

MODERNIZATION OF BASIC EDUCATION PROJECT

(ES-0083)

EXECUTIVE SUMMARY

BORROWER AND

GUARANTOR:

The Republic of El Salvador (GOES)

EXECUTING AGENCY:

Ministry of Education (MINED)

AMOUNT AND SOURCE:

IDB:	US\$37.3 million. OC under the IFF subsidy
IBRD:	US\$US\$34.0 million
GOES:	US\$8.9 million
Total:	US\$80.2 million

FINANCIAL

TERMS AND

CONDITIONS:

Amortization period:	30 years
Grace period:	5 ¹ / ₂ years
Disbursement period:	5 years
Interest rate:	IDB standard variable rate (IFF subsidy)
Inspection and supervision:	1% of the loan amount
Credit fee:	0.75% on undisbursed balances

COFINANCING:

IBRD	
Amortization period:	17 years
Grace period:	5 years
Disbursement period:	5 years
Interest rate:	IBRD's standard variable rate
Credit fee:	0.75% on undisbursed loan balances

BACKGROUND:

Following the peace accords, signed in 1992, GOES committed itself to the reconstruction of the country. The achievement of peace was a prerequisite for the implementation of a series of measures in support of social and economic development, including education. The education system will continue to play a key role in the reconstruction process because of its effects on social equity and economic growth at a time when economic globalization imposes highly competitive standards for progress. After a twelve year war and a 50 percent reduction in social expenditures as a proportion of GDP during the 1980s, more than two-thirds of the population was poor in 1991. Despite substantial improvements since the end of the war, poverty and inadequate social services are still widespread. Raising social sector

expenditures and modernizing inefficient public sector institutions are major challenges faced by the government as it strives to achieve better social indicators while maintaining sound fiscal policies.

Over the last five years, the political and economic policies put into effect by GOES have put the country on a path of positive growth of GDP (6 percent in 1994) and have laid the basis for sustained growth. Under stable economic conditions, the Government's economic and social strategy sets the alleviation of poverty as the principal social objective. The plan calls for progress toward a long-term objective of establishing a national network of basic social services that assures access to all the population, especially to the most vulnerable groups.

In that context, during the last administration (1989-May 1994), MINED began to address the problems of the education system through a number of sectoral policies which included: (a) re-allocating public resources assigned to education to favor preschool and basic education for the population living in the poorest areas of the country; (b) improvement in the quality of the basic education curriculum; (c) decentralization of education services as a means to improve the efficiency in the use of resources; and (e) the participation of the community in the execution of projects.

The current Government is continuing, expanding and consolidating the education sector reform measures initiated by the previous administration. Central to this strategy are the processes of decentralization and modernization. The overall objective of the current education policy is to create an education system that can be an effective tool for promoting the economic and social development of the country. El Salvador's basic education goals for 1995-1999 include: (a) increasing preschool enrollment from 24.5 percent in 1993 to 40 percent in 1999; (b) raising enrollment in the 1st and 2nd cycles from 83 percent in 1993 to 90 percent in 1999; and (c) reducing overage students in basic education from 29.2 percent in 1993 to 15.3 percent in 1999.

OBJECTIVES:

The proposed project will promote greater equity, quality and efficiency in the provision of education services by: (a) improving access to education; (b) improving education quality in both academic achievement (output) and learning environment (education inputs); and (c) strengthening the managerial, financial and administrative capacity of

MINED to set policies and guidelines for the sector and deliver public education services efficiently.

DESCRIPTION AND The project has been organized into three major
COST: components as follows:

- (a) Expansion of Access to Preschool and Basic Education (US\$12.5 million or 16 percent of total project costs) giving priority to the 135 poorest municipios to provide for: (i) supporting the expansion of EDUCO including rehabilitating the school infrastructure in rural schools; and (ii) technical assistance for strengthening the EDUCO model.
- (b) Improvement in Education Quality (US\$ 49.3 million or 61 percent of total costs) would contain activities that impact the quality of preschool and basic education in the country as a whole, including: (i) technical assistance for supporting curriculum development activities for preschool and basic education, designing a new student promotion system, and establishing program of multigrade classes in rural areas; (ii) production of educational materials, such as textbooks, didactic materials, and classroom and school libraries; (iii) training and assistance to upgrade the skills of preschool and basic education teachers, principals and supervisors, and preparing studies to improve pre-service teacher training; and (vi) developing an education assessment system. The component would also include activities to develop a school health and nutrition program targeted to the poorest 135 *municipios*.
- (c) Institutional Modernization and Strengthening (US\$13.8 million or 17 percent of total costs). This component will have an effect that will extend throughout the education sector and the country and will provide for: (i) technical assistance for a review of MINED's legal and organizational framework; (ii) technical assistance to implement institutional reforms in the areas of management of human and financial resources, planning, information, evaluation, monitoring, supervision, and communication systems; (iii) technical assistance to establish a staff development program to improve the capacity of administrators and technical personnel; (iv) the establishment of a funding mechanism to test alternative methods of

providing basic education, and to experiment with pedagogical and administrative innovations; and technical assistance for the identification and design of improved mechanisms to provide secondary education services.

**ENVIRONMENTAL
CLASSIFICATION:**

The project is not expected to have direct environmental effects, and has been classified as Category II for IDB (December 12, 1994) and C for IBRD.

BENEFITS:

Faced with the urgent need to improve coverage and quality of basic education, the project would support the efforts of the Government to undertake a balanced process of improving equity, quality and efficiency of the school system. The project would target some resources to poor and vulnerable groups, would improve learning achievements, and promote the efficiency of resource allocation. At the same time it would strengthen the institutional capacity of MINED to provide services and to evaluate and monitor educational policies and programs. The project is designed to produce significant reductions in repetition and dropout rates through the expansion of preschool education, better qualified teachers, improved availability of instructional materials, an updated curriculum, a more effective learning environment, direct involvement of parents, teachers and the community in the management of schools and providing for minimal nutrition conditions for students.

Decentralization and community participation is expected to boost responsiveness by teachers and administrators since all will be sharing administrative responsibilities and transparency will promote accountability at all levels. The proposed project will support the Public Sector Reform by establishing the conditions for the MINED to be an active and responsive actor in the process while being consistent with the general guidelines of the Public Sector Reform. The program will also help to identify efficient methods and procedures to deliver education services that will be a seed for future improvements within the sector.

The project has been designed with a systemic and balanced approach. The socio-economic viability and efficiency of the program is supported on the basis of the high average return of basic education in El Salvador, and the solid results obtained in a preliminary exercise to estimate the marginal returns of the program (20 percent). These results are based

on the expected economic returns of students that achieve one more year of education and also the fiscal savings resulting from higher internal efficiency. The result is conservative because it overlooks the externalities of the project and the positive effect of a more efficient and responsive Ministry of Education.

RISKS:

The fiscal requirements to support the modernization of basic education will depend on the assumptions made regarding growth and real recovery of teachers salaries. Under a conservative scenario the financial viability of the program will require that public sector spending in education be progressively increased to a total of 3 percent of GDP in year 2,000. As noted in Annex 2 the macroeconomics and fiscal risks leading to inadequate funding are low. The Government has been adamant in declaring its commitment to fund the program, even under a less favorable scenario that will require an additional fiscal effort to the detriment of other sectors.

Due to the comprehensive scope of the operation, the success of the program will depend upon the capacity of MINED to implement the program. MINED has proven to be one of the most dynamic ministries in El Salvador and has shown its capacity to respond to increasingly demanding tasks under the SABE (Strengthening Achievements in Basic Education Project) Project and the SSRP (Social Sector Rehabilitation) Project. Potential risk resulting from limited capacity will be reduced, and the institutional viability secured, through continuous technical assistance that will strengthen the institutional capacity of MINED.

The program relies on the EDUCO model for providing services in rural areas. The expansion of EDUCO will introduce new challenges to maintain its efficiency, an adequate incentives structure, and timely responsiveness to the demands of the community. The expansion of EDUCO will also have to be matched with the revision of the incentive structure for all teachers (EDUCO and traditional) to avoid the conflict that could arise from a dual labor regime for teachers. The program addresses both issues to minimize those risks.

The introduction of a new teacher incentives system, the establishment of a performance assessment system and the rationalization of MINED's staff could create political tensions between the GOES/MINED and the teachers, supervisors, principals and MINED's staff.

The political support for the modernization program of MINED, the support of the Comisión Nacional para la Ciencia, Educación y Desarrollo, and the introduction of an active communication campaign will reduce the risk of a confrontation with MINED's employees.

The decentralization process bears the risks of an inadequate articulation between different levels of operation. The design of pilot programs and the consideration of lessons learned in other Latin American experiences when designing the implementation process are the best ways to limit those risks.

The proposed project has a strong and clear technical, institutional and financial framework. It also has the needed flexibility to adjust overtime in search of effectiveness and efficiency. That will demand close monitoring and supervision from the Banks. The different components are closely related and produce a comprehensive and consistent project. The close coordination of IDB and IBRD would be critical to guarantee the success of the project.

**THE BANK'S
STRATEGY:**

The proposed project is also in line with the IDB country strategy which was discussed during a programming mission with the Government in August 1994. This strategy, which covers 1994-1996, was defined in the Country Programming Paper of March 1993. Its objectives include: (a) improving social and economic infrastructure; (b) supporting economic reforms; (c) increasing IDB support to the social services; (d) protecting the environment; (e) supporting the modernization of the State; and (f) strengthening the participation of communities and women in the national reconstruction process.

The IBRD's country assistance strategy (CAS) for El Salvador, approved by the Board in 1994, focuses on supporting the Government in meeting its critical development challenges and facilitating the transition from a wartime economy to a peaceful, more participatory society. The Structural Adjustment Loans (SAL I, Loan 3293-ES, 1991; SAL II, Loan 3646-ES, 1993), the Technical Assistance Loan (TAL, Loan 3648-ES, 1993), and the on-going SSRP (Loan 3348-ES, 1991) have been supporting Government economic reforms and the social sector strategy by emphasizing, in the long-term, the provision of targeted preschool and basic education which directly benefit the poor. The proposed project would be a key instrument for supporting the efforts of the Government to implement public sector reforms and to

continue the strategies developed under the SSRP by increasing community participation in the basic education system.

POVERTY TARGETING: The project would be an integral part of El Salvador's antipoverty strategy through its assistance to improve coverage and quality of basic education services for the poorest groups in the country. The creation of new sections to expand the access to Preschool and Basic Education and the Health and Nutrition Subcomponent, are both targeted to poor children in rural and urban marginal areas in the 78 poorest municipios of the country (para 3.6 and para 3.23). The targeting will be done through a ranking system based on prevalence of malnutrition, repetition rates for first grade, net enrollment rates for first grade, and percentage of overage students. The non-targeted actions are oriented to improve the public education services at preschool and basic education levels. Following the guidelines of the IDB's Eighth Replenishment Poverty Targeting Mandate, this project is a poverty targeted loan.

The IDB's financing would be chargeable to the ordinary capital, under the Intermediate Financing Facility (IFF) subsidy, considering that: (a) El Salvador is eligible to use the IFF under the Eighth General Increase in Resources (document AB-1683); (b) El Salvador is conducting a peace process following a period of armed conflict that ravaged the country for over 10 years; (c) a significant majority of the beneficiaries of the operation, according to conditions prevailing in the country, are poor; and (d) the program supports preschool and basic education. It is proposed that the IFF resources be used to defray up to five percentage points of the interest rate on the total amount of the loan. It is also proposed that up to 90 percent of IDB financed subcomponent costs be financed with IDB resources, since the direct beneficiaries are low-income earners. For the same reasons, it also proposed that the OC loan be granted for 30 years.

RETROACTIVE FINANCING: The IDB and the IBRD have agreed to finance retroactively up to US\$300,000 equivalent each to help cover eligible start-up expenditures. For the IDB this financing will cover expenditures six-months prior to Board approval. For the IBRD this financing will cover expenditures made on or after March 15 1995.

ADVANCES: Given the degree of preparation and the proposed implementation plan, it is recommended that an

advance equivalent to 10 percent of the proposed IDB loan be approved to assist the Government to implement project activities during first 120 days. The fund would be replenished upon presentation by MINED of the required documentation.

PROCUREMENT:

The amounts over which public international bidding will be required will be US\$250,000 for goods, and US\$1,000,000 for works.

All procurement will be undertaken by UNDP as a procurement agent. The benefits of using the UNDP as procurement agent are consequence of (i) MINED's limited capacity to manage extensive procurement procedures simultaneously; (ii) the technical support provided to the MINED on a daily basis resulting from UNDP's vast experience in the implementation of projects financed by international donors; (iii) GOES/UNDP general agreement that grants UNDP with the exemption of value added tax and exonerates UNDP from the jurisdiction of the Corte de Cuentas, allowing for a much expeditious procurement and contracting process.

The IDB would finance all construction and rehabilitation works. All civil works contracting would be managed by FIS which has proven experience in this area and is also familiar with IDB procurement norms and procedures since it has been the recipient of four IDB loans. Procurement for civil works costing US\$250,000 equivalent or less would be done through limited international bidding procedures involving invitations to at least five contractors. In cases where no contractors can be found due to the remoteness of the area direct contracting procedures would be used for civil works costing up to US\$100,000. NCB procedures acceptable to the IDB would be used for procurement of civil works costing between US\$250,000 and US\$1,000,000 equivalent. ICB procedures would be used for higher amounts.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

As a conditions for disbursement, the borrower will present to the Bank:

- a. An Agreement between the borrower and the executing agency to transfer resources from the loan (para. 5.1);
- b. Evidence of the establishment of the Project Implementation Unit including the Project Coordination, the Modernization Unit, the Expansion of Education Services Unit and the Quality Improvement Unit (para. 5.6);

- c. Implementation of the agreed action plan for the reorganization and strengthening of OPCI (para. 4.9);
- d. Evidence that key technical and administrative staff and/or consultants necessary to implement the project with satisfactory qualifications and experience has been appointed (para. 5.6);
- e. A agreement between MINED and FIS to guarantee the financing and timely construction of new classrooms according to project schedule (para. 3.7);
- f. A signed agreement between MINED and FIS for the management of infrastructure rehabilitation works that will be financed with project funds (para. 4.15);
- g. An agreement between MINED and MOH (and other institutions deemed necessary) to implement the School Health and Nutrition Program Subcomponent in a coordinated manner (para. 3.25);
- h. A signed agreement between MINED and UNDP for procurement of international goods and contracting of consultancy services (para. 4.12);
- i. Presentation of the Operational Manual for the Fund of Innovations, included de eligibility criteria (para. 3.33);
- j. A legal assessment identifying legal constraints to the implementation of modernization pilots and legal solutions to those constraints accordingly (para. 3.29);
- k. Assurances that the Government will be committed to provide the required funds, including a 0.12% of GNP annual increase in the education ordinary budget (para. 4.4)
- l. Assurances that the Government will provide in a timely manner the counterpart funds required for the implementation of the project including the required funds for incremental teacher salaries as established in the annual work plans (para. 4.5 and 4.6);
- m. Assurances of the existence of a sustainable school maintenance program for rehabilitated schools (para. 3.9);
- n. An indicative work plan to develop the staff development activities (para. 3.28f);
- o. Assurance that MINED would (i) conduct, jointly with IDB and IBERD, annual project implementation reviews in September of each year, beginning in 1995; (ii) conduct, jointly with IDB and IBERD, annual project supervision reviews in March of each year, beginning in 1996; and (iii) by September each year beginning in 1996, submit to the Banks annual progress reports on the implementation of the project in accordance with

targets established in previous annual work and investment plans, including the proposed budgetary requirements for project implementation during the subsequent year (para. 5.10);

- p. Assurance that (i) in-depth mid-term review would cover all aspects of project implementation; (ii) it would be conducted jointly by MINED, and the Banks; (iii) it would be conducted by MINED and the Banks no later than September 1998 and (iii) on the basis of this review, actions plans, satisfactory to the Banks would be prepared and initiated by January 1, 1999 (para. 5.12);
 - q. Assurances that MINED would: (a) have the records and accounts for each fiscal year audited by independent and qualified auditors, in accordance with generally accepted auditing standards and procedures; (b) furnish to the Banks as soon as available, but in any case not later than six months after the end of each year, a certified copy of the agreed audit reports; and (c) furnish to the Banks such other information concerning the records and accounts as well as the audit as the Banks would from time to time reasonably request (para. 4.30).
- IBRD
SPECIAL
CONTRACTUAL
CONDITIONS:**
- a. The effective creation of a Revolving Fund would be a condition of effectiveness (para. 4.10)
 - b. The adoption of standard invitation package and contracts would be a condition for effectiveness (para. 4.20);
 - c. As conditions for effectiveness, MINED will agree to implement standard bidding documents. (para. 4.12).

EL SALVADOR
BASIC EDUCATION MODERNIZATION PROJECT
STAFF APPRAISAL REPORT

INTRODUCTION

1. At the request of the Government of El Salvador (GOES), the Inter-American Development Bank (IDB) and the World Bank (IBRD) have worked together to assist GOES in designing a project to continue their efforts in improving the quality of education and the delivery of education services. The following document is one of the first efforts between the IDB and the IBRD to prepare a project using a single document. This document was written by members of both Banks and combines the elements of documents needed to comply with the requirements of each Bank.
2. The first chapter presents information on the economic and social background of El Salvador and Chapter 2 provides an overview of the education sector. Chapter 3 is a detailed description of the project components and subcomponents. Chapter 4 provides information on project costs and the mechanisms to be used for procurement, disbursement and auditing. Chapter 5 describes project implementation and management. The final chapters summarize information on the beneficiaries, the risks, and the agreements needed to proceed with the project

1. ECONOMIC AND SOCIAL BACKGROUND

- 1.1 Following the peace accords, signed in 1992, GOES committed itself to the reconstruction of the country. The achievement of peace was a prerequisite for the implementation of a series of measures in support of social and economic development, including education. The education system will continue to play a key role in the reconstruction process because of its effects on social equity and economic growth at a time when economic globalization requires a highly competitive labor force.
- 1.2 After a twelve-year war and a 50 percent reduction in social expenditures as a proportion of GDP during the 1980s, more than two-thirds of the population was poor in 1991. Despite substantial improvements since the end of the war, poverty and inadequate social services are still widespread. Raising social sector expenditures and modernizing inefficient public sector institutions are major challenges faced by the government as it strives to achieve better social indicators while maintaining sound fiscal policies.
- 1.3 Over the last five years, the political and economic policies put into effect by GOES have put the country on a path of positive growth of gross domestic product (GDP) (6 percent in 1994) and have laid the basis for sustained growth. Under stable economic conditions, the Government's economic and social strategy sets the alleviation of poverty as the principal social objective. The plan calls for progress toward a long-term objective of establishing a national network of basic social services that assures access to all the population, especially to the most vulnerable groups. It places special attention on human capital formation (especially for education, health and nutrition), the well-being of the poorest groups, basic infrastructure, community development and the monitoring and evaluation of social programs. As part of this

strategy, the Government implemented an IBRD-supported US\$35.6 million Social Sector Rehabilitation Project (SSRP, Loan No. 3348-ES, 1991) which was designed to enhance the public sector's capacity to manage and deliver health and education services efficiently by supporting institutional reforms, increasing the flow of funds to the social sectors, and improving basic social services for the poor.

- 1.4 As another key element in the social plan, the Government instituted the Social Investment Fund (*Fondo de Inversión Social - FIS*) in 1990. This agency is responsible for approximately 5,000 small investment projects which have benefited 60 percent of the poor population in the majority of the country's municipalities. The FIS has distinguished itself as an agency capable of rapidly, efficiently and transparently channeling resources to the needy population through small-scale contracts, with the ample participation of community groups. By July 1994, the FIS had built or repaired 4,000 classrooms and supplied 200,000 desks. It implemented 250 water projects, in and near urban areas, benefiting about 160,000 persons (over 3 percent of the country's population). In its first three and one-half years of operation, the FIS has been supported by UNDP, UNICEF, the Government of Japan, the German Credit Institute for Reconstruction (*Kreditanstalt für Wiederaufbau - KfW*) and the IDB. IDB's support in four consecutive loans sum to US\$153 million (Loans 861/SF-ES, 905/SF-ES, 765/OS-ES, 829/OC-ES).
- 1.5 During the last administration (1989-May 1994), the Ministry of Education (MINED) began to address the problems of the education system through a number of sectoral policies which included: (a) re-allocating public education resources to favor preschool and basic education for the population living in the poorest areas of the country (especially in the countryside and in urban squatter settlements); (b) the development of non-formal education for adults; (c) improvement in the basic education curriculum; (d) decentralization of education services as a means to improve the efficiency in the use of resources; and (e) the participation of nongovernmental organizations (NGOs) and other private organizations in the execution of cultural and educational programs and projects.
- 1.6 The new administration, which came to power in June 1994, will continue the reforms initiated by the previous administration, and requested that the two Banks finance the proposed project. The proposed project would support the reform program by: (a) expanding basic education services through alternative delivery means targeted to the most disadvantaged population; (b) improving the quality of basic education services; and (c) further strengthening the institutional capabilities of MINED to plan and manage the delivery of social programs in a decentralized manner by incorporating new areas in the reform.

2. THE EDUCATION SECTOR

A. Sectoral Overview

- 2.1 Since 1989, the Government of El Salvador has made great progress in rehabilitating the critical status of the education system which was severely affected by the war. The education sector has been developing a set of programs to shape the education reforms considered essential to the building of a new society in the country. With the education strategies adopted by the 1989-1994 administration, preschool education offered by the public sector for 4 to 6 year-old children has increased significantly from 15 percent

in 1989 to 35 percent in 1993. The total enrollment rate for basic education (grades 1 to 6) has increased from 76 percent in 1989 to 83 percent in 1993. The current Government is continuing, and consolidating the education sector reform measures initiated by the previous administration (see paras. 1.5-1.6). In addition, it is expanding reforms in new directions emphasizing the provision of services to the poor.

Sector Organization and Administration

- 2.2 **Organization.** The formal education system consists of one year of preschool, nine years of basic education, three years of secondary education, and higher education (vocational and academic) with programs of two to six years. Basic education starts at age seven and is organized in three cycles of three years each. The first cycle contains grades 1-3, the second contains grades 4-6 and the third contains grades 7-9. Secondary education, grades 10-12, is diversified and prepares students for the *Bachillerato* diploma in any of the following specialized courses: academic, business administration, home economics, industrial, vocational arts, agriculture, hotel catering and tourism, navigation and fishery, health, and teacher training. Higher education is offered by a national university, 36 private universities, and by 30 technical institutions.

Table 1. El Salvador School System, 1993

LEVEL	Students		Age Group	Net Enrollment Rate (%)	Number or Teachers ^a	Number of Schools
	Total Enroll	Public (%)				
Preschool	128,048	73	4-6	35	2,367	1,406
Basic - Grades 1-6	863,478	88	7-12	83	18,967	3,349 ^b
Grades 7-9	205,226	79	13-15	32	5,004	
Secondary ^c	105,093	50	16-18	18	1,334	180
Higher ^d - Tec/Voc	4,341	25	19-21		667	30
Higher- University	81,773	32	19-23		598 ^d	37

^a Public only.
^b Includes all basic education schools, grades 1-9.
^c Includes Technical and Vocational. Harvard Study. Data for 1992.
^d Full-time professors only.
 Sources: Annex 1, Tables 1, 2, 3, 4, 7; "Diagnostico del Sistema de Desarrollo de Recursos Humanos de El Salvador" (Harvard Study).

- 2.3 **Administration.** The main institution in the education sector is MINED which is responsible for administering all levels of education, except universities, and monitoring the private sector provision of services. Except for the national university, which receives resources directly from the national budget, administration is highly centralized with programming and administrative and financial management all concentrated in the central office. Adult education and vocational education are administered by the Directorate of Adult Education in MINED through private institutions like the *Fundación Empresarial para el Desarrollo Educativo* (FEPADE), *Instituto Salvadoreño de Formación Profesional* (INSAFORP) and NGOs. The National Council for Culture and Art (*Consejo Nacional para la Cultura y el Arte* - CONCULTURA), created in 1992 as a decentralized unit of MINED, was put in charge of watching over

the preservation, development and dissemination of the cultural patrimony of El Salvador.¹

- 2.4 With the support of the SSRP, MINED developed and implemented a decentralized model of services provision in rural areas, the Community-managed Schools Program (*Educación con Participación de la Comunidad* - EDUCO), which transferred the management of schools to communities. This innovative program, based on the direct involvement of parents and community members, and institutional strengthening activities at the central and regional levels, promotes the participation of rural communities in defining and administering education. The ACEs have been instrumental in promoting community participation, not only in educational matters but also in matters concerning the community as a whole. Under the program, Community Education Associations (*Asociaciones Comunes para la Educación* - ACEs) are organized by communities, and are the key management mechanism for program operation at the local level. MINED transfers funds to the ACEs who are responsible for: (a) managing the schools; (b) selecting (qualified) teachers, hiring and dismissing them; (c) maintaining and furnishing the schools; and (d) negotiating with the different Government agencies and/or international agency programs to obtain funds for improving the school program. They also interact with supervisors to maintain adequate communication with MINED.
- 2.5 In 1993, there were approximately 27,700 teachers for preschool, basic, and secondary education in El Salvador (see Annex 1, Table 7). These are divided into three categories: (a) Docente I teachers who are prepared to teach preschool and grades 1 to 6; (b) Docente II teachers who are prepared to teach grades 7 to 9; and (c) Docente III teachers who are prepared to teach secondary education. Although teachers are categorized by Docente level, they may not be teaching at the level in which they are categorized (see para. 2.26). MINED employs 5,520 technical and administrative personnel, 38 percent assigned to posts outside San Salvador, to administer traditional education services throughout the country. The existence of regional offices do not represent effective decentralization. Local staff activities are limited to a passive follow-up of decisions taken at the central level. The only outstanding exception to centralization is the EDUCO program where decentralization is effective through the administrative support of the ACEs.
- 2.6 The National Teacher Organization (ANDES) is strong in El Salvador. Although membership is not obligatory, the majority of traditional teachers belong to ANDES. EDUCO teachers seldom belong to that organization. ANDES has been participating with MINED in the definition of the education reform.²
- 2.7 Teacher salaries, in real terms, have steadily declined since 1980. The purchasing power of a teacher's wage in 1992 was 32 percent of its level in 1980. Per capita income rose 5.4 percent between 1984-92, while teacher wages fell 50 percent in the same period. The apparent reduction of salaries is illusory. Quality standards drop and the absenteeism increases. By reducing the teaching hours in half teachers adjusted the real salary by quantity and quality to offset the dropping wages

¹ MINED is also responsible for the preservation of the national patrimony, which includes parks and the zoo, and for the so-called cultural extension executed by 100 "houses of culture" (*casas culturales*).

² There is no formal trade union with legal support for collective labor negotiation, but the organization acts and performs as a trade union.

Gender in Education

- 2.8 El Salvador has advanced significantly towards gender balanced educational attainment. At the preschool level, female enrollment is 50.2 percent (see Annex 1, Table 17). In basic education and secondary education, female students slightly outnumber male students with 51 percent and 54 percent, respectively. Female students also outnumber their male counterparts in post-secondary technical education where 58 percent of the enrollment is female, but in post-secondary academic education, male students (52 percent) outnumber female students (48 percent). A recent study jointly prepared by the IDB³ and IBRD, shows that place of residence and income level are more significant determinants of literacy than gender (see Table 2). There are, however, four female issues in education that have not been resolved: teenage pregnancy; women's narrow preferences for careers and fields of study; lower rates of return on education for women; and gender stereotypes in textbooks. Gender stereotyping is closely related with preschool and basic education. The Ministry has taken steps toward eliminating sex-role modeling in the textbooks for grades 1 through 4. The proposed project will continue these efforts by removing gender stereotyping from textbooks and other classroom materials (see also paras. 2.24 and 3.14).

Table 2. Illiteracy Rates by Income Quintile and Gender				
Income Quintiles	Urban		Rural	
	Male %	Female %	Male %	Female %
First	26	33	48	50
Tenth	3	8	25	28
% Difference	8.67	4.13	1.92	1.79
Source: MICDES 1991-1992 Household Survey.				

B. Sectoral Issues in Education

- 2.9 The Salvadoran education indicators reveal an education system with interrelated problems causing poor system performance. The main education sector issues are: (a) low internal efficiency; (b) insufficient access to education; (c) unsatisfactory education quality in both academic achievement (output) and learning environment (education inputs); (d) weak managerial and administrative capacity; and (e) inadequate financing of the sector.
- 2.10 To better understand education issues, a Social Assessment was undertaken to consider the perceptions of the stakeholders - MINED, teachers, parents, students, etc. The provision of well-organized information on the public perception of the education sector has been an especially useful tool for MINED in the process of changing the provision of public education services to rely more on community participation. The lack of regular communication channels transformed the Social Assessment into an unintended communication mechanism for education reform and helped the Banks in the fine tuning of the design of project components

Low Internal Efficiency

- 2.11 Late basic education school entrance, the existence of a large number of "incomplete" rural schools not offering at least the full first two cycles of education, and high repetition and dropout

³ "El Salvador - Moving to a Gender Approach in El Salvador: Issues and Recommendations," joint study by the IDB and IBRD.

rates in basic education have the greatest impact on the education system's internal efficiency.

- 2.12 Late entrance to schooling. Fifty-three percent of urban students and 67 percent of rural students enrolled in grades 1 to 9 are over the age expected for the grade in which they are enrolled (Annex 1, Tables 3 and 4). In 1993, the basic education (grades 1 to 6) gross enrollment rate, in urban schools, was 113.59 percent and the net enrollment rate was 89.6 percent. A similar situation occurred in rural schools where the gross enrollment was also significantly higher than the net enrollment in the same grades, 101.85 percent and 77.28 percent, respectively. In El Salvador, the main reasons for later entrance to school include: (a) absence of services during the war years; (b) ignorance on the part of parents about the benefits of schooling; and (c) low levels of family income which: (i) prevent parents from being able to afford the costs of sending their children to school and (ii) require children to work in order to augment the family income. Later entrance in school, particularly in the rural areas, has provoked the overage phenomenon and age heterogeneity in the classroom. Age heterogeneity in the classroom without the use of appropriate methodologies can have an unfavorable impact on overall academic achievement. Available data show that late entrance, however small, increases repetition rates, and decreases the completion rates of basic education. The introduction of preschool education is one of the most effective ways to promote prompt entrance of students. The proposed project will have a positive effect in increasing internal efficiency by expanding the coverage of preschool (para. 3.6).
- 2.13 Incomplete basic education schools. Too frequently public schools do not offer education services for the entire basic education cycle. According to a recent survey⁴, almost all schools cover the 1st cycle, but only 80 percent cover the 2nd cycle, and 50 percent cover the 3rd cycle. The deficiencies are more severe in rural areas. The existence of these incomplete schools keep many student from completing their basic education. The expansion of coverage provided in the proposed project will cover preschool through grade 6 (para. 3.7).
- 2.14 Repetition and dropout rates in basic education. Repetition rates for basic education range from a high of 22 percent in 1st grade in the Central Region to less than one percent in the 9th grade in all regions (Annex 1, Table 6). Repetition rates in grades 1 to 3 are slightly higher in EDUCO schools where late entrance to school is a more frequent phenomenon than in traditional schools (17 percent and 15 percent, respectively). At the national level, many students repeat more than once and eventually drop out of school. Preschool education has proven to be an effective method to reduce repetition rates in higher grades. Through the expansion of preschool coverage, the proposed project will help to reduce repetition rates (para. 3.6).
- 2.15 Because of repetition and dropout, completion and promotion rates are very low. The cumulative effects of late entrance, repetition and dropout, and incomplete basic schools, mean that only 47 percent of the initial student cohort finish the first two cycles of basic education, and only 33 percent finish the 3rd cycle.⁵ On average, members of the urban population who are 15 years of age or older have completed 7 years of schooling. In rural areas, on average, only 2.8 years of school have been completed.

⁴ Harvard Study, op. cit.

⁵ Ibid.

- 2.16 Repetition in the nine grades of basic education adds approximately 23 percent to the cost of producing a graduate.⁶ It is estimated that repetition adds to the system some US\$37 million in additional costs each year. In addition to the financial costs, these inefficiencies are costly in terms of lost human capital, and they compound the difficulty of addressing problems of low coverage and quality. The proposed project will address issues of efficiency in a comprehensive way through a series of actions to improve the quality of education services provided by MINED. It is important to emphasize six actions that will have a direct impact on repetition rates and are considered in the proposed project: (a) the revision of curriculum to meet the needs and interests of the rural school population (para. 3.13); (b) the expansion of preschool coverage (para. 3.6); (c) the development of a multigrade program in rural areas that introduces the flexibility required in rural environments (para. 3.14); (d) the establishment of a new promotion system for students, allowing for automatic progression within cycles (para. 3.21); (e) the development of a nutrition program targeted to the poorest schools in rural areas (para. 3.23); and (f) the promotion of an active participation of parents in school management (para. 3.11).

Insufficient Access to Education

- 2.17 Access to education varies depending on the part of the country in which the person lives, and is hindered by lack of sufficient infrastructure. It is also heavily dependent on the level of income of a student's family. Children from the poorest households not only have less opportunity to enter school, but also enter at a later age, and stay less time in school, than do children from families with more economic resources. Education figures show that by 1993, only 24 percent of children aged 4-6 attended preschool in rural areas, compared to 46 percent of students the same age in the urban areas. At the same time, only 56 percent of children between the ages of 7 and 15 were enrolled in basic education in rural areas, compared to 77 percent of the same age group in urban areas (Annex 1, Table 2). Although low, the levels of rural enrollment have increased because of the EDUCO program. Despite its success in increasing enrollment, problems remain in regards to the ACE management capability. The proposed project will include measures to increase ACE efficiency with the support of NGOs and other private organizations.
- 2.18 Regional characteristics play an important role in explaining differences in access. These differences are a result of the priority given by the Government and other donors to regions affected by the war, and to population increases caused by migration to the Central Region. The Central Region has the highest gross and net enrollment rates for both preschool and basic education (see Annex 1, Table 5).
- 2.19 Another factor affecting access to schools is inadequate infrastructure. Many existing schools need rehabilitation, and lack equipment and furniture. Based on the results of the microplanning/microlocation exercise,⁷ the proposed project will include measures to promote the construction of new sections in areas presenting infrastructure deficits and actions to rehabilitate schools. Under the proposed project, MINED will work together with

⁶ Ibid.

⁷ Under the SSRP, an intensive survey of the existing education infrastructure has been undertaken to determine the costs for providing infrastructure, the amount of rehabilitation required for existing infrastructure, and the areas where services are needed.

the FIS to increase and rehabilitate infrastructure following MINED's infrastructure plan. (see para. 3.7).

Low Quality of Education

- 2.20 The low quality of education in El Salvador has been caused primarily by: (a) deficiencies in the provision and the quality of textbooks, and in the curriculum on which they are based; (b) lack of supplementary educational materials; (c) inadequate teacher training programs; (d) insufficient student achievement evaluation; (e) lack of systematic pedagogical supervision; and (f) the precarious nutritional status of the preschool/basic education age population.
- 2.21 Textbooks and curriculum deficiencies. Studies show that there are deficiencies in basic education textbooks and instructional materials in schools throughout the country in terms of the number of textbooks provided, the quality of the texts, and the curriculum on which they are based. A recent evaluation study⁹ shows that only 44 percent of the teachers in traditional schools and 31 percent of the teachers in EDUCO schools surveyed indicated that each of their students had their own textbooks. Forty-three percent of traditional school teachers and 31 percent of EDUCO teachers indicated that their students had no textbooks. Textbook deficiencies can be particularly significant when teachers themselves lack mastery of the material, and when students lack supplemental learning opportunities in the home or at the school, mainly when the environment is not conducive to formal learning as in rural areas. Current textbooks lack complementary teaching materials relevant to the rural areas. In this environment, an improved curriculum and textbooks may be the most cost-effective means to improve learning. Textbooks are currently provided to students to use for the school year at no charge. However, there are not enough textbooks to provide them to all students. No cost-recovery policies on textbooks and/or teaching materials has so far been implemented by the Salvadoran authorities, but the current administration has agreed to study and consider cost-recovery schemes.
- 2.22 Rural student absenteeism is related to inadequacies in curriculum plans and the school calendar, and is also connected to low internal efficiency. MINED has devoted time and effort to rethinking the curriculum for basic education in general and for rural students in particular. In addition, the school calendar in the rural schools needs to be organized taking into account the demand for family labor. Such an adjustment is expected to relieve parental pressure to pull children, particularly boys, out of school at times when their labor is in high demand. The proposed project will include measures to increase the provision of textbooks and to adapt the curriculum to rural areas (paras. 3.13, 3.15).
- 2.23 Multigrade methods in rural areas have been considered an important pedagogical method to improve the provision of education.¹⁰ However, teachers must learn how to deal with this situation on the job. Building on the strong participation of the community in the school activities under the EDUCO program, the proposed project will support, where necessary, the adoption of multigrade approaches in the rural schools to improve quality of learning and solve

⁹ World Bank. 1994. "El Salvador - Community Education Strategy: Decentralized School Management." (EDUCO Study) Report No. 13502-ES. Country Department II, Human Resources Operations Division, Latin America and the Caribbean Regional Office, Washington, DC.

⁹ The rest of the teachers indicated that their students shared textbooks.

¹⁰ For example, *Escuela Nueva* in Colombia.

traditional problems of rural students (para. 3.13). Instructional materials, in-service teacher training, school administration, and community participation will be integral parts of the model to be adopted by the rural schools, first on a pilot basis. UNICEF would support the pilot experience before expansion to a large number of rural schools.

- 2.24 Textbooks and gender issues. As in many countries, textbooks used in El Salvador tend to foster and support gender stereotypes. Women are typically depicted in jobs consistent with traditional nurturing roles. MINED has acted to counter negative gender-based stereotyping through efforts funded by UNICEF/UNIFEM and USAID, but results have been only partially achieved. An IDB/IBRD study on textbooks indicates that in the revised texts for grades 1 to 6, although illustrations were more gender balanced, texts continue to portray predominantly male characters, and women continue to be depicted in a traditional context.¹¹ The proposed project includes measures to counteract gender stereotypes both in curriculum and textbooks (para. 3.14).
- 2.25 Lack of supplementary educational materials. In addition to the lack of textbooks, schools lack supplementary educational materials such as globes, maps, charts, educational toys, supplemental texts, and workbooks. Likewise, more costly but effective resources, such as libraries, classroom reading resources, science kits, and computers, are rarely in evidence. The above situation is more acute in the rural and marginal urban schools. Under the SABE project, MINED started to develop an educational package program (canasta básica) with basic educational materials for basic education schools (grades 1 to 6). However, more needs to be done to make a more extensive provision of these materials and supplementary teaching/learning materials to all basic education schools and students. The provision of instructional material is also considered by teachers as a key incentive for teaching as noted in the Social Assessment. The proposed project will include measures to increase the provision of instructional materials to preschool and basic education schools through the canasta básica (para. 3.15).
- 2.26 Inadequate teacher training. Teacher pre-service training specifically for preschool education or the early years of basic education barely exists in El Salvador. Most Salvadoran basic education school teachers are graduates of universities and have been prepared to teach the upper grades of the basic education cycle. As a result, most teachers lack the pedagogical skills needed to foster effective interaction with students in the lower grades, make the best use of the textbooks and instructional materials, and identify and orient students with learning disabilities. Therefore, they are most in need of training because of: (a) their lack of previous teacher training preparation; (b) the general lack of systematic supervision; and (c) the added difficulty of handling multigrade classes. The proposed project will include measures to establish a systematic in-service training system for all teachers in preschool, and basic education and funds for assessing the pre-service training system, currently administered by the private sector, which will recommend policy options to improve the basic education pre-service training programs (para. 3.16).
- 2.27 Insufficient student achievement evaluation. MINED has only recently started to apply achievement tests to measure the learning status of students in the education system. Under the SABE project,

¹¹ "El Salvador - Moving to a Gender Approach in El Salvador: Issues and Recommendations," joint study by the IBRD and IDB.

MINED began using achievement tests to assess the impact of the new core curriculum for grades 1-6. However, the results of this exercise showed that MINED's resources and capacity are too limited to monitor and evaluate academic achievement and standards of teaching across the country and in the different modalities of education services provided. There is a need to create in MINED the "culture" of evaluation to support education policy options regarding teacher training, textbooks and instructional materials. The proposed project will include measures to improve the institutional and technical capacity in El Salvador for monitoring student achievement as a tool to increase education efficiency and accountability (para. 3.21).

- 2.28 Lack of systematic pedagogical supervision. The education supervision system, which had disappeared during the armed conflict, was reorganized in 1990. Since the system was re-established, school supervisors have played an important administrative role in the implementation of the EDUCO Program. However, they have not been able to provide pedagogical support and guidance to teachers in either system, traditional or EDUCO. Inadequate supervision mechanisms, unclear assignment of activities, and low technical preparation, are factors impeding the better performance of the supervisors and their contribution to improving school and teaching efficiency. The proposed project would support activities to re-orient the supervision system in the direction of providing technical support to teachers and school principals, disseminating results of education program evaluation, and giving feedback to correct shortcomings in the education process. To increase the professional capacity of the supervisors, the proposed project will seek to achieve a qualitative change in the supervisors functions by increasing the time employed in monitoring teaching activities and by reducing their strictly administrative responsibilities (para. 3.28(d)).
- 2.29 Children's low nutritional status. Hunger and malnutrition diminish the physical and mental capacity of poor children. Protein-energy malnutrition and the lack of certain micronutrients, especially iodine and iron, reduce learning capacity and academic achievement. Deficiencies of vitamin A and iron also reduce resistance to infections which can increase absenteeism which is associated with poorer school achievement. In addition, research shows that children who go to school without breakfast have difficulty in concentrating, and perform less well than children who have had breakfast. This effect is greatest in children who are also malnourished. School nutrition and health programs to alleviate hunger and malnutrition can complement other efforts to improve the quality of basic education, and contribute to improving the efficiency and effectiveness of the education system.
- 2.30 According to the first height-for-age census of first grade school children conducted in 1988, one-third of Salvadoran children in first grade are malnourished. In the least developed municipios, the prevalence of malnutrition rises to half the children. A Ministry of Health (MOH) study conducted in 1994 corroborates the results of the census. It showed that 61 percent of preschool children in the least developed municipios are malnourished.
- 2.31 Goiter (an enlarged thyroid gland caused by a lack of iodine) affects 25 percent of children between the ages of seven and 14. The problem is especially severe in the Western region where, on average, 40 percent of the school age children are affected. Goiter is higher in girls than in boys (28 percent versus 21 percent) and also higher among children aged 10 to 14 years old. MOH has initiated a program to fortify salt with iodine, however, it will

take several years, at least, before fortification can alleviate iodine deficiency in the country. The consequences of iodine deficiency can be most severe and irreversible when experienced in utero, causing, for example, mental retardation and deafness. School-aged children deficient in iodine perform worse on tests of intelligence and other tests of learning capacity compared to iodine-replete children. Iodine deficiency is also linked to impaired hearing in school-aged children.

- 2.32 The lack of vitamin A is a widespread problem in El Salvador. All of the studies over the last 40 years have shown that more than 70 percent of infants consume inadequate amounts of vitamin A, especially in rural areas. A study conducted in 1994 showed that 99 percent had insufficient consumption of vitamin A. Blood tests among preschool children show that 40 percent are deficient. The MOH has embarked on a program to fortify sugar with vitamin A. So far the coverage of this program is low. It will take several more years before this program can alleviate vitamin A deficiency.
- 2.33 Anemia from a lack of iron affects a large proportion of the population in all developing countries. A sample study with teenagers done in 1988 indicated that 51 percent suffered anemia. There is no updated and systematic information about iron deficiency, but the accepted estimate is half of the school population. It affects physical capacity, achievement and immunity. Children deficient in iron are less alert and attentive, less motivated, and perform less well on tests of development and school achievement. Controlling this problem can be achieved through the fortification of foods (flour, cookies, drinks) and provision of iron supplements.
- 2.34 In regions with deficient sanitary conditions, half or more of children suffer from parasitic infections. These infections reduce appetite, increase the risk of anemia, in some cases, and cause absenteeism because of diarrhea. They also independently contribute to poor school performance by diminishing a child's ability to pay attention and concentrate. Broad spectrum, effective against several species of worms, single dose drugs are now available to treat helminth infections. The proposed project will include the provision of basic nutrition and health education measures, and targeted treatment activities as a highly cost-effective approach to improving children's readiness to learn via better nutrition and health (para. 3.23).

Weak Managerial and Administrative Capacity

- 2.35 Despite the major efforts of the Government to foster an effective administration, and the existence of a highly qualified technical group at the managerial level in MINED that is leading the educational reform, institutional weaknesses still remains. The education sector has insufficient institutional capability to strengthen and consolidate ongoing education reforms to assure efficiency, quality and equity improvements, especially among low-income areas. Overall institutional weaknesses and lack of adequate personnel policies in MINED underline much of the poor performance in the sector. These weaknesses include: (a) an inappropriate institutional organization; (b) an inadequate incentive structure for teachers and MINED technical staff; and (c) the absence of an effective communication system (within MINED and between MINED and the public) that MINED's capacity to deliver its services timely and effectively. Moreover, the lack of a timely, trustworthy, and relevant enervates management information system (MIS) has not allowed the Salvadoran education authorities to ascertain the impact of policies and activities in the delivery of the education

services. These weaknesses limit MINED in effectively translating education policies and strategies into concrete programmatic actions, target resources to most needed areas, and periodically monitor achievements.

- 2.36 Inappropriate institutional organization. The MINED rigid and centralized organizational structure, the wide range of responsibilities, the weakness of local institutions and the complex administrative procedures are not conducive to the efficient management of education services. MINED devotes its limited management resources to a wide range of activities which lessens its efficiency and exacerbates the problem of limited management capacity. Moreover, the basic management tools - planning, information systems, and evaluation mechanisms - are almost non-existent. Under the shield of investment projects financed by external donors, MINED is able to bypass some of the rigidities of the current structure to implement more efficient practices. EDUCO is the most successful structural change in the way MINED provides education services. Based on this experience, MINED has been gradually shifting responsibilities to the regional and local levels. Other changes have happened in an unsystematic way, contributing to the lack of transparency - an inadequacy of the current structure. The problems of organization are worsened by severe personnel constraints. The degree to which improvements could be developed under the current structure are limited by the current legal framework of the education sector and further actions need to be conceived in a consistent and systematic way.
- 2.37 The incentive to modernize MINED and increase its efficiency is part of a much broader Public Sector Reform that has been underway and will be supported by the Banks under the proposed Public Sector Modernization Project. MINED was selected as the pilot institution for reforms in the budgetary planning process that is expected to facilitate allocation and flow of funds by level of education and to regions and departments. The proposed project will: (a) build on the successful decentralization experience of MINED to develop pilot modernization programs that will subsequently be implemented at the national level; (b) strengthen the management tools available to MINED; and (c) revise the legal framework of the education sector to make it suitable for the new organization of MINED (para. 3.27).
- 2.38 Inadequate incentive structure for teachers and MINED technical staff Deficiencies in teachers, supervisors and principals performance and low efficiency of technical staff are, in part, the result of an inadequate incentive structure for both teachers and technical staff. During the last decade, performance of traditional public school teachers decreased and absenteeism and turn over increased. This could be only partially explained by the decline in real wages. Teachers, are ruled by specific regulations (*Escalafón Magisterial*) that guarantee job stability, and reward time in service and pre-qualification, but fail to compensate for work environment or to promote excellence. In addition there are no specific criteria based in qualifications to select school principals. Moreover, the lack of adequate supervision restricts effective control of teacher performance. As a consequence, teachers, supervisors and principals salaries are linked more to the strength of the negotiating capacity of the organizations representing them. On the other hand, teachers under the EDUCO program are not formal employees of MINED; they are selected, hired, supervised and dismissed, if necessary, by the parent associations. Unlike traditional teachers, EDUCO teachers are evaluated based on their performance. Their salaries are higher, but they do not have the job stability of regular teachers. The better attendance, performance and commitment of EDUCO teachers confirm the importance of improving the incentive structure for traditional teachers.

- 2.39 Despite the success of the EDUCO program in improving teacher performance, it is proving difficult in practice to hold teachers within the EDUCO system for appreciable lengths of time because they prefer to be in the official career stream which is more stable and less demanding.¹² In addition, the regular teacher organizations (that also represents supervisors and principals) could obstruct the expansion of the EDUCO system if it is perceived as threatening their interests. That calls for a comprehensive revision of the incentive structure for EDUCO teachers, traditional teachers, principals and supervisors. A basic incentive, such as the improvement of real wages, should be combined with the revision of the structure of incentives, including regulations, supervision, training, performance evaluation, and better communication with MINED. The proposed project will finance a revision of the legal framework including the *Escalafón Docente*, a strengthening of supervision, the development of a broad in-service training program and the development of a communication strategy for MINED (para. 3.28).
- 2.40 Performance of the technical staff at MINED is limited by low motivation and low salaries, high turn over of management and technical personnel. In the absence of adequate and defined policies for recruitment and career development, 50 percent of MINED's staff provides only administrative support and the salary structure is very flat. Consequently, although MINED offers very good remuneration and stable labor conditions for low administrative positions, it has enormous difficulties in hiring or retaining competent technical and professional personnel. To fully achieve the objectives of the education reform, a highly trained work force should be in place to carry out the decentralized processes and systems. The proposed project will provide for technical assistance to MINED to revise the salary structure that will have to be consistent with the revision of the Civil Service System under the Public Sector Modernization. The proposed project will finance a revision of the education legal framework including the *Escalafón Docente*, a strengthening of supervision, the development of a broad in-service training program and the development of communication strategy for the MINED. It will also provide funds for the definition of new job descriptions and training programs, and for the implementation of the rationalization plan for personnel under the new structure of MINED (para. 3.28(f)).
- 2.41 Absence of an effective communication system. The Social Assessment, undertaken during project preparation, pointed out the severe problems resulting from MINED's lack of an effective communication policy. Within the Ministry, the general guidelines set at the highest levels did not always reach lower levels, and fragmented information undermined the rapid implementation of reforms. Communication with teachers, supervisors and principals is constant but not necessarily efficient, and communication with other stakeholders has been very limited despite its proven effectiveness in the EDUCO program. Although there is a consensus that the education system should be changed, the lack of communication led to public misconceptions of GOES' plans to modernize the education sector, and prevented the stakeholders from developing a sense of ownership. The Social Assessment exercise contributed to promoting a better informed discussion of education reform between stakeholders. Based on its results, the project includes specific actions to develop a communication system within MINED, and between MINED and other stakeholders (para. 3.28(e)).

¹² EDUCO Study, op. cit.

- 2.42 To promote a national dialogue about education and to seek a national ownership for the education reform, in October 1994 the Government set up a high level Commission of Education, Science and Development (*Comision de Educacion, Ciencia y Desarrollo*). The Commission was composed of 12 members representing a wide range of political affiliations and also acknowledged for their professional capacity and strong technical skills. Recently the Commission presented specific recommendations for the modernization of the education sector that are fully consistent with the proposed project. The Commission will continue to support MINED in the definition of further actions to improve education services in El Salvador.

Inadequate Financing of the Sector

- 2.43 Inadequate and deficient sector financing has been caused by: (a) sharp decreases in education spending as a percentage of GDP; (b) the relative reduction of fiscal resources allocated to education; and (c) inadequate financial/management mechanisms. Education expenditure in relation to Central Government expenditure and to GDP has steadily decreased since 1981 and has only slightly increased in the last two years. Its share of GDP fell from 3.6 percent in 1981 to 2 percent in 1994. This is partially due to the fact that total government expenditure fell from nearly 20 percent of GDP in the early 1980s to 15 percent in 1994; however, the share of education expenditure in the Central Government budget has also declined from nearly 28 percent at the beginning of the 1970s to 14 percent in 1994 (Annexes 2).
- 2.44 Fiscal austerity has also resulted in a severe curtailment of investments in education. The most important investments in the last four years have been financed by international donors in projects associated with considerable technical assistance programs. Investment expenditures have been drastically reduced, and only partially executed. Since 1990, executed spending on education has fallen short of budgeted spending on education. In 1992 and 1993, the shortfall was approximately 10 percent of total spending. In contrast, recurrent expenditures have been almost fully executed as budgeted, and their share has increased to nearly 90 percent of the budget.
- 2.45 Cumbersome financial mechanisms impede better management of budgetary allocations. Apart from the ordinary budget, which finances most recurrent costs, El Salvador also has an extra-ordinary budget, principally used to finance investment expenditures with external resources. The extra-ordinary budget, however, has expanded to cover some recurrent expenditures. As part of its macroeconomic reform program, the Government is taking measures to consolidate the two budgets. This effort will provide a better management of education funding to support decentralization and local provision of education services and to make better cost-effective decisions in the sector. Moreover, the proposed project would allow GOES to implement a vast investment program for the expansion of education services and is part of a broader effort to expand the fiscal support for the education sector.

C. The Government's Strategy for Education

- 2.46 The severe economic crisis of the 1980s, followed by a drastic fall in real per capita income and in government expenditures in education, an earthquake, and a civil war have severely impacted the

performance of the education sector in El Salvador. In 1989, only 14 percent of the preschool age population and 65 percent of the basic education population were enrolled in the education system. Illiteracy among those 15 years old and over was 27 percent; in Latin America only Guatemala and Haiti had higher illiteracy rates.¹³ During the war period, most education indicators held steady because of an increase in services by the private sector and foreign aid. Starting in 1989, GOES initiated policy reforms aimed at rehabilitating the public sector's capacity to manage and deliver social services, including education.

- 2.47 The overall objective of the education policy currently being followed by GOES is to create an education system that can be an effective tool for promoting the economic and social development of the country. This will be done by promoting the formation of human capital which will allow the recipients to reach higher levels of productivity and capacity. By promoting personal development, the level of income and the quality of life of the population will be enhanced.¹⁴
- 2.48 The strategy of GOES for the education sector is based on three fundamental elements: (a) the focusing of human, financial and material resources on basic education; (b) the decentralization of services and the participation of the communities; and (c) the provision of services through the private sector which are more efficiently provided by that sector.¹⁵ The first element implies that the majority of human resources, as well as materials and financing, should be focused towards increasing coverage and improving the quality of preschool and basic education until the sixth grade. Specifically, large amounts of resources need to be directed towards those rural areas in which no education services currently exist.
- 2.49 The goals for Basic Education in 1995-1999 include: (a) increasing preschool enrollment rates from 24.5 percent in 1993 to 40 percent in 1999 in the rural areas; (b) raising enrollment rates in the 1st and 2nd cycles from 83 percent in 1993 to 90 percent in 1999; and (c) reducing overage students in basic education from 29.2 percent in 1993 to 15.3 percent in 1999. MINED would continue involving the community in the provision of basic education services, strengthening and increasing the ability of communities to organize and assume a protagonist role in the administration of basic education services.
- 2.50 For secondary education (grades 10 to 12), the emphasis will be on improving the skills and capabilities of the graduates in order to allow them to respond to the dynamic changes of the labor market. This will be accomplished, in part, by reforming the curriculum to respond to the requirements of the labor market and the possibility that graduates may continue their studies at higher levels. For technical education, the participation of the private sector in the administration of technical institutes will be promoted by supporting a scholarship fund for students with limited resources. Finally, as the result of curriculum reform and public/private interaction in provision of services, higher education is expected to produce highly qualified professionals who will be able to respond to the conditions of the modern workplace in terms of

¹³ *Diagnóstico del Sistema de Desarrollo de Recursos Humanos de El Salvador*. 1994. (Harvard Study) Report for the Harvard Institute for International Development in collaboration with Fundación Empresarial para el Desarrollo Educativo, Universidad Centroamericana José Simeón Cañas.

¹⁴ MICDES, "Plan de Desarrollo Económico y Social, 1994-1999."

¹⁵ *Ibid.*

scientific and technological investigation.¹⁶ The proposed project will support the Government strategy for secondary education by providing technical assistance for the design of a comprehensive program to improve equity, efficiency and quality of secondary education.

- 2.51 The strategy for education is part of a larger Public Sector Modernization Action Plan which will be implemented with the technical and financial support of the IBRD, IDB and other donors through a proposed Public Sector Modernization Reform Project. Central to Government's strategy for education are the processes of decentralization and modernization, which include the provision of selected education services through the private sector. To support the education reform, both in education academic content and methods of administering the provision of education services, the Government set up the High Level Commission of Sciences, Education and Culture (*Comisión de Educación, Ciencia y Desarrollo*) (see para. 2.42).
- 2.52 Since 1989, priority in the education sector was given to both preschool and basic education with emphasis on expanding coverage to rural areas through an innovative program based on direct involvement of parents and community groups, the Community-managed Schools Program (*Educación con Participación de la Comunidad-EDUCO*) (see para. 2.4). In addition to sectoral policies to address problems of access in the education system, MINED also instituted several programs to enhance the quality of basic education. Several of these programs were supported by the United States Agency for International Development (USAID) under the Strengthening Achievements in Basic Education Project (*Solidificación del Alcance de la Educación Básica - SABE*). Under the SABE project, curricula in basic education were redesigned up to the fourth grade. New curricular contents were established based on a diagnosis of needs, interests and problems, and were validated in more than 100 schools throughout the country. To support the new basic education study programs, textbooks and workbooks were prepared, and 1.5 million were distributed to students in grades 1 through 3. Training programs for teachers, school directors, and supervisors were intensified.
- 2.53 The Government's EDUCO strategy to increase education opportunities in rural areas has proven to be a good instrument for targeting education services to the poor and increasing access to preschool and basic education, grades 1 to 3. Nevertheless, despite the Government's recent efforts, the education system still faces severe problems of access in rural areas and low internal efficiency. Because of problems of internal efficiency related to repetition, on average, 10 years of instruction are required to produce a 6th grade graduate. Without considering the high incidence of dropping out between second and third cycles (5.4 years in average), 4 years are needed to complete the three years of the third cycle.
- 2.54 The proposed project will play an important role in supporting the Government strategy to improve equity, quality and efficiency of the school system. It will: (a) increase investments in basic education, thus helping to accumulate human capital, the lack of which is a serious constraint to growth; (b) address the needs of the poor, and contribute to a more equitable distribution of basic social services, thereby alleviating poverty; (c) improve the efficiency of using the scarce public resources through measures to strengthen MINED's institutional capacity. Additionally, the project will contribute to lowering the education flow wastage, and

¹⁶ Ibid.

¹⁷ Harvard Study, op. cit.

repetition and drop out rates by improving the quality of the services through better qualified teachers, improved availability of instructional materials, an updated curriculum, a more effective learning environment, and direct involvement of parents, teachers and the community in the management of the schools. Decentralization and community participation will boost responsiveness by teachers and administrators since all will be sharing administrative responsibilities, and transparency will promote accountability at all levels. Furthermore, the proposed project will support the Public Sector Reform by establishing the conditions for MINED to be an active and responsive actor in the process, while being consistent with the general guidelines of the Government's strategy for the public sector.

D. Inter-American Development and Bank World Bank Roles and Assistance Strategy

- 2.55 The proposed project is in line with the IDB country strategy which was discussed during a programming mission with the Government in August 1994. This strategy, which covers 1994-1996, was defined in the Country Programming Paper of March 1993. Its objectives include: (a) improving social and physical infrastructure; (b) supporting economic reforms; (c) increasing IDB support to the social services; (d) protecting the environment; (e) supporting the modernization of the State; and (f) strengthening the participation of communities and women in the national reconstruction process.
- 2.56 The IBRD's country assistance strategy (CAS) for El Salvador, discussed by the Board in September 1993, focuses on supporting the Government in meeting its critical development challenges and facilitating the transition from a wartime economy to a peaceful, more participatory society. The IBRD's strategy is to support the Government in meeting its four principal development challenges - modernizing the public sector, enabling private sector-led growth, reducing poverty and investing in human capital, and strengthening natural resource and environmental management - through a blend of adjustment lending, investment lending in selected sectors, analytical work to address sectoral issues and guide the policy dialogue, technical assistance to deepen reforms and strengthen institutions, and donor coordination.¹⁸ The Structural Adjustment Loans (SAL I, IBRD Loan 3293-ES, 1991; SAL II, IBRD Loan 3646-ES, 1993), the Technical Assistance Loan (TAL, IBRD Loan 3648-ES, 1993), and the on-going SSRP (IBRD Loan 3348-ES, 1991) have been supporting Government economic reforms and the social sector strategy by emphasizing the provision of targeted preschool and basic education which directly benefit the poor. The proposed project would be a key instrument for supporting the efforts of the Government to implement public sector reforms and to continue government strategies for decentralization and community participation in the basic education system which were supported by IBRD under SSRP.

E. Lessons Learned from Past Experience

- 2.57 The IDB has financed nine education project in El Salvador since 1962. These loans have covered such areas as: (a) improvement of general education and basic sciences; (b) expansion and improvement of academic and financial structures; (c) studies of the supply and demand of human resources in secondary and higher education; (d)

¹⁸ World Bank. 1993. Report and Recommendation of the International Bank for Reconstruction and Development to the Executive Directors on a Proposed Second Structural Adjustment Loan of US\$50 million to the Republic of El Salvador. Report P-6108-ES, August 23.

programs to combat illiteracy and provide adult education; and (e) studies of non-university technical education. Prior to the proposed project, IDB's involvement in the finance of basic education in El Salvador has been minor.

- 2.58 The IBRD has financed four previous education projects in El Salvador. Three of these projects (First Education Project, Loan 609-ES, 1969; Second Education Project, Loan 1007-ES, 1974; and Industrial and Agricultural Training Project, Loan 1571-ES, 1978) covered such areas as: (a) improving the secondary school system; (b) establishing rural basic education schools; (c) improving the teacher training college; (d) testing a national non-formal adult training program; and (e) creating a network of non-formal training centers for agricultural and industrial workers. The SSRP (see para. 1.3), funded in 1991, supported the development of EDUCO which included improvements in the delivery and the quality of basic education services in rural areas, and tested a decentralized education system based on community management of service delivery.
- 2.59 Implementation experience and the impact of the education component of the SSRP was reviewed in 1994 and lessons learned from the project have been incorporated in a sector report, "El Salvador Community Education Strategy: Decentralized School Management" (Report No. 13502-ES, December 8, 1994). Among other lessons, three should be highlighted. First, the EDUCO model, with its strong community participation, offers education services at a reasonable cost to some of the lowest income groups in rural areas, and provides efficient management of those services. Despite the lower socio-economic status of EDUCO students¹⁹, their achievement results are comparable to students in traditional (urban and rural) schools. Although overall costs of the EDUCO schools are similar to those of traditional schools, the benefits of the program appear to be much higher. These benefits include bringing education to areas which did not previously receive these services, community involvement in providing education services, and better control over teacher attendance and performance. EDUCO also established channels for better communication between communities and MINED. The proposed project continues supporting the participation of the community by expanding the EDUCO model in rural areas which are currently without services. Second, although the MICDES Project Coordinating Unit (PCU) had an important role in implementing the project and acquired project implementation expertise, this expertise was not fully transferred to the executing agencies. To guarantee a high level of project implementation, the managerial capacity must be reinforced, not only at the PCU level, but also within the executing agencies involved in project operation. Thus, project management for the proposed project has been established as an integral part of the MINED, with staff drawn from the operational units that prepared the project. In addition, a staff development program to improve, in a timely and coordinated way, the skills of administrators, technical/administrative and pedagogical personnel required by the institutional development process will be implemented. Third, the education loans in the 1970s experienced significant implementation delays arising from shortage of counterpart funds. The SSRP took this into account in its design. Annual implementation targets were included in the Government's budget proposal presented to the Assembly to avoid shortages of counterpart funds, and consequently funds were made available at the onset. Also building upon lessons from the SSRP, a revolving fund, operated by MINED's Office of International Cooperation Projects (*Oficina de Proyectos de*

¹⁹ EDUCO schools are in some of the lowest income areas of El Salvador, where factors such as health, nutrition, and the need for child labor weigh in heavily against school performance.

Cooperación Internacional - OPCI), would be opened in the name of the project.

- 2.60 The EDUCO program has also provided valuable experience that has been incorporated into the project including: (a) the effectiveness of incentives to improve teacher performance; (b) the positive impact of classroom libraries in complementing teacher strategies and in stimulating student interests and reading habits; and (c) the importance of having learning materials that complement textbooks to stimulate more active learning in school.
- 2.61 Feedback from other education projects in Latin America indicates that a proper policy framework and adequate institutional capacity are major factors in determining the success of project implementation. The proposed project focuses on improving the quality and efficiency of basic education on the basis of: (a) a clearly stated government policy framework; and (b) improvement of the institutional capacity of MINED at the central and departmental levels. Other specific lessons learned from basic education projects in Latin America which have been incorporated in the design of the proposed project include: (a) increasing education expenditures, especially those targeted to the poorest regions; (b) promoting adequate nutrition and health practices; (c) developing an integrated, inter-disciplinary curriculum that can be adapted to the needs of the urban and rural sectors; and (d) the need to keep the public informed and involved in the changes being contemplated by the Ministry.
- 2.62 Decentralization experiences in Latin America have pointed out some key elements that have to be present to ensure that decentralized units of government, are capable of absorbing new responsibilities and implementing them effectively. "Successful decentralization requires: (i) full political commitment from national, regional, provincial, municipal, and local leaders; (ii) a model addressing the issue of which educational functions and responsibilities could be more efficiently and effectively delivered at the central level, smaller decentralized government units, and/or the private sector, and explicitly defining the degree of accountability of the different participants; (iii) an implementation strategy and a timetable; (iv) clear operational manuals and procedures; (v) continuous training for the skill levels to be performed at the central and decentralized units of government; (vi) relevant performance indicators to be continuously monitored; and (vii) adequate financial, human, and physical resources to sustain the process."²⁰
- 2.63 The decentralization process that is supported by the proposed project (para. 3.28(a)) has been designed with the full support of the Government and an active communication campaign that has already created a sense of ownership within the education community. The process will be guided by a prototype that defines functions at all levels in a systematic way and its implementation will be sustained by the development of a management information system, and will be implemented gradually using pilot experiences that will allow for the introduction of corrective measures in a timely basis. The process will also be accompanied by a comprehensive training program at all levels.

²⁰ Prewda, J. 1992. "Educational Decentralization in Latin America, Lessons Learned." A View from LATHR, No. 27, Human Resources Division, Technical Department, Latin America and the Caribbean Region, World Bank.

3. THE PROJECT

A. Project Objectives and Scope

- 3.1 The proposed project will promote greater equity, quality, and efficiency in the provision of education services by: (a) improving access to education; (b) improving education quality in both academic achievement (output) and learning environment (education inputs); and (c) strengthening the managerial, financial and administrative capacity of MINED to set policies and guidelines for the sector and deliver public education services efficiently.
- 3.2 Greater equity will be achieved by increasing coverage to include 32,000 preschool age children and 64,000 basic education students who live in rural areas and do not currently attend school. Increasing the quality of education services, and thereby increasing the educational attainment for many who do attend school (approximately 800,000 children) will be made through provision of training and education materials. Training will be provided to approximately 26,300 teachers, 13,000 community members and 23,000 parents (see para. 3.20). Textbooks will be produced and distributed to students in public schools to provide for a better learning environment. Improved efficiency will be reflected in a reduction of repetition rates, an increase in the completion rate, an improvement in the net enrollment rate and increased relevance of the curriculum. These improvements in pupil and school performance will be achieved by improving the quantity, quality and management of learning resources at the school level and improving the planning, administration and management of the national education system.

B. Project Target Areas

- 3.3 The proposed project will continue the Government's efforts to increase education service delivery, especially in rural areas. Several interventions will be targeted to the 135 *municipios* (out of 262 total *municipios*) with the lowest levels of social services. The targeted activities are comprised of: (a) expansion of preschool and basic education; and (b) by increasing the learning capacity of children via improvements in health and nutrition. The remainder of the project activities will be implemented nationwide.

C. Project Components

- 3.4 The project has been organized into three major components as follows:
 - (a) **Expansion of Access to Preschool and Basic Education** (US\$12.5 million (including contingencies) or 16 percent of total project costs) in 135 target *municipios* to provide for: (i) supporting the expansion of EDUCO, including rehabilitating the school infrastructure and providing school furniture in rural schools; and (ii) technical assistance for strengthening the EDUCO model.
 - (b) **Improvement in Education Quality** (US\$49.3 million (including contingencies) or 61 percent of total costs) would contain activities that impact the quality of preschool and basic

education in the country as a whole, including: (i) technical assistance for supporting curriculum development activities for preschool and basic education, designing a new student promotion system, and establishing multigrade classes in schools in rural areas; (ii) educational materials, such as textbooks, didactic materials, and classroom and school libraries; (iii) training and assistance to upgrade the skills of preschool and basic education teachers, principals and supervisors, and preparing studies to improve pre-service teacher training; and (iv) developing an education assessment system. The component would also include activities to develop a school health and nutrition program, targeted to the 135 *municipios* with the lowest levels of social services.

- (c) **Institutional Modernization and Strengthening** (US\$13.8 million (including contingencies) or 17 percent of total costs) to provide for: (i) technical assistance for a review of MINED's legal and organizational framework to increase system efficiency, to implement institutional reforms in the areas of management of human and financial resources, planning, information, evaluation, monitoring, supervision and communication systems, and to establish a staff development program to improve the capacity of administrators and technical personnel; (ii) establishing a funding mechanism to test alternative methods of providing basic education for example through the *municipios*, and non-profit private organizations, and to experiment with pedagogical and administrative innovations; and (iii) technical assistance for the identification and design of improved mechanisms to provide secondary education services. This component will have an effect that will extend throughout the education sector and the country.

D. Project Description

- (1) **Component 1 - Expansion of Access to Preschool and Basic Education** (US\$12.5 million or 16 percent of total costs including contingencies).
- 3.5 This component will increase access to preschool and basic education in rural areas by: (a) expanding the number of community-managed schools (*Educación con Participación de la Comunidad - EDUCO*) in rural areas; and (b) strengthening EDUCO through the support of NGOs and other private organizations.
- 3.6 **Subcomponent (1.a) Expansion of preschool and basic education in the rural areas** (US\$6.0 million including contingencies). The EDUCO program has contributed to improving access and raising the quality of education in rural areas.²¹ Based on its promising results, and following a gradual process, MINED intends to provide education coverage in rural areas under the EDUCO model. MINED will start the process by: (a) establishing 3,000 new EDUCO sections in the poorest *municipios* which currently have deficits in preschool and basic education services²²; and (b) gradually replacing 3,070 traditional school sections with the EDUCO model.

²¹ EDUCO Study, op. cit.

²² The maximum distance that a child will have to travel to school has been set at 2.5 km.

- 3.7 The creation of new sections²³, that will cover preschool through grade 6, will be financed with funds from the ordinary budget²⁴ of MINED, with FIS funds and with project funds. The teacher cost of increased coverage will be fully covered by the ordinary budget of MINED provided by GOES. The construction of classrooms with community participation will be undertaken as a regular operation of FIS and will be financed by FIS. The microplanning/microlocation survey (see para. 2.19) will be an important tool for the definition of the infrastructure expansion plan. The development and promotion of the ACEs that will manage the new preschool and basic education sections, will be financed with project funds. An agreement with FIS to guarantee the financing and timely construction of new classrooms will be a condition for disbursement. The estimated timetable for creating new sections is presented in Table 3.

Table 3. Timetable for Creating New EDUCO Sections					
Level	Year 2	Year 3	Year 4	Year 5	Total
Preschool	250	250	250	250	1,000
1st & 2nd Cycles	500	500	500	500	2,000
Total	750	750	750	750	3,000
Notes: There were 1,311 EDUCO sections and 14,602 traditional preschool, 1st and 2nd cycle sections in 1993.					

- 3.8 The gradual transformation of the rural schools to the EDUCO model will not represent additional recurrent costs because traditional schools are currently operating. Nevertheless finance for rehabilitation of school is required and will be financed by the proposed project. MINED will hire the services of FIS to manage the rehabilitation of infrastructure. To transform the rural school system into community-managed schools, three methods will be used: (a) as traditional school teachers retire, transfer or resign, they will be replaced by EDUCO teachers; (b) single-teacher schools will be transformed into EDUCO sections; and (c) any new school and/or section in rural areas will use the EDUCO model.

Table 4. Timetable to Transform Existing Traditional Sections to EDUCO Sections					
Method	Year 2	Year 3	Year 4	Year 5	Total
One teacher schools		335	335		670
Retirement	250	250	250	250	1,000
Transfers	350	350	350	350	1,400
Total	600	935	935	600	3,070

- 3.9 At the end of the project it is expected that the provision of education in rural areas will be provided by approximately 9,400 EDUCO sections and approximately 11,500 traditional sections. This subcomponent will provide: (a) technical assistance to complete the microplanning exercise initiated under the SSRP undertaken in 50 percent of all schools in the country; and (b) funds to rehabilitate schools and infrastructure, and purchase and distribute school furniture in EDUCO schools to complement current FIS funds for infrastructure in the rural areas. Maintenance of schools will be provided under the MINED maintenance program which was developed as part of the SSRP. The promotion of the ACEs will be financed under the Strengthening of EDUCO Program. As a condition for IDB disbursement, MINED will present assurances of the existence of a

²³ In an EDUCO school, all sections will be managed under the EDUCO system.

²⁴ El Salvador's annual budget is divided into two broad categories: ordinary and extra-ordinary. The former category is comprised of funds from domestic sources; the latter is comprised of funds from bilateral and multilateral agencies and other external donors (see also para. 2).

financed and sustainable school maintenance program for rehabilitated schools.

- 3.10 Subcomponent (1.b) Strengthening the EDUCO program (US\$6.5 million including contingencies). This component will focus on strengthening the administrative capacity of the ACEs and parent participation with the support of NGOs and other private organizations, to overcome identified drawbacks in current operation. Pilot experiences with the participation of NGOs and other private organizations have demonstrated the sound contribution that those organizations can add to the communities, mainly in terms of improving ACE member management skills and parent participation in the program. Based on these pilot examples, the project will assist the Ministry in improving the participation of selected NGOs and other private organizations operating in the sector, building on their strengths to support community development programs, facilitate local resource mobilization, and to promote local participation in the socioeconomic development process.
- 3.11 The strategy to be developed by the component includes: (a) the selection, on an experimental basis, of ACEs to participate in administering supplementary community services (e.g. school-based health and nutrition programs) in addition to administering education services; and (b) strengthening of training programs for parents. The subcomponent will provide: (a) technical assistance and consultant services to develop an inventory of NGOs and other private organizations to be selected for supporting the ACEs, and to establish a system to monitor the performance of the NGOs and the other private organizations; (b) financial resources for NGOs and other private organizations to help with the organization, training, and monitoring of ACE activities; (c) training programs for teachers and supervisors in community-related matters; (d) preparation and printing of training materials; (e) guidelines for the operation of the ACEs; and (f) resources for devising ways of launching, supporting, documenting, and disseminating information about the experience gained.
- (2) Component 2 - Improvement in Education Quality (US\$49.3 million or 61 percent of total cost including contingencies)
- 3.12 This component would include measures to complement actions already initiated under the SABE Project and to develop new activities for improving the quality of education services. The component consists of the following interrelated parts: (a) curriculum design and development, including pilot multigrade classes; (b) design, production and distribution of textbooks, learning/teaching materials, school equipment, and school library books; (c) development of in-service training programs for preschool and basic education teachers, principals and supervisors, and a pre-service teacher training assessment study; (d) establishment of a permanent education assessment system; and (e) development of a school-based health and nutrition program.
- 3.13 Subcomponent (2.a) Curriculum Development (US\$1.4 million including contingencies). The curriculum development subcomponent is aimed at providing programs of study that are more relevant and flexible to meet the needs of the school population, especially in rural areas. The subcomponent will complement curriculum activities initiated by the SABE Project. These activities would involve: (a) adapting learning objectives and content for core curriculum modules at the preschool level in rural areas; (b) reviewing the curriculum for the 3rd cycle of basic education (grades 7 to 9) to complement the one

designed for the 1st and 2nd cycles; (c) developing a multigrade pilot program in EDUCO schools; and (d) establishing a new student promotion system. Over the life of the project, the subcomponent will provide: (a) technical assistance for studies of curriculum and student promotion; (b) production and distribution of approximately 26,000 curriculum guides for the 3rd cycle of basic education, and 31,000 curricular guides for the rural schools; and (c) production of materials for multigrade classrooms.

- 3.14 Subcomponent (2.b) Textbooks and instructional materials (US\$32.6 million including contingencies). Recent evaluation in the country links the low level of student attainment at all levels and modalities of education in the country to the lack of education materials (paras. 2.21, 2.25).²⁵ The proposed project would continue to support the current Government's effort in providing textbooks. This includes revision of gender content, adaptation to the new curriculum, and adjustment to rural students characteristics. This subcomponent is aimed at improving the quality of learning, increasing school attendance, reducing student dropout and repetition rates, and raising the academic achievement level of students. This would be accomplished through the provision of: (a) technical assistance for the development of student and teacher guides, and modular textbooks for grades 7 to 9, the selection of school and classroom library books, and the design of cost recovery studies; (b) textbooks and instructional materials; (c) complementary classroom supplies for selected preschool and basic schools; (d) school libraries for preschool and basic schools, and small classroom libraries for EDUCO classes; (e) support for the development of a sustainable textbook and education materials production and distribution system; and (f) financing for office equipment, costs of transporting textbooks and instructional materials, and operating costs.
- 3.15 The MINED plan calls for the production and distribution of approximately 3,500,000 books over the next five years.²⁶ The textbooks will be provided following the strategy used by the SABE Project by which textbooks are prepared by national or/and international specialists, and printed by the private sector. The project will provide: (a) two instructional booklets designed to include multiple units for preschool students; (b) four textbooks (in the areas of Spanish, mathematics, natural sciences and social studies) for grades 1 through 9; (c) modular student instructional guides, to foster auto-instructional use by students in grades 1 to 6 in urban areas and in the multigrade classes in rural areas; (d) books for a total of about 3,400 school libraries to preschool and basic education schools in urban and rural areas; (e) 2,000 classroom libraries to preschool and basic education EDUCO schools; and (f) 200 laboratory kits will be produced for 3rd cycle schools. Each school library will have 2 copies of about 100 titles plus reference books, and each classroom library will be made up of 2 copies of about 20 titles plus reference books. A package of instructional materials (*canasta básica*) will also be distributed annually to all preschool and basic schools in urban and rural areas.²⁷ Two strategies will be used for the provision of the basic instructional materials: (a) distribution of the *canasta básica* for urban schools; and (b) provision of funds (district and school fund) to schools in the rural areas to purchase instructional materials. The first strategy is designed to benefit from economy of scale in

²⁵ EDUCO Study, op. cit.

²⁶ The provision of books will be complementary to SABE's provision of textbooks. Approximately every student will receive, on average, one new textbook per year.

²⁷ The *canasta básica* will include items such as pencils, non-durable materials such as exercise books, education toys, paper, pens, markers, scissors, rulers, etc., and will also be used to distribute nutritional supplements.

the purchase of the instructional materials; the second, to test the cost-effectiveness of purchasing and distributing instructional materials through the ACEs for the rural schools or school committees for urban schools. For the distribution of textbooks and the *canasta básica* to urban schools, MINED will use the distribution system established under SSRP which involved the contracting of private transportation firms to carry pre-packaged textbooks and instructional materials from the central warehouses to the departments, and from the departments to the districts. The distribution plan ensures that the instructional materials will arrive at schools before the beginning of each school year and new textbooks will arrive before the usable life of existing textbooks expires.

- 3.16 Subcomponent (2.c) In-service teacher training system (US\$10.8 million including contingencies). Currently, with the support of the SABE Project, several in-service teacher training activities have been developed to support curriculum implementation. MINED developed 90 schools as Education Training Centers (Centros Educativos de Capacitación - CECs) to act as in-service training units or resource centers on an experimental basis. The impact of these activities has been limited due to the lack of pre-service training programs for basic education teachers, and a lack of a systematic approach to improve the quality of the teacher training programs. The project will support an integrated/decentralized training system, to consist of gradually phasing in three Teacher Training Centers (Centros de Capacitación de Maestros - CCMs) into existing educational facilities, and transforming the CECs into Model Schools for Education Development (Escuelas Modelos de Desarrollo Educativo - EMDEs) which will function as in-service training and pedagogical resource centers.
- 3.17 In addition, MINED will conduct assessment studies of the teacher pre-service training program developed by private/public institutions to address policy options to improve the quality and efficiency of these programs.
- 3.18 The project will support technical assistance and training activities. Technical assistance will be provided for: (a) the design of plans and programs for in-service teacher training programs; (b) the design of a systematic assessment system to identify in-service training needs for preschool, and basic education levels; (c) the production of training modules and evaluation of outcomes; and (d) the development of an assessment study of the pre-service training needs for basic education and preschool teachers. Training will be developed as: (a) seminars for teachers working in the EMDEs (80 hours); (b) programs offering specialized courses for: (i) preschool teachers (80 hours), (ii) basic education teachers (grades 1 to 9) (80 hours); (iii) EDUCO multigrade teachers (120 hours), (iv) school principals (80 hours), and (v) supervisors (120 hours); and (c) follow-up teacher training at the EMDEs through 12 workshops per year, supported by the district supervisors. The training of supervisors will be linked with a more pedagogical role of supervision (see para. 3.28(d)).²⁸ The project will also provide: (a) funds for contracting out selected content/pedagogical training programs to universities or research centers; (b) furniture, equipment and rehabilitation of facilities to be used as the CCMs and the EMDEs; and (c) specialized training libraries at the EMDEs.

²⁸ Hours of training are the number of training hours per teacher per year.

- 3.19 The National Directorate of Education (Dirección Nacional de Educación - DNE) will be responsible for establishing national teacher training guidelines. Training activities will be carried out by the CCMs which will be responsible for: (a) developing teacher training programs for preschool and basic education teachers; (b) supporting the in-service teacher training programs to be implemented by the EMDEs; (c) preparing teacher training instructional materials, and pilot training programs; (d) contracting out content/pedagogical training programs to universities and other private institutions; and (e) monitoring teacher training programs. The training professionals, currently working at the regional departments of education (about 12 in each of the regional training units), will form the basic staff of the CCMs. To allow full participation of trainees and minimize travel time and costs, training will be decentralized primarily to the 238 local schools (EMDEs) selected to function as in-service teacher training and resource centers which will be responsible for implementing the in-service training programs with the support of teacher trainers prepared by the CCMs. Additionally, teachers to be trained under the USAID-Basic Education Leadership Training Program (Capacitación de Líderes de Educación Básica - Becas CAPS) will be assigned to each of the schools in the network to function as animators of the in-service teacher training activities.
- 3.20 Beneficiaries of the training program will be all the public preschools (approximately 2,300 teachers), basic education schools (approximately 24,000 basic education teachers in grades 1 to 9 and 2,100 teachers working in the EMDEs), 6,500 school principals, and 250 supervisors.³⁰ Over the life of the project, each public school teacher, including EDUCO teachers, will receive an estimated 420 hours of additional training both at the CCMs and in the EMDEs.
- 3.21 Subcomponent (2.d) Education assessment system (US\$3.0 million including contingencies). Under the SABE project, MINED began using achievement tests to assess the impact of the new core curriculum for grades 1-6. With the assistance of a local university/research center, MINED staff will continue developing this system on a nationwide basis. The local university/research center will be chosen no later than January 30, 1996. The system of external evaluation will test, each year, a nationally representative sample of those students finishing each cycle of the basic education system (grades 3, 6 and 9) on Spanish and mathematics. Additionally, readiness tests will be administered at the beginning of first grade and at the end of third grade. To cover the whole learning evaluation process a survey on the impact of associated factors that might impact the learning process, will be applied to the sample of schools selected. Three major criteria would be considered in the sample selection: (a) type and size of school according to official typification; (b) source of funding (public, private and public/private); and (c) geographic area (department, rural, urban and urban-marginal areas).
- 3.22 Considering the lack of experience in the country in carrying out achievement tests on a permanent basis, this subcomponent would provide: (a) technical assistance for: (i) further developing the existing system, including the preparation of tests, and implementing it in a sample of schools on a nationwide level, and (ii) designing of training programs for the development of technical skills for both the local university/research center staff and MINED staff members responsible for the coordination of the evaluation

²⁹ The USAID Technical Assistance Project is a new program under preparation by USAID and the Government to support reforms in the social sector.

³⁰ Some teachers will receive training in more than one modality.

assessment system; (b) funding for equipment, office furniture and operating costs for an external evaluation unit (university/research center); (c) the production and implementation of a sample of language and mathematics achievement tests, and a survey to determine the impact of selected associated factors to the learning process for grades not covered by the SASE Project; and (d) supplies, materials and computer services. The pedagogical evaluation will be complemented with management evaluation (see para. 3.28(c)).

- 3.23 Subcomponent (2.e) School health and nutrition program (US\$1.5 million including contingencies). The objective of this sub-component is to improve the quality of education by increasing the learning capacity of children via improvements in health and nutrition. The component will support interventions and activities to: (a) increase knowledge and change practices related to nutrition and health in the school community; (b) prevent and treat significant nutrition and health problems of school-aged children; and (c) evaluate the on-going school feeding program while identifying and testing alternative school feeding models for the municipios with the most poverty.
- 3.24 The school nutrition and health measures will be built on the activities developed by MOH and MINED in the 78 targeted municipios under the SSRP. The proposed component will continue and improve upon these activities and expand them to 135 targeted municipios. The specific measures include: (a) incorporating nutrition and health education into the formal curriculum, as well as developing and implementing non-formal approaches to health and nutrition education; (b) providing vitamin A and iodine supplements, and anthelmintic treatment through the schools to 400,000 children in the first two years of the project; (c) identifying visually and hearing impaired children and taking remedial action; (d) implementing a pilot test of providing school-based iron supplementation; and (e) developing alternative school feeding program mechanisms to overcome logistical and other difficulties in on-going programs.
- 3.25 The subcomponent will be implemented in close coordination with MOH and the National Secretariat of the Family (Secretaria Nacional de la Familia - SNF) which is in charge of food programs.³¹ A coordinating mechanism will also be established between MINED, MOH, private organizations or NGO's for supporting sub-component implementation, mainly in the rural areas through the canasta básica. An agreement between MINED and MOH (and other institutions deemed necessary to implement this subcomponent) establishing the coordinating mechanisms for the implementation of this subcomponent involved in the implementation will be a condition for disbursement for IDB
- (3) Component 3 - Institutional Modernization and Strengthening (US\$13.8 million or 17 percent of total costs)
- 3.26 The main objective of the institutional modernization component is to carry out institutional modernization and strengthening of the education sector. The policies and activities of this component will be consistent with the reforms in other sectors as part of the Government's Public Sector Modernization Action Plan which will be implemented with the technical and financial support of the IDB, IBRD and other donors through a proposed Public Sector Management Reform project. As presented in the Social Assessment the

³¹ The SNF will pay for the school food program.

participation of stakeholders will be critical to develop a sense of ownership that will be the base on which the reform would be successfully built. Seminars with representatives of the different stakeholders have been one of the strategies of MINED to build up consensus for the reform. Advancement of the overall public sector reform and the report of the Commission of Education Science and Development (see para. 2.42), may cause changes that will have to be incorporated during project implementation.

- 3.27 Subcomponent (3.a) Modernization of MINED (US\$11.4 million including contingencies). This subcomponent will address the changes needed in MINED by: (a) designing a new organizational structure for MINED and revising the legal framework of the education sector to support education activities at the school and community levels; (b) implementing the new MINED organization structure, including improving MINED management mechanisms in the areas of planning, information, communication, evaluation and monitoring systems and the introduction of a more sound incentive system; (c) revising the teachers, principals, supervisors and technical staff performance incentive system; (d) improving the supervision system; and (e) establishing a staff development program to improve the technical capabilities of managers, technical/pedagogical, and administrative staff to support improvements in the provision of education services. Under this subcomponent, the project will provide: (a) technical assistance and consultant services for: (i) reviewing MINED's legal and organization structure; and (ii) completing the design and implementing the planning, information, communication, evaluation, and monitoring systems; (b) funds to carry out staff development activities; (c) a review of the incentive structure for teachers and technical staff; (d) public campaigns and communication activities, including annually updated communication strategies and their use by the media; and (e) operating costs for developing the decentralized activities, and equipment, materials and supplies.
- 3.28 The implementation of actions to foster policy development and changes on a long-term basis will be based on the review of MINED's organizational structure and legal framework. The institutional reforms to be carried out by a national technical group would be supported by technical assistance and training provided under the project. The main activities planned include:
- (a) Reorganization of MINED structure, and decentralization of education activities. Education services will be decentralized to the department/district and school levels with the elimination of the current regional organization. MINED's role under the new organization will consist of providing general direction, setting goals and priorities, establishing quality standards and pedagogical/administrative legal norms and regulations, and evaluating the public and private education system. Its major activities will be: (i) the definition of policies, education goals and program objectives; (ii) the definition of targets, budget and staff posts for each department/district and school; (iii) establishing basic curriculum content, and quality standards for teacher training programs, textbooks, instructional materials and assessment of learning achievements; (iv) undertaking systematic evaluation of student learning achievement and impact evaluation of education programs; (v) determining physical investments; (vi) defining standards for recruitment of both teachers and administrative staff, and establishing career planning services and incentive systems for both teachers and administrative staff; (vii) the control of cash flows, and accounting and budgeting at the national level; (viii) procurement activities, when justified by

economies of scale, distribution costs, and timeliness of delivery; and (ix) monitoring of departmental activities. The Departments, organized as small and responsive offices, will be responsible for administering the human, physical and financial resources at their level and for coordinating district supervision activities. The Supervision districts will be responsible for coordinating activities and processes between the schools and the department in terms of teachers, textbooks, school materials, school meal programs, collecting information on public and private schools within their jurisdiction, and providing technical assistance to schools and teachers for solving administrative and pedagogical problems, the latter with the support of the EMDEs. The schools would be able to: (i) provide quality education services; (ii) prepare their school education plans (*Plan Educativo Escolar - PEE*); (iii) administer their financial and material resources; (iv) select qualified teachers; (v) generate data and indicators regarding the results of their operation, (e.g. data on promotion, repetition, desertion and coverage³²); and (vi) administer funds for small purchases.

- (b) **Teacher and technical staff performance incentive system.** To increase the effectiveness of the MINED reorganization, it is necessary to combine it with a structure of incentives promoting excellence. In order to foster the establishment of an adequate structure of incentives for all MINED personnel, the proposed project will provide technical assistance and consultant services to: (a) revise the *Escalafón Docente* for teachers in the traditional system; (b) develop an improved employment policy for teachers in the EDUCO system; (c) revise the salary structure for technical staff within the new organization of the Civil Service System to be defined under the Public Sector Modernization; and (d) define new job descriptions. The program will also provide funds to foster the implementation of the rationalization of personnel under the structure of MINED.
- (c) **Planning, management information, and evaluation systems** will be improved through provision of technical assistance, equipment and software to: (i) expand the education statistics database to all levels of education; (ii) support planning, budgeting, accounting and evaluation activities; (iii) track the distribution of educational materials through an inventory of facilities and equipment; (iv) support human resource activities through an inventory of teachers and administrative staff (number, professional characteristics, location, vacancies) and student enrollment information; and (v) conduct joint evaluations with external agencies to measure the impact of education interventions, including an assessment of secondary education. Training activities to carry out the planning, evaluation/monitoring and management information systems will be provided under the staff development program (see para. 3.28(f)). To be consistent with the GOES program for Public Sector Modernization, priority will be given to the development of the Human Resources Information System (*Sistema de Información de Recursos Humanos - SIRH*) and the Integrated System for Integrated Financial Management (*Sistema de Administración Financiero Integrado - SAFI* -).
- (d) **Supervision.** Supervision activities will be re-oriented in the direction of: (i) providing technical support to teachers

³² For analysis and comparison at the central level.

and school principals; (ii) disseminating results of education program evaluation; and (iii) giving feedback to correct shortcomings in the education process. Additionally, to increase the professional capacity of the supervisors, the program seeks to achieve a qualitative change in their functions by increasing the time employed in monitoring teaching activities and by reducing their strictly administrative responsibilities. The supervision system will be improved through the provision of: (i) technical assistance to review the supervision system and the incentive system for supervisors working in remote rural schools; (ii) training programs especially designed for the supervisors; (iii) per-diem, vehicles, office supplies and equipment for department and district supervisors; and (iv) assessment of the revised system.

- (e) **Communication Program.** International experiences with education reform projects in developing countries show that where insufficient attention was given to identifying real needs or to mobilizing demand for changes, innovations were difficult to implement. Using these experiences, MINED has developed a series of strategies to guarantee education agents' participation in the education reform process. The social assessment, undertaken during project preparation to identify major education reform benefits and risks, suggests an action plan of activities to be developed by MINED to guarantee public support for the education reforms envisioned by the Government. The plan calls for the establishment of an effective communication strategy as a key tool: (i) to guarantee public support for the education innovations; and (ii) for the establishment of a communication system to provide a permanent information channel within MINED, between MINED and the public and to receive feedback from the sector's stakeholders. The communication activities, which started during project preparation, will continue through project implementation to inform and mobilize the participation of parents, teachers, students, and other stakeholders. The communication program will use social research techniques, particularly the "focus groups" technique, and mass media publicity, in the design execution and monitoring of the program. MINED's communication structures will be strengthened to facilitate the fulfillment of their coordinating and monitoring roles. The project will provide: (a) technical assistance for: (i) organizing focus groups with different stakeholders; (ii) monitoring and evaluation; and (iii) design of public campaigns; (b) equipment and operation costs; and (c) school and public campaigns.
- (f) **Staff development program.** A review of the international literature shows that successful education reforms, involving decentralization of tasks, should include training for both central administrators and local implementors. Technical and managerial training must be provided not only for those to whom responsibility is being transferred, but also to central officials who will have to learn how to support local implementors more effectively. The design and implementation of the staff development program will follow MINED's reorganization to improve, in a timely and coordinated way, the skills of administrators and technical/administrative and pedagogical personnel required by the institutional development process. The staff development program will be provided through 15 courses, 10 seminars, and 15 scholarships for short courses specializing in education policy analyses, information, planning, budgeting, education methodology and

human resources management. As conditions for disbursements MINED will agree with the Banks on an indicative work plan to develop the staff training activities.

- 3.29 **Implementation Strategy.** The implementation of the new MINED organizational structure, including new planning, information, supervision and evaluation procedures, will be tested initially in three departments, which will serve as prototypes of the new structure. The redistribution of functions and roles between levels, across all systems, and the strengthening of managerial capacity at all levels, will be implemented in their entirety in the pilot departments. Only after testing and evaluating the pilot experiences will implementation be extended to the remaining departments. This strategy will allow for the control and simultaneous testing of project components, particularly the new modalities of delivering education services and the new functions envisioned by the education reform. The departments of Ahuachapán, Cabañas, and La Unión were selected to participate in the pilot experiment based on the following criteria: (a) their physical and institutional infrastructures; (b) the existence of a sub-regional structure; (c) the department's geographical extension; (d) the existence of human resources; and (e) demand for education services. The preparation, development and evaluation of the pilot decentralization activities are expected to be carried out in ten months, and the expansion for the new departments in 15 months. MINED will establish, under the Modernization Manager's supervision, a Management Modernization Unit (MMU), in charge of managing the subcomponent. The MMU will be responsible for: (a) implementing the pilots in the selected departments; (b) promoting and coordinating changes at the central level; (c) selecting staff responsible for implementing the reform in the departments; (d) coordinating studies to support the organizational development activities and modernization of the legal framework; and (e) coordinating MINED's activities with the groups involved in the public sector modernization project. A preliminary schedule for the modernization of MINED has already been defined. As a condition of disbursement a legal assessment will be done to guarantee that the pilot programs could be implemented under the current legal framework and/or adequate provisions have been taken.
- 3.30 **Subcomponent (3.b) Education Innovations (US\$2.4 million).** As part of the principles of the Education Reform, MINED needs to explore various methods of delivering education services, in order to improve the quality and efficiency of the public and private sectors. Innovative methods of combining the public and private sectors in the provision of education services can eventually be adopted on a broader scale within the modernization of the education sector but they need to be identified and tested. A fund to develop education innovations will be set up to support new initiatives in the basic education reform process. The main objectives of this Basic Education Fund Program are to: (a) test alternative methods of providing basic education through the municipios, and non-profit private institutions; (b) establish a more substantial and incentive-driven financing mechanism for piloting school-oriented interventions to solve particular administrative and/or learning/teaching problems; (c) make provision for future public education initiatives in the areas of pedagogical innovations and institutional modernization which cannot be anticipated or launched immediately; and (d) disseminate the pilot results. Four principles underlie the design and organization of the Basic Education Fund Program: (a) ensuring that education innovation in pedagogical and administrative areas to provide education programs are designed according to the priority needs of implementing the education reform; (b) ensuring that funds to increase access and quality of

education are used effectively; (c) pursuing efficiency in the use of human/financial resources in the sector, thus avoiding duplication of effort; and (d) providing support for the implementation of the reform program and the decentralization process.

- 3.31 During project implementation, the Basic Education Fund Program will finance at least four innovative subprojects that contribute to improving the quality, efficiency, and coverage of preschool and basic education in the country. The subcomponent will provide: (a) financial resources for identifying and implementing the approved subprojects; (b) support to establish a monitoring system to follow-up the education innovations financed by the program; (c) support to fully evaluate all subprojects funded; and (d) assistance to disseminate the results of the evaluations. By the end of the Project, MINED will have developed a funding mechanism to continue supporting the education innovations piloted during the proposed project that have been evaluated as being relevant and successful.
- 3.32 **Organisation and Administration of the Basic Education Fund.** The subprojects submitted for financing by the Fund would be presented twice a year to a Review Committee which would analyze, rank and recommend approval of the subprojects according to established criteria.
- 3.33 Based on the Education Reform Project principles and guidelines, the Minister and Vice Minister of Education will supervise the Fund. They will be responsible for: (a) establishing the goals and policies of the Fund; and (b) defining the Fund's classification system based on considerations such as coverage, quality, efficiency, focus, and cost. The factors for consideration will reflect the priorities of MINED policies and will be established annually during the Project Annual Review. The Review Committee will evaluate each one of the proposed pilot subprojects. This Committee will be formed by five voting members: the Project Coordinator, who will preside over the Committee, the Manager of OPCI, and the three Project Component Directors. Experts in subjects related to the specific subproject proposals could be invited when deemed necessary. Each proposal will be classified and evaluated according to the classification system for that year, and points will be assigned to each one of the five areas (coverage, quality, efficiency, focus of objectives, and cost). The subproject with the largest number of total points will be selected. The "no objection" of the Banks is a pre-requisite for the final approval of the proposed subproject. Once a proposal is approved, a technical agreement (*convenio*) between MINED and the requestor will be signed whereby the former agrees to disburse the resources approved under the proposal, and the latter agrees to implement the proposed project. As a disbursement condition for IDB, the Operational Manual for the Fund, including the eligibility criteria, will be agreed with the Banks and put in place by MINED.
- 3.34 To support the ongoing education reform, under this subcomponent the project will also provide technical assistance for the design of an integral set of reforms of secondary education intended to improve the policies and provision of services at that level.

4. PROJECT COSTS, FINANCING, PROCUREMENT, DISBURSEMENTS AND AUDITING

A. Project Costs

- 4.1 The total project cost, including physical and price contingencies and taxes, is estimated at about US\$80.2 million equivalent, of which about US\$37.3 million will be foreign exchange. Taxes amount to about US\$4.4 million. Investment costs amount to 91 percent of base costs and incremental recurrent costs amount to 9 percent of base costs. Project costs were estimated at July 1995 price levels and include physical contingencies of 10 percent for civil works and 5 percent for equipment, furniture, and didactic materials. Price contingencies were calculated at 1.8 percent for 1995 and 1996, 2.4 percent for 1997, and 2.5 percent annually thereafter. These rates have been applied to local and foreign costs as well, as periodic currency rate adjustments would compensate for the difference between projected US dollar inflation and local inflation rates.
- 4.2 Estimated costs of equipment, furniture, textbooks and didactic materials are based on unit prices of goods procured recently by MINED. Estimates for technical assistance and studies are based on current rates for local and foreign experts. Cost estimates for training, salaries and operating costs are based on current costs or costing standards used by MINED. Estimated construction and rehabilitation costs of schools and administrative buildings throughout the country are based on current FIS unit prices that derive from periodic cost analyses for similar standards of construction in corresponding facilities.

Incremental Recurrent Costs

- 4.3 During the implementation period, the project will add an average of about US\$1.5 million per year to the recurrent expenditures budget of MINED. These incremental operating costs would be generated mainly by salaries for staff at the departmental levels, incremental personnel at the central level, travel expenditures, and operation and maintenance of infrastructure, equipment, vehicles, furniture, and office supplies. Over the life of the project incremental recurrent costs generated by the project are estimated to grow from US\$1.1 million in the first project year, to US\$1.6 million in the last year. The recurrent costs would be financed by GOES increasingly during the life of the project. Recurrent costs under the project, in March 1995 US dollars, are estimated as follows:

Table 5. Incremental Recurrent Costs (US\$ million)					
US Million	1995/96	1996/97	1997/98	1998/99	1999/00
GOES	0.11	0.15	0.62	0.62	1.06
IDB	0.18	0.26	0.12	0.11	0.04
IBRD	0.85	1.07	0.84	0.82	0.45
TOTAL	1.14	1.48	1.58	1.55	1.55

The effect of the recurrent costs on MINED's budget is small and could be easily absorbed by MINED. Based on MINED's ordinary budget for 1995 (excluding investments) of about US\$184 million, and the projected budget increments equivalent, at least, to the projected annual growth of GNP (7 percent real for next five years), the impact of those costs on the MINED ordinary budget would be 0.06 percent, 0.07 percent, 0.27 percent, 0.25 percent, 0.41 percent, for

the successive years of implementation of the project. Savings accruing to MINED from increased efficiency and reduced repetition waste should amply compensate for higher incremental recurrent costs.

- 4.4 The recurrent costs associated with the GOES program to introduce a better incentive system for teachers including improvements in teacher salaries are not part of the project recurrent costs. To accomplish the objective of the education reform, the public sector has to generate revenues and provide them to MINED in order to: (a) cover the incremental recurrent costs associated with the proposed project investment plans; (b) pay for the enrollment increment program; (c) improve teacher real salaries; and (d) pay for the expected growth of actual expenditures that would occur without additional expansion programs. In order to fulfill these goals, it has been estimated that the education budget will need to reach 2.7 percent of GDP by the end of the century³³. The Government expects that total revenues will reach 19 percent of GDP in 1999. If this target is reached it will not be necessary to raise the share of education expenditure in the total central Government expenditure. But any figure lower than 19 percent in total revenues would imply that the efforts on education should be pursued at the cost of other sectors. The Government has made a clear and public commitment to devote the required funds to develop an extensive and efficient education sector. A letter providing for the Borrower's commitment to provide the required funds, including a 0.12 percent of GNP annual increase in the education ordinary budget was presented to the Banks on 21 of July, 1995 (Annex 5).
- 4.5 Teacher's salaries associated with the expansion of education services to rural areas are not included in the project costs. The Government's decision to continue to fund all new EDUCO teachers with funds allocated to MINED reflects its commitment to increase basic education expenditures. It is estimated that the total MINED contribution for teacher salaries during the project period for the new EDUCO sections will represent an annual increase of about 3.7 million equivalent. The Government will provide assurances (no later than March of each year) that the required funds for incremental teacher salaries as established in the annual work plans (para. 5.10), and the agreed annual budget increase (para. 4.4) would be included in the MINED budget for the following year.

B. Project Financing

- 4.6 The Inter-American Development Bank, The World Bank and the Government of El Salvador will finance the project. To allow flexibility and clarity in the choice of cost items to be financed by each of the external cofinanciers, the proposed financing plan is articulated according to the project's sub-components. Each subcomponent will be financed by GOES and one of the Banks. Assurances that the Government will provide in a timely manner the counterpart funds required for the implementation of the project will be a condition for IDB disbursement. Also, to allow flexibility in the percentages of financing, each sub-component is divided in investment costs (including civil works, vehicles, equipment, furniture; didactic materials, technical assistance and training), financed by both Banks at equal percentages for the same items, and recurrent costs (including incremental salaries, long-

³³ If Economic growth is lower than expected, (3%), increases in the education budget could be as high as 3.3%. Nevertheless, under these adverse circumstances it would be expected that growth in all public expenditure and investment will also slow down.

term consultants, travel allowances, operation and maintenance of infrastructure, equipment and furniture, and operating costs), these items being financed, on a declining basis, by the external cofinanciers. Table 6 lists the proposed financial arrangements.

- 4.7 Given the project's major emphasis on serving the education needs of the poorest segment of the population, the Government's contribution to the financing would be reduced to about eleven percent of total costs, while the share of each of the external cofinanciers would be 47 percent for the IDB and 42 percent for the IBRD. Taxes and duties (approximately US\$4.4 million), and a portion of the local costs of recurrent costs would be financed by the Government. The IDB Loan of US\$37.3 million would finance 61 percent of foreign expenditures and 38 percent of local expenditures. The IBRD Loan of US\$34.0 million would finance 38 percent of foreign exchange expenditures, and 51 percent of local expenditures. To ensure timely and efficient project implementation, some start-up activities, particularly those related to contracting of technical assistance for the institutional modernization component, are now being undertaken. Retroactive financing of up to US\$300,000 equivalent would be requested to each Bank to help cover eligible start-up expenditures.³⁴

Table 6. Components by Financiers (US\$ millions) ^a				
	GOES	IDB	IBRD	Total
Expansion of Access to Education				
Expansion in the Rural Areas	0.8	5.2		6.0
Strengthening the EDUCO Program			6.5	6.5
Subtotal	0.8	5.2	6.5	12.5
Improvement in Education Quality				
Curriculum Improvement	0.1		1.3	1.4
Textbooks and Instructional Materials				
Textbooks	2.0	17.9		19.9
Instructional Materials	1.3		11.4	12.7
In-Service Teacher Training System	1.3	9.5		10.8
Education Assessment System			3.0	3.0
School Health and Nutrition Program	0.2		1.3	1.5
Subtotal	4.9	27.4	17.0	49.3
Institutional Modernization				
Modernization of MINED	1.8		8.1	9.9
Communications	0.2	1.3		1.5
Innovations in Education				
Basic Education Fund Program	0.2	1.7		1.9
Design of Reforms for Secondary Educ.		0.5		0.5
Subtotal	2.2	3.5	8.1	13.8
Project Coordination and Management	1.1	0.8	2.4	4.3
IDB Loan Inspection and Supervision (FIV)		0.4		0.4
Total Disbursement	8.9	37.3	34.0	80.2

^a Costs include contingencies.

- 4.8 Project Financial Monitoring. The MINED Office of International Cooperation Programs (Oficina de Programas de Cooperación Internacional - OPCI) would be responsible for managing and

³⁴ IDB retroactive financing will cover expenditures six months prior to Board Approval. IBRD retroactive financing will cover expenditures made on or after March 15, 1985.

monitoring the project's flow of funds. Though OPCI has had wide experience in externally-financed projects, a recent survey identified some bottlenecks in the area of accounting, and a still extensive flow of funds cycle. To remedy this situation, and to enable OPCI to be fully operational at the project start, the following action plan has been adopted: (a) a joint analysis of the flow of funds cycle with every entity intervening in this process (mainly the External Financing Technical Secretariat (SETEFE) and the Corte de Cuentas), so as to identify steps to be eliminated; (b) internal reorganization and streamlining of OPCI's present structure, eliminating inefficiencies and reinforcing identified weak points; (c) preparation of a computerized financial data processing system, which will allow the integration with the future 14 departmental offices (who would eventually maintain their own accounts) and with SETEFE (so as to accelerate the disbursement process); and (d) adoption of cost accounting, ensuring a better monitoring of the accounts and of the flow of funds. This action plan has already been initiated, and all actions to be taken and investments to be made would be financed through the existing SSRP. This action plan is expected to be achieved by the end of December 1995, when it will be assessed by a joint IDB-IBRD mission. The completion of the action plan satisfactory to both Banks will be a condition of disbursement for the loans.

- 4.9 Revolving Fund in Local Currency. Improvements in the procurement process should improve the quality of the accounting procedure, but also improve the project's cash flow, by reducing the flow of funds cycle from the present level of six to seven months to an expected cycle of three to four months. It is thus necessary to give to the project the necessary liquidity to operate during the four first months of project activities, before the IBRD Special Account (held at and managed by the Central Bank) can operate (see para. 4.). As was accepted at the start of the SSRP, a Revolving Fund, operated by OPCI, would be opened in the name of the project, with an initial deposit of about US\$2.5 million, from the Government as its up-front participation to the project financing. The effective creation of this Revolving Fund would be a condition of IBRD loan effectiveness.

C. Procurement³⁵

- 4.10 The project would include procurement of construction and rehabilitation of school infrastructure, textbooks and other school library and reference books, manuals and guides for teachers and students, educational materials, school furniture and other furniture, vehicles, and consulting services for studies. Procurement of civil works, goods and services would follow the procurement procedures agreed with each Bank. The procedures of both Banks are similar, but not identical. An effort was made to establish similar limits to facilitate MINED's management of procurement processes. Procurement procedures for IDB would be carried out in accordance with guidelines for procurement of September 1994 and a detailed explanation of ad-hoc procurement procedures will be attached to the loan agreement for this project to be signed by GOES. Procurement for IBRD-financed contracts would be carried out in accordance with guidelines for procurement of January 1995. MINED staff acquired substantial experience in handling national and international shopping procedures and preparation of technical specifications. For the procurement

³⁵ A detailed explanation of the procurement procedures will be included in the Loan Agreement between the IDB and the Government.

aspects of the project, MINED would be supported by OPCI staff trained under the SSRP project and well informed in IBRD's procurement procedures. For this purpose, OPCI would be strengthened to ensure acceptable procedures under the distinct guidelines of the two Banks by contracting one specialist to handle procurement in IDB-financed contracts and one for IBRD-financed contracts. In addition, detailed project procurement and disbursement procedures to manage procurement and ensure acceptable procedures of IDB and IBRD would be included in the Operational Manual to be used by all relevant project executing units. The presentation of a Manual acceptable to the Banks would be a condition for disbursements.

- 4.11 All procurement will be undertaken by UNDP as a procurement agent. A signed contract with UNDP to act as procurement agent for the project would be a condition for IDB disbursement and IBRD effectiveness. Fees for procurement agents' services would be financed under the project. UNDP would use the standard bidding documents (SBDs) issued by the Banks, with such modifications as agreed by the Banks to be necessary for the purpose of the project and for IBRD financed contracts. For the purpose of comparing foreign and national bids for goods during ICB evaluation and for IBRD financed contracts, national manufacturers would be allowed a margin of preference in accordance with IBRD guidelines. In all procurement carried out by NCB, foreign bidders would be allowed to participate. MINED prepared draft standard bidding documents, including modified ICB-2 stage documents for library books to be financed by IBRD, and agreed to implement these documents by effectiveness.
- 4.12 El Salvador's procurement regulations clearly authorize, as a special provision, application of procurement procedures of international financial institutions in the procurement of works, goods and services, where financing of such procurement comes from an international financial institution.
- 4.13 Procurement arrangements under both Banks are presented in Annex 3.

Civil Works

- 4.14 IDB would finance all civil works. Civil works are comprised of construction and rehabilitation of classrooms, rehabilitation of up to three teacher training centers and of a few small administrative buildings throughout the country, mainly in small cities, which would amount to about US\$6.6 million equivalent. All civil works would be carried out under a management agreement with FIS following IDB standard procedures. As an executing agency for IDB's financed loans, FIS has acquired substantial experience in the procurement of these contracts and in its procurement norms and procedures. Packaging of works contracts would be encouraged, but is not mandated to ensure competition and interest by local contractors. ICB procedures would be used only when packages of works exceed US\$1.0 million equivalent, although no contract of this size is expected. Contracts costing US\$250,000 equivalent or more would be done by NCB. Works expected to cost less than US\$250,000 equivalent would be done by private bidding procedures requiring invitations to at least five contractors/suppliers. Direct contracting in scattered distant rural areas would be carried out for works below US\$100,000 equivalent. Foreign bidders' participation is not expected due to the small amounts and scattered locations of the construction or rehabilitation works. An agreement between FIS and MINED for the management of infrastructure rehabilitation works that will be financed with project funds will be a condition for disbursement.

Textbooks, Teachers' Manuals, and School Furniture

- 4.15 IDB would finance procurement of textbooks for grades 1-6, teachers' manuals, school furniture and printing of textbooks for grades 7-9, and distribution services for these materials. Procurement of goods and services costing US\$150,000 equivalent or less would be done using limited international bidding (LIB)³⁶, with invitations to at least five suppliers. In the case of specialized publications, direct purchase would be allowed. NCB procedures, acceptable to the IDB, would be used for procurement of goods costing between US\$150,000 and US\$250,000 equivalent. ICB procedures would be used for goods costing more than US\$250,000. Procurement through private tender and NCB procedures would be open to international suppliers.

Educational Materials, Library Books, Office Furniture and Computing Equipment

- 4.16 IBRD would finance the procurement of library and reference books, printing services for instructional booklets for students in preschool and multigrade classes, laboratory kits and education packages (*canasta básica*) for preschool and basic education students, and distribution services to transport these materials to the local level. In addition, some office computing equipment and office furniture would be procured. Library books would be procured following ICB-2 stage procedures, using modified ICB standard bidding documents. NCB would be used to procure packages of goods equal to or less than US\$250,000 equivalent, up to an aggregate limit of US\$1.1 million equivalent. National or international shopping, from at least three qualified suppliers, would be used for purchases equal or below US\$50,000, up to an aggregate of US\$1.4 million. Reference materials and books which are proprietary and obtainable from only one source would be procured through direct contracting with national and international suppliers that hold the copyright.

Vehicles and Other Goods

- 4.17 For the IDB, procurement of vehicles and other goods costing less than US\$150,000 equivalent, would be done using limited international bidding (LIB), with invitations to at least five suppliers. NCB would be used for procurement of vehicles and other goods costing between US\$150,000 and US\$250,000 equivalent. ICB procedures would be used for goods costing more than US\$250,000. Procurement through limited international bidding (LIB) and NCB procedures would be open to international suppliers.
- 4.18 The project would also finance the procurement of vehicles and other goods. For IBRD procurement of vehicles for supervision and other goods costing US\$250,000 equivalent or more would be purchased using ICB procedures acceptable to IBRD. NCB procedures, acceptable to IBRD, would be used for procurement of goods costing between US\$35,000 and US\$250,000 equivalent. Procurement of vehicles and other goods costing US\$35,000 or less, and not exceeding an aggregate amount of US\$ 400,000 would be carried out using shopping procedures.

Micronutrients

- 4.19 IBRD would finance procurement, inspection and distribution services of micronutrients to be under the nutrition pilot program.

³⁶ One firm could not have individual contracts exceeding an aggregate amount of US\$2.0 million.

Procurement of these goods would be done following limited international bidding (LIB) procedures. Procurement agents would ensure the selection of a list of international laboratories which meet World Health Organization (WHO) quality control requirements and operate under ISO regulations. Micronutrients would be procured in two packages, amounting to approximately US\$1.1 equivalent.

Technical Assistance and Studies

- 4.20 The project would finance technical assistance and consulting services to prepare studies, design and provide training, design instructional materials and communication campaigns, and other project support activities. The studies to be performed under the project include, but are not limited to: (a) an assessment of pre-service teacher training needs; (b) an assessment of secondary education; (c) an evaluation of curriculum development; (d) an evaluation of the modernization/decentralization process; (e) an evaluation of the supervision system; and (f) an evaluation of the school feeding program and an assessment of alternative school feeding model methods. For the subcomponents financed by IDB, individual consultants and consultant firms carrying out technical assistance would be hired following the IDB's Standard Procedures for Consulting Services. For the subcomponents financed by IBRD, individual consultants and consultant firms carrying out technical assistance, including auditing services, would be hired following the IBRD Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency (August 1981). During appraisal technical assistance required to support the components financed by the project were reviewed and agreed with each executing agency. For contracting studies and technical assistance services financed by the IBRD, all executing agencies would use a standard invitation package and contracts as agreed with the IBRD, amended as required for the purposes of the project. The adoption of standard invitation package and contracts would be a condition for effectiveness for IBRD.

Costs not Involving Procurement

- 4.21 Approximately 11 percent of project costs, or about US\$9.1 million equivalent would not involve procurement. These costs include the education fund and operational expenses.

Prior Review by the IDB

- 4.22 The IDB's Country Office would review the first contract for civil works, regardless of value, and all supporting documentation for civil works and goods contracts valued at US\$250,000 or more. All other contracts would be subject to ex-post review by country office staff, on the basis of random sampling.

Review by IBRD

- 4.23 Prior review by the IBRD would be required for: (a) all annual procurement plans done by each executing agency, including UNDP and procurement agents; (b) procurement procedures and documentation for all tender packages and contracts for ICB and LIB, tender packages for the first three contracts for miscellaneous goods done under NCB, regardless of value. It is expected that these procurement arrangements would result in about 52 percent of IBRD-financed contracts by value. All terms of reference for technical assistance and studies would be subject to prior review by the IBRD. Documentation for contracts with consultant firms, valued at US\$50,000 equivalent and for individual consultants, valued above

US\$25,000, would also be subject to prior review by the IBRD. These thresholds of prior review are justified, based on a careful review of estimated costs and nature of consultant services which are required by the project. All other documentation would be subject to ex-post review during auditing and by IBRD supervision missions on a random basis.

Procurement Agents

- 4.24 MINED would enter into an agreement with UNDP to be the procurement agent in charge of the acquisition of goods and services financed by the project. The benefits of using UNDP as the procurement agent for those functions were evident in the implementation of the SSRP. The reasons to use UNDP include: (a) MINED's limited capacity to manage extensive procurement procedures simultaneously; (b) the technical support available to MINED on a daily basis resulting from UNDP's vast experience in the implementation of projects financed by international donors; and (c) the GOES/UNDP general agreement that grants UNDP an exemption from value added tax and exempts UNDP from the jurisdiction of the Corte de Cuentas, allowing for an expedited procurement and contracting process.

D. Disbursements

Disbursements of IDB Funds

- 4.25 The proposed project will be implemented over a period of five years and is expected to be completed by December 31, 2000 and closed by June 30, 2001. The proceeds of the IDB loan would be disbursed during a five year period as follows: (a) civil works, 90 percent of expenditures for construction of classrooms and/or rehabilitation, repair and maintenance of existing classrooms, training centers and administrative buildings; (b) equipment furniture and vehicles, 100 percent of foreign expenditures, and 90 percent of local expenditures for other items procured locally, excluding taxes; (c) textbooks, and manuals, 100 percent of foreign and local expenditures, excluding taxes; (d) teacher training, technical assistance, consultancy services, and studies, 100 percent of total expenditures excluding taxes; and (e) incremental salaries and local long-term consultant costs, travel and per diem costs, maintenance costs, and office supplies costs, at a rate of 90 percent until an aggregate amount of US\$0.4 million has been reached, thereafter, disbursements for this category would be made at a rate of 60 percent until the aggregate amount of US\$0.6 million has been reached; and the remaining funds would be disbursed at a rate of 30 percent. The IDB will provide retroactive financing of up to US\$300,000 to cover eligible expenditures for preparation and launching of the proposed project incurred six months before Board presentation.
- 4.26 Given the degree of preparation and the proposed implementation plan, it is recommended that an advance equivalent to 10 percent of the proposed loan be approved to assist the Government to implement project activities during first 120 days. The fund would be replenished upon presentation by MINED of the required documentation. These funds would be deposited in a Special Account that will be held at the Central Bank. Retroactive financing of up to US\$300,000 to cover expenditures for the preparation and

launching of the proposed project incurred six months prior to Board Approval will be provided.

Disbursements of IBRD Funds

- 4.27 The proposed project will be implemented over a period of five years and is expected to be completed by December 31, 2000 and closed by June 30, 2001. The proceeds of the IBRD loan would be disbursed during a five year period as follows: (a) equipment furniture and vehicles, 100 percent of foreign expenditures, and 90 percent of local expenditures for other items procured locally, excluding taxes; (b) didactic materials and library books, 100 percent of foreign and local expenditures, excluding taxes; (c) staff training, technical assistance, consultancy services, and studies, 100 percent of total expenditures, excluding taxes; (d) micronutrients and food supplements, 90 percent of total expenditures, excluding taxes; and (e) incremental salaries and local long-term consultant costs, travel and per diem costs, maintenance costs, and office supplies costs, at a rate of 90 percent until an aggregate amount of US\$1.7 million has been reached, thereafter, disbursements for this category would be made at a rate of 60 percent until the aggregate amount of US\$3.2 million has been reached; and the remaining funds would be disbursed at a rate of 30 percent.
- 4.28 Proceeds of the proposed loan would be disbursed against expenditures that would be submitted to the IBRD and fully documented for contracts valued at more than US\$35,000 equivalent for goods. Claims for expenditures of lesser amounts would be disbursed against presentation of statements of expenditure (SOEs), for which the supporting documentation would be retained by the MINED for inspection by the Banks and by external auditors. The Government would set up a special account for the IBRD loan in US dollars with an initial deposit of US\$2.5 million. Withdrawals from the special account would be supported by the required documentation at the exchange rate prevailing on the date of expenditure. Separate project accounts may be established in MINED for each project executing agency and these would be monitored by OPCI. During negotiations agreement were reached on the IBRD Special Account and on retroactive financing of up to US\$300,000 to cover eligible expenditures for preparation and launching of the proposed project incurred after March 15, 1995.

Disbursement Formats

- 4.29 OPCI, with the support of the relevant offices of both Banks, will prepare formats for disbursements that will be adequate to comply with the requirements of both Banks

E. Accounting and Auditing

- 4.30 MINED would establish and maintain separate accounts and records for each loan adequate to reflect, in accordance with sound accounting practices, the resources and expenditures related to the project. OPCI, at the central level, would maintain a consolidated account of all resources and expenditures under the project. Other sets of records, one for each operating unit, OPCI at the regional level and parents' associations at the local level, would be maintained by each unit, under supervision from the central level, and would reflect the resources and expenditures related to project implementation for their respective programs. Data from the three

OPCI regional operating units would be sent to the central level for consolidation purposes. These accounts would be audited annually by private independent auditors satisfactory to the Banks. The audit reports, which would include a separate opinion on the adequacy of statements of expenditures as a basis of loan disbursements, and on the special account and the revolving funds, would be forwarded to the Banks no later than six months after the end of each fiscal year. The annual audits would also cover a random sample of the records and accounts maintained by parents' associations. The Government would provide assurances that MINED would: (a) have the records and accounts for each fiscal year audited by independent and qualified auditors, in accordance with generally accepted auditing standards and procedures; (b) furnish to the Banks as soon as available, but in any case not later than six months after the end of each year, a certified copy of the agreed audit reports; and (c) furnish to the Banks such other information concerning the records and accounts as well as the audit as the Banks would from time to time reasonably request.

5. PROJECT IMPLEMENTATION AND MANAGEMENT

A. Borrower, Guarantor and Executor for the Project

- 5.1 The borrower and guarantor of the loan will be the Government of El Salvador. MINED will be responsible for the execution of the project. An Agreement between the borrower and the executing agency to transfer resources from the loan will be a condition for IDB disbursement. MINED has experience in implementing programs financed by international donors and its institutional capacity has been evident in the implementation of the SSRP, financed by the IBRD, and the SABE Project, financed by USAID, that are close to completion (early 1996). The size of this loan will demand expanded management capacity within MINED for its efficient implementation. The project provides adequate financing to guarantee that MINED will receive timely, adequate technical support for project implementation. In addition, before disbursements begin, OPCI will complete an action plan to strengthen its capacity to manage and monitor the project's flow of funds (see para. 44.88).

B. Project Organization

- 5.2 The project organization would have two levels: the central level, which would have overall responsibility for project coordination and implementation, and the decentralized level which, throughout the project implementation period, would receive progressively more responsibility for the implementation and delivery of education services.

C. Project Management

- 5.3 Project implementation would be carried out within the existing organizational structure of MINED through the Project Management Office which would be drawn from existing units whose operational and administrative responsibilities are directly linked to project components. Overall responsibility for implementation of the proposed project would be vested in the Minister of Education who would be supported in general policy setting and institutional coordination by a committee composed of the Vice Minister of

Education,³⁷ (General Project Director), and Project Component Directors. To facilitate project implementation, a Project Manager would be appointed. The Project Manager would report directly to the Vice Minister of Education on the day to day operations of the project, and would be responsible for calling the directors to committee meetings.

- 5.4 The Ministry of Education, through the Project Manager, would assist, coordinate, monitor and evaluate the activities through the following participating units, each under the direction of a Project Component Director:
- (a) The Quality Improvement Unit which would be responsible for the implementation of the quality improvement component through its various administrative units. The main responsibilities of the unit would include: improvement of the basic education curriculum, production and provision of teaching materials and textbooks, in-service training for teachers and supervisors, evaluation of student achievement, revision of the supervision system and provision of nutritional and health programs through schools;
 - (b) The EDUCO Unit which would be responsible for the expansion of the model in rural areas, and reorganization and strengthening of service delivery;
 - (c) A Management Modernization Unit (MMU) would be created which would be responsible for the implementation of the Institutional Modernization Component. The main responsibilities of the MMU would cover: changes and improvements in sector planning, administration, decentralized provision of services, evaluation, supervision and monitoring, a review of the organizational structure and the legal framework, the management information system, and public awareness campaigns. The MMU would include a small Decentralization Unit whose main functions would be to carry out the decentralization process, to provide support to the staff working in the decentralized units in all aspects of the operations; and
 - (d) OPCI which would be responsible for management of the procurement and financial aspects of the project. The OPCI's main responsibilities would include: follow up procurement of goods and services, maintaining the project's financial records and accounts, developing annual plans to be presented to the Ministry of Finance regarding national finance of the project, including maintenance funds and teacher salaries, making transfers to the ACEs, and making payments for goods and services required by the project.
- 5.5 The Project Management Office would manage the Education Fund and devise adequate mechanisms to ensure that the Fund reaches its intended beneficiaries quickly and efficiently.
- 5.6 The proposed structure is deemed appropriate to ensure efficiency in project implementation because implementation authority is retained by the respective line and staff departments of MINED. MINED will require technical support during project implementation and the proposed project provides sufficient funds to guarantee adequate and timely support. The proposed project would include financing for contracting specialized staff and/or long-term consultants, and travel and per diem costs for project monitoring and supervision.

³⁷ MINED directors involved in implementing project activities.

In addition funds are included to carry out an assessment of secondary education. Evidence of the establishment of the Project Implementation Unit including the Project Coordination, the Modernization Unit, the Expansion of Education Services Unit and Quality Improvement Unit will be a condition for IDB disbursement. Appointment of key technical and administrative staff and/or consultants would also be a condition of disbursement.

Other Agencies Involved in Project Implementation

- 5.7 MINED will sign an agreement with the FIS to ensure timely and efficient implementation of all civil works financed under the project. FIS has extensive experience in the construction and rehabilitation of small education infrastructure in isolated and scattered locations. FIS has been financed extensively by international donors (including four IDB loans) and is very familiar with IDB's procurement norms and procedures. In addition, FIS has put in place procedures to deal with land tenure issues and for insuring technical construction specifications are met.
- 5.8 MINED will contract UNDP to handle the procurement of goods and services and contracting consultants and consulting firms (para. 44.24).

D. Preparation and Review and Annual Work Programs and Budget

- 5.9 The project implementation units, with the Project Manager's support and with OPCI's assistance, would prepare an annual work program for the project that would include the proposed activities for the year, their timing, and budget. Under SSRP, MINED has acquired considerable experience in the preparation of annual work programs that are monitored periodically to ensure that performance targets are being met. As responsibilities are delegated to lower levels of MINED administration, the relevant units would be required to prepare annual work programs and budgets that would be monitored by the central level. These work programs would cover the period January through December of each year and their preparation would take place early enough to enable MINED to incorporate the total budgetary requirements of the project in its budget proposal for the following year.

E. Annual and mid-term Reviews by the Banks

- 5.10 Throughout the project implementation period, annual reviews would be undertaken jointly by MINED, MICDES, IBRD, and IDB no later than September 30 of each year to have an opportunity to assess project impact and performance, and to reach agreement on necessary adjustments. The cost estimates prepared for the various components (Annex 3) and the key monitoring indicators and implementation targets (Annex 4) would serve as a basis for project implementation planning, and would be updated annually by MINED in preparation for the annual reviews. The annual project implementation review would: (a) analyze progress made during the previous year in project execution and in attaining its objectives, based on the key monitoring indicators for the project; (b) analyze and agree on the proposed annual work plans, specific project progress reports, and budgetary requirements for the following year of project implementation to ensure the adequacy of counterpart funding; (c) assess the effectiveness of project management and coordination and discuss adjustments to be made in the project's implementation.

schedule or targets; and (d) review progress in implementation of the ministry's decentralization and its coordination with the Government's overall program. As a condition for disbursement, the Government would provide assurances that MINED would: (a) conduct, jointly with the IDB, and IBRD, annual project planning and implementation reviews in September of each year, beginning in 1995; (b) conduct, jointly with the IDB and IBRD, annual project supervision reviews in March of each year, beginning in 1996; and (c) by September of each year, beginning in 1996, submit to the Banks annual progress reports on the implementation of the project in accordance with targets established in previous annual work and investment plans, including the proposed budgetary requirements for project implementation during the subsequent year.

- 5.11 The third annual review would be the mid-term review and would be undertaken no later than September 30, 1998. It would assess overall project performance and initial impact in the light of project objectives and MINED policies. The key areas to be covered, in addition to all aspects of project implementation covered during the annual reviews include:

(a) Expansion, reorganization and strengthening of the EDUCO model:

Number of new sections created and converted from the traditional system would be reviewed. The performance of NGO's and other private organizations in the delivery of services to ACEs, and results of the school maintenance program would be analyzed to determine the efficacy of the programs. In addition, close attention will be given to the existing procedures that guarantee adequate financing for maintenance of education infrastructure. Careful review of the improved mechanisms to transfer resources to the ACEs would be made, as well as of the impact of teacher incentives included in the new teacher salary structure and a thorough assessment of EDUCO's costs vis-à-vis the traditional system.

(b) Quality improvement:

Progress in development of improved curricula for basic education, especially in the 3rd cycle as well as in the textbook development program for all grades of basic education would be analyzed. The implementation of the pilot multigrade program would also be evaluated. Efficiency in the distribution and acquisition of textbooks and didactic materials for teachers and students would be reviewed. An evaluation of achievements and effectiveness of the training program will undertaken. Preliminary results of the student assessment program would be analyzed to take measures to address any deficiencies that may be found. The pilot nutrition program would be reviewed to ensure that coordination mechanisms between MINED and MOH are adequate for the program.

(c) Institutional modernization:

The functioning of the human resources, statistics, budgeting, infrastructure and procurement subsystems at the departmental level, in the pilot departments would be reviewed, including the actual costs associated with the decentralized position of education services. The reports produced by the information system for the above subsystems would be analyzed. The implementation of local planning and programming in some urban and rural schools as well as in the pilot departments would be evaluated. The operating and administrative manuals would be reviewed. In addition, the implementation of the human resources

data base would be reviewed. The benefits of the enhanced participation of the supervisors in the provision of educational services will be thoroughly assessed and the training program, as well as the equipping of their offices would be reviewed. Particular attention will be given to the consistency between the modernization of MINED and the Public Sector Reform, including civil service conditions, decentralization, and accounting procedures. The communication strategy and its efficiency will be assessed. Finally, the efficiency and effectiveness of the Basic Education Fund would be evaluated.

(d) Public education financing:

Particular attention will be given to education expenditure as a share of both GDP and Central Government expenditure. The composition of expenditures by academic level and expenditure category would be reviewed. An analysis of the evolution of teacher salaries and an implicit incentive structure would be undertaken. Finally, the sources of funding of other investments would be analyzed.

- 5.12 On the basis of the above in-depth review, the MINED and the Banks would agree on adjustments to project design and implementation, as necessary. The Government would provide assurances that: (a) the in-depth mid-term review would cover all aspects of project implementation; (b) it would be conducted jointly by MINED, and the Banks no later than September 1998, and (c) on the basis of this review, action plans, satisfactory to the Banks, would be prepared and initiated by January 1, 1999.

F. Loan Supervision

- 5.13 Project supervision will be coordinated by the IDB team leader and the IBRD task manager and is expected to take place at least twice a year, jointly, by the two Banks.³⁸ The main purpose is to monitor progress of the different project components. This supervision will require an estimated 20 staff-weeks per year per Bank. Although MINED has project implementation experience, this project would require significant supervision because of its wide scope.³⁹ The supervision teams would be a combination of the Banks' staff and consultants with the required technical expertise and experience in the operation of similar projects in Latin America and other regions. The participation in supervision activities of team members of the joint IDB/IBRD Public Sector Modernization Loan will be requested when necessary. It is expected that the main areas of expertise required would be education and education planning, student achievement testing, institutional development, management information systems and communications.
- 5.14 The IDB Country Office will perform the continuous task of monitoring and supervising the proposed project for the IDB. The IDB Country Office will be responsible for all supervision tasks, coordinating with the Project Team.
- 5.15 Since annual evaluations of the proposed project will be undertaken (including an in-depth mid-term review) and a loan completion report

³⁸ For IDB, the annual review mission will take place in the second semester of each year. Additionally, during execution, supervision/monitoring missions will take place in the first semester of each year.

³⁹ Staff from headquarters and the country office in the case of IDB.

is expected, MINED decided that an additional ex-post evaluation would not be required.

6. PROJECT BENEFITS AND RISKS

A. Project Benefits

- 6.1 Faced with the urgent need to improve coverage and quality of basic education in El Salvador, the project would support the efforts of the Government to undertake a balanced process of improving equity, quality and efficiency of the school system. The project would target resources to poor and vulnerable groups, would improve learning achievements, and promote the efficiency of resource allocation. At the same time it would strengthen the institutional capacity of MINED to provide services and to evaluate and monitor education policies and programs. The education flow wastage could be dramatically cut by improving the quality of services and by the existence of minimal nutrition conditions for the students. The project is designed to produce significant reductions in repetition and dropout rates through the expansion of preschool education, better qualified teachers, improved availability of instructional materials, an updated curriculum, a more effective learning environment and direct involvement of parents, teachers and the community in the management of schools. Decentralization and community participation will boost responsiveness by teachers and administrators since all will be sharing administrative responsibilities and transparency will promote accountability at all levels. The proposed project will support the Public Sector Reform by establishing the conditions for the MINED to be an active and responsive actor in the process while being consistent with the general guidelines of the Public Sector Reform. The program will also help to identify efficient methods and procedures to deliver education services that will be a seed for future improvements within the sector.

B. Impact on Women

- 6.2 Female students slightly outnumber male students at both the preschool and basic education levels (para. 2.8). Curriculum reform under the SABE project has sharpened the focus on the specific needs of women and the key role of educated women in reducing fertility, promoting family values, and guiding and encouraging the education of young children. The project will support these reform efforts by eliminating the remaining gender stereotypes in school texts, improving teacher quality, and introducing career guidance. The EDUCO model directly involves a significant number of mothers in school boards and decision making processes. By expanding the EDUCO model, women will be increasingly active in community activities and will benefit from the training programs that will improve their skills in education.

C. Environmental Impact

- 6.3 The project is not expected to have direct environmental effects, and has been classified as Category II for IDB⁴⁰ and C for IBRD. Civil works will be restricted to recovering existing schools.

⁴⁰ IDB classification was approved by CMA Short Procedure on December 12, 1994.

Education materials produced by the project will include appropriate environmental topics. Therefore, an improved basic education will contribute to make children and their parents more aware of the environmental concerns and more receptive to public campaigns for conservation and protection of the environment.

D. Project Viability and Risks

- 6.4 The project has been designed with a systemic and balanced approach. Nevertheless the technical viability relies on the participation of qualified technical support. The project provides for external technical support and a comprehensive training program for MINED's staff.
- 6.5 The fiscal requirements to support the modernization of basic education will depend on the assumptions made regarding growth and real recovery of teachers salaries (Annex 2). Under a conservative scenario the financial viability of the program will require that public sector spending in education be increased by 0.6 percent of GNP to a total of 2.5 percent.⁴¹ As noted in Annex 2 the macroeconomics and fiscal risks leading to inadequate funding are low. The Government has been adamant in declaring its commitment to fund the program, even under a less favorable scenario that will require an additional fiscal effort to the detriment of other sectors. During Annual Reviews, the provisions for adequate counterpart funds for the project and the fulfillment of agreed budgetary increase will be condition for the approval of the Annual Work Program.
- 6.6 Due to the comprehensive scope of the operation, the main risk of the program will be the limited capacity of MINED to implement the program. However, MINED has proven to be one of the most dynamic ministries in El Salvador and has shown its capacity to respond to increasingly demanding tasks under the SABE Project and the SSRP. This risk will be reduced, and the institutional viability secured, through continuous technical assistance that will strengthen the institutional capacity of MINED.
- 6.7 The socio-economic viability and efficiency of the project is supported on the basis of the high average return of basic education in El Salvador, and the solid results obtained in a preliminary exercise to estimate the marginal returns of the Government program to expand coverage in rural preschool and basic education (20 percent). These results are based on the expected economic rate of returns of students that achieve one more year of education and also the fiscal savings resulting from higher internal efficiency. The result is very conservative because it overlooks the externalities of the project and the positive effect of a more efficient and responsive Ministry of Education.
- 6.8 The project relies on the EDUCO model for providing services in rural areas. The expansion of EDUCO will introduce new challenges to maintain its efficiency, an adequate incentives structure, and timely responsiveness to the demands of the community. The expansion of EDUCO will also have to be matched with the revision of the incentive structure for all teachers (EDUCO and traditional) to avoid the conflict that could arise from a dual labor regime for teachers. The program addresses both issues to minimize those risks.

⁴¹ Five percent if economic growth is half of what is predicted in MIPLAN's long term plans.

- 6.9 The introduction of a new teacher incentives system, the establishment of a performance assessment system and the rationalization of MINED's staff could create political tensions between the GOES/MINED and the teachers, supervisors, principals and MINED's staff. The political support for the modernization program of MINED, the support of the *Comisión Nacional de Educación, Ciencia y Desarrollo*, and the introduction of an active communication campaign will reduce the risk of an confrontation.
- 6.10 The decentralization process bears the risks of an inadequate articulation between different levels of operation. The design of pilot programs and the consideration of lessons learned in other Latin American experiences when designing the implementation process are the best ways to limit those risks.
- 6.11 The proposed project has a strong and clear technical, institutional and financial framework. It also has the needed flexibility to adjust overtime in search of effectiveness and efficiency. That will demand close monitoring and supervision from the Banks. The different components are closely related and produce a comprehensive and consistent project. The Banks would have to work closely together to guarantee the success of the project.

E. Program Objective Category

- 6.12 The proposed project, in the human resources development category, is a program of national and targeted interventions. The project would be an integral part of El Salvador's antipoverty strategy through its assistance to improve coverage and quality of basic education services for the poorest groups in the country. It will target poor children in rural and urban marginal areas through a ranking system based on prevalence of malnutrition, repetition rates for first grade, net enrollment rates for first grade, and percentage of overage students. The non-targeted actions of quality and efficiency will be circumscribed to improve the public education services at preschool and basic education levels. Following the guidelines of the IDB's Eighth Replenishment Poverty Targeting Mandate, this project is a poverty targeted loan.

**EL SALVADOR BASIC EDUCATION MODERNIZATION PROJECT
BASIC DATA**

ANNEX 1
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Table 1. Preschool Enrollment Data 1993

	Urban	Rural	Total
Public	47,615	44,410	92,025
4-5	29,826	24,607	54,433
6	17,789	19,803	37,592
Private	30,880	3,143	34,023
4-5	19,912	1,961	21,873
6	10,968	1,182	12,150
Total	78,495	47,553	126,048
4-5	49,738	26,568	76,306
6	28,757	20,985	49,742
Population	170,703	193,960	364,663
4-5	113,388	128,974	242,362
6	57,315	64,986	122,301
Deficit	92,208	146,407	238,615
4-5	63,650	102,406	166,056
6	28,558	44,001	72,559
Net Enrollment Rate	45.98%	24.52%	34.57%
4-5	43.87%	20.60%	31.48%
6	50.17%	32.29%	40.67%

Note: Includes EDUCO Enrollment

Source: Ministry of Education, Information Unit

Table 2. Basic Education Enrollment 1993

	1st/2nd Cycles			3rd Cycle			Total		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Public	334,119	421,962	756,081	117,368	45,492	162,860	451,487	467,454	918,941
Correct age	257,035	319,124	576,159	74,412	26,954	101,366	331,447	346,078	677,525
Over/underage	77,084	102,838	179,922	42,956	18,538	61,494	120,040	121,376	241,416
Private	93,565	13,832	107,397	39,014	3,352	42,366	132,579	17,184	149,763
Correct age	80,579	11,550	92,129	29,365	2,466	31,831	109,944	14,016	123,960
Over/underage	12,986	2,282	15,268	9,649	886	10,535	22,635	3,168	25,803
Total	427,684	435,794	863,478	156,382	48,844	205,226	584,066	484,638	1,068,704
Correct age	337,614	330,674	668,288	103,777	29,420	133,197	441,391	360,094	801,485
Over/underage	90,070	105,120	195,190	52,605	19,424	72,029	142,675	124,544	267,219
Population	376,500	427,872	804,372	194,126	212,413	406,539	570,626	640,285	1,210,911
Deficit	38,886	97,198	136,084	90,349	182,993	273,342	129,235	280,191	409,426
Net Enrollment Rate	89.67%	77.28%	83.08%	53.46%	13.85%	32.76%	77.35%	56.24%	66.80%
Gross Enrollment Rate	113.59%	101.85%	107.35%	80.56%	22.99%	50.48%	102.36%	75.69%	88.23%

Notes: Correct age for 1st/2nd Cycles (grades 1-6) is 7-12 years.

Correct age for 3rd Cycle (grades 7-9) is 13-15 years.

Over/underage are children over or under the correct age for the cycle.

Deficit is calculated as population for the correct age group minus the enrollment for the correct age group.

Enrollment counts for 1st/2nd Cycles includes EDUCO enrollment.

Source: Ministry of Education, Information Unit.

Table 3. Basic Education Enrollment, 1993
Public Sector, Urban Zone

Age	Grade									Total
	1	2	3	4	5	6	7	8	9	
5	839									839
6	11,755	760								12,515
7	28,853	8,892	959							38,704
8	16,274	16,833	8,881	1,016						43,004
9	8,041	10,842	14,372	7,814	953					42,022
10	4,776	7,228	11,356	13,748	7,289	915				45,312
11	2,679	4,312	7,472	11,083	12,708	6,313	865			45,432
12	1,749	3,003	5,492	8,761	11,734	12,692	6,776	869		51,076
13	819	1,559	3,265	5,743	8,550	11,513	12,654	6,049	751	50,903
14	308	601	1,477	2,871	4,875	7,462	10,768	11,686	5,647	45,695
15	97	225	553	1,278	2,413	4,298	7,018	9,563	10,280	35,725
16	47	83	186	416	922	2,021	3,867	6,180	8,352	22,074
17	23	23	48	152	302	720	1,585	2,956	4,787	10,596
18+	84	61	82	106	175	367	939	1,901	3,875	7,590
Total	76,344	54,422	54,143	52,988	49,921	46,301	44,472	39,204	33,692	451,487
Underage	12,594	9,652	9,840	8,830	8,242	7,228	7,641	6,918	6,398	77,343
Overage	34,897	27,937	29,931	30,410	28,971	26,381	24,177	20,600	17,014	240,318
Correct age	28,853	16,833	14,372	13,748	12,708	12,692	12,654	11,686	10,280	133,826
Underage	16.50%	17.74%	18.17%	16.66%	16.51%	15.61%	17.18%	17.65%	18.99%	17.13%
Overage	45.71%	51.33%	55.28%	57.39%	58.03%	56.98%	54.36%	52.55%	50.50%	53.23%
Correct age	37.79%	30.93%	26.54%	25.95%	25.46%	27.41%	28.45%	29.81%	30.51%	29.64%

Source: Ministerio de Educación, Oficina de Planificación Educativa, 1994.

Table 4. Basic Education Enrollment, 1993
Public Sector, Rural Zone

Age	Grade									Total
	1	2	3	4	5	6	7	8	9	
5	1,624									1,624
6	14,279	569								14,848
7	43,604	6,221	377							50,202
8	31,892	17,797	4,574	401						54,664
9	19,411	18,433	12,131	3,600	395					53,970
10	12,983	15,494	14,341	9,626	3,124	315				55,883
11	7,611	11,426	12,065	11,244	7,608	2,640	197			52,791
12	5,316	8,581	10,037	10,923	9,995	6,971	1,913	180		53,916
13	2,893	5,475	6,958	7,958	8,518	8,347	4,540	1,636	154	46,479
14	1,169	2,492	3,602	4,694	5,512	6,384	4,945	3,793	1,359	33,950
15	504	1,160	1,614	2,277	3,011	3,999	3,579	3,862	3,089	23,095
16	237	488	630	1,022	1,376	2,079	2,259	2,747	2,972	13,810
17	91	203	270	346	577	850	1,043	1,505	2,123	7,008
18+	90	206	200	257	315	550	713	1,012	1,871	5,214
Total	141,704	88,545	66,799	52,348	40,431	31,135	19,189	14,735	11,568	467,454
Under age	15,903	6,790	4,951	4,001	3,519	2,955	2,110	1,816	1,513	43,558
Over age	82,197	63,958	49,717	38,721	29,304	22,209	12,539	9,126	6,966	314,737
Correct age	43,604	17,797	12,131	9,626	7,608	6,971	4,540	3,793	3,089	109,159
Under age	11.22%	7.67%	7.41%	7.64%	8.70%	9.20%	11.00%	12.32%	13.08%	9.32%
Over age	58.01%	72.23%	74.43%	73.97%	72.48%	69.11%	65.34%	61.93%	60.22%	67.33%
Correct age	30.77%	20.10%	18.16%	18.39%	18.82%	21.69%	23.66%	25.74%	26.70%	23.35%

Source: Ministerio de Educación, Oficina de Planificación Educativa, 1994.

Table 5. ENROLLMENT RATES BY DEPARTMENT, 1993 (percent)

NET ENROLLMENT RATES											
Department	Age 4-6			Age 7-15			GROSS ENROLLMENT				
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total		
Ahuachapán	9.9	62.3	21.1	50.2	125.1	66.7	56.2	139.2	74.5		
Santa Ana	20.1	55.0	35.8	70.3	92.7	79.8	76.4	101.9	87.2		
Sonsonate	16.0	50.8	29.6	59.6	116.5	81.3	66.0	129.8	90.3		
Chalatenango	44.1	70.5	52.8	68.4	90.3	76.1	77.4	104.4	86.9		
La Libertad	25.0	60.5	38.9	70.1	97.8	81.2	82.9	109.5	93.5		
San Salvador	38.3	56.4	52.0	95.8	73.3	78.3	106.1	81.7	87.2		
Cuscatlán	29.8	63.0	42.7	63.4	145.4	93.4	72.8	164.8	106.5		
La Paz	21.8	60.7	34.5	65.5	116.9	83.2	72.6	137.8	95.1		
Cabañas	19.4	41.8	26.0	65.2	92.5	73.6	72.5	105.4	82.6		
San Vicente	42.1	69.5	52.8	71.0	107.4	86.0	83.0	126.8	101.1		
Usulután	29.6	69.2	42.9	59.6	109.7	78.7	68.6	126.2	90.6		
San Miguel	33.3	51.3	41.1	72.9	94.1	82.3	85.6	108.2	95.5		
Morazan	20.0	41.4	26.2	39.6	112.4	58.3	44.6	130.0	66.5		
La Unión	27.3	81.2	38.4	65.1	109.4	75.3	71.6	124.0	83.7		
West Region	15.7	54.5	38.2	68.5	106.3	76.8	66.6	117.7	84.9		
Central Region	31.0	58.0	46.0	74.8	84.2	80.1	84.9	94.9	98.6		
East Region	28.5	58.8	38.6	61.3	103.5	75.9	70.0	118.8	86.8		

* Gross enrollment for Basic Education.

Department	1	2	3	4	5	6	7	8	9
Ahuachapán	69.2	96.9	88.5	94.3	93.0	95.8	87.4	98.9	97.0
Santa Ana	70.9	92.6	94.6	96.3	93.9	98.3	88.8	95.7	96.2
Sonsonate	68.1	90.3	89.1	91.8	89.3	87.9	86.4	96.3	96.8
Chalatenango	62.8	88.9	84.9	91.0	87.4	102.4	85.1	91.3	91.8
La Libertad	70.6	91.2	93.6	93.6	92.6	93.5	86.1	88.5	89.0
San Salvador	69.2	90.9	93.5	94.9	93.2	91.8	91.0	87.0	87.5
Cuscatlan	66.8	93.8	93.2	85.3	92.1	87.2	91.0	86.9	87.4
La Paz	65.4	86.0	94.4	86.0	97.5	108.6	88.2	83.1	83.6
Cabañas	58.2	91.5	88.8	92.3	88.8	88.8	82.0	89.0	89.5
San Vicente	61.0	89.8	87.0	93.3	93.8	95.9	95.3	90.9	91.4
Usulután	61.7	94.1	87.2	91.8	95.0	99.3	92.8	90.6	91.1
San Miguel	63.9	89.6	91.4	93.8	92.4	96.5	89.8	96.2	96.7
Morazan	63.0	86.4	96.6	84.6	77.6	107.1	91.1	86.0	86.5
La Unión	60.0	89.6	88.5	96.6	93.8	97.4	89.6	94.3	94.8
West Region	69.4	92.4	91.1	94.1	91.9	93.8	87.1	95.5	97.0
Central Region	67.1	90.5	92.3	92.5	92.9	94.2	89.1	92.1	93.9
East Region	62.4	91.6	90.2	92.3	91.5	94.8	90.3	92.1	93.2

Department	1	2	3	4	5	6	7	8	9
Ahuachapán	16.7	6.1	3.8	5.0	3.7	1.6	1.2	0.7	0.2
Santa Ana	16.4	6.0	5.0	4.1	3.3	4.3	3.6	1.9	0.6
Sonsonate	20.5	9.2	6.6	4.6	3.6	3.2	2.6	1.9	0.6
Chalatenango	23.0	11.1	8.6	7.1	5.3	6.3	4.9	2.7	0.9
La Libertad	19.1	8.1	6.1	5.1	3.5	2.8	2.6	1.7	0.6
San Salvador	19.5	9.9	6.8	5.7	4.1	3.7	2.3	1.5	0.7
Cuscatlan	24.1	9.1	6.9	4.4	4.1	2.6	2.0	0.4	0.2
La Paz	24.6	10.9	9.2	6.6	3.7	3.9	3.9	2.2	0.5
Cabañas	27.9	11.8	8.6	5.9	3.4	3.3	4.3	1.5	0.5
San Vicente	25.0	9.5	7.9	5.2	3.4	4.7	3.5	1.8	1.6
Usulután	18.4	6.6	3.2	3.8	1.8	1.4	1.2	0.4	0.2
San Miguel	21.9	7.0	5.2	3.8	1.7	1.1	0.7	0.3	0.1
Morazan	23.4	7.6	6.1	4.5	2.1	1.3	0.7	0.9	0.5
La Unión	23.5	10.2	5.7	4.9	3.0	1.5	1.0	0.5	0.2
West Region	18.2	7.4	5.4	4.9	3.5	3.3	2.8	1.6	0.5
Central Region	21.5	9.8	7.2	5.6	4.0	3.7	2.9	1.7	0.7
East Region	21.2	7.4	4.7	4.1	2.0	1.5	1.1	0.6	0.2

Table 6. TRANSITION RATES BY DEPARTMENT, 1993 (percent)

Table 7. Education Data, 1993
Public Sector

	RURAL		URBAN	
	Traditional	EDUCO	Traditional	TOTAL
SCHOOLS				
Preschool	813		593	1,406
Basic Education ^a	2,471		878	3,349
Secondary Education	14		128	142
SECTIONS^b				
Preschool	1,060	394	1,472	2,926
1st/2nd Cycles ^{a,d}	13,542	917	9,674	24,133
3rd Cycle ^e	1,573		3,497	5,070
Secondary Education	71		1,518	1,589
TEACHERS^f				
Preschool	1,066	394	907	2,367
1st/2nd Cycles ^{a,d}	7,228	917	10,822	18,967
3rd Cycle ^e	1,408		3,596	5,004
Secondary Education	50		1,284	1,334
SUPERVISORS				
District				210
Department				14

^a Basic Education covers grades 1 through 9.

^b A section is the unit (students and classroom) administered by a teacher.

^c 1st/2nd Cycles of Basic Education cover grades 1 through 6.

^d EDUCO sections, teachers and students are in the 1st cycle only (grades 1 through 3).

^e 3rd Cycle of Basic Education covers grades 7 through 9.

^f Estimations derived from the specifications of hours/class established in the 1993 Salary Law.

Source: Ministerio de Educación. Oficina de Planificación Educativa. 1994

Table 8. Public Sector: Preschool and Primary Education

EDUCO ^a																	
Urban				Rural				N				%					
PUBLIC PRESCHOOL																	
Deficit (to be covered by Public Sector)				47,615	44,410	12,608	28.4%	92,208				146,353	146,353	100.0%	139,823		
Total to be covered by Public Sector				139,823				190,763				158,961				83.3%	
Public Sector Deficit %				65.9%				76.7%									
Private Preschool				30,880	3,143												
Total				170,703	170,703			27.9%									
Net Enrollment Rate (including private)				46.0%				27.9%									
PUBLIC BASIC (1st/2nd CYCLES) ^b																	
Deficit (to be covered by Public Sector)				257,035	319,124	29,304	9.2%	38,886				97,198	97,198	100.0%	295,921		
Total to be covered by Public Sector				295,921				416,322				126,502				30.4%	
Public Sector Deficit %				13.1%				23.3%									
Private Basic (1st/2nd Cycles) ^b				80,579	11,550			376,500				427,872					
Total				376,500	427,872			89.7%				77.3%					
Net Enrollment Rate (including private)				89.7%				77.3%									
PUBLIC BASIC (3rd CYCLE) ^b																	
Deficit (to be covered by Public Sector)				74,412	26,954			90,349				182,993			164,761		
Total to be covered by Public Sector				164,761				209,947				87.2%					
Public Sector Deficit %				54.8%				87.2%									
Private Basic (3rd Cycle) ^b				29,365	2,466			194,126				212,413					
Total				194,126	212,413			53.5%				13.9%					
Net Enrollment Rate (including private)				53.5%				13.9%									

^a EDUCO counts included in rural totals.

^b Correct age students only.

Sources: Ministry of Education, Information Unit

World Bank, 1994, "El Salvador, Community Education Strategy: Decentralized School Management."

**Table 9. Public Sector Teachers and Sections
in Preschool and Basic Education**

	URBAN	RURAL	EDUCO ^a
PUBLIC PRESCHOOL			
Students	47,615	44,410	12,608
Teachers	907	1,460	394
Sections	1,472	1,454	394
Teachers/Students	0.02	0.03	0.03
Students/Section	32.35	30.54	32.00
Sections/Teacher	1.62	1.00	1.00
PUBLIC BASIC (1st/2nd CYCLES)			
Students	334,119	421,962	29,304
Teachers	10,822	8,145	917
Sections	9,674	14,369	394
Teachers/Students	0.03	0.02	0.03
Students/Section	34.54	29.37	74.38
Sections/Teacher	0.89	1.76	0.43
PUBLIC BASIC (3rd CYCLE)			
Students	117,368	45,492	
Teachers	3,596	1,408	
Sections	3,497	1,573	
Teachers/Students	0.03	0.03	
Students/Section	33.56	28.92	
Sections/Teacher	0.97	1.12	

Note: Calculations of Teachers/Students, Students/Section and Sections/Teacher are averages.
They do not take into account teachers who teach more than one section.

^a EDUCO counts included in rural totals.

Sources: Annex 1. Tables 1.2, 7, and 8.

Table 10. Teacher Population by Level, 1994

Departments	Docente I	Docente II	Docente III	Total
Ahuachapán	841	167	40	1,048
Santa Ana	1,830	436	96	2,362
Sonsonate	1,070	287	72	1,429
WESTERN REGION	3,741	890	208	4,839
Chalatenango	1,037	150	66	1,253
La Libertad	1,816	468	99	2,383
San Salvador	4,557	1,616	396	6,569
Cuscatlán	755	157	30	942
La Paz	1,229	194	68	1,491
Cabañas	665	63	25	753
San Vicente	930	183	63	1,176
CENTRAL REGION	10,989	2,831	747	14,567
Usulután	1,558	374	110	2,042
San Miguel	2,209	585	179	2,973
Morazán	741	105	39	885
La Unión	984	219	51	1,254
EASTERN REGION	5,492	1,283	379	7,154
TOTAL	20,222	5,004	1,334	26,560

Docente I: Teachers with pre-service training to teach preschool and primary education. (grades 1 through 6)

Docente II: Teachers with pre-service training to teach the last grades of basic education (grades 7 through 9).

Docente III: Teachers prepared to teach secondary education.

Source: Ministry of Education, General Directorate of Human Resources.

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Table 11. EDUCATION ATTAINMENT, 1993							
Years of Schooling (percent)							
	None	1 - 3	4 - 6	7 - 9	10 - 12	13+	Total
Male	24	19	22	16	12	7	100
Female	30	19	20	13	12	6	100
Total	27	19	21	15	12	6	100

Note: Population 15 years or older

Source: Encuesta de Hogares de Propósitos Múltiples, 1992-1993

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Table 12. LITERACY RATES, 1993 (percent)	
Total	75
Male	78
Female	72

Note: Population 13 years or older

Source: Encuesta de Hogares de Propósitos Múltiples, 1992-1993

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Table 13. Population by Age Group					
Age	1980	1985	1990	1995 ^a	2000 ^b
0 - 4	790373	788195	839679	952399	1050366
5 - 9	687934	747805	763324	821867	935623
10 - 14	603282	658898	730931	752815	812767
15 - 19	498259	545953	621584	707598	732881
20 - 24	392004	393763	483496	582536	673382
Total ^b	4525400	4767569	5251678	5943260	6739295

^a Projections.

^b Population of country as a whole.

Source: CELADE, 1991.

Table 14. Average Annual Population Growth by Age Group (percent)				
Age	80 - 85	85 - 90	90 - 95 ^a	95 - 00 ^a
0 - 4	-0.06	1.27	2.52	1.95
5 - 9	1.67	0.41	1.48	2.59
10 - 14	1.76	2.08	0.59	1.53
15 - 19	1.83	2.59	2.59	0.70
20 - 24	0.09	4.11	3.73	2.90
Total	1.04	1.93	2.47	2.51

^a Projections.

Note: Expected average annual population growth could be overestimated.

According to MIPLAN, aggregate population growth could be smaller for all groups (something close to 35 percent)

Source: CELADE, 1991

Table 15. Female Population by Age Group

	1980	1985	1990	1995 ^a	2000 ^a
0 - 4	388,642	386,614	408,134	460,440	508,510
5 - 9	339,122	367,059	373,599	398,200	451,103
10 - 14	298,244	324,229	359,751	369,111	394,313
15 - 19	250,654	269,336	311,724	352,162	362,637
20 - 24	202,432	204,501	248,541	299,294	341,418
Total^b	2,291,630	2,414,330	2,677,250	3,028,718	3,490,280

Female Population as Percentage of Total Population by Age Group

	1980	1985	1990	1995 ^a	2000 ^a
0 - 4	49	49	49	48	48
5 - 9	49	49	49	48	48
10 - 14	49	49	49	49	49
15 - 19	50	49	50	50	49
20 - 24	52	52	51	51	51
Total	51	51	51	51	51

^a Projections.

^b Total female population in the country.

Source: CELADE, 1991.

Table 16. SALARIES AND MONTHLY INCOME
BY GENDER AND NUMBER OF YEARS OF STUDY

Years of Study	SALARIES			INCOME		
	Male	Female	Total	Male	Female	Total
0	628.94	531.67	583.54	786.86	643.42	732.26
1 - 3	776.90	583.11	694.45	1,002.53	708.78	893.40
4 - 6	956.14	655.09	834.55	1,066.64	795.55	963.25
7 - 9	1,133.29	787.78	1,009.85	1,190.36	954.00	1,108.51
10 - 12	1,627.03	1,208.55	1,435.38	1,816.99	1,330.27	1,596.67
13+	2,863.97	1,825.26	2,412.92	3,721.06	2,070.27	3,009.88
Other	962.15	744.14	861.18	842.63	1,178.98	972.87
Total	11,138.03	816.16	1,901.54	1,278.74	951.24	1,151.92

Note : Colones.

* Includes only employed people.

Source : Encuesta de Hogares de Propósitos Múltiples, 1992-1993

Ministerio de Planificación y Coordinación del Desarrollo Económico y Social.

Table 17. EL SALVADOR ENROLLMENT BY GRADE, SECTOR, ZONE AND GENDER 1993

PRESCHOOL											
Urban Public			Rural Public*			Urban Private			Rural Private		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
4	6,594	7,094	13,688	4,318	4,643	8,961	4,083	4,379	8,462	323	327
5	7,817	8,321	16,138	7,556	8,090	15,646	5,656	5,794	11,450	645	666
6	8,707	9,082	17,789	9,856	9,947	19,803	5,619	5,349	10,968	620	562
Total	23,118	24,497	47,615	21,730	22,680	44,410	15,358	15,522	30,880	1,588	1,555

BASIC EDUCATION											
Urban Public			Rural Public*			Urban Private			Rural Private		
Grade	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
1	39,279	37,066	76,345	63,584	78,119	141,703	10,123	9,274	19,397	1,729	1,435
2	27,467	26,955	54,422	41,455	47,091	88,546	8,385	7,715	16,100	1,387	1,149
3	27,169	26,974	54,143	33,493	33,306	66,799	7,911	7,382	15,293	1,233	1,052
4	26,272	26,715	52,987	26,681	25,668	52,349	7,534	7,395	14,929	1,218	969
5	24,523	25,399	49,922	20,761	19,670	40,431	7,107	6,945	14,052	1,048	881
6	22,335	23,965	46,300	16,592	15,542	32,134	6,932	6,862	13,794	924	807
7	22,214	22,258	44,472	9,942	9,247	19,189	6,812	6,855	13,667	754	578
8	18,783	20,421	39,204	7,688	7,047	14,735	6,555	6,414	12,969	660	449
9	15,999	17,693	33,692	5,823	5,745	11,568	5,958	6,420	12,378	548	363
Total	224,041	227,446	451,487	226,019	241,435	467,454	67,317	65,262	132,579	9,501	7,683

* Includes EDUCO enrollment.

Source: Unidad de Informática, Ministerio de Educación.

Table 18. HIGHEST LEVEL OF SCHOOLING ATTAINED (%)

Country	Year	Age Group	None	Not Completed		1st Stage	2nd Stage	Post-Secondary
				Primary	Completed			
Belize	1991	25+	12.8	63.3		14.7		9.2
Bolivia	1976	25+	48.6	28.5		10.8	7.1	5.0
Brazil ^a	1989	10+	18.7	57.0	6.9	11.9		
Chile	1982	25+	9.4	55.6		26.9	5.5	7.2
Cuba	1981	25 - 49	3.7	22.6	27.6	40.2		5.9
Ecuador	1990	25+	2.2	54.3		28.0		15.5
El Salvador ^b	1993	25+	34.5	21.0	19.7	9.0	9.2	6.5
Guatemala	1981	25+	54.7	27.1	8.6	4.8	2.5	2.2
Haiti	1986	25+	59.5	30.5		9.3		0.7
Honduras ^c	1983	25+	33.5	51.3		4.3	7.6	3.3
Mexico	1990	25+	18.8	28.6	19.9	12.7	10.7	9.2
Panama	1990	25+	12.9	20.0	21.6	17.2	11.5	16.8
Paraguay ^d	1982	25+	14.2	51.0	15.4	16.0		3.4
Peru ^e	1981	25+	24.0	27.3	17.2	10.7	10.7	10.1
Uruguay	1985	25+	62.4			28.6		9.0
Venezuela ^f	1990	25+	21.2	55.0		12.0		11.8

^a Does not include rural population of the region in the north of Brazil.

^b Category "completed primary" includes individuals who entered the 2nd cycle of Basic Education, but did not complete it.
^c Based on a sample survey referring to 51,372 persons.
^d Persons who did not state their level of education have been included in the category "no schooling."

Sources: El Salvador: Encuesta de Hogares de Propósitos Múltiples, 1992-1993. All others: UNESCO, Statistical Yearbook, 1994.

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Table 19. RETURNS TO INVESTMENT IN EDUCATION BY LEVEL

	Year	Social			Private		
		Primary	Secondary	Higher	Primary	Secondary	Higher
Bolivia	1989	9.3	7.3	13.1	9.8	8.1	16.4
Brazil	1989	35.6	5.1	21.4	36.6	5.1	28.2
Chile	1989	8.1	11.1	14.0	9.7	12.9	20.7
Colombia	1989	20.0	11.4	14.0	27.7	14.7	21.7
Costa Rica	1989	11.2	14.4	9.0	12.2	17.6	12.9
Dominican Republic	1989	—	—	—	85.1	15.1	19.4
Ecuador	1987	14.7	12.7	9.9	17.1	17.2	12.7
El Salvador	1990	16.4	13.3	8.0	18.9	14.5	9.5
Guatemala	1989	—	—	—	33.8	17.9	22.2
Honduras	1989	18.2	19.7	18.9	20.8	23.3	25.9
Mexico	1984	19.0	9.6	12.9	21.6	15.1	21.7
Panama	1989	—	—	—	5.7	21.0	21.0
Paraguay	1990	20.3	12.7	10.8	23.7	14.6	13.7
Peru	1990	—	—	—	13.2	6.6	40.0
Uruguay	1989	21.6	8.1	10.3	27.8	10.3	12.8
Venezuela	1989	23.4	10.2	6.2	36.3	14.6	11.0
Latin America		17.9	12.8	12.3	26.2	16.8	19.7

Table 20. RETURNS TO EDUCATION BY GENDER

	Year	Male	Female
Bolivia	1989	7.3	7.7
Brazil	1989	15.4	14.2
Chile	1989	12.1	13.2
Colombia	1989	14.5	12.9
Costa Rica	1989	10.5	13.5
Dominican Republic	1989	7.8	12.0
Ecuador	1987	9.8	11.5
El Salvador	1990	9.6	9.8
Guatemala	1989	14.2	16.3
Honduras	1989	17.2	19.8
Mexico	1984	14.1	15.0
Nicaragua	1978	8.5	11.5
Panama	1989	12.6	17.1
Paraguay	1990	10.3	12.1
Peru	1990	8.5	6.5
Uruguay	1989	9.0	10.6
Venezuela	1989	8.4	8.0

— Not available.

Source: Psacharopoulos, G. 1993. "Returns to Investment in Education: A Global Update."

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Table 21. PERCENTAGE OF 1989 COHORT REACHING

	Grade 2			Grade 4			Final Grade			Coefficient of Efficiency
	Total	Male	Female	Total	Male	Female	Total	Male	Female	
Bolivia	84	85	83	69	71	67	44	47	41	0.64
Brazil ^b	77			50			20			0.38
Chile ^b	98	98	98	95	95	95	77	73	80	0.83
Colombia	80	78	81	63	60	65	56	53	59	0.66
Costa Rica	95			89			79			0.78
Cuba	98			92			89			0.92
Dominican Republic	64			50			14			0.24
Ecuador	81	81	81	71	70	72	63	63	65	0.78
El Salvador	74	73	75	52	52	53	24	24	23	0.43
Guatemala	68			46			36			0.59
Haiti	80	80	80	55	55	55	39	40	38	0.53
Honduras ^b	68	63	72	47	42	52	34	30	23	0.59
Mexico	90			82			72			0.77
Nicaragua	76			57			41			0.54
Panama	92	92	93	85	83	88	79	76	82	0.81
Paraguay	90	90	90	76	75	76	59	57	60	0.68
Uruguay	100	100	100	98	97	99	93	91	94	0.86
Venezuela	100			94			48			0.53

^a Ratio between the theoretical number of pupil-years that it would have taken to graduate the cycle of education, had there been no repetition or drop-out, and the number of pupil-years actually spent by the cohort.

^b Data on repeaters not included.

Source: UNESCO. World Education Report 1993.

Table 22. PUPIL-TEACHER RATIO

	First Level			Second Level		
	# of Years	1980	1990	# of Years	1980	1990
Belize	8	25	25	4	16	14
Bolivia	8	20	25	4	—	18
Brazil	8	26	23	3	14	14
Chile	8	33	29	4	—	17
Colombia	5	31	30	6	20	20
Costa Rica	6	33	32	5	19	19
Cuba	6	17	13	6	13	10
Dominican Republic	8	50	41	4	—	—
Ecuador	6	36	29	6	17	—
El Salvador	9	48	40	3	24	28
Guatemala	6	37	34	6	14	15
Haiti	6	44	29	6	23	20
Honduras	6	37	38	5	28	—
Mexico	6	39	31	6	18	17
Nicaragua	6	35	33	5	33	24
Panama	6	27	20	6	21	19
Paraguay	6	27	25	6	—	—
Peru	6	37	38	5	25	21
Uruguay	6	22	22	6	—	—
Venezuela	9	26	23	2	—	9

Source: UNESCO. World Education Report 1993.

Table 23. PERCENTAGE OF AGE GROUP ENROLLED IN EDUCATION

	PRIMARY				SECONDARY				TERTIARY	
	Total		Female		Total		Female			
	1970	1991 ^a	1970	1991 ^a	1970	1991 ^a	1970	1991 ^a	1970	1991 ^a
Bolivia	76	85	62	81	24	34	20	31	13	23
Brazil	82	106	82	--	26	39	26	--	12	12
Chile	107	98	107	97	39	72	42	75	13	23
Colombia	108	111	110	112	25	55	24	60	10	14
Costa Rica	110	103	109	102	28	43	29	45	23	28
Dominican Republic	100	--	100	--	21	--	--	--	--	--
Ecuador	97	--	95	--	22	--	23	--	37	20
El Salvador	85	76	83	77	22	25	21	27	4	16
Guatemala	57	79	51	73	8	28	8	--	8	--
Honduras	87	105	87	107	14	19	13	34	8	9
Mexico	104	114	101	112	22	55	17	55	14	15
Nicaragua	80	101	81	104	18	44	17	46	14	10
Panama	99	106	97	105	38	60	40	62	22	24
Paraguay	109	109	103	108	17	30	17	31	9	8
Peru	107	126	99	--	31	70	27	--	19	36
Uruguay	112	108	109	107	59	84	64	--	18	32
Venezuela	94	99	94	100	33	34	34	40	21	30
Latin America ^b	95	106	94	105	28	47	26	54	15	18

-- Not available.

^a Or most recent year.

^b Weighted by population.

Source: World Bank, 1994, *World Development Report*.

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EL SALVADOR BASIC EDUCATION MODERNIZATION PROJECT
BASIC EDUCATION PUBLIC FINANCING AND FINANCIAL
IMPACT OF THE PROJECT¹

1. Basic education enrollment in El Salvador increased 24 percent between 1991 and 1993, reaching 1.19 million children at the end of this period. El Salvador's net enrollment deficit in basic education remains high (34 percent) and disparities between rural and urban enrollment persist. While net enrollment in preschool and the 3rd cycle have reached 46 percent and 53.4 percent, respectively, in urban areas, it is about half as much as that in rural areas - 24.5 percent and 13.8 percent, respectively.
2. Education expenditure as a share of both gross domestic product (GDP) and central Government expenditure has steadily declined since 1981. Its share of GDP decreased from 3.6 percent in 1981 to 2.0 percent in 1994. This reflects the fact that total government expenditure fell from nearly 20 percent of GDP in the early 1980s to 13 percent in 1993 while, at the same time, the education share of the budget declined by more than half during the same time period (see Figure 1).
3. There are several issues of concern in El Salvador's education budget:
 - (a) Investment expenditures have been drastically reduced, and only partially executed. In contrast, recurrent expenditures have been almost fully executed as budgeted, and their share has increased to nearly 90 percent of the budget.
 - (b) In El Salvador, the percentage of the Government's education expenditure is less than its Central American neighbors.
 - (c) El Salvador allocates proportionately more resources than its neighbors to basic education, however, its expenditure on secondary education is low compared to other Central American nations.
 - (d) There is a high private sector share in secondary education (55 percent in 1993) and transfers to the University of El Salvador are very low for regional standards (an average of 0.19 percent of GDP in the last five years)
 - (e) Teacher salaries in real terms have steadily declined since 1980. Between 1984 and 1992 per capita income rose by 5.4 percent while teacher wages fell by 50 percent. The purchasing power of teacher wages in 1992 was 32 percent of its level in 1980. Hence, in the last decade teaching became less attractive for young people in the job market.²
 - (f) The key education investments in the last four years have been financed by international donors in projects associated with considerable technical assistance programs.
4. In summary, in El Salvador the amount of resources being allocated to education have been reduced in the past 20 years, and concentrated in basic education. Most of those resources are being used to cover recurrent expenditures. Additionally, there has been a sharp deterioration in teacher remuneration, and El Salvador has shown a limited managerial capacity to undertake investment projects.

¹ This annex refers only to public expenditures because there is no available information about private education sector finances.

² There is some evidence that suggests that teachers in the traditional system have high absenteeism. But even adjusting teacher salaries by the net hours worked, real wages declined by about 50 percent between 1980 and 1992.

5. Repetition and dropouts are costly for El Salvador. In 1994, the average per student annual cost was around US\$149. However, due to repetition, a child spends an average of 5 years longer than necessary to complete the primary level costing as much as US\$37 million per year, that is, almost one-fourth of the total government expenditure in basic education. Between repeating grades and temporarily dropping out of school, a child needs, on average, 19 years to complete a 9 year cycle.

GOVERNMENT GOALS FOR ENROLLMENT IN BASIC EDUCATION, 1995 - 1999:

6. El Salvador's basic education goals for 1995-1999 include: (a) increasing preschool rural enrollment from 24.5 percent in 1993 to 40 percent in 1999; (b) raising enrollment in the 1st and 2nd cycles from 83 percent in 1993 to 90 percent in 1999; and (c) reducing overage students in basic education from 29.2 percent in 1993 to 15.3 percent in 1999. No specific target has been set for increasing enrollment in the 3rd cycle which is currently 32.8 percent (net enrollment).
7. Calculations of the cost of meeting the goals are based on the following assumptions:
- (a) GOES's Economic Plan for the next five years anticipates an annual economic growth of 7 percent per year. To avoid distortions implicit in this assumption, estimations of recurrent costs (cost per student involving all inputs) were made as a percentage of GDP. The estimation of capital costs (investment) was made under two scenarios, 7 percent and 3 percent GDP growth.
 - (b) The school-age population is assumed to grow by 2 percent annually. This projected growth is larger than the Ministry of Education's (MINED's) projections of 1.95 percent growth rate for 4-6 year olds and 1 percent for 7-12 year olds.
 - (c) Sections³ are assumed to have 32 students, the average number of students in EDUCO schools.
 - (d) Since increased coverage will focus on schools in rural areas and in small towns, it is assumed that EDUCO will play a fundamental role. Some of the planned expansion will be based on adding a second session to the already existing infrastructure. Because teachers receive a premium of 43 percent of their base salary for teaching a second session, the expansion of the EDUCO system through adding a second session can be achieved with a 43 percent increase in base salaries, far below from the cost of opening a new EDUCO session.⁴
 - (e) The simulation allowed for increases in expenditures in the 3rd cycle of the basic level and on the secondary level due to the natural increase in the population and for the preservation in real terms of other educational programs.
8. Based on the above, the projected cost of meeting the government's medium-term goals is projected in Table 1:

³ A section is a group of students under the charge of a teacher.

⁴ The recurrent cost of a new EDUCO section is assumed to be \$32,800 colones (of 1994) per year. Teacher salaries are, by far, the important recurrent cost of the EDUCO program.

Table 1. Projected Public Expenditures on Education, 1995-1999 (% of GDP)						
	Scenario 1 (GDP growth 3 %)			Scenario 2 (GDP growth 7%)		
Year	Recurrent costs	Capital costs	Total	Recurrent costs	Capital costs	Total
1995	2.0%	0.8%	2.9%	2.0%	0.4%	2.4%
1996	2.0%	1.2%	3.2%	2.0%	0.5%	2.5%
1997	2.1%	1.2%	3.3%	2.1%	0.5%	2.6%
1998	2.2%	1.2%	3.4%	2.2%	0.5%	2.7%
1999	2.2%	1.2%	3.4%	2.2%	0.5%	2.7%
Note: For a detailed presentation of the methodology, see Ariana "Education Program for El Salvador," 1995.						

9. These public expenditures will provide for the implementation of the Government expansion of the education system as described in paragraph 6 and investment financed by other donors (0.15 percent under the scenario 1 and 0.35 under scenario 2). For a specific assessment of counterpart funds for the project see the Project Cost Annex.

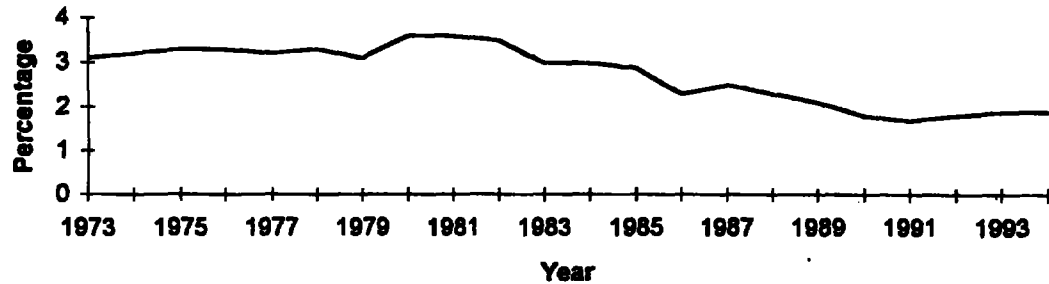
EDUCATION BUDGET 1995-99:

10. MINED's total expenditure plan, under the assumption of a 7 percent growth in GDP, aims at annual education investments of 0.5 percent of GDP during the next 5 years. Approximately 80 percent of the investments will be used for infrastructure, equipment and training. The remaining 20 percent will be used for recurrent expenditures associated with the investments, in particular with didactic materials.
11. The public sector would have to generate revenues and assist MINED in: (a) covering the incremental recurrent costs associated with these investment plans; (b) paying for the enrollment increment program; (c) improving teacher salaries (real), under the assumption that an adequate structure of incentives is adopted; and (d) paying for the passive growth of actual expenditures. In order to fulfill these goals it will be necessary that the education budget reach between 2.7 and 3.4 percent at the beginning of the next century depending on the rate of GDP growth and the wage policy adopted for teachers in the traditional system. (See table 8).
12. The emphasis of government programs will change the composition of expenditure among levels of education, favoring preschool and basic at the cost of secondary and higher education. In the above scenarios, the share of education expenditures channeled to preschool and basic education would climb from 76 percent of the total in 1992 to 79 percent in 1999. The remainder of education expenditures goes to secondary education (9 percent), vocational training (2 percent), adult education (1 percent), and the university (9 percent). The program will reduce the share of private education in preschool from 27 percent in 1993 to 22 percent in 1999, will reduce slightly its share in basic education, and will increase its share in secondary school from 55 percent in 1993 to 56 percent in 1999.
13. The ability of the Government to increase education expenditures hinges on: (a) implementation of sound macroeconomic policies; (b) the effective increase tax revenues; and (b) a substantial increase in the surplus of public enterprises. The government expects that total revenues will reach 18 percent of GDP in 1999; if this target is reached it will not be necessary to raise the share of education expenditure on

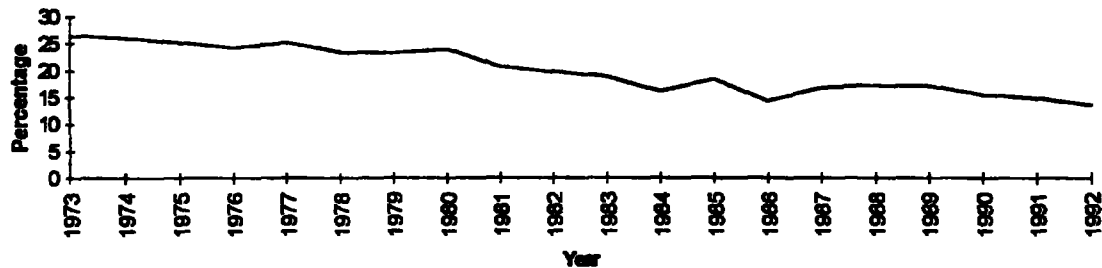
central government expenditure. But any figure lower than 18 percent in total revenues would imply that the education goals should be pursued at the cost of other sectors.

14. As mention in annex 3, the expected reduction in repetition rates can yield savings up to 37 percent of the education costs per graduate in grades 1 through 6 and 21 percent in grades 7 through 9. Under a very conservative assumption, the process will reduce repetition rates by 25 percent (one year for 1st and 2nd cycles). The reduction in repetition would be equivalent to savings of US\$9 million per year. Those savings will be an additional source for funding the expansion of education services.

Education Expenditure as % of GDP



Education Expenditure as % of Government Expenditure



Teacher Wage Index (1978=100)

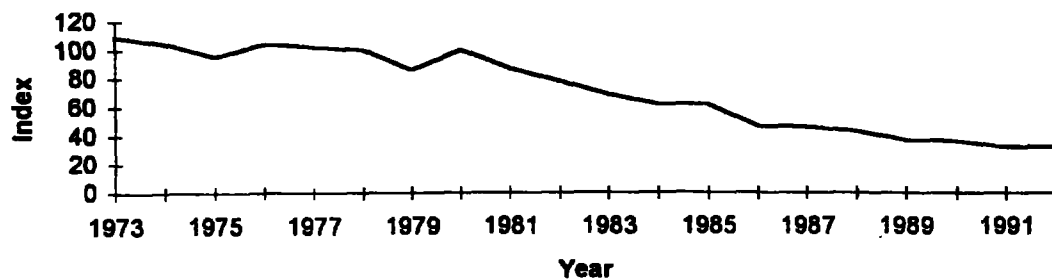


Table 2. El Salvador: Public Expenditures on Education 1973-1994 (in millions of current colones)						
Year	Expenditures (ordinary budget) ^a	Expenditures (extraordinary budget)	Unbudgeted USAID-financed expenditures	Total	GDP	Education expenditures (% of GDP)
1973	124			124	3,332	3.7
1974	157			157	3,944	4.0
1975	176			176	4,478	3.9
1976	223			223	5,706	3.9
1977	266			266	7,167	3.7
1978	292			292	7,692	3.8
1979	308			308	8,607	3.6
1980	355			355	8,917	4.0
1981	347			347	8,647	4.0
1982	338			338	8,966	3.8
1983	328	4	4	336	10,152	3.3
1984	374	4	0	378	11,657	3.2
1985	427	17	12	456	14,331	3.2
1986	472	7	29	508	19,763	2.6
1987	536	40	51	627	23,141	2.7
1988	566	47	60	673	27,366	2.5
1989	647	62	31	740	32,230	2.3
1990	754	33	15	802	41,057	2.0
1991	825	31	20	876	47,792	1.8
1992	912	131	15	1,058	54,583	1.9
1993 ^b	1,063	257	N/A	1,320	66,239	2.0
1994 ^b	1,296	210	N/A	1,506	76,840	2.0

^a Includes expenditures by the Ministry of Education and transfers to the University of El Salvador. Excludes current expenditures on education, of 0.1-0.2% of GDP, by other public sector entities.

^b Estimated.

Sources: Jorge Quintana, "Economía de la Educación," May 1993.
Secretaría Técnica de Financiamiento Externo (SETEFE)
Daniel Artana, "El Programa Educativo del Gobierno de El Salvador," February 1995.

Table 3. El Salvador: Evolution of GDP and Fiscal Variables.				
Year	Real GDP Growth Rate (%)	Central Govt. as % of GDP		
		Revenues	Spending	Educ. Spending
1984		13.3	19.8	3.2
1985	1.6	13.9	17.8	3.2
1986	0.7	14.5	19.4	2.6
1987	2.4	11.4	15.2	2.7
1988	1.5	10.2	14.6	2.5
1989	1.6	8.3	13.1	2.3
1990	3.0	8.4	11.9	2.0
1991	3.9	9.2	13.8	1.8
1992	4.9	10.0	14.7	1.9
1993	5.7	10.1	13.1	2.0

Source: Inter-American Development Bank.

Table 4. Average Costs Per Student in Traditional Sections, Preschool and 1st Cycle Basic^a, 1994

Operating Expenses		Source
Personnel Services ^b	\$102.54	Official Expenses, Education Branch, IBRD Report
Classroom Supplies	\$2.06	Directorate for Educational Materials
Books/Student Materials ^c	\$1.66	Directorate for Educational Materials
Teacher Training	\$4.95	Annual Programming Costs for EDUCO Sections
<i>Subtotal</i>	<i>\$111.21</i>	
Administrative Expenses		
Central	\$7.24	IBRD Report
Regional	\$2.75	IBRD Report
Local (ACE)	\$0.00	
Teacher Supervision	\$0.83	Annual Programming Costs for EDUCO Sections
<i>Subtotal</i>	<i>\$10.82</i>	
Annualized Capital Expenses		
Construction	\$9.10	Costs of Typical, Social Investment Fund
Furniture and Equipment	\$12.67	Straight Line Depreciation, 75 Year Life
Maintenance	\$4.52	Straight Line Depreciation, 20 Year Life
School Library	\$0.48	Alberto Zuniga, Evaluation Unit, IBRD
<i>Subtotal</i>	<i>\$26.77</i>	Straight Line Depreciation, 10 Year Life
Total Per Student	\$148.80	
Total Section of 31 Students	\$4,612.75	

^a Assumes 32 students per section. (Source: Ministry of Education, Directorate for Planning and Statistics)

^b Weighted average across teachers in the three pay scales (Docente I, II, and III).

^c Assumes five year replacement cycle for books and student materials.

Source: "An Analysis of the Unit Costs of Preschool and Primary School Education in El Salvador," Melamid, Sastry and Ross, RAND Corporation, April 1995.

Table 5. Expenditure on Education in Various Countries

	Year	% of Central Govt. Budget	Distribution of Government Expenditure (%)			
			Preschool	Primary	Secondary	Higher
El Salvador	1993	14	5	71	9	15
Costa Rica	1991	19	-	43	23	34
Guatemala	1990	20	-	54	18	28
Honduras	1992	15	-	61	22	17
Nicaragua	1992	18	-	57	8	35
Mexico	1991	14	-	39	35	26
Panama	1992	17	-	45	22	33

Notes: Higher education includes 10 percent for the University of El Salvador, 3 percent for training and 2 percent for adult education.

Source: Dewees et al. 1995, and World Bank.

Table 6. Expenditure per Student as Percentage of Per Capita GDP, 1988		
	Preschool	Basic
El Salvador	6	9
Honduras	12	2
Ecuador	6	11
Nicaragua	13	22
Latin America	9	12
Africa	14	60
Asia	11	18
World	14	30
Source: Costos Beneficios y Financiamiento de la Educación Deweese, A., S. Kless, and J. Quintana in <i>Educación en El Salvador, de Cara al Siglo XXI</i> .		

Table 7. Number of Years to Produce A Graduate		
	Years Per Level	Actual Years Required
Preschool		
Basic (grades 1-9)	9	19.4
1st/2nd Cycles	6	10.1
3rd Cycle	3	3.9
Sources: Costos Beneficios y Financiamiento de la Educación. Melamid, E. et al. "An Analysis of the Unit Costs of Preschool and Primary School in El Salvador," World Bank.		

Table 8. Estimated Cost of Expanding Preschool and Basic Education Services with 7 % GDP growth ^a					
Teacher Salary Growth Scenarios	1995	1996	1997	1998	1999
Teacher salary growth = 0	2.3%	2.3%	2.3%	2.2%	2.1%
EDUCO Teacher salary growth = GDP growth	2.3%	2.4%	2.3%	2.3%	2.2%
All teachers salary growth = GDP growth	2.4%	2.6%	2.6%	2.7%	2.7%
Percentage of Investment ^b	0.4%	0.5%	0.5%	0.5%	0.5%
Project Cost Absorption ^b	0.04%	0.08%	0.12%	0.16%	0.16%
Enrollment Goals ^c					
Preschool	29.7%	32.3%	34.6%	37.4%	40.0%
Basic	85.3%	86.5%	87.7%	88.8%	90.0%
^a Other levels of education would be expanded to maintain current levels of coverage.					
^b For all scenarios.					
^c Percentage of coverage.					

Table 9. Non-financial Public Sector (% of GDP)

	Monetary Program		Medium Term Outlook	
	1994	1995	1995	1999
Current Revenues	15.2	15.8	16.3	17.6
Operating Surplus	1.4	1.9	1.8	3.1
Capital Revenues	0.3	0.2	0.2	0.0
Donations	1.4	1.1	1.7	0.1
TOTAL INCOME	16.8	17.1	18.2	17.7
Current Expenditures	13.2	13.3	13.3	13.1
Capital Expenditures	4.1	5.0	7.3	5.5
TOTAL EXPENDITURES	17.3	18.3	20.6	18.6
Net Financing				
External	2.1	1.5	2.7	1.8
Internal	(1.6)	(0.4)	(1.0)	(2.2)
External Gap	0.0	0.0	0.8	1.3

Source: "Plan Desarrollo Económico y Social 1994," and "Programa Monetario."

Table 10. Public Sector Revenue (% of GDP)

	Monetary Program	Medium Term Outlook	
	1994	1995	1999
Tax Revenues	10.87	11.39	11.85
Income Tax	2.57	3.24	3.80
VAT	4.63	4.96	4.99
Imports	2.11	2.05	2.02
Other	1.56	1.14	1.05
Non Tax Revenues	2.90	3.03	2.69
Public Enterprise Operating Surplus	1.43	1.83	3.09
Transfers to Central Government		0.20	1.20

Source: "Plan Desarrollo Económico y Social 1994," and "Programa Monetario."

Table 1: Components by Financiers (US\$000)				
	BID	Local		TOTAL
		GOES	BIRF	
Expansion of Access to Education Services				
Expansion in Rural Areas	5,200	800		6,000
Strengthening the EDUCO Program			6,500	6,500
Subtotal	5,200	800	6,500	12,500
Improvement in Education quality				
Curriculum Improvement		100	1,300	1,400
Textbooks and Didactic Materials				
Textbooks	17,900	2,000		19,900
Didactic Materials		1,275	11,400	12,675
In-service Teacher Training System	9,500	1,275		10,775
Education Assessment System			3,000	3,000
School Health and Nutrition Program		200	1,300	1,500
Subtotal	27,400	4,850	17,000	49,250
Institutional Modernization				
Modernization of MINED		1,800	8,100	9,900
Communications	1,300	200		1,500
Education Innovations				
Basic Education Fund Program	1,700	200		1,900
Design of Secondary Education Reforms	500			500
Subtotal	3,500	2,200	8,100	13,800
IDB Loan Inspection and Supervision	373			373
Project Coordination and Management	827	1,050	2,400	4,277
Subtotal	1,200	1,050	2,400	4,650
TOTAL	37,300	8,900	34,000	80,200

NOTE: Costs include price and physical contingencies

Table 1A: Components by Financiers (US\$000,000)				
	BID	Local		TOTAL
		GOES	BIRF	
Expansion of Access to Education Services				
Expansion in Rural Areas	5.2	0.8	0.0	6.0
Strengthening the EDUCO Program	0.0	0.0	6.5	6.5
Subtotal	5.2	0.8	6.5	12.5
Improvement in Education quality				
Curriculum Improvement	0.0	0.1	1.3	1.4
Textbooks and Didactic Materials				
Textbooks	17.9	2.0	0.0	19.9
Didactic Materials	0.0	1.3	11.4	12.7
In-service Teacher Training System	9.5	1.3	0.0	10.8
Education Assessment System	0.0	0.0	3.0	3.0
School Health and Nutrition Program	0.0	0.2	1.3	1.5
Subtotal	27.4	4.9	17.0	49.3
Institutional Modernization				
Modernization of MINED	0.0	1.8	8.1	9.9
Communications	1.3	0.2	0.0	1.5
Education Innovations				
Basic Education Fund Program	1.7	0.2	0.0	1.9
Design of Secondary Education Reforms	0.5	0.0	0.0	0.5
Subtotal	3.5	2.2	8.1	13.8
IDB Loan Inspection and Supervision	0.4	0.0	0.0	0.4
Project Coordination and Management	0.8	1.1	2.4	4.3
Subtotal	1.2	1.1	2.4	4.7
TOTAL	37.3	8.9	34.0	80.2

NOTE: Costs include price and physical contingencies

Table 1B: Composition of Expenditures by Financiers (%)				
	BID	Local		TOTAL
		GOES	BIRF	
Expansion of Access to Education Services				
Expansion in Rural Areas	13.9%	9.0%		7.5%
Strengthening the EDUCO Program			19.1%	8.1%
Subtotal	13.9%	9.0%	19.1%	15.6%
Improvement in Education quality				
Curriculum Improvement		1.1%	3.8%	1.7%
Textbooks and Didactic Materials				
Textbooks	48.0%	22.5%		24.8%
Didactic Materials		14.3%	33.5%	15.8%
In-service Teacher Training System	25.5%	14.3%		13.4%
Education Assessment System			8.8%	3.7%
School Health and Nutrition Program		2.2%	3.8%	1.9%
Subtotal	73.5%	54.5%	50.0%	61.4%
Institutional Modernization				
Modernization of MINED		20.2%	23.8%	12.3%
Communications	3.5%	2.2%		1.9%
Education Innovations				
Basic Education Fund Program	4.6%	2.2%		2.4%
Design of Secondary Education Reforms	1.3%			0.6%
Subtotal	9.4%	24.7%	23.8%	17.2%
IDB Loan Inspection and Supervision	1.0%			0
Project Coordination and Management	2.2%	11.8%	7.1%	5.3%
Subtotal	3.2%	11.8%	7.1%	5.8%
TOTAL	100.0%	100.0%	100.0%	100.0%

NOTE: Costs include price and physical contingencies

Table 2: Components by Financiers (US\$000)

	BID	Local		TOTAL
		GOES	BIRF	
Expansion of Access to Education Services				
Expansion in Rural Areas	4,573	703		5,276
Strengthening the EDUCO Program		0	5,975	5,975
Subtotal	4,573	703	5,975	11,251
Improvement in Education quality				
Curriculum Improvement		91	1,186	1,277
Textbooks and Didactic Materials				
Textbooks	15,925	1,690		17,615
Didactic Materials		1,149	10,080	11,229
In-service Teacher Training System	8,422	1,153		9,575
Education Assessment System		0	2,945	2,945
School Health and Nutrition Program		195	1,270	1,465
Subtotal	24,347	4,279	15,481	44,108
Institutional Modernization				
Modernization of MINED		1,667	7,501	9,168
Communications	1,163	179		1,342
Education Innovations				
Basic Education Fund Program	1,700	200		1,900
Design of Secondary Education Reforms	500			500
Subtotal	3,363	2,046	7,501	12,910
IDB Loan Inspection and Supervision	373			373
Project Coordination and Management	705	1,021	2,228	3,955
Subtotal	1078	1021.372	2228.45	4327.822
TOTAL without contingencies	33,361	8,050	31,186	72,597
Contingencies	3,939	850	2,814	7,630
TOTAL	37,300	8,900	34,000	80,200

Table 3 Expenditure Accounts by Financiers		(US\$000)		
	BID	Aporte Local		TOTAL
		GOES	BIRF	
I. Investment Costs				
1.1 Civil Works	5,779	864		6,643
1.2 Equipment, Furniture and Vehicles	1,075	409	2,127	3,610
1.3 Textbooks, Didactic Material and Manuals	18,198	3,337	11,554	33,029
1.4 Micronutrients		78	1,041	1,118
1.5 Teacher, Principals and Supervisors Training	6,429	1,066	1,085	8,580
1.6 Technical Staff Training	20	115	1,005	1,139
1.7 Studies and Technical Assistance	3,137	242	13,138	16,515
1.8 Education Fund	1,687	187		1,874
II. Recurrent Costs				
2.1 Technical Staff Wages	233	927	1,505	2,664
2.2 Other operating costs	429	1,676	2,538	4,644
III. F.I.V	373			373
TOTAL	37,300	8,900	34,000	80,200

Recurrent Costs (in millions)	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
GOES	0.11	0.15	0.62	0.62	1.06	2.56
IDB	0.18	0.26	0.12	0.11	0.04	0.71
IBRD	0.85	1.07	0.84	0.82	0.45	4.03
TOTAL	1.14	1.48	1.58	1.55	1.55	7.30

NOTE: Costs including price and physical contingencies

Table 3 A Expenditure Accounts by Financiers (US\$000)				
	BID	Aporte Local		TOTAL
		GOES	BIRF	
I. Investment Costs				
1.1 Civil Works	5,169	781		5,950
1.2 Equipment, Furniture and Vehicles	962	370	1,951	3,282
1.3 Textbooks, Didactic Material and Manuals	16,222	3,018	10,598	29,839
1.5 Micronutrients		70	954	1,025
1.7 Teacher, Principals and Supervisors Training	5,711	964	1,004	7,680
1.6 Technical Staff Training	18	104	921	1,043
1.7 Studies and Technical Assistance	2,806	219	12,049	15,074
1.8 Education Fund	1,509	170		1,678
Subtotal	32,396	5,696	27,477	65,570
II. Recurrent Costs				
2.1 Technical Staff Wages	208	838	1,381	2,427
2.2 Other operating costs	384	1,516	2,328	4,228
Subtotal	592	2,354	3,709	6,655
III. Contingencies				
3.1 Price Contingencies	1,979	298	985	3,262
3.2 Physical Contingencies	2,560	553	1,829	4,942
Subtotal	3,939	850	2,814	7,603
IV. Inspection and Supervision (F.I.V)	373			373
TOTAL	37,300	8,900	34,000	80,200

Proyect Costs (US \$000) by...	IDB	Aporte Local		TOTAL
		GOES	BIRF	
I. Foreign Currency	22,863	289	14,155	37,307
II. Local Currency	14,437	4,215	19,845	38,497
III. Taxes		4,396		4,396
TOTAL	37,300	8,900	34,000	80,200

Table 4. Tentative Procurement Arrangements, Non-ICB/NCB and Other (US\$ million)

Category	ICB		NCB		Others		Consulting Services		Total	
	IDB	IBRD	IDB	IBRD	IDB	IBRD	IBRD	IDB	IDB	IBRD
Civil Works					6.6 (5.8) ^f				6.6 (5.8)	0.0 (0.0)
Equipment, Vehicles, Furniture ^a	0.6 (0.6)	0.8 (0.8)		0.4 (0.3)	0.5 (0.3) ^g	1.3 (1.2) ^e			1.3 (1.1)	2.3 (2.1)
Textbooks and Educational Materials ^b	17.8 (16.0)	11.4 (10.1) ^c	0.2 (0.2)	0.2 (0.2)	2.0 (1.9) ^{d,k}	1.4 (1.3) ^{d,l}			20.0 (18.1)	13.0 (11.6)
Micronutrients						1.1 (1.0) ^m			0.0 (0.0)	1.1 (1.0)
Training, Tech. Asst. & Studies							10.0 (9.6)	16.2 (15.2)	10.0 (9.6)	16.2 (15.2)
Education Fund					1.9 (1.7) ^f				1.9 (1.7)	0.0 (0.0)
Salaries and Operating Costs					1.1 (0.7)	6.2 (4.0) ^h			1.1 (0.7)	6.2 (4.0)
IDB Inspection and Supervision					0.4 (0.4)				0.4 (0.4)	0.0 (0.0)
Total	18.6 (16.8)	12.0 (10.7)	0.2 (0.2)	0.6 (0.5)	12.5 (10.8)	10.1 (7.5)	10.0 (9.6)	16.2 (15.2)	41.3 (37.3)	38.9 (34.0)

Note: Figures in parentheses are the respective amounts financed by each Bank.

ICB - International Competitive Bidding; NCB - National Competitive Bidding

^a Includes US\$1.2 million for equipment, US\$1.2 million for vehicles, and US\$1.2 million for furniture.

^b Includes texts, library and reference books, printing services for instructional booklets, laboratory kits, education packages, and distribution services.

^c Includes library books to be procured under ICB-2 stage procedures.

^d Includes US\$0.2 million for internal distribution costs.

^e Includes US\$1.2 million for vehicles to be procured under limited international bidding.

^f Includes procurement of materials to be purchased directly by parent associations (ACEs) with funds transferred by the central government to the school.

^g Procurement will be done through limited international bidding. Includes US\$0.1 million for distribution costs.

^h Includes about US\$600,000 for office supplies that would be purchased using NCB and shopping procedures.

ⁱ Procurement procedures will be those used by the Social Investment Fund under the current IDB loan.

^j Procurement will be done through private bidding (invitation to at least five suppliers).

^k Includes printing of manuals for multigrade classes.

^l Does not involve procurement.

**EL SALVADOR BASIC EDUCATION MODERNIZATION PROJECT
TENTATIVE PLAN OF DISBURSEMENTS**

**IDB Estimated Schedule of Disbursements
(US\$ million)**

Bank Fiscal Year	Semester Ending	Disbursed During Semester	Cumulative Disbursement Amount	Disbursement as % of Total	Balance of Loan
96	June 30, 1996	0.0	0.0	0	37.3
97	Dec. 31, 1996	1.8	1.8	10	35.5
	June 30, 1997	1.8	3.6		33.7
98	Dec. 31, 1997	3.2	6.8	27	30.5
	June 30, 1998	3.2	10.0		27.3
99	Dec. 31, 1998	7.0	17.0	64	20.3
	June 30, 1999	7.0	24.0		13.3
00	Dec. 31, 1999	4.5	28.5	88	8.8
	June 30, 2000	4.5	33.0		4.3
01	Dec. 31, 2000	2.5	35.5	100	1.8
	June 30, 2001	1.8	37.3		0.0

**IBRD Estimated Schedule of Disbursements
(US\$ million)**

Bank Fiscal Year	Semester Ending	Disbursed During Semester	Cumulative Disbursement Amount	Disbursement as % of Total	Balance of Loan
96	June 30, 1996	0.3	0.3	1	33.7
97	Dec. 31, 1996	2.8 ^a	3.1	18	30.9
	June 30, 1997	3.0	6.1		27.9
98	Dec. 31, 1997	4.1	10.2	42	23.8
	June 30, 1998	4.0	14.2		19.8
99	Dec. 31, 1998	3.0	17.2	59	16.8
	June 30, 1999	3.0	20.2		13.8
00	Dec. 31, 1999	3.5	23.7	80	10.3
	June 30, 2000	3.5	27.2		6.8
01	Dec. 31, 2000	3.4	30.6	100	3.4
	June 30, 2001	3.4	34.0		0.0

^a Includes Special Account deposit of US\$2.5 million that may also cover retroactive financing up to US\$300,000 for eligible expenditures.

EL SALVADOR BASIC EDUCATION MODERNIZATION PROJECT PROJECT PERFORMANCE INDICATORS

A. Quantative Indicators

Component/Subcomponent	Unit	Target	Year 1	Year 2	Year 3	Year 4	Year 5
Operational Manual		December 1995					
Legal opinion asserting that pilot programs could be implemented under the current legal framework and/or adequate provisions taken		March 1996					
<i>Expansion Of Access To Preschool And Basic Education</i>							
Expansion of preschool classrooms	section	1,000	250	250	250	250	0
Expansion of 1st/2nd cycle	section	2,000	500	500	500	500	0
Transforming EDUCO sections	section	3,070	600	935	935	600	
ACEs assisted	ACE	2,500	300	200	500	800	700
School infrastructure	classroom	3,070	600	935	935	600	
Study of private institutions	study	1	1				
Design of simplified transfer system	system	2		1		1	
Training of parents	parents		9,397	14,171	28,344	47,375	62,355
<i>Improvement In Education Quality</i>							
Instructional booklets for preschool	number	807,000	142,000	151,000	161,000	171,000	182,000
Textbooks for 1st cycle (grds. 1-3)	number		0	0	1,892,000	636,000	
Workbooks for 1st grade students	number	1,391,000	272,000	273,000	277,000	282,000	287,000
Textbooks for 2nd cycle (grds. 4-6)	number	1,082,000	0	0	286,000	796,000	0
Textbooks for 3rd cycle (grds. 7-9)	number	521,000	0	196,000	325,000	0	0
Classroom libraries	number	3,349	0	500	1,000	1,000	849
Science labs for 3rd cycle	number	202	0	0	0	202	0
Rehab of EMDE Infrastructure	number	238	100	100	38		
Teacher training needs analysis	study	1	1				
Design of Teacher Training Plan	study	1	1				
Training of multigrade teachers	number		200	1,000	1,000	1,000	0
Training of preschool teachers	number	3,600		900	900	900	900
Training of 1st/2nd cycle teachers	number	30,000		7,500	7,500	7,500	7,500
Training of 3rd cycle teachers	number	5,800		1,450	1,450	1,450	1,450
Contract institution for student test.	contract	1	1				
Achievement tests for 3rd/6th grds	tests	4		2		2	
Achievement test for 9th grade	tests	2			1		1
Readiness test for 1st grade	tests	2			1		1
Readiness test for 3rd grade	tests	2		1		1	
Selection of local university or research center to develop the education assessment system		January 30, 1996					

Component /Subcomponent	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Institutional Modernization And Strengthening</i>					
Information system	Design the systems of human resources, statistics, budget, infrastructure and supply. Its collection instruments applied. Process of support for the PIL, (canasta) and texts analyzed. The 3 networks of the prototype depts functioning.	District and departmental reports of the 4 systems (human resources, statistics, budget, infrastructure and supply) in the 3 depts. Design and application of the 4 systems. 7 departmental networks functioning.	District and departmental reports of the 4 systems (human resources, statistics, budget, infrastructure and supply) in 7 depts. 10 departmental networks functioning.	District and departmental reports of the 4 systems (human resources, statistics, budget, infrastructure and supply) in 10 depts. 14 departmental networks functioning.	District and departmental reports of the 4 systems (human resources, statistics, budget, infrastructure and supply) in the 14 depts.
Planning System	Guide for the PIL designed and applied in 100% of the urban schools & 50% of rural schools in the 3 prototype departments.	Guide for the PIL designed and applied in 100% of the urban schools & 50% of rural schools in the 7 depts. Second version of the guides. Departmental guide applied in 3 depts.	Guide for the PIL designed and applied in 100% of the urban schools & 50% of rural schools in the 10 depts. Departmental plan with ceilings by school.	Guide for the PIL designed and applied in 100% of the urban schools & 50% of rural schools in the 14 departments. National plan with ceilings by department.	
Management Evaluation System	Indicators designed and applied to all the districts in the prototype departments.	Indicators designed and applied in all the districts of the 7 prototype depts. Evaluation of management in the prototype depts. Second version of the indicators.	Indicators designed and applied in all the districts in the 10 prototype depts. Evaluation of the management in the 7 depts.	Indicators designed and applied in all the districts in the 14 depts. Evaluation of the management in the 10 depts.	Evaluation of the management in the 14 depts.

Component /Subcomponent	Year 1	Year 2	Year 3	Year 4	Year 5
Organizational Development		Manuals of the functions and requirements of the departmental structure. Tests of the evaluation of the achievements applied & analyzed.	Departmental structure applied with selected personnel according to the requirements. Administrator/ teacher ratio 30% less than at the beginning of the program (in 7 depts) Departmental structure defined.	Administrator/ teacher ratio 30% less than at the beginning of the program (in 10 depts). In the non-teaching personnel, the technical personnel ratio 50% higher than at the beginning of the program (in 10 depts).	Administrator/ teacher ratio 30% lower than at the beginning of the program (in 14 depts). In the non-teaching personnel, the technical personnel ratio 50% higher than at the beginning of the program (in 14 depts).
Administration System	CVs systematized. More than 50% of the Centros Escolares contracting & paying automatically for services (in the prototype depts).	CVs systematized. More than 50% of the Centros Escolares contracting & paying automatically for services (in the 7 depts). Have the registries of preselected teachers & the information of vacancies in the entire country.	CVs systematized. More than 50% of the Centros Escolares contracting & paying automatically for services (in the 10 depts). Administrative officials provided for in 7 depts.	CVs systematized. More than 50% of the Centros Escolares contracting & paying automatically for services (in the 14 depts). Administrative officials provided for in 10 depts.	Administrative officials provided for in 14 depts.
Supervision System	Supervisor guides developed and supervisors trained in the 3 prototype depts. CECs provided for and supervisor offices equipped in the 3 prototype depts.	Training for supervisors in 7 depts. CECs provided for and supervisor offices equipped in the 7 depts.	Training for supervisors in 10 depts. CECs provided for and supervisor offices equipped in the 10 depts.	Training for supervisors in 14 depts. CECs provided for and supervisor offices equipped in the 14 depts.	

Component /Subcomponent	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Public Expenditures In The Education Sector</i>					
Education Expenditures	2.52% of GDP	2.64% of GDP	2.76% of GDP	2.88% of GDP	3.00% of GDP
Growth in Budget Allocations	GDP Growth plus 1%	GDP Growth plus 1%	GDP Growth plus 1%	GDP Growth plus 1%	GDP Growth
Allocation of Ordinary Budget to Preschool and Basic Education	68% of ordinary budget	71% of ordinary budget	74% of ordinary budget	77% of ordinary budget	80% of ordinary budget
Timely Provision of Counterpart Funds	Timely provision of counterpart funds according to action plan	Timely provision of counterpart funds according to action plan	Timely provision of counterpart funds according to action plan	Timely provision of counterpart funds according to action plan	Timely provision of counterpart funds according to action plan

B. Development Objectives

Impact Indicator	Methodology	Level of Observation	Reviewed During Annual Review	Reviewed During Mid-Term Review
<i>Objective: Expand Access at the Basic Level</i>				
Basic Educ: Increase in gross enrollment rate	Education Statistics System	System	Yes	Yes
Increase in the percentage of those students who finish 6th grade	Education Statistics System	System	No	Yes
Average classroom size of 32 students	Education Statistics System	System	Yes	Yes
Increase attendance	Observation, interviews, study	Sample of municipios with nutrition interventions	No	Yes
<i>Objective: Improve the Quality and Effectiveness of Basic Education</i>				
Increase in academic achievement in core skills in Spanish and Mathemat.	Analysis of Achievement test results	System	No	Yes
Reduction in dropout rate	Education Statistics Syst.	System	No	Yes
Reduction in repetit. rate	Education Statistics Syst.	System	Yes	Yes
Improve quality and efficiency in the provision of services	Evaluation of pilot subprojects	At least four subprojects	No	Yes
<i>Objective: Support More Dynamic and Participatory School Management</i>				
Improvement in the ability of parents' associations to support and manage the provision of education services at the local level	Focus groups, document review	School	No	Yes



Ministerio de Hacienda

San Salvador, 20 de julio de 1995.

Señor
Enrique Iglesias
Presidente del Banco
Interamericano de Desarrollo
Washington, D.C. .

Señor James D. Wolfensohn
Presidente del Banco
Internacional de Reconstrucción
y Fomento.
Washington D.C.

Estimados Señores:

Con el fin de dar respuesta a los serios problemas del sector educativo del país, el Gobierno de El Salvador puso en marcha en 1989 políticas sectoriales de gran envergadura que se han traducido en mejoras significativas en la eficiencia en el uso de los recursos y en una mayor atención a las poblaciones localizadas en las áreas más pobres del país. La reasignación de recursos dentro del sector, para favorecer la ampliación de la educación parvularia y básica mejorando su calidad; la descentralización de los servicios, para garantizar una mayor eficiencia; y la más amplia participación de las comunidades en la ejecución de programas y proyectos en el sector, han constituido los elementos claves de esta estrategia.

El actual Gobierno está comprometido con la expansión y consolidación de éstas medidas de reforma para proveer a los salvadoreños con una nueva educación para un nuevo siglo.





Ministerio de Hacienda

El Programa de Desarrollo Económico y Social 1994-1999 prevé ampliar la cobertura del sistema educativo en el próximo quinquenio en forma significativa. Este esfuerzo estará acompañado de medidas dirigidas a mejorar la calidad y la eficiencia del sistema de prestación de servicios educativos. Parte integral de esta reforma será la revisión de los incentivos y salarios del personal docente para introducir un sistema de remuneración basado en la promoción de la excelencia.

El Gobierno ha asignado la mayor prioridad a las inversiones que contribuyen a la generación de capital humano en el país, entre las cuales la educación juega un papel fundamental. Esas prioridades se han reflejado en un esfuerzo fiscal creciente para financiar los programas del Ministerio de Educación, lo cual ha permitido incorporar al presupuesto ordinario los costos corrientes de los programas de expansión educativa iniciados con el apoyo del Banco Mundial en 1989 y proveer al sector con un financiamiento creciente en términos absolutos y como proporción del PIB (proyectado en 2.4% en 1995). La ampliación del apoyo fiscal para la modernización y expansión de los servicios educativos continuará en el próximo quinquenio, y así lo prevén las proyecciones fiscales en ese período

Dentro del Programa de Modernización de la Educación Básica que será financiado con el apoyo de los Bancos, el Gobierno quiere ratificar su compromiso de hacer las asignaciones presupuestales oportunas para financiar la contrapartida local del proyecto y se compromete a realizar los incrementos presupuestales necesarios para cubrir los costos recurrentes asociados a ese programa, entre los cuales se incluyen el financiamiento de la expansión anual de 750 nuevas secciones de EDUCO que serán financiadas totalmente con recursos del presupuesto ordinario del Ministerio de Educación. A la fecha, el valor estimado de ese financiamiento representará incremento presupuestal anual equivalente de US\$ 3.75 millones, US\$ 4.5 millones; US\$ 4.6 millones; US\$ 4.73 millones y US\$ 4.94 millones en los cinco años sucesivos de implementación del proyecto.





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Más aún, el programa de financiación del sector educativo ha sido diseñado previendo las necesidades de inversión, el incremento salarial de maestros precedido por una revisión en el esquema de incentivos y la absorción de gastos corrientes que serían financiados inicialmente por organismos internacionales. La expansión y mejora en la prestación de los servicios educativos requerirá, bajo el supuesto de un aumento de los salarios reales en un porcentaje equivalente al crecimiento del Producto Interno Bruto, un esfuerzo fiscal en educación que crece paulatinamente hasta alcanzar el 3% del PIB en el año 2000. Para cumplir esta meta en forma simultánea a los planes de expansión, el Gobierno velará porque la financiación del sector como porcentaje del Producto Interno Bruto sea de 2.4% para 1995; 2.52% para 1996; 2.64% para 1997; 2.76% para 1998; 2.88% para 1999 y 3% para el año 2000, y así sucesivamente si la ejecución del proyecto se extendiera. En cualquier caso, el presupuesto real asignado al sector en cada año no será inferior al presupuesto real asignado para el año inmediatamente anterior. Queda entendido que éstas asignaciones presupuestales no incluirán aquellas asignaciones necesarias para cubrir el servicio de la deuda externa de programas de apoyo al sector educativo.

Para garantizar que esos incrementos sean efectivos y se consideren oportunamente en el Presupuesto Anual del Gobierno, en el ejercicio de planeación presupuestaria se incorporarán aumentos en el gasto dirigido al sector educativo que sea equivalente al crecimiento nominal esperado del Producto Interno Bruto de acuerdo a las proyecciones del Plan Económico del Gobierno adicionado en los puntos necesarios requeridos para alcanzar las metas previstas para el próximo quinquenio. Por otra parte, para velar porque la asignación de recursos sea eficiente y favorezca la equidad, no menos del 80% de dichos aumentos se dirigirán a financiar nuevas actividades vinculadas a la prestación de servicios educativos en parvularia y nivel básico.

Este programa de gasto creciente en el sector social se realizará sin generar desequilibrios macroeconómicos y se





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apoyará en el Plan de Mediano plazo dirigido a reforzar las finanzas públicas. El Plan se ha diseñado con base en supuestos sólidos de recuperación económica y en el mejoramiento estructural de los ingresos corrientes del Estado. Por ello el Gobierno puede expresar su compromiso con la expansión gradual del financiamiento del sector educativo de acuerdo con las metas señaladas en la presente.

Quisiera reiterarle que el Programa de Reforma Educativa surge de la urgente necesidad de desarrollar los recursos humanos de que dispone el país. El Gobierno quiere expresar su compromiso de otorgar al sector educativo la mayor prioridad en la asignación del gasto público. Por ello, aún en condiciones adversas que dificulten el panorama fiscal y si fuera necesario a costa de una reducción en el gasto de otros sectores, el Gobierno proveerá oportunamente recursos al sector educativo de acuerdo a las metas del Programa de Modernización y expansión de este sector.

Aprovecho la oportunidad para patentizarle las muestras de mi aprecio y estima.



DIOS UNIÓN LIBERTAD


MANUEL ENRIQUE KINDS
MINISTRO DE HACIENDA

List of Annexes for Consultation in Project Files

1. **Economic Analysis**
2. **Social Assessment: Summary of Main Results**
3. **Proposals for the Modernization of the Education Sector Within the Modernization of the Public Sector**
4. **Prioritization of Municipios**
5. **Implementation Plan for the Expansion of Access Component**
6. **Implementation Plan for the Improvement in Education Quality Component**
7. **Implementation Plan for the Institutional Modernization and Strengthening Component**
8. **Project Administration**
9. **Tentative Procurement Plans and Procurement Procedures**
10. **Terms of Reference for Project Review and Supervision Schedule**
11. **Project Implementation Schedule**

PROPOSED RESOLUTION

EL SALVADOR. LOAN CONTRACT No. ____/OC-ES.
BASIC EDUCATION MODERNIZATION 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 República de El Salvador, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Project for the Modernization of Basic Education. Such financing will be for the amount of up to US\$37,300,000, or its equivalent in other currencies, except that of El Salvador, 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.

PROPOSED RESOLUTION

EL SALVADOR. PARTIAL PAYMENT OF INTEREST ON LOAN No. ___/OC-ES TO
THE REPUBLICA DE EL SALVADOR

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as administrator of the Intermediate Financing Facility Account, hereinafter referred to as the "account", to enter into such contract or contracts as may be necessary with the República de El Salvador as Borrower, and to adopt other pertinent measures to use the resources of the account to pay a part of the interest due by the Borrower on outstanding balances of the loan authorized by Resolution DE- /95, for financing part of the cost of the Basic Education Modernization Project, hereinafter referred to as the "approved loan." Such part shall represent up to 5% per annum on the outstanding balances of the loan.

2. That the Bank shall charge to the account the amounts due by the Borrower and to be paid by the account, in the currencies designated by the Bank and available in the account, on the dates specified for the payment of interest or on the date or dates the Bank receives the payment of the remainder of the interest owed by the Borrower, hereinafter referred to as the "remainder". Should the Borrower not have paid on the date due the remainder, as well as any payment of principal or fees, the Bank shall withhold payment of the amount of interest authorized to be paid from the account to the Bank. In such event, the Borrower shall remain liable for the total amount of the interest due and owed until such time as the Bank has received payment of the remainder and of the respective amounts for amortization and fees.

3. That to the extent that the Bank receives payments from the account for interest on the approved loan, the Borrower shall not be liable for the payment of such amounts and, consequently, it shall not be obligated to repay to the Bank any amounts of interest paid from the account to the Bank.

4. That the Borrower may decide to pay the whole amount of the interest accrued on the outstanding balances of the approved loan either during the effectiveness of the loan or only during the amortization period of said loan. In both cases the Bank shall, as soon as possible, reimburse the country for interest paid to the Bank and which may be charged to the account in accordance with Clauses 1 and 2 above.

5. That to the extent that the Bank determines that there are not sufficient resources available in the account for making the payments referred to in Sections 2 and 4 above, the Borrower shall pay the interest due on the dates and the amounts specified in the loan contract, up to the full amount accrued on the outstanding balance of the approved loan without any obligation for reimbursement by the Bank.