

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUATEMALA

EDUCATION QUALITY AND COVERAGE IMPROVEMENT PROGRAM

(GU-L1087)

LOAN PROPOSAL

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3. Environmental and Social Management Report
4. Procurement plan
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2. Itemized budget
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ABBREVIATIONS

DIDEDUC	Dirección Departamental de Educación [Departmental Education Office]
DIGEBI	Dirección General de Educación Bilingüe Intercultural [Bilingual Intercultural Education Bureau]
DIGECADE	Dirección General de Gestión de la Calidad Educativa [Education Quality Management Bureau]
DIGEDUCA	Dirección General de Evaluación Educativa [Education Assessment Bureau]
DIGEESP	Dirección General de Educación Especial [Special Education Bureau]
MINEDUC	Ministry of Education
OEL	Optional electronic link
OPF	Organización de Padres de Familia [Parent organizations]
PADEP	Programa Académico de Desarrollo Profesional para Docentes [Academic Program for Professional Teacher Development]
PAPTN	Plan de la Alianza para la Prosperidad del Triángulo Norte [Plan of the Alliance for Prosperity in the Northern Triangle]
REL	Required electronic link

PROGRAM SUMMARY
GUATEMALA
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(GU-L1087)

Financial Terms and Conditions				
Borrower: Republic of Guatemala			Flexible Financing Facility ^(a)	
Executing agency: Ministry of Education (MINEDUC)			Amortization period:	25 years
			Original WAL:	15.25 years ^(b)
Source	Amount (US\$)	%	Disbursement period:	5 years
IDB (Ordinary Capital):	US\$150 million	100	Grace period:	5.5 years
			Inspection and supervision fee:	^(b)
			Interest rate:	LIBOR-based
			Credit fee:	^(b)
Total:	US\$150 million	100	Approval currency:	U.S. dollars charged to the Ordinary Capital
Program at a glance				
Program objective/description: The program's objective is to support efforts to improve preprimary and primary education at the national level. The specific objectives are to: (i) increase coverage and quality in preprimary schools; and (ii) help improve the quality of preprimary and primary education.				
Special contractual conditions precedent to the first disbursement of the loan: A contractual condition precedent to the first disbursement will be submission of the program's operating manual, to the Bank's satisfaction (paragraph 3.3).				
Special execution conditions: None.				
Exceptions to Bank policies: None.				
Project qualifies as: ^(c) SV <input checked="" type="checkbox"/> PE <input checked="" type="checkbox"/> CC <input type="checkbox"/> CI <input type="checkbox"/>				

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. When considering such requests, the Bank will take operational and risk management considerations into account.
- (b) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (c) SV (Small and vulnerable countries), PE (Poverty reduction and equity enhancement), CC (Climate change, sustainable energy, and environmental sustainability), CI (Regional cooperation and integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 Guatemala has substantially increased school coverage in recent years, particularly at the primary level. In 2011, the country already had a net primary school enrollment rate of 92.8%. However, it continues to have significant challenges in the education sector, such as the low net coverage rate at the preprimary level (5 and 6 year-olds), which is barely 45.6% of the school age population (470,000 children do not attend school at this level).¹ Guatemala has one of the lowest coverage rates in the region for that population group.² In addition, the education system faces challenges in retaining students, as reflected by the low enrollment rate at the secondary level (43.2% net enrollment in the basic cycle (7th to 9th grade) and 24% at the diversified secondary level 10th to 11th grade). The access and retention problems are coupled with the poor quality of learning throughout the student's entire school career starting with primary school, which is one factor that contributes to students dropping out of school.
- 1.2 **Preprimary.** Increasing the opportunities for school-aged children to attend preprimary school is necessary so that they can enter the educational system prepared to learn.³ Closing the gaps in the child's development in the first few years of life will help bridge future gaps in their school careers, and later on in their wages and wellbeing. The extensive literature on this subject has shown that providing quality childhood education as early as possible has multiple positive effects during their school life and in adulthood, and is a powerful way to promote social equity and justice and boost productivity.⁴
- 1.3 In terms of demand, one factor that helps explain poor enrollment rates is the low average family income, which in the vast majority of Guatemalan households is not sufficient to pay for private education at that level.⁵ Many families depend on free public education, which is insufficient.⁶ It is estimated that 23,500 classrooms need to be added in order to accommodate the children who are currently outside the formal preprimary school system. Furthermore, there are 5,129 primary schools that do not offer preprimary education. It follows that demand would be practically guaranteed in these schools if preschool classrooms were added.⁷
- 1.4 In addition to the investment in educational spaces, there should be well-prepared teachers, appropriate educational materials for teachers and students, as well as support services (such as school meals). Although there are thought to be teachers who could potentially fill new positions at the preprimary level, which would pave the way for the expansion of classrooms, it is unclear whether there

¹ [OEL5](#), Citation I.

² [OEL5](#), Citation II.

³ [OEL5](#), Citation V.

⁴ [OEL5](#), Citation VIII; [OEL5](#), Citation IX; [OEL5](#), Citation X.

⁵ [OEL5](#), Citation III.

⁶ [OEL5](#) Citation IV.

⁷ [OEL5](#), Citation III.

are enough teachers at this level in rural areas.⁸ Therefore, the possibility of training potential primary teachers to work in these geographic areas at that educational level should be considered.

- 1.5 **Physical condition of schools.** In recent years, very few new official schools have been built—too few to meet needs. Among other reasons, there are weaknesses in the Guatemalan government's ability to build schools on a large scale and in a timely manner, even in emergency situations such as after the earthquakes that damaged numerous Guatemalan schools in recent years. Limiting factors include the suitability and constructability of the sites where the schools are located, and the use of time-consuming traditional construction methods.⁹ Nonetheless, to the extent that the policy constraints preventing timely, efficient construction are overcome, the ongoing expansion of physical spaces can be promoted, to substantially increase school coverage.
- 1.6 School infrastructure problems are not limited to simply adding classrooms. The only significant interventions that have taken place in recent years were 3,200 minor repairs to schools, which were implemented through parent organizations (OPFs). The "Public School Repair and Maintenance Program" created by the Ministry of Education in 2012 by means of Ministerial Agreement 1352-2012 was responsible for repairing, refurbishing, and maintaining public school infrastructure. The interventions carried out by OPFs at the preprimary and primary level were financed by the IDB's Mi Escuela Progres (My School is Making Progress) Program (loan 2018/OC-GU). These interventions accounted for slightly more than 10% of schools at that level in the country. Given the positive outcomes achieved (in loan 2018/OC-GU), it is deemed appropriate to continue with this line of action over the next few years, since it is the only feasible way to have a similar impact in such a short time.
- 1.7 **Low level of learning at the primary level.** In addition to coverage challenges, there are issues with quality. National achievement tests in reading and mathematics have revealed low levels of learning at the primary education level. In 2013, only 46.6% and 45.8% of third grade primary students achieved a sufficient level of competence in reading and mathematics, respectively. Furthermore, only 35.7% and 45.8% of sixth grade students attained the expected level of achievement on reading and mathematics tests, respectively.¹⁰
- 1.8 **Teacher training.** To address the problem of poor learning levels, the Guatemalan government has implemented measures to improve teacher effectiveness. Guatemala was one of the few countries in Latin America where teachers only had to have secondary education. The 2012-2016 Strategic Plan for Education, which was formulated based on the educational policies issued by the National Education Council, establishes four strategic lines of action as the fundamental basis for implementing these policies: (i) improve classroom management by empowering the communities; (ii) build the capacities of teachers; (iii) meet coverage and quality needs; and (iv) develop a culture of accountability in all management areas. In particular, the second line of action

⁸ [OEL5](#), Citation III.

⁹ [OEL5](#), Citation XI.

¹⁰ [OEL5](#), Citation XVI.

calls for: (a) reforming initial training; (b) ensuring professional development and refresher training for in-service teachers; and (c) helping teachers and professors to implement the National Core Curriculum.¹¹ For this reason, MINEDUC ordered that teacher training be raised to the higher education level and that the required number of years of study be increased.

- 1.9 The challenge is even greater in rural areas, especially for indigenous populations, since many of the professionals that work in these regions do not have specific skills for working in special conditions. Although the literature is not conclusive on the impact of having teachers with a university degree, more preparation and training is expected to fill the initial training gaps of future teachers and prepare them to be effective in the classroom. Up until 2012, initial training for teachers at the preprimary and primary level was offered at teacher training colleges called *Escuelas Normales de Educación (Ciclo Diversificado*, or diversified secondary education). A requirement was introduced that year that new primary school teachers must have a higher education degree in primary education teaching. Starting in 2015, candidates who want to work in the country's primary schools must complete the diversified secondary education cycle (Baccalaureate in Sciences and Letters) and be trained as either primary school teachers or in one of the specialties offered at the university level. Preprimary school teachers will continue to be trained at the teacher training colleges.
- 1.10 Another action aimed at improving teacher performance is the Programa Académico de Desarrollo Profesional [Academic Program for Professional Teacher Development] (PADEP) for preprimary and primary school teachers, which has transcended several different administrations since it was introduced in 2010. A proposal has been made to raise the academic training of teachers to a higher level and improve their performance at the different educational levels and modalities. This involves in-service training, with a specialization in preprimary and primary education at the university level leading to the title of "professor." Its objectives include redefining curriculum management, processes, and organization so that teachers can improve their performance based on the sociocultural and linguistic characteristics of the region and community where they work. It also seeks to develop knowledge, skills, ethics, and creativity for independently resolving education problems.
- 1.11 PADEP is a two-year program with in-person courses as well as applications in the classroom. Teachers are required to take 20 courses, half in the common core area and the other half in specializations. It is offered by the Universidad de San Carlos de Guatemala. The degrees that are granted are: Professor in Intercultural Primary Education; Professor in Intercultural Preprimary Education; Professor in Bilingual Intercultural Primary Education, and Professor in Bilingual Intercultural Preprimary Education. Nearly 12,000 teachers have graduated from the program since it was created (approximately 10% of the total number of teachers working at those two levels), 2,000 of them in preprimary education and the rest in primary.¹²

¹¹ [OEL5](#), Citation XVIII; [OEL5](#), Citation XIX.

¹² [OEL5](#), Citation III.

- 1.12 **Educational resources.** As in the rest of the region, the most vulnerable households in Guatemala tend to have few educational resources that would positively impact academic performance, such as books.¹³ To close this gap, a second line of action to improve the quality of learning is the Leamos Juntos (Let's Read Together) program, which implemented a new model in the country in 2012 based on the universal availability and effective use of fiction and educational books for students at all levels.¹⁴
- 1.13 In this context, the program sought to provide libraries to official preprimary and primary schools in the country, which would include textbooks in mathematics and values. At the same time, in 2013 and 2014, the program trained 4,000 teachers in the development of reading skills.
- 1.14 **Migration of unaccompanied children and youths.** Since 2011, there has been an alarming increase in the irregular migration of unaccompanied children and youths to other countries, especially the United States, who are from the Northern Triangle of Central America (El Salvador, Guatemala, and Honduras).¹⁵ These three countries are facing coverage challenges due to the limited number of schools. For this reason, it was decided to pay special attention to implementing the program's activities in the 51 municipios in Guatemala considered to be a priority. Special consideration will be given to the possibility of expanding education opportunities, by increasing school offerings and improving the physical conditions for learning in those areas.
- 1.15 **Program rationale.** There are multiple causes for educational problems in Guatemala, which have been systematized in various studies.¹⁶ A large number of the problems are related to poverty. Others have to do with characteristics of the country's public education system, such as the insufficient physical supply, the low level of teacher training, especially teachers who work in rural or ethnic schools, the small percentage of rural teachers with the bilingual skills needed to serve a mostly indigenous population, the lack of classroom support for teachers, and an insufficient supply of educational materials. Many of these challenges are structural and not easy to resolve, either because they are part of historical, institutional, or economic arrangements that are difficult to change (education legislation, union relations, etc.), or they require long-term solutions that the country has only in recent years started to change (such as teacher training or increasing the number of bilingual teachers). Moreover, at 2.8% of GDP, Guatemala has one of the lowest percentages of public investment in education in the region, which limits the prospects for addressing the needs detected in a timely manner.¹⁷
- 1.16 **Program strategy.** Because the needs are so enormous—the financing required to bridge the gap until universal enrollment is achieved at non-university levels and improve quality over the next 15 years is estimated to total

¹³ [OEL5](#), Citation XIX.

¹⁴ [OEL5](#), Citation XXI; [OEL5](#), Citation XXII.

¹⁵ [OEL5](#), Citation XXIII.

¹⁶ [OEL5](#), Citation XXIV; [OEL5](#), Citation XXV; [OEL5](#), Citation XXVI.

¹⁷ UNESCO Institute for Statistics (2013) Website database <http://stats.uis.unesco.org>

US\$12.8 billion¹⁸—and given that resources are limited, the program will focus its actions on increasing coverage for 5 and 6 year old children in primary schools where there are no preprimary facilities,¹⁹ and on improving the physical conditions for instruction in rural and urban fringe schools. At least 20% of the financing for these actions will be allocated to the geographic areas prioritized in the Plan de la Alianza para la Prosperidad del Triángulo Norte [Plan of the Alliance for Prosperity in the Northern Triangle] (PAPTN).²⁰ In turn, since quality problems are so pervasive, the actions aimed at improving the effectiveness of teaching and the availability of books and educational materials will be universal. This program will provide continuity and will deepen the activities initiated by the Bank under loan 2018/OC-GU. The program is supplemented by other similar initiatives in secondary education by Kreditanstalt für Wiederaufbau (KfW) and the World Bank, which are working at the secondary level on the repair and construction of schools, the procurement of books, and the development of flexible enrollment methods.

- 1.17 **Strategic alignment of the program.** The program is aligned with the Bank's strategies and relevant sector frameworks. In regard to the 2012-2016 country strategy with Guatemala (document GN-2689), the program is consistent with the strategy's sector focus, which seeks to: (i) improve the budget planning and execution capacity of the Guatemalan government and the transparency in expense allocation; and (ii) strengthen the social safety net framework, by improving the availability of culturally relevant education services (paragraph 3.12). It is also in line with paragraph 5.1.c of that strategy which calls for additional support for the education sector based on the degree of implementation of loan 2018/OC-GU. The program will contribute to the lending priorities of the Ninth General Increase in the Resources of the Inter-American Development Bank (GCI-9) (document AB-2764), particularly in the poverty reduction and equity enhancement areas, as well as financing for small and vulnerable countries. It is also consistent with the priority areas for loans and analytic work set out in the Strategy on Social Policy for Equity and Productivity (document GN-2588-4), particularly through investments in early childhood, education quality, and poverty reduction. In addition, the operation is consistent with the Education and Early Childhood Development Sector Framework Document (document GN-2708-2), by ensuring that students have effective teachers, begin primary school prepared to learn, and have sufficient educational resources.
- 1.18 **Bank support of education.** The Bank has supported the country for several years through loan 2018/OC-GU (for US\$150 million), which includes actions to improve school infrastructure and education quality at the preprimary and primary level. The program initially had management problems, which led to its reformulation in 2012. Following that reformulation, execution has accelerated in the last three years, with the disbursement of 56% of the loan proceeds. This, among other things, has laid the foundation for this new operation. It is expected

¹⁸ [OEL5](#), Citation XXVII.

¹⁹ Adding preschool classrooms to existing primary schools in Argentina resulted in increased enrollment in preprimary school. See [OEL5](#), Citation XXVIII.

²⁰ [OEL5](#), Citation XXXVII.

that nearly 70% of the program resources will be disbursed by the end of 2015. Between 2012 and 2014, 3,200 preprimary and primary schools were repaired, which benefited more than 350,000 children, 70% of whom attend rural bilingual schools; 7.35 million reading books were supplied to 27,800 official schools at those two levels, which benefited 2.8 million students (the books were in Spanish and 11 national languages); 2.6 million notebooks and textbooks were printed; 15,600 teachers were trained and supported in how to teach reading and writing, mathematics, and values; and special education was supported by providing 12,200 educational games for all levels of preprimary and primary education. Based on these achievements, the complementarity of the activities proposed in this new program, and the need to strengthen and promote the institutionalization of the work currently in progress and the value added resulting from it, the new operation seeks to ensure the continuity of the actions.

- 1.19 The experience with loan 2018/OC-GU over the last few years has been satisfactory. There are three reports that favorably assess several different aspects:²¹ a midterm review, a report on the delivery and use of reading books for preprimary and primary schools in the country, and a third report on the management of the repairs made by parent organizations. In particular, the participation of parents and the school community in the execution of MINEDUC programs has a long history in the country. The World Bank supported the development of these programs and positively evaluated their contribution to increased coverage in rural areas.²² The educators financed through this channel were later added to the government payroll.
- 1.20 **Lessons learned.** There are several lessons learned that have been incorporated into the proposed program. One of the main ones was that the difficulty repairing classrooms in a centralized manner led to the flexible OPF system and the gradual correction of the processes used to select and monitor the repaired schools. In regard to the procurement of books, the current selection method will continue to be used, which consisted of switching from a localist approach to planning, to an academic, universal, and quality-based approach. In addition, the execution of the current operation by different ministries has not had the expected results, which is why the program proposes unidirectionality on the part of MINEDUC as the policy-making agency responsible for education in Guatemala. Given the lack of control, the method used to distribute teaching materials (books, special education materials, textbooks, etc.) was adjusted and made more efficient, based on the size and type of school that would receive them. Finally, to ensure effective teachers at the preprimary school level, the training and preparation requirement was raised with respect to what had been considered in previous experiences.²³

²¹ [OEL5](#), Citation XXIX; [OEL5](#), Citation XXX; [OEL5](#), Citation XXXI.

²² [OEL5](#), Citation XXXII.

²³ An international consulting assignment that is currently in progress is analyzing the proposal to raise teacher training in Guatemala to the post-secondary level of education (see [OEL7](#)). If applicable, it will recommend incorporating suggestions stemming from international best practices for teacher professional development.

B. Objectives, components, and cost

- 1.21 **Program objectives.** Support efforts to improve preprimary and primary education at the national level. The specific objectives are to: (i) increase coverage and quality in preprimary schools; and (ii) help improve the quality of preprimary and primary education.
- 1.22 The actions to be taken under this program will also cover the geographic areas prioritized under the PAPT. In addition, by helping to close gaps in the coverage and quality of education, this operation seeks to create more opportunities for the vulnerable population, the lack of which is one of the main reasons for emigration.
- 1.23 **Component I. Upgrading and refurbishing of schools (US\$88.8 million).** School infrastructure work will salvage, improve, and expand preprimary and primary schools, with an emphasis on rural and urban fringe areas. At least 20% of the financing for this work is projected to be allocated to the geographic areas to be prioritized in the PAPT. This component is divided into the following subcomponents:
- 1.24 **Subcomponent I.1. Upgrading of preprimary schools (US\$63.7 million).** This subcomponent seeks to increase preprimary school coverage by around 30,000 seats, especially in rural bilingual areas, by adding 2,000 new modular units to schools and outfitting them, which represents 8.5% of the classrooms needed to achieve universal coverage. In addition, this investment will cover, on a priority basis, primary schools that do not yet have infrastructure for preprimary education.
- 1.25 The eligibility criteria for new infrastructure projects are as follows: (i) they are located in areas not threatened by natural and social risks under current legislation, and the land is not subject to the enforcement of environmental mitigation measures (for example, there is a potential for landslides or flooding); and (ii) there is an official primary school operating on the property that does not have registered preprimary school facilities.
- 1.26 Financing will be provided for hiring teachers for the first two years, to promote increased preprimary coverage in the upgraded schools. In the third year, the borrower will take over responsibility for their pay.
- 1.27 **Subcomponent I.2. Strengthening programs to support the executing agency (US\$5.6 million).** Under the program, the executing agency will transfer resources to the OPFs associated with the schools mentioned above so that each community can ensure the provision of school supplies, meals, and teaching materials.²⁴
- 1.28 Funds will be transferred in accordance with the provisions and agreements in place governing the transfer of financial resources to educational boards and other legally established family organizations.

²⁴ To address the malnutrition problem that affects early childhood development, Guatemala has implemented specific actions that are supported by the Bank through the "Salud Mesoamérica 2015" initiative and the program "Improved Access and Quality of Health and Nutrition Services - Phase I" (loan 2328/BL-GU).

- 1.29 **Subcomponent I.3. Refurbishing of deteriorated classrooms at the preprimary and primary levels (US\$19.5 million).** The objective of this subcomponent is to support the improvement and maintenance of the physical infrastructure of public schools. To this end, resources must be provided to the educational boards and legally established OPFs. The repair of 3,000 schools is planned under this subcomponent (9% of the total number of official schools in the country).
- 1.30 All interventions will be carried out in national territory. The criteria for selecting schools are: (i) they must be part of the database of schools that have a legally established OPF, some of which will be selected for site visits; (ii) they should preferably be rural, and ideally bilingual (60% of the total), or in urban fringe areas; and (iii) they should be small schools with five or fewer preprimary or primary teachers.
- 1.31 The same arrangements will be followed as in loan 2018/OC-GU, which include the following stages: identification and prioritization, local validation, evaluation and approval, disbursement of funds, execution, monitoring and acceptance of the work performed.
- 1.32 **Component II. Enhancing the quality of instruction and learning (US\$54.5 million).** This component is divided into two subcomponents: (i) improvement of teacher quality; and (ii) promotion of reading, mathematics, and values.
- 1.33 **Subcomponent II.1. Improvement of teacher quality (US\$32.2 million).** Support will be provided for the professional development of primary school teachers through the Universidad de San Carlos de Guatemala. The Strategy to Ensure Quality Education for Guatemalan Children and Youth includes five career tracks, which will be supported by this subcomponent: University level teacher training in Bilingual Intercultural Education, Intercultural Education, Productivity and Development, Artistic Expression, and Physical Education.²⁵ During the period it is in force, it will finance the studies of approximately 9,000 teachers (7% of current teachers).
- 1.34 The training will take place over six cycles lasting one semester each. The students will attend classes every day for six hours a day. They will study a core curriculum with 16 subjects, a specialized curriculum with 12 subjects (the third cycle includes both curricula), and three different types of practices, always with tutors. The observation practice will take place during the first and second cycles, assistantship practice will be during the third and fourth cycles, and classroom teaching practices will take place in the fifth and sixth cycles. In addition a seminar focused on action/research will be offered in the last two cycles, and this action/research will be developed in the sixth cycle.
- 1.35 The teachers needed to fill vacancies in the new preprimary classrooms (Subcomponent I.2) who do not have the corresponding degree will take refresher training through PADEP. Resources are included to provide refresher training for approximately 3,000 teachers through this program.

²⁵ When selecting students for Higher Teacher Training, priority will be given to those who decide to study one of the two career paths related to intercultural education.

- 1.36 **Subcomponent II.2. Promotion of reading, mathematics, and values (US\$22.3 million).** Books, textbooks, and educational materials will be acquired for schools, teachers, and students. Teachers will be trained and monitored on the use of these materials. No less than 80% of this subcomponent's resources will be used to purchase and distribute reading books, textbooks, and educational materials to all official preprimary and primary schools in the country.
- 1.37 Books will be selected to ensure that they are relevant to the teaching-learning process. The following technical criteria will be used: participation of MINEDUC officials and external specialists in the field of reading and children's literature; use of prototypes based on the educational level and number of teachers per classroom at the preprimary and primary level during the distribution phase; appropriate language and illustrations with respect to gender, environmental, and cultural diversity issues (in particular selecting intercultural bilingual texts); and the quality of the paper and illustrations.²⁶ As for educational materials, the relevant MINEDUC departments will be involved, based on the population to be served (preprimary, primary, bilingual intercultural, or special).
- 1.38 **Administration, supervision, and evaluation (US\$6.7 million).** This includes the administration costs required for the overall supervision and monitoring of the program, as well as for program evaluations and audits. It also includes the cost of verifying property rights or the legal ownership of the land on which the interventions carried out under Component I may take place.
- 1.39 All components, subcomponents, and actions to be carried out are linked to and are consistent with the Guatemalan government's budget structure, as indicated in [Annex III](#).
- 1.40 **Cost and financing.** The total program cost is US\$150 million, financed with the Bank's Ordinary Capital resources, as shown in Table I-1. For more details, see [OEL2](#).

Table I-1: Total Budget by Component

Description		Amount (US\$)	%
Component I. Upgrading and refurbishing of schools		88,810,600	59
I.1	Upgrading of preprimary schools	63,713,600	42
I.2	Strengthening programs to support the executing agency	5,616,500	4
I.3	Refurbishing of deteriorated classrooms at the preprimary and primary levels	19,480,500	13
Component II. Enhancing the quality of instruction and learning		54,524,035	36
Improvement of teacher quality		31,980,584	22
II.1	Initial teacher training through Universidad de San Carlos de Guatemala	24,936,000	17
	Training of preprimary school teachers under the PADEP	7,044,584	5
II.2	Promotion of reading, mathematics, and values	22,543,451	14
Administration and monitoring		6,665,365	5
Administration, tracking, monitoring, and audits		5,665,365	4
Evaluation		1,000,000	1
TOTAL		150,000,000	100%

²⁶ This procedure was defined as part of the program's work plan and is described [OEL5](#), Citation XXXIII.

C. Key outcome indicators

- 1.41 The overall impact of the program will be measured through the following indicators: (i) with respect to the children who will benefit from upgraded preprimary schools, the impact will be measured by the improvement in first-grade students' reading and mathematics skills; and (ii) with respect to the children benefited by the intervention involving the initial training of primary school teachers, the impact will be measured by the improvement in third-grade students' mathematics and reading/writing scores. The results of the infrastructure component will be measured by changes in the enrollment of five to six year-olds in preprimary school. The results of the quality component will be measured by indicators on graduates from teacher training and development programs and changes in classroom teaching practices, among others. The key indicators included in the Results Matrix are shown in Annex II.
- 1.42 **Cost-benefit evaluation.** The ex ante economic analysis of the program performed using the cost-benefit methodology yielded positive results. The main benefits are linked to the wage differentials expected in the future that are earned by those students who benefited from quality preprimary education, compared to those who did not receive such education. These estimates are considered a floor, since they do not include positive externalities commonly associated with this type of intervention (such as the impact on lower crime rates, drug addiction, or savings in healthcare costs), which are factors that would increase the program's social return. The ex ante evaluation of program benefits shows that the net present value is positive. The internal rate of social return ranges from 15% to 18%, depending on the scenario that is considered, which is higher than the 12% discount rate that represents the program's opportunity cost (see [OEL1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This is a special investment program charged to the Ordinary Capital, with a disbursement period of five years. The disbursement schedule should be as follows:

Table II-1: Disbursement schedule

	Year I	Year II	Year III	Year IV	Year V	Total
In US\$ millions	7.2	32.3	35.9	50.8	23.8	150
%	5%	21%	24%	34%	16%	100%

B. Environmental and social risks

- 2.2 In accordance with the guidelines of the Environment and Safeguards Compliance Policy (OP-703), this is classified as a category "B" operation. The program calls for minor repairs to schools and the addition of preprimary classrooms. These construction activities may have minor environmental impacts inherent to the construction of small civil facilities.

- 2.3 The potential negative social or environmental impacts that could be caused by the interventions are minor and short term. However, the applicable mitigation and control measures will be taken, which are widely known and easily implementable for these types of small-scale civil facilities. Special attention will be given to impacts that could occur during the installation of the modular units described in Subcomponent I.1, especially with respect to occupational safety and health issues. The operation does not involve the resettlement of people for any of the planned works, and therefore the Resettlement Policy (OP-710) is not applicable (see [EER3](#)).

C. Fiduciary risks

- 2.4 Annex III, Fiduciary Agreements and Requirements, describes the identified risks, their potential impacts, and the mitigation actions for reducing the likelihood of their occurrence, based on MINEDUC's experience in the execution of loan 2018/OC-GU. The main fiduciary risks relate to the procurement of goods and services. The risk will be mitigated through ongoing training of the executing unit and continuous monitoring of competitive bidding processes by the IDB, as well as the enforcement of Bank policies when MINEDUC is in charge of contracting the construction of modular classrooms or the procurement of related goods, services, and consulting services.
- 2.5 No financial management risks have been identified, since the national policies accepted by the Bank are being used and they already incorporated the recommendations made in the Fiduciary Agreements and Requirements for the financial management of Bank programs. MINEDUC will continue to comply with the agreements and requirements established for the program's financial management that are set out in the Fiduciary Agreements and Requirements, and will implement the actions and recommendations specified therein.

D. Other program risks

- 2.6 Four main risks have been identified. The first refers to the fact that the upcoming change in government could delay the fulfillment of the conditions precedent to the first disbursement, due to the exit of key officials with the ministry responsible for the fulfillment of these conditions. The second is associated with the fact that this change could cause a revision of education policy priorities by the next government administration (2016). To mitigate these risks, an information strategy will be formulated to disseminate and expand upon the operation's gains. The third risk is that the budget may be restructured due to a change of priorities in the program's execution. To mitigate this risk, the budget structure and programming were defined based on the expected outcomes and in accordance with the Integrated Financial Management System (SIAF). Lastly, there is the risk of procurement delays or problems in carrying out procurement processes. To mitigate this risk, the IDB's policies and local procurement laws will be followed. In addition, the joint planning and scheduling of the program's procurement processes will continue to be carried out the same way they were in loan 2018/OC-GU. For all of these risks, meetings and workshops will be conducted with the new authorities to inform them of the different aspects of the program.

- 2.7 Lastly, given the continuity of many of the actions proposed in this program over several government terms in office and the broad consensus regarding existing needs and the measures that have been adopted, the likelihood of these risks occurring is medium.
- 2.8 **Sustainability.** The risks involving the sustainability of program investments are low. The Guatemalan government will ensure continued coverage of the recurring expenses of this program using its own resources. These expenses are: (i) the construction of preprimary schools; and (ii) higher education teacher training. In both cases, the program's importance lies in the promotion and consolidation of these actions. There is the Government of Guatemala's commitment to use local resources to pay for the new teachers after their first two years on the job, together with background indicating that this was what was done in similar situations in the past (see paragraph 1.20).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency.** The borrower will be the Republic of Guatemala and the executing agency will be MINEDUC, which will be responsible for implementing the program through: (i) the Education Quality Management Bureau (DIGECADE); (ii) the Bilingual Intercultural Education Bureau (DIGEBI); (iii) the Education Assessment and Research Bureau (DIGEDUCA); (iv) the Special Education Bureau (DIGEPA); (v) the Community Participation and Support Services Bureau (DIGESPA); (vi) the Education Planning Office (DIPLAN); (vii) the corresponding Departmental Education Offices (DIDEDUC); and (viii) any others needed to execute the operation. In addition, the OPFs, through the transferred funds, will participate in the execution of Subcomponent I.2 "Strengthening programs to support the executing agency" and Subcomponent I.3 "Refurbishing of deteriorated classrooms in preprimary and primary schools."
- 3.2 The offices and bureaus involved in this operation and authorized by MINEDUC will have administrative, operating, and financial responsibilities, as set out in the program operating manual, to ensure the proper planning and execution of the activities and their subsequent evaluation. A summary of the program's implementation arrangements can be found in [OEL8](#). See [OEL3](#) for the assessment of the program's institutional capacity. For infrastructure, MINEDUC will strengthen its installed capacity to achieve the program's objectives.
- 3.3 **Program operating manual.** The program operating manual, which is currently in preparation, will spell out the strategy for executing the operation. Among other things, this manual will include: (i) the program's organizational structure; (ii) the technical and operational arrangements for program execution, including eligibility criteria and the targeting of investments; (iii) the programming, monitoring and evaluation of outcomes; (iv) financial, auditing and procurement procedures; (v) the environmental and social management plan, under the terms required by the Bank; and (vi) supplementary annexes that will facilitate program execution and monitoring, such as the results matrix, the risk matrix, the monitoring and evaluation plan, the fiduciary agreements, and the model

institutional agreement on participation with the Universidad de San Carlos de Guatemala. **A contractual condition precedent to the first disbursement will be submission of the program operating manual to the Bank's satisfaction.**

- 3.4 **Procurement.** The program will use a similar arrangement to that used in GU-L1023, which was based on the mechanics for transfers (see paragraph 1.6 and 1.8 to 1.20). When the procurement of works, goods and consulting services is fully or partially financed by the loan proceeds, the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank will apply (document GN-2350-9).
- 3.5 Procurement will be subject to ex ante review, as set out in Annex III. Procurement processes must be included in the procurement plan approved by the Bank, and must follow the established methods and ranges. A procurement plan will be approved for the first 18 months of the program, which will be monitored, carried out, and updated using the tools agreed upon with the Bank.
- 3.6 **Advance procurement and retroactive financing.** The Bank may retroactively finance and charge to the loan resources those eligible expenditures that were made by the borrower prior to the loan approval date, but after 21 May 2015 (project profile approval date), up to the amount of US\$15 million (10% of the loan). These expenditures may be transferred to Universidad de San Carlos de Guatemala under the terms of Component II, Subcomponent II.1. These expenditures will be recognized provided they meet requirements and procedures substantially similar to those set out in the loan contract.
- 3.7 **Financial management.** MINEDUC will be responsible for the financial management of the program, and will submit audited financial statements within 120 days of the close of each fiscal year, or the date of the last disbursement. The executing agency will hire an external audit firm acceptable to the Bank, based on terms of reference previously approved by the Bank. Disbursements will be made against recognition of expenditures and advances, as required by the financial plan, pursuant to the terms of policy OP-273-6. Program financial management will be performed in accordance with the Integrated Financial Management System (SIAF).

B. Summary of results monitoring arrangements

- 3.8 **Monitoring arrangements.** The program will include a system for tracking, monitoring, and evaluating the program indicators in accordance with the project management standard. This system was established based on the experience and existing resources of MINEDUC. It will include the results matrix, indicator baselines, the identification of data sources, information flows, and responsibilities for collecting such information, within the context of the monitoring and evaluation plan (see [EER2](#)).
- 3.9 The monitoring and tracking actions will have two components: (i) tracking of program activities, for the purpose of producing descriptive periodic reports (semiannual) for the authorities responsible for the program, which will describe the progress made in each component in terms of the execution of the multiyear and annual work plans; and (ii) monitoring of the program's progress in order to

verify the correspondence between the activities being carried out and the progress made in achieving the program indicators, for the purpose of making recommendations in the event any adjustments need to be made in the program's execution.

- 3.10 **Results evaluation arrangements.** To evaluate the program's impacts, two impact evaluations will be conducted. The impact of the initial teacher university training on teacher effectiveness and student learning will be evaluated. To determine the impact on teacher effectiveness, the performance of the teachers benefited by the program will be compared to that of teachers who did not go through the university training program (comparison group), using the Stallings classroom observation system.²⁷ To determine the impact on student learning, the average performance on standardized mathematics and language tests taken by the students benefited by the program (treatment group) will be compared to the performance of the comparison group.
- 3.11 The program to upgrade preprimary schools will be evaluated using an experimental design, taking advantage of the fact that the upgrading of schools will be staggered over three years. The tool developed by the Regional Project on Childhood Development Indicators (PRIDI) will be administered to children in the treatment and comparison groups at the beginning of first grade, and reading and mathematics tests (ELGI and EGMA) will be administered toward the end of that same year. To determine the program's impacts, the average performance on the tests of children in the treatment group will be compared to that of children in the comparison group (see [EER2](#)).

²⁷ Stallings is a classroom observation system that generates quantitative information on the interaction of students and teachers in the classroom (see [OEL5](#), Citation XXXVI).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending to small and vulnerable countries Lending for poverty reduction and equity enhancement		
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)	Students benefited by education projects Teachers trained		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix			
Country Program Results Matrix	GN-2805	The intervention is included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.4		10
3. Evidence-based Assessment & Solution	10.0	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	8.5	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	0.0		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	9.8	33.33%	10
5.1 Monitoring Mechanisms	2.3		
5.2 Evaluation Plan	7.5		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Low		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting.	
Non-Fiduciary	Yes	Monitoring and Evaluation National System.	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The evaluation will contribute to close the knowledge gaps concerning the impact of college training for teachers, in elementary school student performance, as well as the impact of attending a pre-elementary school center in cognitive and socio-emotional development, and student learning in the context of a developing country.	

The main problem that the project aims to alleviate is the low coverage of 46% of children aged 5 to 6 in preschool levels. On the demand side, low household income leaves families subject to public supply of educational services. It is estimated that 23,500 more classrooms are needed. This provision needs to be complemented with teachers and materials. The second problem the project aims to alleviate is the low quality of education provision in elementary school. In 2013, only 47% of the students had an appropriate reading competency for their grade. One of the main limiting factors identified is teacher training which was supplied by secondary school level institutions until 2012. The program also aims to provide books and teacher training to support the development of reading skills. The factors associated in the diagnosis are based on the education sector strategic plan and the evidence provided is supported from multiple sources, mostly from government agencies. The effectiveness of interventions is based on international evidence for each component.

The results matrix includes SMART indicators. The outputs are clearly identified and the vertical logic is clear. The cost-benefit analysis appropriately assesses benefits, is based on reasonable assumptions, and includes a sensitivity analysis. The estimated costs are not all clearly related to project costs. The monitoring plan includes product indicators with annual goals, but the costs are not associated to each product. The costs add to the total loan amount.

The project proposes two impact evaluations. The first one aims to assess the effects of pre-service teacher training on student learning through a differences in differences methodology. The second impact evaluation aims to assess the effects of the habilitation of schools through an experimental design.

The main identified risks are classified as medium. The risks are associated with changes in authorities, changes of policy priorities and delays in acquisitions. The proposed mitigation actions include strategies to inform new authorities so as to promote retention of trained personnel in procedures, the inclusion of the programming of disbursements in the annual budget, and the use of IDB policies and hiring and acquisition rules.

RESULTS MATRIX

Program objective	Support efforts to improve preprimary and primary education at the national level. The specific objectives are to: (i) increase coverage and quality in preprimary schools; and (ii) help improve the quality of preprimary and primary education.		
Impact outcomes	Baseline	Final target	Observations
Difference in first grade reading test scores between students who attended a preprimary school benefited by the program and a comparison group (standard deviations)	0	+ 0.1 ¹	To evaluate subcomponent I.1 (upgrading of preprimary schools), performance will be measured in terms of the difference in the ELGI and EGMA test scores between students benefited by the program and students in the comparison group. The EGMA and ELGI tests measure student mathematics and reading skills, respectively, in the first few grades of primary education. The Ministry of Education has experience in administering these tests. Source: Program impact evaluation
Difference in first grade mathematics test scores between students who attended a preprimary school benefited by the program, and a comparison group (standard deviations)	0	+ 0.1 ¹	
Difference in third grade reading test scores between students who attended a primary school benefited by the program and a comparison group (standard deviations)	0	+ 0.1 ¹	To evaluate subcomponent II.1 (improvement of teacher quality), learning will be measured through mathematics and reading tests for third graders. The Ministry of Education regularly administers tests for this grade. These tests will be specifically adapted and administered to the students benefited by the program and students in the comparison group. Source: Program impact evaluation
Difference in third grade mathematics test scores between students who attended a primary school benefited by the program, and a comparison group (standard deviations)	0	+ 0.1 ¹	

¹ Regarding the expected impacts of the program to upgrade preschool classrooms, in Argentina attending preschool for one year was found to increase scores on language and math tests in third grade by 0.23 standard deviations (Berlinski, Galiani, and Gertler, 2009). Teacher training programs have an impact of approximately 0.12 standard deviations on student learning tests (McEwan, 2014).

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Observations
Component 1. Upgrading and refurbishing of schools								
Subcomponent I.1. Upgrading of preprimary schools								
Outputs								
Number of preprimary modular classrooms installed	0	0	0	500	750	750	2,000	Source: Program monitoring reports
Number of preprimary modular classrooms with furniture	0	0	0	500	750	750	2,000	Source: Program monitoring reports
Temporary classrooms upgraded	0	0	500	750	750	0	2,000	Source: Program monitoring reports
Outcomes								
Preprimary coverage rate (%)	45.6	0	0	47.3	49.1	49.1	49.1	For 5 and 6 year old children Source: MINEDUC
Number of children that use preprimary services in the schools upgraded by the program	0	0	7,500	18,750	30,000	60,000	116,250	Source: Program monitoring reports
Boys		0	3,750	9,375	15,000	30,000	58,125	
Girls		0	3,750	9,375	15,000	30,000	58,125	
Number of children benefited in the areas prioritized by the PAPT	0	0	1,500	3,750	6,000	12,000	23,250	This is a subset of the previous indicator. Source: Program monitoring reports
Boys		0	750	1,875	3,000	6,000	11,625	
Girls		0	750	1,875	3,000	6,000	11,625	
Subcomponent I.2. Strengthening programs to support the executing agency								
Outputs								
Number of preprimary children who receive school supplies	0	0	7,500	18,750	30,000	60,000	116,250	Source: Program monitoring reports
Boys		0	3,750	9,375	15,000	30,000	58,125	
Girls		0	3,750	9,375	15,000	30,000	58,125	
Number of preprimary school teachers who receive teaching materials	0	0	500	1,250	2,000	4,000	7,750	Source: Program monitoring reports
Number of meals delivered to preprimary students	0	0	675,000	3,375,000	5,400,000	10,800,000	20,250,000	School meals delivered daily to children. Source: Program monitoring reports
Number of annual transfers of funds to program teachers at preprimary schools	0	0	250	1,250	1,750	750	4,000	In year 1, funds will be transferred to 500 teachers for only six months. Those same teachers will receive funds for only six months in year 3, in order to fulfill the 2-year payment obligation. Source: Program monitoring reports

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Observations
Outcomes								
Number of children that use preprimary services in the schools upgraded by the program	0	0	7,500	18,750	30,000	60,000	116,250	Source: Program monitoring reports
Boys			3,750	9,375	15,000	30,000	58,125	
Girls			3,750	9,375	15,000	30,000	58,125	
Number of children benefited in the areas prioritized by the PAPTN	0	0	1,500	3,750	6,000	12,000	23,250	This is a subset of the previous indicator. Source: Program monitoring reports
Boys			750	1,875	3,000	6,000	11,625	
Girls			750	1,875	3,000	6,000	11,625	
Subcomponent I.3. Refurbishing of deteriorated classrooms at the preprimary and primary levels								
Outputs								
Number of repaired and/or refurbished preprimary schools with parent organizations (OPF)	0	0	300	300	300	0	900	Source: Program monitoring reports
Number of repaired and/or refurbished primary schools with OPF	0	0	700	700	700	0	2,100	Source: Program monitoring reports
Outcomes								
Number of preprimary children with classrooms improved by the refurbishing program	0	0	45,000	45,000	45,000	0	135,000	Source: Program monitoring reports
Boys		0	22,500	22,500	22,500		67,500	
Girls		0	22,500	22,500	22,500		67,500	
Number of primary children with classrooms improved by the refurbishing program	0	0	105,000	105,000	105,000	0	315,000	Source: Program monitoring reports
Boys								
Girls		0	52,500	52,500	52,500		157,500	
		0	52,500	52,500	52,500		157,500	

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Observations
Component 2. Enhancing the quality of instruction and learning								
Subcomponent II.1 Improvement of teacher quality								
Outputs								
Number of annual transfers for preprimary teachers in PADEP training activities each year	0	250	1,250	1,750	1,750	1,000	6,000	Teachers in the PADEP are trained for two years; 500 teachers start mid-way through year 1. In year 2, these year 1 teachers will continue, plus another 750 new teachers; mid-way through year 3, the 500 year 1 teachers will finish, and by the end of that year, the 750 who started in year 2 will finish. At that point, 750 more teachers will start. In year 4, the 750 who started in year 3 will finish, and another 1,000 will enter the program who will finish in year 5. Source: Program monitoring reports
Number of annual transfers for primary teachers in university training activities each year	3,000	6,000	9,000	6,000	3,000	0	24,000	The teachers receive three years of university training. The last two years of professional training of Cohort 1 (3,000 teachers) who started in 2015 will be financed. All three years of training will be financed for Cohort 2 (3,000 teachers), who will start in 2016. All three years of training will be financed for Cohort 3 (3,000 teachers), who will start in 2017. Source: Program monitoring reports
Outcomes								
Number of preprimary teachers who graduate from PADEP	0	0	0	1,250	750	1,000	3,000	All of the teachers are expected to finish, since it is an in-service training program. Source: Program monitoring reports
Number of primary teachers who graduate from the university program	0	0	2,250	2,250	2,250	0	6,750	Only 75% of the teachers who begin the university training are expected to graduate. Source: In exchanges with Ministry officials, it was concluded that a 75% graduation rate could be expected out of the total number of students who enter the USAC program.

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Observations
Number of primary students who receive instruction from teachers that graduated from the university program	0	0	0	45,000	90,000	135,000	135,000	Source: Program monitoring reports
Boys				22,500	45,000	67,500	67,500	
Girls				22,500	45,000	67,500	67,500	
Actual instruction time in primary school classes						5% difference between the treatment group and the control group	5% difference between the treatment group and the control group	The difference between the teachers benefited by the program and the comparison group in terms of actual time of instruction will be measured using the Stallings observation instrument. This instrument profiles teaching practices through classroom observation (Bruns and Luque, 2014). ² The instrument records the activities and materials used by the teacher and students during a class, and measures four principal variables: use of instruction time; use of materials, including computers and other information and communication technologies; teaching practices; and ability to keep students involved with the class. Source: Program impact evaluation
Subcomponent II.2. Promotion of reading, mathematics, and values								
Outputs								
Number of school libraries supplied with books	0	0	27,800	0	27,800	0	55,600	Source: Program monitoring reports
Number of schools supplied with textbooks	0	0	27,800	0	27,800	0	55,600	Source: Program monitoring reports
Reading campaign launched	0	0	0	1	0	1	2	Source: Program monitoring reports
Training workshops conducted	0	0	400	400	400	400	1,600	Source: Program monitoring reports

² (Bruns and Luque, 2014): Great Teachers: How to raise student learning in Latin America and the Caribbean. World Bank Group.

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Observations
Outcomes								
Percentage of benefited schools that use school libraries in their teaching practices at least once a week	0	0	0	60	70	80	80	Source: Program monitoring reports
Number of children benefited by the program	0	0	157,500	168,750	225,000	285,000	701,250	These figures are the sum of the number of children who use preprimary services in the schools upgraded by the program, plus the number of preprimary school children with classrooms that were refurbished by the program, plus the number of primary school children with classrooms that were refurbished by the program, plus the number of primary school children who receive instruction from teachers that graduated from the university program.
Boys	0	0	78,750	84,375	112,500	142,500	350,625	
Girls	0	0	78,750	84,375	112,500	142,500	350,625	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Guatemala
Project: GU-L1087
Name: Education Quality and Coverage Improvement Program
Executing agency: Ministry of Education
Fiduciary team: María Cecilia Del Puerto, Procurement Specialist
Oscar Vielman, Operations Analyst (financial support)

I. EXECUTIVE SUMMARY

- 1.1 The program includes a loan operation in the amount of US\$150 million that will be executed by the Ministry of Education (MINEDUC). This institution has been the Bank's executing agency in Guatemala in several loan operations, including the current loan 2018/OC-GU, and therefore has demonstrated experience in this regard.
- 1.2 The fiduciary management of the program will be organized and performed pursuant to the rules of the Guatemalan government's Integrated Financial Management System (SIAF-SAG). Under the agreement between the Bank and the Public Credit Office (DCP) of the Ministry of Public Finance (MINFIN), this system can be used as a program management tool in the budget, treasury, accounting, and reporting subsystems, but not for internal control.
- 1.3 Pursuant to the Budget Act, Articles 53 Bis and 73, and in accordance with Art. 21 of its implementing regulations, all external loan operations, whether reimbursable or nonreimbursable, should be related to an existing institutional program of the executing agency, which must in turn be part of or be consistent with the current Institutional Strategic Plan. To comply with this national legislation mandate, the loan in question **will relate to institutional programs**, which will be considered components of the loan and are identified for fiscal year 2016 as follows: **PROGRAM 11 Preprimary School Education**, in which the following **Activities** (considered subcomponents), as identified in the programming structure, will be financed: (i) Provision of School Supplies (No. 11.00.000.002); (ii) Provision of Teaching Materials (No. 11.00.000.003); (iii) Monolingual Preprimary Education Services (No. 11.01.000.001); (iv) Public Schools Refurbishing Services (No. 11.01.000.004); (v) Teacher Training and Professional Development Services, monolingual preprimary education (No. 11.01.000.007); and (vi) Teacher Training and Professional Development Services, bilingual preprimary education (No. 11.02.000.004). **PROGRAM 12 Primary School Education**, in which the following **Activities**, as identified in the programming structure, will be financed: (i) Provision of School Supplies (No. 12.00.000.003); (ii) Provision of Teaching Materials (No. 12.00.000.004); (iii) Urban Monolingual Primary Education Services (No. 12.01.000.001); (iv) Rural Monolingual Primary Education Services (No. 12.01.000.002); and (v) Public Schools Refurbishing Services (No. 12.01.000.005). **PROGRAM 14 Diversified Secondary Education**, in which the following **Activity**, as identified in the programming structure, will be financed: Education Services, Training of

Secondary School Graduates with an Emphasis on Education (No. 14.01.000.002). **PROGRAM 20 Support for Adequate Consumption of Food**, in which the following **Activities**, as identified in the programming structure, will be financed: (i) Preprimary School Food Services (No. 20.00.000.002); (ii) Primary School Food Services (No. 20.00.000.003). **PROGRAM 21 Academic Performance in Reading and Mathematics**, in which the following **Activity**, as identified in the programming structure, will be financed: Improvement of Preprimary and Primary School Teachers (No. 21.00.000.001). In each case, based on the development of the operation's planning process, MINEDUC will designate the respective expense items and categories, pursuant to the Budget Act's Budget Classification Manual. **The table of program costs will show the breakdown by budget classification.**

- 1.4 A secondary account will be opened in U.S. dollars to administer the program funds. Disbursements may be processed according to the modalities established in the Bank's financial policy. In any event, all disbursements will be processed based on the actual financial plan for the next six months or other reasonable period, when they are duly completed and documented. In the case of fund advances, the next disbursement will be processed when 50% of the previous disbursement is substantiated; reports for rendering accounts on the use of funds will be directly obtained from the Integrated Accounting System/Integrated Financial Management System (SICOIN/SIAF); documents will be reviewed on an ex post basis, and will be included in the review of the annual financial operations audit; and the auditing firm will be contracted according to the agreed upon terms of reference.
- 1.5 Furthermore, as a result of the evaluation of the Guatemalan Procurement System that was conducted using the methodology of the Organisation for Economic Cooperation and Development (OECD), this system can only be used in Bank-financed procurement processes to publicize the processes through the applicable module of the Guatecompras procurement system.

II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 Guatemala's public finance system is comprised of the SIAF and Guatecompras. In terms of financial management, SIAF determines the legal, organizational, and technical framework for the management of Guatemala's public finances. The system includes budget, treasury, and accounting subsystems, but not a control subsystem as it is not integrated in the system. Since budget, treasury, and accounting management is integrated in the system, it provides sound, reliable financial information, which leads to a low financial fiduciary risk, along with the recommendation that these subsystems be used to support the execution of operations financed by the IDB for Guatemala's nonfinancial public sector.
- 2.2 To facilitate the financial execution of the program within the SIAF environment, its design includes taking specific actions that will: (i) link the program components with the institutional programs, after which the table of program costs will be directly related to the programmatic budget structure of the SIAF; (ii) establish that the program resources will be managed in a secondary account in U.S. dollars; (iii) that direct reports from the government integrated accounting system (SICOIN) will be used for disbursement accounting purposes, and disbursements will be subject to ex post review; (iv) that the advance of funds

modality will be used, where the funds are covered by an actual financial plan for six months or other reasonable period, when they are duly completed and documented; subsequent disbursements will be processed when 50% of the preceding advance has been substantiated; and (v) investments will accumulate in separate years; These actions will prevent the continued use of parallel financial management systems. Since the control subsystem (SAG) is not integrated with the rest of the subsystems it is not used for program management, so private auditing firms will be used to audit the program.

- 2.3 Guatemala has high fiduciary risk in terms of procurement. Weak local laws and the failure of the national authorities to take steps to build the fiduciary capacity of government agencies has forced multilateral and bilateral organizations to require the use of their own procurement processes. The public electronic procurement system (Guatecompras) is limited to being used to publicize processes (announcement, documents, and results), and does not include a transaction phase. The IDB uses the Guatecompras system exclusively as a publicity mechanism, in acceptance of the requirement to use the system for that purpose.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 As part of the program design, a risk assessment was conducted using the project risk management (PRM) method, which demonstrated a medium fiduciary risk for the program, due primarily to procurement issues stemming from the weakness in Guatemala's laws and regulations on public procurement processes and their discrepancy with Bank policies, the multiple stakeholders involved, and the complexity of the operations in remote and hard-to-reach areas. In Guatemala, due to the experience gained by the Ministry in the execution of other operations in which good practices were not institutionalized, practices may vary from one administration to another, which is why there is still a possibility of low execution performance.
- 3.2 In terms of financial management, no risks have been identified, and since the SIAF rules and procedures will be applied along with the recommendations indicated in this annex on fiduciary agreements for the program's financial management, the level of risk is low.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 A contractual condition precedent to the first disbursement is submission of the program operating manual to the Bank's satisfaction. Disbursements will be made through the Single Treasury Account, and a specific secondary account in U.S. dollars will be set up for each project.
- 4.2 The advance of funds disbursement modality will be used, based on an actual financial plan covering six months or other reasonable period, when disbursements are duly completed and documented; the following disbursement will be processed when 50% of the previous disbursement is substantiated, and disbursement documentation will be subject to ex post review.
- 4.3 The exchange rate used for program accounting will be the exchange rate in effect on the transaction date reported by Banco de Guatemala.

- 4.4 The executing agency will submit annual audited financial statements to the Bank within 120 days after the close of the fiscal year in question, in accordance with the terms of reference previously approved by the Bank. The auditor will be an independent Level I auditing firm acceptable to the Bank, which will be selected in accordance with the Bank's applicable procedures and will be contracted 90 days after the operation is declared eligible.
- 4.5 The program's financial management will be organized and performed pursuant to SIAF rules and procedures, which require clearly indicating the institutional programs to be supported by each component. In addition, each government office within MINEDUC that is responsible for executing the program will take all steps necessary to comply with the procedures required by SIAF in order to operate.
- 4.6 The budget will be prepared each year in accordance with the Budget Act, and must reflect the program's investments by project, activity, expense category, respective line items and locations, which will serve as the basis for the annual financial plan, which will in turn determine the projected annual disbursements.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 If applicable, the Bank's procurement policies (documents GN-2349-9 and GN-2350-9) will be followed, pursuant to the following:
- 5.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services¹ subject to international competitive bidding (ICB) will be carried out using the standard bidding documents issued by the Bank. Contracts subject to national competitive bidding (NCB) will be carried out using the national bidding documents agreed upon with the Bank. The review of technical specifications is the responsibility of the program's sector specialist.
- 5.3 **Selection and contracting of consultants.** Consulting service contracts will be carried out using the standard request for proposals issued or agreed upon with the Bank. The review of procurement processes, especially the terms of reference for consulting services, is the responsibility of the program's sector specialist.
- 5.4 **Selection of individual consultants.** Individual consultants will be selected and contracted based on the shortlists of qualified individual consultants. The contract should expressly state that foreign individual consultants will not be subject to registration, title, or document verification requirements or any other type of requirements applicable to public servants. In these cases, the consultant may be directly paid by the Bank, subject to approval by the executing agency.
- 5.5 The hiring of the executing unit's administrative personnel, when staff are contracted full-time for the project, will be governed by the legal standards in place on contracting staff. The terms of reference will require the no objection of the Bank. Likewise, its no objection will be required to the profile of the selected personnel, to verify their skills match those outlined in the terms of reference. Regardless of their format, the contracts to be signed by these individuals must contain provisions on the prohibited practices included in the Bank's Policies for

¹ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) paragraph 1.1: Nonconsulting services are treated as goods.

the Selection and Contracting of Consultants financed by the IDB (document GN-2350-9).

- 5.6 **Uses of country procurement systems.** To date, the Bank has not approved the current procurement system in Guatemala or any other subsystem to be used for Bank procurement processes, with the exception of using Guatecompras for publicizing such processes. However, the loan contract must expressly specify that in the event any system or subsystem is approved after approval of this operation or at any stage of its implementation, such system or subsystem will be applicable to the program. The procurement plan and any updated versions will indicate the procurement processes to be carried out through the approved country systems or subsystems.
- 5.7 **Direct payments to foreign companies.** The documents must expressly indicate the possibility of the Bank directly paying foreign contractors in order to avoid the requirement of registering with Guatemala's public registry offices, on the condition that the contractor does not have a subsidiary or branch office in the country, or voluntarily chooses to register.
- 5.8 **Recurring expenses.** Operating or recurring and maintenance expenses required to implement the program over its useful life, such as defined property and equipment leases, public utilities and communication costs, translations, bank charges, office supplies, advertising and publicity, photocopies, postage, etc., will be financed by the program and will be incurred in accordance with the executing agency's guidelines, which will be reviewed and, if appropriate, accepted by the Bank, provided they do not violate the fundamental principles of competition, efficiency, and economy. In addition, the salaries of the individuals who administer the program will be considered operating costs. It is clear that the financing of this expense must have a direct relationship with the duration of the program.
- 5.9 **Thresholds applicable to the program.** The recommended threshold amounts for the program in terms of international publicity are consistent with those established by the VPC/PDP for Guatemala, and the thresholds for national publicity are in line with the amounts established in operations previously financed for MINEDUC.

Table of Thresholds (US\$000)

International publicity (Works)	Shopping (Works)	International publicity (Goods) ²	Shopping (Goods)	International publicity (Consulting)	Shortlist 100% national	Threshold for ex post review
>= 1,500,000	< 150,000	>= 150,000	< 25,000	>= 200,000	< 200,000	Processes under the international threshold

Notes:

1. All ICBs and NCBs for works and goods and all processes to select consulting firms will be subject to ex ante review by the Bank until the capacity of each executing agency can be assessed, after which the review method may be changed. The ex post review method may be used for the selection of individual consultants and works and goods procured through the shopping procurement process, after the ex ante review of the first procurement process in each case.
2. In procurement processes for works under US\$150,000 (shopping), it should be stressed that the contract will be awarded based on the lowest bid, with no further considerations.
3. Project supervision requires that inspection visits at the executing agency's office take place every six months for procurement processes subject to ex post review. Ex post review reports will include at least one physical inspection,³ selected from among the procurement processes subject to ex post review (a minimum of 10% of the reviewed contracts must be physically inspected).

5.10 **Initial procurement plan.** To see the 18-month procurement plan, click on [Procurement Plan](#).

5.11 **Procurement supervision.** The supervision of procurement processes, procurement plans, procurement plan updates, and the PRM evaluation is the responsibility of the Project Team Leader.

5.12 **Records and files.** MINEDUC will be responsible for keeping project records and files. Consultants supporting the program's procurement processes must work with MINEDUC to ensure the ministry's institutional strengthening in procurement matters, as well as the integrity of the processes. It is recommended that MINEDUC document internal work flows and that these flows be attached to the program's Operating Regulations.

VI. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL EXECUTION

6.1 SIAF integrates budget, accounting, treasury, and public credit systems, based on a common set of rules and procedures. Its basic premise is regulatory centralization by the Ministry of Finance and the decentralization of operations carried out by the executing agencies through institutional financial management units (UDAF) established by law. The SIAF includes all of the manuals and procedures needed to help users properly execute budget, accounting, and treasury functions, thereby ensuring the reliability of the records and information system.

6.2 Given the reliable nature of SIAF, **the resources of program GU-L1087 will be managed using the same SIAF principles and procedures;** therefore, no parallel systems will be used for program management.

² Includes nonconsulting services.

³ The inspection only verifies the existence of procurement processes, leaving the verification of quality and compliance with specifications to the sector specialist.

- 6.3 **Budget management.** The management of the national budget is regulated by the Budget Act and its implementing regulations. Pursuant to Articles 53 Bis and 73 of the Act and Art. 21 of its implementing regulations, all external loan operations, whether reimbursable or nonreimbursable, must be related to an existing institutional program of the executing agency, which must in turn be part of or be consistent with the current Institutional Strategic Plan. To comply with this national legislation, the loan in question **will relate to institutional programs**, which will be considered components of the loan and are identified for fiscal year 2016 as follows: **PROGRAM 11 Preprimary School Education**, in which the following **Activities** (considered subcomponents), as identified in the programming structure, will be financed: (i) Provision of School Supplies (No. 11.00.000.002); (ii) Provision of Teaching Materials (No. 11.00.000.003); (iii) Monolingual Preprimary Education Services (No. 11.01.000.001); (iv) Public Schools Refurbishing Services (No. 11.01.000.004); (v) Teacher Training and Professional Development Services, monolingual preprimary education (No. 11.01.000.007); and (vi) Teacher Training and Professional Development Services, bilingual preprimary education (No. 11.02.000.004). **PROGRAM 12 Primary School Education**, in which the following **Activities**, as identified in the programming structure, will be financed: (i) Provision of School Supplies (No. 12.00.000.003); (ii) Provision of Teaching Materials (No. 12.00.000.004); (iii) Urban Monolingual Primary Education Services (No. 12.01.000.001); (iv) Rural Monolingual Primary Education Services (No. 12.01.000.002); and (v) Public Schools Refurbishing Services (No. 12.01.000.005). **PROGRAM 14 Diversified Secondary Education**, in which the following **Activity**, as identified in the programming structure, will be financed: Education Services, Training of High School Graduates with an Emphasis on Education (No. 14.01.000.002). **PROGRAM 20 Support for Adequate Consumption of Food**, in which the following **Activities**, as identified in the programming structure, will be financed: (i) Preprimary School Food Services (No. 20.00.000.002); (ii) Primary School Food Services (No. 20.00.000.003). **PROGRAM 21 Academic Performance in Reading and Mathematics**, in which the following **Activity**, as identified in the programming structure, will be financed: Improvement of Preprimary and Primary School Teachers (No. 21.00.000.001). In each case, based on the development of the operation's planning process, MINEDUC will assign the corresponding expense line items and categories, pursuant to the Budget Act's Budget Classification Manual. **The table of program costs will show the breakdown by budget classification.**
- 6.4 Each year during the execution of the program, the executing unit will prepare the program budget based on the guidelines set out in the Budget Act.
- 6.5 **Treasury.** The program resources will be deposited in a secondary account for the program, which will be opened in the Single Treasury Account. In order to produce SICOIN reports in U.S. dollars and avoid exchange losses, the secondary program account will be opened in U.S. dollars. The executing agency will continuously keep an updated account reconciliation statement.
- 6.6 **Accounting.** Program accounts will be managed through SICOIN, which will be the single source of information on the use of program funds. The executing unit must strictly comply with SICOIN rules and procedures. It will not be necessary to prepare a special chart of accounts for the program; instead, the executing unit will set up an expense structure within SICOIN. The reports prepared by the

- program are: monthly reconciliation of funds in the program's single account, analysis of budget execution, breakdown of periodic payments, annual execution, list of contracts and their status (for consultation purposes), budget allocations, etc. All supporting documentation for payment transactions using program funds will be kept in the executing unit's files. In view of the soundness of this system, transactions will be supervised at specific control points in the process; monthly reconciliations of the single account will be used as a supervision tool, and the status of any contract and any financial movement in the categories of investments charged to the program can be consulted in the system at any time.
- 6.7 All transactions will be converted using the exchange rate in effect on the transaction date reported by Banco de Guatemala.
- 6.8 **Control and audits.** By law, the Contraloría General de Cuentas [Office of the Comptroller General] (CGC) audits the management of public funds. However, given the institutional weakness of the CGC, the Bank does not accept program audits conducted by the CGC. For this reason, an external auditing firm classified as Level I by the Bank will be contracted to audit the program in accordance with the terms of reference adjusted to the program, which will include a financial audit of the program's operations. The final financial report will be submitted 120 days after the close of the fiscal year in question.
- 6.9 **Cash flow.** The funds will follow a cash flow system established by the Ministry of Finance in the Procedures Manual for the Administration of Monetary Deposit Accounts and other financial execution mechanisms with resources provided by multilateral and bilateral investment organizations, which was approved by Ministerial Agreement 59-2007. The Bank will disburse funds under the fund advance modality. Funds will be deposited in the Single Treasury Account, in the program subaccount in dollars, based on the financial plan that is part of the program's multiyear execution plan. The advance of funds will be covered by the actual financial plan for the next six months or other reasonable period, when disbursements are duly completed and documented; subsequent disbursements will be processed when 50% of the preceding advance has been substantiated.
- 6.10 **Rendering of accounts.** The executing unit will make the respective payments, and as the equivalent of 50% of the advanced funds received accumulates and based on the upcoming needs for program resources indicated in the financial plan, it will proceed to prepare the accounts for the IDB. To this end, it will only print the daily cash flow statement from the SICOIN and the reconciliation of the single account, which together with the disbursement request form will explain the amount substantiating the funds received. The request will be sent to the National Treasury Office for approval and then to the IDB for processing. The supporting documentation for each payment will be filed in the executing unit's office. All supporting documentation will be properly kept in the files for a minimum of three years after all program disbursements have been made. The executing agency must provide access to the program's external auditors and Bank officials that perform routine audits and reviews, respectively.
- 6.11 **Disbursement methods.** Disbursements will be made using the fund advance modality. The amount of the advance will be determined by the amount of funds required for the program to operate over the next six months, in accordance with the program's financial plan. The disbursement of advances will take into account the amount specified in the financial plan for the next six months and the

reconciled balance of the single account. The request will be backed by the reconciliation of the single account and the financial plan.

Financial management supervision. Financial management supervision will be performed using the ex post review method, and will include at least three annual supervision visits, one at the central office and two at the regional level in the participating municipios.