

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB2244

Project Name	EDUCATION QUALITY AND SECONDARY EDUCATION
Region	LATIN AMERICA AND CARIBBEAN
Sector	Secondary education (55%);Primary education (25%), Education management (20%)
Project ID	P089898
Borrower(s)	REPUBLIC OF GUATEMALA
Implementing Agency	Ministry of Education
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and sector issues

General Sector Diagnosis: The equitable development of the human capital of its 12.6 million inhabitants is key to economic growth and poverty reduction in Guatemala. The country's growth strategies—a free trade agreement with the US, regional integration proposals, and national and international competitiveness schemes—aim at increasing growth while reducing the country's broad inequalities. Guatemala currently has a Gini coefficient¹ of 56, which implies that the poorest quintile of the population earns 2.4 percent of national income, while the highest quintile earns 70 percent. In this context of high inequality, education is key to increasing equality, reducing poverty, and developing competencies and knowledge conducive to economic growth.

In the last decade, significant advances were made in the primary education sector. Since the Peace Accords of 1996, all Government administrations have supported the expansion of primary school coverage, intercultural and bilingual education, and the modernization and decentralization of education management. Public education expenditures increased at a pace of 9% annually between 1996 to 2004, and the share of public educational expenditures in GDP increased from 1.6 percent in 1996 to 2.7 percent in 2005. Achievements to date include: (i) significant primary education coverage (93.5% net² and 113% gross³ enrollment rates in 2005); (ii) standards-based curricular reforms in primary education, and national learning assessments in grades 3, 6 and 9; (iii) bilingual education programs for grades 1-3; (iv) focused support for rural primary schools through multi-grade schooling in isolated and dispersed communities; and

¹ The **Gini coefficient** is a measure of inequality; often used to measure [income](#) inequality. Here it is expressed as an Index—a [number](#) between 0 and 1 multiplied by 100, where 0 corresponds to perfect equality (i.e. everyone has the same income) and 1 corresponds to perfect inequality (i.e. one person has all the income, while everyone else has zero income).

² Defined as:
$$\frac{\text{Number of pupils age 7-12 enrolled in 1-6}^{\text{th}} \text{ grade in January of 2005}}{\text{Number of children age 7-12 (as estimated by INE) for 2005}}$$

³ Defined as:
$$\frac{\text{Number of pupils of all ages enrolled in 1-6}^{\text{th}} \text{ grade in January of 2005}}{\text{Number of children age 7-12 (as estimated by INE) for 2005}}$$

(v) decentralized education management, with increased decision making at the school level (most primary schools in Guatemala have some form of school government and have received public funds for local investments).

Secondary Education Lag. For Guatemala’s growth agenda, expanding quality secondary education increases the country’s competitiveness and reduces disparities in household incomes. While the last decade has seen significant improvements in primary education coverage, progress in secondary education has not followed at the same pace. Guatemala’s education indicators for youth are quite alarming. In 2005, net⁴ and gross⁵ enrollment rates in lower secondary (Grades 7 through 9) stood at 33 and 55 percent respectively. (Cf. Table A.1).

Table A.1: Primary and Lower Secondary Education Enrollment Rates in 2005

	Total	Boys	Girls	Indigenous ***	Non-indigenous ***
Primary (Grades 1-6)					
<i>Gross Enrollment Rate(=2/1)</i>	113%	117%	108.8%	102.6%	120%
<i>Net Enrollment Rate (=4/1)</i>	93.5%	95.5%	91.5%		
Lower Secondary (Grades 7-9)					
<i>Gross Enrollment Rate(=7/6)</i>	55%	59.3%	51%	26%	74%
<i>Net Enrollment Rate (=9/6)</i>	33%	34.5%	31.8%		

Source: MINEDUC Enrollment Census 2005

An average 20-year old in Guatemala has only 4.3 years of education. Nationwide, 1.2 million youth between the ages of 13 and 18 are out-of-school. In addition, the gap in educational achievement between the indigenous and non-indigenous youth, and between rural and urban youth is significant: for non-indigenous populations, the GER in lower secondary was 74 percent, while for indigenous populations, it was only 26 percent. This large gap reflects, in part, the low supply of lower secondary education in rural areas, where only 22 percent is rural. Recent studies⁶ have determined that in Guatemala an average worker would require at least 9 years of education to move above the poverty line (independently of years of work experience).

For the relative few students that continue their studies after primary education, learning in lower secondary education is low. In 2005, a Standardized test was applied in a significant proportion of 9th grade classes. The data showed that the learning level is very deficient overall, and especially in rural secondary education models. Thus, expansion of secondary education must initiate with improving the pedagogical quality of existing programs.

Low efficiency in primary education as a bottleneck for expanding secondary: Guatemala seeks to improve its Gross Enrollment Rate in lower secondary education from 55 to 71% by 2015. However, the country has defined that increased school places in the secondary level alone will not achieve this goal. For example, in 2004, the number of students that enrolled in 7th grade

⁴ Defined as:
$$\frac{\text{Number of pupils age 13-14-15 enrolled in 7-8-9}^{\text{th}} \text{ grade in January 2005}}{\text{Number of youth age 13-14-15 (as estimated by INE) for year 2005}}$$

⁵ Defined as:
$$\frac{\text{Number of pupils of all ages in 7-8-9}^{\text{th}} \text{ grade in January of 2005}}{\text{Number of youth age 13-14-15 (as estimated by INE) for year 2005}}$$

⁶ Emilio Porta, Academy for Education Development, AED; 2005.

(199,000)⁷ was larger than the number of students who graduated from 6th grade in 2003 (192,300). The net completion rate for 6th grade⁸ was only 22%, and the gross rate (counting over-age students) was 70% (2005 figure). (Cf. Table A.2) Thus, it appears that low completion from 6th grade is as much a limiting factor to secondary education demand, as is the supply of lower secondary spaces.

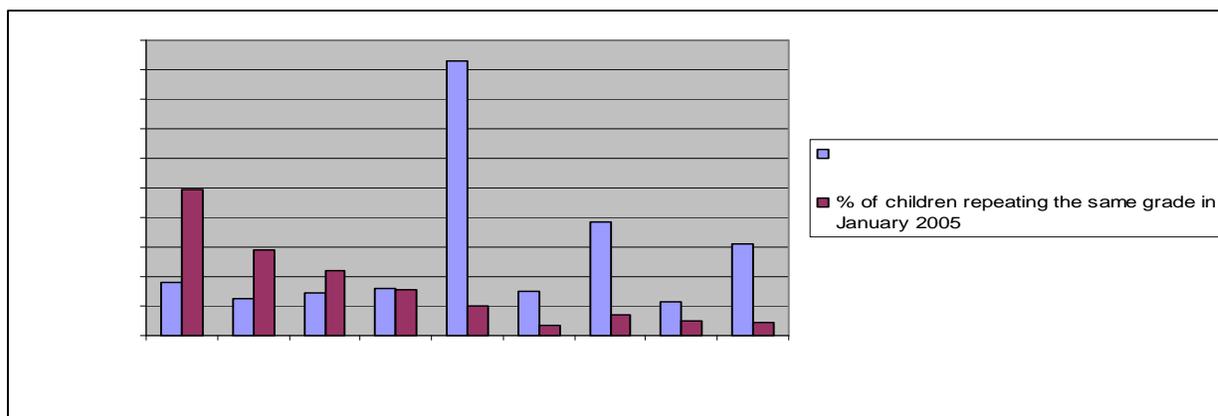
Table A.2: Primary and Secondary Completion Rates

	Percentage
Primary net completion rate = 6 th grade net enrollment rate (2004)	22.67%
Primary gross completion rate (2005)	72.30%
Grade 9 gross completion rate (2005)	45.80%

Source: Calculations based on MINEDUC data. For calculations, cfr. Annex 1.

The repetition rates are especially high in the early years of primary; first grade seems to be a major stumbling block with 25% repeating this grade in 2005. While total dropout rates⁹ are initially below 10 percent a year, over 45 percent of children enrolled in Grade 5 in 2005 were not longer enrolled in January 2006. This is the reason why, by the time a cohort reaches 12 years of age, only 22 out of 100 children complete on time primary education. (cf. Figure A.1)

Figure A.1: Repetition and total dropout rates, Grades 1- 9, 2004 cohort



Source: Computed with MINEDUC data from 2004 and 2005

High repetition and dropout rates affect the education system in several ways: First, the system fails to graduate students even though they have invested time and effort in school; second, the system uses limited financial resources to provide the same level of education repeated times to students who should have graduated and be enrolled at secondary education level. In addition,

⁷ Includes 6th grade graduates who transition to lower secondary education after some time outside of the education system.

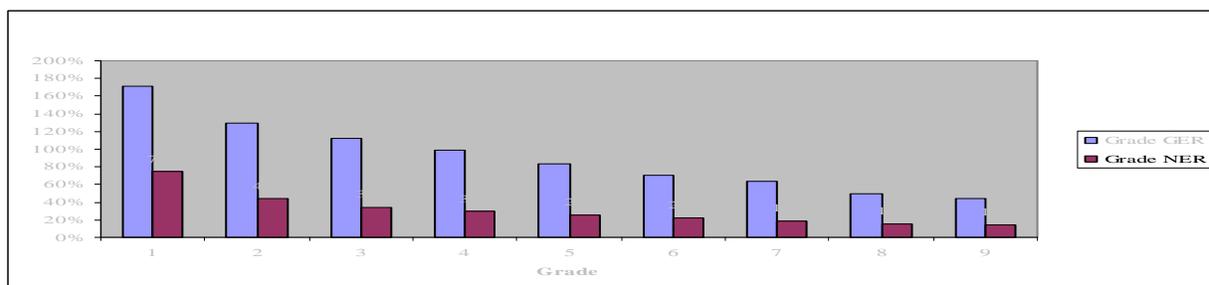
⁸ Defined as:
$$\frac{\text{Number of pupils age 12 enrolled in 6}^{\text{th}} \text{ grade in January of 2004}}{\text{Number of children age 12 (as estimated by INE) for 2004}}$$

⁹ Note that this is different from the dropout rates reported by the Ministry Of Education, which consist of intra-year dropouts, i.e. the difference in enrollments between September and January of a school year, divided by the January enrollment. What is reported here is the total dropout rate, i.e. $(\text{new enrollments grade } g+1 \text{ in Jan.2005} - \text{total enrollment grade } g \text{ in Jan.2004}) / \text{total enrollment grade } g \text{ in Jan.2004}$

with increased repetition, students reach the subsequent grade with an age lag and with increased opportunity costs of learning, which contribute to dropping out without completing primary education.

Finally, the large difference between Gross and Net Enrollment Rates in each primary education grade (Figure A.2) hint at a large access capacity and low efficiency in this education level.¹⁰ This may confirm that Guatemala has been successful in providing universal coverage in primary education, but it needs to focus now on guaranteeing universal primary education completion (grade 6) and transition to lower secondary education (grades 7-9).

Figure A.2: Gross and Net Enrollment Rates by Grade in 2004, National Level



Source: Computed with MINEDUC data

Overage children in the primary education cycle: While it is not possible to compute exactly the specific drop-out rates for overage children, a number of elements suggest that being overage in itself puts children at high risk of dropping out of school permanently. For example, the 2005 Social Assessment identifies that psychological elements linked to being overage in primary schools are a main reason for dropping out. In addition, parents and teachers see less of a priority in keeping older children in school. Education statistics also show that school enrollment rates drop pronouncedly between the ages of 13 and 16. Paradoxically, most of the dropouts do not happen in secondary school but in primary school. Because of high repetition rates, nearly 40 percent of 13 to 15 year olds in 2005 (approximately 355,000) were still in primary school and 12% more may have dropped out after first grade (assumption based on 12% of 13-15 year old youth who could not read or write in 2005). In comparison, only 30% of this age group (280,000) were enrolled in grades 7-9th.

¹⁰ For example, in 2004, the Gross Enrollment Rate in 1st grade was 172 percent, but efficiency was very low: of each 100 children enrolled in first grade, (i) 43 percent had the appropriate age; (ii) 24 percent were 1 year overage, (iii) 25 percent were two or more years overage, and (iv) 8 percent were younger than 7 years (under-age).

Integrated Primary Education Efficiency and Lower Secondary Education Expansion Efforts: In view of the bottlenecks in primary school, expanding access to lower secondary education goes beyond increasing the number of school places. There is also an urgent need to address the current generation of overage youth in primary schools and to prevent the over-age phenomenon to occur in upcoming cohorts of children. An integrated strategy must address the quality and efficiency of primary education¹¹ and the quality and expansion of the supply of lower secondary education.

Lower secondary at this time is concentrated in urban areas, and rural and indigenous areas are underserved. In addition, lower secondary modalities catering to rural and indigenous areas tend to be of lesser quality and need to be strengthened. Although lower secondary education sector is relatively small, Guatemala has benefited from a broad spectrum of programs already implemented in the country—both flexible modalities (in terms of calendar, tutorial, semi-distance, and center-community combinations) and traditional center-based modalities.

Teacher Training: The inter-dependence between Primary and Secondary Education access, efficiency and quality is also related to the quality of teachers. In Guatemala, Teachers are formed at the secondary education level only, in grades 10 through 12. This secondary education program for primary education teachers has not been updated in 22 years. In-service testing of teachers in subject-area knowledge has shown serious issues of low quality. Primary education teachers leave secondary education ill-prepared to teach new cohorts of primary education students. Moreover, given the limited amount of opportunities in technical secondary education tracks, the Teacher Training track is over-demanded by students who seek employment after secondary school. Strikingly, the primary education sector can only absorb 5% of newly graduated teachers each year. Nonetheless, the teacher training track currently has no selection or vocational testing mechanisms, to help it recruit and train the best candidates for the teaching profession.

International comparison: Based on the latter available Central American comparison information (2003), Guatemalan Primary Completion Rates and Secondary Education Gross Enrollment Rates are behind low-income neighbors such as Honduras and Nicaragua. Today, Guatemala is not on-track to meet the Education for All (EFA) goals.¹² (cf. Table A.3)

¹¹ To this end, Guatemala has proposed an integrated strategy to increase the quality of primary schools and expand completion by reducing (i) late entry, (ii) repetition, and (iii) temporary drop-out from school—which contribute to students being over-age and dropping out before finalizing 6th grade. In the short-term, a special program for overage youth in primary schools will tend to this population's specific learning and psycho-social needs, and motivate them to complete 6th grade and continue on to lower secondary education.

¹² By 2015, EFA Goals include universal completion of 6th grade, and completion of the full basic education cycle till 9th grade.

Table A.3: Primary Education Completion Rates (PCR) and Secondary Education Gross Enrollment Rates (GER) In Central America and with Countries of Similar Per Capita Income in South America (2003)

Central America	PCR	Secondary Education (grades 7-12) GER
Costa Rica	89	66
El Salvador	75	61
Nicaragua	69	59
Honduras	69	48
Guatemala	62	33
<i>Countries with Similar p/c Income</i>		
Peru	97	81
Ecuador	96	57
Colombia	85	70

Source: E. Di Gropello, Central America Education Strategy Paper.

The Country's Objectives: The Guatemalan objective is to increase the competitiveness and socio-economic equity of its population. In the education sector, the goals are (i) to reach Primary Completion Rates (PCR) of 85%; and (iii) to increase lower secondary GER from 55% to 71%.¹³ These objectives are consistent with Guatemala's high private returns on additional years of education, and high returns on completion of primary and lower secondary.

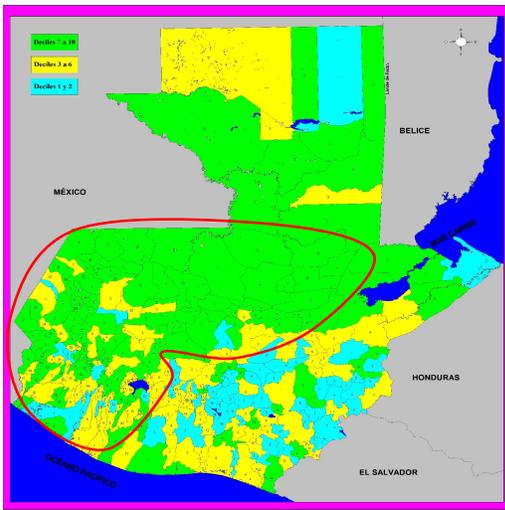
The Country's Strategies: Primary (6th grade) completion and 7th to 9th grade enrollment must be supported in an integrated manner. Secondary Education access is dependent on improved efficiency and completion in, and transition from, Primary Education. Therefore, the strategic choice of the Government of Guatemala is to start reforms at the secondary education level, but to continue to support primary education, complementing long-term general quality improvements (such as improving the quality of pre-school and the first cycle, grades 1st-3rd, and support teacher professional development) with short-term efficiency solutions (such as accelerated learning and promotion for over-age students¹⁴).

The country has already developed integrated curricula for grades 1-9, so as to guarantee appropriate standards, methodologies and evaluations. It will also pilot an integrated basic education cycle (i.e. an integration of primary and lower secondary cycles) in the same school, and evaluate its impact on completion and transition rates. In Secondary Education, the objective is to improve the quality of, and expand access to, lower secondary education (grades 7-9) for low income, indigenous and rural populations. To guarantee sustainability and take advantage of existing Government and donor efforts in the sector, the strategic choice is to improve, and then to expand, existing lower secondary education rural modalities.

Targeting Strategy: Guatemala is a multicultural and multilingual country with diverse educational needs. As the needs vary, the solutions are not uniform. Regionally, educational

¹³ Based on Projections by CIEN and World Bank, as part of analysis for Public Expenditure Review of Guatemala.

¹⁴ Experiences in El Salvador, Colombia and Brazil on primary education reforms with interventions for over-age students have been considered and contextualized for the Guatemalan sector needs.



gaps and inequities at both the primary and the secondary level are substantial. The aim of the Project is to invest in Secondary Education (and related Primary Education interventions) where the needs are greatest. This implies guaranteeing equitable education improvements for low income groups, for the rural sector and for Indigenous communities. Given the limited resources available, the Government will initiate investments using clear and equitable criteria. Three criteria will be used to prioritize Project investments and other

contextualized support: (i) regional education demand-supply imbalances, (ii) traditional exclusion by income or ethnicity, and (iii) lags in educational efficiency, as represented by an Index of Educational Efficiency (IEE).

Index of Education Efficiency (IEE) across Regions: Education efficiency varies across regions on a number of different dimensions. Given that no single measure captures education efficiency, it was deemed appropriate to construct an Index of Education Efficiency (IEE) using indicators in a number of its key dimensions. This indicator summarizes internal efficiency in Basic Education (primary and lower secondary), and allows targeting project interventions according to objective and measurable criteria.

Figure A.3: Educational Micro-Regions by IEE

The key dimensions of education efficiency aggregated in the index are: (i) the percentage of sixth graders which are over-age; (ii) net enrollment rate in ninth grade; and (iii) a proxy ninth grade completion rate.¹⁵ The IEE was computed for 237 micro-regions.¹⁶ Based on the index, the micro-regions were then ranked in 3 different groups of IEE: “low” (group 1), “medium” (group 2) and “high” (group 3) education outcomes. The Project will especially target 10 Departments with most of the micro-regions in the low IEE group (IEE); population in these Departments is up to 60% indigenous. Figure A.3, above, maps the micro-regions according to their IEE.

2. Rationale for Bank involvement

Guatemala considers the Bank a key ally in its education development strategies. The 2005-2008 Country Assistance Strategy (CAS) sets important education sector priorities as contribution to human development, inclusion, and equitable economic growth. The CAS

¹⁵ From the current national statistics, it is not possible to compute ninth grade completion rates in an exact way. However, given the importance of capturing ninth grade completion in the context of a secondary school project, it was decided to compute a proxy indicator as follows: using the dropout rates and repetition rates in each grade, we compute an approximate measure of completion for each individual grade. These grade-level measures are then compounded into a lower secondary approximate measure of completion.

¹⁶ To compute the IEE, the country was first divided into 237 educational micro-regions. To ensure statistical representativity, based on population numbers, a micro-region represents two or more small municipalities or disaggregates a large municipality.

proposes both analytical and investment support. On-going analytical work has contributed to better understanding of the dynamics and needs of the Guatemala education sector, including secondary education reforms. More recently, investment support has focused on grades 1-6 through the on-going *Universalization of Basic Education Project*.¹⁷ The proposed Education Quality and Secondary Education Expansion Project support the next education level: grades 7-9.

Internationally, the Bank is sharing technical and analytical lessons focused on the transition between primary and lower secondary, which is seen as value added by the Government of Guatemala. Also, the Bank's education investment support contributes to increase education opportunities to poor, rural and/or indigenous youth. The Bank's extensive research and analytical work—on education quality, community participation, and regional strategies—has supported in-country policy dialogue. The Bank is an active member of the Inter-Donor Network in Guatemala, which is harmonizing efforts to support education sector diagnosis, specialized studies, and planning. Bank involvement in this Project is an integral part of a comprehensive strategy in the Guatemala education sector.

3. Higher level objectives to which the project contributes

The Project contributes to two higher level objectives in Guatemala: (i) the Long-Term Education goals of the Country—evolved from the original Peace Agreement of 1996—and (ii) the education development objectives of the Country-wide Social Development Plan “GUATESOLIDARIA”.

The following table summarizes these long term education objectives:

¹⁷ This project focuses on rural primary education coverage and quality. Expansion is supported through a community-based management model, PRONADE. Quality of teaching and learning is benefited by investment in multigrade and bilingual education. It closes on December 31st, 2007.

Table A-5: Long-Term Education Objectives Pertinent to the Proposed Project	
Education Access and Coverage	Education Quality And Pertinence
<ul style="list-style-type: none"> • Universal Access of All School-Age Population from Pre-school to Lower Secondary Education (9th Grade) 	<ul style="list-style-type: none"> • Design and Contextualize the Curricula, including aspects of identity and right of indigenous people. • Develop pertinent education and training for school-to-work transition. • Professional preparation and training of teachers and education managers
Education Resources	Community Participation and Human Rights
<ul style="list-style-type: none"> • Increased Public Financing to Basic Education • Support demand-base programs, such as scholarships, conditioned cash-transfers and other study support packages 	<ul style="list-style-type: none"> • Increased participation of parents in education seeking integration between the community and schools. • Improved promotion and training for social participation of communities and grass-roots organizations. • Implemented education programs in democracy, civics and peace values. • Integrate a Consultation Commission as part of the education reform process. • Education Development Promoters institutionalized to guarantee the respect for educational content pertinent to indigenous and traditionally excluded communities.
GUATESOLIDARIA Education Objectives 2006	
<ul style="list-style-type: none"> • Universal primary education, while increasing preschool and secondary education coverage; • Improved quality of teaching and learning; • A reformed secondary education to strengthen the nexus among education, productivity and competitiveness; • Inter-cultural, civic, and self and inter-personal development; and • A reformed and modernized education management conducive to quality and results. 	

PROJECT DESCRIPTION

4. Lending instrument

A Specific Investment Loan (SIL) was requested by the Government of Guatemala to provide targeted financing to specific investments in its Education Development Program, while increasing the fiduciary, monitoring and evaluation capacity of the Ministry of Education.

5. Project development objective and key indicators

The Objective of the Education Quality and Secondary Education Project is to improve primary education completion rates for over-age students, and increase access to a quality lower secondary education, especially for indigenous and low income non-indigenous students.

The success of the project will be measured by the following Project Development Outcome (PDO) Indicators (the Impact Evaluation will compare 2006 baseline with the 2012 project impact data collection on beneficiary and control regions, schools and students):

- 9th Grade Gross Completion Rates (nationally and in targeted regions);
- Gross Enrollment rate in lower secondary education, grades 7-9 (nationally and in targeted regions);
- Increased intake (access) in grade 7—in modalities supported by the Project;
- Proportion of over-age students (13-15 year old) who complete primary education (in Integrated Basic Education Centers); and
- 6th grade gross completion rate (nationally and in targeted regions).

6. Project components¹⁸

The proposed Project will support three components with inter-dependent objectives: (i) Primary Education Completion and Quality, (ii) Lower Secondary Expansion and Quality, and (iii) School-Based Management focused on Education Quality.

Component 1. Primary Education Completion and Quality (US\$ 9.47 Million): This component would support an integrated strategy for Basic Education (primary and lower secondary cycles) to increase primary education retention and completion of over-age students, and promote their continued education at the lower secondary education level. To contribute to long-term quality improvements in primary education, the component will also support proposed reforms to the Pre-Service Teacher Training system. The two strategic sub-components follow:

Subcomponent A.1. Integrated Basic Education Centers (US\$ 3.67 Million).

Sector context and diagnostic summary: Although Guatemala has significantly improved primary education coverage, it only graduates on-time 22% of enrolled cohorts. The low efficiency of the system responds to (i) late entry, (ii) high repetition (especially in the lower grades) and (iii) high dropout rates (especially after 3rd grade). As a result, over 30% of the primary education enrollment (more than 300,000 students) are at least two years overage. These students are at-risk of dropping out before completing primary education—not only because of the additional effort, time and resources needed—but also because the pedagogical and psychosocial environment in primary schools is no longer pertinent for these adolescents and youth.

¹⁸ If not otherwise noted, project investments will be concentrated in 10 targeted regional departments of Guatemala. These departments were identified based on an analysis of education efficiency and outcomes across regions in Guatemala; these are those that show the lowest education outcomes. Targeted departments have up to 70% indigenous populations; albeit their selection not only included ethnicity. The investments and outcome indicators for this project are presented generally for the 10 regions (and nationally, in the case of gross enrollment and completion rates, which the project contributes to). For specific disaggregation of targets and Project budgets earmarked for indigenous populations, please consult Annex 10 of the PAD.

Strategic Objective: Support over-age students (11-15 year old) in primary schools finalize their primary education cycle and continue on to lower secondary schooling. The integrated Basic Education strategy—unifying the primary and lower secondary education levels—will include pertinent pedagogical programs and an appropriate psycho-social environment for the over-age student (at risk of dropping out).

Implementation Strategy: The component will provide targeted (based on IIE criteria) schools with: (i) a quality accelerated program for students with 3 or more years of overage, (ii) a flexible lower secondary education program—to be taught in the same school¹⁹; (iii) training and support for the school principal and leadership; and (iv) a small financial incentive to prepare a school improvement plan, and to support school-defined activities.²⁰ In turn, the school “converted” into an Integrated Basic Education Center will commit to: (i) strengthen its teacher-parent school committee, (ii) prepare its School Improvement Plan with strategies to guarantee on-time entry of new students to pre-school and/or first grade, and (iii) strengthen reading and writing abilities of students enrolled in the first and second grades. This innovative program—to be initiated in 350 rural schools in Guatemala—will strengthen both long-term and short-term quality improvement to primary education and completion of students at this level.

As for the accelerated over-age program, it will be targeted to youth at risk of dropping out of the primary education level; it will include (i) student-centered pedagogical strategies; (ii) academic and applied learning, (iii) flexible promotion to guarantee school retention and secondary education transition; and (iv) on-going student counseling linked to the integrated primary-lower secondary education strategy. Thus, the accelerated program—albeit a transitory intervention—will provide incentives for long-term improvement needs in primary schools (supported and financed by MINEDUC and other donors): (i) inclusion of pre-school programs; (ii) reading and writing reinforcement in first grade, including support in mother languages in Indigenous Regions; and (iii) school planning and evaluation improvements.

Subcomponent A.2. Pre-Service Teacher Training Development (US\$ 5.80 Million)

Sector context and diagnostic summary: The Ministry of Education has begun a reform of the Pre-service Training Program for Primary Education Teachers. The reform includes: (i) curricular improvements (both in terms of content specialization and pedagogical process); (ii) a structural reform to move teacher preparation from the secondary level (grades 10-12) to a post-secondary level (at least one additional year); and (iii) inclusion of admission and graduation exams for teach tracks. This sub-component will develop and strengthen five regional teacher training centers (called CEFORMA, *Centro de Formación de Maestros*).

Strategic Objective: Strengthen five regional Pre-service Teacher Training Centers, with upgraded curricula, study program for primary education teacher training, and specific focus on pedagogical competencies and subject-knowledge pertinent to flexible modalities, rural areas and intercultural and bilingual education. Students will be identified from a pool of high performance and highly motivated secondary education graduates.

¹⁹ Resources for the creation of the lower secondary education cycle in Integrated Basic Education Centers will be financed from Subcomponent 2.B (Lower Secondary Quality and Expansion), below.

²⁰ The financial incentive for the preparation of school improvement plans of Integrated Basic Education Centers will be financed from Subcomponent 3.A (School Based Management for Education Quality), below.

Implementation Strategy: The five CEFORMA will receive: (i) materials with improved curricular and pedagogical strategies and the new pre-service training study program; (ii) training for teacher trainers with support of Faculties of Education from Guatemalan major universities; (iii) applied and experiential student-centered pedagogy courses (including applied learning in the classroom—as teaching assistants); and (iv) specialized training for key areas demanded by the school system in Guatemala, especially in communities and regions with the highest educational gaps (for example, specialization in pre-school, multigrade, rural, intercultural and bilingual education).

Component 2. Access and Quality of Lower Secondary Education (US\$70.87 million): This component would support integrated strategies to increase the quality and access to lower secondary education (grades 7-9). It will include support for (i) the curricular reform of secondary education, (ii) strengthening and expansion of existing lower secondary education modalities; and (iii) strengthening education demand programs, such as scholarships and subsidies for enrollment, retention and graduation of low income students.

Subcomponent 2.A Feasibility studies and strategies for upper secondary education curricula and evaluation systems (US\$ 4.10 Million).

Sector context and diagnostic summary: The Ministry of Education (supported by other donors) is advancing sector-wide efforts to reform the secondary education curricula, including the definition of an integrated standards-based curriculum, improved evaluation systems, and secondary teacher training proposals. The curricular reform, by nature, must be done from a sector-approach and integrated among each sub-sector level. The Project does not intend to finance the overall secondary education reform in each of the education levels and tracks. It does intend to support the integrated secondary education curricular analysis—and proposals—which will guide the medium and longer-term reforms in this education level. It is expected that specific lower secondary education modalities strengthened by this Project will also permeate the longer term secondary education reform proposals, and vice-versa.

Strategic Objective: Support on-going feasibility studies for the curricular reforms for the secondary education level, including both general and technical tracks.

Implementation Strategy: The feasibility studies and proposal definition will be based on a participatory mechanism to include teachers and principals of secondary schools, universities, think tanks and foundations interested in secondary education, as well as businesses and corporations. For technical education, the curricular reform proposal will be defined by a network of stakeholders (public-private sector) and “action research”²¹ studies in 5 existing technical schools in the country. Lessons from these applied studies will be integrated into the proposed curricular reform.

²¹ Action research, as a study methodology, attempts to combine traditional “documentation based” studies with lessons learned from “in situ” situations and preliminary impact of initial operational reforms.

Subcomponent 2.B Strengthening and Expansion of Pertinent and Flexible Modalities for Lower Secondary Education (US\$ 60.09 Million)

Sector context and diagnostic summary: The two largest existing lower secondary education modalities in the Guatemalan rural sector are: *Telesecundaria* (video-supported teaching) and *Alternancia* (semi-distance modality that alternates students between school and community learning). Both modalities were initiated in Guatemala over 10 years ago, with support from other countries where the models were developed: Mexico, France, Belgium and Brazil. However, these modalities must be strengthened in terms of its pedagogical methods, its curricular content, and integration with the school-management strategies of the country. A cost-effectiveness evaluation—supported by the Project—will provide evidence of the strengthening process and the feasibility of further expansion.

For on-going sustainability and capacity building, the sub-component strengthens and optimizes existing programs supported by the Government and other donors. Large capital investments are also minimized through the utilization of existing school infrastructure financed by MINEDUC, municipalities and community education stakeholders.

Strategic Objective: Support the evaluation, strengthening and expansion of existing lower secondary education modalities (grades 7-9), pertinent for rural and indigenous communities; and increase access to rural lower secondary education to approximately 90,000 new students, using existing capacity and school infrastructure.

Implementation Strategy: The sub-component will evaluate and strengthen the following two existing pedagogical modalities: (i) *telesecundaria* (a TV-video supported strategy)—presently offered in more than 500 schools, and reaching over 35,000 students; and (ii) “Alternancia” Programs (combination of school-community strategies, with applied learning in rural contexts)—presently offered in 550 schools, and reaching 17,000 students.

Once these pedagogical models are strengthened, 90,000 rural school places in lower secondary education will be expanded. Thirty thousand new places will be provided through the addition of a lower secondary cycle in the Integrated Basic Education Centers, presented in Subcomponent 1.A, above. The additional 60,000 new school places will be increased as follows: (i) 36,000 new places in cooperative schools (existing modality financed by the Central Government, the local municipality, and a community cooperative); (ii) 16,000 new places by optimizing idle capacity in existing lower secondary schools (INEB, *Institutos Nacionales de Educacion Basica*); and (iii) 8,000 new school places with strategic alliances with non-profit education providers (NGOs and Foundations) for lower secondary education services in the rural sector.

Lower secondary schools supporting increased enrollment of new students from rural, low income and indigenous targeted groups will receive a “New Student Access Subsidy”, on a annual per-student basis. The subsidy will finance the incremental input costs of new students, and will be used to purchase educational materials, refurbishing of classrooms, equipment, and

school furniture²². For the Integrated Basic Education Centers, MINEDUC will allocate additional teachers as needed. Cooperative Schools contract additional teachers directly, and the subsidy supports partially the per-student incremental costs for human resources, using the traditional financing formula for Cooperative schools: 33% municipal funds, 33% cooperative-raised funds, and 33% MINEDUC funds (for targeted schools, the MINEDUC contribution will be financed by the Project).

The complementary 8,000 school places through alliances with non-profit education service providers are also a strategy to increase implementation capacity in the sector. NGOs and Foundations already support different education services in Guatemala. However, the Project will further norm and systematize the MINEDUC-NGO alliance criteria and mechanisms. Provision of “school access subsidies” for NGO-run schools will be standardized based on the following criteria: (i) a per-student cost for a basket of quality education inputs to be provided annually by the NGO (education materials, transportation, meals, etc.); and (ii) a prorated amount to complement incremental costs (due to increased access from traditionally excluded students) for teachers, infrastructure maintenance, equipment, and other educational inputs. Eligible NGOs will also be accredited based on a set of indicators determining the quality and efficiency of teachers, methodological strategies, congruence with the National Curriculum, and contextualization to specific cultural and ethnic backgrounds of the community to be served.

Subcomponent 2.C Education Demand Scholarships and Subsidies for Low Income Students (US\$ 6.68 Million).

Sector context and diagnostic summary: A large number of scholarships are already implemented in Guatemala—with support of Government and other donors, including the Bank. The Country seeks to strengthen existing scholarships programs and make available new scholarships to defray direct family and opportunity costs of lower secondary education, especially for low income, and rural families and for working youth. The scholarship program requires: (i) an improved targeting system, (ii) a unified code to avoid duplication of scholarships or exclusion errors (not reaching the correct beneficiary); and (iii) an appropriate community-based and institutionally simple system to monitor school performance of beneficiaries.

Strategic Objective: The sub-component will increase the education demand of adolescents and youth from poor income families and Indigenous populations in Project targeted areas. In addition to providing scholarships—conditioned on lower secondary promotion, performance and completion—to eligible students in schools supported by the Project, the sub-component will support the sector-wide strategy of improving scholarship targeting and monitoring systems.

Implementation Strategy: The first phase of implementation will systematize and strengthen the identification and selection of beneficiaries, the administrative and costing structures and mechanisms, and the monitoring and evaluation of existing scholarships programs. This effort will be done in coordination with other education offices and donors that support scholarships in pre-education system. In addition, the component will provide approximately 5,500 students

²² This School Place financing modality (“Cupo”) has been supported by the Bank in Colombia, and more recently in El Salvador. In Guatemala itself, school grants have been disbursed to PRONADE schools to finance

from poor socio-economic and ethnic backgrounds, scholarships to complete three years of lower-secondary education (*Becas de Educación Básica*). These scholarships will be conditional on promotion and completion of the full education cycle. The scholarships will be allocated using information on educational gaps between municipalities, and using school government and communities to identify and monitor eligible students.

Component 3. School Management in Support of Education Quality (US\$ 20 Million): This component will advance the lessons learned on school management strategies implemented at the primary school level through the last decade in Guatemala.²³ The focus will be on increasing the contributions of school-based management to the quality of learning. Also, the supportive and supervisory role of Education Departmental Offices (DDE, *Direcciones Departamentales de Educación*) will be strengthened by improving their decentralized functions in pedagogical technical assistance, school planning, result evaluation support and supervision, and administrative procedures.

Subcomponent 3.A Consolidation and Strengthening of School-Based Management for Education Quality (US\$ 17.5 Million)

Sector context and diagnostic summary: Guatemala seeks to support the consolidation and modernization of school-based management in the country²⁴. School boards or education committees have increased their decision making in allocation of school resources; receive financial grants; and implement specific programs (such as school feeding, infrastructure maintenance and scholarships). Based on the New Education Management Model defined by MINEDUC—at the school level—the schools supported by the Project will receive support to (i) strengthen school and parental organizations in the lower secondary education level; (ii) have available tools and training to plan school improvement activities, and (iii) access an integrated information system that not only collects data but which returns this information for use at the school level.

Strategic Objective: Strengthen lower secondary schools supported by the Project to (i) improve their school organizations (of parents, teachers and principal); (ii) and utilize education outcome information provided in school *report cards*; and (iii) plan simple school-based strategies to improve teaching and learning of their children.

Implementation Strategy: The sub-component will provide technical assistance and school tools and support to: (i) organize and/or strengthen school boards and education committees, (ii) prepare school improvement plans, and (iii) support school use of report cards—which provide school level information on school enrollment (per grade, age, gender and ethnicity), efficiency (retention, promotion and completion), and quality (standardized testing). The sub-component will support approximately 1,500 schools, including: (i) 350 Integrated Basic Education Centers

²³ The experience of Guatemala with School-Based Management to date has included: (i) creation of school and parental committees (Juntas Escolares, COEDUCAS and Cooperatives), (ii) transfer of financial resources for school operating costs (including payment of teachers in PRONADE schools²³), and (iii) collection of data on school attendance, repetition, drop-outs, promotion and completion.

²⁴ School governments or community education committees were initially developed through PRONADE, and more recently institutionalized in all public primary schools through the *Juntas Escolares* (School Boards).

(primary schools integrated with a lower secondary education modality) and (ii) 400 new Cooperative schools (*Institutos por Cooperativa*) providing lower secondary education²⁵.

The subcomponente will be implemented sequentially: (i) Departmental Education Departments and contracted NGOs will provide organization assistance and training of school governments (including training on community participation, school planning and fiduciary management); (ii) with motivated and organized school committees, the schools will prepare a simple school improvement plan (PEI- *Proyecto Educativo*), defining mid-term goals and short-term activities to improve learning; and (iii) the component will provide some seed financial resources (School Improvement Grant) as incentives for PEI implementation (the Grant will not necessarily fully finance the PEI). The formula for this incentive includes number of children and rural level of each school. In average, participating school governments will receive approximately US\$1,500 annually, up to five times during the period of project implementation.

Subcomponent 3.B Consolidation and Strengthening of Departmental Supervision and Technical Assistance to Schools (US\$ 2.5 Million)

Sector context and diagnostic summary: Since the Peace Accords of 1996, Guatemala initiated a process to: (i) decentralize its education system across central, departmental, school and community (including indigenous and rural) management levels; (ii) improve its Management Information Systems; and (iii) modernize Human Resources administration. As part of the decentralization and modernization goals of the Education Sector, in 1998 Guatemala created the 22 departmental education offices (sub-regional division). These offices have delegated authority in the areas of school administration, human resources management, and monitoring school construction. To support school decision making and improved performance, Departmental and District offices need to strengthen their capacity to provide technical assistance and supervision in terms of pedagogical processes in the classroom and school management.

Strategic Objective: Strengthen the capacity of sub-regional education offices (departmental and district) to improve the quality of their school technical assistance and supervision in pedagogical and management processes.

Implementation Strategy: The subcomponent will benefit directly the 10 Education Departmental Offices²⁶ directly responsible for the schools targeted by the Project. The strengthening program includes: (i) improved strategies, instruments and knowledge to support the Project-supported pedagogical models (*telesecundaria* and *alternancia*) and the school management models (*Juntas Escolares*, *COEDUCAS*, and *Cooperativas*²⁷); (ii) improved DDE knowledge and involvement in preparation of school improvement plans; and (iii) collection of school education outcomes and utilization of school report cards. The sub-component will also

²⁵ These schools are created through the existing strategic alliance of the Ministry of Education, municipalities, and local cooperatives.

²⁶ Although the Project will focus only in 10 DDEs, it is expected that the materials and training designs prepared for these departmental offices will contribute to the replication in other not targeted DDEs.

²⁷ School boards, education committees, and community cooperatives.

contribute—with training and materials—to strengthen the decentralized administrative functions at the departmental level (human resources, planning, and fiduciary management).

In targeted Departments, the internal organizational structure of DDEs will be reviewed. Key teams will receive specific training and technical assistance, especially: (i) the Pedagogical Team responsible for technical assistance, training and standardized testing (including local offices of the Education Quality, Bilingual and Intercultural Education, and Evaluation units); (ii) the Management and Administrative Team responsible for financial flows and audits of schools (School Improvement Grants, New Students Access Subsidies, and Scholarships); (iii) the staff responsible for coordination of school access and expansion inputs (mainly infrastructure refurbishing and teaching human resources); and (vi) supervision teams which provide direct technical assistance and support at the school level.

In line with the Result-Based Management policy of the Government (MINEDUC, SEGEPLAN, and Ministry of Finance), DDEs will participate in, and benefit from, the result monitoring and impact evaluation of the Project —which will be financed from this sub-component. The impact evaluation uses the rich school and education sector data available (supported by previously Bank-financed projects and by other donors), and will monitor improvements in project-targeted schools and will evaluate the impact of the pedagogical and institutional investments (see section below).

Impact Evaluation and Monitoring Strategy

Project Design has included strong emphasis on Impact Evaluation to confirm the results of the key programs supported by the Project, in line with the Result-Based mandates of MINEDUC, the Government executive and legislative branches, and Guatemala’s civil society. The key programs to be evaluated (based on a contra-factual comparison: i.e., what would have happened without these investments) will include: (i) the integrated Basic Education Centers (primary and lower secondary cycles), with support to overage students, (ii) a cost-effectiveness analysis among the various secondary education modalities supported by the Project (in comparison to traditional modalities); and (iii) the impact of school management focused on learning quality.

In turn, the Monitoring system will track the implementation of the above mentioned strategies, to guarantee that the program is implemented as expected. Implementation problems (lack of inputs, slow implementation of activities, interventions not reaching beneficiaries, etc.) affect impact evaluations, since the actual results of specific interventions not implemented as expected cannot be assessed.

Working in unison, the Impact and Monitoring designs can both assess if the financed interventions achieved the expected results (internal validity), and if the key Project Programs can be expanded in other regions of Guatemala (external validity). Annex #3 presents the Project Results Framework (and its respective indicators and targets) and the summary of the Project impact evaluation and monitoring design.

Summary of Project Design

Table A-6: Summary of the Sector Issues and Objectives by Components/Subcomponents with Key Indicators to Monitor Education Quality and Secondary Education Expansion			
Issues	PDOs	Sub-Components	Indicators
<ul style="list-style-type: none"> • More than 30% of students in Primary School are 2 or more years over-age • High Repetition and Dropout of Overage Students in Primary Education Limits 6th Grade Completion and Expansion of Lower Secondary Education (7-9) • Guatemala is not on track of EFA Goals 	<p>Improve Primary Education Completion for Overage Students</p>	<p>1.A: Integrated Primary and Lower Secondary Education Centers:</p> <p>1.B: Improvement of Primary Education Teacher Training</p>	<p>1) For the cohort of students that are over-age at baseline:</p> <ul style="list-style-type: none"> • Reduced % of dropout rates • Increase 6th grade completion <p>2) Reduced repetition and dropout rates in grades 1-6;</p> <p>3) Improved admission and graduation test scores in 5 Regional Centers for Pre-service Teacher Training.</p>
<ul style="list-style-type: none"> • Deficient progress in Lower Secondary Education, Grades 7-9 (even behind low-income neighbors: Honduras and Nicaragua) • Limited secondary education impact on competitiveness and poverty alleviation 	<p>Increase Access to a Quality Lower Secondary Education</p>	<p>2.A Secondary Education Curricular Upgrade</p> <p>2.B Lower Secondary Education Flexible Modalities Improvement and Expansion</p> <p>2.C Education Demand Scholarships for Low Income and Indigenous Students</p>	<p>1) Increased intake (access) in grade 7—in schools supported by the Project.</p> <p>2) Satisfactory Scores in 9th Grade Standardized Spanish and Math Tests in schools supported by the Project.</p> <p>3) National Gross Enrollment rate in lower secondary education, grades 7-9 (52% to 58%); and Gross Enrollment Rates in Municipalities Supported by the Project from 34% to 63%</p>
<ul style="list-style-type: none"> • Limited School Management Impact on Education Quality 	<p>Continue to strengthen the focus of school management on education quality, with support of decentralized departmental education offices</p>	<p>3.A Enhance school-based decision making and community participation.</p> <p>3.B Improve departmental and district technical assistance and supervision of school improvements, and consolidation of the MOE decentralization</p>	<p>a. % of School governments organized and trained (as of originally planned targeted schools)</p> <p>b. % of schools with own planning and management of resources (as of originally planned targeted schools).</p> <p>c. Compare # of following processes between targeted and not targeted Departmental Education Office (DDEs)s: (a Teaching Staff Payroll and Administrative Supervision; (b) Targeting, allocation and monitoring of scholarships; (c) and School Management training and technical assistance offered to principals, teachers and school government.</p>

7. Lessons learned and reflected in the project design

The three key strategic (and interrelated) interventions of the Project—(i) integrated Basic Education Centers (with accelerated programs for over-age students), (ii) flexible and pertinent lower secondary education programs, and (iii) school management focused on education quality—were defined through both international and national lessons learned.

Internationally, integrated schools, providing grades 1-9 in one center, have shown to have an impact on completion and transition between primary and lower secondary schooling. Accelerated education programs are part of integrated Basic Education Centers in El Salvador, Colombia and Brazil. All these countries experiences were reviewed (and technical assistance received from El Salvador and Colombia). To sustain inter-country lessons learned, El Salvador and Guatemala are defining an inter-ministerial agreement, whereby Guatemala can contextualize, edit and use El Salvador's accelerated learning education materials.

Flexible and pertinent programs for lower secondary education from Mexico (telesecundaria), Colombia (Tutorial, Semi-distance programs, SAT), Belgium and France (NUFED) have already been implemented in Guatemala. These programs, however, do require methodological strengthening and contextualization to a multicultural and multilingual country; however, on the positive lessons learned they have shown to be successful in increasing coverage and retention in rural areas. Inter-alliances between the Ministry of Education of Guatemala with the respective design agencies of these programs in Mexico, Colombia and Belgium are in process.

Nationally, Guatemala (as other countries in Central America, most notably El Salvador) has had more than a decade of experience with community-based management of schools. The lessons learned are positive, both in terms of (i) increased access in rural areas, (ii) committed participation of parents and communities in school, and (iii) efficient and transparent use of financial resources at the school and community levels. The School-Based Management system now requires consolidation of lessons learned, especially in focusing school management and community participation on the quality of learning. Complements, such as school improvement planning and school report cards (including information on standardized test scores) are internationally successful inputs that will also be applied in Guatemala, with support of this project.

8. Alternatives considered and reasons for rejection

The project design has evolved and has become more concrete through the preparation process and sector and feasibility studies. Three major original alternatives were considered, tested and rejected: (i) focusing the project only at the secondary education level, (ii) investing only on accelerated programs for overage students, and (iii) focusing the decentralization and modernization investments on the design and implementation of national management procedures and systems.

These alternatives were rejected as the feasibility studies and national/international lessons learned yield the following:

- Focusing only at the secondary education level was rejected because high dropout of over-age students in primary education constrained 6th grade completion and 7th grade demand. Even if the supply (school places) of lower secondary education would have been increased, low primary education completion limited expansion.
- Originally only an accelerated program for overage students in primary education was developed, as an incentive for older students to complete primary education in a psycho-social pertinent environment. However, the program may have yielded only short-term results. Included within a larger strategy of Integrated Basic Education Centers (grades 1-9 in one school), the Accelerated Education Program provides incentives for longer term and sustainable improvements in primary education.
- Focusing only in modernizing national systems—in planning, budgeting, human resources, and fiduciary management—was rejected to focus on management quality at the school level, and then improve regional and central administration in support of schools. The finally agreed institutional component, focuses on improving school-based management and education results, and orients all other departmental and central investment to guarantee this objective.

B. IMPLEMENTATION

1. Partnership arrangements:

Project preparation and implementation benefits from the following partnership alliances: (i) extend existing partnerships between community cooperatives, municipalities and MINEDUC to provide lower secondary education in rural areas; (ii) strategic alliances with not-for-profit education providers of lower education services to under-served youth; and (iii) strategic harmonization with other international and local donors (USAID, CIDA, JICA, GTZ/KfW, etc.) in support of the primary and secondary education reforms.

2. Institutional and implementation arrangements

The project institutional and implementation arrangements have a strong focus on Community-Driven Development (CDD) and School-Based Management. All schools targeted by the project will receive support to: (i) strengthen their school government and community participation, (ii) planning their own improvement strategies, and (iii) receive financial grants for direct management and accountability. Central and Departmental offices—as well as NGOs—have more than a decade experience in supporting school-based management. Since a large percentage of Project education quality and access activities will be directly financed at the school level, required annual audits will include complementary and random audits of inputs, processes and results of grants and subsidies managed by schools communities.

3. Monitoring and evaluation of outcomes/results

The Project supports, strengthens and utilizes monitoring and impact evaluation to evidence outcomes and results. Annex 3 of this PAD includes the monitoring and impact evaluation design for the Project interventions, in line with existing MINEDUC's capacity and information systems.

4. Sustainability

The project rests on four key pillars to guarantee its sustainability: (i) strategically, it directly supports key sector issues; (ii) socially and politically, project preparation has benefited from consultations in both the legislative and executive branches of Government, and stakeholders at

the central, departmental, school and community levels; (iii) the Project does not introduce new programs into the Guatemalan Education Sector, but strengthens and optimizes existing rural lower secondary education programs and school management modalities; and (iv) financially it rests on alternative mechanisms of education financing, including Central Government, Municipality, Cooperatives and NGO efforts.

5. Critical risks and possible controversial aspects.

The present Latin American political environment shows evidence of an ideological polarization both in society and in political groupings. The focus on NGO participation, school based management, and targeting (by region, ethnicity, or income levels) tend to be argued against or defended by different interest groups. Transparency, open dialogue, and objective evidence of project results are strategies to minimize controversial issues and to reach consensus on the positive aspects of Community-Driven Development and decentralized approaches.

The table below presents the identified political and implementation risks and their mitigation measures:

Table B-1: Risks and Mitigation Measures	
Political Risks	Mitigation Measures
Post-secondary education training of students may be opposed by prospect teachers and Teacher Unions that feel additional requirements are placed for this profession.	The project commitment is on improving pre-service teacher training (independent of the education level agreed); it provides resources to complete the needed feasibility strategies and operational proposals for a post-secondary reform. It will support structural changes only if there is consensus and the risks are manageable.
School-Based management is criticized by some groups as a “privatization” scheme and low public responsibility for financing and management of schools.	The Information, Communication and Education (IEC) strategies of the MOE are presenting live “samples” of the benefit of school-based management and participation. IEC will continue to be supported by the Project reiterating that the strategy actually supports increased public commitment and finances at the school level, and wider democratization through participation of parents (mostly from rural and low income communities).
Government transitions are difficult and require regaining support for on-going Projects. The period of loan ratification by Congress will coincide with an electoral year, and may take longer than the standard 90 days after Board approval.	MINEDUC and the Bank are carrying and will continue to carry consultations with Congress, Political Parties, and Civil Society representatives to gain support for this Project. The Project addresses concerns and suggestions expressed by Congress—including the focus on secondary education, cooperative schools, and competitiveness.
Implementation Risks	Mitigation Measures
Reduce errors of inclusion (of non-eligible students) and exclusion (of eligible students) from the scholarship programs.	Indeed, the Education Demand sub-component (subcomponent C.2) identified the need for strengthening the targeting, selection and beneficiary mechanisms. Thus, resources are provided for such strengthening. A disbursement condition for scholarships will guarantee that such systems are in place and adequately functioning before financing a scholarship.
Guarantee that expansion is in pace with capacity for school management of School Access Subsidies.	Guatemala has had more than a decade of experience in school-based financial management in PRONADE (community-managed schools). MINEDUC is integrating the financial, monitoring, information and supervision systems existing in PRONADE within a general school-management department—benefiting the project-targeted schools. In addition to the annual financial audit, a special audit will be requested (on a random sample to school) to evaluate the financial management processes and procedures for all funds transferred at the school level.

<p>Financial Flows from MINEDUC to Schools need to be monitored to guarantee effective and efficient processes and procedures.</p>	<p>The Project is in line with the decentralized financial and procurement systems in the education sector. However, technical assistance and supervision of financial flows will be financed and carried out by the Project. DDE participation in financial transfers to schools (improvement grants, subsidies and scholarships) does not mean “cash money transfers” through each level (from the center, to the department, to the school); rather DDEs only manage budget allocation, plan regional selection and identification of beneficiaries, and request electronic account transfers from central accounts to school accounts. Flow-of-fund arrangements and strengthening/risk mitigating measures can be found in Annex 7.</p>
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The overall risk for the Project is moderate, given the mitigation strategies. As a Project that attempts to reform institutional systems, all possible risks have been identified in detail. However, extreme care has been placed to manage all the risks, especially those inherent to decentralized, community driven development strategies.

6. **Loan conditions and covenants**

No conditions are expected. The following drafts are expected at negotiations: Operational Manual, Annual Operation Plan for the first 18 months of Project Implementation, Procurement Plan, and draft format of covenants for school access subsidies, scholarships and PEI-incentive grants.

C. APPRAISAL SUMMARY

1. **Economic and financial analysis.**

The cost-benefit analysis has yielded an Investment Return Rate of 31%, remaining high through different sensitivity analysis. Financially the Project investments and recurrent costs were considered sustainable (See Annex 9 for details).

2. **Technical.**

The sector analysis provided key information on: (i) Overage students, (ii) efficiency indicators for primary and lower secondary schooling, (iii) education needs and pertinent strategies for Indigenous Populations, and (iv) the education outcomes of low income groups. The preparation team developed an Index of Education Efficiency (IEE), which has allowed concrete criteria for targeting, monitoring and costing interventions across and within the differing regions of Guatemala. Project preparation has benefited from a series of existing and on-going studies (supported by the Bank, other donors, and local and international specialists): Overage programs, Teacher Development, Alternative Lower Secondary Education Programs, Curricular Development, Technical Education Flexible Programs, Institutional Modernization, and School-Based Management of Education Management (see PAD bibliography for a sample of studies prepared and consulted).

3. **Fiduciary.**

A decentralized Bank Fiduciary Team in Guatemala provided close technical assistance and reviews of MINEDUC’s fiduciary capacity for the Project. Albeit some identified risks (and respective strengthening plan), capacity is satisfactory for both financial and procurement management. MINEDUC has integrated Project fiduciary management within the Administrative Department of the MINEDUC (rather than being an outside and independent unit). This integration will guarantee cross-training of MINEDUC fiduciary personnel, as well as contribute to the gradual plan of strengthening fiduciary country systems in Guatemala. Within

the Administrative Department a team specialized in IBRD fiduciary norms —and with competence and experience acceptable to the Bank— will support all processes specific to the loan.

4. Social.

The Social Assessment and Indigenous Development Plan preparation was completed, and contributed to the specific strategies to reach low income; rural and indigenous populations (see Annex 10). The 10 project-targeted regions—identified based on an index of education efficiency—have up to 70% of indigenous population. Indigenous specific-earmarked activities are detailed in Annex 10; in addition to earmarked investments, Indigenous Students will also benefit from other general Project investments.

5. Environment C Category.

No new education infrastructure will be financed by the Project—given the flexible models for lower secondary education and the alliances with NGOs and other non-profit service providers. Nonetheless—although no environmental feasibility studies were required—the standard IBRD environmental safeguard guidelines were presented and discussed with MINEDUC.

6. Safeguard policies.

The Indigenous People safeguards have been triggered. Environmental Assessment is not triggered since school construction will not be financed by the Project.

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

7. Policy Exceptions and Readiness

No exceptions requested. Drafts of Project Manual, Annual Operational Plan, draft agreements with NGOs, Cooperatives, School Governments and Committees; and Global and 18 Month Procurement Plan will be presented at negotiations.

8. Financing

Source:	(\$m.)
BORROWER	20
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	80

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

Total 100

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