



## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to negotiate and sign a threshold program agreement with the Government of Guatemala obligating up to \$28,000,000. In addition to the enclosed notification, we have included supplemental information regarding the Guatemala threshold program.

The attached notification is being sent to the Congress on December 23, 2014. Members of MCC's staff are available to meet with you to discuss the planned program. If you or your staff would like to arrange a meeting, please contact Jim Mazzarella at (202) 521-2695.

Sincerely,

/s/

Paul Weinberger  
Vice President  
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION  
CONGRESSIONAL NOTIFICATION**

December 23, 2014

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Years 2008, 2010, and 2014 Program Funds
OBLIGATION AMOUNT:	\$5,000,000 (Fiscal Year 2008) \$15,000,000 (Fiscal Year 2010) \$8,000,000 (Fiscal Year 2014)

In accordance with the heading, “Millennium Challenge Corporation,” section 615(c) of Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008, the heading, “Millennium Challenge Corporation (Including Transfer of Funds),” and section 7015(c) of Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010, and the heading, “Millennium Challenge Corporation,” and section 7015(c) of Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014, this is to advise that the Millennium Challenge Corporation (“MCC”) intends to negotiate and sign an agreement with the Government of Guatemala obligating up to \$5,000,000 of fiscal year 2008 funds, up to \$15,000,000 of fiscal year 2010 funds and up to \$8,000,000 of fiscal year 2014 funds for a program authorized under section 616 of the Millennium Challenge Act of 2003, as amended (the “Threshold Program”). It is planned that Threshold Program assistance will support reforms by the Government of Guatemala to improve the quality and relevance for the labor market of Guatemala’s secondary education system and to mobilize additional revenues that would enable the Government of Guatemala to address binding constraints to economic growth.

## SUPPLEMENTAL INFORMATION

### GUATEMALA THRESHOLD PROGRAM

#### Background

The Board of Directors of the Millennium Challenge Corporation (“MCC”) selected Guatemala as eligible for threshold program assistance in December 2012. In 2013, a team of economists from the Government of Guatemala, MCC, and United States Agency for International Development (“USAID”) conducted an analysis of the constraints to growth for Guatemala. The analysis identified two binding constraints to economic growth: (1) low and unequal levels of human capital and (2) weak rule of law. The analysis also found that inadequate government resources contribute to both of these constraints.

The proposed program with Guatemala (the “Program”) focuses on the human capital constraint, specifically on improving the quality of education at the secondary level including technical and vocational education and training, and on improving the capacity of the Government of Guatemala to mobilize additional resources. The Program will also allow MCC to assess whether the Government of Guatemala has the political will and capacity to carry out important, but difficult, reforms that are critical for faster growth and poverty reduction.

#### Planned Program Budget

<b>Guatemala Threshold Program Budget (Estimated)</b>	
<b>Education Project</b>	<b>\$19,700,000</b>
1.1 Improving the Quality of Education	\$12,000,000
1.2 Developing Technical and Vocational Education and Training (“TVET”)	\$4,700,000
1.3 Strengthening Institutional and Planning Capacity	\$3,000,000
<b>Resource Mobilization Project</b>	<b>\$5,800,000</b>
2.1 Improving Tax and Customs Administration	\$1,800,000
2.2 Strengthening Public-Private Partnership (“PPP”) Capacity	\$4,000,000
<b>Program Administration</b>	<b>\$800,000</b>
<b>Monitoring and Evaluation</b>	<b>\$1,700,000</b>
<b>Total</b>	<b>\$28,000,000</b>

## **Projects and Activities**

The Program includes the following two projects and activities:

### **Project 1 – Education Project**

**Project Objective:** To support the implementation of reforms, consistent with the *Proposal for the Transformation of Secondary Education* adopted by the Ministry of Education, that are aimed at providing quality educational opportunities, with relevance to the labor market, to a diverse Guatemalan youth.

- ***Activity 1: Improving the Quality of Education in Support of Student Success***  
In order to promote high-quality teaching in lower secondary schools, MCC will support the Ministry of Education to develop, implement, and refine a continuous professional development system and establish school networks to improve learning and accountability. The Program will support the Ministry of Education in developing one-year certificate programs in partnership with national public and private universities, as well as establishing a system with pedagogical advisors (instructional coaches for teachers) that will reinforce the training. The Program will also support the establishment of school networks as a platform for the provision of teacher training and the development of professional networks (learning communities) with the guidance of pedagogical advisors. The school networks will also organize the support services for parents' councils to allow them to work with municipalities on shared concerns, and improve linkages between primary and secondary schools. Program funding will initiate this model for 10 to 15 percent of the country, and one of the measures of policy reform will be the extent to which the Government of Guatemala allocates funding to sustain and expand the model.
- ***Activity 2: Developing Technical and Vocational Education and Training (“TVET”)***  
MCC will support the Ministry of Education and other Government of Guatemala entities to develop new tools and strategies for TVET in order to respond to current and projected labor market demand. This will include an assessment of the current provision of TVET in secondary education identifying challenges and opportunities for improving coordination and harmonization of competencies and qualification levels among the institutions that provide TVET. The assessment will also identify opportunities for promoting the participation of girls in TVET education. It will also support the Ministry of Education to design, implement, and evaluate new secondary school technical programs. Finally, it will support and strengthen a feedback and adjustment process between the labor market and TVET offerings.
- ***Activity 3: Strengthening Institutional and Planning Capacity***  
MCC will support activities to strengthen the institutional capacity of the Ministry of Education to better plan and budget for the equitable provision of a quality secondary education. This will include an assessment of the effectiveness and efficiency of different secondary school modalities (*e.g.*, traditional schools and distance learning schools); identification of the minimum inputs needed to provide a quality education; strengthened management information systems; reform of teacher recruitment and selection processes; development of a territorial analysis of the supply and demand of secondary education that

will inform resource management (infrastructure, teacher assignments, and materials); and identification of opportunities to increase the budget dedicated to secondary education arising from increases in internal efficiency, improved management of ministry resources, or other financial resources of the Government of Guatemala.

## **Project 2 – Resource Mobilization Project**

Project Objective: To support the Government of Guatemala reforms to increase the availability of revenues by improving the efficiency of tax and customs administration and strengthen its capacity to finance infrastructure via public-private partnerships in order to preserve limited public funding for social spending such as education.

- Activity 1: Improving Tax and Customs Administration

The Program will assist the Government of Guatemala in its efforts to undertake institutional reforms to: implement a strong risk management framework and strategy for the Customs Administration to facilitate clearance of low risk cargo/compliant traders and to focus resources on detecting and examining high risk cargo and traders; improve control of the physical movement of persons and cargo; implement a process of continuous improvement in audits and appeals; determine the adequacy of current information technology systems against international practice; identify shortcomings in detection and application of punitive measures; and institutionalize improved control of staff involved in tax administration.

The Government of Guatemala is also considering a set of more ambitious policy reforms that would require changes to the tax code and other laws, including a law allowing the tax authority access to bank records, removing tax loopholes and tax planning opportunities and amending laws regarding administrative processes and procedures for audits. The Program will provide limited support to the tax authority to review draft legislation and estimate the likely impact on compliance, administration, and revenues. If the legislation were to pass, the Program would support the tax authority to implement the changes.

- Activity 2: Strengthening Public-Private Partnership (“PPP”) Capacity

The Program will support Government of Guatemala efforts to build capacity to implement PPPs, promote transparency in PPPs, and bring one or two projects to market by funding value for money studies and/or transaction advisory services. MCC will coordinate this assistance with efforts by the World Bank, the Inter-American Development Bank, and others to provide general, on-going PPP capacity building to governmental agencies in Guatemala, El Salvador, and Honduras in order to improve capacity and consistency of PPP practices across the region and increase the impact and sustainability of MCC’s investments.