

## SUPPORT FOR EDUCATION REFORM, STAGE II

(GU-0131)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Guatemala	
<b>Executing agency:</b>	Ministry of Education (MINEDUC)	
<b>Amount and source:</b>	IDB (OC/IFF):	US\$22.00 million
	Local counterpart:	US\$ 2.54 million
	Total:	US\$24.54 million
<b>Terms and conditions:</b>	Amortization period:	30 years
	Grace period:	4 years
	Commitment period:	3 years
	Disbursement period:	4 years
	Interest rate:	variable
	Inspection and supervision:	1% of the loan amount
	Credit fee:	0.75% annually on the undisbursed balance
	Currency:	United States dollars from the Single Currency Facility
<b>Objectives:</b>	<p>The objective of the project is to improve the delivery of education services and expand capacity to respond to demand for such services. To achieve it, the loan will support key activities in education reform, strengthening institutional capacity to deliver education services and improving the coverage and quality of education. In accordance with the strategy outlined in stage I of the loan, (approved in November 1997), the present loan is the second of three operations, whose main objective is to make preschool and primary education (grades 1 to 9) accessible to everyone in Guatemala.</p>	
<b>Description:</b>	<p>The loan contains three components: (i) modernizing the administration of education to support deconcentration and decentralization of school management at the departmental and municipal levels, through training for local MINEDUC staff, financing of investments to be made by local bodies and providing additional funding for the innovations in education begun under stage I of the reform; (ii) support for primary education in nine of the country's 22 departments, which will improve the quality of education and increase coverage for six-year-olds from 29% in preschool in</p>	

1999 to 35% in the new first year in 2003 and to 40% in 2004 through in-service training for 15,600 teachers and the supply of classroom materials; and (iii) higher quality multicultural bilingual education in the same nine departments through training for 4,400 bilingual teachers.

**Relationship of the project to the Bank's country and sector strategy:**

The Bank's strategy for education in Guatemala rests on four pillars; (i) education reform and strengthening of management capacity to allow for higher investments in the sector under medium- and long- term planning; (ii) specific programs to improve the quality of education services; (iii) approval of new loans subject to increased investment capacity; and (iv) close coordination with other international financial institutions. SER II is justified because it will: (i) continue to support the process of education reform; (ii) modernize MINEDUC's education management capacity; (iii) provide continuity for actions to improve the quality of education supported under SER I; and (iv) support the Bank's strategy in the education sector.

**Environmental and social review:**

SER II includes activities to support intercultural and multicultural education for all students and intercultural bilingual education for indigenous students. Gender issues will be incorporated into teacher training and in textbooks. Through curriculum reform, MINEDUC is adding environmental education as a core element to all subjects in the course of study. Also, with support from USAID, the Bank and other international financial institutions, the primary school curriculum and classroom materials will introduce concepts to promote environmental appreciation, taking a multidisciplinary approach. These aspects were included in the textbooks financed under SER I.

**Benefits:**

By modernizing the administration of education, MINEDUC's capacity to design and implement investments will be improved, leading to broader coverage and better quality of education in Guatemala. Other project benefits include: (i) support for the Peace Agreements; (ii) greater internal efficiency in primary schools, particularly in the early grades, as a result of better coverage and quality in education for reading and writing readiness; and (iii) greater equity in the provision of education services for the most vulnerable groups.

**Risks:**

**Demand for teacher training services.** Over three years, SER II will train 20,000 teachers. This professional development is a key element for introducing the new curriculum. On the demand side, some teachers have not always expressed interest in in-service training in the past. To ensure high demand for professional development, it must be accompanied with useful classroom materials. An incentive of this kind was able to keep a large number of teachers in teacher training courses financed by USAID in the department of Quiché. Also,

university credits for teacher training and the monetary incentives MINEDUC plans to offer should ensure that demand for the courses will be adequate.

**Special contractual clauses:**

**1. Conditions precedent to the first disbursement:**

- a. Establishment of a project coordination unit for SER II - PCU II (see paragraph 3.5).
- b. Evidence that the operations manual for SER II agreed previously upon with the Bank has been implemented (see paragraph 3.8).

**2. Other conditions:**

The loan contract will also include a condition on the presentation of annual operating plans (paragraph 3.18) and the Bank's standard conditions which include auditing (paragraph 3.26), reports (paragraph 3.24), supervision (paragraph 3.25), evaluations (paragraphs 3.27 and 3.28), execution, maintenance, inspections, consulting contracts and procurement.

**Poverty-targeting and social sector classification:**

This operation qualifies as a social equity enhancing project, as described in the key objectives for Bank activities set forth in the Report on the Eighth General Increase in Resources (document AB-1704). The operation also qualifies as a poverty-targeted investment (PTI) (see paragraph 4.10). The borrowing country will be using the 10 percentage points in additional financing (see paragraph 2.26).

**Exceptions to Bank policy:**

See the following paragraph on procurement.

**Procurement:**

The procurement of goods and related services and the awarding contracts for consulting services for the project will be carried out in accordance with the Bank's standard procedures, except for the classroom facilitator services to be hired under the CENACEP subcomponent (see paragraph 3.21). Given the nature of the services provided and the shortage of qualified candidates in rural areas where the CENACEP is being carried out, they will be hired following procedures already agreed upon with the Bank for SER I, as outlined in the Operations Manual. International competitive bidding will be required for the procurement of goods and related services over US\$250,000 and consulting services over US\$200,000. No works will be financed under this project (see paragraphs 3.20 to 3.22).

## I. FRAME OF REFERENCE

### A. Background

- 1.1 Since 1996, the Ministry of Education (MINEDUC) has been carrying out an investment program in response to the mandates of the Peace Agreements.<sup>1</sup> It has made significant progress in two key areas: (i) **a new model for education services** that includes deconcentration of the ministry, a reduction in the number of central agencies, establishment of a competitive process for hiring teachers (municipal recruitment panels), and the creation of community committees responsible for school management (school boards); and (ii) **improvements in coverage, school-retention rates, quality and pertinence** that include expansion of primary education, mainly grades 1 to 3 in rural areas with large indigenous populations, development and expansion of headstart programs during school vacations to prepare boys and girls for grade 1, actions to increase attendance and retention rates for girls and the incorporation of innovations in primary schools such as 'active schools' and student government.
- 1.2 With regard to the first area, MINEDUC has established 22 departmental education directorates (DDEs) with responsibilities for the ministry's main operating functions. The number of central ministry agencies has been reduced from 48 to 19. The municipal teacher-hiring panels have taken over responsibility for hiring teachers to cover vacancies, through a transparent and open process. MINEDUC has established school boards in nearly all schools with budgeted teachers.
- 1.3 Overall, the results of efforts in the second key area have been good. Net enrolment in primary school has risen from 69.2% in 1995 to 77.7% in 1998.<sup>2</sup> The gross rate of children who received preschool education as a percentage of five- and six-year-olds increased by almost 50% between 1995 and 1998, but coverage continues to be low (see paragraph 1.6). This rise is chiefly due to a temporary accelerated preschool program – Centros de Aprestamiento Comunitario en Educación Popular (CENACEPs) [Community School-Readiness Centers] – which in 1998 prepared 8.6% of boys and girls aged five and six to enter grade 1.<sup>3</sup> The repeater rate in primary school declined from 15.5% in 1995 to 14.3% in 1998 and in grade one, it fell from 27.1% to 24.1% over the same period. The percentage of

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<sup>1</sup> Agreement on the Identity and Rights of Indigenous Peoples and Agreement on Socioeconomic and Agrarian Issues.

<sup>2</sup> All the figures in this paragraph are taken from MINEDUC, Annual Statistical Reports, 1995, 1997 and 1998.

<sup>3</sup> CENACEP is a headstart program for boys and girls prior to beginning grade one. It consists of seven weeks of teaching in primary school classrooms that are vacant during school vacations. The program receives funding under SER I.

girls in primary school rose slightly, from 45.7% in 1995 to 46% in 1998. In preschool, the percentage of girls rose from 48.2% in 1995 to 48.6% in 1998.

- 1.4 **Education reform.** Progress in deconcentrating education services and in improving the coverage and quality of primary education since 1996 forms part of an education reform process that will take various years to implement. As mandated by the Peace Agreements, the Joint Education Reform Commission completed its blueprint for education reform in 1998, and a second commission, the Consultative Commission on Education Reform, attempted to build a consensus on reform and its introduction.<sup>4</sup>
- 1.5 **Curriculum reform.** One key to education reform is modernizing the curriculum to respond to the training requirements and human development expectations of Guatemalan society. A proposal for a new curriculum—Proposed General Framework for Curriculum Modernization and Human Resource Development—formed part of the consultations on education reform planning.
- 1.6 **The new first year.** At present, children begin grade one when they are seven years old, most of them without adequate preparation. The high repeater and drop-out rates in grade 1 reflect low coverage for six-year-olds by formal preschool education (35% net coverage in 1999). Although an additional 9% of children in this age group are attending the CENACEP program, it is not a permanent solution. The government attaches priority to expanding coverage and improving the quality of education for six-year-olds through a program that will last for the entire school year.
- 1.7 The new curriculum includes 12 years of schooling, from preschool to the end of high school. Two fundamental changes are (i) the age at which children start grade one has been lowered from seven to six, and (ii) preschool has been made part of compulsory education and the restructuring of grades into three-year cycles. This organization will permit students to be grouped flexibly and evaluated in a formative and continuous fashion, based on quality criteria. Starting in 2002, the first cycle of basic education will include preschool, grade 1, grade 2, and part of grade 3. The new first year in this cycle will include training that is currently part of preschool, in addition to preliminary reading and writing. This approach will ensure that all children receive adequate preparation and will permit an easier transition for children during the first cycle, encouraging them to remain in the school system longer.

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<sup>4</sup> Joint Education Reform Commission. Blueprint for Education Reform, Guatemala, 1998, and a Consultative Commission for Education Reform, Dialogue, and National Consensus on Education Reform, Guatemala, March 2001.

- 1.8 **Intercultural bilingual education (IBE).** The peace process and especially the Agreement on the Identity and Rights of Indigenous Peoples acknowledge that the country in general and the Mayan population in particular are lagging behind in education. The Blueprint for Education Reform stresses the need to prepare a proposal for education that is consistent with the multiethnic, multilingual and multicultural nature of the country. Accordingly, the new curriculum provides for multicultural education and IBE as cross-cutting elements in all grades of basic education.
- 1.9 To comply with the mandates of the Peace Agreements, particularly the requirements to offer intercultural and multicultural education to all school children and IBE to indigenous children (166 municipalities with 50% or more indigenous population), MINEDUC needs to improve the quality of teaching and learning in the country's different cultures and languages.
- 1.10 The new curriculum proposes to establish guidelines for developing teaching resources, including training for both current and new teaching staff. Professional development for teachers is the key to improving educational quality indexes for classroom performance, school retention, and repeater rates.
- 1.11 There are currently 9,000 bilingual teachers working in primary schools (and another 4,000 in preschools), but just 6,700 of them report they can read an indigenous language and 5,900 that they can write one.<sup>5</sup> This discrepancy in the numbers points to the need to train indigenous teachers to master reading and writing in their mother tongue. MINEDUC does not have reliable data based on standardized tests to measure the linguistic knowledge of teachers and its use in the classroom. To achieve the goals for the expansion and quality of IBE established by the Dirección General de Educación Bilingüe (DIGEBI) [Directorate General of Bilingual Education], the classroom performance of bilingual teachers must be improved and standards must be established to measure their linguistic skills and the use of native languages in the classroom.
- 1.12 **MINEDUC priorities for IDB attention.** With regard to concrete actions that can be taken immediately to push ahead with the reform process, MINEDUC has identified the following priorities for the Bank: (i) support for a new initiative to deconcentrate and decentralize school management that hinges to some extent on participation by civil society at the municipal level, by linking it directly to the DDEs in order to produce different forms of education management at the local level (ii) bolster deconcentration of school management in the 22 departments

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<sup>5</sup> MINEDUC, Report on Guatemalan languages spoken by teachers, UDI, Guatemala, August 2000.

through the DDEs<sup>6</sup> linking to civil society organizations responsible for delivering educational services; (iii) continue and expand a program begun under SER I to finance innovations in education;<sup>7</sup> (iv) support a new first year which will eventually provide universal preschool education; (v) introduce and expand successful in-service training programs especially for bilingual teachers; and (vi) reduce adult illiteracy.<sup>8</sup> Under the guidelines for education reform, the teaching and learning process should promote equity among all Guatemalans, with special attention to education for indigenous peoples and girls.

## **B. Bank support for the education sector**

- 1.13 The Bank has been promoting sector reform since 1998 under a loan to support education reform (SER I, 1054/OC-GU for US\$15.36 million). SER I was conceptualized as the first of three loans that would make preschool and primary school education (grades 1 to 9) accessible to everyone in Guatemala. Thus SER I is mainly intended to boost the quality of primary education, particularly in grades 1 to 3. It also supports a preschool head start program through CENACEP, management by school boards and the introduction and expansion of innovations in education. The loan proposal for SER I anticipated that Bank lending in the future (under SER II and eventually SER III) would continue to support grades 1 to 3, but would also begin to address preschool and grades 4 to 9.
- 1.14 Under the division of responsibilities among international financial institutions, SER I did not include funding to strengthen MINEDUC institutionally as a high priority. World Bank and GTZ programs supported the establishment of the DDEs and restructuring of the ministry's central staff. However, larger needs for institutional strengthening have been detected than were originally identified by MINEDUC and therefore Bank support for this aspect has become indispensable.
- 1.15 Largely due to these shortcomings, the execution of investments has been slower than anticipated.<sup>9</sup> The results of a study performed by institutional management consultants hired by the Bank in August 1999 to identify and seek effective

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<sup>6</sup> The departmental boards of education (DDEs) are responsible for planning and managing almost all education services at the departmental level. To carry out these responsibilities, each DDE has specialized units in education, administration, finance and community services. At present their budgets are relatively small and mainly cover recurring costs such as office materials, electricity and fuel.

<sup>7</sup> The educational innovations financed under SER I include: a travelling environmental library, training in conflict resolution through mediation, an information system for private education, adaptation of a method to facilitate reading and writing by children in four Mayan languages, the consultation process on education reform and the establishment of school boards.

<sup>8</sup> MINEDUC and the Bank are working on a loan to support adult literacy.

<sup>9</sup> The low execution of investments financed by international agencies has been documented in María Elena Anderson, "La Cooperación Externa y los Retos del Ministerio de Educación", 20 November 1998.

solutions to the initial problems indicate that the delays in SER I<sup>10</sup> are mainly due to: (i) deficiencies in the project coordination unit's (PCU) structure, procedures, mechanisms for coordination with the executing agencies, accounting and manual of operations; (ii) administrative and financial shortcomings in the executing agencies, particularly the lack of qualified staff in these fields, a centralized management style, and failure to establish procedures; (iii) centralization in the minister's office since many of the PCU's activities must be submitted to the minister for approval; (iv) frequent reprogramming of project activities, after an initial reprogramming to finance rehabilitation of infrastructure damaged by hurricane Mitch; and (v) weakness and lack of integration of SER I and MINEDUC information systems.

- 1.16 Since August 1999, MINEDUC has taken various steps to streamline execution of the loan. It has changed the structure of the PCU, strengthened the technical teams at DICADE and DIGEBI and is in the process of introducing a new accounting and financial system which the executing agencies will have access to. The ministry also asked the Bank for support under SER II to strengthen ministerial management, particularly with regard to the transfer of operating responsibilities from the central agencies to the DDEs. However, in August 2000 coordination between the PCU and the executing agencies was still insufficient and therefore SER II proposes measures to address this situation.
- 1.17 With funding from its own budget, SER I and other sources, MINEDUC has been making progress in complying with the education indicators established as part of that program. Annex III lists the pertinent indicators and progress in them to date. Table 1.1 summarizes the three sets of indicators established for SER I that must be complied with prior to approving a proposal for additional financing. The first two sets of indicators were satisfied: the first has to do with implementation of SER I and the second with the increased spending on education. Also, considerable progress has been made in fulfilling the third indicator. Key indicators concerned with reducing the primary school repetition rate and decentralization of education have been fulfilled. Delays in meeting some indicators may be attributed to the following main factors: (i) the one-year delay in project start up, (ii) delays in preparing textbooks and putting them out to tender owing to the fact that the Ministry needed to complete the curriculum reform before purchasing new textbooks, (iii) less funding than SER I because 30% of the resources needed to be reallocated to meet an emergency (see paragraph 1.18), (iv) problems with implementing SER I (paragraph 1.15), and (v) the new MINEDUC policy on in-service teacher training.

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<sup>10</sup> As of the beginning of August 1999, just 11% of SER I had been disbursed; in September 2000, the figure had risen to 55% and in May 2001 to 76%. MINEDUC expects to complete execution of the loan in the second half of 2001.

**Table 1.1**  
**SER I indicators to be complied with prior to approval of a new loan**  
**(to September 2000)\***

Indicator/goal	Progress
Disbursement of 50% of the funds from SER I.	Disbursements amounted to 55% in September 2000 (76% in May 2001).
Increase in public spending on education as a percentage of GDP from 1.66% in 1995 to 1.85% in 1997, 2.1% in 1998 and 2.3% in 1999.	1.7% in 1997 (below the indicator) and 2.3% in 1998 (above the indicator) and 2.3% in 1999 (equal to the indicator).
Progress in complying with the indicators in the logical framework for SER I.	Annex III shows 16 main indicators in the logical framework for SER I (the two indicators mentioned above have been excluded):  8 have been complied with or are in progress without delays;  5 are in progress with delays;  2 are in progress but will only be partly complied with;  1 was not complied with.

\* For further details, see Annex III.

- 1.18 As a consequence of the damage caused by hurricane Mitch, the government and the Bank agreed to reprogram up to US\$5 million of SER I funding to rehabilitate school infrastructure. About US\$3.8 million has been spent (with repairs on 283 education centers) and the balance was earmarked to support the original objectives of the loan.

**C. Government and Bank strategy for the education sector in Guatemala**

- 1.19 Under the Peace Agreements, the government is stressing expansion of the coverage and quality of primary education. It also attaches highest priority to the design, concentration and implementation of the education reform.
- 1.20 The Bank's strategy for education in Guatemala rests on four pillars: (i) education reform and modernizing of management capacity to allow for higher investments in the sector under medium and long-term planning; (ii) specific programs to improve the quality of education services; (iii) approval of new loans, subject to increased investment capacity; and (iv) close coordination with other international financial institutions.

- 1.21 The Bank is also supporting education in Guatemala under: (i) loan 943/OC-GU for US\$42.3 million approved in July 1996 for the Social Investment Fund (FIS), almost two thirds of which has been committed for school construction, rehabilitation and equipment, and loan 1162/OC-GU for US\$90 million for FIS-PRORIENTE approved in December 1998; (ii) five technical-cooperation projects carried out by MINEDUC since December 1997; and (iii) the technology innovation support program (1207/OC-GU for US\$10.7 million), approved in October 1999, which will include a component to enhance the teaching of mathematics, science and technology in grades 7 to 9.

**D. Support from other international financial institutions**

- 1.22 The Bank's support for education in Guatemala takes place in a broad framework of international assistance (see Table 1.2) coordinated by the National and International Cooperation Unit (UCONIME) of the Ministry of Education. UCONIME keeps track of progress in all projects financed with external resources and seeks to ensure coordination among donors through communications with each financial institution. It also organizes periodic meetings of all the international agencies to facilitate communications and coordination.

**Table 1.2**  
**Support for education in Guatemala from other international financial agencies**

<b>Agency</b>	<b>Main areas of support</b>	<b>Financing (US\$ millions)</b>
World Bank	Expansion of coverage; evaluation of school performance; classroom materials; training for teachers; deconcentration of MINEDUC; school boards. The government negotiated a new loan in an amount of US\$62.2 million with the World Bank (see paragraphs 1.24 and 3.29).	33
USAID	Implementation of the Peace Agreements; evaluation; multicultural bilingual education, information technology and literacy in the department of Quiché.	29.4
European Union	Initial teacher training; support for education in the departments of Alta Verapaz, Baja Verapaz and Izabal.	21
KfW	Expansion of coverage through PRONADE.	12
UNESCO/Netherlands	Education in the Eastern departments; Mayan education.	8
GTZ	Initial training for bilingual teachers; modernization of MINEDUC, assistance for street children.	3.7
UNICEF	Curriculum development; textbooks and teaching materials; teacher training.	1.4
Belgium	Bilingual education in the department of San Marcos.	1
Netherlands	Expand coverage of bilingual preschool, primary school, and high school.	0.9
Sweden	Bilingual literacy program	1.0
Japan	Classroom construction; education for girls.	0.2
OAS	Curriculum reform	0.2
<b>Total</b>		<b>111.8</b>

- 1.23 Despite the size of international financial support for education, no difficulties are anticipated in providing the counterpart funds for SER I and SER II, thanks to the increases in the education budget in recent years and the high priority attached by the government to education.
- 1.24 The World Bank has negotiated a new loan with the Guatemalan government to support universal primary education and improvements on that level. Both Banks and UCONIME are coordinating to ensure that the two operations will be complementary.

## **E. Lessons learned**

- 1.25 **Institutional capacity.** The initial experience with SER I highlights the need for stronger management and coordination among the central and decentralized agencies of MINEDUC. Owing to management and institutional weaknesses in the ministry and difficulties in executing the investment projects (see paragraph 1.15) it is important to boost its capacity to carry out investment projects. The ministry expects to strengthen administration of education through the transfer of operational responsibilities from the central agencies to MINEDUC's deconcentrated offices (the DDEs) and, depending on the rate of advance of this process, will provide support for the municipal boards of education. To proceed with that transfer, it is necessary to provide further training for the technical teams of the DDEs in administrative, financial and education management and in the promotion of community organizations.
- 1.26 **Project coordination unit.** MINEDUC and the IDB will have to find solutions to streamline communications and procedures between the PCU and the executing agencies.
- 1.27 **Coordination among donors.** As Table 1.2 shows, a large number of international agencies provide support for education reform in Guatemala. To avoid fragmentation of that support and unnecessary duplication of efforts, it is important to maintain the coordination achieved by UCONIME and formal and informal communications among those agencies.

## **F. Conclusions. Justification of SER II**

- 1.28 The analysis presented in this chapter underlines the great importance of assisting with the modernization of MINEDUC education management proposed for the SER I in order to respond more effectively to demand by the communities themselves for education services. The project also proposes to deepen Bank support for relevant programs in which the ministry has demonstrated its execution capacity. On this basis, SER II is justified because it will: (i) modernize MINEDUC's education management to carry out the investments envisaged in the education reform; (ii) continue to support the process of education reform; and (iii) provide continuity for actions to improve the quality of education supported under SER I. These activities will support the Bank's strategy in the education sector.

## **II. THE PROJECT**

### **A. Objective**

- 2.1 The objective of SER II is to improve the delivery of education services and expand capacity to respond to demand for such services (see 'purpose' in the logical framework in Annex I). To achieve it, the loan will support activities to modernize management to deliver education services and improve the coverage and quality of education.

### **B. Description**

- 2.2 SER II will finance three components to achieve its objective: (i) modernization of education management; (ii) primary school; and (iii) intercultural and multicultural bilingual education. It will also finance project coordination and financial costs. The loan will be implemented over three years.

#### **1. Component 1. Modernization of education management (US\$9.0 million)**

- 2.3 This component will support the deconcentration and decentralization of education services and promote the design and introduction of innovations in education.

##### **a) Deconcentration and decentralization of education services (US\$4.0 million)**

- 2.4 This subcomponent will support the process of deconcentrating the educational services offered by MINEDUC and decentralizing services to the communities that they are able to manage. Deconcentration will be supported in the 22 departments through strengthening and training for the departmental boards of education (DDEs) The activities in this subcomponent are described in the following two paragraphs.

##### **(i) Training for decentralized offices (US\$500,000)**

- 2.5 SER II will boost the ministry's management capacity through training to make the DDEs in the 22 departments fully operational. MINEDUC's capacity to manage education services and carry out investments on the local level will also be enhanced. Training will strengthen the units in the DDEs in charge of education development, administration, and community services.

##### **(ii) Investment budgets (US\$3.5 million)**

- 2.6 As a complement to the training, SER II will finance investment budgets for all the DDEs. The total investment budget will be allocated to the decentralized bodies proportionate to the number of students they serve. Eligible investments for the

DDEs will include: (i) equipment (but limited to 40% of the budget allocated to each department); (ii) training for parents, supervisors and principals; and (iii) miniblibraries and teaching materials; and (iv) technical assistance for tasks such as self-strengthening, adapting the curriculum to local circumstances, evaluations, school mapping and short-term consulting services.

2.7 For a DDE to receive the investment budget financed under SER II, it must have previously complied with the following requirements, which will also be financed by SER II:

- i. Personnel must have received training in financial, administrative, educational and community management. The training for the different deconcentrated offices will be adapted to their particular needs.
- ii. The supervisors of each deconcentrated office must have received training in the same areas.
- iii. The deconcentrated office must have designed and applied an investment management manual.
- iv. The deconcentrated office must have a core team to manage its own investments.
- v. The deconcentrated office must have prepared an investment program to be financed with those resources, which will have to be approved by the Project Administration Committee.

2.8 These requisites will be included in the SER II operations manual. An evaluation of this experience will form part of the midterm and final evaluations of the project (see paragraphs 3.27 and 3.28).

**b) Innovations in education (US\$5.0 million).**

2.9 This subcomponent will continue to finance the innovations in education included in SER I (see paragraph 1.12 and footnote 7). The US\$1.7 million provided under SER I is fully committed and has been used to support activities that are very useful for the Ministry and for education in Guatemala. Examples of innovative projects to be financed under SER II include:

- i. Implementation of educational activities identified in the poverty reduction strategy.
- ii. Strengthening of secondary education, including distance education and vocational training.

- iii. Support for curriculum reform, and particularly intercultural and multicultural considerations.
- iv. Introduction of a new method of teacher supervision.
- v. Creation of incentives for supervisor training and teacher training.
- vi. Training in new areas for community organizations such as school boards or municipal recruitment panels.
- vii. Other innovations proposed by centralized and decentralized MINEDUC agencies or by the communities.

## **2. Component 2. Primary education (US\$12 million)**

- 2.10 This component will follow up on and use the results of SER I to improve preschool training. It will support modernization of the curriculum and universalization of basic elementary education, with the goal of having all children enter the school system at age six. The main objective of this component is to expand school coverage for six-year-olds and improve the quality of primary education, particularly teaching in the first year of the first cycle. The most important goals are to increase coverage for this age group in the nine departments targeted from 29% in preschool (1999) to 35% in the new first year in 2003 and to 40% in 2004 and to provide professional development for 15,600 teachers serving in nine departments with funding provided by the IDB: Baja Verapaz, Chimaltenango, Huehuetenango, Jalapa, San Marcos, Sololá, Suchitepequez, Totonicapán, and Sacatepequez.<sup>11</sup> In support of these goals, SER II will finance (i) teacher training; (ii) production of teaching materials; (iii) accelerated preparation for children under a temporary program; and (iv) a monitoring and evaluation system.
- 2.11 **Teacher training (US\$7.8 million).** In line with government priorities, financing will be provided for in-service professional development and upgrading for 15,600 monolingual teachers who teach in the two cycles (six-year-olds) of primary school. Teacher performance will be improved by enhancing their knowledge, teaching practices and understanding of the cultural, ethnical and linguistic diversity of Guatemala. The teachers will be offered a diploma with university credits and the course will consist of a combination of classroom and distance education lasting approximately 24 months. The areas for development will include

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<sup>11</sup> The selection criteria for teacher professional development funded by the Bank accorded top priority to departments with large indigenous populations, a low human development rate, and less per capita spending on education. The World Bank will finance professional development in four departments having similar indicators. MINEDUC expects to finance professional development in the nine remaining departments with local funding and funding from USAID, the European Union, Spain, and the GTZ.

the cross-cutting elements of the new curriculum under the education reform, communication, artistic expression and appreciation, learning evaluation, participative and innovative methodologies and new trends in education. The professional development course is intended to help teachers master techniques that promote critical reasoning, problem solving and creative learning.

- 2.12 **Classroom materials (US\$3.5 million).** Workbooks for the new first year will be financed, which incorporate teachers' guides. These workbooks will reflect the principles of the new curriculum, including multiculturalism, participation, equity, social commitment, multilingualism and self-management and will promote an active and participative methodology. SER II will also finance minilibraries containing children's literature and complementary classroom materials, such as educational games, tape recorders, cassettes, etc. The intent is to facilitate children's adaptation to school and stimulate their desire to learn and remain in the system. All bilingual and unilingual schools in the public school system in the nine departments targeted will benefit.
- 2.13 **CENACEP (US\$600,000).** During the transition to the new education structure, the CENACEP program will continue, although its coverage will decrease. CENACEP centers will be selected in remote rural communities living in extreme poverty where: (i) there is no other public preschool alternative; (ii) there are high percentages of children who do not enter the school system at age six; and (iii) the children would benefit from special attention. As coverage for children in the first year of primary education increases, there will be less need for CENACEPs in their current form. The costs of CENACEP activities mainly go to pay for a simple package of classroom materials for each center and financing for the classroom facilitators who teach during school vacations.
- 2.14 **Follow-up and evaluation (US\$120,000).** To assess the impact of the new first year and its new curriculum, a longitudinal follow-up system will be established to examine student performance in the first and second cycles and retention, repeater and drop-out rates during their time in primary school. Comparator groups will be identified and established, composed of children who attended traditional preschool and children in schools that have not yet implemented the new curriculum for the new first year. The longitudinal follow-up will be based on a representative sample of traditional schools, bilingual schools and schools in the National Program for Self-Managed Educational Development (PRONADE). The costs of this component consist mainly of technical consulting services and data collection, processing and analysis. Follow-up on the children will continue after SER II and the costs will be absorbed by the ministry.

### **3. Component 3. Intercultural bilingual education (IBE) (US\$2.5 million)**

- 2.15 The purpose of this component is to improve the quality of primary education to enable it to respond to the multilingual, multicultural and multiethnic characteristics

of Guatemalans, reflecting the Peace Agreements and MINEDUC's priorities. The quality of IBE will be improved through: (i) in-service training for bilingual teachers and (ii) introduction of a follow-up and evaluation system. By the end of the program, it is anticipated that 4,400 bilingual teachers who teach primary school in the same nine departments targeted for IDB financing under the second component will have taken professional development courses. This component will finance the following two activities to achieve the goals.

- 2.16 **In-service teacher training (US\$2.4 million).** The program consists of diploma courses or the equivalent (about 24 months) in IBE, with university credits for working bilingual teachers who teach children in primary school. These diploma courses will cover the core areas of IBE curriculum reform, in accordance with the national criteria for curriculum reform. They will focus on three of the four main Mayan languages (K'iche', Mam, and Kakchikel). Minority languages will be included, to the extent possible, when local circumstances warrant (for instance Achi' in Baja Verapaz).
- 2.17 The main professional development method will be the diploma course.<sup>12</sup> The teachers will apply the know-how they acquire during the sessions to improve their classroom performance, thereby improving their pupils' performance. They will receive on-going classroom support during the school week from specialized promoters. This method, which combines theory with practice, stresses curriculum innovations, different approaches to teaching and learning, maximum use of local resources in the classroom, better systems for student evaluation, and organization and management of teaching activities.
- 2.18 The diploma courses will be geared to obtaining credits for a certificate in multicultural bilingual teaching. Also, under MINEDUC's guidelines, teachers obtaining the diploma will have the option of registering in a university program to obtain a degree in education. The content and the plan of operations for the diplomas will be developed under ATN/JF6645-GU prior to the start of SER II.
- 2.19 The start up of the plan of operations for professional development will be financed under this activity. The fees and living expenses of the professors who will teach the courses, the specialized promoters who will work with the teachers, teachers' expenses, and the production and printing of support materials (for the teacher and for the classroom) will also be covered.
- 2.20 Other items to be financed include technical consulting services for the final definition of the contents of the diploma courses based on the new curriculum

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<sup>12</sup> One of the diploma courses in IBE is being offered successfully in the department of Quiché with funding from USAID and the cooperation of Rafael Landival University. Other courses in EBI are being offered with support from UNESCO/the Netherlands, GTZ, and Belgium. The contents, methods, results and lessons learned from these courses will be taken into consideration for this component.

content, the design and translation of materials and adjustments to the plan of operations for professional development. The adjustments will include establishing a geographical order of priority for teacher training, based on criteria established by MINEDUC.<sup>13</sup>

- 2.21 **Follow-up and evaluation (US\$150,000).** The startup of a longitudinal system for follow-up and evaluation of the bilingual teachers who have completed the course will be financed at the end of the program to measure their new knowledge and skills in IBE, their performance in the classroom and the impact on the performance of their pupils.
- 2.22 The system designed and validated with resources from the Special Japanese Fund will be used, which will include educational quality indicators to measure; (i) the level of bilingualism and other skills and knowledge acquired in the diploma course; (ii) permanent monitoring of quality of bilingual education offered in the schools where the teachers work; and (iii) the impact of teacher training on pupil performance one year after the teacher has completed the diploma course. The costs of this component will cover technical consulting services and data collection, analysis and systemization. By the end of the program, it is anticipated that this system and the data compiled will be used as inputs by MINEDUC's Information Systems Office to measure educational quality in IBE.

#### **4. Coordination (US\$680,000)**

- 2.23 SER II will finance the lion's share of the costs of the project coordination unit (PCU II). They will include salaries, short-term consulting services, equipment, a mid-term evaluation, a final evaluation, audits, and services relating to project execution. Chapter III provides more information on the structure of the PCU.

#### **5. Financial costs (US\$430,000)**

- 2.24 The financial costs include the credit fee, which will be paid by the government, and inspection and supervision, which will be financed with the proceeds of the loan. The government will make the interest payments with appropriations from the national budget without capitalization of interest during the grace period. These payments will not be recognized as local counterpart funding.

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<sup>13</sup> Among MINEDUC's priorities, training courses will be offered in municipalities where 50% or more of the population is indigenous. The geographic areas will be determined using cost-effectiveness criteria (for example, using decentralized university campuses or MINEDUC centers – such as the distance high school facilities – the number of teachers, etc.), but other complementary options should be proposed to ensure that teachers in more isolated communities have access to the program.

### C. Costs and financing plan

2.25 SER II will finance the costs shown in Table 2.1. The table shows total costs, Bank financing and the local counterpart.

<b>Table 2.1 SER II. Cost table (US\$ millions)</b>				
<b>Activity</b>	<b>IDB</b>	<b>Counterpart</b>	<b>Total</b>	<b>%</b>
<b>1. Modernization of education management</b>	<b>8.12</b>	<b>0.84</b>	<b>8.96</b>	<b>36.47%</b>
Deconcentration and decentralization of education services	3.63	0.38	4.01	16.4%
Innovations in education	4.49	0.46	4.95	20.3%
<b>2. Primary school</b>	<b>10.79</b>	<b>1.18</b>	<b>11.97</b>	<b>48.8%</b>
Teacher professional development	7.02	0.77	7.79	31.8%
Teaching materials	3.12	0.34	3.46	14.1%
CENACEP	0.54	0.06	0.60	2.4%
Evaluation system	0.11	0.01	0.12	0.5%
<b>3. Multicultural bilingual education</b>	<b>2.26</b>	<b>0.24</b>	<b>2.50</b>	<b>10.1%</b>
Teacher training	2.12	0.23	2.35	9.5%
Evaluation	0.14	0.01	0.15	0.6%
<b>4. Project coordination unit</b>	<b>0.61</b>	<b>0.07</b>	<b>0.68</b>	<b>2.7%</b>
Salaries	0.46	0.05	0.51	2.1%
Evaluation	0.05	0.01	0.06	0.2%
Auditing	0.05	0.01	0.06	0.2%
Equipment and other services	0.05	0.00	0.05	0.2%
<b>5. Financial costs</b>	<b>0.22</b>	<b>0.21</b>	<b>0.43</b>	<b>1.8%</b>
Credit fee		0.21	0.21	0.9%
Inspection and supervision	0.22		0.22	0.9%
<b>Total</b>	<b>22.00</b>	<b>2.54</b>	<b>24.54</b>	<b>100.0%</b>
<b>%</b>	<b>90.0%</b>	<b>10.0%</b>	<b>100.0%</b>	

2.26 The borrowing country will be using the 10 percentage points in additional financing since this operation qualifies as a poverty-targeted investment (see paragraph 4.10). Local contributions to the project must be a minimum of 10% of total project costs. Allocation of these funds to specific items may be changed during execution by mutual agreement.

### D. Sources and conditions of Bank financing

2.27 The terms of the loan for SER II are shown in Table 2.2.

<b>Table 2.2 SER II: Loan terms</b>	
<b>Source of financing</b>	Ordinary Capital (FFI)
<b>Amount</b>	US\$22 million
<b>Terms:</b>	
Amortization period	30 years
Grace period	4 years
Commitment period	3 years
Disbursement period	4 years
<b>Interest rate</b>	Variable
<b>Inspection and supervision</b>	1% of the loan amount
<b>Commitment fee</b>	0.75% a year on the undisbursed balance
<b>Currency</b>	United States dollars under the Single Currency Facility

- 2.28 With the exception of funding for audits and the final project evaluation which will be disbursed over a period of four years and six months, the proceeds of the financing will be disbursed over a period four years.

### **III. EXECUTION**

#### **A. Borrower and executing agency**

- 3.1 The borrower will be the Republic of Guatemala and the executing agency will be the Ministry of Education (MINEDUC).

#### **B. Execution of SER II**

##### **1. Method of execution**

- 3.2 Just as for SER I, an administration committee will supervise the project, composed of the Minister for Education or such representative as the latter shall designate, the project coordinator, the director of UCONIME and the directors of MINEDUC agencies with responsibilities for the main aspects of project execution. They include DICADE, DIGEBI, and the Education Planning Unit (UPE). Given the importance of the deconcentrated MINEDUC offices in implementing SER II, the administration committee will also include one representative from DDEs. The committee will be chaired by the Minister of Education or the representative.
- 3.3 The project will be coordinated by the project coordination unit for SER II (PCU II) in MINEDUC, which will report to UCONIME.
- 3.4 As in SER I, execution of SER II will be coordinated with other international agencies to ensure good liaison among all existing programs. The main means of coordination will be: (i) meetings with the interagency network organized by UCONIME; (ii) UCONIME's project tracking and its actions to achieve good coordination among international financial institutions; and (iii) information meetings among international financial institutions.
- 3.5 To facilitate communications between MINEDUC's executing agencies and PCU II, thereby correcting one of the main shortcomings noted by the institutional management consultants (see paragraph 1.15), PCU II's structure will be deconcentrated. It will have a staff of six professionals: a coordinator responsible for good execution of the loan, a financial and accounting specialist, a procurement specialist and three component coordinators. The latter will coordinate execution between the three executing agencies and PCU II. There will be one coordinator in the UPE (the executing agency for component one), one in DICADE (the executing agency for component two) and one in DIGEBI (the executing agency for component three); US\$50,000 (included in the salaries shown in the cost table) will be set aside for short-term consulting services to facilitate project coordination during periods of heavy workload. Creation of PCU II is a condition precedent to the first disbursements of the loan.

- 3.6 The budget for PCU II includes US\$60,000 for audits and US\$60,000 for two evaluations (one mid-term and one final). It also includes US\$50,000 for equipment and other services such as workshops, seminars, travel and living expenses for the unit's staff.
- 3.7 MINEDUC will finance part of the cost of the PCU II, including messenger service, communications, and a secretarial support.
- 3.8 The proceeds of the financing MINEDUC has an operations manual for SER I that was prepared in 1998 and approved by the IDB. Several shortcomings were identified in the manual during that project (see paragraph 1.15). A condition precedent to the first disbursement of funds for SER II is evidence that the manual for SER II has been placed in effect.<sup>14</sup> The operations manual for SER II indicates procedures for coordination with the executing agencies. It sets out an internal accounting and administrative control system to provide detailed information on the different subcomponents to be carried out by MINEDUC's executing agencies (DDEs and central agencies), making it possible to incorporate financial information on those entities and gather reliable data justifying the use of project funds. The financial accounting system should also make it possible to identify the receipt and use of funds by the executing agencies and prepare the financial statements and other financial reports on the basis of cash accounting and a chart of accounts agreed upon in advance with the Bank.
- 3.9 The review of the Operations Manual took into account an evaluation of SER I's most recent audited financial statements which contained the recommendations on the internal control system and fulfillment of contractual conditions.
- 3.10 The managers in charge of executing SER I attend bimonthly coordination meetings chaired by UCONIME. Begun for the purpose of correcting the slow execution of SER I, these meetings have served to: (i) establish a detailed execution schedule for the loan; (ii) identify key activities that must be carried out to comply with the execution schedule; (iii) assign responsibilities to the executing agencies and the PCU for performing those activities; and (iv) report to the Office of the Minister on execution of SER I. This system has been the key to speeding up preparation of SER I and for reporting on execution of the loan. It will be continued under SER II.
- 3.11 Apart from preparation of the manual of operations, resources from the Special Japanese Fund (ATN/JF-6645-GU) will be used to carry out other actions to support MINEDUC in executing SER II. They include preparation of the

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<sup>14</sup> Financing from the Special Japanese Fund was used to finish preparing the operations manual for SER II in September 2000.

documents for international competitive bidding and the first annual plan of operations.

## **2. Execution of SER II**

### **(i) Component 1. Modernization of education management**

- 3.12 **Deconcentration and decentralization of education services.** MINEDUC, through the UPE, will be responsible for the initial strengthening of the technical units within the departmental boards of education. The same unit will also evaluate progress by the DDEs in boosting their institutional capacity in the terms described in paragraph 2.7. As the deconcentration process proceeds, MINEDUC will reach agreement with the Bank on extending the support to municipal education authorities linked to the DDEs. When a DDE fulfills the institution-building requirements, MINEDUC will approve, with the Bank's nonobjection, the use of SER II funds for investments by that deconcentrated entity (see paragraph 2.6 for eligible investments).
- 3.13 PCU II will cooperate with the DDEs in carrying out the investments and will ensure that the funds are used in accordance with Bank procedures. Since it will be necessary to coordinate with the 22 DDEs, the project will finance consulting services for PCU II which it can use for that purpose (see paragraph 3.5).
- 3.14 **Innovations in education.** The same procedures and rules currently in effect for funding innovations under SER I will be followed.

### **(ii) Component 2. Primary education**

- 3.15 MINEDUC, through Quality of Education Division (DICADE) will be responsible for executing this component. However, since PRONADE and DIGEBI also have responsibilities for schools that will offer the new first year, DICADE will have to coordinate with them, based on the criteria and procedures established in the manual of operations.
- 3.16 The CENACEP classroom facilitators will be selected based on the criteria previously agreed upon between MINEDUC and the Bank for SER I. The manner in which the facilitators are paid for their technical services will be agreed on in advance between MINEDUC and the Bank and set out in the Operations Manual.

### **(iii) Component 3. Intercultural bilingual education (IBE)**

- 3.17 MINEDUC will execute this component through DIGEBI.

### **3. Execution procedures**

#### **(i) Annual plan of operations**

- 3.18 Project execution will be governed by an annual plan of operations, which will be prepared by PCU II in conjunction with UCONIME and approved by the project administration committee. The annual plans will be presented to the Bank for nonobjection no later than December 15 each year. During the fourth quarter of each year, evaluation meetings will be held and the plan for the following year will be established based on the results, which will also be used to make any necessary adjustments in the project's operating mechanisms.

#### **(ii) Revolving fund**

- 3.19 A revolving fund of 5% of the loan will be established for financial execution of SER II. The same arrangement has been satisfactory for SER I.

#### **(iii) Procurement and consulting services**

- 3.20 The procurement of goods and related services will be governed by the Bank's standard procedures. The project will not finance works. The following procedures will be used for the procurement of goods and related services costing less than US\$250,000: (i) local competitive bidding from US\$100,000 to US\$250,000; (ii) a closed bidding of at least of five price quotes from US\$1,000 to US\$100,000; and (iii) direct contracting under US\$1,000, in keeping with criteria established by the PCU II and acceptable to the Bank.
- 3.21 Consulting services, including technical assistance and training, will be contracted using the Bank's standard procedures, except for the classroom facilitators for CENACEP (see paragraphs 2.13 and 3.16). Given the nature of the services they provide and the shortage of qualified candidates in the three rural areas in which the CENACEP will operate, the facilitators will be hired using the procedures already agreed upon with the Bank, for SER I and set out in the Operations Manual. The following procedures will be used for the remaining consulting services costing less than US\$200,000: (i) local competitive bidding from US\$100,000 to US\$200,000; and (ii) closed private bidding with at least three quotes from prequalified bidders for services under US\$100,000.
- 3.22 To simplify the procurement process and to learn about professional development opportunities (at home and abroad), in the first half of 2001, MINEDUC carried out a prequalification of suppliers of teacher professional development services. It received expressions of interest from various international agencies outside of Central America. Interest was also expressed by eight universities in Central America, including six in Guatemala. On the basis of this process, the Ministry of Education identified three consortiums that prequalified as suppliers of teacher professional development services for unilingual and intercultural primary school

education as well as three consortiums for bilingual intercultural primary school education. These services will represent 42% of the total cost of SER II, and will be procured by means of bidding with prequalified consortiums.

**(iv) Execution timetable**

3.23 Disbursements will be made in accordance with Table 3.1.

<b>Table 3.1</b>					
<b>Projected disbursements for SER II</b>					
<b>(in US\$ millions)</b>					
<b>Source</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>	<b>%</b>
<b>IDB/IFF</b>	10.2	7.6	4.2	22.0	90%
<b>Local</b>	1.2	0.9	0.4	2.5	10%
<b>Total</b>	11.4	8.5	4.6	24.5	100%
<b>%</b>	47%	34%	19%	100%	

**(v) Reports and supervision**

3.24 PCU II will present progress reports to the Bank within 30 days after the end of each six-month period. The reports will include information on progress in complying with the indicators established by the Bank in the logical framework. They will also contain a summary of the goals achieved and the problems encountered during the period.

3.25 Project supervision will be the responsibility of the Bank's Country Office in Guatemala. SO2 will cooperate closely with the Country Office and MINEDUC in evaluating the results of the loan. Since SER II will lead to reforms in the delivery of education services which will be the key for preparing future loans to support education in Guatemala, SO2 will monitor technical evolution of the project and will participate in two administration missions each year.

3.26 MINEDUC will establish and maintain separate accounts and records using acceptable accounting practices for the management and control of project funds. The project's accounts will be audited at the end of each financial year by a firm of qualified independent auditors acceptable to the Bank. The audited statements will be presented to the Bank starting at the end of the first year and throughout the project. The cost of the auditing services has been estimated at US\$60,000, which has been included in the budget to be financed by the Bank.

**(vi) Evaluation**

3.27 A general mid-term evaluation of the project will be performed 18 months after the loan is declared eligible for disbursement or at another time determined by mutual

agreement. The evaluation will study: (i) progress made and the problems encountered during project execution; (ii) the experience with deconcentrated offices in managing the investment budget; (iii) the extent to which the project indicators previously agreed on with the Bank and contained in the annual plan of operations for year one were met; (iv) the coordination between the PCU II and the agencies in charge of execution; (v) the coordination between international financial institutions; and (vi) the need for changes or adjustments in the plan of execution or in the indicators in the project logical framework.

- 3.28 A final project evaluation, in the last quarter of execution, will also be financed from the loan. This evaluation will include an analysis of the experiences of the DDEs in managing an investment budget.

**(vii) Coordination among international financial institutions**

- 3.29 Coordination between the World Bank and the IDB is facilitated through informal channels. Overall, the education programs financed by the World Bank and the IDB are complementary. SER I focuses its support on the quality of education and SER II on institutional strengthening, expansion and quality of primary education and intercultural bilingual education. The program currently being financed by the World Bank stresses: (i) expanding equitable coverage of primary school through PRONADE and a late afternoon shift; (ii) construction and/or rehabilitation of infrastructure for MINEDUC at the central level and in the departmental directorates; (iii) strengthening the system for testing academic performance; and (iv) strengthening the education information system. The two Banks coincide in their support for innovations in education, the development and supply of classroom materials, and institutional strengthening, which points to the importance of effective coordination, which has been adequate to date. The new World Bank project will continue the expansion of equitable coverage through PRONADE and will also finance: (i) study grants, (ii) quality improvement through teacher professional development in a targeted area in four departments, (iii) reform of the testing system, (iv) cultural diversity, and (v) the MINEDUC modernization process through intensive training to ministerial authorities and strengthening of the information system.
- 3.30 The Bank will also maintain coordination with other international financial institutions through the mechanisms mentioned in Chapter I (paragraph 1.22).

## **IV. FEASIBILITY, BENEFITS AND RISKS**

### **A. Project feasibility**

#### **1. Technical feasibility**

- 4.1 The activities of the first component, modernization of education management, are backed by consulting services and analyses financed by the World Bank, MINEDUC and the IDB over the last five years.
- 4.2 The structure of the new first year of the first cycle takes account of past experience with preschool in Guatemala, including CENACEP, which has a favorable evaluation and results.<sup>15</sup>
- 4.3 An evaluation of the bilingual education provided by DIGEBI mentioned in the loan proposal for SER I indicated that Mayan children perform better in Spanish, mathematics, science and the Mayan language if they study in bilingual programs.<sup>16</sup>

#### **2. Economic feasibility**

- 4.4 The private and social rates of return on investments in education in Guatemala are high. The SER I loan proposal cited five estimates of the private and social returns on investments in primary education that ranged from 15.8% to 30.1%.
- 4.5 The investments under SER II are expected to have a high impact in comparison with their cost since: (i) they will boost internal efficiency, reducing the high costs associated with school failure (low enrollment and high repeater and drop-out rates); and (ii) they will facilitate implementation of the Peace Agreements relating to education, thereby preserving social harmony and raising the level of instruction of human resources.

#### **3. Institutional feasibility**

- 4.6 The institutional structure for SER II is based on an analysis of the lessons learned from SER I and includes the necessary adjustments for adequate execution of both operations. SER II is a key for strengthening this structure. It will boost the capacity of MINEDUC and communities to manage investments in education and, by strengthening the DDEs it will surmount barriers that are currently impeding execution of investments by MINEDUC.

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<sup>15</sup> UNICEF/MINEDUC, "Proyecto Centros de Aprestamiento Comunitarios en Educación Preescolar CENACEP", Guatemala, September 1996.

<sup>16</sup> USAID/Guatemala, "Proyecto de mejoramiento de educación primaria rural. Evaluación final", prepared by Juárez y Asociados, contract LAC 0032-C-009036 (TSO 67).

#### **4. Financial feasibility**

- 4.7 The government has been complying with the goals to increase spending on education as a percentage of GDP by at least 50% in 2000 as compared with 1995 (see Table 1.1, Chapter I). A financial analysis of spending on education performed during preparation of SER I<sup>17</sup> viewed this increase as crucial for complying with the Peace Agreements and the objectives of SER I.
- 4.8 The analysis of spending on education was updated under the technical assistance financed by the Special Japanese Fund. The consultant paid special attention to the distribution of spending between investments and recurring costs in the programs that MINEDUC would have to carry out over the next decade to comply with its commitments.
- 4.9 Up to the year 2000, the government has been able to channel the funds needed to comply with almost all the goals established in the Peace Agreements relating to spending on education, health care, housing, internal security and justice. This is significant, not just because the goals are ambitious, but also because they are raised each year. However, to date, the government has not been able to increase the tax revenues it needs to comply with one commitment in the Peace Agreements. The tax burden would have to rise by about 3% of GDP in 2002 to meet it. In 1999, the combined public sector fiscal deficit was 2.8% of GDP, which creates uncertainty regarding the sustainability of the increases in social spending. One favorable sign is the fiscal pact approved in May 2000 that commits all the main players in the country. This is important because it establishes mechanisms to increase fiscal revenues, which would strengthen the country's financial situation. However, the tax recommendations have still not been passed by Guatemala's congress. Despite the delay, at this writing no problems are anticipated with the sustainability of SER II since the recurring costs generated by the project will amount to less than 1% of MINEDUC's budget and the government has reiterated its commitment to supporting education on various occasions, making this the top priority of national policy. The Government Plan, Education Sector 2000-2004<sup>18</sup> proposes a gradual increase in MINEDUC's budget, to 3% of GDP by 2004 (compared with 2.3% on education in 1999). The foregoing notwithstanding, additional government revenue must be generated if spending on education is to grow steadily.

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<sup>17</sup> Fernando Navajas, "Análisis fiscal del gasto educativo en Guatemala", July 1996.

<sup>18</sup> MINEDUC, Plan de Gobierno Sector de Educación 2000-2004, Guatemala, June 2000.

## **5. Social and environmental feasibility**

### **(i) Social equity and poverty reduction classification**

- 4.10 The project does not have explicit performance indicators to measure poverty reduction or improvements in social equity. However, it qualifies as a poverty targeted investment that will also improve social equity since it supports preschool and primary education (automatic qualification). Investments under SER II will primarily benefit rural areas, where 75% of the population lives in poverty. Accordingly, SER II will principally benefit the poorest groups in the country, particularly through its component to expand IBE for the indigenous population. Like SER I, it envisages activities to support intercultural and multicultural and bilingual education, including gender issues in teacher training and educational materials.

### **(ii) Environmental impact**

- 4.11 Since SER II will not finance infrastructure, it will not have any direct environmental impact. MINEDUC through the curriculum reform is incorporating the environmental dimension as a cross current in all subjects in the course of study. Also, with support from USAID, the Bank and other international financial institutions, the curriculum and classroom materials in primary school introduce environmental appreciation through a multi-disciplinary approach. SER II will assure that these concepts are also developed for IBE and primary education. They will also be included in training for teachers and supervisors.

## **B. Project benefits**

- 4.12 As a result of modernizing education management, MINEDUC's capacity to design and implement investments will be strengthened, making for broader coverage and better quality of education in Guatemala. Other project benefits include: (i) support for the Peace Agreements; (ii) greater internal efficiency in primary schools, as a result of better preschool coverage and quality and institutional strengthening; and (iii) greater equity in education for the most vulnerable groups, including indigenous children, girls, and low-income rural and urban children.

## **C. Project risks**

- 4.13 **Demand for teacher training services.** Over three years, SER II will upgrade the skills of 20,000 teachers—15,600 for primary unilingual education and 4,400 bilingual teachers. This professional development is a key element for introducing the new curriculum. On the demand side, some teachers have not always shown any interest in in-service training in the past. To ensure high demand for professional development, it must be accompanied with useful classroom materials. An incentive of this kind will be able to keep a large number of teachers in skills training courses as occurred in the diploma courses financed by USAID in

Quiché. Also, university credits for teacher training and the introduction of monetary incentives by MINEDUC should ensure that demand for the courses will be adequate.

**LOGICAL FRAMEWORK  
SUPPORT FOR EDUCATION REFORM (SER II)  
(GU-0131)**

Narrative summary	Indicators	Means of verification	Main assumption
<p>Good education system that improves the quality of life of the population and strengthens the climate of democratic relations in a country and diversity.</p>	<ul style="list-style-type: none"> <li>Better quality and internal efficiency in education.</li> <li>Better distribution of social services.</li> <li>Improvement in the UNDP Human Development Index.</li> </ul>	<ul style="list-style-type: none"> <li>MINEDUC, results of PRONERE and annual statistical reports.</li> <li>UNDP Human Development Report.</li> </ul>	<p><b>Sustainability:</b></p> <ul style="list-style-type: none"> <li>Political will to continue with education reform process.</li> <li>Peace Agreements implemented.</li> </ul>
<p>Effective delivery of education to expand capacity to respond to such services.</p>	<ol style="list-style-type: none"> <li>Education management transferred to DDEs in 22 departments (deconcentrated administration of personnel and local responsibility for local investment).</li> <li>Increased coverage for six-year-olds from 29% in preschool in 1999 to 35% in the new first year in 2003 and 40% in the nine departments targeted for SER II financing by 2004.</li> <li>Better academic performance by Mayan children (compared to control groups) whose teachers have participated in training courses.</li> <li>75% of teachers who received training obtain a diploma.</li> </ol>	<ol style="list-style-type: none"> <li>PCU II: progress reports.</li> <li>MINEDUC: Annual statistical reports.</li> <li>SER II. Follow-up and evaluation system (based on PRONERE evaluations).</li> <li>SER II. Follow-up and evaluation system.</li> </ol>	<p><b>To achieve the objective:</b></p> <ul style="list-style-type: none"> <li>Implementation of the education reform that includes improved legislation on education.</li> <li>Broad support from international and domestic financial agencies for education reform.</li> <li>Teachers use their new skills in the classroom.</li> <li>Sufficient internal financing to implement the reform.</li> <li>Final proposal for the general framework for curriculum modernization in 2001 and its introduction in 2002.</li> </ul>
<p>Effective management of education investment.</p>	<ol style="list-style-type: none"> <li>Two DDEs comply with the requirements for receiving investment funding under SER II in year 1, 9 in year 2 and 11 in year 3.</li> </ol>	<ol style="list-style-type: none"> <li>PCU II: progress reports and MINEDUC Annual Report on Activity.</li> </ol>	<ul style="list-style-type: none"> <li>DDEs are authorized to receive investments.</li> <li>There is political support for decentralization and modernization of the State.</li> </ul>

Narrative summary	Indicators	Means of verification	Main assumption
<p>education.</p> <p>al bilingual education.</p>	<p>2. 15,600 primary school teachers registered for professional development.</p> <p>3. 4,400 bilingual teachers registered for professional development.</p>	<p>2. PCU II: progress reports reports and MINEDUC Annual Report on Activity.</p> <p>3. PCU II: progress reports and MINEDUC Annual Report on Activity.</p>	<ul style="list-style-type: none"> <li>Curriculum reform received support from civil society and the unions</li> <li>Six-year-olds are registered</li> <li>Teachers have an incentive for training. There is national support for bilingual and multicultural education.</li> <li>There is a willingness among the country for bilingual education and for multicultural education.</li> </ul>
	Inputs/resources		
<p>ation of education ment.</p> <p>education.</p> <p>al bilingual education.</p>	<p>1. Training for deconcentrated offices (US\$500,00). Investments by deconcentrated offices (US\$3.5 million). Innovations in education (US\$5.0 million).</p> <p>2. Teacher professional development (US\$7.8 million). Teaching materials (US\$3.5 million). CENACEP with decreasing coverage (US\$600,000). Follow-up and evaluation (US\$120,000).</p> <p>3. Training for bilingual teachers (US\$2.4 million). Follow-up and evaluation (US\$150,000).</p>		

## SUPPORT FOR EDUCATION REFORM II (SER II)

### Procurement Plan

Main goods and services to be procured	Financing	Method	Prequalification	Date (semester/year)
<b>1. Modernization of education management</b>				
• Deconcentration and decentralization of education services (US\$4 million)*	IDB 90%	LCB/CB/DC	No	I/2002-I/04
• Educational innovations (US\$5 million)*	IDB 90%	LCB/CB/DC	No	I/2002-I/04
<b>2. Primary education</b>				
• Teacher professional development (US\$7.8 million)*	IDB 90%	ICB	Yes	I/2002
• Teaching materials (US\$3.5 million)	IDB 90%	ICB/LCB/CB	No	I/2002
• CENACEP (US\$600,000)*	IDB 90%	LCB/CB/DC	No	I/2002-II/03
• Evaluation (US\$120,000)*	IDB 90%	LCB	No	I/2002
<b>3. Intercultural bilingual education</b>				
• Teacher professional development (US\$2.3 million)*	IDB 90%	ICB	Yes	I/2002
• Evaluation (US\$150,000)*	IDB 90%	LCB	No	I/2002
<b>4. Project coordination unit</b>				
• Equipment (US\$50,000)	IDB 90%	CB/DC	No	I/2002
• Personnel (US\$510,000)*	IDB 90%	CB	No	I/2002 – II/04
• Other services (US\$120,000)*	IDB 90%	CB	No	I/2002-II/04

ICB International competitive bidding  
LCB Local competitive bidding  
CB Closed bidding  
DC Direct contracting

\* Procurement for items consisting mainly of consulting services.

**PROGRESS IN THE MAIN INDICATORS ESTABLISHED FOR SER I  
(as of September 2000)**

<b>INDICATOR</b>		<b>PROGRESS ACHIEVED</b>
<b>Indicators met or in progress (without delays)</b>		
I.	Disbursement of 50% of SER I resources before additional financing approved	55% of resources disbursed by September 2000 (76% by May 2001)
II.	Increase in government funding for education as a percentage of GDP from 1.66% in 1995 to 1.85% in 1997, 2.1% in 1998, and 2.3% in 1999	1.7% in 1997; 2.3% in 1998; 2.3% in 1999
III.1	School boards set up in 50% of traditional schools (those not belonging to PRONADE)	The target was reached in 2000 with establishment of school boards in nearly all traditional schools
III.2	Delegation of greater authority by MINEDUC to the 22 departmental boards of education (DDEs)	Responsibility for teacher supervision delegated to DDEs
III.3	Selection of teachers to fill vacancies through municipal hiring panels	All teachers hired by municipal hiring panels
III.4	Academic achievement testing for grades 3 and 6 in 1998	Sampling carried out in 1998 in grades 3 and 6; continued in 1999 and 2000
III.5	Financial decentralization of MINEDUC to departmental level in 1999	Undertaken in 1998; expanded in 1999; completion slated for 2002 with decentralization of payroll
III.6	Reduction in average primary school repeater rate from 15.3% in 1996 to 15% in 1999	Target for 1999 achieved in 1998 (14.3% repeater rate)
III.7	Reduction in average preschool repeater rate from 27.1% in 1996 to 26% in 1999, and 24% in 2000	Target for 1999 achieved in 1998 (24.1% repeater rate)
III.8	DIGEBI: 3,750 community members trained in 1998	3,750 community members trained; 350 mothers also trained for the promotion of education for girls and keeping girls in school
<b>Indicators in progress (with delays)</b>		
III.9	Textbooks printed in the four most widely used Maya languages: preschool books in 1998 and first grade books in 1999	Preschool: printed in 2000 First grade: expected in 2000 (currently in bidding process). Delay due to decision to postpone final version of textbooks until new curriculum is ready, which should be completed in 2000.
III.10	Submittal of document on design of education reform by the Joint Education Reform Commission in 3/98; approval in 1998	Education reform design submitted in 7/98; approval of reform will take more time than expected due to decision to build a consensus on it (currently under way)
III.11-1	curriculum guide for preschool updated in 1998 - 24 curriculum guides for grades 1-6 (4 per grade) updated in 1998 - New curriculum guides distributed to teachers in 1998	Under way (delayed)
III.12	Preparation of 25 textbooks (1 for preschool and 4 for each primary grade 1-6) and prototypes ready for printing by mid-1999 (DICADE)	Under way; textbooks expected to be printed by late 1999 and distributed to classrooms by the beginning of the next school year in 1/2000
III.13	DICADE: prototype new textbooks submitted to MINEDUC in 8/99	Under way; expected in 2000; first, the new curriculum will be completed

<b>Indicators in progress but only partly fulfilled</b>		
III.14	Coverage of CENACEP centers (preschool) 4,000 in 1998/99 and 5,000 in 1999/2000	2,700 centers in 11-12/98; CENACEP methodology applied in 3,500 first grade classes in 1-2/99; 3,821 centers in 1999
III.15	DIGEBI: 468 supervisors and technical staff trained in 1998	42 technical staff and 120 supervisors trained; goal for supervisors not attained due to transformation of the supervision system (a large percentage of supervisors accepted voluntary early retirement in 1998)
<b>Indicator not fulfilled</b>		
III.16	18 quality circles (6 per year over 3 years) for 36,300 teachers	Each circle held an average of 6 meetings in 1998; in 1999 MINEDUC decided to replace the circles with another training system

RGII-GU226P  
GU-0131  
Original: Spanish

**PROPOSED RESOLUTION**

**GUATEMALA. LOAN \_\_\_\_/OC-GU TO THE REPUBLICA DE GUATEMALA  
Project to Support Education Reform II**

**The Board of Executive Directors**

**RESOLVES:**

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the República de Guatemala, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Project to Support Education Reform II. Such financing will be for the amount of up to US\$22,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the "Financial Terms and Conditions" and the "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.

RGII-GU241P  
GU-0131  
Original: Spanish

**PROPOSED RESOLUTION**

**GUATEMALA. PARTIAL PAYMENT OF INTEREST ON LOAN No. \_\_\_\_/OC-GU TO THE  
REPUBLICA DE GUATEMALA**

**Project to Support Education Reform II**

**The Board of Executive Directors**

**RESOLVES:**

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as a administrator of the Intermediate Financing Facility Account, hereinafter referred to as the "account", to enter into such contract or contracts as may be necessary with the República de Guatemala, as Borrower, and to adopt such other measures as may be necessary to utilize the resources of the account to pay a part of the interest due by the Borrower on outstanding balances of the loan authorized by Resolution DE-\_\_\_\_/01, in accordance with applicable Bank policies.