³⁸. The percentage of total expenditure each agreement will contribute to will be fixed in the legal agreements and the GoTL will submit a single WA covering both sources of funding (the Bank will attribute expenditure to each agreement based on the percentages set out in the agreements). Monitoring of expenditure against the activity plan will be required and will be performed by the stand-alone FMIS. Disbursement for the project will be report-based once detailed report formats have been developed and agreed. In the interim period at the start of the project, disbursements will be on a transaction basis.

³⁷ Consideration was given to passing funds through the CFTL budget, however Government insistence that Bank Procurement Guidelines could not apply to funds passed through the CFTL budget closes this avenue.

³⁸ GoTL already uses a system of Annual Action Plans in the preparation of budgets and operational plans – this is not therefore a new obligation on Government.

5. The mechanism for agreement to the Annual Activity Plan and the procedures for agreeing changes to the plan during the year will be included in the legal agreements. Changes may be required both in terms of deletion/addition of activities and also the resources required to complete activities (e.g. new consultancy posts, adjustment in cost estimates etc.).

Summary Project Description

6. The project is planned over a five year period to strengthen the capacity of the Ministry of Education and Culture to develop and execute policy and to manage resources well, and to improve learning conditions for basic education. The project will provide for a mixture of Consultants' Services and investment in goods and services and has four components (a) Policy, Planning and Program Development; (b) Learning materials; (c) Construction / Rehabilitation and Quality Assurance; (d) Skills Development for Pre-Secondary School Students. The summary costs are shown in the table below.

Component	IDA Grant (US\$ million)	AusAID TF (US\$ million)	Government (US\$ million)	Total (US\$ million)
1. Capacity Building for Policy, Planning and Program Development	1.8	1.8	0.00	3.6
2. Learning Materials	1.2	1.2	1.3	3.7
3. Construction /Rehabilitation Design and Quality Assurance	1.3	1.3	1.6	4.2
4. Work Skills for Pre-Secondary Students	1.1	1.1	0.0	2.2
5. Unallocated	0.6	0.6	0.0	1.2
Total Project Cost	6.0	6.0	2.91	14.9

Implementing Entity

7. The project will be implemented by the MoEC through the Directorate of Administration and Finance. Although the MoEC has a successful track record in the implementation of Bank financed projects this would be the first experience for the Directorate in the implementation of such a large project. The MoEC recognizes this as a significant risk to implementation and has agreed that the Directorate should be supported through the appointment of advisers. The volume of transactions and reporting will increase significantly for the Directorate and it is recommended that in order to provide the necessary financial management and project monitoring support, one national Financial Management Officer be appointed and an International Advisor be appointed with broader responsibilities for capacity building within the MoEC as a whole. During the life of the project there is an expectation that skills be transferred to local counterpart staff and as part of a mid term review the level of support required will be reviewed.

Risk Analysis

8. The table below summarizes the risk analysis. With the appropriate risk mitigation measures as outlined the overall risk assessment is moderate.

	Source of Information	Concept Risk Rating (H, M, L)	Appraisal Risk Rating (H, M, L)	Reasons for High Rating	Mitigation Measures
INHERENT RISKS					
1. Country Level					
1.1 Country Public Financial Management Systems	CAS, CSP, Budget execution missions	<i>Moderate</i>	<i>High</i>	A recent PEFA assessment indicated that there significant weaknesses in the PFM system. Bottlenecks are proving difficult to overcome and the creation of oversight institutions is not yet complete. On a positive note the core accounting and treasury arrangements are sound.	The project design addresses directly the bottlenecks and will operate in a ring fenced fashion.
1.2 Country Portfolio Indicators	Bank Systems	<i>Moderate</i>	<i>Moderate</i>	Timor Leste has two portfolio flags at present: Country Environment Country Record	
2. Entity Level	Draft PAD, discussions with TTL, FM supervision reports from previous missions	<i>Moderate</i>	<i>Moderate</i>	The MoEC is vulnerable to staff and consultant turnover.	Sufficient resources have been assigned to ensure adequate FM coverage, this includes a capacity building component.
3. Project Level					

	Source of Information	Concept Risk Rating (H, M, L)	Appraisal Risk Rating (H, M, L)	Reasons for High Rating	Mitigation Measures
3.1 Project Size	Draft PAD, CSP Missions, Budget Execution Missions	<i>Moderate</i>	<i>High</i>	Recent experience in Timor suggests that budget execution difficulties for the CFTL financed government contributions are likely to present challenges for the completion of the civil works program. There may also be a concern over supply side constraints as the volume of work envisaged is significant – this could add to execution delays and possibly impact on the costing.	Agreement with MoPF for a 250,000 delegated procurement threshold to MoEC Sufficient Resources for the IFU
3.2 Project Complexity	Draft PAD	<i>Low</i>	<i>Moderate</i>	The project will consist of a large number of activities many of which will require separate contracts. In addition the project design includes a sliding scale of support from the Bank for two activities which will require careful monitoring.	Adequate resources for the IFU and Directorate of Administration and Finance Clear understanding of the Governments obligations with respect to co-financing the activities where sliding support will apply.
OVERALL INHERENT RISK		<i>Moderate</i>	<i>Moderate</i>		
CONTROL RISKS					
<i>1 Budget</i>	Draft PAD, CSP, Budget execution missions	<i>High</i>	<i>High</i>	There is some danger that MoEC will fail to secure an appropriation for those activities which are intended to be funded by government.	Although the funding requirements requested are within the means of the Government there can be no guarantee that the budget will be made available. The AJR process will be critical in ensuring that Development partners and Government work together to ensure that funding is made available and in taking the necessary action to adjust activities where shortfalls are identified.
<i>2 Accounting</i>					

	Source of Information	Concept Risk Rating (H, M, L)	Appraisal Risk Rating (H, M, L)	Reasons for High Rating	Mitigation Measures
2.1 Capacity of Project Management and FM Staff	Draft PAD and discussions with TTL, previous supervision missions	<i>Moderate</i>	<i>Moderate</i>	The MoEC does not have adequate FM resources to deal with this project and is reliant on advisor support for day to day management of the finance function.	MoEC has agreed to recruit a full time national and international advisor. In addition to providing direct support for project related FM issues the advisors will also be responsible for capacity building and transferring skills to local counterparts.
2.2 Accounting Systems	Draft PAD and discussions with TTL, previous supervision missions	<i>Low</i>	<i>Moderate</i>	The operation of the Accounting system depends on support from the MoPF where capacity is constrained.	The PFMCBP project includes adequate resources to ensure that the stand-alone freebalance module can be maintained.
3 Internal Controls	Draft PAD, supervision experience from other projects in Timor Leste	<i>Low</i>	<i>Low</i>		GoTL procedures will apply.
4 Funds Flow	Draft PAD, supervision experience from other projects in Timor Leste	<i>Low</i>	<i>Moderate</i>	Procedures for Bank financed projects are well established. There is some concern that in year 2 of the project difficulties will be encountered in releasing of Government counterpart funds for payments.	Procedures for Bank financed projects are well established. MoPF will be requested to make the provision for counterpart funding in the MoEC budget.
5 Financial Reporting	Draft PAD, supervision experience from other projects in Timor Leste	<i>Moderate</i>	<i>Low</i>		

	Source of Information	Concept Risk Rating (H, M, L)	Appraisal Risk Rating (H, M, L)	Reasons for High Rating	Mitigation Measures
Auditing	Draft PAD, supervision experience from other projects in Timor Leste	<i>Low</i>	<i>Low</i>		
OVERALL CONTROL RISK		<i>Moderate</i>	<i>Moderate</i>		
OVERALL RISK RATING		<i>Moderate</i>	<i>Moderate</i>		

Budgeting

9. Fundamental to the successful implementation of the project will be the engagement of development partners with the Government in the formulation and execution of project activities. An indicative timetable is set out below for this annual process.

Activity	Responsibility	Submitted to	Date
Annual Joint Review (AJR) will set project priorities	MoEC / Development partners	GoTL	Early November
The agreed levels of donor funding are communicated in the AJR and any necessary development partners financed adjustments are made to the project budget ceiling.	MoEC Admin and Finance Division	MoEC	December
Submission of Budget Guidelines including broad ceilings	MoPF	Cabinet	November
Budget Guidelines and forms distributed	MoPF	All Ministries	November
Annual project/project work plans for the new financial year are submitted.	MoEC	MoPF	February
Draft revenue and expenditure estimates submitted	MoEC	MoPF	February
Consultation with Ministries on first Budget Submissions	MoPF	MoEC	March
First (draft) Budget Estimates	MoPF	Cabinet	End March

10. Having the donor funded activities indicated in the Combined Sources budget and accounted for through a stand-alone FMIS and associated designated account serves a useful purpose in significantly reducing the risk of funds being utilized for ineligible purposes.

11. The Government contribution to the project will be included in the MoEC CFTL budget. For those activities where MoEC is contributing a part of the costs this will be identified in the budget as cofinancing contributions and will not trigger GoTL procurement regulations.

Funds Flow and Disbursement Arrangements

12. Separate legal agreements will be established for the IDA Grant and AusAID Trust Fund. As each source of funding is expected to contribute the same level of support the disbursement categories will be the same in each agreement. The table below summarizes the proposed arrangement (USD Million):

Category	Amount of the Financing Allocated (US\$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods and consultants' services in respect of Component 1, Component 2 (excluding learning materials such as Lafaek), and Component 4	\$2.65 million	50%
(2) Goods and consultants' services in respect of Component 2 (learning materials only) and Component 3	\$2.13 million	0% in FY 07-08 50% in FY 08-09 37.5% in FY 09-10 25% in FY 10-11 12.5% in FY 11-12
(3) Incremental Operating Costs	\$0.38 million	50%
(4) Training	\$0.20 million	50%
(5) Unallocated	\$0.64 million	
TOTAL AMOUNT	\$6.00 million	

13. The stand-alone FMIS for development projects will provide the necessary information needed to prepare reports for GoTL (which will also satisfy the information needs of Development partners) and will be able to provide the following:

- Reporting against Annual Action Plans (including budgets)
- Multi year Reporting
- Preparation of Statements of Advances Outstanding
- Contract Monitoring
- Reconciliation against Government Accounting Systems (with a verifiable audit trail back to transactions)
- Listing of Payments against Prior Approval contracts

- Cash Forecasting (for use in Report Based Disbursement Withdrawal Applications)

14. Monthly expenditure reports will be prepared and reconciled to the stand-alone FMIS. On a quarterly basis expenditure reports will be incorporated into a summary project progress report – this should be available to Government within 18 days of the quarter end and copied to Development partners so as to facilitate discussion on project progress within 21 days of the quarter end. The inclusion of the financial reports will satisfy the Bank’s requirement for the provision of FMR’s (Interim Unaudited Financial Statements) and should be in sufficient detail that the reports may be used by the Bank for the purpose of report based disbursement. As the format of the reports cannot be agreed before effectiveness the initial disbursement arrangements for the project will be on a transaction basis. An update to the disbursement letter will be issued once FMR formats have been agreed which will allow for disbursement on a report basis.

15. The fourth quarterly report in each year will take the form of an annual project progress report and will be prepared for GoTL and shared with Development Partners. The annual report will include financial information, progress and performance data. The financial statements within the annual report will be audited within 6 months of the year end.

16. A separate Bank Account will be opened in a commercial bank (BNU). The designated account would pool advances from the IDA and co-financing Trust Fund – there would be no requirement for MoEC to account for each source of funding separately (other than on a summary basis in the source and application of funds statement). A single Withdrawal Application covering both sources of finance will be submitted to the bank who will allocate the expenditure as per the disbursement percentages specified in the legal agreements.

Auditing

17. The constitution of Timor-Leste allots the function of external audit to the High Administrative, Tax and Audit Court. As this institution remains to be created, the function of external audit is for the time being assigned to the MoPF which discharges its responsibilities through the contracting of external audit services. The Government will be required to seek an additional Audit Opinion on the expenditures of the project as presented in the annual project report and this will be submitted to development partners within 6 months of the year end. The Government will fund the costs of the audit through their existing contractual arrangements.

18. Although the Auditor will be recruited and remunerated by Government the Bank will reserve the right to insist on a supplementary audit if the quality and scope of audit services contracted by Government falls short of the required standards. The audit report will include as a minimum the following:

- the audit report will state the purpose of the report and its intended use,
- The audit report will state which/whose generally accepted accounting standards have been applied and indicate the effect of any deviations from those standards.
- The audit report will state that the audit was conducted in accordance with either ISA or INTOSAI audit standards.
- The audit opinion will cover the current period.
- The audit opinion will state whether or not the financial statements present fairly for the project that the funds were utilized for the purposes defined by the funding agreements.

- The audit opinion will cover in all material respects the supporting schedules (e.g. procurement, assets register etc).
- The auditor should provide an opinion on whether the auditee complied with applicable laws, regulations and the Procurement procedures and other provisions of the funding agreements that have a direct and material financial effect on the financial report.
- The auditor should provide an opinion on the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

Supervision Plan

19. The overall rating for the project is Moderate and it is envisaged that, after the first year FM supervision missions would be required only on an annual basis or as determined by ongoing risk assessment and supervision results. To minimize costs the missions would be planned to coincide with financial management supervision of other projects in Timor-Leste.

Annex 8: Procurement Arrangements

TIMOR-LESTE: Education Sector Support

A. General

1. Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreement. The general descriptions of various items under different expenditure category are described below. For each contract to be financed by the Loan/Credit, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Recipient and the Bank project team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

2. Procurement of Goods (US\$1.3 million equivalent): Goods procured under this project would include procurement of education curriculum support materials which are of a proprietary nature and may, with the Trustee's prior agreement, be procured through Direct Contracting in accordance with provisions of paragraph 3.6 of the Bank's Guidelines. The estimated total amount of procurement of the support materials is US\$4.4 million for supply which covers a five-year period and jointly financed with the MoEC. The project will contribute starting from year two through five for an estimated amount of US\$2.2 million. In addition to this, there will be procurement of school kits and student materials totaling to US\$439,200 over a four year period, and of simple small valued IT and office equipment of US\$40,000. The school kits and student materials will be procured annually and as needed based on the curriculum and policy development at MoEC. In terms of value, there is no clear advantage of procuring these items through an ICB. At the same time most of the items that meet the requirement of MoEC may not be available locally at a competitive price. Therefore, procurement of these items may be done through Shopping procedure in accordance with provisions of paragraph 3.5 of the Bank's Guidelines. Comparison of at least three price quotations from qualified suppliers will be required. Requests for price quotations have to indicate the description and quantity of the goods as well as the expected delivery time and place.

3. Selection of Consultants (US\$3.5 million equivalent): MoEC will hire individual consultants to provide services required under the project. Consultant services will be needed in the areas of strategies development, policy notes, to carry out a feasibility study on the role and sitting of the National University Timor Leste, policy advisor to Vice Minister, Higher Education, textbook procurement, project management and facilitation, and support for the Education Management Information System (EMIS). Individual consultants will be selected on the basis of consultant qualifications consistent with Section V of the Consultant Guidelines. In addition to this, and in order to keep the momentum from implementation of FSQP and the PESP, MoEC will keep its existing approach by hiring several individual consultants for the Infrastructure Facilities Unit (IFU) as well as institutional capacity building and data collections for the first two years of project implementation. Starting from year three, MoEC may move to a single consulting firm contract for IFU services with an estimated contract amount of US\$2.91 million (ESSP contributes US\$1.46 million). If required the firm will be selected through the QCBS method.

4. Operational Costs (US\$384,000 equivalent) will cover office provisions (including utilities), communication and internet expenditures, office consumables, translation of

documents, public disclosure of procurement activities and bank account charges under the project as well as fuel and maintenance of motor vehicles and motor cycles.

5. Training (US\$59,000 equivalent): This amount will cover Procurement and Financial Management training for local staff and also contribute toward the cost of the Annual Joint Review of the sector, as well as study visits.

6. Workshops (US\$158,000 equivalent): This amount will cover workshops for strategies development, workshops in support to NCAA (including transport and conferences) and workshops to prepare Lead Teachers.

B. Assessment of The Agency's Capacity to Implement Procurement

7. Procurement activities will be carried out by the Department of Procurement of the Directorate of Administration, Finance, Logistics and Procurement under the MoEC. The Procurement unit is currently staffed by two government officials. If used, the Project Implementation Plan will include, in addition to the procurement procedures and anti-corruption measures, the SBDs to be used for each procurement method, as well as model contracts for works and goods procured.

8. An assessment of the capacity of the Implementing Agency to implement procurement actions for the project has been carried out by EAPCO in December 2006. The assessment reviewed the organizational structure for implementing the project and the interaction between the project's staff responsible for procurement Officer and the Ministry's relevant central unit for administration and finance.

9. Most of the issues/risks concerning the procurement component for implementation of the project have been identified and include lack of capacity of civil servants in both the newly promulgated country's Procurement Law Regime and the Bank's procurement guidelines, general lack of qualifications of local contractors or suppliers or consulting firms, and weak environment in procurement. The main corrective measures which have been agreed is to retain the procurement team of the Project Management Unit from the Bank funded Fundamental School Quality Project (FSQP, TF050152) and the ongoing Primary Education Support Project (PESP, TF056715 TP) to support the ESSP team at the MoEC. The team has performed satisfactorily in the above projects and includes a senior international procurement advisor with 30 years of extensive experience in Bank's procurement, a local procurement manager and a local procurement officer with 2 years and 6 months experience respectively of Bank's procurement. The team will be hired throughout the duration of project's implementation and will also provide capacity building to the MoEC's procurement staffs.

10. The overall project risk for procurement is **AVERAGE**.

C. Procurement Plan

11. The Recipient, at appraisal, developed a Procurement Plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the Recipient and the Project Team on January 30, 2007 and is available at the Ministry of Education, Dili, Timor-Leste. It will also be available in the Project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision

12. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended procurement supervision mission at project launch and one supervision mission annually to visit the field to carry out ex-post review and monitor progress in procurement.

ATTACHMENT 1

DETAILS OF THE PROCUREMENT ARRANGEMENT INVOLVING INTERNATIONAL COMPETITION.

1. Goods and Works and non consulting services.

(a) List of contract Packages which will be procured following Direct contracting:

1	2	3	4	5	8	9
Ref. No.	Contract (Description)	Estimated Cost (US\$)	Proc. Method	Review by Bank	Expected Bid-Opening Date	Comments
G-1	Procurement of Curriculum Materials and LAFAEK Magazines	3,500,000 (ESSP contributes US\$ 2,187,000)	DC	Prior	TBD	<ul style="list-style-type: none"> The materials have been developed since implementation of FSQP. Procurement will cover a five year period. ESSP will contribute for four years, from year 2 to 5.

(b) All Direct contracting will be subject to prior review by the Bank. No ICB is foreseen under the project.

2. Consulting Services.

(a) List of Consulting Assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Review by Bank	Expected Proposals Submission Date	Comments
CF-1	IFU Services	2,911,000	QCBS	Prior	TBD (year 2)	<ul style="list-style-type: none"> A single firm contract to replace hiring a list of individual consultants to support IFU.

(b) Consultancy services estimated to cost above US\$100,000 per contract and all Single Source selection of consultants (firms) will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: N/A

Annex 9: Economic and Financial Analysis

TIMOR-LESTE: Education Sector Support

Economic Analysis

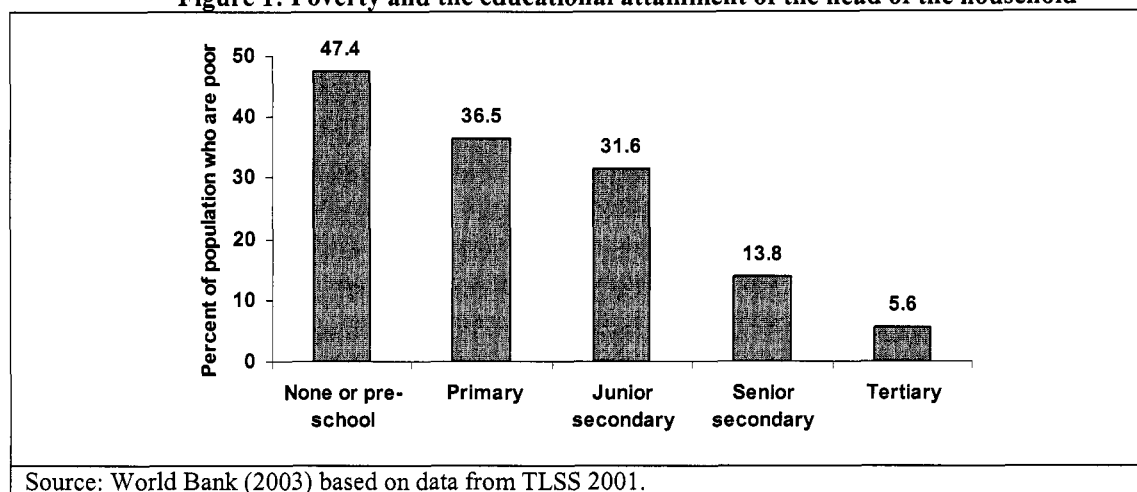
1. The main rationale for the ESSP is to undertake a number of activities that can promote better educational outcomes for the Timorese population, which represents an important welfare objective in its own right, but also has instrumental value in promoting greater poverty reduction. This economic analysis does not attempt to quantify an overall rate of return for project components. Estimation of rates of return to social sector interventions is fraught with conceptual and practical difficulties even in data rich settings, but the task is rendered even more problematic in the present context given (a) limited availability of recent data relevant to such calculations for Timor-Leste, and (b) that several of the project activities are of a capacity-building nature, the economic returns to which are hard to quantify in any sectoral context.

2. Hence, the approach to economic analysis taken here involves (i) presenting evidence on the significance of better educational outcomes for poverty reduction in Timor-Leste, (ii) presenting evidence (drawing upon recent economic analysis for education sector for Timor-Leste) on how the interventions proposed under different project components can be expected to contribute to better educational outcomes.

Better educational outcomes will contribute to poverty reduction in Timor-Leste

3. As elsewhere in the world, the evidence for Timor-Leste also attests to the level of educational attainment being one of the strongest predictors of poverty. The data from the Timor Living Standards Survey (TLSS) for 2001 indicates that the level of poverty steadily declines with level of educational attainment. For instance, while nearly half of those in households where the head of the household has not completed primary education are poor, the poverty rate falls to less than 14 percent where the head has senior secondary education (Figure 1). This important relationship between the level of education and the probability of being poor is also confirmed when other potential determinants of poverty are controlled for (through multivariate analysis). For instance, holding other things constant, increasing the level of education of household heads and spouses to at least 4 years of schooling is estimated to raise average living standards by 8-9 percent and reduce the proportion of population in poverty by 12-15 percent (World Bank, 2003). Thus, large gains in poverty reduction can be expected from improved educational outcomes in Timor-Leste.

Figure 1: Poverty and the educational attainment of the head of the household



Related evidence also shows that higher educational attainment significantly increases the probability of getting a paid job, and has a large and positive impact on monthly wage earnings (Table 1).

Table 1: Effect of educational attainment on the probability getting a paid job and monthly wage earnings

Level of education	Having a paid job	Log wage per month
Primary	0.042***	0.439**
Junior Secondary	0.055**	0.740**
Senior Secondary +	0.400***	0.906***
# of observations	2,556	412
R ²	0.341	0.317

Notes: The definitions of the dependent variables: (i) paid-job holders refer to individuals who are working and getting paid for the work; (ii) wage earnings per month are calculated from wages per day and the number of days worked during the month. The reference group in the regression is “having no or less than primary education.” The sample used for the wage regression includes only salary and wage earners. Statistically significant differences at the 5 and 1 percent levels are indicated by two and three asterisks respectively.
Source: World Bank (2006). “East Timor’s Youth Profile”.

Project components can be expected to contribute to better educational outcomes

4. The proposed activities under the ESSP are expected to promote better educational outcomes by alleviating some of the key problems and constraints in the education sector as identified through detailed sectoral analysis and consultations with the government and other stakeholders. Broadly, three main set of problems characterize the current educational system in the country. These relate to: (i) low and inequitable access, (ii) low internal efficiency, (iii) poor quality and low school achievement.

5. **Access.** There are a large number of out-of-school children, estimated at about 50,000 or about 27 percent of those in the 7-14 years age group in 2001, while the number of school-age children is growing rapidly at about 4 percent per annum. The problem is more severe for the poor; for instance, the bottom quintile accounted for about 30 percent of the all out-of-school children (World Bank, 2004). While total enrolments have increased, net enrolment rates especially at the junior and senior secondary

levels remain very low. Student absenteeism, which can often be a precursor to dropout, also remains a concern.

6. **Internal efficiency.** Internal efficiency of the education system is compromised by the problems of a high proportion of over-age children, and high rates of repetition and drop-outs. There are a large number of late starters, and with high rates of repetition, there are a large number of over-age students in each grade. This also leads to only a few years of schooling attainment for children by the time they drop out of the system, thus contributing to high levels of internal inefficiency within the education system. For instance, it is estimated that while the cost of six years of primary education is about \$300 per student, the cost per graduating student (who successfully finishes grade 6) is around \$600. The repetition rates range between 20-25 percent for grades 1-9, while dropout rates range between 6-11 percent for these grades. It is thus estimated that only 67 percent of the children reach grade 4 and only 47 percent eventually complete grade 6, while 53 percent drop out of the system.

7. **Quality.** Student achievement levels are relatively low. Evidence from a mathematics test administered as part of the Primary School Assessment Survey (PSAS) of 2003 indicated that on average only 28 percent of the questions were answered correctly by third graders and 37 percent by fourth graders, with girls performing worse than boys (World Bank, 2004). More recent evidence from the 2006 Measuring of Learning Achievement Study found that 80 percent of grade 3 students failed to meet a minimum level of learning in mathematics (UNTL and UNICEF, 2006). Improving the quality of education services remains an important challenge for the sector.

8. Underlying these key problems faced by the education system in Timor-Leste are both demand and supply side factors. As has been the experience in other countries, the demand for education itself is conditioned by the quality of education services available. Thus, overall there is substantial scope for making progress on the supply-side impediments faced by the education sector. Some of the key impediments on the supply side are:

- (i) *School access, infrastructure and quality.* While the number of schools has expanded considerably over the last few years, access to school remains a significant factor in determining enrolments. For instance, an analysis of school participation by 6-12 year olds indicated that having a primary school in the community increases the probability of school participation by 11 percent, and a greater distance to school deters school participation. This effect is stronger for girls. "School too far" is a key reason cited for 7-12 year olds never attending school, and the distance to school is also a significant factor contributing to student absenteeism especially amongst the poorer quintiles (World Bank, 2003). The quality of infrastructure is also a concern; for instance, most schools have no water or toilets, which adversely affect girls attendance in particular. Poor infrastructure and lack of water and sanitation was also cited as a major problem by most teachers covered by the Primary School Assessment Survey (PSAS) of 2003 (World Bank, 2004).
- (ii) *Lack of textbooks and learning materials.* About half the students do not have any textbooks at all (across all quintiles), about 40 percent have some books and less than 10 percent have the complete set of textbooks. When schools do receive textbooks, they often lock them up in a cabinet as there aren't enough of them to distribute to all the students. Inadequate materials were also regarded as the main reason for low student achievement by the teachers interviewed during the Primary School Assessment Survey (PSAS) of 2003 (World Bank, 2004). The problem of lack of adequate learning materials is exacerbated by the introduction of the new medium of instruction.
- (iii) *Language of instruction.* The MoEC clarified its language of instruction policy in 2005 as having the objective that all primary students become functionally literate in both Tetum and Portuguese

by the end of grade 6, and that, following international best practice, Tetum or mother tongue should be encouraged in the early grades to provide the foundation for learning Portuguese. But, in reality these guidelines are not being implemented at most schools. Aside from the Lafaek and some new lower grade materials being packaged and distributed by the UNICEF, there is little if any Tetum-based material reaching the primary schools. Texts being provided by the Ministry even for the first grade are entirely in Portuguese and in most cases teachers are ill-equipped to use them. To date, there has been no systematic evaluation and review of language instruction or use at schools with a view to implementing a policy that can effectively support the introduction of Portuguese as the medium of instruction at higher grades and maximize learning outcomes for students.

- (iv) *Absence of a standardized assessment system.* There is no standardized assessment system at the primary and secondary levels. The analysis of the PSAS data suggests that teachers are less effective in helping students learn in the absence of any reliable and objective means to measure student outcomes (World Bank, 2004). The introduction of annual assessments for each grade can also help establish a more objective basis for promotions.
- (v) *Weak managerial capacity.* Only 10 of the 79 staff employed by the MoEC at the central level, and only one of 114 employed at the district level have a bachelor's degree. The MoEC does not yet have a capacity development plan. The Ministry relies on technical assistance to complete many of its routine tasks. Ad hoc decision making is common. Until recently, there was no functioning management information system, and there is considerable lack of clarity in the functions, roles, responsibilities and expected outcomes within the education administrative system.
- (vi) *Weak budget execution.* Only a third of the Ministry's budget allocation was executed as of March 2007. The execution of the capital budget was much lower still. This in turn is linked to the lack of planning and procurement capacity, and lack of technical capacity to review and execute the Annual Action Plans of the Directorates under the Ministry.
- (vii) *Absence of sub-sector policies and financing plans.* The Ministry has only recently started developing strategic plans for various sub-sectors. While a Strategic Plan for Universal Primary Completion was prepared in 2006, sub-sector strategies for secondary and tertiary sector remain to be completed. In the absence of well-articulated sub-sector strategies and financing plans, as Timor-Leste reduces its dependence on external financing, the MoEC will find it difficult both to secure sustained government allocations for the sector over the medium term and to attract needed donor support for activities especially for the post-primary sub-sectors.

9. Against this background, the ESSP has four main components.

- (1) *Capacity building for policy, planning and program development.* This component strengthens the capacity of MoEC to effectively develop and execute policy, and increase efficiency in sector and resource management. The key activities include:
 - a. Support to the completion of sub-sector strategies for both secondary and tertiary education including the development of 3-year rolling plans with cost and financing sources identified.
 - b. Together with the Strategic Plan for Universal Primary Completion, support the development of an overall sector strategy with a medium-term expenditure framework.
 - c. Monitoring and improvement of the school grants program through support to the Education Management Information System which will also strengthen sector-wide monitoring of a core set of system indicators.
 - d. Support the establishment of a National Commission for Academic Assessment and Accreditation to oversee the accreditation and licensing of all higher education institutions.

- e. Strengthen MoEC's capacities in procurement, financial and contract management through (i) financing procurement and financial management specialist positions in the Directorate of Administration, Finance, Logistics and Supplies, (ii) on-the-job training by project-financed consultants.
- (2) *Learning materials.* This component supports provision of learning materials for primary and pre-secondary schools and assists MoEC in developing and operationalizing textbook and learning material policies. The key activities include:
- a. Assistance to MoEC for finalizing its textbook and learning materials policy.
 - b. Assistance to MoEC for establishing a unit within the Ministry to manage the entire process of outsourcing the production of textbooks, teacher guides and other learning materials.
 - c. Contribute to the financing of high quality learning material, such as Lafack, for primary and pre-secondary students.
- (3) *Construction/rehabilitation design and quality assurance.* This component provides technical assistance to ensure quality and cost-effectiveness of government-financed construction/rehabilitation of an estimated 2100 classrooms expected to add approximately 65,000 new student places. The key activities include:
- a. Finance the operation of the Infrastructure Facilities Unit at MoEC including support to ensure that MoEC maintains the high-quality architectural and engineering design and supervision, infrastructure quality assurance and school mapping capacity that it has developed under previous donor-financed projects.
 - b. Support review and development of site selection criteria and standard procedures for determining new school sites and schools that need to be rehabilitated and/or expanded.
- (4) *Work skills for pre-secondary students.* This component provides work skills-based learning opportunities for pre-secondary students. The key activities are:
- a. Developing, through a pilot program, a work skills-based community development module for the final year of the pre-secondary school (grade 9) that will encourage completion of pre-secondary cycle, and offer exposure to work skills for those who may be considering not going on to secondary school.
 - b. Support an impact evaluation of the pilot work skills-based module to facilitate its replication and institutionalization.

10. It is apparent from the above description of project activities that they are directly tailored to the key impediments underlying the problems of access, internal efficiency, and quality in the education sector. By addressing these impediments, the project activities can be expected to improve access to education, raise internal efficiency of the sector, and improve the quality of education services – and these, in turn, can be expected to result in gains in net enrolment rates, higher levels of educational attainment, and better student achievement.

11. Some further considerations are relevant to the economic analysis of ESSP. The project is unlikely to displace alternative donor financing of activities in the sector. On the contrary, it is an instrument for leveraging additional donor funds, in particular from AusAID who are cofinancing the project by matching the IDA grant allocation to the project. The ESSP is also expected to complement NZAID's Capacity Building Project for the education sector which is expected to begin in early 2008. Similarly, the ESSP will also provide useful support to the UNICEF's program of curriculum and learning materials development.

12. But the real value of the ESSP is not in terms of bridging a financing gap for the education sector. With rapid increases in the petroleum revenue, total expenditure by the Government of Timor-Leste (not including donor-financed expenditure) is budgeted to increase by 122 percent for the fiscal year 2006-07

(see Table 2). The state budget for the education sector itself is budgeted to increase by 89 percent to \$35 million during that year, while the average education sector budget for 2006-10 is planned at \$41 million. In contrast, the donor funding component of the ESSP on an annual average basis accounts for less than 6 percent of the overall education budget for 2006-10 (Table 2). The main constraint on the development of the education sector is thus not a financing gap for the sector, but instead a capacity gap to execute the budget and utilize the available resources productively. The real contribution of the ESSP lies precisely in strengthening this capacity.

Financial analysis

13. The prospects for financial sustainability and budgetary expansion for the education sector are strong over the medium term for two important reasons. First, with the sharp expansion of petroleum revenues, the size of the fiscal surplus is expected to grow rapidly from \$334 million in 2005-06 to \$826 million in 2009-10 despite a near doubling of the national budget over the same period (from \$142 million in 2005-06 to \$260 million in 2009-10). Second, in line with national priorities, the share of the education sector is being maintained at a high level in the national budget, on average at about 15 percent of the national budget during 2006-10 (Table 2).

14. Estimates of the budgetary implications of ESSP are also presented in Table 2. The main implications for the capital budget are on account of the government-financed cost of school construction. This is estimated at annual average of \$15.5 million. The education sector budget already anticipates a high level of allocation to capital development expenditure. The share of capital development in the education budget has been augmented substantially (to over 30 percent on average for 2006-10). The annual average capital budget allocation during 2006-10 is about \$13 million. Assuming that about two-thirds of this is already earmarked for school construction, the additional capital budget requirement is estimated to be about \$6.9 million. This is however only 1 percent of the overall average annual budgetary surplus of about \$718 million.

Table 2: National and education budget and financial implications of ESSP
(amounts in '000 \$)

	2005-06	2006-07	2007-08	2008-09	2009-10	4 year total 2006-10	Annual average 2006-10
Total national revenue	476,500	739,200	1,033,600	1,117,000	1,086,100	3,975,900	993,975
of which petroleum revenue	418,800	683,300	972,400	1,062,100	1,027,600	3,745,400	936,350
Total national budget	142,300	315,900	265,400	263,800	259,900	1,105,000	276,250
Total budget balance	334,200	423,300	768,200	853,200	826,200	2,870,900	717,725
Total education budget	18,510	35,004	43,510	44,211	42,302	165,027	41,257
(as % of national budget)	13.0%	11.1%	16.4%	16.8%	16.3%	14.9%	14.9%
Recurrent	16,898	24,561	26,255	28,390	33,990	113,196	28,299
Capital development	1,612	10,443	17,255	15,821	8,312	51,831	12,958
Capital development as % of total	8.7%	29.8%	39.7%	35.8%	19.6%	31.4%	31.4%
Average annual ESSP donor funding (as % of education budget)							2,400 5.8%
Implications for capital budget:							
Average annual cost of school construction							15,540
Additional capital budget needed (assuming 2/3 of the total capital budget is already earmarked for school construction) (as % of the overall budget balance)							6,902 1.0%
Implications for recurrent budget:							
Average annual MoEC contribution to ESSP							582
Additional operating costs of IFU							519
Additional costs of learning materials + introduction of work-skills module (estimated at 20% of the total goods & services, minor capital and transfers budget for primary and junior secondary education)							471
Additional recurrent budget (as % of the overall budget balance)							1,571 0.2%

Source: General Budget of the State 2006-07, Budget Document No. 1, Ministry of Planning and Finance, Government of the Democratic Republic of Timor-Leste, and ESSP project documents.

15. The implications for the recurrent budget are far more modest. The main implications are on account of (i) MoEC's contribution to the ESSP (averaging about \$518 thousand per year), (ii) additional operating costs of the IFU as the project-funded costs are taken over by the government (estimated at about \$519 thousand per year based on the estimated total costs of the IFU), and (iii) additional costs of textbooks and learning materials as the government expands its budget request for these items in the outer years of the project and the costs associated with the introduction of work skills-based curriculum module to all pre-secondary schools (roughly estimated at about \$471 thousand per year equivalent to an additional 20 percent of the goods and services, minor capital and transfers component of the overall budget for primary and pre-secondary education). Altogether, this additional recurrent budget needs add up to \$1.6 million per year, which is only 0.2 percent of overall average annual budgetary surplus for 2006-10.

16. Thus, the capital and recurrent budget implications together amount to only about 1.2 percent of the annual budgetary surplus and hence meeting these demands is not expected to be a significant imposition on the national budget.

Annex 10: Safeguard Policy Issues

TIMOR-LESTE: Education Sector Support

1. No land acquisition or resettlement concerns are expected under ESSP. All civil works financed by the government will be conducted on sites (i) on which existing schools are being rehabilitated, expanded or replaced, or (ii) that are on vacant government land that is free from all encumbrances, habitation, dispute, claim and controversy. The use of the land will neither require a resettlement plan nor a resettlement framework. This is a category C project.

Environmental Assessment (EA) (OP 4.01) and Involuntary Resettlement (OP 4.12)

Safeguards policy OP 4.01 is triggered and OP 4.12 is not triggered

2. ESSP is expected to have minimal adverse environmental impact. While no major safeguard issues exist, ESSP will ensure that (i) appropriate construction and maintenance techniques are used on all school sites; (ii) water supply and sanitation facilities are properly placed; (iii) sewage is properly disposed of; (iv) building waste is properly disposed of; and (v) any impacts concerning asbestos material in existing construction are dealt with properly. Each of these concerns is addressed in the building standards that have already been developed and tested under FSQP. Prior to project effectiveness, the GoTL will provide a project operations manual for Bank approved that includes the Ministry's school construction and rehabilitation standards; applicable building codes.

Indigenous Peoples (OP 4.20)

Safeguard policy OP 4.20 not triggered

3. Project activities will cover all areas of the country, including those remote and underserved areas. With project assistance MoEC will, for the benefit of all populations across Timor-Leste: (i) draft education policies designed to improve services and learning outcomes; (ii) provide high quality learning materials to every student and teacher at the primary and pre-secondary levels; (iii) construct new or provide rehabilitated schools based on objectively assessed need; and (iv) prepare a skills development curriculum module for pre-secondary students. Given that all project interventions are designed to benefit all regions and all communities, no special plans have been prepared to address the concerns of any particular population.

Social Development

4. A social assessment was conducted by an international consultant during project preparation, the findings of which are summarized below³⁹. A number of social development issues exist in respect to education in Timor-Leste: some are critical. One is the inadequate supply of educational infrastructure. The impact of a shortage of facilities is worsened by the poor condition of many existing schools, a culture of disregard for maintenance, and a shortage of furniture. Due to the widespread destruction of 1999 and, more recently, the rioting of 2006, many school buildings are damaged and only partly unusable. Some of the buildings currently being used are physically unsafe, although, fortunately, many schools that were formerly in this category have now been secured or raised. In many schools sanitary facilities are in poor condition and are often unusable. Electrical power and water are only intermittently available, if at all.

³⁹ Details of SA and limitations

5. *Distance to school* remains a major constraint to access, particularly for girls. Poor quality roads and pathways, particularly in rural and remote areas, and a general lack of transportation inhibit many families from sending their children to school. Primary school *class sizes* often reach seventy, due not only to a shortage of space, but also frequently to teacher absenteeism or to teacher absence due to their attendance at in-service training. This makes maintaining a consistent pattern of instruction particularly challenging at many schools.

6. The *lack of instructional materials* has been a major concern at all levels, although now, as more materials begin to reach primary schools, this is of growing concern at the pre-secondary level as very few textbooks other than those in Bahasa Indonesia are available. Bank observations revealed that, in the best case scenario, textbooks in Portuguese, the official language of instruction at that level, are available for teachers to share, making teaching in the language of instruction difficult.

7. It was observed that the most commonly used *language of instruction* was Tetum not Portuguese. [Tetum is the language used by approximately 50 percent of the population.] The second most widespread language used at the pre-secondary level is Bahasa Indonesian. This appears to be the case mainly because of the language is still widely used and, as noted above, textbooks in Bahasa textbooks are found in most pre-secondary schools. Based on the observations of the Bank's 2007 field work, the Ministry's efforts to introduce Portuguese are being somewhat frustrated by the fact that in many locations the *de facto* languages of instruction are Tetum, for the spoken language, and Bahasa, for the basic curriculum. It has also been observed that few children try to use Portuguese outside the classroom. There is however evidence in some areas, particularly around Dili, of the gradual introduction of Portuguese.

8. For many there appears to be relatively *little incentive to pursue education*. Many parents reported they gained a more significant return from having their children at home than from allowing them to attend school. The quality and relevance of schooling are reported as the major concerns of parents. Many did not feel that the school could better prepare their children for work than they could at home. To many parents, secondary education did not provide an additional benefit as graduates are unable to find employment.

9. An *absence of trained and experienced managers and administrators* seriously affects service delivery as the Ministry has, until very recently, been unable to contribute to the formulation of policy or procedures and has offered little in terms of guidance to districts and schools. Further exacerbating this situation is the *absence of a robust and well functioning administrative system* where procedures, processes, roles, and responsibilities, and expected outcomes are clearly delineated. The lack of clarity in functions and responsibilities, as well as weak human resource capacity, is especially acute at the district level.

10. The social impacts of the project, particularly in respect to issues noted above are expected to be positive, as ESSP provides substantial support to the sector through a program that will strengthen MoEC's capacity to effectively develop and execute policy, manage resources, improve services and improve learning conditions for basic education.

11. In respect to the shortage of facilities and disparities in access between more remote sub-districts and larger towns, the ESSP-assisted MoEC school expansion program is expected to influence more children, especially rural children and girls, to complete their primary school and to continue on to an accessible pre-secondary school. In order to address the serious lack of instructional materials, the quality of schooling and its relevance, ESSP provides for quality learning materials for all children in grades 1 through 9 and for the building of MoEC's capacity to properly manage the procurement and distribution of learning materials and texts. To support the difficult process of language shift from Tetum and Bahasa to Portuguese, the sub-sector strategies developed with ESSP assistance and the SP-UPC will help MoEC to refine the evolving language of instruction policy and define how this policy will be applied to the

teaching and learning process. In order to better ensure the relevance of schooling to the groups most at risk of early departure from pre-secondary school, ESSP is piloting a program to develop work related skills and attributes via a curriculum-based approach to assisting in community development.

Gender

12. Overall, gender parity is not an issue in Timor-Leste as 48 percent of pre-tertiary enrollment is female (48 percent at the primary level, 47 at pre-secondary, and 49 at secondary). However, at the secondary levels, enrollments favor city populations and there is a likelihood of rural girls not attending schools due to distance from home and the direct opportunity costs to families. The MoEC's school expansion program ensures more adjacent access and therefore safer access for girls; it also ensures that all schools new or rehabilitated schools are more girl friendly than they were previously, as all these sites include an adequate number of functioning girls' toilets. Over recent years, the FSQP and PESP-financed provision of the *Lafaek* learning materials brought gender sensitive materials into all primary and pre-secondary classrooms. The learning materials provided by ESSP are expected to maintain this tradition.

Cultural Property (OPN 11.03)

13. Due to the fact that majority of civil works will take place on existing school sites, it is unlikely that the project will adversely affect locations that have archeological, historical, religious and unique natural values.

Environmental Management Framework: Description and Matrix

14. The attached Environmental Management Framework (EMF) describes the ESSP school rehabilitation program and how it will be managed and monitored to ensure that school construction and rehabilitation do not have any adverse environmental impact.

The School Construction Program

15. No land acquisition or resettlement concerns are expected under ESSP. All civil works financed by the government will be conducted on sites (i) on which existing schools are being rehabilitated, expanded or replaced, or (ii) that are on vacant government land that is free from all encumbrances, habitation, dispute, claim and controversy. The use of the land will neither require a resettlement plan nor a resettlement framework. This is a category C project.

16. As school construction and rehabilitation is expected to be financed by the Government, comprehensive guidelines successfully implemented under FSQP will be followed and technical support will be provided to ensure school construction and rehabilitation projects meet all required environment safeguard standards and applicable building codes.⁴⁰ As MoEC ensures that these standards are updated regularly and that lessons from good practice are introduced to local contractors, the Ministry will provide the most current set standards and detailed implementation arrangements, which form part of the Project Operations Manual (POM), for Bank review prior to project effectiveness.

17. ESSP will assist MoEC to ensure the quality and cost-effectiveness of the GoTL-financed construction or rehabilitation of an estimated 550 schools.⁴¹ ESSP support will ensure that MoEC can maintain the high quality architectural and engineering design and supervision, infrastructure quality assurance and school mapping capacities that it has developed under FSQP. A new school mapping and will provide the Ministry with the thorough up-to-date facilities and facilities needs assessment necessary to plan for its UPC objectives. The project, through its support of the IFU, will finance the development of an annual plan and a three-year rolling plan for facilities development and major maintenance. These will be completed and updated as a capacity development activity involving the Directorate of Administration and Finance and the Directorate of Policy and Planning.

18. Critical to the success of the ESSP is an adherence to Government of Timor-Leste's **environmental safeguards and building codes**. Specifically, in respect to Government-financed school construction and maintenance, the project is concerned about:

- The use of appropriate construction/maintenance techniques.
- The placement of sanitation facilities.
- Sewage disposal techniques
- The disposal of building waste.
- Complications concerning asbestos material in existing construction.

19. In order to substantially lessen the chance that any of the above concerns will develop into a problem at any school site, the project is taking a number of mitigating measures:

⁴⁰ GoTL approved building codes and environmental safeguard standards and the environmental safeguard standards of the development partners will apply.

⁴¹ Prior to FY 06, virtually all construction/rehabilitation costs were borne by the donor community. As the government has committed to bear the costs of physical construction and rehabilitation starting in FY 07, there is no plan for the donor-financed portion of the project to contribute to meeting the costs of either school construction or rehabilitation contracts.

- The Government of Timor-Leste will contract qualified local civil works engineers to provide advice on and to monitor school and community managed school rehabilitation.
- The Government Project Operations Manual (POM) will detail the nature of the project's five listed environmental concerns (listed above) and provide suggestions on how to address each in the process of rehabilitation.
- A site proposal that includes drawings and descriptions of planned activities in respect to any of the above five concerns will be reviewed by the MoEC contracted civil engineers.

20. The civil works engineers will be required to visit each school that undertakes a rehabilitation program a minimum of four times. The four visits will include a visit during the planning process, two visits during rehabilitation and one visit on completion - at which time they will be required to sign off (i.e. provide approval) of completed works. Schools undertaking simple maintenance will be required to be visited at least twice; once before to receive guidance and once on completion of the work. Site monitoring records will be submitted to the Government every three months. The extent to which building codes apply and civil works guidance is required during the work will be determined on a school-by-school basis. If schools are only undertaking minor maintenance, it is anticipated that they will only require a single visit to the school to provide pre-activity guidance and an explanation of the relevant parts of the POM.

21. The attached matrix summarizes these concerns and how they will be addressed by ESSP.

Project Components	Implementing institutions	Activities	Primary Concerns	Mitigation Measures	Monitoring	
					Responsible	Indicators Frequency
Comp. 3: Construction/Rehabilitation Design and Quality Assurance	Primary and secondary schools.	Construction/rehabilitation of 550 school-buildings. School designs and rehab. models to be used have already been fully tested under FSQP and they are now standard	Required individual sites variations, for example: a) Placement of sanitation facilities. b) Use of sewage disposal techniques c) Disposal of building waste d) Complications concerning asbestos material in existing construction.	IFU will review each site and prepare adjusted designs to suit location and any unique circumstances, ensuring that building codes, environmental safeguard standards are maintained and fully adhere to the guidelines contained in the POM. POM will detail all required standards for wells, sewage disposal, facilities maintenance, building waste disposal etc.	a IFU	Adherence to all MoEC standards and applicable building codes IFU will visit sites before, during and after construction and rehabilitation. A minimum of five visits will be required. Site monitoring records are maintained at MoEC. IFU are required to sign off (i.e. provide approval) of all completed construction and rehabilitation.

Annex 11: Project Preparation and Supervision
TIMOR-LESTE: Education Sector Support

	Planned	Actual
PCN review	3/06/2006	03/06/2006
Initial PID to PIC		03/25/2006
Initial ISDS to PIC		06/07/2006
Appraisal	04/25/2007	04/25/2007
Negotiations	05/10/2007	05/10/2007
Board/RVP approval	06/19/2007	
Planned date of effectiveness	08/01/2007	
Planned date of mid-term review	08/01/2010	-
Planned closing date	01/31/2013	

Key institutions responsible for preparation of the project:

Ministry of Education and Culture with assistance from the World Bank and AusAID

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Jerry Strudwick	Task Team Leader	EASHD
Christopher J. Thomas	Sector Manager	EASHD
Steffi Stallmeister	Operations Officer	EACDF
Omporn Regel	Sr. Operations Officer	EASHD
Robert Scouller	Consultant - Facilities	
Philip Cohen	Consultant - Textbooks	
Bruce Harris	Consultant – Social Assessment	
Asgar Christensen	Lead Social Development Specialist	EASES
Stephen Close	Country Program Manager Timor-Leste and Myanmar	AusAID
Luke McNamara	Consultant – TVET	AusAID
Adam Shayne	Sr. Counsel	LEGEA
Junxue Chu	Finance Officer	LOAG1
David Chandler	Sr. Financial Management Specialist	EAPCO
Bisma Husen	Procurement Specialist	EAPCO
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Gaurav Datt	Senior Economist	EASPR
Steven Burgess	Sr. Operations Officer	EAPCO
Olivio Dos Santos	Team Assistant	EACDF
Rosario Aristorenas	Program Assistant	EASHD
Dorothy Judkins	Program Assistant	EASHD

Bank funds expended to date on program preparation:

- 1. Bank resources: USD 330,758.01
- 2. Trust funds: USD 133,057.13
- 3. Total: USD 463,815.14

Estimate Approval and Supervision costs:

- 1. Remaining costs to approval: USD 20,000
- 2. Estimated annual supervision cost: USD 85,000

Annex 12: Documents in the Project File
TIMOR-LESTE: Education Sector Support

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Annex 13: Promoting Good Governance

TIMOR-LESTE: Education Sector Support

1. There is an increasing consensus that lack of good governance impedes private sector development and, in broader terms, national economic growth. Addressing governance constraints is therefore a high priority. There is an increasing demand for public financial management and administration reform in order to improve resource allocation and transfers as well as social service delivery administration and management. At the same time, communities need to find their voice in the development planning process and exercise greater accountability over results.
2. Frequently citizens are limited by (a) a lack of opportunity to influence policies at national and sub-national levels that have a direct impact on their lives; (b) scarce access to essential information at local levels; (c) limited authority, administrative/financial capacity and resources to accelerate development at village and commune levels; and (d) inadequate means for dispute resolutions or channels for improving accountability of public officials due to the absence of the rule of law. Capacity constraints in Government often reflect the lack of empowerment of individuals to act than the need for more training.
3. The GoTL Decree Law 10/2005 proposes to strengthen institutions, combat corruption and improve governance (including reforming civil service administration, the legal and judicial system, and public expenditure and financial management).

Promoting good governance

4. One of the key objectives of ESSP is to enhance quality education service delivery by strengthening the accountability within the sector. In order to facilitate good governance, ESSP will:
 - In association with the AJR process and with the donors' regular reviews of the project, establish a peer group consisting of sector specialists residing in Timor-Leste and in the region to assess the quality of inputs and outputs. This will allow, for example, for regular qualified assessments of project supported initiatives such as capacity building.
 - Ensure that public documents related to the project are made available: (i) on a internet web site dedicated to the project; (ii) in hard copy format in the Public Information Center at the World Bank office in Dili, at the public library, at the MoEC in Dili, and at all MoEC district offices, and (iii) in CD format at the National University. The project will update project documents at these locations twice year. The MoEC will ensure that a web site is operational prior to Project Effectiveness, and that it includes updated information on project activities, including: nature of any contracts or grants awarded (estimated cost, scope of works, provider details); current estimate of the progress of implementation; concise information from other project related activities such as training, workshops, etc.; and up-to-date information concerning any problems, complaints and remedial actions. Access to this website will be unrestricted, and without limitations such as membership. The website will be updated twice a month. The responsibility for this will rest with the Directorate of Policy and Planning which will be assisted by the project-financed program facilitator.
 - Establish a mechanism whereby the media and civil society groups can become involved in monitoring the progress of the project. This mechanism will include regular sharing of information with the media (mainly via the website, press releases, and Radio and Television Timor-Leste (RTTL)). The project will also work closely with RTTL to ensure that public information programs

regularly report on ESSP activities and achievements. Copies of project relevant press cuttings will be filed by the program facilitator and shared with senior MoEC management for discussion.

- Promote accountability for results and transparency in resource allocation by encouraging stakeholder feedback mechanisms, public displays of information and community outreach efforts regarding school services, school grants, project inputs to schools (construction, rehabilitation, learning materials, for example). Each MoEC Directorate will provide accountability information to the public via a series of project-hosted six-monthly public accountability meetings. These meetings will be conducted in a manner that encourages civil society to express their questions and views.
- Where possible, institutionalize the role of communities in the life of the school in order to inspire trust in the capacity of schools to support the community and to establish and grow confidence in the services schools provide. Clear opportunities exist in two project supported interventions: the school grants program and the development of a pre-secondary curriculum module designed to develop young peoples' work skills and attributes through a community development project. As an incentive to engage communities in these efforts, ESSP will publicize how communities are participating at the school level on its website, through a series of press releases and via RTTL.
- Open a simple complaints handling mechanism, which includes maintaining a project complaint log and a mechanism to monitor the status and follow up of each complaint. The mechanism will include provision for follow up actions of substantial complaints by the Internal Auditors, or a third party auditor, to ensure independency and reliability of the process. Consideration will be given to including a complaints handling component in the website established for the project. The project will also address potential cases that are flagged in reports by staff, consultants and external parties such as the press. As this mechanism becomes established, ESSP will work with the MoEC to do a trial of a complaints handling and information mechanism for the entire Ministry program.
- Include a summary of project information and progress, including problems and solutions, in the Financial Management Reports made available to the donors and civil society forums. These reports will be made available in hard copies at the MoEC.
- Establish procedures to maintain proper project and procurement filing, including filing of correspondence, advertisements, bidding documents, evaluation reports, contract award and final contract documents.
- Establish procedures for regular reviews of accounting reports including all supporting documents (i.e. travel report, receipts, etc.).
- Conduct annual audits by third parties, which will include review of procurement and implementation results (end - use checks, quality and quantity of acquired goods, works or services, verification of payments, price comparison between contract price and market price, etc.).
- Appoint an Independent Auditor, with terms of reference agreeable to the Bank, who will submit annual reports which will include, *inter alia*, an assessment of the project implementing agency's internal control arrangements and an assertion that all project disbursements have been for expenditures that were eligible for financing.
- Specify rigorous payment validation procedures. For trainings, workshops and other activities alike, enhanced accounting evidence will be sought before payments are authorized. Provider invoices will be required to be formal invoices on letterheads with clear documentary trails and tax registration

numbers (where applicable); for goods procured transportation documents such as bills of lading for imports will also be asked for; and for expenses on workshops and training events, signed lists of all those attended funded training events with names and addresses will be required.

Annex 14: Statement of Loans and Credits
TIMOR-LESTE: Education Sector Support

Project ID	FY	Purpose	Original Amount in US\$ Millions					Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF	Orig.			Frm. Rev'd	
P088181	2006	TP Consolidation Support Program (CSP) I	0.00	0.00	0.00	0.00	0.00	0.88	0.33	0.00	
P087801	2005	TP-POWER SECTOR PRIORITY INVESTMENTS	0.00	0.00	1.39	0.00	0.00	1.33	1.30	0.00	
P079320	2004	TP-Third Agric.Rehabilitation Proj.	0.00	0.00	3.00	0.00	0.00	0.68	2.77	0.00	
P082942	2003	TP-Second Timor-Leste Petroleum Project	0.00	0.00	1.28	0.00	0.00	0.25	1.70	0.00	
P072647	2002	TP-FUNDAMENTAL SCHOOL QUALITY PROJECT	0.00	0.00	13.90	0.00	0.00	1.40	19.53	20.60	
P072654	2002	TP-Small Enterprises Project II	0.00	0.00	7.50	0.00	0.00	2.90	7.50	5.58	
P072461	2001	TP-Economic Institutions for Capacity B1	0.00	0.00	0.50	0.00	0.00	0.04	0.60	0.95	
P072648	2001	TP-2ND HEALTH SECTOR REHAB	0.00	0.00	12.60	0.00	0.00	3.24	12.60	9.61	
Total:			0.00	0.00	40.17	0.00	0.00	10.72	46.33	36.74	

TIMOR-LESTE
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
Total portfolio:		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 15: Country at a Glance

TIMOR-LESTE: Education Sector Support

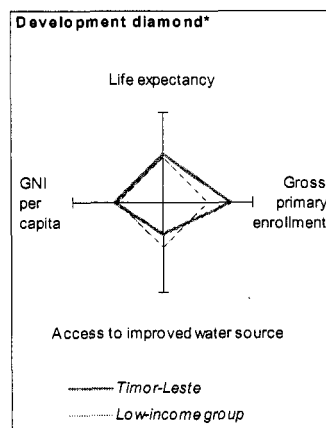
POVERTY and SOCIAL	Timor- Leste	East Asia & Pacific	Low- income
2004			
Population, mid-year (millions)	0.93	1,870	2,338
GNI per capita (Atlas method, US\$)	550	1,280	510
GNI (Atlas method, US\$ billions)	0.51	2,389	1,184

Average annual growth, 1998-04

Population (%)	17	0.9	18
Labor force (%)	2.5	11	2.1

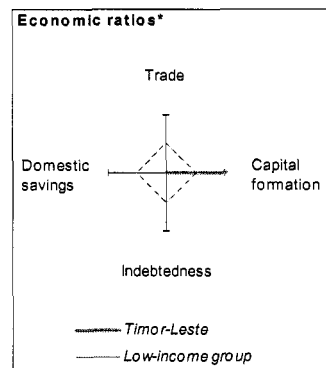
Most recent estimate (latest year available, 1998-04)

Poverty (% of population below national poverty line)
Urban population (% of total population)	8	41	31
Life expectancy at birth (years)	62	70	58
Infant mortality (per 1,000 live births)	87	32	79
Child malnutrition (% of children under 5)	43	5	44
Access to an improved water source (% of population)	52	78	75
Literacy (% of population age 15+)	..	90	61
Gross primary enrollment (% of school-age population)	143	113	94
Male	..	113	101
Female	..	112	88



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

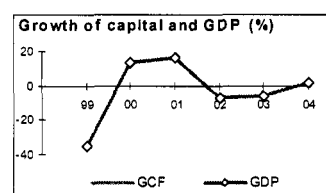
	1984	1994	2003	2004
GDP (US\$ billions)	0.34	0.34
Gross capital formation/GDP	27.0	..
Exports of goods and services/GDP
Gross domestic savings/GDP
Gross national savings/GDP	-32.0	..
Current account balance/GDP	12.8	..
Interest payments/GDP
Total debt/GDP
Total debt service/exports
Present value of debt/GDP
Present value of debt/exports



	1984-94	1994-04	2003	2004	2004-08
<i>(average annual growth)</i>					
GDP	..	-15	-6.2	18	..
GDP per capita	..	-3.3	-11.0	-3.5	..
Exports of goods and services

STRUCTURE of the ECONOMY

	1984	1994	2003	2004
<i>(% of GDP)</i>				
Agriculture
Industry
Manufacturing
Services
Household final consumption expenditure
General gov't final consumption expenditure
Imports of goods and services



	1984-94	1994-04	2003	2004
<i>(average annual growth)</i>				
Agriculture
Industry
Manufacturing
Services
Household final consumption expenditure
General gov't final consumption expenditure
Gross capital formation
Imports of goods and services

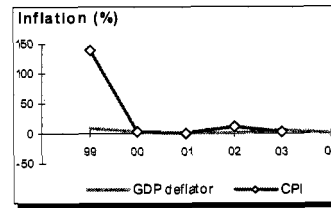
Note: 2004 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

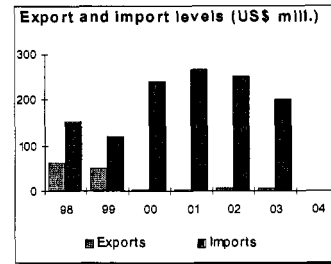
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

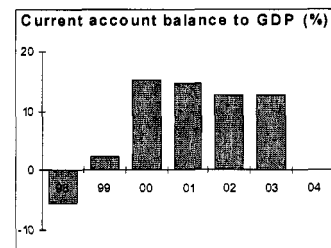
	1984	1994	2003	2004
Domestic prices				
(% change)				
Consumer prices	4.0	..
Implicit GDP deflator	4.2	-0.8
Government finance				
(% of GDP, includes current grants)				
Current revenue	19.0	..
Current budget balance	-53.0	..
Overall surplus/deficit	-72.0	..

**TRADE**

	1984	1994	2003	2004
(US\$ millions)				
Total exports (fob)	7	..
Commodity 1	6	..
Commodity 2
Manufactures
Total imports (cif)	203	..
Food
Fuel and energy
Capital goods
Export price index (2000=100)
Import price index (2000=100)
Terms of trade (2000=100)

**BALANCE of PAYMENTS**

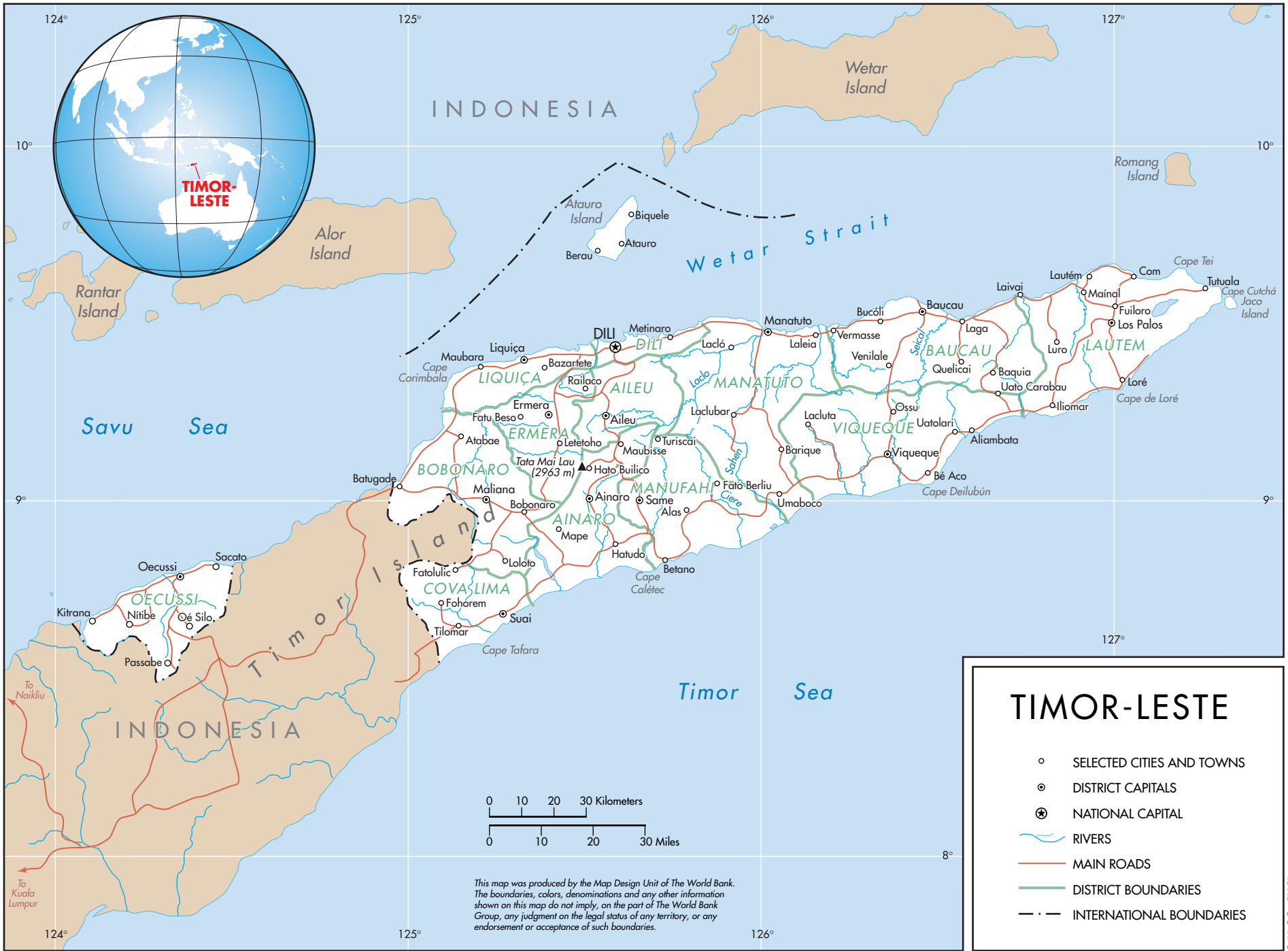
	1984	1994	2003	2004
(US\$ millions)				
Exports of goods and services
Imports of goods and services
Resource balance	-236	..
Net income	6	..
Net current transfers	273	..
Current account balance	43	..
Financing items (net)
Changes in net reserves
Memo:				
Reserves including gold (US\$ millions)
Conversion rate (DEC, local/US\$)	10	10

**EXTERNAL DEBT and RESOURCE FLOWS**

	1984	1994	2003	2004
(US\$ millions)				
Total debt outstanding and disbursed
IBRD
IDA
Total debt service
IBRD
IDA
Composition of net resource flows				
Official grants
Official creditors
Private creditors
Foreign direct investment (net inflows)
Portfolio equity (net inflows)
World Bank program				
Commitments
Disbursements
Principal repayments
Net flows
Interest payments
Net transfers

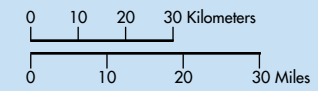
Note: This table was produced from the Development Economics LDB database.

8/25/05



TIMOR-LESTE

- SELECTED CITIES AND TOWNS
- ⊙ DISTRICT CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- DISTRICT BOUNDARIES
- INTERNATIONAL BOUNDARIES



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JANUARY 2005

IBRD 33496