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FROM : Jack M. Rose, AAG/LA
SUBJECT: Memorandum Audit Report No. 1-520-80-13, Education Sector, USAID/Guatemala.

We made a limited-scope audit of the AID-provided assistance to projects in the Guatemalan education sector. The original purpose of our audit was to make an in-depth review of the progress and accomplishments of AID-assisted active projects. Early in the course of our review, it became evident that loan disbursements were at a near standstill. So little progress had been made against major sector goals that a full-scale audit was not considered warranted at this time. We therefore sharply curtailed the planned scope of our work.

Our audit included a review of Mission files, discussions with Mission and contractor personnel, and limited tests of financial records. We also visited selected sites of AID-financed school construction in progress in the Department of Quezaltenango.

As of March 31, 1980, the dollar value of active AID loans and grants in support of projects in Guatemala's education sector totalled \$14,120,000. Against that figure, a total of \$1,838,000 had been disbursed. Under the education sector, there were four development projects and a general technical support project receiving AID funds. Two of the development projects were initiated in 1975, one in 1977 and one in August 1979. The general technical support project was started in 1974 and over the years has provided the funds to furnish various technical assistance to design educational sector projects for AID financing and to provide assistance to the Guatemalan Ministry of Education in analyzing resources and developing data bases. Two of the four development projects were financed by loans and the other two were grant financed.

Basic Rural Education (Project No. 520-0228)

The purpose of this grant funded project which was initiated on June 1, 1975 was to assist the Government of Guatemala (GOG) in establishing a non-formal education program for rural Guatemalans. Over the years, a total of \$1.3 million has been provided under this project. The original end-of-project goal was a viable non-formal education program in eight areas of Guatemala which the GOG would be capable of expanding into new communities.

AID assistance to the project was to be provided primarily through a grant funded technical assistance contractor. On November 24, 1975, AID signed a contract with the Academy for Educational Development for the provision of technical assistance, purchase

of commodities and participant training over a period of 5 years. The contract, as amended, expires June 30, 1980, but it is expected that the contract will be extended to March 31, 1981, to complete certain aspects of the work assigned. As of March 31, 1980, a total of \$1,256,960 had been provided to finance activities under the contract and the contractor had been paid \$1,029,209.

The contractor was to concentrate on developing techniques for collecting baseline data, preparing an implementation plan, designing, testing and producing instructional materials, training program personnel, and developing necessary feedback/evaluation management systems. To implement the assigned tasks, the contractor assigned long and short term technical personnel. As of December 31, 1979, project activities were being conducted in 5 areas of Guatemala serving 12,000 individuals directly in 140 communities with a field force of 300 promoters. These promoters have been trained in Non-Formal Education means and methods, community development participatory theory and practices, person to person communications, and use of available resources. Over 120,000 pamphlets, posters, newspapers, flyers, and booklets have been produced and disseminated. Two commercial radio stations were broadcasting 54 short programs on a monthly basis.

While USAID/Guatemala officials believe that the training aspects of the project have been performed satisfactorily, they do not believe the non-formal education program will be expanded into new areas during the life of the AID funded project. There were three major circumstances limiting expansion of the program: lack of base-line studies and needs assessment for new target areas, bottlenecks in program implementation in five initial areas, and lack of policy decisions. These are areas within the GOG agencies involved with the program where action must be taken. Both the contractor and USAID/Guatemala personnel will be working with Guatemalan officials to reduce the effects of these impediments during the remaining period of the AID-financed project. Hopefully, these efforts will allow for increased progress during the remaining life of the project.

Rural Primary Education (Loan No. 520-V-025)

AID agreed to loan the Government of Guatemala an amount not to exceed \$7 million on November 3, 1975 to assist the Government in carrying out a program for the improvement of rural primary education. The program was to include qualitative reforms (expansion of a new innovative teaching methodology by training personnel, purchasing equipment, materials, supplies, and development of a research and evaluation unit) and improvements in physical facilities. Of the AID provided funds, \$2.8 million was to be used for qualitative reforms and \$4.2 million for physical facilities.

As one of the general covenants of the loan agreement, the GOG agreed to carry out the project with due diligence and in conformity with sound, financial administrative and technical practices. The

GOG also agreed to employ suitable qualified and competent contractors, satisfactory to AID, to carry out construction work under the project. All activities under the project were to be completed by December 31, 1979, the terminal date for disbursements under the terms of the loan.

The project has been delayed by many factors (discussed in later sections of the report). As of March 31, 1980, only \$417,000 of the \$7 million made available had been disbursed and the terminal disbursement date had been extended to December 31, 1980.

The qualitative reforms that have been financed with AID funds as of March 31, 1980 were the purchase of 223,000 textbooks and 8,000 teacher guides (\$173,304) and the training of 803 directors, supervisors, teachers, and other education related personnel (\$94,108 for training related travel costs). The remaining \$2.5 million reserved for qualitative improvements of the Guatemalan education system had not been expended.

Loan funds of \$149,588 had been disbursed as of March 31, 1980 for architects' and engineers' fees in connection with the provision of physical facilities. A total of 14 construction packages had been designed and submitted for USAID/Guatemala's approval. The 14 packages include designs for 99 regional and satellite schools and the enlargement of 2 regional schools. USAID/Guatemala has approved 8 of the construction packages and the other 6 packages were awaiting clearance of land titles at the time of our review.

Contracts for the construction of 5 regional and 15 satellite schools included in 2 of the 8 AID approved construction packages have been approved by the Guatemalan Ministry of Finance. The 20 schools included in the 2 packages were under construction and a USAID/Guatemala official estimated that the schools were 40 percent complete at the time of our review. We visited the sites for 3 of the schools and found that construction was taking place on 2 of the schools and site preparation was being done at the third location. The cost of the contracts approved for the 20 schools was \$808,287. The GOG had not requested reimbursement for any of the schools as of March 31, 1980. We were advised by GOG officials during the audit that documentation was being prepared so that reimbursement could be requested.

The GOG with the assistance of USAID/Guatemala personnel, reprogrammed teacher training, textbook and curricular materials production, staffing, technical assistance inputs, as well as construction activities over a proposed 2 year extension of the loan terminal disbursement date late in calendar year 1979. On the basis of the revised implementation plan, which appeared reasonable to USAID/Guatemala, the terminal disbursement date was extended one year. USAID/Guatemala was to review progress in May 1980 to determine if a second one year extension was warranted.

On April 8, 1980, the GOG requested USAID/Guatemala to approve the construction of the remaining 82 schools under this project with labor hired by the GOG rather than by contract. The GOG's justification was that labor supplied by them would be cheaper than contract provided labor. USAID/Guatemala had not approved the plan at the conclusion of our audit field work but had requested an implementation plan from the GOG for the change in mode of construction.

Primary School Reconstruction (Loan No. 520-V-029)

AID agreed to loan the GOG up to \$5.2 million to assist in a program for restoring and improving school facilities damaged during the earthquake of February 1976 and installing, where possible, the qualitative reforms initiated under the Rural Primary Education Project. The loan agreement was signed on September 14, 1977 and activities were to be completed by June 30, 1981 (this date has been extended to March 31, 1982). Because the earthquake zone overlaps the areas being assisted by the Rural Primary Education project, the activities under the Primary School Reconstruction project and the Rural Primary Education project were to be carried out on a coordinated basis.

As of March 31, 1980, no funds had been disbursed under the Primary School Reconstruction Loan project. The GOG submitted a list of proposed sites for school construction to USAID/Guatemala on April 15, 1980. The schools to be constructed have not been designed. At the conclusion of our field work on this audit, USAID/Guatemala had not completed its review of the list of proposed construction sites. USAID/Guatemala personnel advised us that because the building sites had not been approved and the school design architect had not been selected, it would be at least a year before construction of any of the schools financed with loan no. 520-V-029 funds can begin.

None of the qualitative reforms to be financed under the Primary School Reconstruction Loan have been accomplished. The GOG has submitted a plan to USAID/Guatemala for personnel training, curriculum program activities, and school furnishings for the period 1979-1982. The plan shows total expenditures which conform to the original financial ceiling in the loan agreement.

Bilingual Education (Project No. 520-0258)

The purpose of the grant agreement signed on August 30, 1979 is to provide the Guatemalan Ministry of Education the information and prototypes on curricula, teaching materials, and personnel development techniques to increase access to the formal education system for non-Spanish speaking Indian children in rural Guatemala. Over the 4 year (subsequently extended to 5 years) life of the project, AID plans to provide a total of \$1,850,000 in incremental funding. A total of \$300,000 had been provided and none of the funds had been disbursed as of March 31, 1980.

Grant funds will be used to develop a bilingual education program for pre-school through second grade rural Indian children. Funds will be used for curricula development, teacher training and program evaluation.

Initial operating procedures have been established and the condition precedent to first disbursement has been met. USAID/Guatemala has issued the implementing order requesting AID/Washington to award a contract for the required technical assistance.

Request for Additional Funds

In the fiscal year 1980 Congressional Presentation, it was proposed that AID loan the GOG an additional \$6 million to construct 56 regional and satellite schools. The additional funds were requested because the number of regional and satellite schools that can be built with funds provided under loan no. 520-V-025 have been considerably reduced. The reduction occurred because of inflation and more construction was required than was originally programmed.

The request for the additional funds did not appear in the fiscal year 1981 Congressional Presentation summary of active and proposed educational projects for Guatemala. We were advised by USAID/Guatemala officials that the proposal for additional funds for school construction has been shelved for an indefinite period because of the delay experience on loan nos. 520-V-025 and 520-V-029.

Overall Comments and Conclusions

The education sector was selected for audit because the slow rate of loan disbursement suggested the existence of problems to which the application of audit techniques might be useful. Further, at the time of selection, it was anticipated that the rate of disbursement would accelerate to afford a larger base for audit inquiry. Progress has been slowed by events which were largely beyond AID's management control, and the rate of disbursement has remained static.

The first such event occurred 3 months after the Rural Primary Education Loan was signed. In February of 1976, the Guatemalan economy was paralyzed by a devastating earthquake. Preoccupation with reconstruction and disaster relief halted new initiatives in all sectors of the economy. Even now, reconstruction continues.

Guatemalan law requires congressional ratification of Government loans. Congressional ratification is understandably time-consuming. It is, therefore, surprising that, on October 6, 1976, in the frenzied aftermath of the earthquake, the Guatemalan Congress ratified the Rural Primary Education Loan.

Months later, the 1977 presidential campaign began. It ended in July 1978 with the inauguration of the new president. A period of bureaucratic inertia followed in which the structure of the old

administration gave way to the new. During the transition period, the Government was generally unresponsive, and USAID/Guatemala's efforts to speed progress on AID loans were unproductive.

Even now, USAID/Guatemala officials believe that bureaucratic infighting in the Guatemalan Government is a major factor in the slow pace of progress in the education sector. The basic Rural Education project illustrates the point. Although personnel have been trained, publications have been printed and distributed, and programs have been broadcast on a regular basis over the radio, USAID/Guatemala is disappointed at the rate of progress. Seven Guatemalan Government ministries must work together in this project and in that sense, the project is breaking new ground. Even if other achievements have been limited, the limited success in inter-ministerial coordination is promising.

Reluctance of the GOG to obtain needed technical assistance figures importantly in the slow rate of progress on the qualitative components of the Rural Primary Education Loan. For example, the Guatemalan Ministry of Education submitted a technical assistance plan in May 1977, but the plan was never put into action. Also, in the Guatemalan 1978 budget for the Rural Primary Education project no funds were approved for training technical assistance. USAID/Guatemala has continued to push to get the Guatemalans to provide for and hire required technical assistance personnel. In April 1980, the GOG began to advertise for needed technical assistance professionals.

The slow rate of disbursement is not confined to the education sector. At February 29, 1980, USAID/Guatemala had eight active loans on the books in all sectors. Total value was \$54,600,000. Only \$6,069,051 had been disbursed. Four of the eight loans were signed prior to December 31, 1976. Total value of these four loans was \$31.4 million. All of the \$6,069,051 was disbursed against these four loans. Nothing at all has been disbursed against the four loans signed in 1977, -78, and -79.

Guatemala's commitment to mandatory public education is binding. It was made so by Article 98 of the Constitution of February 2, 1956:

"There will be a minimum mandatory educational requirement for all the citizens within the age limitations prescribed by law. The primary education offered by the National Government is free.

"The private schools will operate under the supervision of the National Government and, they must comply with the official plans and programs in order to obtain certification."

The need for support to Guatemala's education sector is unarguable. An estimated 60 percent of the population is illiterate. The assumptions (that additional classrooms and improved teaching methodology were needed) on which the loans and grants were originally authorized remain valid today.

USAID/Guatemala is fully aware of implementation problems and has been attempting to resolve them.

USAID/Guatemala officials have met on numerous occasions to discuss issues and urge GOG officials to take action to resolve problems delaying implementation, but with only limited success. Also, USAID/Guatemalan personnel worked directly with GOG officials in revising the implementation plan for the Rural Primary Education loan project.

Although there are still many obstacles in the path of accomplishing objectives of the education sector projects, we believe the need for assistance to the Guatemala education sector is abundantly clear. We also believe that USAID/Guatemala is taking action to remove or reduce the effects of the impeding obstacles. Therefore, we have no recommendations to make at this time.

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