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EVALUATION OF THE PANAMA
EDUCATIONAL SECTOR LOAN

DRAFT

by Robert Pogson
Laurence Wolff
William Charleson
Glenn Patterson

Office of Development Program
Bureau for Latin America
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I. INTRODUCTION

This study of the educational sector loan in Panama forms one of several interrelated studies of AID loans in agriculture and education undertaken by the Development Program Office of the Latin American Bureau (LA/DP) of AID. The general purpose of these reviews is to compare the experiences of sector loans in several countries and to determine what lessons to apply in designing future sector lending programs. This activity is timely because a number of Latin American countries, including Jamaica, Honduras, and Bolivia, are in the process of requesting educational sector loans.

LA/DP intends to send teams to Colombia and Brazil, as well as Panama, since these three countries, along with Chile, were the first to receive sector loans in education. Since this study is the first of three, its general conclusions should be regarded as preliminary and tentative.

The team for the study was composed of the following members:

Dr. Robert Pogson
Deputy Director
Center for Research on Economic Development
University of Michigan
Ann Arbor, Michigan

Dr. Laurence Wolff
Educational Consultant
Academy for Educational Development
Washington, D.C.

Dr. William Charleson
Educational Planner
Technical Assistance Bureau
AID

Mr. Glenn Patterson
Deputy Director
Office of Development Planning
Latin American Bureau
AID

The team met in Washington for one week beginning November 26, 1973, to review basic documents, interview AID/W personnel, and develop an evaluation strategy. The team spent December 3 to 15, 1973 in Panama, during which time it reviewed basic documents, discussed the sector loan with Mission personnel, interviewed key Ministry officials, and made on-site inspections of Panamanian schools in Panama City and the interior. During January, each member of the team wrote a draft evaluating aspects of the loan. The team met January 30, 1974 to review the work up to then and to discuss major conclusions. Dr. Wolff combined the individual drafts in a draft final report, which was then commented on and revised by other members of the team.

The purpose of the evaluation was in no way to sit in judgment or audit the performance of the Panama mission or of Panama's educational system, but rather to see what could be learned from the Panama experience concerning the sector loan processes of

- o analysis
- o allocation of resources
- o implementation.

In fact the team was impressed with the commitment and initiative of the present AID loan administrator, the senior expert working with the

Ministry of Education, the technical assistants, and all the Panamanian educational leaders interviewed.

The team emphasizes that, as with any evaluation done by a group of outsiders on a short visit, the conclusions of the report should be considered tentative. The team did not have the time to do detailed quantitative analysis of loan inputs and outputs in relationship to development goals in education and in the social and economic life of Panama. In addition the loan has not been operating long enough to fully evaluate institutional changes and changes in the quality of education. Most of the programs and pilot projects have been in existence for little more than a year.

II. DESCRIPTION OF THE LOAN

In 1967, the Panama Mission decided that a major and complete analysis was needed in order to help shape Panama's educational future. Previous to that time, AID's assistance to Panama had included a number of technical assistance and construction projects, among them:

- o technical assistance in agriculture and public administration at the University of Panama by the University of Tennessee.
- o a number of grants and loans for self-help construction of rural primary schools.
- o grants for construction of urban classrooms.
- o grants for a number of manpower studies.

AID contracted with the Pennsylvania State University in 1968 to collaborate with Panamanian counterparts in the writing of a national educational plan. After working more than a year, the group produced the National Plan for Education and a series of implementation reports.

The writers of the plan took a global approach. They looked in detail at economic factors in Panama's development, at social demands for education, and at the quality and management of the educational system. They made seventeen major recommendations as follows:

1. Formulation of national goals and objectives
2. More leadership and better administration in the Ministry of Education
3. Reallocation of funds for educational development
4. Massive financial support of education

5. Improvement of teacher education
6. Improvement of supervision
7. Continuous curriculum development
8. Large-scale school construction
9. Provision of instructional materials
10. Improvement of technical education
11. Improvement and expansion of guidance services
12. Provision of health services
13. School programs for the mentally and physically handicapped
14. Use of modern instructional technology
15. Provision of adult education
16. Provision of developmental research
17. Experimentation with pre-school training of under-privileged children¹

They also proposed ten specific goals to be reached over the period 1969-83 as follows:

1. an efficient, well-organized Ministry of Education
2. enrollment of 90 percent of the age group 7-15
3. enrollment of 49 percent of the age group 13-18
4. a well-developed guidance program
5. effective school plants
6. adequate school supplies
7. well-trained teachers

8. articulation of all levels of education
9. a well-established research department
10. a good distribution of educational resources throughout the country.²

The planners estimated that over the 15-year period from 1969 to 1983 new programs in the plan would require investment of \$58 million.³

In the first years of the plan, especially 1970 to 1973, a large portion of this figure would be required, especially for school construction.

They proposed that a portion of the plan be financed by outside assistance as follows:

AID	\$ 6,571,000	for primary school construction and improved quality and management.
World Bank	\$ 1,962,000	for secondary school construction.
IDB	\$ 5,594,000	for technical and vocational school construction. ⁴

With some minor changes, the Panamanian government accepted the plan.

~~But it seems clear that the Pennsylvania State team wrote most of it even though a number of Panamanian counterparts were also deeply involved.~~

The AID loan administrator reports on this situation as follows:

...External inputs into the formulation of the original plan were predominant and a marked shift in the GOP attitude became evident [after the plan was completed]. In the last quarter of 1970, the GOP announced the formation of an all-Panamanian education evaluation commission whose task was to review and revise the 15 year development plan. The plan presented and approved as a substitute was very similar to the original one, but a spirit of nationalism is expressed as an underlying

theme and a preference is articulated for multi-lateral over bilateral technical assistance.⁵

Since the time of the plan, Panama has received significant outside assistance.* The IDB loan, authorized in 1969 for \$3.4 million, includes construction, provision of equipment, technical assistance, and out-of-country training in secondary technical and vocational education. The World Bank decided not to provide a loan to Panama.

The AID Sector Loan 036, which this report evaluates, proposes three major objectives and divides AID funds as follows:

TABLE 1. AID EDUCATIONAL SECTOR LOAN 036

<u>COMPONENT</u>	<u>AMOUNT</u>	<u>% OF TOTAL</u>
<u>Improving Administration</u>	<u>\$ 258,000</u>	<u>3.0</u>
Reorganization of MOE	123,000	1.4
Planning & Evaluation	85,000	0.1
Maintenance	50,000	0.6
<u>Improving Quality of Education</u>	<u>1,279,000</u>	<u>15.0</u>
Curriculum Development	166,000	1.9
Teacher Education	285,000	3.3
Teaching Materials	719,000	3.3
Research & Technology	109,000	8.5
<u>Expansion of Facilities</u>	<u>6,963,000</u>	<u>81.9</u>
Provincial Units (8)	451,000	5.3
Superior Normal School	536,000	6.3
Primary Classrooms (635)	3,578,000	42.1
Secondary Classrooms (175)	1,598,000	18.8
Furniture & Equipment	800,000	9.4
MOE Building		
	<u>TOTAL \$ 8,500,000</u>	<u>100%</u>

Source: Sector Loan Paper, p. 55.

* This was probably a major reason behind acceptance of the plan.

The great bulk of loan funds--81.9 percent--goes to construction. Only 3.0 percent goes to improving administration. While 15.0 percent goes to improving quality, most of that money--8.5 percent of the total loan--goes toward provision of equipment and materials.

In addition to the \$8.5 million in AID loan funds, the government of Panama was expected to contribute \$8.9 million, which would come from the "general budget allocation." This figure would include the cost of all land acquisition at \$2,300,000 as well as construction of a new Ministry of Education building at \$1,570,000.

The loan paper also breaks down both the GOP and AID contribution in terms of capital assistance, technical assistance, training, and staff salaries as follows:

TABLE 2. BREAKDOWN OF AID AND PANAMANIAN CONTRIBUTION TO LOAN PROGRAM

<u>COMPONENT</u>	<u>Capital</u>		<u>Tech.</u>	<u>Training</u>		<u>Staff</u>
	<u>GOP</u>	<u>AID</u>	<u>Asst.</u> <u>AID</u>	<u>GOP</u>	<u>AID</u>	<u>GOP</u>
<u>Improving Administration</u>	<u>\$ 4,000</u>	<u>\$ 6,000</u>	<u>\$195,000</u>	<u>\$ 59,000</u>	<u>\$ 57,000</u>	<u>\$ 31,000</u>
MOE Reorganization	-	-	90,000	31,000	33,000	31,000
Planning & Evaluation	4,000	6,000	60,000	13,000	19,000	-
Maintenance	-	-	45,000	15,000	5,000	-
<u>Quality of Education</u>	<u>\$246,000</u>	<u>\$699,000</u>	<u>\$330,000</u>	<u>\$304,000</u>	<u>\$250,000</u>	<u>\$ 24,000</u>
Curriculum Dev.	-	-	120,000	61,000	46,000	10,000
Teacher Educ.	-	-	150,000	166,000	135,000	-
Teaching Materials	201,000	699,000	-	50,000	50,000	-
Research & Technology	45,000	30,000	60,000	27,000	19,000	14,000

TABLE 2. BREAKDOWN OF AID AND PANAMANIAN CONTRIBUTION TO LOAN PROGRAM (continued)

<u>COMPONENT</u>	<u>Construction</u>		<u>Land GOP</u>	
	<u>GOP</u>	<u>AID</u>		
<u>Expansion of Facilities</u>	<u>\$5,532,000</u>	<u>\$6,963,000</u>	<u>\$2,300,000</u>	<u>\$400,000</u>
Provincial Units	226,000	451,000	225,000	-
Normal School	426,000	526,000	100,000	60,000
Primary Classrooms	2,573,000	3,578,000	1,005,000	140,000
Secondary	737,000	1,598,000	860,000	200,000
Furniture/Equip.	100,000	800,000	-	-
MOE Bldg.	1,470,000	-	110,000	-

Source: Sector Loan Paper, p. 56.

Since the sector loan was intended to implement the first three-year phase of the National Plan for Education, the disbursement period of the loan was expected to be for three years.

The loan paper provides a number of analyses of the economy and education in Panama. For instance, the loan paper states that the plan's goals of enrollment of 90 percent of the 7 to 15-year age group by 1983 and 49 percent of the 13 to 18-year age group were based on faulty statistical analysis and should be cut back to 80 percent and 40 percent, respectively.⁶ Despite these and other problems, the loan paper states that the loan is relevant to social and economic goals and can be repaid by the Panamanian government.

The loan paper states that, in spite of the fact that 82 percent of the funds are for construction, the major focus of the Mission and the government of Panama was on system improvement rather than expansion:

Although by far the greater part of the funds made available under this loan and the funds contributed by the Government of Panama will be devoted to the construction of educational facilities, this does not reflect a position taken by either USAID or the GOP that assigns a higher priority to material expansion rather than to improving the quality of education and its administration. Rather, it reflects the obvious fact that the costs entailed are not proportionate to the importance and priority of the activity. The Mission has chosen to consider this a 'sector' loan precisely because of our greater concern with the educational system as a whole and the need for strengthening management planning and implementation capability and the ability to develop new and more relevant curricula.⁷

In this matter the Mission was probably responding to AID/Washington's developing interest in the sector approach.

While implementation of the loan was slow at first, as of November 30, 1973, \$4,367,000 had been committed and \$3,768,000 disbursed.⁸ The present accomplishments of the loan (to November 30, 1973) can be summarized as follows:

TABLE 3. LOAN ACCOMPLISHMENTS TO NOVEMBER 30, 1973

CONSTRUCTION

<u>Completed:</u>	89 primary classrooms
	318 secondary classrooms
<u>To be completed March 1974:</u>	167 primary classrooms
	30 secondary classrooms
<u>To be completed by mid-1975:</u>	215 primary classrooms
	42 secondary classrooms
	4 provincial administrative centers
	2 university level regional extension centers
	1 central warehouse

TABLE 3. LOAN ACCOMPLISHMENTS TO NOVEMBER 30, 1973 (continued)

IMPROVED ADMINISTRATIONCompleted:

- Staffing and opening of the pilot decentralization project in Herrera/los Santos.
- Contracting of technical assistants in educational administration and research.

Proposed:

- Continuation of contracts with technical assistants.
- Contracting of technical assistants in audiovisual aids and in the economics of education.
- Equipment purchase.

IMPROVED QUALITYCompleted or In Progress:

- In-service training of uncertified teachers in Darien.
- Pilot programmed instruction project in commercial education.
- Contracting of a technical assistant in evaluation and of a short-term technical assistant in the "year round" school.

Proposed:

- Out-of-country training in curriculum development and teacher education .
- Technical assistants in curriculum development, teacher training, and cost analysis purchase of audiovisual materials.
- Purchase of audiovisual materials.
- Support of pilot year-round school.

Source: "Education Sector Review," November 30, 1973, pp. 5-12 and attached sheets.

Most of the funds disbursed are for school construction. Of the original 210 man-months of technical assistance proposed in the loan, only 91-1/4 were completed or under contract by November 30, 1973.⁹

When the loan was first signed, the Panamanian government negotiated with several American consulting firms and universities to provide

technical assistance. These negotiations collapsed after an extended time period, in great part because the Panamanian government stated that it did not want to pay overhead costs. Since then, the government has relied on personal services contracts negotiated through the mechanism of the AID PIO/T.

Despite this mechanism, the Panamanian government has been extremely slow to hire technical assistants. They have argued that, especially since they are spending the money, it is unfair to pay a technical assistant more than the salary of the Minister of Education. In addition, according to the AID loan administrator, "There has been an overriding concern to build rather than to view the quantitative aspects of education."²⁰ This attitude is slowly changing as a more committed and concerned nucleus within the Ministry has made its ideas felt. Nonetheless the Panamanian government has consistently exerted pressure to transfer loan funds from technical assistance to construction.

Since the signing of the loan, there has been a significant shift in emphasis from construction of primary schools to construction of secondary schools as follows:

TABLE 4. CLASSROOMS TO BE BUILT

	<u>According to Loan Paper</u>	<u>Now Expected</u>
Primary	634	479
Secondary	175	398
TOTAL	809	877

Source: Sector Loan Paper, p. 21, and "Education Sector Review," November 30, 1973, p. 12.

This change occurred because the Panama government found itself under strong pressure from the urban areas to provide more places for secondary school students and because the World Bank did not finance secondary school construction.

According to the FY 1975 DAP, implementation of the sector loan will carry through FY 1974. For FY 1975 the mission has programmed a loan of about \$6 million to finance:

- o the expansion of rural self-help construction
- o the expansion of innovative pilot programs and the implementation on a national scale of successfully tested programs which can improve quality education at reduced per unit cost
- o the expansion of MOE's programs to decentralize administrative services.¹¹

In addition the mission is proposing a grant project for FY 1974 and 1975 to test innovations and to begin study of the concepts to be expanded during the second loan.

Major Conclusions and Recommendations

A. The ^{pre-}loan Analysis

1. The analysis preceding the educational sector loan to Panama provided a major incentive for Panamanian educational leaders and consultants to conduct a systematic review of their needs and objectives in the sector as well as the principal constraints and opportunities. However, the analysis was a highly quantitative statement of the problems of Panamanian education with little explicit relationship to the country's overall development goals. In fact, the analysis explicitly rejected the feasibility of detailed manpower projections preferring to develop an educational system which was sufficiently flexible to be responsive to manpower training needs as they arose. Likewise, the analysis or assessment did not examine alternative strategies for achieving the goals stated nor the cost effectiveness of the strategy proposed. To some extent this sophistication may not have been feasible given the state of the art of educational analysis at the time the study was undertaken. (During the course of the remaining inter-country studies the team will give particular attention to determining what level of sophistication is appropriate and possible for educational analysis in alternative situations.) Future pre-loan studies must be more explicit in defining the economic and social goals of education and the means to achieve them as well as in examining the cost effectiveness of alternative strategies.

2. The analysis was primarily the work of the consultants from Pennsylvania State University recruited for the job. While the Panamanian Government accepted the report virtually unchanged, it has acted to

implement only a portion of the recommendations. While host country input into the initial analysis is not a guarantee that the recommendations proceeding from it are acted upon, it nevertheless provides somewhat greater insurance and studies conducted totally by foreigners should not be accepted as a basis for sectoral programs.

3. The Penn State analysis formed the basis of a one-time plan which has not since been significantly revised although there has been some improvement in the planning capacity of the Ministry. The original study was not designed as part of an on-going planning effort to be incorporated into the Panamanian Government. Not only should future sectoral programs make provision for continuation of the planning function but analyses should identify a scope of work for their further sophistication and revision.

B. Program Design and Allocation of Resources

The program design was essentially one of school construction with a technical assistance and training input to improve the quality of instruction and the efficiency of administration within the Ministry.

4. The basic purpose of the program developed was stated to be a qualitative and administrative improvement of Panamanian education, although over 90% of the funds were allocated to school construction. The qualitative and administrative changes recommended (with the one exception of decentralization) were not given high priority by the Panamanian Government. Furthermore, the program design was really a description of A.I.D. inputs without reference to the specific actions of the Panamanian Government required to achieve the qualitative and managerial objectives of the program. It is clear that the basic

Panamanian interest was and remains the expansion of educational opportunity through school construction. Since this was the case and since AID/W and the Mission were primarily interested in other objectives, a built-in conflict has existed throughout the course of the loan and no agreed-upon Panamanian targets established.

5. Perhaps another way of saying the same thing is that the rather meager A.I.D. technical assistance and training inputs were not adequate to produce the qualitative and managerial outputs generally described in the loan. Not only were there no specific Panamanian inputs essential to the program but even those technical assistance components foreseen by A.I.D. have not been available or accepted. Thus the means foreseen in the program was not suited to the ends being sought.

5. (a) As in other educational sector loans, the financing of school construction was perceived as an admission card through which A.I.D. could pursue more important qualitative and administrative objectives. Other governments are likely to continue sharing the interests of the Panamanians in school construction and therefore this is likely to be an important element of educational sector programs for the feasible future. Therefore, the question arises, how can one take maximum advantage of the school construction program itself to improve educational management and the quality of education? Self-help school construction, the use of school construction as vocational training and other ideas for maximizing the usefulness of this input should be explored.

The Allocation of Loan Resources

4. The Panamanian Government has consistently given conscious priority to the expansion of educational opportunity through facility construction rather than improved quality and management. The Mission and AID/Washington, however, were primarily interested in qualitative and administrative improvements within the educational system. Thus a built-in conflict existed through the course of the loan. In addition, the Panamanian government has consistently resisted utilization of foreign technical assistance spelled out in the loan. Future loans should be provided only if there is both mutual understanding and a serious, long-term commitment by the Panamanian government to loan goals and the means to achieve those goals.

5. One of the major conflicts in the loan concerned the provision that AID technical assistance be fully funded through the loan. This has led to the anomalous position of the Panamanian government paying salaries to foreign technical assistants, through the loan, in excess of the salary of the Minister of Education. The Mission should consider using loan funds to pay only a portion of technical assistants' salaries--up to the host country rate--and grant funds should be used to top off these salaries. In addition, consideration should be given to using the 211(d) mechanism to finance overhead costs of U.S. universities which might supply technical assistance.

6. It was difficult to measure the contributions which the Panamanian government was making to the loan program, especially in provision of

counterpart funds for construction and for quality improvement. In the future, Panama government contributions to the loan program should be spelled out more clearly.

Relevance

7. Education appears to be viewed in Panama as a consumption rather than investment item, and the educational goals of the loan were not related to overall development goals. Future loan activities in education should be based on and integrated with the Panamanian government's overall goals for social and economic development.

Improved Access

8. The loan has been notably successful in helping to provide many new classrooms which will enable more Panamanians to go to school. But the loan defined access only very broadly in terms of numbers of students and classroom spaces. Thus it was easy for the emphasis of the loan to shift in midstream from primary school construction to secondary school construction. Future loan activities should define access in terms of the kinds of students to be provided access, e.g., urban or rural, advantaged or disadvantaged, and in terms of the kinds of educational experiences to be provided to them.

9. The loan assumed that construction was the only means to provide access, and except for a few rural self-help classrooms, construction is being done commercially and conventionally. In the future, the Mission should consider means other than construction for the provision of access, especially through the use of the mass media and existing facilities in factories, churches, homes, etc. It should also view

construction itself as a means of change and educational reform, through self-help, community involvement, and employment generation.

Improved Quality and Management

10. The loan has led to the beginnings of administrative decentralization and to greater awareness by Panamanian leaders of the need for improved quality and management; but it is not yet possible to demonstrate that the sector loan has led to significant system improvement. The loan paper set forth very broad and ambitious goals for system improvement but provided principally limited and expensive technical assistance as the means to achieve them. A future loan should set more specific and definable goals for improved quality and management and should carefully examine the cost-effectiveness of the various means of achieving them.

11. One seriously overlooked means of achieving system improvement may be the utilization of the existing Panamanian resource base from elsewhere in the public sector and in the private sector. AID financing should allow a degree of flexibility sufficient to permit utilization of the Panamanian resource base through PASA-type arrangements and through supplementing the salaries of short-term Panamanian consultants.

12. The achievement of system improvement is long term and difficult to measure while construction goals are short term and measurable; but both activities are to be concluding over the 3-year time period of the loan. The Mission should consider more flexible and longer time periods than three years for activities designed to improve quality and management.