

# EDUCATIONAL QUALITY IMPROVEMENT PROJECT

(PE-0116)

## EXECUTIVE SUMMARY

**BORROWER:** The Republic of Peru

**EXECUTING AGENCY:** The Ministry of Education (MED)

**AMOUNT AND SOURCE:** IDB: US\$100 million (OC)  
Local counterpart funding: US\$ 67 million  
Total: US\$167 million

**FINANCIAL** Amortization period: 25 years  
**TERMS AND** Execution period: 5 years  
**CONDITIONS:** Interest rate: variable  
Inspection and supervision: 1%  
Credit fee: 0.75%

**OBJECTIVES:** The project objectives are to:

- a. Improve the quality of elementary education, i.e. the "articulated" program (with the emphasis on preschool education for children age five), and secondary education.
- b. Bring technical education and public vocational training into line with the job market and establish a national career education system, with active private sector participation.
- c. Make the system more equitable by:
  - (i) expanding coverage to include preschool education (five-year-olds), and
  - (ii) ensuring equal educational opportunities for both sexes.
- d. Increase the sector's overall efficiency by:
  - (i) strengthening the administrative capacity of the MED and intermediate institutions, and
  - (ii) improving the schools' administrative capacity.

**DESCRIPTION:**

The project is part of a process to modernize the sector. It combines quality improvement measures with a short-term impact, such as standardized performance measurement systems, a mechanism to spur greater private-sector involvement in career education, and gradual implementation of a performance upgrading system for teachers, backed by training programs, educational materials, career progression and pay incentives.

The project has been designed in the context of the government's educational policy and in support of the Educational Quality Improvement Plan for the period 1995-2010 (PE-2010). The project activities will take place over the five-year period 1997-2001.

This project represents the first stage of Bank financing in support of the government's efforts reflected in the actions of Plan PE-2010. The Bank will undertake preparations for the second stage and processing will begin once progress has been verified on implementing the actions proposed under this operation and those to be carried out with other institutions as part of Plan PE-2010 (approximately at the end of year one of execution). The second stage would consist of supporting the country in completing improvements in secondary education and helping to strengthen career education.

The project strategy addresses the need for:

- a. more funds for education, by increasing funding from 2.7% of GDP in 1994 to 3.3% of GDP in the year 2000 and thereafter;
- b. decentralization, to enhance the educational centers' administrative capacity while improving their efficiency;
- c. a human resources policy to improve teacher performance, based on training programs and pay;
- d. improved availability of inputs: teaching materials, updated curricula, renovated and properly equipped infrastructure, and
- e. a strengthening of the MED's management capacity in its role as the policy-making institution.

Given the complexity of the proposed reforms and the need to sustain them in the long term, the project has been planned on a time-slice basis. This will make it possible to support the country in

internalizing and implementing the measures under a flexible system. Accordingly, the total project spending will be apportioned in targets to be agreed upon each year.

The project finances four components:

- a. Institutional strengthening;
- b. Elementary education (articulated program);
- c. Secondary education; and
- d. Career education.

Under the first component: (i) a teacher performance improvement system (SMDD) will be developed and introduced; (ii) a quality measurement system will be instituted; (iii) the Office of Strategic Planning will be assisted; (iv) the higher teaching institutes (ISP) will be strengthened; (v) a training program in techniques of educational administration will be carried out; and (vi) a study will be done on how to promote civil society participation in administering early childhood education outside the formal education system in order to expand programs such as Wawa-Wasi and PRONEI. Components b. and c. will emphasize: curriculum adjustments, teacher training, educational materials, and renovation and expansion of infrastructure for articulated elementary education. The fourth component calls for actions to update the public supply of technical education and vocational training, and the groundwork will be laid for setting up a national career education system with private sector involvement.

This operation is complemented by a World Bank project on articulated elementary education (grades 1 to 6), and the two Banks will coordinate their actions in renovating physical infrastructure (preschool to grade 6) and improving administrative systems.

**ENVIRONMENTAL  
CLASSIFICATION:**

The Environment Committee, at its meeting of April 19, 1994, classified this as a Category II operation.

**BENEFITS:**

The project's main benefit will be to enhance the quality of life by improving the quality of basic education. Modernizing the career education system will improve the skilled manpower and increase labor productivity, thus enabling the Peruvian economy to compete more successfully on international markets.

The project's direct beneficiaries are students within the articulated elementary education system, primarily five-year-olds, and secondary school students who attend public schools. A lower repeater rate will bring down the average number of years spent in school and the dropout rate, increasing the educational system's internal efficiency. This, combined with a more efficient use of installed capacity, will lower operating costs, thereby benefiting society as a whole.

An added benefit is that more women will be able to join the work force because coverage of the articulated elementary education system will increase to serve more small children (five-year-olds).

**RISKS:**

One of the risks observed was the MED's weakness in regard to execution of the project. To reduce that risk, the government has undertaken a reorganization of the MED and is assembling the technical teams. The project has been designed so that the following will be in place during its execution: (i) a coordinating unit (PCU), with sufficient technical capacity; (ii) a team of specialists to assist the line units with the curriculum, teaching material and training components, and (iii) a decentralized agency such as the Instituto de Infraestructura para Educación y Salud [Education and Health Infrastructure Institute] (INFES) or some other public or private business that has the Bank's nonobjection to carry out the infrastructure component.

Expanding the coverage of elementary education to include the population of five-year-olds will mean increasing educational spending by adding a year of school before the first grade, with the associated recurrent costs. This risk is reduced by the planned improvements in the system's internal efficiency in response to the actions envisaged (paragraph 4.10).

A long-term reform of the kind proposed calls for an appropriate national consensus. To build that consensus, the MED will carry on an ongoing dialogue with different sectors of the population associated with education. The view is that the proposal to improve performance linked to pay incentives, in conjunction with the training program, will win the program sufficient support among those who work in the sector. The government's support for the project is solid, since education is a top national priority. Also, the Ministry of Economic Affairs and Finance (MEF) helped design the financing for this operation.

**THE BANK'S  
COUNTRY AND  
SECTOR STRATEGY:**

The Bank's operating strategy in Peru places particular emphasis on social matters, particularly on long-term improvement of health, sanitation and education services. The programs presently underway, such as FONCODES, the health program and the social stabilization program, underscore the importance that the government attaches to the social sphere.

**POVERTY-  
TARGETING:**

The project meets the poverty-targeting criterion established under the Eighth Replenishment, since more than 50% of the Peruvian population live below the poverty line established by the Bank.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

a. As conditions precedent to the first tranche release, the borrower is to present the following to the Bank's satisfaction:

(i) Evidence that the PCU created by decree 9494 (paragraph 3.8) has been adapted to meet the program's needs and that the Office of Strategic Planning created by decree 5195-ED has been set up (paragraph 2.14);

(ii) The terms of reference for a study on the design of a teacher performance upgrading system (SMDD) (paragraph 2.10);

(iii) The agreement between the MED and the INFES or another public or private enterprise, subject to the Bank's nonobjection;

(iv) Evidence that the special account in which the project funds will be deposited has been opened (paragraph 3.24);

b. In view of the nature of the project, the following eligibility criteria have been set for the components (see Annex II-1): (i) for articulated elementary education, preparation of the operating plan with activities for year one; and (ii) for secondary education, preparation of the curriculum adjustment plan and the teacher training plan.

c. Each year, the borrower will present to the Bank a five-year maintenance plan for the works built with loan proceeds during that period.

d. Starting in 1997 and for the duration of the program, the executing agency and the Bank will meet during the third quarter of each year to examine the project's progress and agree upon the following year's activities. At least 15 days

before each meeting, the borrower is to present a report to the Bank, as described in the project document (paragraph 3.27).

- e. The borrower is to present the following reports to the Bank's satisfaction: (i) within six months after the effective date of the loan contract, an initial report detailing the methodology and the indicators for the base year to be used to evaluate the program's impact; (ii) three years into execution, a midterm evaluation report; and (iii) 18 months after the final disbursement, a final report on evaluation of impact (paragraph 3.33).
- f. The Bank will withhold the sum of US\$500,000 from the first disbursement in respect of funding for the PPF operation (paragraph 3.10).
- g. The financial statements, audited by a specialized firm approved by the Bank, are to be presented each year (paragraph 3.29).
- h. International public bidding will be required for purchases of goods valued at over US\$250,000 and works valued at over US\$1 million (paragraph 3.20).

**WOMEN'S  
PARTICIPATION:**

The project calls for activities to improve gender equality, especially by updating curricula to reflect women's new role in society.

The expansion of articulated elementary education's coverage to include the population of five-year-olds will increase women's ability to enter the labor market.

Under the career education component, particular care will be taken to ensure equal opportunity enrollment in the courses.

## I. FRAME OF REFERENCE

### A. Macroeconomic situation

- 1.1 During the 1993-1995 period, the Peruvian economy underwent an expansion phase driven by robust investment growth. The average annual increase in GDP was 8.4%, the highest in all of Latin America and the Caribbean. In 1995, GDP grew 6.9% in real terms, fueled by investment spending for the third consecutive year.
- 1.2 Nevertheless, the economic growth itself and its origins had two unfavorable results. First of all, private capital flows led to a currency appreciation. Secondly, the appreciation and consequent drop in relative import prices, in the context of recently liberalized external trade, allowed growth in aggregate demand to be reflected in proportionally higher growth in imports. This led to a widening deficit in the balance of payments current account. The deficit swelled from 5.4% of GDP in 1994 to 7.2% in 1995.
- 1.3 Beginning in the fourth quarter of 1995, as a result of the policy of fiscal discipline adopted by the government to narrow the current account deficit, the economy entered a phase of slowing in growth. During the first half of 1996, growth in GDP was 1.3% over the same period in 1995. Annual GDP continues to grow at an adequate rate (2.3%) to allay fears that a recession is under way. It is hoped that economic activity will pick up in the second half, and GDP is expected to grow about 3% in 1996.
- 1.4 Inflation remains under control. The annualized inflation rate at the end of July was 11.7%. The authorities expect this rate to remain at between 11% and 12% for the rest of the year.
- 1.5 In March 1996, the government reiterated that the key elements of government policy continued to be as follows: (i) deepening structural reform in the economic sphere, including completion of the privatization process; (ii) fiscal austerity and monetary restriction, to reduce the deficit on the balance of payments current account; and (iii) modernization of the State. The adoption of a definite course of state policy, as outlined above, eased the successful completion of negotiations with the International Monetary Fund on a second extended arrangement (EA) covering the 1996-1998 period.
- 1.6 The EA sets fiscal policy targets in order to achieve the aim of increasing public savings. The results of the consolidated public sector – not including privatization proceeds – are expected to improve throughout the three-year period, and should be in the black by 1998. The primary fiscal surplus is expected to rise from 0.3% of GDP in 1995 to 2% in 1998. The government has undertaken to pursue fiscal consolidation on both the revenue and the expenditure side. In the first instance, emphasis will be placed

on further strengthening tax administration and controlling evasion. In the second, strict controls will be placed on current spending. The EA also stipulates that the Central Bank will continue to pursue its aim of controlling inflation by monitoring growth in the money supply and expansion of private sector credit. The Central bank will also continue to apply a flexible exchange policy, intervening to help moderate short-term fluctuations in the exchange market.

- 1.7 As a result of the shift toward greater discipline in fiscal policy, as well as the slowing of the economy, balance of payments trends thus far in 1996 are favorable. During the first half, exports increased 8.3% over the same period in 1995, while imports rose just 2.1%. As a result, the trade deficit narrowed 14% and estimates point to a narrowing in the current account deficit as well.

## B. Education in Peru

### 1. Background

- 1.8 The general scenario of education in Peru is similar to that of other Latin American countries, with serious problems with quality, equality and efficiency that are particularly acute in rural areas and in the education offered to children whose first language is not Spanish. Nevertheless, the coverage rate is high, particularly in elementary education.
- 1.9 Some of the problems are endemic to the education system itself, while others are not. According to a recent national census (1993), 12.8% of Peru's adult population are illiterate, a figure that is even higher among women (18.3%). Some 48% of children between the ages of 6 and 9 show signs of chronic malnutrition. These children live in rural areas (62%) and study in state schools (97%).
- 1.10 The decrease in social spending due to the crisis of the 1980s took a heavy toll on public education, as reflected in the following: (i) a sharp decline in the quality of education, as evidenced by higher repeater and dropout rates; (ii) a drop in teachers' pay, resulting in an influx of uncertified teachers: 49% in elementary education and 43% in secondary education in 1993; in addition, teaching staff were assigned to other functions; (iii) a cumulative deficit in teaching materials, infrastructure and equipment at schools owing to a lack of resources; (iv) the decline of the institutional apparatus, with low efficiency and little capacity for planning and programming, and (v) the low student/teacher ratio, as a result of which the physical infrastructure is being underutilized (Annex I-1, tables 1, 2 and 5).



## 2. The educational system by level

- 1.11 Peru's educational system has four levels: preschool (0 to 5 years), elementary (ages 6 to 11, including students in the articulated programs, which covers five-year-olds, first graders and second graders); secondary education (ages 12 to 16), and higher education, which lasts three to eight years. Under the new Constitution, preschool, elementary and secondary education are free and mandatory.
- 1.12 There are various types of education within one or more of these levels: special education for children and youth who are either learning disabled or gifted; bilingual education, for those whose native language is not Spanish; and career education, which includes technical courses in the formal system and short vocational training courses.
- 1.13 The transition to an open-market economy is generating an ever increasing demand for qualified human resources. The career education now being offered, especially in public schools, is on the whole not in step with the needs of businesses. A wide assortment of trades are taught, many of them obsolete; others are in competition with the more efficient private sector. Then, too, the training programs do not always take into account that 70% of the labor force is employed by microenterprises.
- 1.14 The principal indicators are shown in the following table:

**PERU: MAJOR EDUCATION INDICATORS**

	1993 enrollment		Teachers public sector 1993			Public schools 1993	Average per student cost 1/	Repeater rate 2/
	Thousands of students	Public sector (%)	With degree	No degree	Total		1994	%
Preschool	897.3	86.4	9,301.0	8,402.0	17,703.0	8,312.0	79.9	
Elementary	4,055.3	88.0	52,781.0	51,733.0	104,514.0	25,594.0	124.1	15.5
Secondary	1,947.6	83.6	36,211.0	28,311.0	64,522.0	4,747.0	134.6	10.1
Vocational	247.4	49.4	989.0	1,872.0	2,864.0	710.0	105.6	

1/ Estimated total spending for 1994 (US\$1.355 million)

2/ Internal efficiency rate 1992-1993

Source: School Census 1993, MED, December 1995.

- 1.15 The specific characteristics of each level and type can be summarized as follows.

- 1.16 **Preschool education.** Preschool education fulfills two ends. Firstly, it prepares the child for a smoother transition into elementary school, thereby preventing the high repeater and dropout rates now seen in the first two grades. Secondly, from the social standpoint, by caring for the children, preschool education enables more women to enter the job market. These programs are more important for those of limited socioeconomic means since they compensate for some of the educational disadvantages that children from these sectors bring to the classroom. Some studies done in Peru indicate that students given some kind of educational preparation perform better in the first years of primary education than those entering first grade directly.
- 1.17 The programs offered fall into two areas:
- a. Nonscholastic preschool education teaches children ages 3 and 4 (and a significant number of children age 5) through nonschool education programs (PRONEI) in centers run under a system of outreach workers, with the help of specialized teachers. Community educational homes (Wawa-Wasi) care for children between the ages of 0 and 2. These centers are set up in family homes where the children are cared for. At each one, a designated teacher/mother cares for a small group of children. The Wawa-Wasi receive community support from NGOs and other private and religious institutions. According to the most recent school census from 1993, scholastic and nonscholastic preschool education was being provided to 897,391 students, 307,340 under nonscholastic programs (Wawa-Wasi and PRONEI; 0-5 years).
  - b. Scholastic preschool education serves 590,051 students age 3 to 5. There are roughly 575,368 children in this age group, of whom 260,923 (45.3%) are being educated. Of these, 212,893 are in public schools (81.6% of the total).
- 1.18 **Elementary education: articulated program.** In 1995, by Ministerial Resolution 0796-94-ED, the articulated curriculum program was approved (preschool for children age 5 and first and second grades functioning as a single block), a new approach that serves as a bridge between scholastic preschool education (for five-year-olds) and elementary education, by automatically promoting the student from the time he or she enrolls until he or she completes the second grade. This strategy allows the learning processes to be consolidated in the first years of schooling.
- 1.19 After 3,000 teachers were trained, this program was applied on an experimental basis in 1994 with the cooperation of the B. Van Leer Foundation, UNICEF and other NGOs. In 1995, funds from the Public Treasury were used under the Teacher Training Plan (PLANCAD) to train 24,000 teachers in articulation programs, and some 15,000 teachers and 9,000 principals are expected to be trained in 1996.

- 1.20 Elementary education features coverage of greater than 94%. However, coverage of preschool education (for five-year-olds) is just 45.3%. One of the main problems with elementary education is low efficiency (a repeater rate of almost 27.7% in the first grade), which wastes resources and creates very disparate educational results among geographic areas, exacerbating the equality problem. This is largely due to inadequately qualified teachers (close to 50% lack teaching degrees), sharply declining real wages, and a shortage of textbooks because of their high cost and poor quality. All these factors compromise the quality of education.
- 1.21 **Bilingual education.** Linguistic diversity creates communication problems between teachers and students in the highlands and the rural jungle, where the bulk of the native population lives. Some 11% of Peru's population is indigenous; in the rural highlands, over 50% of all heads of household do not speak Spanish. For students entering the first grade who do not speak Spanish, the repeater and dropout rates are much higher, especially in the first years.
- 1.22 **Secondary education.** Enrollment at this level of education was approximately 50.9% in 1993. The State is the main provider, with 85% of the total. The cumulative increase in annual enrollment was 6.9% in the 1970s and 3.9% in the 1980s. Enrollment at this level is expected to improve in the medium term as greater internal efficiency is achieved in elementary education.
- 1.23 Expansion at this level is constrained by a decline in resources that translates into inadequate infrastructure, equipment, educational supplies, and low pay.
- 1.24 Curricula are outdated, with an emphasis on rote learning and excessive subdivisions of course subjects. In combination with the other problems mentioned earlier, this means that graduates do not perform up to expectations. As in the case of elementary education, there are significant disparities among the regions, evident in the distribution of teachers in terms of their qualifications and in figures on performance and internal efficiency.
- 1.25 **Career education.** This training is provided in a variety of ways: (i) technical secondary education (agricultural, business, industrial and nonindustrial), with an enrollment of 100,000 students in 1,300 centers, 80% of them state-run; (ii) the roughly 480 advanced technological institutes (ISTs) attended by 161,900 students, with the public sector providing approximately 48% of this service, and (iii) the 1,338 vocational training centers (CEOs) – almost 54% of which are state-run – that offer occupational training courses and have an enrollment of 203,000 students.

1.26 The main features of this subsystem can be summarized as follows:

- a. There is no mechanism to match supply to job market demand, causing asymmetry and inefficiency; and graduates are not tracked to allow for the feedback needed to adjust curriculum content, a problem exacerbated by the MED's excessive rule-making on curriculum development;
- b. The number of private ISTs and CEOs is increasing rapidly, especially in urban areas located in and around Lima and Arequipa; very few are of good quality and most focus on such areas as data processing, accounting and nursing (in the case of ISTs) and garment making, secretarial skills and paramedics (in the case of CEOs). The public ISTs and CEOs, on the other hand, focus on agricultural and industrial activities that require substantial infrastructure and equipment. Up until 1994, the programs of study most in evidence at state-run ISTs continued to be agriculture-related: 160 of the 232 state-run ISTs offered agricultural courses, although enrollment was small;
- c. Poorly trained teachers and lack of certification in technical education is one of the most serious problems with this modality, and is aggravated by the lack of a permanent refresher training system and increasingly obsolete equipment;
- d. The high dropout rates, especially in the early stages, increase the cost considerably; and
- e. From a technical standpoint, the MED is not well equipped to monitor technical education and vocational training.

### 3. Institutional and legal framework

1.27 By law, the education sector is composed of the Ministry, which is the central, policy-making body, and a number of decentralized public agencies.

1.28 At the central level, the MED develops national policies and standards, oversees compliance, and evaluates the educational process. It also establishes pay levels and approves slots requested by the regions. Under the present system, certified teachers are guaranteed job stability. At the subregional level, intermediate agencies adapt sectoral policies, administer financial resources, and distribute educational materials. At the local level, schools administer the teaching process and the human and material resources supplied by the decentralized offices for delivery of the service.

1.29 Weaknesses at the MED are as follows: (i) slow bureaucratic procedures; (ii) poor medium- and long-range planning; (iii) lack of teacher evaluation mechanisms; (iv) administrative work takes

precedence over teaching techniques at the central level; (v) staff not sufficiently up-to-date to respond to the system's demands; (vi) duplication and interference caused by a structure consisting of a central headquarters and intermediate agencies; (vii) a need to rationalize school administration, and (viii) outdated career development and documents filing and processing procedures.

- 1.30 The MED was reorganized in October 1995, pursuant to Supreme Decree 51-95-ED, and its new structure will be responsive to the educational system's needs. Basically, the system introduced with the new structure promotes medium- and long-term policy planning and a decentralization of functions.
- 1.31 Also, Law 26549 was passed in December 1995, fostering the activities of private educational centers and programs, in order to make private education more responsive.

#### 4. Sector spending and funding

- 1.32 The central government earmarks a considerable portion of its income to the social sectors. In 1994, the social sectors that represented the largest shares of GDP were: education, at 2.7%; health, at 1%; poverty-relief programs, at 0.05%; and housing and labor, at 0.01%.
- 1.33 Education spending fell off during the 1980s and then began to recover in 1992. In 1990, education spending represented 1.9% of GDP and 9.2% of the government's overall outlays, whereas in 1994 those figures were 2.7% and 15%, respectively. It is interesting to note that in the early 1970s education spending represented 3.5% of GDP (Annex I-1, table 3).
- 1.34 In 1993, education spending broke down as follows: the MED received 22% and the regional governments 62%. The Ministry of Economic Affairs and Finance (MEF) transfers funds directly to the regional agencies, while the MED makes policy, provides technical support to the regions and has the authority to hire teachers; the remaining 16% went to decentralized public universities and institutions.
- 1.35 A high proportion of spending goes toward payroll expenses, leaving little for educational materials, infrastructure and maintenance. In 1994, payroll expenses accounted for 84% of the resources spent on primary education, 84.7% of the spending on secondary education, and 78.8% of the amount spent on career education (Annex I-1, table 4).

#### C. The government's strategy

- 1.36 The government has devised an educational development plan for the period 1995-2010 (PE-2010). Under the plan, teachers, educational materials and infrastructure will be improved. The educational

model is geared toward: (i) raising the quality of education at the various learning levels; (ii) achieving greater equality in educational services by expanding coverage, reducing disparities among regions and improving infrastructure; (iii) improving internal and external efficiency; and (iv) instituting a decentralization process, giving more responsibility to administrative levels within the system right down to the educational center, and strengthening the MED's role in the sector.

- 1.37 As an added measure, through the National Nutrition Program (PRONAA) the State is conducting a nutritional supplement program that targets needy children.
- 1.38 The main goals established in the PE-2010 are shown below:

EDUCATIONAL LEVEL/TYPE	INDICATORS	SITUATION 1995 (%)	GOAL 2000 (%)
I.   Preschool	Coverage, ages 0 to 2	3.0	4.0
	Coverage, ages 3 to 4	44.5	49.0
	Coverage, age 5	45.3	60.0
II.   Elementary	Enrollment	94.0	95.0
	Promotion (gross figure)	71.0	78.0
	Annual average dropout rate	9.3	3.5
	Repeater rate	22.0	16.0
III.   Secondary	Enrollment	50.9	60.0
	Promotion (gross figure)	73.0	80.0
	Annual average dropout rate	8.0	4.0
	Repeater rate	13.0	8.0

Source: School Census, 1993 and December 1995, and 1996 MED data..

D. Bank strategy in the social sectors

- 1.39 The Peruvian government and the Bank have agreed upon an operating strategy based on two avenues of action: (i) in the short term, to stabilize the economy and undertake structural changes, and (ii) in the long term, to improve social services in health, sanitation and education, as well as transportation and energy infrastructure.
- 1.40 In the case of the social sectors, it was agreed that the strategy would proceed by stages. Accordingly, a loan for the health sector was approved in 1993 (741/OC-PE). In 1994, the Sanitation Sector Support Program was approved and efforts got underway to launch the National Social Development and Compensation Fund (FONCODES), which finances investment projects presented by communities. On June 19, 1996, the Bank's Board of Executive Directors approved the second stage of the FONCODES program.

E. The Bank's experience in the education sector

- 1.41 The IDB's recent experience in the sector has been through the program for services to low-income groups (ATN/TF-4344-PE), approved in 1993 in the amount of US\$6.3 million from the Social Progress Trust Fund and coordinated by UNICEF. The program involves two educational components: one targets preschoolers by supporting the home child care system (Wawa-Wasi) in Lima, Callao and 13 other cities; and the other aims to raise the educational level of two million poor women. In 1993, the Bank approved a loan of US\$100,000 to help FONCODES finance social investment projects (education, health, sanitation) presented by the poorest communities. In November 1995, 97% of the Bank's loan had been committed. A second stage was approved in the first half of 1996 which, like the first, is being financed jointly with the World Bank. The Bank's previous experience in the education sector was in the 1960s, when two loans totaling US\$9.3 million were approved.

F. Support from international agencies

- 1.42 The Government of Peru has had the cooperation of the following international agencies: (i) UNDP financed the diagnostic study for the school administration plan; (ii) UNICEF is supporting preschool education and was instrumental in establishing the Wawa-Wasi system; (iii) UNESCO is carrying out programs in special education and education for women, with support from the Danish government; (iv) the German government, through the GTZ, is providing technical assistance for preparation of proposals on bilingual education; (v) the Spanish government, through the Spanish Agency for International Cooperation (AECI), has undertaken studies on technical education and vocational training; (vi) the World Bank is participating directly in financing the program at the primary level; and (vii) through a technical cooperation operation, the IDB is supporting preparation of social policies.

G. Project concept

- 1.43 Peru has launched an ambitious program to rationalize the educational system in order to improve the sector's quality and efficiency. To that end, PE-2010 was prepared, reflecting a willingness to allocate more financial resources and seek a political consensus on the needed reforms. This project supports the rationalization program approach and makes it feasible.
- 1.44 This project's components presuppose an improvement in the quality of the inputs and educational process. Accordingly, financing is earmarked for curriculum rationalization, manpower training, educational materials, renovation of infrastructure, updating of equipment, and modernization of educational administration.
- 1.45 This stage of Plan PE-2010 will be funded mainly through the government's budget and with IDB and IBRD resources. The IDB would

be supporting measures at the preschool level, the education of five-year-olds in the articulated elementary school system, secondary education and career education; the IBRD would finance articulated elementary education (grades 1 to 6). Both institutions would coordinate their actions in renovating the physical plant (preschool to grade 6) and improve administrative systems.

- 1.46 This project represents the first stage of Bank financing in support of the government's efforts reflected in the actions of Plan PE-2010. The Bank will undertake preparations for the second stage and processing will begin once progress has been verified on implementing the actions proposed under this operation and those to be carried out with other institutions as part of the Plan PE-2010 (approximately at the end of year one of execution). The second stage would consist of supporting the country in completing improvements in secondary education and helping to strengthen career education.



## II. THE PROJECT

### A. Objectives

#### 2.1 The project's objectives are to:

- a. Improve the quality of elementary education, i.e. the articulated program with emphasis on preschool education for five-year-olds, and at the secondary level.
- b. Adapt public technical and career education to match demand from the job market and set up a national career education system, with the private sector participating actively.
- c. Make the system more equitable by:
  - (i) expanding coverage to include preschool education five-year-olds, and
  - (ii) ensuring equal educational opportunities for men and women.
- d. Improve the sector's overall efficiency by:
  - (i) strengthening the administrative capacity of the MED and intermediate institutions, and
  - (ii) improving the schools' administrative capacity.

### B. Project description

#### 2.2 The project was designed in keeping with the government's educational policy and supports the Educational Quality Improvement Plan in the medium- and long-term for the period 1995-2010 (PE-2010).

#### 2.3 The program strategy calls for:

- a. more resources for the education sector, with an increase from 2.7% in 1994 to stabilize at 3.3% of GDP as of the year 2000;
- b. gradual decentralization, to improve the schools' administrative capacity while making them more efficient;
- c. a human resource policy to improve teacher performance, based on training programs and pay;
- d. improved availability of inputs: educational materials, curriculum rationalization programs, adequate infrastructure and supplies, and

- e. strengthening of the MED's administrative capacity as the policy-making agency.
- 2.4 Given the complexity of the proposed reforms and the need to sustain them in the long term, the project has been planned on a time-slice basis. This will make it possible to support the country in internalizing and implementing the measures under a flexible system. Accordingly, the total project spending will be apportioned in targets to be agreed upon each year.
- 2.5 As the following table shows, projections call for total anticipated education spending by the public sector for the 1996-2001 period of approximately US\$11.3 billion. External financing would account for some 2.2%; the Bank would supply 40.6% of that figure. The table also shows total spending at each level and the amount represented by the IDB and IBRD programs. A pay adjustment process was undertaken in 1994 which implies more of an impact on spending in the short term. However, this will be offset by an increase in the number of new teachers below the number of teachers departing (either retiring or leaving voluntarily) and improved internal efficiency, so that spending should stabilize at 3.3% of GDP by the end of the project.

**PROJECTED SPENDING IN THE EDUCATION SECTOR**  
(millions of 1994 US\$)

YEARS	1994 *	1995 ***	1996	1997	1998	1999	2000	2001	1995-2000
Administration	197.4	212.2	219.7	223.4	242.7	256.2	266.5	270.9	1,479.4
IDB project **				3.2	2.9	2.8	2.7	1.3	12.9
Preschool education	73.9	82.3	100.2	112.9	131.2	149.2	167.0	175.4	836.0
Elementary education	369.6	392.6	462.1	501.4	546.3	558.4	542.7	516.4	3,127.2
IDB project **				4.1	19.7	37.3	15.1	0.3	76.5
IBRD project **			9.2	27.0	43.9	38.9	27.4		146.4
Secondary education	364.3	301.3	322.2	334.9	357.4	381.4	398.7	399.5	2,194.0
IDB project **				2.6	1.2	0.9	3.8		8.5
Career education	59.3	51.3	56.1	61.8	66.5	73.3	73.3	82.2	419.1
IDB project **				1.9	0.2				2.1
Other levels of education <u>1/</u>	368.3	594.9	538.7	518.3	513.8	516.2	525.5	539.5	3,151.9
New IDB loan <u>2/</u>					20.0	35.0	45.0	40.0	140.0
Subtotal IDB + IBRD			9.2	38.8	67.9	79.9	49.0	1.6	246.4
Total	1,432.7	1,634.6	1,698.9	1,752.7	1,877.8	1,969.7	2,024.7	2,023.8	11,347.7
% of GDP <u>3/</u>	2.7%	2.7%	2.8%	2.9%	3.1%	3.2%	3.3%	3.3%	

1/ Decentralized institutions included.

2/ Estimated total US\$140 million, four years execution.

3/ GDP figures for 1994 and 1995 were taken from the Central Bank's weekly bulletin No. 33, August 23, 1996.

\* Base year. MED data.

\*\* These figures are included in the figures for the previous level, and include contingencies and escalation.

\*\*\* Preliminary figures.

2.6 A comprehensive human resources development policy has been included in the project on the basis of: (i) a teacher performance upgrading system linked to pay incentives; (ii) a gradual rise in the student/teacher ratio, and (iii) annual teacher training plans for each level.

2.7 The increased internal efficiency, adjusted student/teacher ratio and organization of the MED's staffing achieved through the project will enable teachers to meet demand more efficiently and rationally.

2.8 To make certain that the above-mentioned activities are properly implemented, a set of interrelated activities and annual goals has been developed to monitor them, as described in Annexes II-1, II-2 and III-2 (see paragraph 3.27).

2.9 The project to be financed by the Bank includes the following components and subcomponents:

1. Institutional strengthening of the MED (US\$12.7 million)
- 2.10 **Design and implementation of a teacher performance upgrading system** (US\$0.9 million). A study will be done on alternatives for instituting a teacher evaluation mechanism to serve as the basis of this system, based on incentives for attendance, productivity, training and performance, calls for schools to play more of a role in teacher progression, and a mechanism to improve pay.
- 2.11 The submission of terms of reference for a study to design a system to upgrade teacher performance is a condition precedent to the first disbursement. Implementation of the system will require studies to be done in 1997 to set out the technical criteria and operating mechanisms necessary to begin implementation. The system's operation will be reviewed at the annual meeting and agreement will be reached on action to take.
- 2.12 During the program's first year, studies will be commissioned to review and organize staffing (this will include an audit of teaching and non-teaching posts) and the career development system for teachers, which involves establishing performance-based criteria for promotions and mobility.
- 2.13 **Educational quality measurement system** (US\$1.7 million). An educational performance evaluation system will be implemented for the secondary level, which will be matched by an IBRD-financed system for the elementary level. Both will follow the same execution strategy.
- 2.14 **Strategic planning** (US\$1.2 million). The operation of the Strategic Planning Office established under Decree 5195-ED will be consolidated, to assist the MED with long-, medium- and short-term realization of the program.
- 2.15 **Strengthening of ISPs** (US\$2.9 million). The 22 ISPs selected will be supplied with educational materials and equipment (US\$1.4 million), their physical infrastructure will be reconditioned (US\$1.1 million), and some 800 teachers will be trained (US\$0.4 million).
- 2.16 **Training in administration** (US\$5.7 million). A training program will be conducted in educational administration techniques for: (i) approximately 500 officials from the various levels of the main headquarters and the intermediate institutions, and (ii) 4,700 principals and administrative staff of secondary schools.
- 2.17 **Nonscholastic preschool education** (US\$0.2 million). A study will be done to promote civil society participation in educational administration as a means to expand educational approaches such as the Wawa-Wasi and PRONOEIs. These approaches have proved effective and make strong community participation possible.

2. Elementary education: articulated program (US\$96.9 million)

- 2.18 **Development of curricula and teaching materials** (US\$3.4 million). The reformulation of the curriculum will be completed and 11,000 classrooms will be supplied with educational materials to stimulate well-rounded educational development in preschoolers (age 5). Also, 30,000 teacher's handbooks will be produced.
- 2.19 **Training program** (US\$3.3 million). Some 11,000 teachers for the five-year-old age group will be taught classroom management techniques and how to use the improved curricula and educational materials (the World Bank will train teachers for grades one to six). The program will be carried out mainly by specialized executing agencies.
- 2.20 Of the 11,000 teachers who will be trained, 8,000 teach pre-schoolers (five-year-olds). Another 2,000 will be elementary-school teachers who will be retrained to teach preschool. The remaining 1,000 are new teaching positions. With more teachers, a total of 90,000 five-year-olds can be enrolled which, over the course of the project, is a 42% increase in the total number educated in public schools.
- 2.21 **Infrastructure and furniture** (US\$90.2 million). The physical infrastructure will be upgraded through the replacement of 2,750 classrooms; reconditioning of a further 1,300 classrooms for elementary-school students in the articulated program, and construction of approximately 750 new classrooms for preschool education (five-year-olds), which will be properly furnished (seats, tables, etc.). In addition to the infrastructure financed by the program to achieve the coverage goals for preschool education (five-year-olds), 1,500 classrooms in schools operating on single sessions will be used, as will another 750 new classrooms financed by the World Bank.

3. Secondary education (US\$11.7 million)

- 2.22 **Development of curricula and educational materials** (US\$0.6 million). The curricula in three core subjects will be reviewed and updated: language, mathematics and natural sciences.
- 2.23 **Human resources training** (US\$9.8 million). Approximately 30,000 teachers will be given refresher training in three core subject areas: language, mathematics and natural sciences.
- 2.24 **Institutional strengthening** (US\$0.3 million). The secondary education unit will be strengthened and a data system will be installed, including the purchase of equipment and staff training.
- 2.25 **Creation of quality circles** (US\$1 million). The quality circles will be 50 in number, each with 10 teachers in the core subjects of language, mathematics and natural sciences. They will prepare

projects designed to improve instruction in these subjects for selection by the MED under a competitive procedure. The MED will prepare regulations on administering these quality circles.

4. Career education (US\$2.1 million)

- 2.26 **Curriculum development** (US\$0.2 million). Work on the compendium of career profiles and professional degrees will continue to increase until the goal of 160 degrees is reached. This task will be done in conjunction with the private sector.
- 2.27 **Modernization of public supply** (US\$1.9 million). The following activities will be carried out: (i) completion of diagnostic study; (ii) preparation of rationalization plan (ISTs and CEOs); selection of ISTs to be strengthened; (iv) performance of a teacher census; (v) contract for a classification study on public and private establishments, and beginning implementation; and (vi) design of a national career education system, including an information and planning system with indicators of labor supply and demand for course programming.

5. Additional measures

- 2.28 The following measures are being carried out and complement those carried out by the Bank. The MED has made plans to monitor and coordinate these measures.
- 2.29 **Elementary education (articulated program)**. The World Bank approved an operation in December 1994 for the following components: (i) curriculum development; (ii) teacher training; (iii) educational materials (for grades one to six); (iv) a performance evaluation system; (v) institutional strengthening, and (vi) infrastructure. Under the infrastructure component, the World Bank will finance classrooms for five-year-olds.
- 2.30 As part of the decentralization program, the MED is developing the component for modernizing public school operations through workshops in teaching techniques with the principals of these schools. The latter are being apprised of the content of the educational quality improvement program and are making suggestions that will be helpful when the program's gradual implementation begins in 1996. The MED is to monitor and track the process and prepare the needed reports.
- 2.31 **Bilingual education**. The MED prepared a project to train bilingual education teachers and develop educational material (primers and wall charts) that was reviewed by the Bank.
- 2.32 **Nonscholastic preschool education**. The MED will continue to support the work being done with the Wawa-Wasi and the PRONOEIs.

It will encourage even greater coverage, with civil society playing a more prominent role.

- 2.33 **Social support program.** The government is planning to allocate considerable resources to distribute food and clothing to needy children attending public preschools and elementary schools.
- 2.34 Through INFES and FONCODES, the government is carrying out an MED-coordinated national program to expand and recondition school infrastructure. It has been reviewed and complements the activities planned under the present operation.

C. Scale

- 2.35 The educational sector's needs are of such magnitude that they cannot be covered with this project, given the country's financial and institutional capacity. The scale was dictated by the government-set ceiling on external debt and on budgetary counterpart funding, and was informed by a comprehensive approach to the sector that encompasses measures not funded by either the country or any other institution.
- 2.36 The activities were scaled to fit the long-term educational development plan, and calls for measures to be carried out throughout Peruvian territory. During a second stage, the Bank will continue to provide support for the completion of actions at the secondary level and for career education.
- 2.37 In elementary education (articulated program), priority was given to measures geared to expanding coverage among five-year olds and improving quality. Given the magnitude of the problems in secondary education, a first stage was programmed during which the core subjects (language, mathematics and natural sciences) will be strengthened. In career education, the scale was based on the need to reform both the structure and supply of this type of education, based on an approach that fosters private sector participation.

D. Cost and financing

- 2.38 The total cost of the project at August 1995 prices is an estimated US\$167 million, as shown in the following itemization by investment category and source of financing.

**COST AND FINANCING TABLE**  
(in thousands of US\$)

ITEM	IDB	LOCAL	TOTAL	PERCENT
1. Administration and supervision	5,255		5,255	3.15
1.1. Administration	5,255		5,255	3.15
1.1.1. Administrative personnel	2,926		2,926	1.75
1.1.2. Infrastructure and equipment	423		423	0.25
1.1.3. Outside consulting services	550		550	0.33
1.1.4. Administrative expenses	1,357		1,357	0.81
2. Direct costs	88,913	34,511	123,484	73.94
2.1. Infrastructure and equipment	64,688	25,563	90,250	54.04
2.2. Curriculum	0	1,052	1,052	0.63
2.3. Strengthening	6,878	3,280	10,158	6.08
2.4. Training	15,875	2,885	18,760	11.23
2.5. Educational materials	1,532	1,732	3,264	1.95
<b>SUBTOTAL BEFORE RECURRENT EXPENDITURES</b>	<b>94,228</b>	<b>34,511</b>	<b>128,739</b>	<b>77.09</b>
3. Recurrent expenditures	0	8,592	8,592	5.14
<b>SUBTOTAL</b>	<b>94,228</b>	<b>43,103</b>	<b>137,330</b>	<b>82.23</b>
4. Unallocated	4,772	1,000	5,772	3.46
5. Finance charges	1,000	22,897	23,897	14.31
5.1. Interest	0	21,659	21,659	12.97
5.2. Credit fee	0	1,238	1,238	0.74
5.3. Inspection and supervision	1,000		1,000	0.60
<b>TOTAL</b>	<b>100,000</b>	<b>67,000</b>	<b>167,000</b>	<b>100</b>
<b>PERCENTAGES</b>	<b>60</b>	<b>40</b>	<b>100</b>	

1. Cost breakdown by investment category

a. Administration and supervision (US\$5.3 million)

- 2.39 The amount shown is 3.1% of the estimated total cost of the project for the period of execution and is divided up as follows: (i) coordinating unit (US\$2.9 million); (ii) reconditioning and outfitting of premises (US\$0.4 million); (iii) external consulting services (US\$0.6 million), and (iv) general administrative expenses (US\$1.4 million).



b. Direct costs (US\$123.5 million)

2.40 The amount for this category represents 74% of the project's cost, distributed as shown below:

CATEGORY (in US\$000s)	ELEMENTARY ARTICULATED PROGRAM	SECONDARY EDUCATION	CAREER EDUCATION	MED STRENGTH- ENING	TOTAL
2. Direct costs	96,986	11,672	2,150	12,676	123,484
2.1 Infrastructure and equipment	90,250				90,250
2.2 Curriculum	172	630	250		1,052
2.3 Strengthening (*)		1,282	1,900	6,976	10,158
2.4 Training	3,300	9,760		5,700	18,760
2.5 Teaching material	3,264				3,264

(\*) Includes quality circles

c. Recurrent costs (US\$8.6 million)

2.41 These costs represent: (i) approximately US\$3.9 million to cover the new teaching positions, and (ii) approximately US\$4.7 million to maintain works and replace equipment (depreciation). By education level, these costs break down as follows: elementary, articulated program for five-year-olds 94%; and strengthening of the MED 6%.

d. Unallocated (US\$5.7 million)

2.42 The amount in this category, at 3.4% of the project total, breaks down as follows: (i) contingencies in the amount of US\$4.8 million; and (ii) escalation in the amount of US\$0.9 million.

e. Finance charges (US\$23.8 million)

2.43 Finance charges, in the form of interest, credit fee, and inspection and supervision, represent 14.3% of the total project cost. The calculation was done on the basis of the following terms and conditions: (i) annual interest (variable); (ii) the commitment fee on undisbursed balances (0.75% per annum); (iii) inspection and supervision (1% per annum on the total loan amount).

2. Financing

a. Bank financing

- 2.44 The Bank financing will total US\$100 million, drawn on the ordinary capital resources. Thus, the Bank's contribution is the equivalent of 60% of the project cost, while the remaining 40% will be financed with the country's counterpart funding. The financing will have a 25-year amortization period and a 5-year grace period, the latter being the project disbursement and execution period.

b. Local counterpart funding

- 2.45 The local counterpart funding (US\$67 million) will come from the Peruvian government's budgeted resources.

### III. PROJECT EXECUTION

#### A. Institutional framework

##### 1. The executing agency

- 3.1 The MED is strengthening its line agencies by introducing a new organizational structure. The Ministry will execute the project through the line agencies, with support from the program coordinating unit (PCU).
- 3.2 For purposes of the contracts that the MED enters into through the PCU, this project will be unique in that the latter will administer the loan proceeds, which will be deposited in a special account with a duly selected commercial bank that has the Bank's nonobjection. The counterpart funding may be deposited in an account with a commercial bank, preferably the one selected for the loan proceeds.
- 3.3 The MED will execute the infrastructure and furniture component through INFES or another organization with the Bank's nonobjection.
- 3.4 INFES is a decentralized institution under the Ministry of the Presidency whose function is to design, contract out, and supervise the construction, remodeling and rehabilitation of civil works and equipment for the education and health sectors. It has its own operating budget and qualified personnel (architects, engineers, supervisors) for the activities it performs.
- 3.5 In 1994, INFES executed US\$150 million and in 1995 approximately US\$192 million. One of the conditions precedent to the first disbursement is that an agreement be concluded between the MED and the INFES or another organization the Bank's nonobjection, stipulating the parties' obligations and the basic procedures.
- 3.6 The MED will be responsible for clear title to the school properties and will do site studies on the property and schools that will be reclaimed and/or built under the program, as the case may be.

##### 2. Spending

- 3.7 The Public Treasury is the source of 95% of the resources spent in the education sector. The remaining 5% are paid out of external borrowings and own funds, the latter primarily of universities and regional governments. In general, operating expenses are on the order of 90%.

# **SPENDING IN THE EDUCATION SECTOR 1990-1994**

(in June 1994 constant US\$ millions)

	1990	1991	1992	1993	1994	1995
Ministry	590.20	195.17	214.63	240.95	327.0	395.5
Regional governments	174.30	455.24	500.93	677.84	732.0	717.9
Universities	102.60	127.73	110.24	130.91	174.0	260.0
Decentralized institutions	14.80	34.29	17.10	45.80	122.0	189.0
<b>Total</b>	<b>881.90</b>	<b>812.43</b>	<b>842.90</b>	<b>1,095.50</b>	<b>1,355.0</b>	<b>1,562.4</b>

## **B. Execution mechanisms**

3.8 The PCU created by Decree 9494 to administer the MED-IBRD agreement will also coordinate the MED-IDB agreement and will be provided with the necessary additional staff and equipment. If need be, it may also be assisted by outside consulting services. The unit director is the Deputy Minister of Institutional Management.

3.9 The PCU will have the following functions: (i) coordinate project execution; (ii) see that the terms of the loan contract are honored; (iii) hire consultants; (iv) supervise the bidding and contracting; (v) prepare and execute the program's budget, and (vi) present the reports to the Bank, including the external audit reports and the annual monitoring reports.

3.10 At the government's request, a reimbursable PPF for US\$500,000 has been approved to enable it to comply with the conditions precedent to the first disbursement and begin the measures necessary to carry out the operation.

### **1. MED institutional strengthening component**

3.11 In the first year, the PCU will commission: (i) the design of the teacher performance upgrading system; (ii) the design of the secondary-education quality measurement system; (iii) preparation of the plan to strengthen the ISPs; and (iv) the study on nonscholastic preschool education.

3.12 Every year, the Bank will review the work done the previous year under the program, the goals achieved, and plans for the following year.

### **2. Components for elementary education (articulated) program and secondary education**

3.13 During the project's first year, the following subcomponent activities will be carried out:

- a. **Curriculum and training plan.** The PCU will hire consulting services to help the MED's technical units complete the articulated elementary curriculum (five-year-olds), begin to update the secondary education curriculum, and design the teacher training plan for both levels.
- b. **Educational materials.** The PCU will prepare for the bidding for procurement of teaching materials for the articulated elementary program, and will structure a plan for distributing these materials over the course of the program.
- c. **Infrastructure.** The MED and the INFES, or another institution with the Bank's nonobjection, will reach an agreement on the infrastructure reconditioning and furnishing plan.

3.14 The infrastructure projects are to meet at least the following criteria:

- a. Every new classroom is to have an assigned teacher immediately upon completion. Should the classroom be finished after the second semester of the school year, a teacher is to be assigned before the start of the next school year.
- b. To build additional classrooms, an analysis of supply and demand supporting its construction will be required.
- c. The ratio for every new classroom is to be 40 students/classroom at the elementary level and 30 at the preschool level. This criterion will not apply in border regions or sparsely populated areas.
- d. The MED is to have legal title to the land on which the construction works will be located.
- e. The project sites are to include water-supply and drainage facilities, a perimeter fence and a recreation area.
- f. If the total investment to recondition a classroom, including minor repairs, is more than 60% of the cost of rebuilding it, then the classroom must be rebuilt.

### 3. Career education component

3.15 During the first year of execution, the MED will complete the diagnostic study and finalize a rationalization plan (ISTs and CEDs). The PCU will hire consulting services to: (i) complete the diagnostic assessment of the ISTs and CEOs; (ii) design the rationalization plan; (iii) conduct the census of teachers; (iv) begin the classification study, and (v) continue preparation of the catalogue of job profiles and professional degrees. The reform plan is to identify which establishments are to shift the

direction of their work, which are to be strengthened, and which are to be recycled for some other educational use.

- 3.16 In the second year, the MED will begin to implement the classification system and will continue to rationalize and strengthen the selected centers. The PCU will hire consultants to prepare alternatives to design a national career education system.

C. Procurement, works contracting and hiring of consulting services

- 3.17 Consulting firms will do the following studies: (i) a proposal for the teacher performance upgrading system, and (ii) design of the educational quality measurement system.
- 3.18 The works contracting and hiring of individual consultants and/or consulting firms and procurement of goods and/or services will be done according to the procedures stipulated in the loan agreement.
- 3.19 There are plans to hire 428 m/m in consulting services: 333 m/m national and 95 m/m international. The technical assistance from the consultants will have a multiplier effect by passing along knowledge and experience that will be useful in carrying out the project and in strengthening the system institutionally.
- 3.20 International public bidding is mandatory for the procurement of goods valued at over US\$250,000 and construction work valued at over US\$1 million. These ceilings are consistent with those set under similar projects in the country in which foreign bids are permitted when the amounts exceed those limits. Bidding on construction contracts valued under US\$1 million and goods valued under US\$250,000 will be done in accordance with Peruvian law, which requires public bidding when the amount involved is over the equivalent of US\$350,000 and allows other methods to be used when lesser amounts are involved (price quotations and direct contracting). This is a procedure compatible with the Bank's procedures (Annex III-1). International bids will be invited for consulting contracts when the amount involved is over US\$200,000.
- 3.21 All bidding on physical infrastructure works and furniture for articulated elementary education will be handled by INFES or another institution with the Bank's nonobjection and selected by the MED in accordance with the applicable law.

D. Maintenance of works and equipment

- 3.22 Once each work project has been completed, the MED will assemble a detailed operations and maintenance plan that conforms to accepted technical standards. The MED will present maintenance reports to the Bank for these works up to the fifth year following the final disbursement.

E. Execution period and investment timetable

- 3.23 The project will be executed over a five-year period. The investment timetable is summarized below:

INVESTMENT TIMETABLE  
(in millions of US\$)

YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		TOTAL	
IDB	GOV	IDB	GOV	IDB	GOV	IDB	GOV	IDB	GOV	IDB	GOV
11.8	3.9	24.0	12.3	41.0	18.7	21.6	21.2	1.6	10.9	100.0	67.0

- 3.24 Disbursements will be deposited in a special project account in the MED's name. The PCU will carry separate accounts for each component and level, prepared in accordance with general accounting principles and reconciled with the records that the MED is required to carry under State accounting laws. The accounts will be examined annually by a firm of external auditors.

F. Advance of funds

- 3.25 Provision has been made to advance up to the equivalent of 10% of the prospective loan, so that tranche release conditions can be met promptly.

G. Recognition of prior expenses

- 3.26 The government, through the MED, has asked the Bank to recognize approximately US\$2 million in expenses for reconditioning and expansion of school infrastructure, equipment and teaching materials. The recommendation is that the Bank recognize the requested amount, charged against the local counterpart funding, once it is established that requirements substantially similar to the loan contract's provisions on procurement of goods and services have been observed. Reimbursement of expenses in the amount of approximately US\$1 million was also requested, for MED equipment, reconditioning and expansion of school infrastructure, and furniture for elementary schools. The recommendation is that those amounts, charged against the Bank financing, be recognized once it has been established that requirements substantially similar to the loan contract's provisions on procurement of goods and services have been observed.

H. Annual program review

- 3.27 As part of the annual review, starting in 1996 the MED team will meet with the Bank team during the third quarter, no later than

August 15 of each year, beginning in 1997. The purpose of the meeting is to evaluate the progress achieved and make the decisions necessary for annual reprogramming (see Annexes II-1 and III-2). Each year, 15 days prior to the meeting, the MED, with the MEF participating, will present the reports needed for discussion of the following:

- a. **Evaluation of studies and activities.** The first annual review will cover the following: (i) the findings and recommendations of the study done for the teacher performance upgrading system; (ii) the progress made on the technical education rationalization program; (iii) the study on civil-society participation in educational administration, to achieve community involvement in supporting the Wawa-Wasi program and PRONOEIs.
- b. **Impact of the institution-strengthening activities on the MED's central offices and its intermediate agencies.** The first annual review will cover the following: (i) the performance of the Office of Strategic Planning, and (ii) the IBRD-approved information system.
- c. **Budget analysis.** Effective the first year, execution of the budget will be reviewed, as will the goals agreed for that year and the proposals for the following year.
- d. **Progress made on the infrastructure works plan.** The first annual review meeting will examine the classroom goals achieved in elementary education (articulated program).
- e. **School administration:** The first annual review will cover progress on strengthening schools.
- f. **Educational quality improvement indicators.** The first annual review meeting will examine the proposed system for evaluating performance in secondary education.
- g. **Annual review of training plans and curriculum renewal.** The first annual review meeting will cover: (i) the curriculum for the articulated program (five-year-olds); (ii) the progress made in updating the secondary education curriculum and the plan for its implementation; (iii) the teacher-training plan; (iv) the training strategy with executing agencies; and (v) the progress made on curriculum adjustments (preparation of compendium of profiles for career education).
- h. **Analysis of the sector's legal structure.** The first annual meeting will review updated legal information in connection with educational reform.



- i. Review of the progress made on plans for procurement and distribution of educational materials, which is to be coordinated with the building plan for elementary education (articulated program) and advanced teacher training institutes.

I. Project supervision

- 3.28 The PCU will supervise the bidding and verify fulfillment of the eligibility criteria. The Bank, through its country office in Peru, will perform the inspection and supervision required under the loan contract.

J. External audits and presentation to the Bank

- 3.29 Starting one year from the time the loan is granted and for the duration of the project, the Ministry will present to the Bank the financial statements on the special MED/IDB program, together with the opinion of a recognized firm of external auditors acceptable under national and international law.

K. Natural disasters

- 3.30 Peruvian territory occasionally has seismic activity, torrential rains and floods. Under this project, existing buildings will be reconditioned and replaced. Their design and construction are to include reasonable specifications to mitigate the effects of these phenomena.

L. Evaluation of the project's impact

- 3.31 The evaluation is to examine the project's impact on: (i) greater equality of opportunity in the educational system, and (ii) the efficiency and quality of the educational service.
- 3.32 The evaluation's emphasis will be on results: (i) goals achieved vis-a-vis indicators of coverage, accessibility and educational success measured in terms of the number of graduates and the skills acquired, and (ii) spending efficiency goals achieved vis-a-vis indicators of growth, relative allocations at the various levels, and cost indicators, among others.
- 3.33 It was agreed that the following reports will be presented:
  - a. a first report presented six months after the effective date of the loan contract and containing the indicators for the base year, for subsequent comparison; the system for compiling data, and the method used.
  - b. an interim report three years into the program, reflecting partial progress, and

- c. a final report evaluating the program and presented 18 months from the date of the final disbursement from the Bank.
- 3,34 The cost of preparing these reports is included in the PCU's operating budget.

#### IV. VIABILITY AND RISK

##### A. Technical viability

- 4.1 The technical viability of the modernization is based on the following considerations: (i) the training goals have been evaluated and found to be satisfactory; (ii) a teacher performance upgrading system can be introduced in the time allowed for its design and implementation, and (iii) an increase in the student/teacher ratio without compromising the quality of education is technically feasible and financially desirable.
- 4.2 The components were prepared following suitable technical standards; the scale and activities to be carried out take into account the capacity to implement them within the stipulated time frames; costs are based on recent figures and reflect market prices. Also, an annual monitoring system has been established to ensure maximum efficiency.

##### B. Institutional and financial viability

###### 1. Institutional viability

- 4.3 The MED is strengthening its line agencies, has put into place a new structure with two deputy ministries, and has created the PCU that will manage the World Bank and IDB projects. Therefore, the institutional viability of the project is based on: (i) the MED's institutional capacity; (ii) the planned execution mechanisms; (iii) a political consensus, and (iv) a desire to effect the needed changes.
- 4.4 During project preparation, the MED's institutional and administrative capacity was analyzed. This enabled institutional strengthening needs to be identified in various areas and activities to be designed for project implementation. In this connection, institutional strengthening activities have been planned at Ministry headquarters.
- 4.5 Because of the project's scale and complexity, the PCU set up for the World Bank project, which has the staffing and equipment necessary for that project, will require additional staff for this project. The MED, through its line agencies, will be in charge of project execution. The INFES, or some other public or private enterprise with the Bank's nonobjection and proven expertise and experience in the subject matter, will supervise and provision the infrastructure works. The MED will ensure that the physical works and equipment are properly maintained.
- 4.6 The analysis examined: (i) the execution-related responsibilities and technical skills at each operating level of the project;

(ii) the proposed organization structure of the PCU; (iii) the consulting services needed to assist execution, and (iv) the areas in which the units need reinforcement.

- 4.7 The Office of Strategic Planning will assist the Ministry's authorities in executing the rationalization program and educational quality improvement program being carried out, including those being financed by the multilateral organizations.

## 2. Financial viability

- 4.8 The project's financial feasibility was examined with the following considerations in mind: (i) whether the central government will have the budgetary resources available on a timely basis and their sustainability over the medium- and long-term; (ii) the impact of incremental recurrent costs (operating and maintenance costs) associated with the program; and (iii) the cost of implementing the teacher performance upgrading system.
- 4.9 Recurrent costs cover: (i) the increase in staff that will be needed once implementation of planned activities begins; (ii) an increase in the cost of the materials and supplies needed to maintain operations at an adequate level, and (iii) maintenance of equipment and infrastructure. The recurrent costs for the entire period total US\$8.6 million; for the year 2000 (the year of peak growth) they will be US\$3.3 million, representing 0.15% of that year's budget.
- 4.10 A more detailed analysis of recurrent costs that would result from adding a further year of preschool education for 90,000 children indicates that, during the five years of project execution, in the worst case scenario (with no efficiency savings), expenses would increase US\$16.7 million. In the best case scenario - with significant efficiency savings allowing all 3,000 new teachers to be transferred internally - the minimum incremental cost would be about US\$4.9 million for the same period. The expected result, which is reflected in the project cost projections, is that internal efficiency improvements will permit 2,000 teachers to be transferred within the system (67% of the 3,000 needed), which would take the incremental cost to about US\$8.6 million for the five years of execution. That amount could be covered by the MED without difficulty.
- 4.11 Considering: (i) the small amount of the local contribution and service on the loan, as compared to the central government budget; (ii) the sustained restructuring of government finances; (iii) the fact that recurrent costs are not significant with respect to the budget; and (v) the fact that the proposed pay strategy and the higher level of expenses are fiscally sustainable, the project is considered to be financially viable.

- 4.12 The sector's expenditures as a percentage of GDP are expected to stabilize at around 3.3% by program's end, which can be financed entirely under the fiscal program evaluated.

C. Socioeconomic viability

- 4.13 The socioeconomic evaluation of the project was done from two angles: (i) an evaluation of the project overall; and (ii) partial evaluations of the principal components. The criteria applied in all cases were conservative.
- 4.14 The evaluation of the project overall measures its impact on: (i) improvements in the target population's level of education; and (ii) more efficient delivery of the education service.
- 4.15 The main benefit is having more children and young people better educated and better qualified to enter the job market. Their education will improve their standard of living through higher incomes, and increase labor productivity, thereby to continuing to integrate Peru's economy with foreign markets.
- 4.16 From the standpoint of the educational system's efficiency, the quality improvements will mean cost savings for society as a whole, because the repeater and dropout rates will decline, thus lowering the per-graduate cost of the educational system in general.
- 4.17 In the analysis of components, the following were found to be the benefits of the elementary education: articulated program component: (i) the children thus schooled were more successful in school; (ii) coverage was greater for children in this age group; and (iii) mothers' opportunities to enter the job market increased.
- 4.18 The benefits of the secondary-education component are that new students are added as elementary education becomes more efficient.
- 4.19 The benefits of the career education component are that a more efficient secondary education system will save on costs and improve the use of resources.

D. Impact on low-income groups

- 4.20 The Bank has determined that over 50% of Peru's population lives in extreme poverty. Accordingly, this operation meets the poverty-targeting criterion established for this type of project.

E. Risks of the project

- 4.21 The MED's weaknesses in terms of project execution is one of the risks identified. In order to minimize it, the government has undertaken to restructure the MED and is finalizing technical teams. Also, the project has been designed such that the following will be available for execution: (i) a coordinating unit with the

proper technical expertise; (ii) a team of experts to support line units in the curriculum, teaching materials, and training components; and (iii) a decentralized agency (INFES or another public or private entity subject to the Bank's nonobjection) to implement the infrastructure component.

- 4.22 Expanding the coverage of primary education (population of five-year-olds) will mean increasing educational spending by adding a year of school before the first grade, with the associated recurrent costs. This risk is reduced by the planned improvements in the system's internal efficiency in response to the actions envisaged (paragraph 4.10).
- 4.23 The modernization proposed here is a long-term effort and requires sufficient consensus within the government and the educational community (including the private sector and those who work in the education sector). To reduce this risk, the Bank and the government agreed that coordination mechanisms would be established (the foundation for this had already been laid through previous contacts), with specialists from civil society. The teacher upgrading system and training program linked to pay improvements should win the project sufficient backing within the sector. The support for the project at the government level is solid, since the sector is a priority. During the design phase, the project strategy and its financing were discussed and agreed upon with the MEF.

F. Women and the project

- 4.24 The project includes a number of measures geared to improving equality between the sexes. In the curriculum revision and the educational materials, any stereotypes will be eliminated and an effort will be made to project the new role of women in society (political, professional); they will not be depicted solely in their traditional role.
- 4.25 As coverage of elementary education: articulated program (five-year-olds) increases, more women will be able to join the labor force. Also, the career education component will ensure promotion of gender equality.

G. Environmental viability

- 4.26 The project will have a favorable impact on the environment, since education in the care and conservation of the environment will be introduced into the revised curriculum. Environmental issues will also be featured in the educational materials and teacher training.
- 4.27 The educational infrastructure rehabilitation works will include the essentials for basic sanitation and waste disposal.

STATISTICAL DATA

<b>Table 1</b> <b>TREND IN AVERAGE PAY FOR TEACHERS HOLDING DEGREES</b> <b>1970-1995</b>		
AVERAGE MONTHLY SALARY		
YEAR	CURRENT SOLES <sup>1/</sup>	CONSTANT DOLLARS (June 94)
1970	3,672	532.9
1975	10,520	552.8
1976	12,944	761.4
1977	18,914	671.3
1978	24,214	404.9
1979	39,314	412.2
1980	79,117	555.1
1981	127,256	602.6
1982	183,336	522.8
1985	1,174,406	168.7
1990	120,780	73.0
1992	172	155.0
1993	281	147.0
1994	390	175.7
1995	447	193.3

<sup>1/</sup> In soles from 1970 to 1982, in intis from 1983 to 1990, and in new soles from 1991 to 1994.  
Source: Health Sector Diagnostic Study (ME, WB, GTZ)  
Preparation: "Modernization of Early, Secondary and Career Education" project.

<b>Table 2</b> <b>TREND IN MONTHLY SALARY BY OCCUPATIONAL CATEGORY</b>					
	1993 NOMINAL	REAL *	1994 NOMINAL	REAL *	REAL CHANGE (%) 94/93
Private sector	960.5	127.2	1,556.6	165.9	30.5
Public sector					
1. Teacher <sup>1/</sup>	281.0	34.7	390.0	41.6	19.6
2. Health professional	514.0	64.6	741.0	77.2	19.4
3. Nurse	240.0	30.2	442.0	47.7	57.9
4. Admin. assistant	241.0	30.3	528.0	55.0	81.6
5. Technician	243.0	30.6	567.0	59.1	93.2
6. Executive	400.9	50.4	1,103.0	114.8	128.0

\* In August 1990 soles.  
<sup>1/</sup> Average of two highest categories.  
Source: Ministry of Education and Publication *Cuanto y Expreso* (No. 27)

<b>Table 3</b> <b>REAL SPENDING ON EDUCATION AS A PERCENTAGE OF TOTAL BUDGET,</b> <b>IN RELATION TO GDP, AND PER STUDENT</b> <b>1970-1995 (BASE YEAR 1970)</b>					
YEAR	PUBLIC SPENDING	EDUCATIONAL SPENDING	EDUCATION/PUB. SPENDING	EDUCATION GDP	PER STUDENT
1970	100.0	100.0	18.8%	3.2%	100.0
1971	112.6	107.8	18.0%	3.3%	102.8
1972	119.5	117.4	18.5%	3.5%	106.2
1973	138.5	136.5	18.6%	3.5%	115.2
1974	140.7	131.3	18.2%	3.4%	109.5
1975	151.4	140.7	17.5%	3.5%	107.1
1976	151.9	135.8	16.8%	3.4%	98.2
1977	167.1	121.0	13.7%	3.1%	84.5
1978	170.4	105.1	11.6%	2.6%	70.9
1979	168.1	109.4	12.3%	2.5%	73.3
1980	203.7	142.8	13.2%	3.0%	93.8
1981	192.9	152.2	14.9%	3.2%	96.0
1982	187.2	136.4	13.7%	2.9%	81.5
1983	187.1	119.7	12.1%	3.0%	70.1
1984	197.0	124.0	11.9%	2.9%	70.4
1985	195.0	121.9	11.8%	2.8%	67.6
1986	189.7	164.7	16.4%	3.5%	87.7
1987	174.3	116.7	12.6%	2.3%	60.6
1988	123.9	96.3	14.7%	2.4%	48.5
1989	85.7	70.8	12.5%	2.4%	34.6
1990	77.8	44.7	9.2%	1.9%	21.2
1991 <sup>1/</sup>	59.3	40.8	13.4%	1.8%	19.5
1992	60.3	44.6	13.8%	2.0%	20.9
1993	82.9	57.9	13.0%	2.2%	23.6
1994 <sup>2/</sup>	91.0	71.7	15.5%	2.7%	28.5
1995 <sup>2/</sup>	92.2	74.9	16.0%	2.7%	33.4
<sup>1/</sup> Beginning in this year, total spending includes debt repayment. <sup>2/</sup> Preliminary data. Source: Central Bank (1993); total educational spending includes budget for universities and other decentralized public institutions. Total head count includes all students attending public schools.					



<b>Table 4</b> <b>PERCENTAGE DISTRIBUTION OF SPENDING BY LEVEL OF EDUCATION</b>						
	1991			1994		
	PRESCHOOL	SECONDARY	CAREER	PRESCHOOL	SECONDARY	CAREER
Salaries	96.0	92.4	93.4	84.0	84.7	78.8
Goods	1.0	1.7	2.3	9.0	1.0	3.2
Services	1.0	0.9	2.4	7.0	0.7	2.8
Infrastructure	2.0	5.0	1.9	-	13.6	15.2
	100.0	100.0	100.0	100.0	100.0	100.0
Source: Prepared using MEF data.						

<b>Table 5</b> <b>STUDENT/TEACHER RATIO IN THE PUBLIC SECTOR</b> <b>1970-1990</b>			
YEAR	PRESCHOOL	ELEMENTARY	SECONDARY
1970	39.1	37.3	23.1
1980	37.5	38.4	27.0
1990	24.9	27.8	21.1
Source: Basic Education Statistics, Statistics Division, MED.			

# ACTION MATRIX

COMPONENT	ACTIONS
<b>1. MED institutional strengthening</b>	
<b>A. Human resource policy</b>	
<u>Objective:</u> Improve the caliber of human resources by adjusting supply to needs of the various levels and types of education; improve the student/teacher ratio.	
(i) Teacher performance upgrading <u>Objective:</u> Adopt a strategy for gradual implementation of the teacher performance upgrading system, through incentives to encourage attendance, productivity, training and performance.	<u>Loan eligibility condition:</u> Presentation of the terms of reference for a study of alternatives for implementation of the teacher performance upgrading system. <u>Annual monitoring:</u> Presentation of results of progress on the teacher performance upgrading system, the plan for the following year, and evidence that the timetable agreed upon with the Bank for implementation of the system is being followed.
(ii) Teaching staff restructuring <u>Objective:</u> Improve the student/teacher ratio and restructure staffing to distinguish between teaching and nonteaching posts.	<u>Annual monitoring:</u> The results of the audit of teacher/nonteacher positions will be monitored.
<b>B. MED strengthening</b>	
<u>Objective:</u> Strengthen the MED's role in setting national educational policy in a decentralized context featuring coordination with civil society.	<u>Actions already taken:</u> The Strategic Planning Office was created in accordance with the guidelines agreed upon with the Bank. <u>Annual monitoring:</u> Verify progress made vis-a-vis the goals for: introduction of the educational quality measurement system, preparation of plans of operation, strengthening of the ISPs, and administrative training for MED personnel and principals of secondary schools.
<b>C. Modernization of school administration</b>	
<u>Objective:</u> Make the administration of educational services more efficient.	<u>Actions already taken:</u> The MED is doing a series of studies on suitable administrative alternatives for schools. The transfer of functions to the schools is already underway. <u>Annual monitoring:</u> Verify progress made toward the modernization goals and the plan for improving school administration, which would include elementary education: articulated program, and secondary education.
<b>D. Legal reform</b>	
<u>Objective:</u> Have available updated information on the sector's legal framework.	<u>Actions already taken:</u> The MED was reorganized to accommodate the sector's new objectives (D.S. 051/95/ED) and Law 26549 was enacted in 1995, promoting the educational activities of private schools. <u>Annual monitoring:</u> Present the Bank with the relevant legal information (decrees and resolutions) in connection with educational reform.
<b>E. Budget planning</b>	
<u>Objective:</u> Coordinate the budget programming and evaluation system with the strategic planning system.	<u>Annual monitoring:</u> Conduct an annual review of the global spending goal and spending at each level of the educational system.

COMPONENT	ACTIONS
<b>2. Elementary education: articulated program</b>	
<u>Objective:</u> Increase coverage and improve quality.	<u>Component eligibility condition:</u> Present the first year's plan of operations.
A. Curriculum development and educational materials	
<u>Objective:</u> Finalize the curriculum revision (preschool, five-year-olds) and provision classrooms in participating elementary schools (five-year-olds) with educational materials.	<u>Annual monitoring:</u> Present evidence of having completed the curriculum (five-year-olds) and check for fulfillment of the goals of the plan for acquiring and distributing educational materials.
B. Training	
<u>Objective:</u> Train teachers of articulated elementary education (age 5) in how to use curriculum and educational materials.	<u>Annual monitoring:</u> Evidence of the training plan's progress.
C. Infrastructure	
<u>Objective:</u> Improve infrastructure and expand coverage.	<u>Annual monitoring:</u> Review the progress made on the investment plan and the extent to which its goals are being accomplished.
<b>3. Secondary education</b>	
<u>Objective:</u> Improve the quality of secondary education.	<u>Eligibility requirement for the component:</u> Present the following to the Bank's satisfaction: (i) a plan for modernizing curricula in the three priority areas; and (ii) a teacher training plan. <u>Annual monitoring:</u> Review the progress made in updating curricula and the training plan.
A. Curriculum development	
<u>Objective:</u> Update the secondary education curricula in language, mathematics and natural sciences.	<u>Annual monitoring:</u> Review the features of the curriculum development plan as they pertain to each of its goals.
B. Training	
<u>Objective:</u> Teacher training	<u>Annual monitoring:</u> Review progress made on the training plan.
C. Strengthening of Secondary Education Unit	
<u>Objective:</u> Strengthen the Secondary Education Unit of the MED.	<u>Annual monitoring:</u> Verify progress on training and introduction of the information system.

COMPONENT	ACTIONS
D. Quality circles	
<u>Objective:</u> Implement educational quality circles.	<u>Annual monitoring:</u> Verify progress of quality circles.
4. Career education	
A. Modernization of public career education.	
<u>Objective:</u> Rationalize public technical education and vocational training and create a national career education system with private sector participation. Adapt the courses offered in public schools to match demand on the job market.	<u>Annual monitoring:</u> Review the progress made on the set of activities planned and the rationalization plan.
B. Curriculum development	
<u>Objective:</u> Complete the compendium of vocational and professional profiles.	<u>Annual monitoring:</u> Evidence of progress in reaching the target.

### LOGICAL FRAMEWORK

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Goal:</u></p> <p>1. Improve educational quality and equality in Peru.</p>	<p>1.1 A higher percentage of secondary school graduates enrolled in higher education 10 years after project completion.</p> <p>1.2 More graduates of higher education 10 years after project completion.</p> <p>1.3 An increase in the percentage of salaried workers 10 years after project completion.</p>	<p>1.1 MED's annual statistical report</p> <p>1.2 Idem</p> <p>1.3 Labor statistics from the Ministry of Labor.</p>	<p>(Goal to super-goal):</p>
<p><u>Purpose:</u></p> <p>1. Expanded coverage and an improved teaching/learning process.</p>	<p>1.1 Another 90,000 five-year-olds from low-income families enrolled in pre-school education by the project's fifth year</p> <p>1.2 Preschool education: improvement of reading and writing skills. Secondary education: better performance in language, mathematics and natural sciences.</p> <p><u>Note:</u> with the evaluation system and special studies, these indicators will become more specific and more accurate.</p> <p>1.3 System's internal efficiency improved with lower dropout and repeater rates.</p>	<p>1.1 MED's annual statistical report.</p> <p>1.2 Performance tests; reports on the performance evaluation system.</p> <p>1.3 Initial report (6 months into the project) on indicators established for the base year for subsequent comparison.</p>	<p>(Purpose to goal):</p> <p>1. Sufficient resources are allocated to the sector.</p>
<p><u>Outputs:</u></p> <p>1. Updated curricula</p> <p>2. Trained teachers</p> <p>3. Teaching materials provided</p> <p>4. Infrastructure rehabilitated</p>	<p>1.1 Preschool curriculum (for five-year-old age group) reformulated in year 1. 15 secondary education curricula (language, mathematics, natural sciences) by year 4. X career education curricula by year 4.</p> <p>2.1 11,000 for preschool education by year 5. 30,000 for secondary education by year 4.</p> <p>3.1 Preschool education (five-year-old age group). 11,000 kits of teaching materials and printed matter by year 5.</p> <p>4.1 Preschool education: 3,500 classrooms replaced and 1,300 classrooms renovated by year 4.</p>	<p>1.1 Printed copies of curricula. In career education, the figures and the means of verification will be determined with the plan to strengthen eight schools.</p> <p>2.1 Annual reports on the number of teachers recruited and approved.</p> <p>3.1 Samples of educational materials. School delivery receipts.</p> <p>4.1 Certification of completion of works.</p>	<p>(Outputs to purpose):</p> <p>1. The regulations for introducing the new curricula are duly approved.</p> <p>2. The training mechanisms and the teacher performance upgrade system are included.</p> <p>3. Teachers use the educational materials properly.</p> <p>4. Maintenance of the infrastructure is assured.</p>

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
5. Institutional strengthening plan completed	5.1 Teacher performance upgrading system fully implemented by project's end (year 5).  5.2 Strategic Planning Office in operation in the project's first year.  5.3 Performance evaluation system implemented in year 4.  5.4 500 staff trained in administrative techniques by year 5.  5.5 4,700 secondary school principals trained by year 5.  5.6 22 ISPs equipped, their teachers trained and infrastructure reconditioned by year 4.	5.1 Annual project reports and minutes of annual meetings between the MED and the Bank.  5.2 Idem.  5.3 Idem.  5.4 Annual project reports and monitoring.  5.5 Idem.  5.6 Certification of works; receipts for teaching materials and equipment delivered to the schools; annual report and monitoring on teachers trained.	
<u>Activities:</u> 1.1 Hiring of consultants 1.2 Validation 1.3 Implementation 1.4 Preparation of study plans 2.1 Preparation of a training plan 2.2 Hiring of training agencies 2.3 Training courses 3.1 Preparation of bidding documents 3.2 Award 3.3 Distribution 4.1 Hiring of consultants 4.2 Annual rehabilitation plan 4.3 Preparation of bidding documents 4.4 Award 4.5 Inspection 5.1 Hiring of consultants 5.2 Study 5.3 Decision and implementation.	See costs and financing table in the project document.  Verification will be on the basis of the project's financial statements.	1.1 Financial statements 1.2 Idem 1.3 Idem 1.4 Idem 2.1 Idem 2.2 Idem 2.3 Idem 3.1 Idem 3.2 Idem 3.3 Idem 4.1 Idem 4.2 Idem 4.3 Idem 4.4 Idem 4.5 Idem 5.1 Idem 5.2 Idem 5.3 Idem	<u>(Activity to output):</u> 1. There are no challenges that slow the bidding process.  2. There are a sufficient number of training agencies.  3. The teachers' unions continue to support the project strategy.  4. The contractors meet their deadlines and honor the established costs.  5. The local counterpart funding is made available according to the execution schedule.

**BIDDING PACKAGES**

PRINCIPAL ACQUISITIONS	FINANCING (thousands of US\$)		METHOD	PREQUALIFICATION	PUBLICATION SPN WEEK/YEAR
	IDB	LOCAL			
a. Consulting for teacher performance upgrading system (1 lot)	950		ICB	N	1/97
Career education diagnostic study (1 lot)	500	500	ICB	N	1/97
Performance evaluation system (1 lot)	1,000	700	ICB	N	1/97
b. Infrastructure primary education (10 lots)	64,600	25,500	ICB	N	1/97
c. Goods Teaching materials Primary education (3 lots)	1,500	1,700	ICB	N	1/97

# ANNUAL PROJECT GOALS

T	SUBCOMPONENT	INDICATORS	UNIT	QUANTITY	% PROGRESS			
	Performance upgrading system	Study		1	100	25	25	25
	Implementation of SMDD			1				
	Strategic planning	Creation and operation of budgetary programming system		1	60	40		
	Performance evaluation system	Design		1	20	80		
		Implementation		1		20	40	40
	MED strengthening	Administrative training		5,200		25	25	25
		Preschool education alternatives study		1	75			
	ISP strengthening	Training, rehabilitation and supply		22	25	25	25	25
	Curriculum development	Validation workshops		3	100			
	Educational materials	Printed matter	Modules	11,000	30	30	20	15
		Kits of teaching materials	Modules	11,000	30	30	20	15
	Training	Preparation of plan		1	100	30	20	15
		Teacher training		11,000	30	30		
	Infrastructure and furniture	Equipped classrooms replaced		3,500	5	25	45	25
		Equipped classrooms rehabilitated		1,300	5	25	45	25
	Curriculum development	Curriculum planning	Programs	15	25	25	25	25
		Validation		15	25	25	25	25
	Teacher training	Training plan		1	100	25	25	25
		Selection of training agencies		1	100	25	25	25
		Teacher training		30,000	10	10	40	50
	Institutional strengthening	Data system		1	100			
		Staff training		1	100			
		Quality circles		50	10	20		30
	Curriculum development	Complete catalogue of job profiles and professional degrees	Catalogue	1	25	75		
	Institutional strengthening	Present plan to modernize public career education		1	100			
		Strengthening of technical unit		1	100			
		IST and CEO diagnostic study		1	100			
		IST and CEO teacher census		1	40	60		
		Classification study and implementation		1	60	40		
		National career education system		1	40	60		



PROPOSED RESOLUTION

PERU. LOAN \_\_\_\_/OC-PE TO THE REPUBLICA DEL PERU  
(Education Quality Improvement Project)

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 Republica del Perú, as Borrower, for the purpose of granting it a financing to cooperate in the execution of an Education Quality Improvement Project. Such financing will be for the amount of up to US\$100,000,000, or its equivalent in other currencies, except that of the Republica del Perú, which are part of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.