

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**CHILE**

**EARLY CHILDHOOD EDUCATION EXPANSION AND  
IMPROVEMENT PROGRAM**

**(CH-L1082)**

**LOAN PROPOSAL**

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ELECTRONIC LINKS	
<b>REQUIRED</b>	
1.	Multiyear Execution Plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39172723">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39172723</a>
2.	Monitoring and Evaluation Arrangements <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39205331">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39205331</a>
3.	Environmental and Social Management Report <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39205454">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39205454</a>
4.	Complete Procurement Plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39205317">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39205317</a>
<b>OPTIONAL</b>	
1.	Terms of reference: consulting assignment to support the development of the program's Operating Regulations <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39119126">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39119126</a>
2.	Economic analysis <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39173792">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39173792</a>
3.	Itemized budget <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39117431">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39117431</a>
4.	Educational space / Quality / Infrastructure Presidential Goal JUNJI 2014-2018 <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39116777">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39116777</a>
5.	Evaluation and legal framework for preschool education's institutional structure in Chile <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38990495">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38990495</a>
6.	Program CH-L1082 risk analysis report <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39201044">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39201044</a>
7.	Safeguard Policy Filter Report and Safeguard Screening Form <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39174060">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39174060</a>

## ABBREVIATIONS

CAIGG	Consejo de Auditoría Interna General de Gobierno [General Government Internal Audit Council]
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
ECE	Early childhood education
ECERS	Early Childhood Environment Rating Scale
ITERS	Infant/Toddler Environment Rating Scale
JUNJI	Junta Nacional de Jardines Infantiles [National Nursery School Board]
MINEDUC	Ministry of Education
NCB	National competitive bidding
OECD	Organisation for Economic Co-operation and Development
OPC	Operations Policy Committee
PCU	Project coordinating unit
PRM	Project Risk Management
SAFP	Sistema de Administración Financiera y Presupuestaria [Financial and Budgetary Administration System]
SIGFE	Sistema de Información de la Gestión Financiera del Estado [State Financial Management Information System]
VTF	Via transfer of funds

## PROJECT SUMMARY

### CHILE

### EARLY CHILDHOOD EDUCATION EXPANSION AND IMPROVEMENT PROGRAM (CH-L1082)

Financial Terms and Conditions						
<b>Borrower:</b> Republic of Chile			<b>Flexible Financial Facility *</b>			
			<b>Amortization period:</b>		15 years	
			<b>Original WAL:</b>		9.75 years	
			<b>Disbursement period:</b>		4 years	
<b>Executing agencies:</b> Ministry of Education (MINEDUC) and the Junta Nacional de Jardines Infantiles [National Nursery School Board] (JUNJI)			<b>Grace period:</b>		4.5 years	
			<b>Inspection and supervision fee:</b>		**	
			<b>Interest rate:</b>		Based on LIBOR	
			<b>Credit fee:</b>		**	
<b>Source</b>		<b>Amount</b>		<b>Approval currency:</b> U.S. dollars from the Ordinary Capital		
<b>IDB (Ordinary Capital)</b>		US\$ 75 million				
<b>Local:</b>		US\$ 75 million				
<b>Total:</b>		US\$150 million				
Project at a Glance						
<b>Project objective/description:</b> The objective of the project is to help improve conditions for children’s development (ages 0 to 4) by expanding the coverage of daycare centers [ <i>salas cuna</i> ] and nursery schools, incorporating high quality standards in terms of infrastructure, furnishings, and model of care. The specific objectives are: (i) to help reduce gaps in early childhood education services by expanding coverage, giving preference to families in the population’s poorest quintiles; and (ii) to contribute to implementation of the quality agenda for early childhood education, through actions helping to improve teacher performance and the quality of children’s educational experience.						
<b>Special contractual conditions:</b>						
<b>Precedent to the first disbursement:</b> none						
<b>For execution:</b> presentation of the Operating Regulations to the Bank will be a contractual condition for execution and must occur prior to the first three months following eligibility or before the second disbursement, whichever occurs first (paragraph 3.4).						
<b>Exceptions to Bank policies:</b> N/A.						
<b>Project qualifies as:</b>		SEQ [ X ]	PTI [ X ]	Sector [ X ]	Geographic [ ]	Headcount [ ]

\* 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 and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

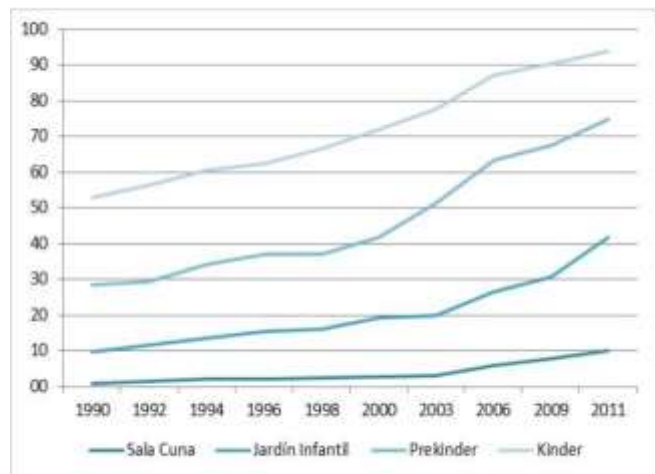
\*\* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans.

## I. DESCRIPTION AND MONITORING RESULTS

### A. Background, problems, and rationale

- 1.1 In Chile, children under the age of 6 represent 8.4% of the population. Various early childhood education (ECE) facilities serve this age group: daycare centers for children under 24 months; nursery schools for children between 25 and 48 months; and preschool (so-called transition level, including pre-kindergarten and kindergarten) for 4- and 5-year-olds. The percentage of children attending these facilities has increased significantly since the last decade.<sup>1</sup> In 2011, the

Grafico I-1: Cobertura de la educación inicial en Chile 1990-2011



Fuente: David Bravo, con base en Encuestas Casen, 2014

- coverage of children in daycare centers was approximately 10% compared with less than 2% in the late 1990s. In nursery school, coverage in 2011 was close to 40% compared with 15% in 1998. Meanwhile, close to 83% of 4- and 5-year-olds now attend preschool, a figure much higher than the 52% attendance in the late 1990s.<sup>2</sup>
- 1.2 Enrollment of children under 48 months of age is close to 290,000, of which more than 270,000 (over 90%) attend public or publicly-financed facilities. The remainder attend private preschools. Existing public or publicly-financed supply is coordinated by the Ministry of Education (MINEDUC), imparted by the National Nursery School Board (JUNJJI) and by the Integra Foundation,<sup>3</sup> and comprised of: 435 facilities directly administered by JUNJI; 1,677 municipal centers financed by JUNJI via transfer of funds (called JUNJI VTF); 468 alternative JUNJI nursery schools; and 953 Integra Foundation centers (of which 58 are financed via transfers of funds).

<sup>1</sup> See Technical Note for the Education Sector 2014-2017 for Chile, SCL/EDU, 2014; and sector note on early childhood development in Chile, SCL/SPH, 2014.

<sup>2</sup> Source: National Socioeconomic Profile Survey (CASEN). See: Bravo, David. “*Diagnóstico y caracterización de la población actual cubierta y no cubierta por el sistema de educación preescolar en Chile.*” Mimeo. Santiago, 2014.

<sup>3</sup> JUNJI is a State institution created in 1970 as an autonomous entity attached to MINEDUC, the purpose of which is to see to the country’s early childhood education. It serves children under age 4 and in situations of social vulnerability. The Integra Foundation is a private, nonprofit institution, whose relationship with MINEDUC is covered by an annual cooperation agreement. It receives public funding for its operation. Alternative nursery schools are NGOs. In addition, there are close to 700 private centers that do not receive government subsidies, do not require MINEDUC authorization to operate, and are not obligated to send information on their enrollment.

- 1.3 Despite recent advances, enrollment in childcare is still low compared with international standards and with the country's needs. For children between 0 and 24 months, Chile is among the group of *Organisation for Economic Co-operation and Development* (OECD) countries with the lowest coverage (10% compared with 29% in the OECD). For children aged 25-48 months, the coverage level of 40% is clearly deficient when compared with the OECD average of close to 70%.<sup>4</sup> In the group aged 49-72 months (transition or preschool), fully universal coverage has still not been achieved even though this level has been mandatory since 2013. Annual spending per child in preprimary education puts Chile in 24<sup>th</sup> place among the 36 countries of the OECD.
- 1.4 Current coverage of ECE services also shows differences based on families' socioeconomic levels. Children between the ages of 49 and 72 months and between the ages of 25 and 48 months show coverage gaps between the richest and poorest quintiles of nearly 10% and 15%, respectively. For children aged 0 to 24 months the coverage percentages are similar across income quintiles, but with levels that are still very low in comparison with potential demand.<sup>5</sup> This situation is concerning because the most vulnerable households are those that make the least use of childcare and ECE services, particularly for children between 0 and 4 years of age, when it is in those households that ECE interventions can have the greatest impact.<sup>6</sup> In addition, there are marked inequities in terms of development: the percentage of children in the first quintile (the poorest) with delays is twice that of children in the highest income quintile, and this situation worsens by the fifth year of life, when there are nearly three times as many children with delays in the lowest income quintile than in the richest quintile.<sup>7</sup>
- 1.5 Reducing these developmental differences in the first years of life is crucial since it means different futures in school careers and later in salaries and well-being. A recent study done in Ecuador shows that children with low levels of early childhood development before they begin school are more likely to repeat grades and score lower on mathematics and reading tests in primary school.<sup>8</sup> Another study done in the United States shows that low linguistic and behavioral development in early

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<sup>4</sup> See OECD, *Education at a Glance*, OECD, 2011. <http://www.oecd.org/education/skills-beyond-school/48631055.pdf>

<sup>5</sup> A study done in 2008 found that unmet demand for early childhood education (daycare centers and nursery schools) for the three poorest quintiles would be 37% (See: D. Santibáñez, et al. "*Determinantes de la demanda por educación parvularia en Chile*." Final Report, May, 2008).

<sup>6</sup> Heckman, J. J. (2006). "Skill Formation and the Economics of Investing in Disadvantaged children." *Science*, Vol. 312; López-Boo, F. (2013). "Intercontinental Evidence on Socioeconomic Status and Early Childhood. Cognitive Skills: Is Latin America Different?" IDB Working Paper Series No. IDB-WP-435; and Vegas, E. and Santibáñez, L. (2010). "The Promise of Early Childhood Development in Latin America and the Caribbean," Washington, D.C., World Bank.

<sup>7</sup> See: Sector Note on Early Childhood Development in Chile, SCL/SPH, 2014.

<sup>8</sup> See: Schady, N. 2011. "Parental Education, Vocabulary, and Cognitive Development in Early Childhood: Longitudinal Evidence from Ecuador." *American Journal of Public Health*, 101(12).

childhood is predictive of low salary levels in adulthood.<sup>9</sup> Cunha and Heckman (2007) used the National Longitudinal Survey of Youth in the United States to show that at age 3 there is a difference of approximately 1.2 standard deviations between children in the higher and lower income distribution quintiles and that the difference remains unchanged up to age 14.<sup>10</sup> The literature on the subject has shown that quality education and childcare, provided as early as possible, bring multiple and positive effects during school and adulthood and are a powerful factor in promoting equity and social justice and improving productivity.<sup>11</sup>

- 1.6 In Chile various studies have been conducted using the data from the Early Childhood Longitudinal Survey of 2010 and 2012 and the application of different tests for measuring childhood development in the areas of language, behavior, cognitive and socio-emotional skills, and health (height for age). These studies show that the differences in early childhood development in the Chilean context emerge early and that there is a marked correlation between family income, maternal education (both indicators of the family's socioeconomic level), cognitive and noncognitive development, and the health of children. These findings are consistent with the evidence available at the international level,<sup>12</sup> hence the need to increase efforts to expand the coverage of childcare and ECE services. Recent studies indicate that in Chile the coverage limitations at this level are due to the inadequate supply of services and the high costs that would be involved if families had to pay for these services in the private sector, particularly families in medium- and low-income sectors. Approximate annual costs per child are US\$2,100 for quality daycare centers and US\$1,500 for nursery schools (middle levels). It is impossible for families to assume these costs, considering that the average annual income of families in the first three income quintiles is US\$5,600. Studies also indicate that, among families in the three poorest quintiles of the population, with children between zero and 3 years of age, and mothers who are working, studying,

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<sup>9</sup> Case, A. and Paxson, C. 2008. "Stature and Status: Height, Ability, and Labor Market Outcomes." *Journal of Political Economy*, 116(3).

<sup>10</sup> Cunha and Heckman (2007). "The technology of skill formation." *American Economic Review*, 97(2).

<sup>11</sup> See: Vegas, E. and Santibáñez, L. (2010), Cunha and Heckman (2007), and Engle, P.L., Black, M.M., Behrman, J.R., DeMello, M.C., Gertler, P.J., Kapiriri, L., Martorell, R., Young, M.E., and the International Child Development Steering Group (2007). "Strategies to avoid the loss of developmental potential in more than 200 million children in the developing world." *The Lancet*, 369, 229-242.

<sup>12</sup> See MINEDUC's Centro de Estudios, *Impacto de asistir a educación parvularia*, Evidencias Series, July 2013; and Behrman, J. R., Bravo, D., and Urzúa, S. (2010). *Encuesta Longitudinal de la Primera Infancia: Aspectos Metodológicos y Primeros Resultados*. At the international level, see Black, S. E. and Devereux, P. J. (2010). Recent Developments in Intergenerational Mobility. Discussion Papers 4866, Institute for the Study of Labor (IZA); Walker, S. et al. (2011). Inequality in early childhood: risk and protective factors for early child development. *Lancet*, 378(9799); Schady et al, 2011; and López-Boo, F. (2013). Intercontinental Evidence on Socioeconomic Status and Early Childhood. Cognitive Skills: Is Latin America Different? IDB Working Paper Series No. IDB-WP-435.



or looking for work, the demand for ECE could be as much as 60%, while the current supply is less than 20%.<sup>13</sup>

- 1.7 In addition to the need to achieve adequate coverage, studies on ECE emphasize that program quality is a key factor in reducing the gaps in early childhood development and outcomes during childhood, youth, and adulthood between children in vulnerable households and children from more fortunate households.<sup>14</sup> In the case of Chile, various factors affect the quality of the existing supply. One of these factors is the level of preparation of caregivers and educators in the existing facilities. The INICIA test conducted in 2012 showed that 60% were at an insufficient level on the disciplinary knowledge test, while 62% were at an insufficient level on the pedagogical knowledge test.<sup>15</sup> In the “Starting Well” index that measures the quality, availability, and accessibility of ECE in 45 countries, Chile is in 20<sup>th</sup> place, which is about average generally but well below average when considering the dimension of quality alone.<sup>16</sup> Another critical factor is to have adequate space in terms of square meters, materials, and furnishings. Existing facilities generally have small spaces (50 square meters in daycare centers and 35 square meters at the middle level) and in many cases have floors that are neither comfortable nor safe for small children, among other shortcomings. In addition, the facilities’ occupancy figures indicate they are overcrowded, particularly the daycare centers, which affects service quality.<sup>17</sup> Chile also recently adopted a new ECE curriculum that is being implemented. The information systems for managing public ECE network facilities need to be strengthened.
- 1.8 To address these challenges, the country has assigned special priority to reforming ECE by expanding the coverage of quality services for early childhood. To this end, the law making kindergarten universal (second transition level covering 5- and 6-year-olds) was enacted in 2013. More recently, the new government established the “Presidential Goal for the expansion of early childhood education” program, which forms part of the current government’s priority programs. The program’s goal is to increase and improve children’s access to early education as a strategy for

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<sup>13</sup> See Reyes, L. and Urzúa, S. (2012). “La demanda y oferta de educación temprana en Chile. Estudios Públicos 126; and Catholic University, Public Policy Center (2010). “Estudio Prospectivo de Oferta y Demanda 2010-2014 para Fundación Integra.” Mimeo. See also Santibañez (2008) cited above.

<sup>14</sup> The quality of early education depends on many factors, including the type and quality of physical spaces, along with qualified human resources, materials, the curriculum, etc. See the studies of H. Yoshikawa et al., for Mexico and Chile (2007 and 2008); see also: E. Vegas, et al., “Evidencia Internacional sobre Políticas de la Primera Infancia que Estimulen el Desarrollo Infantil y Faciliten la Inserción Laboral Femenina.” World Bank, Working Document, 2006.

<sup>15</sup> In addition, while Chile’s average child/adult staff ratios are similar to those of the OECD for children between the ages of 3 and 6, the child/teacher ratio is much higher: 14.3 in the OECD, 21.9 in Chile.

<sup>16</sup> Starting Well is an index of the Economist Intelligence Unit (EIU) published in 2012. The quality dimension of the index analyzes the educator/child ratio in the classroom, teachers’ average salaries, curriculum guidelines, teacher training, centers’ health and safety standards, links to primary education, and the existence of programs that directly involve parents.

<sup>17</sup> Reyes and Ursua (op. cit.) report overcrowding in existing daycare centers of 7% on average.

combating inequalities beginning in the first years of life, particularly among those in the country's two poorest quintiles.<sup>18</sup> The Presidential Goal establishes the creation of 4,500 new spaces for daycare and 1,200 new spaces in the middle level of nursery school, which would bring Chile close to average coverage levels in the OECD.<sup>19</sup> In addition, the ECE policy, based on a comprehensive approach, indicates that coverage should be expanded while applying quality standards to the supply in terms of the type of infrastructure, adult/child ratio, and square meters/child ratio, furnishings, and the qualifications of staff working in facilities and academic programs. This is explicitly indicated in the presidential program and in the measure implementing this commitment. The new supply generated by the Presidential Goal would be added to the existing public or publicly-financed supply coordinated by MINEDUC and JUNJI (mentioned in paragraph 1.2).

- 1.9 **Rationale for the operation.** To achieve greater ECE coverage and improve its quality, the “Presidential Goal for the expansion of early childhood education” program specifically proposes to incorporate 90,000 additional children between the ages of 0 and 2 and 34,000 additional children between the ages of 2 and 4 between 2014 and 2018. The current program is in line with the actions identified for achieving the Presidential Goal. At the same time, the Government of Chile has adopted new quality requirements and standards for ECE within the new Plan for the Regulation of Daycare Centers and Nursery Schools. The new spaces created under the Presidential Goal will meet these requirements and standards, but a large percentage of the current public supply of ECE does not meet them. The current administration's policy proposes to begin the process of closing the gaps between current conditions in ECE facilities and the approved standards, while quality coverage is being expanded at the same time. Within this context, the Government of Chile has asked the Bank for a loan intended to support the implementation of both policy measures, contributing both to creating infrastructure adapted to new educational models and practices and to initiating the process of improving existing facilities so they can meet the new standards over the medium term.
- 1.10 **Lessons learned.** The international literature on early childhood development indicates that investments in this area are effective only to the extent that quality interventions are involved, meaning that the following elements are needed: adequate spaces and furnishings, qualified staff, low child/adult ratios, curricula consistent with the children's ages, frequent and quality child/adult interactions, availability of materials in classrooms, good coordination between centers and families, good nutrition, hygiene, and safety conditions, and quality assurance systems to monitor service delivery. Adopting evidence-based lessons learned, the Bank is already supporting similar initiatives in the region: in Argentina, for

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<sup>18</sup> The expansion of coverage is accompanied by adjustments in the institutional structure of this education level. These adjustments are set out in the draft law “New Institutional Structure of Early Childhood Education” submitted to the Congress by the government some weeks ago and currently being processed by the legislature

<sup>19</sup> In this document the terms “spaces” is similar to the term “classroom” in the formal school system.

example, work is being done to identify and address the quality gaps in childhood development centers, develop standards, and qualify early childhood educators (AR-L1118); in Bolivia, support is being provided to improve access to and quality of childcare for children under the age of 4 through the repair of infrastructure and the creation of new standards (BO-L1064); in Ecuador, support is being provided to expand the supply and improve the quality of centers through the rehabilitation of infrastructure, furnishings, provision of educational materials, implementation of a new curriculum, and a teacher training and support program (EC-L1107); in Paraguay, technical assistance is being provided to implement a single standard for childcare services, prepare standardized manuals for providing these services, analyze gaps in services, and plan coverage expansion, physical upgrades, and equipping of centers (PR-L1051). The design of the ECE expansion and improvement policy in effect in Chile and the Bank's program as proposed here, which seeks to support that policy, incorporates international lessons learned and experiences in previous programs carried out in the country, emphasizing, in particular, the need for the services offered to comply with high quality standards in terms of physical space as well as the qualifications of early childhood educators and the strengthening of the system's instruments for ensuring the quality of the facilities. This is expected to bring Chile closer to the early childhood care coverage and quality standards of OECD countries. The relevance of this operation does not come from the magnitude of the contribution that this loan represents in the context of the country's investment in this coverage expansion goal; rather, its strategic value has to do with the Bank supporting construction of the first set of facilities that will be generated on the basis of the new standards, in which the improved model of early childhood care will be applied in full. This experience will make it possible to model the subsequent expansion stage, generating important lessons that will guide that process.

- 1.11 **Strategic alignment of the program.** The proposed operation is aligned with the Country Strategy with Chile for the 2014-2018 period (document GN-2785), which indicates that the creation of human capital requires investments covering the entire life cycle, beginning with very young children, and recognizes that education has a sustained impact on improving equity, reducing poverty, and increasing productivity.<sup>20</sup> The program will contribute to the objectives of the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764) (GCI-9), in that it seeks to support poverty reduction and promote equity and supports the regional goals of increasing the number of beneficiary students, as defined in the Results Framework. The program is consistent with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) and the Education and Early Childhood Development Sector Framework (document GN-2708-2), which indicates that ECE is a critical factor to ensure that children enter primary school prepared to learn and to take better advantage of their school

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<sup>20</sup> Document GN-2785 was already approved by the OPC and the Programming Committee of the Bank's Board of Executive Directors.

life. It is also aligned with the Social Protection Sector Framework (document GN-2784), which emphasizes that early childhood development services promote equal opportunity and improve the prospects for inclusion of children from poor and vulnerable households both through childcare services outside the home and parental support services. This operation is included in the 2014 Operational Program Report Update (document GN-2756-2).

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

- 1.12 **Objectives.** The objective of the project is to help improve conditions for children's development (ages 0 to 4) by expanding the coverage of daycare centers [*salas cuna*] and nursery schools, incorporating high quality standards in terms of infrastructure, furnishings, and model of care. The specific objectives are: (i) to help reduce gaps in early childhood education services by expanding coverage, giving preference to families in the population's poorest quintiles; and (ii) to contribute to implementation of the quality agenda for early childhood education, through actions helping to improve teacher performance and the quality of children's educational experience. To this end, the project will be implemented through the following components.
- 1.13 **Component 1. Expansion and improvement of early childhood education infrastructure (US\$122.5 million).** The project will finance the construction and equipping of approximately 150 early childhood education facilities, with close to 222 daycare rooms and 195 middle level classrooms for ECE. The facilities will consist of learning areas (spaces in daycare areas and nursery schools, changing rooms, bathrooms, etc.), an administrative area (director's office, multipurpose teaching room, etc.), services area (kitchens, food storage, adult bathrooms, etc.), circulation zones, covered areas (greenhouse and covered courtyards), and unbuilt areas (open courtyards).
- 1.14 The new buildings will follow the guidelines, standards, and models defined by MINEDUC and JUNJI, which aim to facilitate comprehensive learning processes by significantly adapting the building to the bio-psychosocial characteristics of the children, to their activities, and to the deployment of teaching dynamics that will help to develop their maximum potential. The new ECE facilities have more square meters per child; a kitchen so that children can be given food and a separate kitchen for dairy; special rooms so that mothers can continue to nurse their infants; architectural designs that ensure excellent lighting and natural ventilation, providing comfort in terms of acoustics and temperature; provisions for the safety of children and preschool teachers and specialists, such as escape doors, safe radiators that do not reduce the useable space, and other items.<sup>21</sup> The criteria for

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<sup>21</sup> For example, the new daycare centers have an area of 62 square meters compared with 50 square meters at the traditional daycare centers, which represents a 24% increase in terms of space. In addition, the middle-level rooms of the new ECE facilities have an area of 55 square meters compared with 35.2 square meters at the traditional facilities (57% larger). The details of the standards for the new buildings can be found in the document: *Espacio Educativo, Calidad, Infraestructura, Meta Presidencial JUNJI 2014 -2018* ([OEL#4](#)).

selecting the works to be constructed include the maturity of project formulation, that at least 60% of the works must be located in the Metropolitan, Valparaíso, and Bío Bío regions, and that they concentrate 52% of the presidential program's coverage goal.<sup>22</sup> Infrastructure works will be delivered completely equipped. The administration and operation of the new facilities will be the responsibility of JUNJI, which will also be responsible for maintaining the works using funds from its annual budgets.

- 1.15 **Component 2. Support for ensuring quality standards in early childhood education and program evaluation (US\$22.11 million).** This component supplements the efforts made by MINEDUC and JUNJI to support the process of improving the quality of services in the existing public ECE network (or facilities that receive government financing). The objective is for them to gradually be able to meet the quality standards established by MINEDUC. This component includes activities related to the needs diagnostic and planning for improvement; interventions designed to improve childcare practices in the classrooms; and technical assistance and equipment to improve JUNJI's management in the areas of human resources in its facilities and the children enrolled. In addition, an evaluation will be performed on the effects of the ECE expansion and improvement program.<sup>23</sup> To this end, the component will finance the following lines of action:

(i) **Support for the design of a plan to improve ECE.** This consists of preparing the diagnostic assessment of the status of public or publicly-funded facilities in relation to the requirements to obtain official recognition established in the Education Act. This diagnostic (mapping of needs) will be applied to existing public facilities, including facilities directly administered by JUNJI, JUNJI VTF (via transfer of funds to municipios), the Integra Foundation, and the alternative nursery schools. Based on the diagnostic, recommendations will be made for the formulation of a plan to narrow the gaps between current facilities and the newly built facilities that will begin to operate under the new standards.<sup>24</sup> The activities planned in this line of action include hiring consultants to provide technical assistance for designing instruments and developing the technical specifications of the diagnostic; contracting a firm to do the data collection work and analyze the information; conducting a sample-based technical audit of the diagnostic to ensure the quality of the data collected; and hiring consultants to provide technical support for development of the improvement plan.

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<sup>22</sup> All works under the "Presidential Goal of the Expansion of Early Childhood Education" program target the three poorest quintiles of the population. Works financed by the Bank's program will follow this targeting criterion.

<sup>23</sup> MINEDUC and JUNJI also use national funds to finance other quality improvement areas such as remodeling and improving furnishings in existing centers, adjusting care models, or providing materials for classroom practices.

<sup>24</sup> The group of public or publicly-financed facilities covered by this intervention includes nearly 3,700 ECE centers, according to 2013 data published by MINEDUC.

(ii) **Construction of a georeferencing system for ECE facilities.** Using the data collected in the needs mapping of public ECE facilities, a georeferencing system will be constructed, with a web page available on MINEDUC's website. It will be used to support the design and launch of interventions to narrow the gaps in ECE facilities, support the planning and administrative activities of MINEDUC and JUNJI, and provide general information on ECE. The activities planned in this line of action include technical assistance for developing software, updating the web platform, purchasing IT equipment, acquiring licenses, developing the georeferencing system, and training staff in its use.

(iii) **Strengthening of the teaching practices in ECE facilities in the JUNJI network.** This line of action is directed to improving the performance of educators in preschool facilities by: strengthening the supervisory function so that it can provide timely feedback to the teams and contribute to the effective application of the concepts included in the new ECE standards; and providing ongoing training to teams of ECE teachers and specialists to address critical processes such as the creation of more effective learning environments and the formation of working teams within the establishments and of learning communities with ongoing reflection regarding practices and with the ability to observe interactions in the classroom. This line of action incorporates activities for updating and fine-tuning the supervision teams, and includes area sessions, regional workshops, and internships, as well as the design and production of a set of educational materials (manuals, guides, learning modules, demonstration sets, teaching materials). The intervention with ECE teachers and specialists plans ongoing training cycles that will include 8,000 JUNJI employees in the four years of program execution.

(iv) **Strengthening of JUNJI management systems.** The aim is to improve and increase the efficiency of tools supporting the management of administrative processes at the JUNJI network's ECE facilities. It specifically includes strengthening the information system on the children attending JUNJI network facilities and the human resources management system for the adults working in those facilities. It will include technical assistance actions for mapping processes and technical specifications for, and development of, the two systems, system implementation, and training for the staff that will operate and use them.

(v) **Evaluation of the program.** See paragraph 3.11 for more details on program evaluation activities. In addition, program administration will be financed (US\$5.39 million), including activities to monitor the entire operation and conduct the program audit.

- 1.16 **Cost and financing.** The program will cost up to US\$150 million, of which up to US\$75 million (50%) will be financed with proceeds from the Bank loan and US\$75 million (50%) will be financed using the country's counterpart funds, as shown in Table I-1. The link [OEL#3](#) presents more detailed annualized information on costs.

**Table I-I: Estimated budget, by component (US\$000)**

Description	IDB	Local	Total	%
<b>Component 1. Expansion and improvement of early childhood education infrastructure</b>	<b>60,000</b>	<b>62,500</b>	<b>122,500</b>	<b>81.6</b>
Construction of new daycare centers and nursery schools	60,000	60,000	120,000	80.0
Equipping of new daycare centers and nursery schools		2,500	2,500	1.6
<b>Component 2. Support for ensuring quality standards in early childhood education and program evaluation</b>	<b>12,340</b>	<b>9,770</b>	<b>22,110</b>	<b>14.7</b>
Support for the design of a plan to improve ECE	2,150	2,100	4,250	2.8
Construction of a georeferencing system for ECE facilities	600	400	1,000	0.6
Strengthening of the teaching practices in ECE facilities in the JUNJI network	6,090	4,770	10,860	7.2
Strengthening of JUNJI management systems	2,500	2,500	5,000	3.3
Evaluation of the program	1,000	-	1,000	0.6
<b>Administration, monitoring, and audits</b>	<b>2,660</b>	<b>2,730</b>	<b>5,390</b>	<b>3.6</b>
<b>TOTAL</b>	<b>75,000</b>	<b>75,000</b>	<b>150,000</b>	<b>100.0</b>

### C. Key indicators in the results matrix

- 1.17 The goal of the program is to improve conditions for children's development, particularly children in families with limited socioeconomic resources, by expanding access to ECE facilities. The general impact of the program will be measured through improved indicators of the quality of the learning environments (using the ITERS and ECERS<sup>25</sup> scales for evaluating children's learning environments) and indicators that estimate the expanded coverage of ECE in the program's areas of influence. The results of the infrastructure component will be measured using indicators on the enrollment of children under 24 months and between 24 and 48 months. The principal result of the activities in Component 2 will be a proposed strategy to narrow the gaps between existing facilities and the facilities constructed on the basis of new standards that will guide the country's actions in this area for the rest of this decade. Under the program, close to 4,500 new slots in daycare centers and 4,700 new slots in middle-level ECE facilities will be created, which represent approximately 5% of the Presidential Goal and 15% of the goal for ECE middle levels. The central indicators of the Results Matrix are presented in [Annex II](#).
- 1.18 **Cost-benefit evaluation.** The ex ante economic analysis of the program, conducted using the cost-benefit method and a discount rate of 12%, yielded positive results. The principal benefits quantified relate to expected future salary differentials of individuals who benefited from receiving a quality early education compared with those who did not. These estimates are considered a floor in that they do not incorporate positive externalities commonly associated with programs of this kind (such as the impact in terms of lower crime and drug addiction rates or savings on

<sup>25</sup> ITERS (Infant/Toddler Environment Rating Scale) and ECERS (Early Childhood Environment Rating Scale). These scales, created in the 1980s by Debby Cryer, Thelma Harms, and Dick Clifford at the University of North Carolina, are estimated based on the application of a guideline evaluating seven different dimensions of the environment in ECE facilities.

health spending, among others), factors that would increase the social return of the program. The ex ante evaluation of the program's benefits, under a conservative scenario, indicates that the net present value (NPV) is slightly more than a positive \$11 million and the social internal rate of return (SIRR) is 12.2%, making the project viable. Estimates were done using different scenarios and more optimistic assumptions; these resulted in much broader NPVs and higher SIRRs (see [OEL#2](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The financing instrument is a specific investment loan from the Bank's Ordinary Capital. The operation's estimated disbursement schedule will be as follows:

**Table II-1: Disbursement Schedule**

	Year I	Year II	Year III	Year IV	Total	%
<b>IDB</b>	32,997,500	33,952,500	4,860,000	3,190,000	75,000,000	83.3%
<b>Local</b>	33,947,500	34,540,000	1,848,750	4,663,750	75,000,000	16.7%
<b>TOTAL</b>	<b>66,945,000</b>	<b>68,492,500</b>	<b>6,708,750</b>	<b>7,853,750</b>	<b>150,000,000</b>	<b>100%</b>
%	45%	46%	4%	5%	<b>100%</b>	

### B. Environmental and social risks

- 2.2 The project has been classified as a Category "B" operation according to the Bank's Environment and Safeguards Compliance Policy (OP-703)– Directive B.3 (Screening and Classification), with low socio-environmental risk. The potential negative social and environmental impacts that the works may cause are slight and short-term. Nonetheless, the respective mitigation and control measures will be applied; these are widely known and easily implemented for this kind of small-scale facility. Emphasis will be placed on impacts that may occur during the construction stage, particularly with respect to occupational health and safety. The operation does not plan to resettle people for any of the planned works and thus the Resettlement Policy (OP-710) does not apply (see the program's Environmental and Social Management Report in [REL#3](#)).

### C. Fiduciary risks

- 2.3 The executing agencies work within the Financial and Budgetary Administration System (SAFP), primarily using the State Financial Management Information System (SIGFE) for budget, accounting, and payments. They also have a solid internal audit unit and are supervised by the Comptroller General of the Republic (CGR). The Bank assessed the level of development of the country systems— budget, treasury, accounting, internal audit (CAIGG), and external audit (CGR)— and determined that they are highly developed. In addition, the executing agencies use the ChileCompra System for managing procurement; this is a robust public purchasing and contracting system with a modern and efficient electronic system, through which most of the country's public procurement is processed. Nonetheless,



there may be problems during implementation, due to the high number of bidding processes (particularly in Component I) and difficulties with timely consolidation of financial information, due to the large number of payments based on the progress of the works, the fact that MINEDUC and JUNJI have separate accounting systems, and both institutions' limited experience with the Bank's financial policies. For this reason, the estimated fiduciary risk of the operation, following the Project Risk Management (PRM) methodology, is medium.

- 2.4 The principal mitigation actions are: (i) use of model administrative conditions for bidding, final architectural design, and construction works for nursery schools and daycare centers (approved by the CGR), which means a significant amount of time saved in bidding procedures; (ii) strengthening of JUNJI at the central and regional levels with professionals in various specialties, so that procurement and the respective resulting contracts are executed on a timely and coordinated basis; (iii) by mid-2015 the Framework Agreement on Construction Works for Nursery Schools and Daycare Centers, now being prepared by ChileCompra, will be available; and (iv) the program will make full use of the SIGFE and the program coordinating unit (PCU) and JUNJI at the central level will strengthen their teams with specialists in financial management for budget programming, preparation of disbursement requests and documentation of expenditures, preparation of financial statements, and audits. In addition, the program's transactions, at both MINEDUC and JUNJI, will be recorded in the SIGFE in their own chart of accounts and the program will be audited by the CGR, in accordance with terms of reference agreed upon by the Bank with the CGR (the financial management agreements and requirements in [Annex III](#) will be explained in detail in the program's Operating Regulations).

#### **D. Other risks**

- 2.5 The program's works will be carried out on public lands already identified by JUNJI and with a high degree of progress according to the respective authorities, to ensure their transfer in the timeframes required for executing the program. Thus, the risk that the plots for construction of the works will not be available is low. In addition, the number of works planned requires technical supervision and inspection personnel at the national and regional level. JUNJI has already begun the process of strengthening those teams and there are plans to contract additional personnel using program administration resources. Lastly, a high degree of coordination is required between the teams responsible for the various tasks involved in building the program's new infrastructure. Accordingly, an execution structure has been created that plans to use the team already established for implementation of the "Presidential Goal for the expansion of early childhood education" program that has been in operation since the first half of 2014 and will be reinforced with specialized personnel to support the implementation of this program (see paragraphs 3.2, 3.3, and 3.4).
- 2.6 **Sustainability.** The sustainability risks of the program's investments are low. The approximately 150 new ECE facilities will be operated by JUNJI once they are

delivered by the program, using funds from that entity's regular budget. The new works are part of the "Presidential Goal for the expansion of early childhood education," which includes a broader group of new facilities (more than 2,500 in total). Funds for their implementation are guaranteed in the 2015 budget and funds are programmed until 2018, since they represent one of the current government's priority programs.

### III. IMPLEMENTATION AND ACTION PLAN

#### A. Summary of implementation measures

- 3.1 **Executing agency.** The borrower will be the Republic of Chile and the executing agencies will be MINEDUC and JUNJI, which will be responsible for implementing the program.
- 3.2 To execute the program, the executing agencies will rely on the leadership of MINEDUC's Education Branch, which will be advised by a program committee. The Under Secretary of MINEDUC, the ECE advisor to the Minister of Education, the coordinator of the "Presidential Goal for the expansion of early childhood education" program, and the Vice Chairman of JUNJI will all participate in the program committee. This committee will be responsible for the program's strategic decisions and policies. A program coordinating unit (PCU) will be created, attached to MINEDUC's Under Secretary of Education. The PCU will have a coordinator and a supporting technical team. It will be responsible for all the tasks related to coordination between JUNJI and MINEDUC and will also be responsible for consolidating the financial information to be provided by the co-executing agencies and producing the program's progress reports as established in the program's Operating Regulations, which are currently being prepared.
- 3.3 Component I will be executed by JUNJI according to the institutional arrangement it has for implementing the "Presidential Goal for the expansion of early childhood education" program. Component II will be executed as follows: areas of action (i), (ii), and (v) described in paragraph 1.15 will be executed by MINEDUC; areas of action (iii) and (iv) described in paragraph 1.15 will be executed by JUNJI. Administration and monitoring tasks will be executed by MINEDUC given its role as the agency responsible for the program overall. Since the "Presidential Goal for the expansion of early childhood education" program is already being implemented and has a team responsible for its execution that has already been set up and is in operation, Component I of this program, which finances part of that presidential program, will be executed by JUNJI with the support of the above-mentioned team. Its work will be supplemented by the JUNJI divisions responsible for soliciting bids on contracts, supervising works, conducting audits, and providing internal control.
- 3.4 **Operating Regulations.** The Operating Regulations, now being prepared, will detail the strategy for executing the operation. The Operating Regulations will include: (i) the organizational structure of the project; (ii) the technical and operational arrangements for its execution; (iii) the arrangements for programming,

- monitoring, and evaluating results; (iv) financial, auditing, and procurement procedures; and, as an annex, the Environmental and Social Management Report on the works in Component 1. Presenting the Operating Regulations to the Bank will be a special contractual condition for execution and will occur prior to the first three months following eligibility or before the second disbursement, whichever occurs first.
- 3.5 **Procurement.** The advanced use of Chile's Bank-approved country procurement system will be used to procure: (i) goods and nonconsulting services up to the threshold considered for national competitive bidding (NCB); (ii) works up to the threshold considered under NCB (up to US\$5,000,000); (iii) consulting services up to the threshold of the shortlist made up of national firms; and (iv) individual consultants (no threshold). Above these thresholds, procurement with total or partial Bank financing will be carried out in accordance with the procedures provided for in the Bank's procurement policies (documents GN-2350-9 and GN-2349-9) or will be entirely financed from the local contribution, in the event that the executing agencies wish to follow only domestic law. Any system or subsystem that may subsequently be approved will be applicable to the operation. The procurement plan for the operation and its updates will indicate which processes will be executed through the approved country procurement systems. An initial version of the procurement plan has already been validated by the Bank ([REL#4](#)).
- 3.6 The works mentioned in item (ii) of the preceding paragraph will be procured using the standard administrative guidelines for bidding, final architectural design, and construction works on nursery schools and daycare centers, approved by the CGR. In addition to incorporating the subject of fraud and corruption (system of prohibited practices defined in section 1 of the Bank's procurement policies) and eligibility (IDB eligible countries), price must be considered as the primary evaluation and award criterion (minimum of 60%).
- 3.7 **Advance procurement and retroactive financing.** The Bank will grant retroactive financing (charged against loan proceeds) of up to US\$7.5 million (10% of the loan) and will recognize eligible expenses (charged to the local contribution) of up to US\$7.5 million (10% of the local contribution) for expenses incurred during the 18 months prior to loan approval but after 12 September 2014 (Project Profile approval date). These expenses include the Component I construction contracts, which will be recognized provided they comply with requirements and procedures substantially analogous to those established in the loan contract.
- 3.8 **Exception to Bank policy.** The Operations Policy Committee approved an exception to the Financial Management Policy for IDB-financed Projects (document OP-273-6), so that the executing agencies may request new advances when they have submitted at least 65% of the cumulative balances pending documentation, and a period of up to nine months is granted to justify the advances, provided they have been requested with a financial plan consistent with those periods. This is being done to ensure adequate liquidity for the execution of

Component 1 of the program, which covers a significant number of works being contracted and implemented during the first two years of the operation, and an adequate flow of funds consistent with the high number of works that will be executed in a short period of time (first 24 months of the program).

- 3.9 **Audits.** Each year the borrower will submit the program's annual statements to the Bank within 120 days of the close of each fiscal year, duly audited by independent auditors considered acceptable to the Bank.

**B. Summary of results monitoring agreements**

- 3.10 **Monitoring arrangements.** The data gathered by JUNJI and MINEDUC will be used to monitor progress made in terms of the outputs and outcomes of the operation. These data are very useful in that they provide information for adjusting the program's processes and are used as inputs for studies and evaluations of the effects on the ECE system. This information will be used as the basis for formulating the initial execution plan to be agreed upon within the 60 days following program eligibility, the annual work plans to be submitted in December of each year, and the semiannual reports on progress made in the operation that will include the report on procurement during the period. As part of the supervision process, the Bank will make field visits directly or through consultants, in order to analyze the status of the works and of implementation of environmental and social mitigation measures.
- 3.11 **Arrangements for evaluation of results.** This operation includes a strategy for the evaluation of the processes and results of the "Presidential Goal for the expansion of early childhood education" program and not just the Bank's program. First, the processes for implementing the interventions involving ECE supervisors, educators, and technical specialists will be evaluated, in order to ensure the proper use of physical spaces and furnishings based on the new standards. Their results will help adjust interventions in this area to achieve greater effectiveness. Second, changes over time in the quality of preschoolers' learning environments will be evaluated. The objective is to determine whether the improvement in learning conditions in educational settings with new standards effectively responds to the children's characteristics, needs, interests, and strengths. To do this, a quasi-experimental design will be used that will compare changes over time between existing facilities and the new facilities created under the new infrastructure and furnishings standards before and after the quality improvement interventions. The indicators for measuring the quality of the learning environment will be those contained in the ITER and ECER scales. This design will make it possible to identify the effect of the actions intended to improve quality in both types of facilities and to evaluate whether the effect of these actions is greater in those facilities with better physical spaces and more appropriate furnishings for the interactions between caregivers and children (see [REL#2](#)).

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program	(i) Lending for poverty reduction and equity enhancement.			
Regional Development Goals				
Bank Output Contribution (as defined in Results Framework of IDB-9)				
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix	GN-2785 *	Increase access to early childhood education services.		
Country Program Results Matrix	GN-2756-2	The intervention is included in the 2014 Operational Program.		
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Highly Evaluable	Weight	Maximum Score
		9.1		10
3. Evidence-based Assessment & Solution		8.2	33.33%	10
3.1 Program Diagnosis		3.0		
3.2 Proposed Interventions or Solutions		2.4		
3.3 Results Matrix Quality		2.8		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		8.9	33.33%	10
5.1 Monitoring Mechanisms		2.3		
5.2 Evaluation Plan		6.7		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Low		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/PDP Criteria)	Yes	Financial Management: i) Budget, ii) Treasury, iii) Accounting and reporting, iv) External control, and v) Internal audit. Procurement: i) Information system, ii) Shopping method, iii) Contracting individual consultant, and iv) National Public Bidding.		
Non-Fiduciary	Yes	i) Strategic Planning National System, ii) Monitoring and Evaluation System, and iii) Environmental Assessment National System.		
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment				
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				
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan				

\* Country Strategy 2014-2018 under revision.

The goal of the program is to increase coverage and improve the quality of provision of care for children under 6 years old giving priority to the first three quintiles of income. Coverage in 2011 for children under 2 was 10%, for children 2-4 was about 40% and 4-6 was 83%. The quality of early education stays below the average of 45 countries that participate in the "Starting Well" index. The identified factors that contribute to the problem are budget constraints, and an estimation for the demand of early education of 60% while supply covers 20%. Figures presented in the diagnosis include a valid reference, therefore providing empirical evidence of the need for the proposed intervention. The diagnosis includes an historical evolution of coverage starting in 1990 and emphasizes the importance of access for success later in life. In spite of this evidence provided, there is no mention of studies that directly link how the proposed intervention will impact coverage or quality.

The results matrix has vertical logic, includes ex-ante values and expected values to change with a few exceptions. The results indicator for component two establishes levels of change expressed as hits and not as verifiable 0/1 quantifiers. This implies a variable metric across hits. The hits are not always sufficiently specific. Five out of seven product indicators also include hits in spite of 0/1 quantifiers.

Regarding the monitoring plan, product indicators have annual goals and yearly investment amounts. Costs are not grouped according to each product. The economic evaluation includes a calculation of the net present value with positive values for the scenarios contemplated in the sensitivity analysis.

The impact evaluation proposed is differences in differences for the national intervention to which the program contributes. Power calculations assume an intra cluster correlation between classrooms of zero, which is unlikely. The proposed counterfactual proposes a comparison of existing groups with those newly created. These two units are not directly comparable to evaluate the effects of the program. To measure program effects on quality it would be necessary to measure differences in average quality across groups of children benefiting from the program to those without the program. But the fact that an increase in coverage is expected is ignored. Therefore, the evaluation assumes no coverage effects without making it explicit. For these reasons, points are deducted for the creation of a valid comparison group and the definition of a counterfactual at the appropriate level.

The main identified risk is fiduciary. The proposed mitigation action includes utilizing administrative databases and hiring procurement specialists.

## RESULTS MATRIX

<b>Project objective</b>	To help improve conditions for the development of children (0 to 4 years of age) by expanding the coverage of daycare centers and nursery schools, incorporating high quality standards in terms of infrastructure, furnishings, and model of care. The specific objectives are: (i) to help reduce gaps in early childhood education (ECE) services by expanding coverage, giving preference to families in the population's poorest quintiles; (ii) to contribute to implementation of the quality agenda for early childhood education, through actions helping to improve teacher performance and the quality of children's educational experience.		
<b>Impact results</b>	<b>Baseline</b>	<b>Final target</b>	<b>Observations</b>
Higher score on ITERS and ECERS scales	Values estimated in baseline measurement in 2015.	15% increase in the general average between measurements.	Will be measured in terms of an increase achieved in the ITERS and ECERS score. Scales evaluating childhood educational environments, ITERS and ECERS. <sup>1</sup> The instrument consists of seven areas or dimensions. <sup>2</sup> The scores are totaled to provide an average score in each area evaluated, and the total average provides a general average that can be interpreted as the classroom quality level in general. The increase expected in the final target corresponds to approximately one point on the scales. Source: Program impact evaluation
Expanded coverage of early childhood education for children under 24 months in the <i>comunas</i> [districts] benefiting from the program.	21.2%	25.9%	Corresponds to the annual change in the supply of care in daycare centers in the reference <i>comunas</i> . The calculation will use as a reference the number of children under 24 months who attend daycare centers (in facilities in the public network or that receive public financing) divided by the estimated number of children in this age group in the <i>comuna</i> at the time of the baseline measurement and who represent potential demand for daycare center services, multiplied by 100. Source: PCU

<sup>1</sup> This scale has already been subjected to a behavior test in preschool center classrooms in Chile. A study done by the University of Concepción concluded that this is a useful tool for quantitative measurement of the quality of the Chilean preschool environment. In terms of data quality, this study evaluated reliability via internal consistency procedures, obtaining overall reliability results equal to those in the international literature. Source: Mathiesen, M. et Al. (2011). "Validación del funcionamiento de la escala ECERS-R en algunas regiones de Chile." Revista Estudios Pedagógicos XXXVII, Np. 2: 147-160.

<sup>2</sup> The dimensions of the instrument are: space and furnishings, personal care routines, language-reasoning, activities, interactions, program structure, and parents and staff. Each dimension includes a number of items, for a total of 39 in ITERS and 43 in ECERS. The specific metric for scoring the indicators is a scale from 1 to 7 where 1 is inadequate, 3 is minimum, 5 is good, and 7 is excellent.

Impact results	Baseline		Final target				Observations
Expanded coverage of early childhood education (middle level) for children between 24 and 48 months in the <i>comunas</i> benefiting from the program.	41.1%		45.3%				Corresponds to the annual change in the supply of middle-level early childhood education in the reference <i>comunas</i> . The calculation will use as a reference the number of children between 24 and 48 months attending middle level early childhood education (in facilities in the public network or that receive public financing) divided by the estimated number of children in this age group in the <i>comuna</i> at the time of the baseline measurement and who represent potential demand for middle level early childhood education, multiplied by 100. Source: PCU
Component 1. Expansion and improvement of early childhood education infrastructure							
	Base <sup>3</sup>	Year 1	Year 2	Year 3	Year 4	Final target	Observations
Outputs							
Number of new and equipped daycare centers	0	111	111	-	-	222	Source of data for verifying achievement of targets: PCU
Number of new and equipped middle level facilities	0	98	97	-	-	195	
Results							
Number of boys enrolled in new daycare centers	0	0	1,110	1,100	0	2,200	Source: PCU
Number of girls enrolled in new daycare centers	0	0	1,100	1,100	0	2,200	Source: PCU
Number of boys enrolled in new middle level facilities	0	0	1,170	1,170	0	2,340	Source: PCU
Number of girls enrolled in new middle level facilities	0	0	1,170	1,170	0	2,340	Source: PCU

<sup>3</sup> The zero values included in this column are because the universe used as the base for counting these outputs corresponds to new units and thus to additional spaces resulting from the availability of new infrastructure.

Component 2. Support for ensuring quality standards in early childhood education and program evaluation							
	Base	Year 1	Year 2	Year 3	Year 4	Final target	Observations
<b>Outputs</b>							
Database on current nursery school situation in Chile.	-	-	Data collection	Database available	-	Having a database derived from the diagnostic assessment of facilities in 2016.	Consists of preparing the diagnostic assessment on the status of facilities compared with the requirements (standards) established for obtaining official recognition contained in the Education Act. This diagnostic assessment will be applied to the 3,657 public facilities (INTEGRA, 880; JUNJI VTF model facilities, 1,677; JUNJI direct administration facilities, 435; and alternative nursery schools, 665). The assessments will use a combined methodology and will be implemented as a census and in stages. Thus, data collection is planned for year 1 and availability of the complete database is planned for year 2 of project execution. Source of information for verifying achievement of targets: PCU.
Georeferencing system for information on early childhood education institutions.	-	Development of platform	Complete georeferencing	System created	-	Geo-referencing system operating in 2018.	Development of the system platform includes updating of web platform, purchase of server, purchase of equipment, acquisition of licenses, and plotter. Source of information for verifying achievement of targets: PCU.
Workshops for updating and upgrading team of supervisors	0	Diagnostic of the current situation	15	15	15	45	The estimated number of workshops to be conducted per year is equal to one workshop per region. Source of information for verifying achievement of targets: PCU.
Teachers and specialists trained	0	2,000	2,000	2,000	2,000	8,000	The teachers and specialists counted in these targets correspond to those who will participate in the Ongoing Training Program and the annual projection of participants reflects the maximum number of people who could be trained each year using this method. The system's logistical conditions allow for gradually incorporating 2,000 people in the plan per year since the training process covers a five-month cycle. Source of information for verifying achievement of targets: PCU.



Component 2. Support for ensuring quality standards in early childhood education and program evaluation							
	Base	Year 1	Year 2	Year 3	Year 4	Final target	Observations
Management system for participating children	0	Technical specifications	System developed	System implemented	-	System operating in 2017	Corresponds to development of software, platform, and integration of bases including information on boys and girls served by the network of ECE facilities with public financing. Source: PCU
HR management system	0	-	Technical specifications	System developed	System implemented	System operating in 2018	Corresponds to the tool supporting JUNJI's institutional management. Includes development of the interoperable platform for storing and processing information regarding staff for handling staffing, compensation, permits, benefits, and performance evaluations. Source of information for verifying achievement of targets: PCU.
Report evaluating the quality of ECE learning environment.	0	Start of data collection	Baseline complete	-	Second measurement	Evaluation delivered	Source of information for verifying achievement of targets: Research Center of MINEDUC's Planning and Budget Division.
<b>Outcomes</b>							
Proposed strategy for narrowing the gaps in old facilities with respect to new standards.	0		Data collection	Database available	Proposed improvement plan designed, including recommendations for implementing improvement measures	Planning of the strategy for implementing actions to improve facilities that are below standards.	This outcome corresponds to putting together information from the diagnostic assessment to be done on the universe of ECE facilities receiving public financing compared with the new standards for obtaining official recognition contained in the Education Act. This will make it possible to identify possible alternative actions for bringing facilities below the agreed standards up to the level of those standards and the planning thereof will produce a strategy for narrowing the gaps. Source of information for verifying achievement of targets: PCU.

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

<b>Country:</b>	Chile
<b>Project number:</b>	CH-L1082
<b>Name:</b>	Early Childhood Education Expansion and Improvement Program
<b>Executing agency:</b>	Republic of Chile through the Ministry of Education (MINEDUC) and the Junta Nacional de Jardines Infantiles [National Nursery School Board] (JUNJI)
<b>Prepared by:</b>	Francisco Lois (FMP/CCH); Raúl Lozano (FMP/CPR); Roberto Monteverde (Procurement Consultant), and Macarena Torres (Financial Consultant).

### I. EXECUTIVE SUMMARY

- 1.1 A Risks Workshop was conducted following the Project Risk Management (PRM) methodology, with the participation of officials from MINEDUC, JUNJI, and the Project Team, resulting in a medium fiduciary risk.
- 1.2 The borrower will be the Republic of Chile and the executing agencies, MINEDUC and JUNJI, which will be responsible for implementing the program. Responsibility for the general leadership of the program will lie with the Office of the Under Secretary of Education. To manage execution of the program, a program coordinating unit (PCU) will be created in the Office of the Under Secretary of Education with a technical support team and a program committee will be established with the participation of the Under Secretary of MINEDUC, the early childhood education advisor to the Minister of Education, the coordinator of the “Presidential Goal of Expanding Preschool Education” program, the Vice Chairman of JUNJI, and MINEDUC officials designated by the Under Secretary of Education.
- 1.3 Component I will be executed by JUNJI according to the institutional arrangement it has for implementing the Presidential Goal program. Component II will be executed by management units of MINEDUC and JUNJI, as provided for in paragraph 3.3 of the loan proposal. The PCU will be responsible for all tasks related to coordination of the program between JUNJI and MINEDUC and will also be responsible for preparing the program’s financial statements, consolidating financial information and the program’s progress reports, and ensuring compliance with the Operating Regulations to be developed to support program execution. Administrative and monitoring tasks will be carried out by MINEDUC given its role as the agency with overall responsibility for the program.

## II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCIES

- 2.1 MINEDUC and JUNJI work within Financial and Budgetary Administration System (SAFP), primarily using the State Financial Management Information System (SIGFE) for budget, accounting, and payments. They also have a solid internal audit unit and are supervised by the Office of the Comptroller of the Republic (CGR). The Bank has assessed the level of development of the country systems: budget, treasury, accounting, internal audit (General Government Internal Audit Council - CAIGG), and external audit (CGR) and determined that they are highly developed.
- 2.2 The executing agencies use the ChileCompra System for managing procurement. This is a robust public procurement system with a modern and efficient electronic platform, through which most of the country's government purchasing and contracting is processed.

## III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 **Procurement and financial fiduciary risk.** Despite what is stated in paragraphs 2.1 and 2.2, the PRM analysis identified average risk in the areas of implementation of scheduled procurement and financial fiduciary aspects. The principal fiduciary risks in procurement are due to the nature of the program, wherein most of the loan proceeds will be used to contract construction works to build nursery schools and daycare centers, following different standard modalities, which will require prior technical-financial approval processes within the National Investment System, ownership of the respective plots, availability of bidders, and staff available on the technical teams at the regional level to carry out the bidding processes and subsequent monitoring and oversight of works contracts, over a period of 24 months. Financial fiduciary problems notably include: difficulties in the timely consolidation of financial information, possible weaknesses in preparing the program's financial statements, integrity problems in applying expenses to project accounting, as well as in the programming of financial resources requirement, in view of the large number of payments for advances on works, the fact that MINEDUC and JUNJI have separate accounting systems, decentralized execution of spending in the regional offices of JUNJI, partial financing of works under Component I, and ignorance of the Bank's financial policies on the part of both the Ministry of Education and JUNJI.
- 3.2 **Mitigation measures:** (i) utilization of standard administrative guidelines forbidding, final architectural design, and construction works on nursery schools and daycare centers (approved by the CGR), which means significant time savings in the bidding process; (ii) strengthening of JUNJI at the central and regional levels with budget resources assigned by the government along with professionals in various specialties, so that procurement and the resulting respective contracts are executed in a timely and coordinated manner within the program component; (iii) the Framework Agreement on Construction Works for Nursery Schools and Daycare Centers, which is now being prepared by ChileCompra and will be available by mid-2015; (iv) a procurement specialist in the PCU, who will be trained by the Bank, particularly for high-value consulting firm contracts as provided for in the respective

procurement plan; (v) the program's full use of the National Financial Management Systems; (vi) the PCU and JUNJI at the central level will strengthen their teams by adding a specialist in financial management for budget programming, preparing the disbursement requests and expense documentation, preparing the program's financial statements, overseeing program accounting in SIGFE II, handling audits and implementing their recommendations; (vii) program transactions, at both MINEDUC and JUNJI, will be recorded in the SIGFE using their own chart of accounts; (viii) the program will be audited by the CGR in accordance with the terms of reference agreed upon by the Bank with the CGR; (ix) the internal audit unit will follow upon external audit recommendations; (x) ongoing training workshops will be conducted for MINEDUC and JUNJI; and (xi) the program's Operating Regulations will explain in detail the financial management agreements and requirements of Annex III.

#### **IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT**

- 4.1 As agreed upon with the executing agencies, the agreements and requirements to be considered in special conditions are included below:
- a. The tendering and contracting of works will be carried out in accordance with the terms and conditions agreed upon by the executing agencies and the IDB, in order to guarantee compliance with section I of the Bank's procurement policies and the aforementioned framework agreement.
  - b. Any advance of funds may be granted by the Bank when the executing agencies have documented at least 65% of the cumulative balances of advances of funds pending justification. The parties also agree that the executing agencies will have a period of up to nine months to justify the advances provided they have been requested with financial planning consistent with those timeframes.
  - c. Presentation of the Operating Regulations to the Bank will be a contractual condition for execution and must occur prior to the first three months following eligibility or before the second disbursement, whichever occurs first.

#### **V. AGREEMENTS AND REQUIREMENTS FOR THE EXECUTION OF PROCUREMENT PROCESSES**

- 5.1 Fiduciary agreements and requirements on procurement establish the applicable provisions for executing all procurement anticipated under the program.

##### **A. Execution of procurement**

- 5.2 The following stipulations will be followed:

- 5.3 **Selection and contracting of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services will be executed as indicated in paragraph 5.4, Use of the Country Procurement System, and within the thresholds established in section V.B.

- a. **Selection and contracting of consulting firms.** Contracts for consulting services under the program will be executed as indicated in paragraph 5.4, Use

of the country procurement system, and within the thresholds established in section V.B.

- b. **Selection of individual consultants.** Contracts for individual consultants under the program will be executed as indicated in paragraph 5.4, Use of the country procurement system.
  - c. **Training.** The training actions will be implemented by contracting consulting services or hiring individual consultants, as stipulated in the preceding paragraphs.
- 5.4 **Use of the country procurement system.** Advanced use of the Chilean national procurement system, which was approved by the Bank,<sup>1</sup> will be made for the procurement of: (i) goods and nonconsulting services up to the threshold set for national competitive bidding (NCB); (ii) works, up to the threshold provided for NCB, up to US\$5,000,000, using the bidding terms and conditions indicated above, where in addition to incorporating the subjects of Fraud and Corruption and Eligibility, price must be considered as the primary evaluation and award criterion, representing at least 60%;<sup>2</sup> (iii) consulting services, up to the threshold for shortlists of domestic firms; and (iv) individual consultants, no thresholds. Over these thresholds, contracting and procurement wholly or partly financed by the Bank must comply with the procedures set out in the Bank's Procurement Policies (documents GN-2350-9 and GN-2349-9) or be entirely financed from the local contribution, if the executing agencies wish to apply country legislation alone. Any system or subsystem subsequently approved will be applicable to the operation. The operation's procurement plan and its updates will indicate that procurement will be executed using approved country systems.<sup>3</sup>
- 5.5 **Advance procurement – Retroactive financing.** The Bank will provide retroactive financing (from the loan proceeds) of up to the amount of US\$7.5 million (10% of the loan) and will recognize eligible expenses (charged to the local contribution) of up to the amount of US\$7.5 million (10% of the local contribution) for expenses incurred during the 18 months prior to the loan approval date but after 12 September 2014 (approval date of the project profile). These expenses include, among others items, contracting under Component I. Such contracts will be

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<sup>1</sup> In December 2011 the Bank's Board approved the advanced use of Chile's country procurement system in Bank-financed operations, within the scope and thresholds established for Chile, which are currently: (i) US\$350,000 for works; (ii) US\$350,000 for goods and services; (iii) US\$500,000 for consulting services; and (iv) no Bank-established threshold in the case of individual consulting services. Over these thresholds, contracting and procurement wholly or partly financed by the Bank must comply with the procedures set out in the Bank's Procurement Policies (documents GN-2350-9 and GN-2349-9) or be entirely financed with the local contribution, if the executing agencies wish to apply only domestic law.

<sup>2</sup> In accordance with the "Report on implementation of the Guide on Acceptance of the Use of Chile's Country Procurement System," October 2011, Annex 2, Results Matrix, which indicates that (a) for NCB of works, both the MOP and the MINVU, or public sector entities that contract for works, a standard document will be agreed upon with the Bank in this regard.

<sup>3</sup> If the Bank validates any other system or subsystem, it will be applicable to the operation as established in the loan contract.

recognized provided they comply with requirements and procedures substantially analogous to those established in the loan contract.

- 5.6 The review of the technical specifications or terms of reference for procurement considered major or important in the procurement plans, which will be drawn up during execution of the current loan operation, must have the prior no objection of the Bank, as this is an area for which the program sector specialist is responsible.

**B. Threshold amounts for international bidding and international shortlist (US\$000)**

Method	ICB works	ICB goods and nonconsulting services	International shortlist for consulting services
Threshold amount	5,000	350	500

**C. Major procurement processes**

- 5.7 To access the program's 18-month procurement plan, click [here](#). The initial procurement plan includes what is referenced in Components I and II of the program.

**D. Supervision of procurement**

- 5.8 The procurement supervision method will be primarily that provided for in the validated national systems<sup>4</sup> using the mechanisms agreed upon with ChileCompra and ex ante review of procurement for more complex contracting; the technical relevance of the expense will also be reviewed on an ex ante basis by the sector specialist in those cases where this is indicated in the procurement plan.
- 5.9 Given the decentralized nature of execution and the speed required for execution, procurement supervision missions will focus on prevention and ongoing monitoring of the development of bidding processes, as well as the execution of the respective contracts, in accordance with the project supervision plan. Such procurement supervision visits will be supplemented by the annual reports on review of procurement processes conducted by the CGR. In addition, the executing agencies' internal audit units will follow up on deficiencies detected in the execution of procurement.

Threshold for Ex Post Review <sup>5</sup>		
Works	Goods	Consulting Services
US\$5,000,000	US\$350,000	US\$500,000

<sup>4</sup> Responsibility, support for review, and the methodology are described in the Guidelines ex post review of procurement document. The procurement plan will indicate which of the review modalities will apply for each contract, i.e.: (i) ex post; (ii) ex ante; or (iii) the country system.

<sup>5</sup> The threshold amounts established for ex post review are applied based on the executing agencies' fiduciary capacity for execution and may be modified by the Bank as such capacity changes.

**E. Special provisions**

- 5.10 Launch workshop with the MINEDUC and JUNJI team with the participation of staff from the internal audit units of those entities.
- 5.11 The contracting of works and architectural designs (basic studies and preliminary designs) may use the future framework agreement now being drafted by ChileCompra, adjusting the economic evaluation criterion when it is applied so that price is the primary criterion (minimum of 60%).

**F. Records and files**

- 5.12 The documentation on procurement processes will be kept at the main JUNJI office and its regional divisions, as well as at MINEDUC, as the entities responsible for the management and implementation of each of the projects that make up the program.

**VI. FINANCIAL MANAGEMENT**

- 6.1 Programming and budget. The ministry's budget is part of the national budget, as defined in the Financial Administration of the State Act. Through the Budget Division, the Ministry of Finance is responsible for preparing the public sector budget. The executing agencies use SIGFE for budget management and control. Due to the interrelationship among budget systems, loan operations must be included in the national budget in order to access the funds (loan and local contribution). Thus no difficulties are anticipated with regard to use of the budget system that would affect execution. Nonetheless, the general provisions of the contract must consider demonstration of the annual allocation of funds (local contribution and loan) in order for the executing agencies to send the budget bill to the Bank.
- 6.2 Accounting and information systems. Although the CGR is responsible for keeping the nation's accounts and defining the relevant principles and rules, the accounts are decentralized and institutions record their transactions in the accounts, while the CGR consolidates the services. The program will have a chart of accounts for recording activities in the SIGFE under a transactional unit. MINEDUC and JUNJI have adequate financial information systems and internal control structures for their purposes. The semiannual progress reports that will be delivered to the Bank must consider monitoring observations indicated in the audit reports, as well as a report reconciling the program accounting records in MINEDUC, JUNJI, and the Bank.
- 6.3 Disbursements and cash flow. The General Treasury of the Republic (TGR) maintains and controls the Single Fiscal Account through which it provides funds according to the Cash Accounts Program maintained by the institutions and also receives revenues. As the entities are autonomous in administering these current accounts, they need to be endorsed by the CGR to open them. At MINEDUC and JUNJI, payments are made via the SIGFE treasury module, within 30 days of satisfactory receipt by the requester of the goods and/or services acquired, upon issue and recording of orders. The system has various controls in the fund approval and authorization stage.

- 6.4 Disbursement methods. (i) Advances; (ii) Reimbursement to the executing agencies; and (iii) Direct payments.
- 6.5 Requests for disbursements. The Bank will process requests for disbursements in accordance with the forms required in the “Disbursements guide” once the conditions precedent to the first disbursement have been satisfied. Bank expenses with respect to disbursement are the responsibility of the executing agencies.
- 6.6 Supporting documentation. The executing agencies are responsible for keeping the required accounting books and for retaining the originals of all supporting documentation. Disbursements will be reviewed on an ex post basis by the external auditors.
- 6.7 Origin of goods and services. Loan proceeds may only be used to pay for goods and services originating in the Bank’s member countries.
- 6.8 Eligible expenses. The Bank considers those expenses that: (i) are necessary for the program and in line with its objectives; (ii) adhere to the program’s policies and contracts or legal agreements; and (iii) are properly recorded and documented in the executing agencies.
- 6.9 Internal control and internal audit. The internal control system is based on the ministry’s organizational plan; on strategic plans and operational and control procedures, approved by the General Government Internal Audit Council (CAIGG); on administrative standards of ethics and probity; on Law 20,285 on transparency and access to public information; on legislative, regulatory, and administrative rules; on verification and evaluation mechanisms; and on internal audits. The Internal Audit Unit reports to the minister and the Directors of Services. It has qualified staff, procedures, plans, and work programs. The Internal Audit Unit will follow up on internal control observations made by the program’s external auditors, validate responses to observations from the auditors, and approve the financial statements to be delivered for auditing.
- 6.10 External control and reports. In this case, the executing agencies will use independent auditors acceptable to the Bank, including the CGR. Within a period of 120 days following the close of each budget year of the executing agencies and during the loan disbursement period, the program’s audited financial statements will be submitted according to the terms of reference agreed upon with the Bank. The final report will be submitted within the 120 days following the date stipulated for the final disbursement of the loan.
- 6.11 Financial supervision plan. As the risks for this program are considered low, annual and final audited financial statements and financial information in the semiannual technical reports will be required. The external auditors will review disbursements on an ex post basis. The Internal Audit Unit will follow up on observations made by the external auditors. The Bank will take cognizance in advance of the external auditors’ auditing plans, making recommendations as needed, and will review the auditors’ reports and their working papers when it sees fit to do so, as well as conduct desk reviews and financial accounting visits to MINEDUC and JUNJI,



based on the Risk Matrix for the Bank's portfolio at the Country Office, and will conduct training for specialists on the financial management of the program.

6.13 Other financial management agreements and requirements.

- a. The program will have a chart of accounts and both MINEDUC and JUNJI will record project transactions in the SIGFE under the transactional unit for operations with international organizations.
- b. The semiannual progress reports will include follow-up on observations from external audits, a consolidated financial report, and reconciliation with accounting at MINEDUC, JUNJI, and the Bank.
- c. The external auditors will perform the ex post review of disbursements and their findings are inputs for the declaration of the eligibility of expenses by the Bank.
- d. Disbursement requests must be numbered consecutively and approved by an official designated by the executing agencies and whose signature is on record at the Bank. The institutions' Internal Audit Units will follow up on the observations made by the external auditors, review in advance the financial statements that will be submitted to the external auditors, and audit the inventory of acquired assets.
- e. The entities will establish a single current account for the program funds (loan and local contribution), with monthly reconciliation of the current account.
- f. The Bank will periodically conduct financial training workshops for both MINEDUC and JUNJI as well as their internal auditors.
- g. The PCU of MINEDUC and JUNJI at the central level will strengthen its team by adding a financial specialist for budget programming, preparation of disbursement requests and expense documentation; preparation of the program's financial statements; support for the use of the SIGFE for the program's accounting with the Bank; and review of the audits and implementation of their recommendations.
- h. The OPC approved an exception to the Financial Management Policy for IDB-financed Projects (OP-273-2), so that the executing agencies may request new advances when they have accounted for at least 65% of the cumulative balances pending documentation, and a period of up to nine months is granted to document the advances, provided they have been requested with a financial plan consistent with those deadlines.
- i. This request was submitted bearing in mind that adequate liquidity must be guaranteed for the execution of Component I of the program, which covers a significant number of works being contracted and implemented during the first two years of the operation, and that flexibility is needed in the percentage of documentation required for requesting new disbursements and in the financial planning deadlines for documenting expenses incurred.