

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **EL SALVADOR**

### **SOCIAL DIGITAL CONNECTIVITY PROGRAM**

**(ES-L1145)**

#### **LOAN PROPOSAL**

This document was prepared by the project team consisting of: Antonio García-Zaballos (IFD/CMF), Project Team Leader; Enrique Iglesias Rodríguez, (IFD/CMF), Alternate Project Team Leader; Rafael Cavazzoni, Pau Puig Gabarró, Nicolás Castro (consultant), Claudia Márquez, Cecilia Bernedo, Lídice González, and Fanny Porras (IFD/CMF); Jacqueline Bueso (SPD/SDV); Pablo Zoido (SCL/EDU); María Deni Sánchez (SCL/SPH); Esteban de Dobrzynski (LEG/SGO); Gabriela Molina (CID/CES); Juan Carlos Lazo and Gumersindo Velásquez (VPS/FMP); Nidia Hidalgo (SCL/GDI); Omar Samayoa and Geovanni Leo Frisari (CSD/CCS); Galileo Solís Ahumada (IFD/CTI); and María Inés Vásquez (IFD/ICS).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

## CONTENTS

### PROJECT SUMMARY

I.	PROJECT DESCRIPTION AND RESULTS MONITORING .....	1
A.	Background, problem addressed, and rationale .....	1
B.	Objectives, components, and cost .....	7
C.	Key results indicators .....	8
II.	FINANCING STRUCTURE AND MAIN RISKS .....	9
A.	Financing instruments .....	9
B.	Environmental and social risks .....	10
C.	Fiduciary risks .....	10
D.	Key issues .....	11
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	11
A.	Summary of implementation arrangements .....	11
B.	Summary of arrangements for monitoring results .....	14

## APPENDICES

Proposed resolution

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
1.	<a href="#">Multiyear execution plan</a>
2.	<a href="#">Monitoring and evaluation plan</a>
3.	<a href="#">Procurement plan</a>

OPTIONAL LINKS	
1.	<a href="#">Economic analysis of the project</a>
2.	<a href="#">Program Operating Regulations</a>
3.	<a href="#">Program target area</a>
4.	<a href="#">Sector analysis</a>
5.	<a href="#">Climate change annex</a>
6.	<a href="#">Prefeasibility study. El Salvador National Broadband Network</a>
7.	<a href="#">Analysis of compliance with the Inter-American Development Bank Public Utilities Policy (document GN-2716-6)</a>
8.	<a href="#">Geolocation of schools and health centers</a>
9.	<a href="#">Infrastructure gaps and prioritization criteria</a>
10.	<a href="#">Institutional and regulatory context in El Salvador</a>
11.	<a href="#">Minimum subsidy plan</a>
12.	<a href="#">Safeguard policy filter (SPF) and Safeguard screening form (SSF)</a>

## ABBREVIATIONS

CCR	Corte de Cuentas de la República [General Accounting Office of the Republic]
DACI	Institutional Procurement and Contracting Department
DGFTGP	Dirección General de Formación en Tecnología y Gestión Pública [Specialty Unit on Education in Technology and Public Management]
E2E	End-to-end
GDP	Gross domestic product
ICB	International competitive bidding
ICT	Information and communications technologies
IDBA	Broadband Development Index
KIF	Korea Infrastructure Development Co-financing Facility for Latin America and the Caribbean
LIBOR	London Interbank Offered Rate
NCB	National competitive bidding
OECD	Organisation for Economic Co-operation and Development
PAES	Pruebas de Aprendizaje y Aptitudes para Egresados de Educación Media [Learning and Aptitude Tests for Secondary School Graduates]
SECINO	Secretaría de Innovación de la Presidencia [Innovation Department of the Presidency]
SIAFI	Integrated financial management system
SIGET	Superintendencia General de Electricidad y Telecomunicaciones [Electricity and Telecommunications Authority]
WEF	World Economic Forum

**PROJECT SUMMARY**  
**EL SALVADOR**  
**SOCIAL DIGITAL CONNECTIVITY PROGRAM**  
**(ES-L1145)**

Financial Terms and Conditions								
Borrower:				KIF	Flexible Financing Facility <sup>(d)</sup> - OC			
Republic of El Salvador			Amortization period:	25 years	25 years			
Executing agency:			Disbursement period:	5 years	5 years			
Innovation Department of the Presidency (SECINO)			Grace period:	7 years	5.5 years <sup>(e)</sup>			
Source	Amount (US\$ millions)	%						
						Interest rate:	2.0%	LIBOR-based
						Facility loan fee:	0.1% <sup>(c)</sup>	N/A
			Credit fee:	N/A	<sup>(f)</sup>			
IDB (Ordinary Capital): <sup>(a)</sup>	50	59	Inspection and supervision fee:	N/A	<sup>(f)</sup>			
IDB (KIF): <sup>(b)</sup>	35	41	Weighted average life:	N/A	15.25 years			
Total:	85	100	Approval currency:	United States dollar				
Project at a Glance								
<b>Project objective/description:</b> The general objective is to expand access to broadband for the citizens of El Salvador and to increase its potential for ensuring the continuity of public services. To that end, the following specific objectives have been established: (i) improve access to connectivity through investment in digital infrastructure; and (ii) reduce the digital skills and competencies divide at connected public sites.								
<b>Special contractual conditions precedent to the first disbursement of the loan proceeds:</b> The first disbursement of loan proceeds will be contingent on the borrower having fulfilled, to the Bank's satisfaction, the following conditions: (i) having submitted evidence of the establishment of the program management, and having contracted or appointed, as applicable, the key staff members (program general manager, procurement specialist, and financial specialist); and (ii) having approved the program <a href="#">Operating Regulations</a> , under the terms and conditions previously agreed upon with the Bank (paragraph 3.6).								
<b>Exceptions to Bank policies:</b> None.								
Strategic Alignment								
Challenges: <sup>(g)</sup>	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input type="checkbox"/>			
Crosscutting themes: <sup>(h)</sup>	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>		IC <input type="checkbox"/>			

(a) Pursuant to document AB-2990, disbursements will be subject to the following caps: (i) up to 15% in the first 12 months; (ii) up to 30% in the first 24 months; and (iii) up to 50% during the first 36 months, all of which will be counted from the date on which the Bank's Board of Executive Directors approves the loan (paragraph 2.2).

(b) Funds administered by the Bank under the Korea Infrastructure Development Co-financing Facility for Latin America and the Caribbean (KIF) (documents GN-2804, DE-12/15). Agreement signed by the Government of Korea and the Bank on 28 March 2015, subsequently amended in April and October 2017 to increase the facility amount.

(c) The 0.1% KIF facility charge is a front-end fee on the approved financing amount, payable only once within 60 days following the effective date of the contract.

(d) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

(e) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

(f) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

(g) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(h) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context in El Salvador.** El Salvador's economy is dollarized and vulnerable to external shocks and natural disasters. The socioeconomic effects of the COVID-19 pandemic<sup>1</sup> that gravely impacted every country in the world led to a 7.9% decline in economic activity at year-end 2020 for El Salvador (Central Reserve Bank, 2021), after a prolonged strict quarantine that locked down citizens and closed several productive sectors for almost four months. Although 5%-6% growth is forecast for 2021, the possibility that the recovery will be slower than expected cannot be ruled out, given the uncertainty of the situation. Furthermore, the economic downturn combined with the extraordinary expenditure required to address the health crisis and provide economic relief to vulnerable groups led to significant fiscal deterioration.<sup>2</sup> The fiscal deficit tripled in 2020, reaching 10% of gross domestic product (GDP), and borrowing increased by almost 18 points, leading to a debt level of 87.9% of GDP at year-end (Ministry of Finance, 2021). In view of these circumstances, the country's authorities are negotiating an agreement with the IMF, which if finalized, will include a fiscal adjustment of 4% of GDP, a reduction of the fiscal deficit to 2.4% in 2024, and the return to a sustainable fiscal path leading to a lower debt level.
- 1.2 **Connectivity and COVID-19.** During the spread of COVID-19, access to telecommunications allowed public services to continue remotely. This access is estimated to have prevented losses, depending on the level of digital development, of 20-25% of GDP during the period of restricted mobility.<sup>3</sup> However, in Latin America and the Caribbean, although 67% of urban households are connected to the internet, only 23% of rural ones are.<sup>4</sup> In El Salvador, fewer than 10% of rural households have an internet connection, which limits their ability to participate in and access the benefits of broadband for productivity<sup>5</sup> and the continuity of public services during the pandemic. This contrasts with the 90% penetration in urban areas. In El Salvador, 65% of public schools and 60% of medical centers are not connected to the internet.<sup>6</sup> Evidence indicates that improving the deployment of connectivity infrastructure has a direct impact on the Sustainable Development Goals;<sup>7</sup> furthermore, a 1%-of-GDP increase in expenditure on education is estimated to yield GDP growth of 0.9%, and in expenditure on health, 0.55%.<sup>8</sup> The

---

<sup>1</sup> COVID-19 was declared a pandemic on 11 March 2020. See the IDB [Coronavirus Impact Dashboard](#) for statistics by country.

<sup>2</sup> On 14 March 2020, the Legislative Assembly approved Decree 593, which established a national state of emergency due to the COVID-19 pandemic, with prevention, containment, and response measures.

<sup>3</sup> IDB. 2020. [The Impact of Digital Infrastructure on the Consequences of COVID-19 and on the Mitigation of Future Effects](#).

<sup>4</sup> Economic Commission for Latin America and the Caribbean. 2020. [Universalizar el acceso a las tecnologías digitales para enfrentar los efectos del COVID-19](#).

<sup>5</sup> All told, 10% higher broadband penetration is associated with 3.19% higher GDP and 2.62% higher productivity. [Socioeconomic impact of broadband in Latin American and Caribbean countries](#).

<sup>6</sup> [Infrastructure gaps and prioritization criteria](#).

<sup>7</sup> A 1% increase in total telecom investment leads to a 0.0132 percentage point reduction of the poverty rate. [The impact of digital infrastructure on the Sustainable Development Goals](#). IDB.

<sup>8</sup> IDB. 2020. [The Impact of Digital Infrastructure on the Consequences of COVID-19 and on the Mitigation of Future Effects](#).

COVID-19 pandemic has highlighted the importance of access to telecommunications services. Gaps in information and communications technology (ICT) access and use have prevented the most vulnerable populations (older adults, low-income households, and people living in rural areas) from using telemedicine services like remote consultations, participating in online education, and working from home. There is also a gender gap in internet use: 52.4% of men versus 48.9% of women.<sup>9</sup> Notably, an econometric analysis of the economic impact of the SARS-CoV virus (Severe Acute Respiratory Syndrome - Coronavirus) in 2003 showed that countries with more developed broadband infrastructures were able to counteract that pandemic's negative effects. According to the analysis,<sup>10</sup> countries with established connectivity infrastructures mitigated 75% of the economic losses of the SARS-CoV epidemic. That said, the COVID-19 emergency has shown that for the population to benefit from internet access, they must have basic digital skills. After execution of this proposed program, El Salvador will be better prepared to manage a potential similar crisis in the future, thanks to the implementation of connectivity infrastructure and the development of policies that will promote the adoption of ICT as a tool for economic and human development.<sup>11</sup> Since the pandemic situation has highlighted the fundamental importance of digital infrastructure to the continuity of public services, the program is expected to be executed efficiently.

- 1.3 **Telecommunications context.** The legal framework for the telecommunications sector in El Salvador is the General Telecommunications Act of 1997.<sup>12</sup> The purpose of this act is to set standards for, regulate, and supervise the activities associated with the telecommunications and ICT sector, including the: (i) management of the radio spectrum, access to essential resources; (ii) numbering plan, public telephone service; (iii) efficient administration of networks; (iv) quality, coverage, and continuity of telecommunications services; and (v) protection of user rights. Under the institutional framework, the Innovation Department of the Presidency (SECINO) is responsible for: (i) promoting and helping to design public policies, plans, and programs that foster economic and social development;<sup>13</sup> (ii) encouraging the adoption of ICT; (iii) identifying the principal factors that limit innovation in the country; and (iv) furthering the technical training of government workers. It is also responsible for implementing the digital and infrastructure-design agenda needed in order to provide digital public services, for which it will coordinate efforts with the Ministries of Education and Health. The Electricity and Telecommunications Authority is the body responsible for regulating the telecommunications sector, ensuring quality public services.<sup>14</sup>
- 1.4 **Market structure and digital agenda in El Salvador.** In El Salvador, the mobile telephone market comprises: Telemóvil (42.2%), Claro (28.9%), and Telefónica

---

<sup>9</sup> Datum from 2019 for the population of individuals 10 years and older, in: [International Telecommunication Union. Gender ICT statistics.](#)

<sup>10</sup> [El estado de la Digitalización de América Latina frente a la pandemia COVID-19.](#) Development Bank of Latin America.

<sup>11</sup> [Digitalización: herramienta de defensa ante la crisis del COVID-19 y para el desarrollo sostenible.](#) IDB.

<sup>12</sup> [General Telecommunications Act.](#)

<sup>13</sup> These policies were formalized in the "[Agenda Digital 2020-2030.](#)"

<sup>14</sup> [Contexto institucional y regulatorio en El Salvador.](#)

Móviles (28.9%). The broadband market is made up of: Claro (50.3%), Cable El Salvador (29.7%), and El Salvador Network (9.0%).<sup>15</sup> The highly concentrated market structure and low private-sector yields drive these companies to only deploy infrastructures in economically profitable areas. Therefore, the public sector must play a role, by implementing a minimum subsidy mechanism that will promote the continuity of public services (education and health) through the deployment of digital infrastructure for connectivity ([optional link 11](#) and paragraph 1.17). SECINO is responsible for implementation of the [Digital Agenda 2020-2030](#), which has four main pillars: (i) digital identity, consisting of the creation of an ecosystem of solutions for personal data management; (ii) innovation, education, and competitiveness through the creation of a system that fosters education in technology, competitiveness, and access to broadband services; (iii) modernization of the State through coordination for integration and modernization of State services; and (iv) digital governance, which will make it possible to build an information and knowledge society. One of the main challenges to the success of this agenda is the deployment of digital infrastructure, through which the agenda's benefits can be brought to heretofore unconnected areas.

- 1.5 **Main constraints.** The principal problem addressed by the program is the low level of broadband access available to citizens of El Salvador. Only 16.9% of El Salvador's households have internet access, while in the countries of the region and the Organisation for Economic Co-operation and Development (OECD), 54.76% and 78.17% do, respectively.<sup>16</sup> This hampers Salvadorans' access to online health and education services, and is primarily due to the: (i) limited digital infrastructure;<sup>17, 18, 19</sup> and (ii) low level of digital skills, especially among women.
- 1.6 **Limited digital infrastructure.** In El Salvador, 42% of persons under 25 and 54% of persons over 66 do not have an internet connection,<sup>20</sup> and of the people who do, more than 90% have a low-speed plan that does not support online education and/or healthcare solutions. Furthermore, the country has low internet penetration: only 7.67% of the population has access to a fixed broadband line, versus 13.01% in the region and 33.74% in OECD countries.<sup>21</sup> This is primarily due to broadband's low profitability in remote regions, which leads to high-priced services;<sup>22</sup> since the population density is low in these areas, the potential market is small and unattractive to service providers. Accordingly, the cost of providing infrastructure

---

<sup>15</sup> [TeleGeography](#) market study.

<sup>16</sup> Indicator on [DigiLAC](#).

<sup>17</sup> Available on [DigiLAC](#). El Salvador is ranked 56 of 65.

<sup>18</sup> [United Nations e-government knowledgebase](#). El Salvador is ranked 107 out of 193 countries.

<sup>19</sup> ICT governance indicator on [DigiLAC](#). El Salvador's score is 40.5 out of 100.

<sup>20</sup> [Universalizar el acceso a las tecnologías digitales para enfrentar los efectos del COVID-19](#).

<sup>21</sup> Indicator on [DigiLAC](#).

<sup>22</sup> According to the Broadband Development Index (IDBA), in El Salvador, the percentage of the average salary of the 40% of the population with lower incomes needed to pay for a fixed or mobile broadband subscription (29% and 7%, respectively) is higher than in the region (23% and 5%) and the OECD countries (2% and 2%).



to these areas is very high in comparison to the benefits that providers can expect to receive upon entering this market.<sup>23</sup>

- 1.7 **Low level of digital skills and gender gap.** The lack of internet skills<sup>24</sup> could have exacerbated the effects of COVID-19 by making the digital transition more difficult for health and education public services users and workers. The OECD estimates that most of the 15-year-old population in the region has not acquired the skill level needed to enter the labor market. The World Economic Forum (WEF) gives El Salvador a digital skills score of only 3.2 points over 7, ranking the country 131st in the world.<sup>25</sup> These skills are even less common among the country's women. The percentage of women graduates with degrees in ICT is 4.62%, versus 16.5% of men.<sup>26</sup> The main determining factors behind this are the: (i) the low level of digital training;<sup>27</sup> (ii) lack of training and certification of women in ICT; and (iii) biases, stereotypes, and social norms that lead to the digital exclusion of women.
- 1.8 **Climate change context and challenges for the development of the country's digital infrastructure.** El Salvador's geographic characteristics and climate variability increase its risks with regard to more frequent natural events (climate change annex ([optional link 5](#))). According to the Climate Risk Index, during the 1996-2015 period, El Salvador, in fifteenth place, was one of the countries that was most vulnerable to climate change.<sup>28</sup> This vulnerability is expected to intensify by the year 2030, worsening from "severe" (in 2010) to "acute." Given this systemic vulnerability to climate change, El Salvador is committed to reducing its greenhouse gas emissions, and in its nationally determined contribution proposes to reduce greenhouse gas emissions in the power-generation sector by 46%. Since power generation accounted for 30.7% of the country's total greenhouse gas emissions,<sup>29</sup> interventions with significant energy-savings impacts are relevant to reaching the national emissions reduction target. Expanding the country's digital infrastructure will contribute to national efforts, insofar as the equipment to be used adheres to the highest energy efficiency and climate change resilience standards.
- 1.9 **Bank support in the sector and lessons learned.** The Bank has supported the region multidimensionally in: (i) updating the public and regulatory policies framework, through the Program for Strengthening the Digital Agenda: Connectivity, Electronic Government, and Digital Productive Transformation in Argentina (operation [4755/OC-AR](#)), the Program to Improve the Connectivity and Digitalization of the Economy in Colombia (operation [4701/OC-CO](#)), and the Public Policy Support Program for the New Economy in Paraguay ([4985/OC-PR](#)); (ii) the deployment of digital infrastructures, like the Broadband Program in Nicaragua (operation [3612/BL-NI](#)), the Digital Agenda Support Program in Paraguay (operation [4650/OC-PR](#)), Digital Transformation for Increased Competitiveness

---

<sup>23</sup> Prefeasibility study. El Salvador national broadband network ([optional link 6](#)). IDB. 2021.

<sup>24</sup> Understood as the knowledge and skill set required to use information and communications technologies safely and efficiently.

<sup>25</sup> [The global competitiveness report](#). WEF. 2019.

<sup>26</sup> Ibid.

<sup>27</sup> In the IDBA "internet access in schools" variable, El Salvador scores 3.6 over 7, below the regional average (3.9 over 7).

<sup>28</sup> [Global climate risk index 2017](#). Germanwatch.

<sup>29</sup> [National greenhouse gas emissions inventory](#). 2018.

(operation [4942/BL-HO](#)), the Program to Promote Digital Transformation and Social Inclusion in Mexico (operation [5121/OC-ME](#)), the Program for the Digital Transformation of Guatemala for Inclusive Access to Connectivity (operations [5231/OC-GU](#); [5232/KI-GU](#)); and (iii) through public development banking like the Conditional Credit Line for Investment Projects (operation [ME-O0004](#)) with the Program for the Financing of the Shared Telecommunications Network (operation [4666/OC-ME](#)). The main lessons learned through the Bank operations focus on the: (i) need for the digital infrastructure to be sufficiently developed to enable the continuity of public services, which was taken into account in the design of Component 1; and (ii) need for interagency coordination so that the public sites to be connected will be set up to receive the digital connectivity equipment, which will be taken into account in the Component 1 technical specifications, in coordination with the Ministries of Education and of Health. The program will also benefit from the Bank's value added through the [DigiLAC](#) platform and the dialogue network, established as part of the regional public goods initiative (operation [ATN/OC-17689-RG](#)).

- 1.10 **Technical cooperation.** Technical cooperation funding from the Financial Structuring and Regulatory Homogenization for the Reduction of the Digital Gap in Central America (operation [ATN/OC-17689-RG](#)), in the amount of US\$800,000, was used for the development of prefeasibility studies and to estimate the digital infrastructure gap, determining the program's area of intervention. Furthermore, a technical cooperation operation, Support for Digital Transformation in El Salvador ([ATN/KK-18756-ES](#)), in the amount of US\$500,000, financed with resources from the Republic of Korea, will further program execution with the preparation of bidding processes for the program's various activities, including the preparation of terms of reference, bidding documentation, and support during the supervision process.
- 1.11 **Strategic alignment.** This program is aligned with the second Update to the Institutional Strategy 2020-2023 (document AB-3190-2), by addressing the development challenges in: (i) productivity and innovation, through support for the use of digital technologies in education and health care to promote continuity in the delivery of public services, especially during the current COVID-19 pandemic situation; and (ii) social inclusion and equality, through increased access to broadband<sup>30</sup> and improvements in service quality, especially taking into account that access to digital infrastructure will allow citizens who live far from large cities to enjoy quality public services comparable to the ones available in urban areas. This program is also aligned with the crosscutting themes of: (i) gender equality, by promoting the participation of women in digital skills training modules to help close the gender digital divide. Specifically, it is aligned with the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19), through strategic action lines included in Component 2: Economic opportunities for women and the development of human capital with a gender focus (paragraph 1.13); and (ii) climate change, thanks to the use of sustainable digital infrastructure that will foster resilience and reduction of the carbon footprint due to the prioritized

---

<sup>30</sup> This expansion will focus on easy connection points (near the backbone network and/or existing access, taking advantage of existing infrastructures) and sites with reasonable expectations for sustainability. Based on these criteria, the specific sites to be connected will be confirmed with the sector authorities.

installation of equipment with the highest energy efficiency standards and the improved efficiency of the processes that will rely on existing digital infrastructure solutions.<sup>31</sup> According to the [joint methodology of the multilateral development banks](#), an estimated 75.90% of operation proceeds will be invested in promoting innovation and technologies with a positive environmental and climate impact. These resources will contribute to the IDB Group target of increasing financing for climate-related projects to 30% of annual approvals.

- 1.12 The program also contributes to the IDB Group Corporate Results Framework 2020-2023 (document GN-2727-12), through the following indicators: (i) students benefited by education projects; (ii) beneficiaries receiving health services; (iii) beneficiaries with new access to at least a 4G mobile network; and (iv) women beneficiaries of economic empowerment initiatives. It is aligned with the sphere of action of the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), with regard to “improving innovation and productivity for growth and social welfare;” and is consistent with the Innovation, Science, and Technology Sector Framework Document (document GN-2791-8) in the dimension of promoting the capacity of Latin American and Caribbean economies to take full advantage of the potential of the digital economy. It is also aligned with the IDB Group Country Strategy with El Salvador 2021-2024 (document GN-3046-1), by contributing to the following strategic objectives: (i) develop inclusive and sustainable infrastructure services; and (ii) increase digital connectivity. It also aligns with the crosscutting areas of gender equality and climate change and environmental sustainability. Lastly, the operation has been included in the 2021 Operational Program Report (document GN-3034).
- 1.13 **Considerations related to institutional capacity and the rule of law.** In addition to encouraging socioeconomic growth, the digitalization of public services will promote transparency and reduce corruption, because the services are regulated by the Electricity and Telecommunications Authority (SIGET). It will also foster effective competition within the private sector, stimulating a larger offering of services in a competitive environment in which transparency will result from the digitalization itself and from the various sector stakeholders’ access to information. These actions are complemented by SECINO’s public policies. The program also includes specific considerations related to institutional capacity and rule of law, in that it promotes the deployment of infrastructure through calls for bids under conditions of transparency and technological neutrality ([optional link 11](#) and paragraph 1.17) in line with the regulatory framework defined by SIGET and the Bank’s procurement policies (paragraph 3.8).
- 1.14 **Innovative aspects of the program.** The principal program innovations involve the approximately 2,205 public sites (1,865 schools and 340 medical centers) in the area of intervention described in [optional link 8](#) that will be connected to the internet, enabling the continuity of public services in rural areas through a combination of access technologies. The program also proposes to improve users’ digital skills and competencies, which will enable the continuity of services in situations like the ones resulting from the COVID-19 pandemic.

---

<sup>31</sup> Interventions with significant energy-savings impact will be relevant to reaching the national emissions reduction target.

- 1.15 **Compliance with the Public Utilities Policy.** The program fulfills the objectives, principles, and economic viability and financial sustainability conditions set forth in the Public Utilities Policy (document GN-2716-6), by guaranteeing that services will be provided in such a way that the operation and maintenance costs will be covered by a minimum subsidy (paragraph 1.17). The coordination among SECINO and the Ministries of Education and Health for designing and implementing the national broadband plan (paragraph 3.5) and designing public policies and regulations will boost the offering of telecommunications services and foster universal access thereto. Specifically, the program: (i) includes a feasibility analysis that has made it possible to identify the lowest-cost technological solutions, ensuring an appropriate balance between cost and efficiency for the population; (ii) is based on a holistic approach, deploying infrastructure based on government-identified needs; and (iii) supports the development of broadband technology that will provide access to cost-effective solutions (see [Analysis of compliance with the Inter-American Development Bank Public Utilities Policy \(document GN-2716-6\)](#))).

**B. Objectives, components, and cost**

- 1.16 **Program objective.** The general objective is to expand access to broadband for the citizens of El Salvador, and to increase its potential for ensuring the continuity of public services. To that end, the following specific objectives have been established: (i) improve access to connectivity through investment in digital infrastructure; and (ii) reduce the digital skills and competencies divide at connected public sites.
- 1.17 **Component 1: Connectivity and digital infrastructure (IDB: US\$46,705,882; KIF: US\$32,694,118).** Through the minimum subsidy mechanism,<sup>32 33</sup> whereby bidders compete in a reverse auction for the contract to connect locations according to certain minimum technical quality requirements, and taking into account the existing infrastructure, this component will finance the following: (i) expansion and equipping of the backbone network; (ii) infrastructure components for expanding and equipping the aggregation network; (iii) connection to the access network of approximately 2,205 public sites<sup>34</sup> in the target area described in [optional link 8](#), mainly schools and medical centers; and (iv) equipping and wiring of the connected public sites. The Ministries of Education and Health will help coordinate prioritization of the sites according to the following criteria: (i) potential impact (number of users who will benefit, public employees who will be trained, etc.); (ii) potential savings (difference between the available commercial offerings and the network provision costs); and (iii) the school or

---

<sup>32</sup> This consists of a subsidy for the contract, to be awarded through a bidding process. The one-time subsidy is meant to incentivize private-sector actors to enter areas with low population densities. Private actors are expected to compete, ensuring that the subsidy will be minimum. Detailed description of the minimum subsidy mechanism ([optional link 11](#)).

<sup>33</sup> Guides and a checklist to be completed in the proposal-submission process will be prepared in coordination with the Bank.

<sup>34</sup> Procurement of routers and other active components. The connection of the public sites will be contracted through bidding processes in which private sector actors will submit their most cost-efficient solutions that adhere to the technical specifications identified. These bids will be for the subsidies for the internet access and connectivity service contracts and will be technologically neutral. For more details on the prioritization criteria, see section 2.4 of the program [Operating Regulations](#).

medical center's consent to be connected, and to take on the service maintenance and sustainability commitments thereafter. The specific connection needs derived from COVID-19 will also be taken into account. The school or medical center's commitment to the sustainability and maintenance of the service will be included as an eligibility criterion. Equipment procurement processes will prioritize products with the highest standards for energy efficiency and climate risk management.

- 1.18 **Component 2: Expansion of digital skills and competencies (IDB: US\$2,352,941; KIF: US\$1,647,059).** This component will finance the following activities: (i) online training for public employees and civil servants, with a gender approach; and (ii) training for the connectivity beneficiary population, with a gender approach. These trainings will consist of courses and workshops to help internal and external users of the connected public sites (teachers, students, and medical staff; and citizens, respectively) develop digital skills at the user and advanced levels. This training will include a communications strategy to help correct gender biases and stereotypes in digital education. Furthermore, specific workshops will be held for women and girls to strengthen their digital skills. The Ministries of Education and Health will provide support for selecting the public sites to be connected as well as the teachers, students, and medical staff to be trained, through campaigns with public teaching and health facility administrators. This will facilitate the beneficiary enrollment process and further the relevance to both sectors. The training sessions for citizens of the established target areas will also be publicized in local media through social networks. A minimum participation rate of at least 28% females will be stipulated for all training processes.
- 1.19 **Management, monitoring, auditing, and evaluation (IDB: US\$941,177; KIF: US\$658,823).** The estimated administrative expenses will include: monitoring, auditing, evaluations (midterm, final, and impact), and the hiring of the specialists for the executing agency.
- 1.20 **Beneficiaries.** The program will help expand connectivity, principally benefiting the 1,865 educational institutions and 340 health centers that will be connected to the internet, as well as the teachers, medical staff, students, and patients that will access digital services at the connected sites (around 600,000 beneficiaries). The program will also benefit citizens—especially women—with improved digital skills thanks to the training modules that will be imparted (nearly 63,000 beneficiaries). Around 200,000 households from the specified coverage areas (mainly in remote areas) will also indirectly benefit from a wider offering of connectivity services due to the entry of new providers.

### **C. Key results indicators**

- 1.21 **Expected development outcomes and impacts.** This loan will have the following outcomes associated with the general development objective: (i) increase in the percentage of the country's population with access to fixed broadband; (ii) improvement of digital skills in the country's active population; and (iii) improvement, for students of the targeted schools, of the average score on the Learning and Aptitude Tests for Secondary School Graduates (PAES). The program will also produce long-term outcomes with regard to the percentages of the country's: (iv) schools that are connected; (v) health centers that are connected; and (vi) population that can access broadband in specific coverage areas. The specific development objectives will be measured through the:

- (i) improvement in access to connectivity through investment in digital infrastructure; and (ii) reduction of the digital skills and competencies divide at connected public sites. The first will be measured with the following indicators: (i) percentage of the country's schools that are connected in the medium term; (ii) percentage of the country's health centers that are connected in the medium term; and (iii) percentage of the population that is able to access broadband in specific coverage areas in the medium term, thanks to the program. The second will be measured by the: (i) number of teachers certified as having satisfactorily completed the program digital skills training at connected schools; (ii) number of persons who have satisfactorily completed the program digital skills training at connected health centers; and (iii) percentage-point gap between the male and female population with no computer skills in the established coverage areas.
- 1.22 **Economic analysis.** The project benefits derive from two main sources. The first is the increased availability of broadband access and the reduced price of fixed internet service in the specified areas, which will shape the market and generate consumer and producer surpluses. The second is the training for students on digital skills and pedagogical practices and the connection of schools, which will lead to higher quality education and increased employment income for the students served. The economic analysis yields a benefit-cost ratio of 1.84; internal rate of return of 29% (higher than the Bank-established threshold of 12%); and net present value of US\$69.44 million. The sensitivity analysis with the most conservative assumptions yields results that surpass the thresholds for all indicators (see the [economic analysis spreadsheet](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 This US\$85 million operation consists of a US\$50 million specific investment loan charged to the Bank's Ordinary Capital and another US\$35 million loan from the KIF fund. This financing instrument modality will make it possible to procure the network components and equipment as well as digital skills improvement that will expand access to and the continuity of public services through collaboration with the private sector. Specifically, based on the completed prefeasibility studies, the project has been defined and previously designed based on the technical and service-quality specifications targeted for the connectivity process. The technical, financial, and economic viability has been calculated (paragraph 1.22). The disbursement period, calculated based on the infrastructure required to connect the public sites and on capacity-building at the participating institutions, will be five years.



**Table 1. Estimated program costs (US\$)**

Component	IDB	KIF	TOTAL	%
<b>Component 1: Connectivity and digital infrastructure</b>	<b>46,705,882</b>	<b>32,694,118</b>	<b>79,400,000</b>	<b>93.4</b>
Connected public sites	46,705,882	32,694,118	79,400,000	93.4
<b>Component 2: Expansion of digital skills and competencies</b>	<b>2,352,941</b>	<b>1,647,059</b>	<b>4,000,000</b>	<b>4.7</b>
Digital training	2,352,941	1,647,059	4,000,000	4.7
<b>Management, monitoring, audit, and evaluation</b>	<b>941,177</b>	<b>658,823</b>	<b>1,600,000</b>	<b>1.9</b>
Management	588,233	411,767	1,000,000	1.2
Monitoring	88,235	61,765	150,000	0.2
Audit	58,823	41,177	100,000	0.1
Evaluation	205,886	144,114	350,000	0.4
<b>Total</b>	<b>50,000,000</b>	<b>35,000,000</b>	<b>85,000,000</b>	<b>100.0</b>

- 2.2 **Restricted disbursement schedule.** Pursuant to document AB-2990, “Enhancing Macroeconomic Safeguards at the Inter-American Development Bank,” the disbursements will be subject to the following caps: (i) up to 15% in the first 12 months; (ii) up to 30% in the first 24 months; and (iii) up to 50% during the first 36 months, all of which will be counted from the date on which the Bank’s Board of Executive Directors approves the loan. These caps may not apply as long as the requirements established in the Bank policy have been fulfilled, provided that the borrower has been notified in writing.

**Table 2. Tentative disbursement schedule (US\$)**

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (OC):	7,500,000	7,457,778	9,978,813	12,460,271	12,603,138	50,000,000
IDB (KIF)	5,250,000	5,220,445	6,985,169	8,722,189	8,822,197	35,000,000
<b>Total</b>	<b>12,750,000</b>	<b>12,678,223</b>	<b>16,963,982</b>	<b>21,182,460</b>	<b>21,425,335</b>	<b>85,000,000</b>
<b>% per year</b>	<b>15.00</b>	<b>14.92</b>	<b>19.96</b>	<b>24.92</b>	<b>25.21</b>	<b>100</b>

## **B. Environmental and social risks**

- 2.3 In accordance with the Bank’s Environment and Safeguards Compliance Policy (operational policy OP-703), this operation was confirmed as a category “C” operation since minimal environmental and social risks are foreseen in connection with the planned activities. The project will only use existing infrastructure and contract services from the market’s existing providers and companies. The program [Operating Regulations](#) will include compliance with applicable local regulations, the restriction regarding the use of existing infrastructure, and effective procedures and flows that describe the actions, responsible parties, and timelines for the socioenvironmental management of works. The Bank’s approval of the Operating Regulations is a special contractual condition precedent to the first disbursement.

## **C. Fiduciary risks**

- 2.4 A medium-high internal process risk was identified, since SECINO’s potential lack of experience in executing operations with the Bank could lead to delays in procurement and contracting. This risk will be mitigated through the: (i) establishment of evaluation committees made up of staff with knowledge of the

program governance framework and Bank policies; (ii) prior training of the evaluation committee members with Bank support; and (iii) inclusion of the description of the procedures, flows, responsibilities, and timelines for procurement management in the program [Operating Regulations](#). The [Operating Regulations](#) will specify clear procedures and mechanisms (paragraph 3.6), including information on budget formulation and accounting records for the program.

**D. Key issues**

- 2.5 **Program sustainability.** SECINO will be coordinating the technical and financial sustainability associated with the Digital Agenda 2020-2030 thanks to knowledge transfer from telecommunications systems providers during program execution through specific training sessions on the use of the network components procured with program funds. Furthermore, the contracts signed with the successful bidder companies will include the obligation to maintain the goods procured by the program, which will help improve fixed broadband internet penetration by guaranteeing service adoption and continuity. After the proposed program is executed, a transfer mechanism will be activated between SECINO and the Ministries of Education and Health, to ensure fulfillment of the commitment to maintain the investments (paragraph 3.5).

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Summary of implementation arrangements**

- 3.1 **Execution mechanism.** The borrower will be the Republic of El Salvador and the executing agency will be SECINO, through the Specialty Unit on Education in Technology and Public Management (DGFTGP).<sup>35</sup> SECINO will coordinate program activities with the Ministries of Education and Health. The Institutional Procurement and Contracting Department (DACI) will support execution, as the body responsible for managing procurement processes for the presidency's departments. Accordingly, the following will fall to the DGFTGP, which is a division of SECINO, as program management: (i) the detailed specification of requirements, initially in coordination with the Ministries of Education and Health; (ii) management of procurement processes, through DACI, pursuant to Bank guidelines; and (iii) program execution, supervision, and management of the process of accepting the subcontractors selected for operational execution of the program. In March 2021, SECINO's institutional capacity was assessed. Based on this assessment, SECINO's fiduciary capacity for program execution is considered to be high, given its capacity to manage technical quality and interagency coordination. Although it was determined that SECINO's experience in executing Bank-financed operations is not very recent,<sup>36</sup> improvement actions will be taken

---

<sup>35</sup> [Decree 1 of 2019](#).

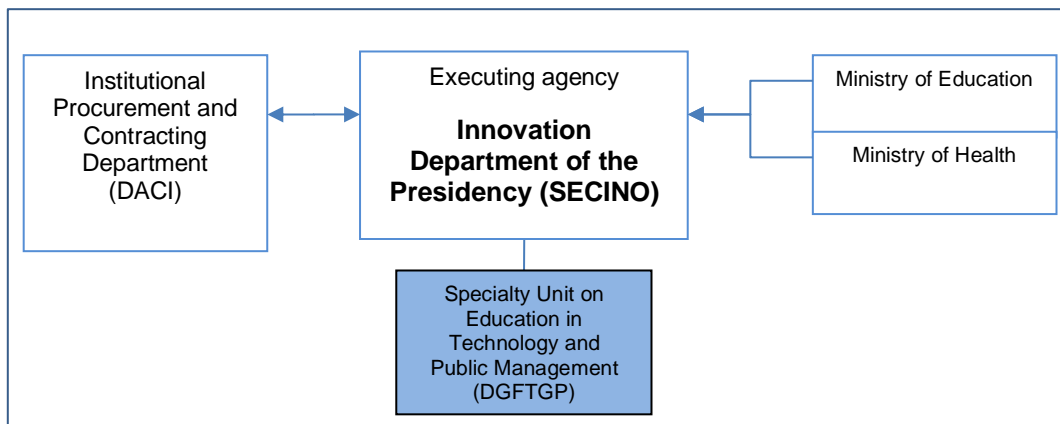
<sup>36</sup> In the last three years, SECINO has executed public investment projects with both reimbursable international cooperation funds (e.g., FOMILENIO II with the Millennium Challenge Corporation with US\$277 million provided by the United States Government with the objective of improving the investment climate in El Salvador for economic growth and poverty reduction), and with nonreimbursable international cooperation funds (e.g., [ATN/OC-17689-RG](#) with the IDB), as well as with internally sourced funds (e.g., United National Development Programme, International Telecommunications Union).



to support execution and comply with the Bank's policies using technical cooperation resources (paragraph 1.10) and to complement the identified fiduciary risk mitigation measures (paragraph 2.4).

- 3.2 The DGFTGP will be responsible to the Bank for execution, and its main functions will be to: (i) supervise the planned procurement and contracting processes conducted by DACI; (ii) prepare the: (a) procurement plan and multiyear execution plan and amendments thereto; (b) semiannual progress reports; and (c) audited financial statements; and (iii) contract preparation of the midterm and final evaluations and submit the respective reports to the Bank. The DGFTGP will execute the program based on the technical guidelines defined by SECINO.
- 3.3 To meet these responsibilities, the DGFTGP will be in charge of the planning and monitoring processes; project management; administration; procurement, financial, and environmental and social management; and communications. During program execution, the DGFTGP will appoint or engage the program general manager.<sup>37</sup> A financial specialist and other administrator who will fulfill the roles of the program financial management specialist and procurement specialist, respectively, will also be appointed or retained, pursuant to the terms of reference agreed upon with the Bank. Accordingly, the following minimum team will be on board for program execution: (i) program general manager; (ii) procurement specialist; and (iii) financial specialist. The loan will also finance supporting consultants with experience in Bank policies for the procurement specialist and the financial specialist, and as needed, a planning and monitoring specialist, communications specialist, legal specialist, and technical specialists for each component, pursuant to the profiles set forth in the [Operating Regulations](#).

**Figure 1. Executing agency structure for execution**



- 3.4 The program general manager will have the following duties: (i) liaison with the Bank; (ii) planning and monitoring; (iii) procurement management; (iv) management of program funds, including processing disbursement requests

<sup>37</sup> The program general manager will be appointed or retained pursuant to the terms of reference confirmed with the Bank and will work full time on the program. Furthermore, the general manager will receive support on the procurement processes from DACI, as well as from the financial and procurement specialists.

and preparing reports on the use of funds; (v) preparation and forwarding to the Bank of the multiyear execution plan, procurement plan as amended, semiannual progress reports, audited financial statements, midterm and final evaluation reports, and other documents specified in the [Operating Regulations](#); and (vi) supervision of the management of the program's environmental and social aspects as needed.

- 3.5 **Mechanisms for the strategic/operational coordination of the program for implementation.** To ensure successful implementation of program activities and program sustainability, SECINO will ask the Ministries of Education and Health to specify the prioritized public sites and will verify the prioritization criteria for connecting them. After the program execution period is over, a mechanism will be established to transfer responsibility from SECINO to the respective ministries. These ministries will take on the commitments associated with the operation and maintenance costs. The program [Operating Regulations](#) will set forth more details on the coordination plan.
- 3.6 **Special contractual conditions precedent to the first disbursement of the loan proceeds.** The first disbursement of loan proceeds will be contingent on the borrower having fulfilled, to the Bank's satisfaction, the following conditions: (i) having submitted evidence of the establishment of the program management, and having contracted or appointed, as applicable, the key staff members (program general manager, procurement specialist, and financial specialist); and (ii) having approved the program [Operating Regulations](#), under the terms and conditions previously agreed upon with the Bank. These conditions are justified in order to ensure efficient execution and successful implementation of the program, and compliance with Bank policies.
- 3.7 **Retroactive financing.** The Bank may retroactively finance, from the loan proceeds, up to the maximum amount of US\$12,750,000 (15% of the proposed loan amount, disbursed pursuant to the restrictions on the disbursement schedule described in paragraph 2.2) in eligible expenses related to Component I Activities I, II, and III (paragraph 1.17) incurred by the borrower before the loan approval date, provided they were incurred in accordance with conditions substantially similar to those established in the loan contract and the procurement procedures are consistent with the core procurement principles.<sup>38</sup> These expenses must have been incurred on or after 29 January 2021 (project profile approval date), but in no case will expenses incurred more than 18 months before the loan approval date be included (see the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15), Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), and the Bank Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (document GN-2259-1)).
- 3.8 **Procurement of works, goods, nonconsulting services, and consulting services.** Procurement financed in whole or in part with Bank resources will be

---

<sup>38</sup> Procurement processes will be guaranteed to be undertaken using competitive bidding processes in accordance with the Bank's procurement policies.

executed in accordance with documents GN-2349-15 and GN-2350-15 or the policies in effect at the time of execution.

- 3.9 **Audit.** During program execution, SECINO, through the DGFTGP, will submit the program's audited financial statements annually, in accordance with the terms required by the Bank. Either a Bank-eligible independent audit firm in El Salvador will be selected for the program, or the General Accounting Office of the Republic (CCR) will perform the audit, if it is Bank-eligible. The annual audited financial statements will be submitted within 120 days following the close of the fiscal year, and the closing statements, within 120 days following the date set for the final disbursement.

**B. Summary of arrangements for monitoring results**

- 3.10 **Monitoring system.** The outcome and output indicators described for each component in the Results Matrix and reflected in the progress monitoring report will be used to measure program progress and evaluate fulfillment of objectives. The executing agency will be responsible for maintaining the data-collection and monitoring systems. The multiyear execution plan will include: (i) an estimated budget; (ii) an attached updated [procurement plan](#); (iii) the planned Results Matrix indicators; (iv) the planned activities; and (v) an execution timeline. The DGFTGP will also submit semiannual progress reports within the 60 days following the end of each six-month period. The tools to be used to monitor the program are described in the [monitoring and evaluation plan](#).
- 3.11 **Monitoring by the Bank.** Administrative missions and inspection visits will be conducted. The Bank agrees that the DGFTGP will prepare the progress monitoring report, which will include an estimate of disbursements and the physical targets and outcomes achieved. A meeting will be held annually with the Bank to discuss the: (i) degree of fulfillment of the Results Matrix indicators; and (ii) procurement plan for the next 12 months, and potential changes to the budget by component. The executing agency agrees to maintain a system for monitoring and evaluating all of the components, on the basis of which it will prepare the reports and data to be sent to the Bank. The executing agency will have a specialist who will be responsible for monitoring its activities ([monitoring and evaluation plan](#)).
- 3.12 **Midterm and final evaluations.** Achievement of the outcome and impact targets set forth in the Results Matrix will be verified through the program's midterm and final evaluations and an ex post economic analysis. The midterm evaluation is planned for 90 days after 40% of the loan amount has been disbursed or when 36 months have elapsed after the effective date of the loan contract, whichever occurs first. The main objectives of this evaluation will be to review the progress of all of the activities planned at that time, potential departures from the plan that have occurred, and the causes thereof; and to propose corrective measures to be applied; as well as to verify the midterm outputs generated, the occurrence of risks foreseen in the corresponding matrix, and implementation of the mitigation measures. The final evaluation will be performed upon completion of the original disbursement period or its extensions, or when 90% of the loan proceeds have been disbursed, whichever occurs first. The objectives will be to verify progress on fulfillment of the planned targets for each of the expected outcomes and the generation of outputs by component. The final evaluation will also include a review

of the implementation of the [monitoring and evaluation plan](#). Once the program has been completed, the Bank will prepare the project completion report, for which the beneficiary will contribute program performance observations. The program will close with a workshop at which the principal findings will be disclosed.

- 3.13 **Impact evaluation.** An impact evaluation will be prepared based on a quasi-experimental methodology, to establish the program's causal effects. This assessment will include an evaluation of the impact of the use of internet of things technologies and the student digital skills training sessions on school performance. Key digital adoption and school performance variables, where the impact of digitalization may be more marked, will be defined and monitored. It is expected that evidence that can be used to guide public policy will be generated ([monitoring and evaluation plan](#)).

Development Effectiveness Matrix		
Summary		ES-L1145
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Students benefited by education projects (#) -Beneficiaries receiving health services (#) -Beneficiaries with new access to at least a 4G mobile network (#) -Women beneficiaries of economic empowerment initiatives (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3046-1	Contributes to two strategic objectives: (i) Develop inclusive and sustainable infrastructure services; and (ii) Increase digital connectivity.
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit.  Procurement: Information System, Price Comparison, Contracting Individual Consultant.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Resources from TC ATN/OC-17689-RG will be used to estimate the digital infrastructure gap for the improvement of connectivity in the public institutions (schools and health units) and the institutional model which will support the digital transformation. Additionally, a technical cooperation under preparation will support the execution through the preparation of the technical specification of the tender documents for the program's various bidding processes.

The crisis caused by COVID-19 has highlighted the importance of access to telecommunications in view of social distancing policies. One study estimates that between 20-25% of economic losses in GDP can be prevented according to the degree of digital maturity of a country. In El Salvador, only 16.9% of homes have internet while 54.8% of countries in the region have connectivity and for OECD countries it is 78.2% of homes that are connected. Moreover, in El Salvador, 65% of public schools and 60% of health centers have no connectivity. This is due to a limited digital infrastructure and low digital capacities. The first issue is tied to a low population density and profitability of the services in more isolated zones. In this context, the general objective of the program is to increase access to Broad Band by the citizens of El Salvador and to increase the country's potential to provide continuity of public services. To achieve this, the following specific objectives were defined: (i) improve access to connectivity through investment in digital infrastructure; and (ii) reduce the gap in digital capacities and competencies in the public sites connected. The program seeks to connect around 1,865 schools and 340 health centers to the internet. The expansion in connectivity infrastructure will be done via a one-subsidy-tender to incentivize penetration of remote regions. The subsidy will be given in a sole instance to incentivize private actors. Furthermore, in the zones benefitted by the program digital capacity building workshops will be conducted for citizens, teachers, students, and medical personnel. In its workshop offerings, the program will be inclusive of women and also seeks to mitigate greenhouse gas emissions by investing in telecommunications infrastructure with energy efficiency standards. Some results to highlight in the medium term include an increase in the percent of schools and health centers at a national level with connectivity, and an increase in the percent of the population that can access Broad Band in the areas benefitted. Additionally, the program aims to measure the reduction in the gap of telecommunications knowledge between female and male populations in the areas benefitted. Amongst other results, in the long-term, the program aims to measure the increase in the percent of the population with access to Broad Band at a national level and in the scoring of digital capacities of the active economic population according to the WEF's index. The cost benefit analysis demonstrates the operation is of net benefit to society with an ERR of 29%. At closure, a before-and-after methodology will be used to assess most of the program's results. This will be complemented by a quasi-experimental impact evaluation to measure the increase in the average score of standardized tests at high school completion in benefitted schools that is attributable to the program.

## RESULTS MATRIX

<b>Project objective:</b>	The specific objectives for this operation will be to: (i) improve access to connectivity through investment in digital infrastructure; and (ii) reduce the digital skills and competencies divide at connected public sites. Achievement of these objectives will contribute to the general objective of expanding access to broadband for the citizens of El Salvador, and increasing its potential for ensuring the continuity of public services.
---------------------------	---

### General development objective

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
<b>General development objective: expand access to broadband for the citizens of El Salvador, and increase its potential for ensuring the continuity of public services</b>							
<b>Indicator 1:</b> Percentage of the country's population with access to fixed broadband	%	7.67%	2020	2026	8.5%	<a href="#">DigiLAC</a>	This indicator will be based on information published annually by <a href="#">DigiLAC</a> .
<b>Indicator 2:</b> Digital skills in the country's active population	Index score	3.2	2019	2026	4.1	WEF Competitiveness Report	The index classifies the active population's digital skills (computer, programming, and digital reading skills) with a score ranging from 1 to 7.
<b>Indicator 3:</b> Average score on the PAES achieved by students at the targeted schools	Score	Baseline	2019	2026	Baseline +0.2. S.D.	Ministry of Education of El Salvador	According to the literature, the use of digital tools and internet in education improves students' performance on standardized tests by 0.29 to 0.5 standard deviations. In line with this, the established target is 0.2 S.D. on the PAES. According to the results matrix, measurement will be before and after, but a supplementary assessment will also be conducted to calculate the attributable impact. The 2019 PAES have already been submitted, and information is available on the performance of students from all of the country's schools. The baseline can be calculated once the schools to be targeted under the program have been selected. The ex post score will be measured using the 2026 tests for the targeted schools.
<b>Indicator 4:</b> Percentage of the country's schools that are connected in the long term	%	34%	2020	2030	67%	SECINO and the Ministry of Education	Of all of the country's schools, how many have broadband internet access. The formula for the indicator is: Schools with broadband internet access/total number of schools in the country.

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
							Taking into account that there are 5,139 schools in El Salvador, and that the project is expected to connect 1,863, or nearly 36% of them, the planned impact-level target is to increase the current percentage of connected schools (34%) to 67% in the long term.
<b>Indicator 5:</b> Percentage of the country's medical centers that are connected in the long term	%	25%	2020	2030	48%	SECINO and the Ministry of Health	<p>Of all of the country's medical centers, how many have broadband internet access. The formula for the indicator is: Level 1, 2, and 3 health centers with broadband internet access/total number of health centers in the country.</p> <p>Given that El Salvador has 812 medical centers and that the project plans to connect approximately 342, or 42% of them, the conservative target is to increase the current percentage of connected centers (25%) to 48%. At the end of the program, only the first few sites will have been connected, and thus the 48% target is for the long term.</p>
<b>Indicator 6:</b> Percentage of the population with access to broadband, in coverage areas demarcated by the program, in the long term	%	35%	2020	2030	55%	SECINO	<p>Population census vs. geographic coverage confirmed by radio frequency studies. The project is expected to provide connectivity to around 221,697 households, or 20% of the population living in the target areas. However, at the end of the program, only the first few sites will have been connected, and thus the target of 55% is for the long term.</p> <p>The demarcation of these areas can be found in <a href="#">optional link 8</a> of the loan proposal. The public sites have not yet been determined, but will correspond to the target areas (<a href="#">Geolocation of schools and health centers</a>).</p>

Specific Development Objectives

Indicators	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>Specific development objective 1: Improved access to connectivity through investment in digital infrastructure</b>											
<b>Indicator 1.1:</b> Percentage of the country's schools connected in the medium term	%	34%	2020	36%	39%	44%	48%	51%	51%	SECINO and the Ministry of Education	Of all of the country's schools, how many have broadband internet access. The formula for the indicator is: Schools with broadband internet access/total number of schools in the country.  Taking into account that there are 5,139 schools in El Salvador, and that conservatively the project is expected to connect 1,863, or around 36% of them, the planned impact-level target is to increase the current percentage of connected schools (34%) to 67%. At program end, only the first few sites will have been connected, and thus the 51% target is for the medium term.
<b>Indicator 1.2:</b> Percentage of the country's health centers that are connected in the medium term	%	25%	2020	27%	30%	33%	36%	38%	38%	SECINO and the Ministry of Health	Of all of the country's medical centers, how many have broadband internet access. The formula for the indicator is: Level 1, 2, and 3 health centers with broadband internet access/total number of health centers in the country.  Given that El Salvador has 812 health centers and that the project plans to connect approximately 342, or 42% of them, the conservative impact target is to increase the current percentage of connected centers (25%) to 48%. At program end, only the first few sites will have been connected, and thus the 38% target is for the medium term.
<b>Indicator 1.3:</b> Percentage of the population with access to broadband, in the program-established coverage areas, in the medium term.	%	35%	2020	37%	40%	43%	45%	48%	48%	SECINO	Population census vs. geographic coverage confirmed by radio frequency studies.  The project is expected to provide connectivity to nearly 221,697 households, or 20% of the population living in the target areas. However, at the end of the program, only the first few sites will have been



Indicators	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
											connected, and thus the target of 48% is for the medium term.  The demarcation of these areas can be found in <a href="#">optional link 8</a> of the loan proposal. The public sites have not yet been determined, but will correspond to the target areas ( <a href="#">Geolocation of schools and health centers</a> ).
<b>Specific development objective 2: Reduce the digital skills and competencies divide at connected public sites</b>											
<b>Indicator 2.1:</b> Teachers certified as having satisfactorily completed the program's digital skills training at connected schools	Number	0	2020	2,760	5,520	8,280	11,040	13,800	13,800	SECINO	<p>This indicator will depend on the design of the Component 2 outputs, and will be measured as the number of teachers who satisfactorily complete the training provided, thus earning certificates. For certification, teachers must pass the course with a final score of at least 70%.</p> <p>For this indicator, basic and advanced-level classes were grouped together, because the number of slots available for the different levels is subject to demand, and it is impossible to know the participants' levels ex ante.</p> <p>All told, there are 46,000 teachers associated with all of the schools to be served by the program. Therefore, the program will provide that many trainings. Calculating that at least 30% of the population attending the training will complete it satisfactorily, that is to say, will fulfill the minimum requirements set for achieving a passing final score, the target will be set as 13,800.</p>
<b>Indicator 2.2:</b> Persons who have satisfactorily completed the program's digital skills training at connected health centers	Number	0	2020	1,026	2,052	3,078	4,104	5,130	5,130	SECINO	<p>This indicator will depend on the design of the Component 2 outputs, and will be measured as the number of persons associated with health centers (doctors and hospital staff) who satisfactorily complete the training provided, thus earning certificates. For certification, participants</p>

Indicators	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
											<p>must pass the course with a final score of at least 70%.</p> <p>For this indicator, basic and advanced-level classes were grouped together, because the number of spots available for the different levels is subject to demand, and it is impossible to know the participants' levels ex ante.</p> <p>Given that the program plans to connect 342 health centers, with an average of 50 persons per center, it is expected to train 17,100 associated individuals. Calculating that at least 30% of the population attending the training will complete it satisfactorily, that is to say, will fulfill the minimum requirements set for achieving a passing final score, the target will be set as 5,130.</p>
<b>Indicator 2.3:</b> Gap between the female and male populations without computer knowledge, in the defined coverage areas	Percentage points	11.9	2020	8.9	5.9	3.9	2.9	1.9	1.9	SECINO (International plan)	<p>Pro-gender indicator. This indicator will depend on the design of the Component 2 outputs, and will measure the decrease in the digital divide between the country's men and women who have been trained through digital literacy programs. The indicator will be measured in all established coverage areas and in all of the trained cohorts. To that end, comparable evaluations will be performed at the beginning and end of the training processes, to measure the gap between the female and male populations on computer knowledge before and after the training. The measurement of the gap taken by SECINO and the El Salvador International Plan for the national population will be used as the baseline.</p> <p>The information will include all of the training sessions provided, regardless of the level of difficulty (basic or advanced) and the population (citizens, teachers, or medical staff).</p>

Outputs

Indicators	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>Component 1: Connectivity and digital infrastructure (IDB: US\$46,705,882; KIF: US\$32,694,118)</b>											
<b>Output 1:</b> Backbone network (CORE) expanded and equipped, with the highest energy efficiency and climate change resilience standards: yearly evolution, with high-level E2E design of all network layers and comprehensive project management	Km fiber lit	0	2020	330.53	110.18	0	0	440.71	440.71	Audited SECINO semiannual report	<p>The infrastructure necessary to enable local providers to use backbone network coverage will be installed in the governing municipios that do not have it.</p> <p>Financing will be included for infrastructure deployment and management, operations, and maintenance expenses for the proposed solutions for five years.</p> <p>The equipment's energy-efficiency performance versus a national or international benchmark will be taken into account in product selection. If an energy efficiency seal for the equipment exists in the market (e.g., Energy Star), it will be required for selection.</p>
<b>MILESTONE 1:</b> Number of households with at least a 4G connection	Number	To be determined							440.71	SECINO	For the purposes of Corporate Results Framework monitoring, this indicator will be calculated using the information gathered by SECINO. The baseline remains to be determined. Work will be done with the executing agency to do so.
<b>Output 2:</b> Infrastructure components for the aggregation network expanded and equipped, with the highest energy efficiency and climate change resilience standards	Number of infrastructure and equipment components installed	0	2020	220	220	110	0	0	550	Audited SECINO semiannual report	<p>In the municipios and municipal districts where expanding the fiber optic aggregation network is feasible, the infrastructure needed to enable local suppliers to use it will be installed.</p> <p>Financing will be included for infrastructure deployment and management, operations, and maintenance expenses for the proposed solutions for five years.</p> <p>Progress on the output will be determined through this indicator, considering the installed aggregation network components, following the detailed design</p>

Indicators	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
											and scope of the aggregation network. This design will include 100% of the elements required for connecting the access networks and last mile, following the comprehensive high-level design of the national connectivity network.  For equipment selection, the products' energy-efficiency performance compared to a national or international benchmark will be taken into account. If an energy efficiency seal for the equipment exists in the market (e.g., Energy Star), it will be required for selection.
<b>Output 3:</b> Public sites connected to the access network with the highest energy efficiency and climate change resilience standards	# of public sites connected	0	2020	500	855	850	0	0	2,205	Audited SECINO semiannual report	In the municipios where fixed access networks can feasibly be installed and expanded, the necessary infrastructure will be installed and local providers will be connected (1,863 schools and 342 health centers). Financing will be included for infrastructure deployment and management, operations, and maintenance expenses for the proposed solutions for five years.  For equipment selection, the products' energy-efficiency performance compared to a national or international benchmark will be taken into account. If an energy efficiency seal for the equipment exists in the market (e.g., Energy Star), it will be required for selection.
<b>MILESTONE 2:</b> Number of students at schools connected through the program	Number	To be determined							1,863	SECINO and the Ministry of Education	For the purposes of Corporate Results Framework monitoring, this indicator will be calculated using the information gathered by SECINO. Ex ante, the schools to be connected are unknown, but once they have been decided the tally will be completed using Ministry of Education administrative information. The baseline remains to be determined. Work

Indicators	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
											will be done with the executing agency to do so.
<b>MILESTONE 3:</b> Number of patients served at health centers connected through the program	Number	To be determined							342	SECINO and the Ministry of Health	This indicator will be calculated for the purposes of Corporate Results Framework monitoring. Ex ante, the health centers to be connected are unknown, but once they have been decided the tally will be completed using Ministry of Health administrative information. The baseline remains to be determined. Work will be done with the executing agency to do so.
<b>Output 4:</b> Public sites with equipment and wiring that meet the highest energy efficiency and climate change resilience standards	# of new public sites connected	0	2020	500	855	850	0	0	2,205	Audited SECINO semiannual report	<p>In the municipios where installing and expanding fixed access networks is feasible, the necessary infrastructure will be installed and local providers will be connected.</p> <p>Financing will be included for infrastructure deployment and management, operations, and maintenance expenses for the proposed solutions for five years.</p> <p>For equipment selection, the products' energy-efficiency performance compared to a national or international benchmark will be taken into account. If an energy efficiency seal for the equipment exists in the market (e.g., Energy Star), it will be required for selection.</p>

Indicators	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>Component 2: Expansion of digital skills and competencies (IDB: US\$2,352,941; KIF: US\$1,647,059)</b>											
<b>Output 5:</b> Online training programs with a gender approach for public servants and officials, for the population of the country's connected health centers and schools	# of programs	0	2020	4	4	4	4	4	20	Audited SECINO semiannual report	Pro-gender indicator. The certified online training programs will contain specific activities for civil servants and officials in order to close the technology and gender gaps, and will incorporate innovative learning pathways in the different required specialties.
<b>Output 6:</b> Training programs for the population benefiting from the connectivity, with a gender focus	# of programs	0	2020	12	12	12	12	12	60	Audited SECINO semiannual report	Pro-gender indicator. The certified training programs will be given for citizens at the connected schools and community centers.  The training program will contain specific activities for women and girls, and for closing the technology and gender gaps.
<b>MILESTONE 4:</b> Number of women beneficiaries of the digital skills trainings	Number	To be determined							60	SECINO	For the purposes of Corporate Results Framework monitoring, this indicator will be calculated using the information gathered by SECINO during implementation of the training sessions. A minimum participation rate of 28% females will be stipulated for all training processes. The baseline remains to be determined. Work will be done with the executing agency to do so.

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Country:** El Salvador      **Division:** IFD/CMF      **Operation no.:** ES-L1145      **Year:** 2021

**Executing agency:** Innovation Department of the Presidency (SECINO)

**Operation name:** Social Digital Connectivity Program

### I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country system in the operation: Any system or subsystem approved subsequently may be used for the operation, under the terms of the Bank's approval.

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External Control	<input checked="" type="checkbox"/> Individual Consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Special features of fiduciary execution	The borrower will be the Republic of El Salvador and the executing agency will be SECINO, through the Specialty Unit on Education in Technology and Public Management (DGFTGP), which will carry out the program's technical and fiduciary activities. For the latter, it will be supported by the Procurement and Contracting Department and the Administration and Finance Department, both institutional. The IDB resources will be granted pursuant to the program <a href="#">Operating Regulations</a> drawn up for this operation. The institutional capacity assessment found capacities that, with certain minor strengthening interventions, will be sufficient to allow the Bank to rely on the existing structure and processes.
-------------------------------------	---	--

3. Fiduciary capacity

Fiduciary capacity of the executing agency	In March 2021, SECINO's institutional capacity was assessed. Based on this assessment, SECINO's fiduciary capacity for program execution is considered to be high, given its capacity to manage technical quality and interagency coordination. Although it was determined that SECINO's experience in executing Bank-financed operations is not very recent, <sup>1</sup> improvement actions will be taken to support execution and comply with the Bank's policies using technical cooperation resources and to complement the identified fiduciary risk mitigation measures. The program <a href="#">Operating Regulations</a> will establish clear procedures and mechanisms to ensure inclusion, for the program, of information on budget formulation and accounting records.
--	--

<sup>1</sup> In the last three years, SECINO has executed public investment projects with both reimbursable international cooperation funds (e.g., FOMILENIO II with the Millennium Challenge Corporation with US\$277 million provided by the United States Government with the objective of improving the investment climate in El Salvador for economic growth and poverty reduction), and with nonreimbursable international cooperation funds (e.g., [ATN/OC-17689-RG](#) with the IDB), as well as with internally sourced funds (e.g., United National Development Programme, International Telecommunications Union).

#### 4. Fiduciary risks and risk response

Area	Risk	Risk level	Risk response
Internal processes	SECINO's potential lack of experience in executing Bank operations could lead to delays in procurement and contracting.	Medium - high	<ul style="list-style-type: none"> <li>(i) Formation of evaluation committees made up of staff members with knowledge of the program governance framework and Bank policies;</li> <li>(ii) Prior training of the members of the evaluation committees with Bank support; and</li> <li>(iii) Inclusion in the program <a href="#">Operating Regulations</a> of a description of the procedures, flows, responsibilities, and timelines for procurement management.</li> </ul>
Internal processes	Ineffective contract management could lead to delays in payments of contractors and suppliers.	Medium - low	<ul style="list-style-type: none"> <li>(i) Regular monitoring of the contractor and supplier payment plan;</li> <li>(ii) Inclusion in the <a href="#">Operating Regulations</a> of effective procedures and flows describing responsibilities and timelines;</li> <li>(iii) Implementation of the contract management certificate as a monitoring instrument; and</li> <li>(iv) Establishment of parties responsible for managing contracts (contract managers)</li> </ul>
Human resources	The limited human resources availability or experience in executing Bank-financed operations could lead to delays in execution.	Medium - low	<ul style="list-style-type: none"> <li>(i) The staff members in charge receive support from consultants experienced in Bank processes to streamline financial management and procurement tasks; and</li> <li>(ii) fiduciary training, assistance, and supervision from the Bank.</li> </ul>
Planning	Insufficient and/or poorly timed budget allocations for the financial execution of the program could lead to delays in execution, which could endanger the fulfillment of objectives on the planned timeline.	Medium - low	<ul style="list-style-type: none"> <li>(i) Establishment of programmatic structure to identify the investment program within the SECINO budget; and</li> <li>(ii) Comprehensive planning of activities and identification of budgetary needs, for appropriate allocation management.</li> </ul>



Area	Risk	Risk level	Risk response
Planning	Insufficient and/or poorly timed availability of financial fees for the financial execution of the program could lead to delays in execution, which could endanger the fulfillment of objectives on the planned timeline.	Medium - low	(i) Timely planning of financial fees in line with the financial plan; (ii) Coordination with the lead agency.

5. Policies and guidelines applicable to the operation: documents GN-2349-15 and GN-2350-15.

6. Exceptions to policies and guidelines: None.

## II. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The Bank's standard bidding documents or other documents agreed upon by the executing agency and the Bank for a specific procurement will be used for the procurement of works, goods, and nonconsulting services subject to ICB, executed in accordance with the procurement policies (document GN-2349-15). Likewise, the selection and contracting of consulting services will be executed according to the Policies for the Selection of Consultants (document GN-2350-15) using the Standard Request for Proposals issued by the Bank or a request for proposals agreed upon by the executing agency and the Bank for a specific selection. A procurement document to be agreed upon by the Bank and the competent authority in the country will be developed (additional description). The project's sector specialist will be responsible for reviewing the technical specifications and terms of reference for procurement during the preparation of selection processes. This technical review may be conducted ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Use of country systems	The "free management" method will be used for the procurement of goods, works, and nonconsulting services as approved by the Bank's Board of Executive Directors. The procurement plan for the operation will indicate which procurement processes are to be executed using the country system where approved. If the scope of the Board's approval for the use of the country system is expanded, the system will be applicable to this operation.
<input checked="" type="checkbox"/>	Recurrent costs	The recurrent costs required for project implementation approved by the Project Team Leader and financed, will be incurred pursuant to the executing agency's administrative procedures. These procedures will be reviewed and accepted by the Bank, provided they do not violate the principles of economy, efficiency, and competition. This includes the following types of operating expenses: office rentals, automobile rental for supervision work, utilities and communications expenses, translations, bank fees, office supplies, publicity and advertising costs, photocopies, food, lodging, travel expenses, logistics for events, mail, etc. (see Guidelines for the financing of recurrent costs and the Expenditure Eligibility Policy (document GN-2331-15)).

<input checked="" type="checkbox"/>	Advance procurement and retroactive financing	The Bank may finance, retroactively from the loan proceeds, up to the maximum amount of US\$12,750,000 (15% of the proposed loan amount, disbursed pursuant to the restrictions on the disbursement schedule described in paragraph 2.2 of the loan proposal) related to Component I Activities I, II, and III (paragraph 1.17), provided they were incurred in accordance with conditions substantially similar to those established in the loan contract and that the procurement procedures were consistent with the core procurement principles. <sup>2</sup> These expenses must have been incurred on or after 29 January 2021 (the project profile approval date), but in no case will expenses incurred more than 18 months before the loan approval date be included (see the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15), Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), and the Bank policy on recognition of expenditures, retroactive financing, and advance procurement (document GN-2259-1)).						
<input checked="" type="checkbox"/>	Procurement supervision	<p>Supervision will be done on an ex post basis, except where ex ante supervision is justified. When procurement processes are executed through the country system, they will be overseen by the country system for supervision. The supervision method (ex ante, ex post, or country system) will be determined for each selection process. Ex post reviews will be conducted according to the project supervision plan, which is subject to changes during execution. Ex post review reports will include at least one physical inspection visit, chosen from the procurement processes subject to ex post review (30% of contracts reviewed physically). The thresholds for ex post review are:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods/services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>&lt;US\$5,000,000</td><td>&lt;US\$250,000</td><td>&lt;US\$200,000 firms &lt;US\$50,000 individuals</td></tr> </tbody> </table>	Works	Goods/services	Consulting services	<US\$5,000,000	<US\$250,000	<US\$200,000 firms <US\$50,000 individuals
Works	Goods/services	Consulting services						
<US\$5,000,000	<US\$250,000	<US\$200,000 firms <US\$50,000 individuals						
<input checked="" type="checkbox"/>	Records and files	The SECINO DGFTGP will be responsible for properly maintaining the original procurement, contracting, and financial management records and files (where applicable) with which it has been entrusted in connection with program execution.						

#### Main procurement items

Procurement description	Selection method	Estimated date	Estimated amount US\$
<b>Goods</b>			
Output 1: Backbone network (CORE) expanded and equipped, with the highest energy efficiency and climate change resilience standards	International competitive bidding (ICB)	Fourth quarter year 1	38,913,073

<sup>2</sup> Procurement processes will be guaranteed to be undertaken using competitive bidding processes in accordance with the Bank's procurement policies.

Procurement description	Selection method	Estimated date	Estimated amount US\$
Output 2: Infrastructure components for the expanded and equipped aggregation network, with the highest energy efficiency and climate change resilience standards	ICB	Fourth quarter year 1	7,539,046
Output 3: Public sites connected to the access network with the highest energy efficiency and climate change resilience standards	ICB	Fourth quarter year 1	25,184,966
Output 4: Public sites with equipment and wiring that meet the highest energy efficiency and climate change resilience standards	ICB	Fourth quarter year 1	7,762,915
<b>Firms</b>			
Output 5: Online training programs with a gender approach for civil servants and officials, for the population associated with the country's connected health centers and schools	Quality- and cost-based selection	Second quarter year 1	400,000
<b>Nonconsulting services</b>			
Output 6: Training programs for the population benefiting from connectivity, with a gender approach	ICB	Second quarter year 2	3,600,000
<b>Individuals</b>			
Procurement specialist	3cvs	First quarter year 1	200,000
Financial specialist with experience in Bank policies	3cvs	First quarter year 1	200,000
Communications specialist	3cvs	First quarter year 1	200,000
Technical specialist	3cvs	First quarter year 1	200,000
Legal specialist	3cvs	First quarter year 1	200,000
Planning and monitoring specialist	3cvs	First quarter year 1	150,000

(\*) To access the procurement plan, follow this [link](#).

### III. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	The country system will be used. The country system for budgeting and cash management (SIAFI) will be used.
<input checked="" type="checkbox"/>	Disbursements and cash flow	<p>The country cash flow subsystem will be used. The executing agency will open a special account at the Central Reserve Bank for receiving disbursements and making project payments. This mechanism will be part of the Ministry of Finance single treasury account. The Bank will make disbursements through the advance of funds modality for execution of the planned activities and procurements, for periods of up to six months. The cash flow planning prepared by the executing agency will be consistent with the procurement plan that has previously received the Bank's no objection, and will cover a rolling timeframe of at least 12 months.</p> <p>Special disbursement. Once the conditions precedent regarding the legal report, authorized signature assignment, and opening of the designated account for receiving loan proceeds have been fulfilled, the executing agency may request and receive a first disbursement of up to US\$250,000, which will cover the costs of hiring the executing agency contractual staff for installing, equipping, and operation. The SIAFI will be used.</p>
<input checked="" type="checkbox"/>	Accounting, information, and reporting systems	The country system will be used. The executing agency's Administration and Finance Department will be in charge of accounting records, which will be supplemented with manual processes for preparing the special-purpose financial statements in the formats required by the Bank. The executing agency will be responsible for safeguarding the supporting documentation, which will be kept for a minimum of three years after the date of the final disbursement. The National System for Accounting and Reporting will be used.
<input checked="" type="checkbox"/>	Internal control and internal audit	The technical standards for internal control issued by the General Accounting Office of the Republic (CCR) apply. All of the employees and consultants involved in project execution are responsible for internal control, as per their area of action. The Ministry of Finance Internal Audit Division will include project-related control activities in its annual work plans.
<input checked="" type="checkbox"/>	External control and financial reports	To be executed, at the Bank's choice, by an eligible external independent audit firm or the CCR, if it is Bank-eligible. The firm will be retained with loan proceeds, pursuant to the procedures, terms of reference, and request for proposals that have received the Bank's no objection. The executing agency will submit the audited financial statement reports to the IDB, no later than 120 days after the corresponding fiscal period has ended. The audit firm may be retained for the execution period planned in the loan contract. The same independent audit firm may be used for the IDB and World Bank programs to reduce transactionality and costs.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The financial supervision plan will include at least one semiannual visit, which will preferably take place before the portfolio review. Furthermore, any questions that may arise can be addressed with the external audit or through the ongoing communication with the executing agency.

**SOCIAL DIGITAL CONNECTIVITY PROGRAM**

**ES-L1145**

**CERTIFICATION**

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the referenced operation<sup>1</sup> will be financed through:

<b>Financing Type</b>	<b>Funding Source</b>	<b>Fund Code</b>	<b>Currency</b>	<b>Amount Up to</b>
Investment Loan	Korea Infrastructure Development Co-Financing Facility for Latin America and the Caribbean	KIF	USD	35,000,000

The agreement with the executing agency or the commitments to be entered into by the Bank of the resources corresponding to this certification must be made in the currency of the fund that finances each budget line. No resources of the fund may be used to cover amounts greater than the certified amount for the implementation of this operation. Amounts greater than the certified may originate from commitments stipulated in contracts that are denominated in a currency other than the currency of the fund, which may result in losses due to currency exchange rate fluctuations, representing a risk that will not be absorbed by the fund.

Certified by:	(Original Signed)	Jul/17/2021
	<hr/>	<hr/>
	Maria Fernanda García	Date
	Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

---

<sup>1</sup> For operations financed by funds where the Inter-American Development Bank (IDB) does not control liquidity, the availability of resources is contingent upon the request and the receipt of the resources from the donors. Additionally, in case of operations financed by funds that require a post-approval agreement with the donor, the availability of resources is contingent upon the signature of the agreement between the Donor and the IDB. (i.e.: Project Specific Grants (PSG), Financial Intermediary Funds (FIF), and single donor trust funds).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

El Salvador. Loan \_\_\_\_/OC-ES to the Republic of El Salvador  
Social Digital Connectivity Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of El Salvador, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Social Digital Connectivity Program. Such financing will be for the amount of up to US\$50,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2021)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

El Salvador. Loan \_\_\_\_/KI-ES to the Republic of El Salvador  
Social Digital Connectivity Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, acting as the Administrator of the Korea Infrastructure Development Co-financing Facility for Latin America and the Caribbean ("the Facility"), to enter into such contract or contracts as may be necessary with the Republic of El Salvador, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Social Digital Connectivity Program. Such financing will be for an amount of up to US\$35,000,000 from the resources of the Facility, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2021)