

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ECUADOR

SECTOR SUPPORT FOR QUALITY EDUCATION IN ECUADOR

(EC-L1155)

LOAN PROPOSAL

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REQUIRED	
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2.	Annual work plan (AWP) - extended
3.	Monitoring and evaluation plan
4.	Procurement plan
OPTIONAL	
1.	Economic analysis of the project
2.	Institutional analysis
3.	Execution plan
4.	Table of itemized costs
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ABBREVIATIONS

BCE	Central Bank of Ecuador
CGE	Contraloría General del Estado [Office of the Comptroller General]
CIMA	Centro de Información para la Mejora de los Aprendizajes [IDB education statistics portal]
EBJA	Educación Básica para Jóvenes y Adultos [Basic Education for Youth and Adults]
ENSANUT	Encuesta Nacional de Salud y Nutrición [National Health and Nutrition Survey]
e-SIGEF	Sistema de Administración Financiera [Financial Management System]
ICB	International competitive bidding
INEVAL	Instituto Nacional de Evaluación Educativa [National Institute for Educational Assessment]
MAGAP	Ministry of Agriculture, Livestock, Aquaculture, and Fisheries
MINEDUC	Ministry of Education
MINFIN	Ministry of Finance
OECD	Organization for Economic Cooperation and Development
PDE	Plan Decenal de Educación [Ten-year Education Plan]
PIAAC	Program for the International Assessment of Adult Competencies
PISA	Programme for International Student Assessment
PNBV	Plan Nacional del Buen Vivir [Good Life National Plan]
SDPE	Subsecretaría de Desarrollo Profesional Educativo [Office of the Deputy Secretary for Educational Professional Development]
SEEI	Subsecretaría de Educación Especializada e Inclusiva [Office of the Deputy Secretary for Specialized and Inclusive Education]
SENPLADES	Secretaría Nacional de Planificación y Desarrollo [National Planning and Development Office]
SERCE	Segundo Estudio Regional Comparativo y Explicativo [Second Regional Comparative and Explanatory Study]
SERCOP	Servicio Nacional de Contratación Pública [National Public Procurement Service]
SNCP	Sistema Nacional de Contratación Pública [National Public Procurement System]
TERCE	Tercer Estudio Regional Comparativo y Explicativo [Third Regional Comparative and Explanatory Study]
UNA-EP	Unidad Nacional de Almacenamiento – Empresa Pública
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNPA	Unidad de Negocios de Provisión de Alimentos [Food Provision Business Unit]

PROJECT SUMMARY

ECUADOR SECTOR SUPPORT FOR QUALITY EDUCATION IN ECUADOR (EC-L1155)

Financial Terms and Conditions				
Borrower: Republic of Ecuador			Flexible Financing Facility ^(a)	
			Amortization period:	25 years
Executing agency: Ministry of Finance Subexecuting agencies: Ministry of Education (MINEDUC); Unidad Nacional de Almacenamiento – Empresa Pública (UNA-EP) of the Ministry of Agriculture, Livestock, Aquaculture, and Fisheries (MAGAP); Instituto Nacional de Evaluación Educativa [National Institute for Educational Assessment] (INEVAL)			Original WAL:	15.25 years ^(b)
			Disbursement period:	3 years
Source	Amount (US\$)	%	Grace period:	6 years
IDB (OC):	160,000,000	81%	Inspection and supervision fee:	^(c)
			Interest rate:	LIBOR-based
Local:	37,707,800	19%	Credit fee:	^(c)
			Approval currency:	U.S. dollars from the Ordinary Capital
Total:	197,707,800	100%		
Project at a Glance				
Project objective/description: The objective of the operation is to help consolidate the gains made by the country in educational quality and coverage. Specifically, this operation will help finance key interventions to guarantee access to quality education in the country.				
Special contractual condition precedent to the first disbursement: the approval and entry into force of the Operating Regulations under the terms and conditions previously agreed upon with the Bank (see paragraph 3.3).				
Special contractual conditions precedent to the disbursement of loan proceeds for each component: evidence of the signature and entry into effect of the following subsidiary agreements: (a) between the executing agency and MINEDUC, precedent to the disbursement of loan proceeds for activities related to component 1; (b) between the executing agency and the UNA-EP, precedent to the disbursement of loan proceeds for activities related to component 2; and (c) between the executing agency and INEVAL, precedent to the disbursement of loan proceeds for activities related to component 3 (see paragraph 3.1).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
			EI	<input type="checkbox"/>
Crosscutting issues: ^(e)	GD	<input type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input type="checkbox"/>

^(a) 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.

^(b) The original weighted average life (WAL) of the loan may be shorter, depending on the effective signature date of the loan contract.

^(c) 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 policies.

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

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 Since 2007, Ecuador has made significant efforts to transform its education system, and sector indicators have improved considerably as a result. In the latest regional test of educational quality (Third Regional Comparative and Explanatory Study, or TERCE), conducted in 2013, Ecuadorian students performed on par with the average Latin American student in math and reading at the 3rd and 6th grade levels,¹ an improvement over 2006 when they performed far below the regional average (Second Regional Comparative and Explanatory Study, or SERCE). Ecuador has made remarkable progress over this period, especially in math, where it has pulled alongside Colombia at the 3rd grade level and Brazil at the 6th grade level.² Despite this progress, the region's students test near the bottom in international achievement tests like the Programme for International Student Assessment (PISA) test developed by the Organization for Economic Cooperation and Development (OECD). Although Ecuador has not participated in PISA, Colombia and Brazil, along with the rest of the countries in region that have participated, place in the lowest third for student achievement among all participating countries. Thus, it is important to keep students on this path of continuous improvement, and even to accelerate their progress, in order to ensure that Ecuador's youth can acquire the skills needed to be successful in the labor market and contribute to society.³
- 1.2 A key factor driving improvements in educational quality in Ecuador has been the policy of raising the value placed on the teaching profession, along with raising the requirements for becoming a teacher (see paragraph 1.17 on the role of teacher quality in learning).⁴ Efforts to make teaching a more valued profession have largely taken the form of renewal of the teaching corps, pay increases, and new training opportunities. To renew the teaching corps, a retirement incentive program was introduced in 2007, helping to create an average of 1.5 new vacancies for each retired teacher.⁵ To fill these new vacancies with better qualified teachers, a new centralized, transparent, merit-based, competitive recruitment process was instituted, based on standardized testing (the *Quiero Ser Maestro* tests).⁶
- 1.3 To attract better candidates and motivate teachers who have already been hired, teacher pay was increased under a new law (Basic Law on Bilingual Intercultural

¹ These levels are equivalent to 4th and 7th grades in Ecuador, where the first year in the basic cycle of education—1st grade—is for five-year-olds, which would be considered pre-school in the other countries. In Ecuador, there are two years of pre-school, for three- and four-year-olds; ten years of required basic general education, for five- to fourteen-year-olds; and three additional years of secondary school, which students begin at age 15.

² Data from the IDB education statistics portal (CIMA).

³ Bos et al., "América Latina en PISA 2012. Brief #1: ¿Cómo le fue a la región?" Washington, D.C., IDB.

⁴ For information on education reform in Ecuador, see Cevallos Estarellas et al. (2015), Ecuador, 2007-2014: Attempting a Radical Educational Transformation. In: Schwartzman (ed.), Education in South America. London: Bloomsbury.

⁵ The Bank contributed to this effort with two loans: EC-L1018 (1924/OC-EC) for US\$117 million and EC-L1075 (2340/OC-EC) for US\$32 million, for a total of 8,000 new positions.

⁶ In 2014, for example, 14,000 teachers (out of 170,000) were hired via merit-based, competitive processes to work in the public schools.

Education, 2011), and a new classification and pay schedule was implemented. Monthly pay for teachers increased significantly across the board. For example, entry-level pay rose from US\$290 in 2006 to US\$1,055 in 2014.⁷ In addition, with the introduction of a new schedule, 18,000 teachers who received satisfactory scores on the *Ser Maestro Recategorización* tests were recategorized and given promotions in 2014. At the same time, the Basic Law authorized the Ministry of Education (MINEDUC) to dismiss teachers receiving unsatisfactory scores on two consecutive tests.⁸ In order to recruit better candidates in the medium term, since 2014 the government has been requiring a minimum score (800/1,000) on the National Exam for Higher Education for admission into programs of study in the teaching professions.⁹

- 1.4 To motivate and improve the quality of teachers, Ecuador has also made significant efforts to upgrade its teacher training system. In 2013, the National Education University was created to train future teachers and school administrators and promote educational research. Since 2007, around two thirds of all teachers in active service have participated in refresher courses on discipline and pedagogy. In 2016, approximately 2,500 teachers will complete distance master's programs run by foreign universities since 2014.
- 1.5 The teacher policy is supplemented by an evaluation system run since 2012 by the National Institute for Educational Assessment (INEVAL), an independent and autonomous entity with a mandate to assess educational institutions, school leaders, teachers, and students, in order to provide feedback to the education system. Since 2013, it has been conducting evaluations of aspiring teachers (*Quiero Ser Maestro*) and assessing the performance of teachers in active service (*Ser Maestro* test), as well as administering national student performance evaluations, specifically tests of all students at the end of the secondary cycle (*Ser Bachiller*) and tests of samples of students in 4th, 7th, and 10th grades of basic general education. INEVAL is also responsible for administering international tests in Ecuador such as TERCE (2013), PISA, and the Program for the International Assessment of Adult Competencies (PIAAC), the latter two to be carried out in 2016 and 2018 (see paragraph 1.18 on the importance of educational assessment systems).
- 1.6 The achievements made in educational quality are even more significant considering that they have been accompanied by rising coverage and retention rates. At present, net enrollment in the basic general education cycle is 96%, five percentage points higher than in 2007 and on par with the regional average. Net enrollment at the secondary level is now 67%, compared with 50% in 2007 and 56% for Latin America as a whole.¹⁰ Enrollment of three- and four-year-olds in public early education centers has increased by a factor of 10 since 2007,

⁷ [Accountability Report 2014](#), MINEDUC. This 464% increase in teacher pay over eight years was equivalent to an increase from 0.63 basic household baskets in 2006 to 1.63 in 2014.

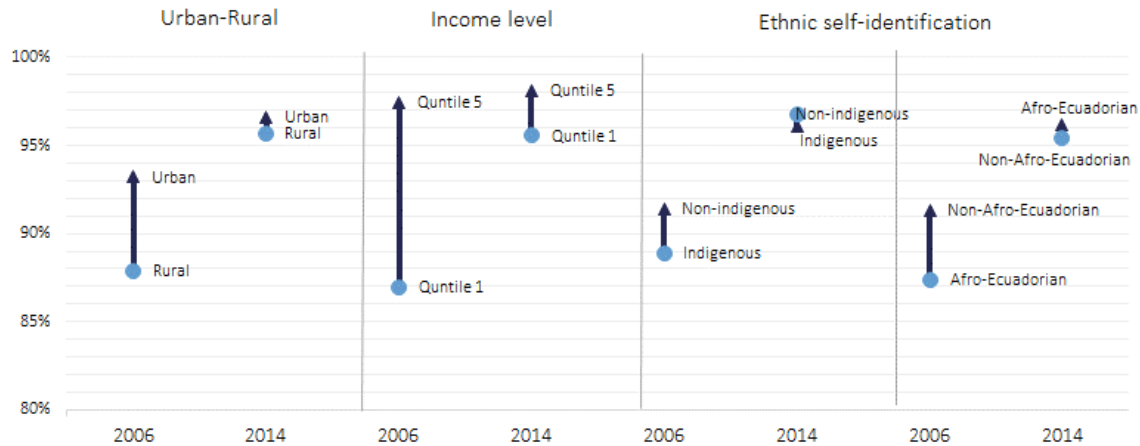
⁸ On the *Ser Maestro Recategorización* 2014 test, around half of the teachers received unsatisfactory scores.

⁹ The average for all university programs was 685 points in 2013 and 710 points in 2014, National Standardization and Admissions System.

¹⁰ Data from CIMA, IDB.

generating an increase in coverage at this level, which currently stands above 40%.¹¹

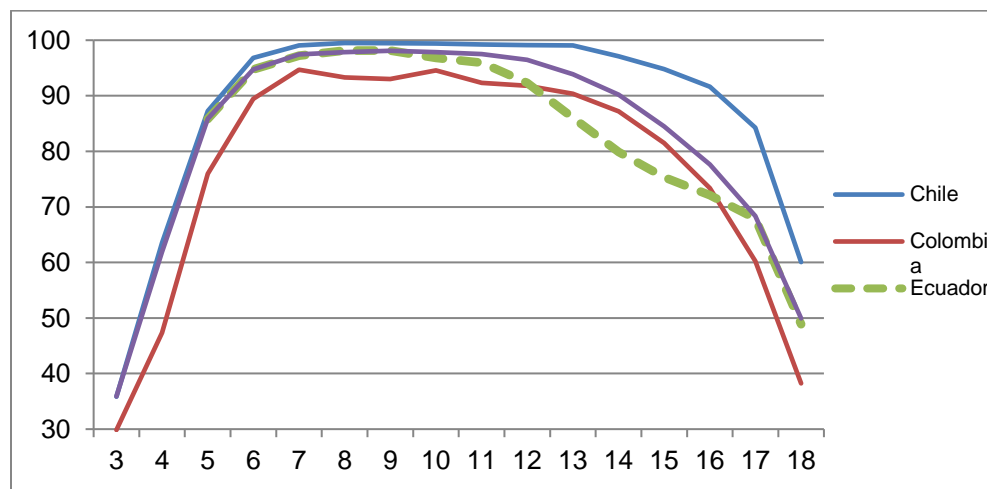
Figure 1.1: Net coverage gaps in the basic general education cycle, 2006 and 2014



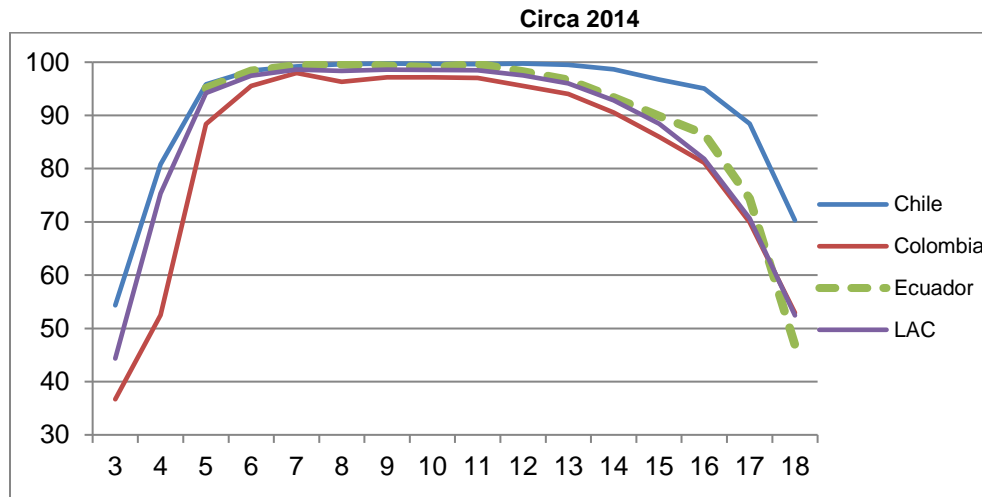
Source: National Survey on Employment, Unemployment, and Underemployment, 2006 and 2014.

- 1.7 This considerable improvement in access to education indicators in Ecuador is mainly due to a reduction in gaps between the least advantaged and most advantaged groups and to efficiency gains in the system. Coverage gaps in the basic cycle between socioeconomic levels, between urban and rural students, and between ethnic groups have narrowed to one third or less of what they were in 2006 (Figure 1.1). With respect to internal efficiency, Ecuadorian students now enter the basic cycle at the corresponding age more likely to have participated in early childhood education, and their average transition throughout the system is much more fluid and efficient, which means that they spend more years in the school system, compared with 10 years prior (see Figure 1.2).

Figure 1.2: Net school coverage by age (%), circa 2006



¹¹ Accountability Report, MINEDUC, 2014.



Source: CIMA, IDB.

- 1.8 The improvement observed in coverage and retention has been underpinned by educational policies to improve supply, through programs to expand and renovate existing school infrastructure, and to incentivize demand, by reducing access costs through programs that provide materials and supplies free of charge (uniforms, textbooks, food, and enrollment subsidies).¹² On the supply side, the program to expand and renovate schools, introduced in 2012, is focused primarily on the construction of new facilities and the repurposing of others to meet growing demand for public education (including a transfer of students from private to public schools that resulted in a 5% decline in private enrollment in Quito and Guayaquil over the past five years).¹³ Programs to reduce education costs for families have been expanding since 2007 and have reached nearly universal coverage levels, at least in the early and basic cycles.¹⁴
- 1.9 This series of educational policies and programs and the results they have produced have been possible thanks to sustained economic growth at an average annual rate of 4.3% between 2006 and 2014, which enabled a substantial increase in the budget for the education sector. Moreover, the 2008 Constitution committed the government to annual increases of 0.5 percentage points of GDP for education, up to the 6% target. In 2006, Ecuador invested just 2.3% of GDP in education, far behind its neighbors Peru (2.7%) and Colombia (3.9%) and the average for Latin America (4.3%). In 2012, education spending as a percentage of GDP rose to 4.4%,¹⁵ putting Ecuador ahead of Peru (2.9%), on par with Colombia (4.4%), and very close to the regional average (4.6%).

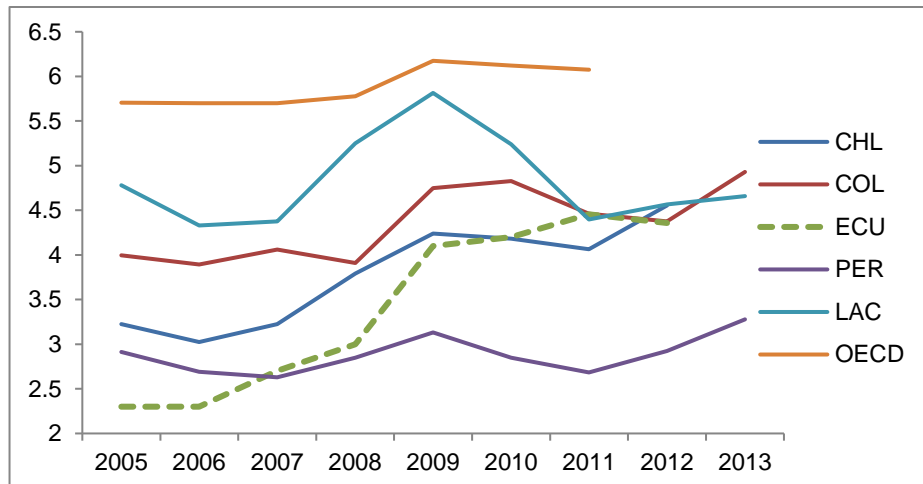
Figure 1.3: Education spending as a percentage of GDP

¹² The enrollment subsidy is a US\$25 to US\$30 transfer per student that MINEDUC makes to public schools to pay for basic services, purchase supplies and teaching materials, cover maintenance costs, and procure fixed assets.

¹³ Gregory Elacqua et al. (2016). Private schooling and public policy in Latin America. IDB.

¹⁴ For example, the school meals program reached 100% of public school students in the early and basic cycles in 2015, doubling the number of beneficiaries that the program reached in 2006. The school uniforms program reached 70% of public school students in 2015, and the textbook program reached 100% of public schools at the early, basic, and secondary levels.

¹⁵ Education spending as a percentage of GDP was 4.8% in 2014 and 4.6% in 2015 (Budget Execution Report, 2015, MINFIN).



Source: CIMA (with UNESCO data) and Almeida (2015, with Ministry of Finance data).

- 1.10 In recent months, Ecuador's macroeconomic situation has deteriorated sharply on falling international oil prices (around 30% of fiscal revenue) and appreciation in the dollar. The macroeconomic forecasts for 2016 are for negative growth. In addition, a 7.8-magnitude earthquake and aftershocks recently struck a large area of the country, damaging 560 schools and leaving 120,000 students without a school and a similar number with interruptions in the school cycle. The major shift in the country's macroeconomic conditions and the emergency triggered by the earthquake could jeopardize the progress achieved over the last decade as the budget needed to maintain the policies shrinks. The program strategy is designed to mitigate such risks in the years ahead and guarantee the continuity of priority interventions in the education sector (see paragraph 1.14).
- 1.11 In addition to the risk that the economic downturn and the emergency situation could undo the advances of the last decade, Ecuador is still facing real challenges in education. Although the country scored at the average level for Latin American countries on TERCE, the majority of its students perform at only the most basic levels in math and reading. For example, nearly half of Ecuador's 4th and 7th graders test at the lowest levels in math (below level II). In Chile, meanwhile, just 15% and 16% of 4th and 7th graders, respectively, score below level II.¹⁶ The national *Ser Estudiante* test in 2013 confirmed that just slightly over half of 4th graders in the basic cycle are able to correctly solve basic multiplication and addition and subtraction problems and recognize the main idea in a nonliterary text.
- 1.12 Childhood and school-age malnutrition have an adverse effect on cognitive development and the learning abilities of children (see paragraph 1.19).¹⁷ Ecuador has made good strides in improving some indicators of childhood malnutrition. For example, the incidence of growth delays (an indicator of chronic malnutrition) among children under the age of 5 fell by 15 percentage points between 1986 and

¹⁶ Data from CIMA, IDB.

¹⁷ See The State of School Feeding Worldwide, World Food Programme, 2013. See also B. T. Crookston et al., 2013. "Post-Infancy Growth and Cognitive Achievement and Schooling at Age 8 Years: Observational Cohort Study for Ethiopia, India, Peru and Vietnam." *American Journal of Clinical Nutrition* 98 (6): 1555–63.

2012, with rapid gains seen in this indicator between 2004 and 2012.¹⁸ Despite these recent advances, there are still major challenges in this area. One of every four children under the age of 5 in Ecuador suffers from chronic malnutrition. Among the group aged 5 to 11, malnutrition is around 15% (25% in the poorest quintile and 37% in the indigenous population). Among the group aged 12 to 19, malnutrition approaches 20%.¹⁹

- 1.13 Another important challenge for Ecuador is to increase graduation rates in the basic and secondary cycles so that young people will have better prospects in terms of higher education, jobs, and earnings (see paragraph 1.16). Although Ecuador is among the countries in the region with the highest internal efficiency as measured by grade promotion rates in the various cycles, a large proportion of children and young people, especially from the poorest sectors, do not finish school. Thus, 15% of 12- to 14-year-olds have not completed 7th grade in the basic cycle (equivalent to primary school), 28% of 15- to 17-year-olds have not completed the full basic cycle (10th grade), and 45% of 18- to 20-year-olds have not completed the secondary cycle. These proportions are 25%, 40%, and 60%, respectively, for young people in the lowest income quintile. The proportion of young people aged 15 to 29 who neither work nor study remains high (17%) and is higher still (around 22%) in the two poorest quintiles of the population.²⁰ The challenges mentioned in the areas of quality of instruction, malnutrition, and low promotion rates in the basic and secondary cycles are closely associated with the prevalence of poverty in large swaths of the population²¹ and with high opportunity costs for young people, especially those in the lowest income quintiles and in the indigenous population.²²
- 1.14 **Program strategy.** In the new macroeconomic context, the Ecuadorian government has asked the Bank for a loan to guarantee the continuity of a set of priority programs and reforms to safeguard the progress made thus far and take on pending challenges. The country's education policy is aimed at improving quality, equity, and inclusion to help enhance the quality of life of the Ecuadorian people and strengthen their individual capacity and potential. It includes interventions to expand the supply of quality early education; guarantee learning opportunities in the basic general cycle, with adequate infrastructure and equipment and sufficient scholastic, library, map, and technology inputs; offer educational services to people who for economic, geographical, or social reasons did not finish their basic or secondary schooling; increase the percentage of schools offering bilingual multicultural education in districts where the population is mostly indigenous; improve teacher quality (using the strategies mentioned in paragraphs 1.2 to 1.5) to build a teaching corps with ethics and technical training (full training and ongoing

¹⁸ The incidence of growth delays among children under the age of 5 decreased from 40.2% in 1986 to 33.5% in 2004 (a decline of 6.7 percentage points over 18 years) and to 25.3% in 2012 (a further decline of 8.2 percentage points in 8 years). See the National Health and Nutrition Survey (ENSANUT), 2011-2013, Executive Summary, Book I. National Statistics and Census Institute of Ecuador (2013).

¹⁹ Data from ENSANUT, 2011-2013.

²⁰ Data from CIMA, IDB, for 2014.

²¹ There is a higher rate of poverty among children and young people. The national poverty rate is 22.4% but 31% in the 0-12 age group and 29.4% in the 13-17 age group. [National Statistics and Census Institute, Statistical Compendium 2014](#)).

²² For figures on poverty in Ecuador, see http://www.ecuadorencifras.gob.ec/documentos/web-inec/POBREZA/2015/Marzo/Reporte_pobreza_desigualdad_marzo15.pdf. For figures on the correlation between educational outcomes and socioeconomic income levels, see CIMA, IDB, for 2014.

support); and spur greater demand for education by reducing economic barriers to access, through programs such as the enrollment subsidy and the universalization of school nutrition programs (see paragraph 1.8). These interventions have been designed and implemented to contribute to the goals set out in the Ten-year Education Plan (PDE) (2006-2015) and the Good Life National Plan (PNVB) (2013-2017)²³ and are prioritized annually via sector-level annual investment plans.²⁴ Of the US\$517 million in MINEDUC's 2016 annual investment plan, approximately US\$482 million will go to upgrading facilities, drawing on external financing, including loans from the IDB (2340/OC-EC), the World Bank, the Andean Development Corporation, the Chinese government, and France's official development agency. In addition, the MINEDUC annual investment plan has investment programs under other agencies, such as the school meals program (MAGAP) and the educational assessment system (INEVAL).²⁵

- 1.15 In order to ensure that Ecuador's recently launched educational reform process is sustainable, the interventions that the program will finance were selected using the following criteria: (i) they are associated with improvements in the scholastic achievement of students and are consistent with the Bank's Education and Early Childhood Development Sector Framework Document (document GN-2708-3); (ii) they help to close equity gaps in education; (iii) they use technical knowledge generated by the IDB in the sector in Ecuador and other countries in the region; and (iv) they are part of the country's investment spending and do not receive financing from other international development agencies. Among the group of priority interventions that meet these criteria are education programs for young people with incomplete schooling, which benefit young people older than 15 who have not completed their basic or secondary schooling; teacher training programs, to improve the qualifications of teachers in the basic general cycle, focusing on effective classroom practices; student and teacher performance assessment; and the school meals program, for students in the early and basic education cycles.
- 1.16 **Effectiveness of program interventions.** The selected interventions are generally associated with positive effects on educational quality and the retention and graduation of young people. International evidence suggests that higher levels of achievement and completion of secondary education facilitate a smoother transition from school to work and, in general, higher levels of employability.²⁶ In the United States, it was estimated that the fiscal and social benefits of programs to encourage students to stay in school and graduate may outweigh the costs by a

²³ The new Ten-year Education Plan (PDE) is near completion. Unlike the 2006-2015 plan, the new plan will place greater emphasis on issues of educational quality while maintaining access opportunities. The [Good Life National Plan \(PNVB\)](#) proposes a planning logic based on 12 major national objectives, including objectives related to education.

²⁴ Under Ecuador's Constitution, external borrowing can be used to finance investment costs only, not current expenditures, and given that elections are scheduled for next year, by law the 2017 annual investment plan should be identical to the 2016 plan.

²⁵ The IDB loan (EC-L1075) and some of the other externally financed operations are being redirected to address the school infrastructure emergency caused by the earthquake.

²⁶ OECD, 2000, "From Initial Education to Working Life: Making Transitions Work, Analysis," Paris.

factor of 2.5.²⁷ In Chile, impact evaluations of activities under the program *Chile Califica* to help young people older than 15 achieve middle-school grade equivalency demonstrated an impact on the employment income of program graduates equal to 10% more than average monthly income, as well as significant effects on the likelihood that graduates would continue their studies at post-secondary institutions.²⁸

- 1.17 Teacher quality has been identified as the main factor driving scholastic achievement within the school environment.²⁹ A meta-analysis attributes to teacher training an effect of 0.12 standard deviations on achievement tests.³⁰ In Ecuador, a Bank-financed³¹ longitudinal study on teacher quality (*Cerrando Brechas*) that is regarded as among the most rigorous at the international level has found that the quality of classroom interactions between teachers and students is an important predictor of scholastic achievement.³² Identifying these good practices in the classroom provides actionable inputs for the design of education policy, particularly in the area of teacher training and evaluation.
- 1.18 Setting quality standards that hold teachers and students to high expectations and measuring their respective levels of performance, as Ecuador has been doing in recent years, is seen as one of the practices that characterizes high-performing education systems.³³ In particular, some education policy papers find that high-stakes exams upon completion of secondary school, such as the national *Ser Bachiller* test, play a role in incentivizing good performance among students at this level.³⁴ In relation to the *Quiero Ser Maestro* tests for the selection of teachers to join the teaching corps, a recent study on educational reforms in the District of Columbia in the United States points up the importance of the availability and quality of tools for evaluating teachers when they are hired as a way of predicting their future performance.³⁵

²⁷ H. M. Levin, 2009, "The economic payoff to educational justice," *Educational Researcher*, 38(1), 5-20. See also Mariana Alfonso et al., "Panorama general de la educación en Latinoamérica y el Caribe," in: M. Cabrol and M. Szekely (eds.), *Educación para la Transformación*, IDB, 2012; University of Texas, Hope for Urban Education: A Study of Nine High-Performing, High-Poverty, Urban Elementary Schools (Austin, 1999); S. Ross et al., "Evaluation of Elementary School School-Wide Programs: Clover Park School District" (University of Memphis, 1997).

²⁸ Budget Office (DIPRES), 2009, executive summary, in-depth evaluation of *Chile Califica*.

²⁹ S. Rivkin et al., 2005. "Teachers, Schools, and Academic Achievement." *Econometrica* 73(2): 417-58. E. Vegas and A. J. Ganimian, 2013. Theory and evidence on teacher policies in developed and developing countries. [IDB-WP-438](#).

³⁰ P. J. McEwan, 2015. Improving Learning in Primary Schools of Developing Countries: A Meta-Analysis of Randomized Experiments. *Review of Educational Research*, Vol. 85, No. 3.

³¹ Through the following operations: ATN/OC-13003-EC, ATN/OC-13782-EC, ATN/OC-14124-EC, ATN/OC-14450-EC, and ATN/OC-15266-EC.

³² M. C. Araujo et al., 2016. "Teacher Quality and Learning Outcomes in Kindergarten" (forthcoming, QJE). See also: "Informe sobre el Estudio Cerrando Brechas," March 2013; "Informe Cerrando Brechas Impacto de la Calidad Docente en los Resultados de Aprendizaje," April 2014; and "Cerrando Brechas: El Impacto de la Calidad Docente en los Resultados de Aprendizaje," February 2015.

³³ R. J. Murnane and A. J. Ganimian, 2014. Improving Educational Outcomes in Developing Countries: Lessons from Rigorous Evaluations, NBER WP No. 20284.

³⁴ L. Woessmann, 2012. "Peering over the Hedge: How Do the Neighbours Do It?" CESifo Forum 13 (3): 16-20; and J. H. Bishop, 1997. The effect of curriculum-based exit exam systems on student achievement (CAHRS WP #97-15), Cornell University.

³⁵ B. Jacob et al. March 2016. Teacher applicant hiring and teacher performance: evidence from DC public schools. NBER WP No. 22054.

- 1.19 The literature also finds that the nutritional status of students influences their school attendance, cognitive development, and learning. For example, in Guatemala, the nutritional status of children aged 2 and 3 was found to correlate positively and significantly with their employment and income levels in adulthood. A meta-analysis of several impact evaluations of nutritional programs found a positive impact on achievement test outcomes, and this impact is even greater in the case of programs that prioritize the nutritional content of food entitlements.³⁶
- 1.20 **Lessons learned and relationship with other Bank operations in the country.** This operation draws on a partnership between Ecuador and the Bank in gathering evidence in the education sector, as well as the Bank's operational experience in the region, including its two most recent loans in education in Ecuador (1924/OC-EC and 2340/OC-EC). It incorporates the findings from the study *Cerrando Brechas*, in the design of training programs for teachers in service and teacher selection and evaluation systems and mentoring programs, and in particular in the design of activities under components 1 and 3. Similarly, the Bank's operational experience with teacher training programs and youth and adult education in other countries in the region has been used in the design of component 1.³⁷
- 1.21 **The Bank's country and sector strategy.** The proposed operation is aligned with the Bank's country strategy with Ecuador (document GN-2680), one of the objectives of which is to help develop human capital in the country, to ensure greater opportunities for income generation and stimulate total factor productivity. In particular, the strategy indicates that the Bank will work with interventions to combat malnutrition among the poorest children and bring more pupils into the education system, especially at the secondary, baccalaureate level. In addition, the operation is included in the 2016 Operational Program Report (document GN-2849) and is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and directly aligned with the development challenge of (i) social inclusion and equality, inasmuch as it will help sustain the progress that the country has made in providing the vulnerable population with better educational opportunities. It is also aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4),³⁸ and it is consistent with four of five dimensions of the Education and Early Childhood Development Sector Framework Document (document GN-2708-3).³⁹ In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-4) with respect to the "students benefited by education projects (#)" indicator.

B. Objectives, components, and costs

- 1.22 **Objective.** The objective of the operation is to help consolidate the gains made by the country in educational quality and coverage. Specifically, this operation will

³⁶ *Id.*, McEwan, 2015.

³⁷ For experiences with teacher training, see programs with Argentina (2424/OC-AR) and Peru (2661/OC-PE). For experiences with youth and adult education, see programs with Brazil (2933/OC-BR and 2992/OC-BR).

³⁸ The program is aligned with the priority areas: (1) investing in early childhood; (2) improving school quality; and (3) addressing at-risk youth.

³⁹ The program intervenes in the following four dimensions of success: (1) high expectations guide educational services; (2) students enter the system ready to learn; (3) all students have access to effective teachers; and (5) all graduates have the necessary skills to be productive and contribute to society.

help finance key interventions to guarantee access to quality education in the country. To this end, the project has the following components.

- 1.23 **Component 1. Improved school completion rates and educational quality (US\$50.39 million).** This component, to be executed by MINEDUC, will provide financing for the following programs: (i) Basic Education for Youth and Adults (EBJA); and (ii) In-service Teacher Training (SiProfe Program).
- 1.24 **Subcomponent 1. Basic Education for Youth and Adults (EBJA).** In order to increase the number of Ecuadorian youth who have completed school, the project will finance the investment costs of hiring teachers and other necessary investments to support approximately 250,000 young people over the age of 15 who have not finished school and have been outside the education system for over three years to complete the basic general education cycle and the baccalaureate cycle⁴⁰ through programs for: (i) accelerated basic education, covering 1st to 7th grades of the basic general cycle in four six-month modules and 8th to 10th grades in one eleven-month module; and (ii) intensive baccalaureate, covering the secondary cycle in three five-month modules (or in less time if the student has already formally completed the 1st or 2nd year of the cycle).⁴¹
- 1.25 **Subcomponent 2. In-service Teacher Training (SiProfe).** In order to improve the quality of MINEDUC's Teacher Training Program (SiProfe), this subcomponent will provide financing for: (i) development of a new crosscutting teacher training module on effective classroom practices, which will be incorporated into the different disciplinary training programs already offered by MINEDUC; (ii) classroom-based training and monitoring for approximately 1,000 teachers based on this new module; and (iii) the development of a mentoring program, training for a group of 200 teachers with strong potential to become effective mentors, and implementation of one program year of classroom support for teachers, to be provided by the newly trained mentors. The training module and mentoring program will provide support for teachers to apply the teaching practices that the *Cerrando Brechas* study conclusively linked to better student performance. Both programs will be designed specifically for the Ecuadorian context, borrowing elements from ongoing training and mentoring programs that have been evaluated and validated in different contexts.⁴²
- 1.26 **Component 2. School nutrition (US\$130.34 million).** This component, to be executed by the State-owned food storage and processing enterprise Unidad Nacional de Almacenamiento (UNA-EP),⁴³ will provide financing for the delivery of

⁴⁰ Since its launch in 2011, this program has benefitted some 485,000 individuals, with a focus on the first years of the basic general education cycle. Starting in 2016, MINEDUC will do a full-scale rollout of the upper basic and secondary education modules developed and piloted in 2015.

⁴¹ As part of the monitoring for this component, the results obtained by the EBJA students on the *Ser Bachiller* test (financed in component 3) will be compared with those of a group of students with similar characteristics (see [required electronic link 4](#)).

⁴² A. J. Mashburn et al. (2008). Measures of classroom quality in prekindergarten and children's development of academic, language, and social skills. *Child development*, 79(3), 732-749. B. K. Hamre et al. (2012). A course on effective teacher-child interactions effects on teacher beliefs, knowledge, and observed practice. *American Educational Research Journal*, 49(1), 88-123.

⁴³ The UNA-EP is a nonfinancial State-owned enterprise attached to the MAGAP that provides food, snacks, and supplements to the central public administration in Ecuador, including MINEDUC and the entire public school system.

meals/snacks⁴⁴ to all public, semi-public, and municipal schools in the country at the pre-school and basic general education levels.⁴⁵ Each meal/snack provides between 15% and 20% of the daily caloric requirement. The cost of each serving will also include storage, quality control of the products, and transport and delivery to the schools. The number of servings delivered to the schools will be based on the number of students enrolled in the pre-school and basic general education cycles, as reported by MINEDUC to UNA-EP, and will be subject to specific verification for the recognition of expenditures (see paragraph 3.9). This component will guarantee the nutritional status of students in the pre-school and basic education levels, helping to ensure that they remain in school and are ready to learn.

- 1.27 **Component 3. Educational assessment (US\$15.27 million).** This component, to be executed by INEVAL, will provide continuity to the process of strengthening the national system for measuring educational quality, so that Ecuador's education policies continue to be based on standardized evaluations of system outcomes. Financing will be provided for: (i) annual national achievement tests for students at selected schools at the basic general education level (*Ser Estudiante* for students in 4th, 7th, and 10th grades, in language, math, and science) and for all students in the final year of the secondary, baccalaureate cycle (*Ser Bachiller*); (ii) annual tests for admission to the teaching corps (*Quiero Ser Maestro*)⁴⁶ and performance assessments of all teachers (*Ser Maestro*) in 2016 and 2018; and (iii) pilot tests in 2016 and the administration in 2017 of two international tests, PISA and PIAAC. The former assesses the skills of 15-year-olds based on standardized tests developed by the OECD, and the latter assesses cognitive skills and acquisition of competencies related to the workplace.
- 1.28 **Management, audits, and monitoring and evaluation (US\$1.71 million).** In this group of activities to be executed by the Ministry of Finance (MINFIN), financing will be provided for: (i) technical support to strengthen the management teams already in place at the program executing and subexecuting agencies (see paragraph 3.2); (ii) financial and concurrent audits (see paragraph 3.9); and (iii) the program evaluations (see paragraphs 3.10 and 3.11).
- 1.29 **Cost and financing.** The program will have a total cost of US\$197.7 million, of which US\$160 million (81%) will be financed with proceeds from the Bank's loan and US\$37.7 million (19%) will be financed with local counterpart resources, as presented in Table I-1. More detailed information and an annual itemization of costs can be found in [required electronic link 1](#) and [optional electronic link 4](#).

⁴⁴ Financing will be provided for approximately 317 million meals/snacks.

⁴⁵ This investment supports the continuity of a program that doubled the number of beneficiaries between 2006 and 2015, reaching nearly 2.9 beneficiaries with an investment of US\$172 million in 2015. In addition, the program was transferred from MINEDUC to MAGAP in 2014 with the dual objective of improving the nutritional content of its offerings and stimulating national production by buying Ecuadorian products.

⁴⁶ In addition, the Bank, based on the inputs generated as part of the *Cerrando Brechas* study, will provide technical advisory services to INEVAL to improve the *Ser Maestro* test.

Table I-1: Summary of costs by component (US\$)

Component/Product	IDB	Local	Total
Component 1	28,500,000	21,892,000	50,392,000
Component 2	118,000,000	12,337,500*	130,337,500
Component 3	12,000,000	3,268,300	15,268,300
Management, audits, and monitoring and evaluation	1,500,000	210,000	1,710,000
TOTALS	160,000,000	37,707,800	197,707,800

* This cost is an estimate of the value-added tax on the products in the meals/snacks that are subject to this tax.

C. Key results indicators

- 1.30 The overall impact of the program will be measured using indicators of instructional quality (percentage of 4th-grade students in the basic general education cycle with scores indicating insufficient achievement in language and literature and math on the *Ser Estudiante* test) and secondary school graduation rates (percentage of 19- to 29-year-olds who have graduated from secondary school). The key results indicators will be as follows: (i) Component 1: 256,375 students benefited by accelerated basic and secondary, baccalaureate cycle programs, with a graduation rate of at least 88%, 1,030 teachers trained in effective classroom practices, and 200 mentors trained; and (ii) Component 2: 180,216 pre-school students and 1,033,613 students in the basic cycle (from 1st to 7th grade) benefited by school nutrition program (see Annex II).
- 1.31 **Economic evaluation.** An ex ante economic analysis of the program, conducted using the cost-benefit method and a discount rate of 12%, yielded positive results. The main quantifiable benefits are the wage spreads that are expected to be obtained in the future by individuals receiving more and better education, as well as the stronger economic growth at the country level that will result from having a more highly skilled workforce in place now and in the future. These estimates are considered to be the minimum inasmuch as they do not incorporate positive externalities such as the impact in terms of less crime and drug addiction and savings on health spending. The ex ante evaluation of program benefits, in the base-case scenario, indicates a net present value of US\$88.4 million and a social internal rate of return of 14%, suggesting that the project is viable. Estimates were calculated under different scenarios reflecting more downside and more upside assumptions (e.g. with variations in the fulfillment of the expected targets or using parameters found in the literature with different values). The results range from net present values of US\$16.53 million in the most downside scenario to US\$239.2 million in the most upside scenario, i.e., social internal rates of return between 13% and 17% (see [optional electronic link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument

- 2.1 The financing instrument is a specific investment loan for US\$160 million from the Bank's Ordinary Capital. The local counterpart will contribute US\$37.7 million.
- 2.2 The disbursement period will be three years. This period is justified by the fact that a high percentage of disbursements will be made in the first year of the program, especially under component 2, School Nutrition, which will provide financing for the continued delivery of meals/snacks to over 1,200,000 students, with average annual budgetary executions in excess of US\$115 million in the period 2013-2015 (see paragraph 1.26 and footnote 45). The disbursement schedule for the operation will be as follows:

Table II-1: Disbursement schedule (US\$)

	Year I	Year II	Year III	Total	%
IDB	100,508,141	51,908,141	7,583,719	160,000,000	81
Local	14,358,370	20,956,124	2,532,884	37,707,800	19
TOTAL	114,866,511	72,864,265	10,116,603	197,707,800	100
%	58	36.8	5.2	100	

B. Social and environmental risks

- 2.3 According to the guidelines of the Bank's Environment and Safeguards Compliance Policy (OP-703), this program is classified as a category "C" operation.

C. Fiduciary risks

- 2.4 The main fiduciary risks related to procurement (medium risks) would be delays or failure to process contracts and/or procurements. This could occur as a result of delays in obtaining priority opinions, budget certifications, avals, or other required national pre-contract processes with the National Planning and Development Office (SENPLADES), limited procurement teams at the executing institutions, or other factors. No financial fiduciary risks have been identified.
- 2.5 The mitigating measures for the procurement-related fiduciary risks are: (i) monitor the commitments agreed upon with MINFIN authorities on the priority status of the avals and certifications; (ii) work with the MINFIN coordination team to expedite budget certifications and avals for procurement processes; (iii) provide training to subexecuting agencies on the Bank's procurement policies and forms, for international procurements in amounts equal to or greater than the thresholds set for use of country systems in accordance with paragraph 6.1 of Annex III; and (iv) if necessary during program execution, strengthen the procurement teams at the subexecuting agencies.
- 2.6 There is no sustainability risk. The objective of the project is to finance existing interventions that are a high priority for the government, to ensure their continuity during the coming years of expected budgetary constraints, so there is no reason to think that these programs would not continue upon completion of the operation.

D. Other project risks

- 2.7 Two additional medium-level risks have been identified: (i) insufficient coordination between MINFIN and the three subexecuting agencies (MINEDUC, UNA-EP, and

INEVAL), which each have their own administrative budgets and internal processes; and (ii) delays in the flow of funds from MINFIN to the subexecuting agencies. To mitigate the first risk, the operation has been designed with MINFIN as the executing agency for the program to support the subexecuting agencies with the production of the information needed to execute the program on schedule. In addition, the Operating Regulations for the program will define processes and procedures for execution of the loan, monitoring, and reporting. To mitigate the second risk, the commitments agreed upon with MINFIN authorities on the priority status of provider payments financed with program resources will be monitored, and the maximum time for the transfer of advances of funds from the Bank to MINFIN and from MINFIN to the subexecuting agencies will be specified in the Operating Regulations and in the subsidiary agreements between MINFIN and the subexecuting agencies.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The Ministry of Finance (MINFIN) will be the executing and coordinating agency for this operation, which will also have three subexecuting agencies, each in charge of a component: the Ministry of Education (MINEDUC) for component 1; the State-owned Unidad Nacional de Almacenamiento (UNA-EP), or the entity that replaces it, for component 2; and the National Institute for Educational Assessment (INEVAL) for component 3. Among its responsibilities as executing agency, MINFIN will coordinate and consolidate the preparation of the necessary documentation for execution of the loan (project execution plan, annual work plans, procurement plans, risk matrix, semiannual reports, etc.), request and manage disbursements from the Bank, transfer resources to the subexecuting agencies, and commission annual and concurrent audits. MINEDUC will be the subexecuting agency for component 1, acting through: (i) the Office of the Deputy Secretary for Specialized and Inclusive Education (SEEI) for the Basic Education for Youth and Adults (EBJA) program; and (ii) the Office of the Deputy Secretary for Educational Professional Development (SDPE) for the In-service Teacher Training (SiProfe) and mentoring program. The UNA-EP will be the subexecuting agency for component 2, School Nutrition, through its Food Provision Business Unit (UNPA), and in the event that another entity replaces it, specifications will be made in the program Operating Regulations as to how the new entity is to proceed. INEVAL will be the subexecuting agency for the implementation of component 3, Educational Assessment (see [optional electronic link 3](#)). **As special contractual conditions precedent to the disbursement of loan proceeds for each component, evidence will be submitted of the signature and entry into effect of the following subsidiary agreements: (a) between the executing agency and MINEDUC, precedent to the disbursement of loan proceeds for activities related to component 1; (b) between the executing agency and the UNA-EP, precedent to the disbursement of loan proceeds for activities related to component 2; and (c) between the executing agency and INEVAL precedent to the disbursement of loan proceeds for activities related to component 3.**
- 3.2 MINFIN already has a general coordination office for IDB programs. For this operation, it will assemble a project management team consisting of, at minimum, the following members: (i) a general program coordinator; (ii) a planning and

- monitoring specialist; (iii) a procurement specialist; and (iv) a financial specialist.⁴⁷ Each subexecuting agency will notify the Bank of the officials responsible for general coordination, financial management, and procurements for each component. The program administration, evaluation, and audit line could finance technical consulting assignments to support execution of the various components.
- 3.3 **Operating Regulations.** The Operating Regulations, in preparation, will describe the execution strategy for the operation in detail and will include the following: (i) the organizational chart for the program; (ii) the technical and operational arrangements for execution; (iii) the plan for programming, monitoring, and evaluating results; and (iv) the guidelines for financial, audit, and procurement processes. In addition, the Operating Regulations will define the functions of the participating entities. **The approval and entry into force of the Operating Regulations under the terms and conditions previously agreed upon with the Bank will be a special contractual condition precedent to the first disbursement for the program.**
- 3.4 **Fiduciary agreements.** The IDB will transfer the loan proceeds as follows: (i) without ruling out other disbursement modalities, priority will be given to the method of advances based on the liquidity needs of each component for a period of up to six months in accordance with the financial plan for the program; (ii) supporting documentation for the disbursements will be submitted in the next request after the minimum percentage that applies at that moment to the execution of advanced funds has been reached, pursuant to Bank procedures; and (iii) MINFIN will present separate disbursement requests for each subexecuting agency to the Bank and will be responsible for the prompt allocation of resources disbursed by the Bank, in accordance with the Operating Regulations, to each subexecuting agency for timely processing of payments to their respective providers.
- 3.5 **Retroactive financing and recognition of expenditures.** The Bank may retroactively recognize up to US\$32 million (20% of the proposed loan amount) against the loan and up to US\$5.06 million (20% of the estimated local contribution) against the local contribution, for eligible expenditures made by the borrower prior to the loan approval date for contracts and payments planned under each component of the project, provided that requirements substantially analogous to those established in the loan contract have been met. These expenditures must be incurred on or after 17 February 2016 (project profile approval date) but in no case may they include expenditures incurred more than 18 months prior to the date of approval of the loan by the Bank's Board of Executive Directors.
- 3.6 **Procurements.** In 2013 the Bank's Board of Executive Directors approved advanced use of Ecuador's National Public Procurement System (SNCP) for Bank-financed operations, so the use of country systems will apply. Procurements below the threshold set for international competitive bidding (US\$3,000,000 for works, US\$250,000 for goods and nonconsulting services, and US\$200,000 for consulting firms) may be processed in the SNCP framework, except in the case of special arrangements, framework agreements, and the selection of individual consultants. The procurement plan for the operation will indicate which contracts are to be executed using the approved country systems.

⁴⁷ This unit is responsible for execution of the Public Administration Institutional Reform Program (2653/OC-EC) and the Program to Improve Public Service Quality (3073/OC-EC).

- 3.7 For procurements equal to or greater than the amounts specified in the previous paragraph, international competitive bidding will be used and the Policies for the procurement of goods and works financed by the IDB (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9) will apply, which must be identified in the procurement plan for the program.
- 3.8 Financing will be provided under components 1 and 3 for contracting of teachers/mentors with strong potential for helping youth and adults in basic and secondary education to graduate, as well as individuals to develop and validate items and administer assessment tests, respectively. Because this is a social sector project that will necessitate hiring a large number of individuals to provide services on a contractual basis, MINEDUC and INEVAL will apply the provisions established in paragraph 3.21, "Service Delivery Contractors," under the section "Selection of Particular Types of Consultants" in the Bank policies for the selection and contracting of consultants. The job descriptions, minimum qualifications, terms of employment, selection procedures, and the modality of Bank review of these procedures and documents will be included in the Operating Regulations. A review was conducted of the procedure followed by MINEDUC and INEVAL, and they were found to comply with the provisions of Section V of the Bank policies for the selection and contracting of consultants. In the case of financing for the food allotments to be provided under component 2, the Bank will verify only the relevance of the expenditure on allotments delivered and paid in full, using information generated by the schools, through audits commissioned specifically for this purpose (see Annex III).
- 3.9 **Audits.** The borrower will submit annual financial reports on the project to the Bank within 120 days after the end of each fiscal year and 120 days after the date set for the last disbursement of the loan, duly audited by independent auditors in accordance with the terms of reference and shortlist agreed upon with the Bank. In addition, each time that MINFIN submits a voucher and/or retroactive recognition of expenditures for the component to be executed by UNA-EP, these should be supported by a report issued by an external audit firm, which will conduct a review under the modality of "agreed-upon procedures" or "assurance services" in order to verify the records, supporting documentation, and relevance of expenditures made under this category for full food allotments delivered to schools and paid in full, as will be will provided in the Operating Regulations and updates thereto.

B. Summary of arrangements for monitoring results

- 3.10 **Arrangements for monitoring.** Each of the three subexecuting agencies will be responsible for carrying out periodic monitoring of their corresponding component. MINFIN, as the executing and coordinating agency, will consolidate the monitoring information for presentation to the Bank on a semiannual basis. For the collection of data for monitoring progress towards program outputs and outcomes, the existing systems at each of the executing agencies will be used, in addition to several ad hoc instruments that will supplement those systems, described in the monitoring and evaluation plan (see [required electronic link 3](#)). Monitoring will be based on the program execution plan, the annual work plans, the results matrix, the procurement plan, the financial plan, the audited financial statements, and the semiannual reports.

- 3.11 **Arrangements for evaluating results.** An impact evaluation of implementation of the crosscutting teacher training module (component 1, subcomponent 2) will be prepared by MINEDUC. The evaluation will explore the extent to which the intervention improves the quality of teacher interactions with students in the classroom. Meanwhile, the UNA-EP will perform a reflexive evaluation (before and after, without attribution) of the school nutrition program for the program's youngest beneficiaries: children in pre-school. The evaluation will look at changes in the nutritional status of these students at the start and at the end of the school cycle.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives		Aligned	
Development Challenges & Cross-cutting Themes		-Social Inclusion and Equality	
Regional Context Indicators			
Country Development Results Indicators		-Countries in the region with improved learning outcomes according to PISA (%)* -Students benefited by education projects (#)*	
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix		GN-2680	Improve education service offerings for 3- and 4-year-olds and expand enrollment at the baccalaureate level.
Country Program Results Matrix		GN-2849	The intervention is included in the 2016 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
	9.8		10
3. Evidence-based Assessment & Solution	9.8	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	4.0		
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	9.5	33.33%	10
5.1 Monitoring Mechanisms	2.0		
5.2 Evaluation Plan	7.5		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood		Medium	
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		C	
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)			
Non-Fiduciary			
The IDB's involvement promotes additional 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		Yes	The impact evaluation of this operation will contribute to the scarce evidence on the effectiveness of interventions that aim to achieve practical changes in the classroom by teachers. The intervention is unique in the region, like its evaluation.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The document identifies the main challenges that the Ecuadorean Education System faces. The project seeks to protect a group of interventions identified as necessary to keep the improvements in coverage and quality of education achieved in the last 9 years. These interventions include: alternative instruction for youth with incomplete education, teacher training, school feeding programs and evaluation.

The diagnosis provides evidence for the need to improve school achievement and the quality of education. The SerEstudiante test showed that 59% of students had insufficient levels of knowledge. More specifically, it tested 4th grade students on Mathematics in 2013. In addition, the National Employment Survey (ENEMDU) showed that in 2014 only 61% of persons in the 19 to 29 age range had completed secondary education.

Poor performance in school and dropouts are correlated with poverty. The rate of malnutrition in children 5 to 11 years is 15% (ENSALUD, 2013). The percentage of youth ages 19 to 29 that did not study nor worked was 17%, and 22% in the two poorest quintiles of the population (CIMA, 2014). In the past, the government has alleviated these needs with school feeding programs and teacher training. In addition, Ecuador started in 2007 a series of reforms to redefine teacher quality. This effort includes teacher training and evaluation. The National Institute for Educational Evaluation (INEE) has evaluated students since 2012. These inputs are associated to achievement and education quality.

The country faces a reduction of about 30% of fiscal income. Such reduction in addition to the recent earthquake, created a need for funds to prevent the interruption of the aforementioned programs.

The results matrix is clear and proposes accelerated programs and school feeding as inputs. The expected result is an increased probability to finish the school year and enroll the next year. The matrix monitors these benefits through the number of beneficiaries. These indicators in turn lead to an increase in coverage and student learning. In turn, teacher and mentor training supplement these efforts. The evaluation of students and teachers strengthens the institutional framework. All indicators are SMART and have yearly goals. However, some output indicators are not consistent with aggregate yearly targets to the final goal. The costs for each output did not have annual expected amounts. The goal of the program was drafted in terms of coverage, but the associated impact indicator relates to achievement.

The project includes an ex-ante cost benefit analysis with an IRR of 14 per cent. Its calculation includes all benefits and costs generated by the project. It includes a sensitivity analysis. The Monitoring and Evaluation plan proposes an experimental evaluation for the teacher training component. It includes power calculations and evidence that it will be possible to generate a valid comparison group. It also proposes a reflexive evaluation for the food program. There is a budget allocated for monitoring and evaluation.

RESULTS MATRIX

Program objective	The objective of the operation is to help consolidate the gains made by the country in educational quality and coverage. Specifically, this operation will help finance key interventions to guarantee access to quality education in the country.					
Impacts	Unit of measurement	Baseline		Targets		Comments
		Value	Year	Value	Year	
Percentage of students in 4 th grade of the basic general education cycle with insufficient achievement levels in: <ul style="list-style-type: none">Language and literatureMath	Percentage points (no dimension)	<ul style="list-style-type: none">68%59%	2013	<ul style="list-style-type: none">64%55%	2018	Source: <i>Ser Estudiante</i> test reports Responsible entity: INEVAL.
Percentage of 19- to 29-year-olds who have completed secondary school	Percentage points (no dimension)	60.8%	2014	63%	2018	Source: Employment, Unemployment, and Underemployment Survey. Responsible entity: MINEDUC.

Outputs	Unit of measurement	Baseline		Interim measurements			Final target	Comments
		Value	Year	2016	2017	2018		
Component 1: Improved school completion rates and educational quality – MINEDUC								
Subcomponent 1.1: Basic education for youth and adults								
Offering of accelerated basic education programs	Programs	105	2015	1,500	480	0	2,085	A program consists of a group of students who participate in a learning module delivered by a teacher for at least six months to complete one or more grades in the basic education cycle, while also receiving educational materials. It requires coordination and supervision of MINEDUC's central and deconcentrated structures. Source: Semiannual MINEDUC reports. Responsible entity: MINEDUC.
Offering of intensive baccalaureate programs	Programs	7	2015	250	340	0	597	A program consists of a group of students who participate in a learning module delivered by a teacher for at least five months to complete one or more grades in the secondary, baccalaureate cycle, while also receiving educational materials. It requires coordination and supervision of MINEDUC's central and deconcentrated structures. Source: Semiannual MINEDUC reports. Responsible entity: MINEDUC.
Subcomponent 1.2: In-service teacher training – SiProfe program								
Crosscutting teacher training module on good classroom practices	Programs	0	2015	0	0	1	1	The module consists of a series of classes (at least 50 hours) based on a specialized curriculum on effective teaching practices specifically developed for this purpose. All SiProfe courses will include this module. Source: Semiannual MINEDUC reports. Responsible entity: MINEDUC.
Mentor training course	Programs	0	2015	0	0	1	1	The course consists of two instruction sessions lasting one and a half weeks each and weekly personalized instruction sessions during one school year. The sessions will be designed using a specialized curriculum on effective teaching practices. Source: Semiannual MINEDUC reports. Responsible entity: MINEDUC.
Impact evaluation reports	Reports	0	2015	0	0	1	1	The objective of the report is to evaluate the results of the SiProfe program. Source: Semiannual MINEDUC reports. Responsible entity: MINEDUC.

Outcomes	Unit of measurement	Baseline		Interim measurements			Final target	Comments
		Value	Year	2016	2017	2018		
Subcomponent 1.1: Basic education for youth and adults								
Student beneficiaries of accelerated basic cycle programs *	Students	4,439	2015	110,000	57,500	0	171,939	Each program is comprised of the classes included in one level of the basic general education cycle. The beneficiaries are the persons who register for these programs. The benefit is defined as the likelihood of graduating, measured by the graduation rate. The program focuses on persons above 15 years of age who have not completed the basic general education cycle and are outside the regular education system. Source: Semiannual MINEDUC report. Responsible entity: MINEDUC.
	Women	2,220		55,000	28,750		85,970	
	Men	2,219		55,000	28,750		85,969	
Student beneficiaries of baccalaureate cycle completion programs *	Students	186	2015	30,000	54,250	0	84,436	Each program is comprised of the classes included in each year of the baccalaureate cycle. The beneficiaries are the persons who register for these programs. The benefit is defined as the likelihood of graduating, measured by the graduation rate. The program focuses on adults who have not completed the baccalaureate cycle and are outside the regular education system. Source: Semiannual MINEDUC report. Responsible entity: MINEDUC.
	Women	93		15,000	27,125		42,218	
	Men	93		15,000	27,125		42,218	
Graduation rate of students in the accelerated basic general education cycle	Percentage points (no dimension)	88%	2015	90%	90%	-	90%	The rate is defined as: graduates / individuals enrolled. It is applied to students enrolled in accelerated 10th grade. Source: Semiannual MINEDUC report. Responsible entity: MINEDUC.
Graduation rate of baccalaureate cycle students	Percentage points (no dimension)	86.4%	2015	88%	88%	-	88%	The rate is defined as: graduates / individuals enrolled. It is applied to students enrolled in the 3 rd year of the baccalaureate cycle. Source: Semiannual MINEDUC report. Responsible entity: MINEDUC.
Subcomponent 1.2: In-service teacher training – SíProfe program								
Teachers trained in good classroom practices	Individuals	0	2015	0	180	850	1,030	Source: Semiannual MINEDUC report. Responsible entity: MINEDUC.
Mentors trained in effective teaching	Individuals	0	2015	0	50	150	200	Source: Semiannual MINEDUC report. Responsible entity: MINEDUC.

* This is equivalent to the sector indicator "Student beneficiaries of education projects."

Outputs	Unit of measurement	Baseline		Interim measurements			Final target	Comments
		Value	Year	2016	2017	2018		
Component 2: School nutrition – UNA-EP								
Meals/snacks delivered in schools	Meals/ snacks	476,104,820	2015	216,534,080	100,711,432	0	317,254,512	Source: Semiannual UNA reports and concurrent audits. Responsible entity: UNA.
Outcomes	Unit of measurement	Baseline		Interim measurements			Final target	Comments
		Value	Year	2016	2017	2018		
Preschool student beneficiaries of the school nutrition program*	Students	194,385	2015	0	218,990	101,850	218,990	Beneficiaries are defined as preschool children who receive meals/snacks in year t and re-enroll in in year t+1. Source: Semiannual UNA reports and concurrent audits. Responsible entity: UNA. The target was defined as the maximum number of beneficiaries in one year.
	Girls	97,193		0	109,495	50,925	109,495	
	Boys	97,192		0	109,495	50,925	109,495	
Student beneficiaries of the school nutrition program in the basic general education cycle*	Students	2,075,452	2015	0	1,255,996	584,148	1,255,996	Beneficiaries are defined as students in the basic general education cycle who receive meals/snacks in year t and re-enroll in in year t+1. Source: Semiannual UNA reports. Responsible entity: UNA. The target was defined as the maximum number of beneficiaries in one year.
	Girls	1,037,726		0	627,998	292,074	627,998	
	Boys	1,037,726		0	627,998	292,074	627,998	

* This is equivalent to the sector indicator "Student beneficiaries of education projects."

Outputs	Unit of measurement	Baseline		Interim measurements			Final target	Comments
		Value	Year	2016	2017	2018		
Component 3: Educational assessment - INEVAL								
Individual national baccalaureate achievement tests	Tests	240,000	2015	240,000	240,000	240,000	940,000	The instruments for assessing student achievement annually include: (1) one test for all students at the baccalaureate level; and (2) one test in selected schools for students in 4 th , 7 th , and 10 th grades at the basic general education level. Source: Semiannual reports. Responsible entity: INEVAL.
Individual teacher qualification tests for teaching corps candidates	Tests	56,702	2015	40,000	40,000	30,000	166,702	The teacher assessment instruments include an annual test for admission to the teaching corps. Source: Semiannual reports. Responsible entity: INEVAL.
Individual teacher performance assessment	Tests	15,628	2015	144,000	0	144,000	159,628	The instruments for assessing teacher performance include a test for all active teachers in 2016 and 2018. Source: Semiannual reports. Responsible entity: INEVAL.
Individual international student achievement tests	Tests	0	2015	7,255	10,000	0	17,255	Source: Semiannual reports. Responsible entity: INEVAL.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Ecuador
Project number:	EC-L1155
Project name:	Sector Support for Quality Education in Ecuador
Executing agency:	Ministry of Finance (MINFIN)
Subexecuting agencies:	Ministry of Education (MINEDUC); Unidad Nacional de Almacenamiento – Empresa Pública (UNA-EP); and Instituto Nacional de Evaluación Educativa [National Institute for Educational Assessment] (INEVAL)
Prepared by:	Marcela Hidrovo and Gumersindo Velázquez (FMP/CEC)

I. EXECUTIVE SUMMARY

- 1.1 The institutional assessment for fiduciary management of the program was based on: (i) the fiduciary context of the country; (ii) the findings of the fiduciary risk evaluation; (iii) the capacity analyses of MINFIN and the subexecuting agencies; and (iv) the inputs of work meetings with the project team and staff from the aforementioned entities. Consequently, the following fiduciary agreements for procurement and financial management were prepared for program execution.

II. FIDUCIARY CONTEXT OF THE COUNTRY

- 2.1 There have been significant advances in the country's fiduciary context since 2008, as evidenced in recent evaluations carried out using internationally recognized methodologies. This applies to both the public procurement system (MAPS -2011) and the public financial management system (PEFA - 2014, repeat assessment, in the final revision stage as this document was being drafted).
- 2.2 **Procurement system.** On 25 February 2013, the Bank's Board of Executive Directors approved advanced use of Ecuador's National Public Procurement System (SNCP) in Bank-financed operations (document GN-2680-2) based on a positive technical report analyzing the system's practices, in accordance with the Guide for Acceptance of the Use of Country Procurement Systems (document GN-2586-6) and as part of the implementation of the Strategy for Strengthening and Use of Country Systems (document GN-2538). This approval was granted for procurements below the threshold set for international competitive bidding (US\$3,000,000 for works, US\$250,000 for goods and nonconsulting services, and US\$200,000 for consulting firms). In all other cases, the Bank's procurement policies would apply. On 13 May 2014, MINFIN

(borrower), the National Public Procurement Service (SERCOP) (lead agency), and the Bank signed an agreement for use of the SNCP in Bank-financed operations. Paragraph 3.2 of this agreement provided for gradual use of the SNCP, first with seven projects to be monitored for a period of 12 months starting on 4 November 2014, the effective date of SNCP use (Resolution No. RE-SERCOP-2014-0000017). Use of the system was evaluated for this purpose, with satisfactory results.

- 2.3 **Financial management system.** Since January 2008, government institutions have been using the electronic financial management system (e-SIGEF), which integrates budgetary, accounting, cash management, electronic payment, and information technology centralization processes, as well as the use of Internet technology. In addition, central government entities and UNA-EP are subject to control and oversight by the country's lead audit institution, the Office of the Comptroller General (CGE). In general terms, the country financial management systems are adequately developed. At present, they need to be supplemented, for purposes of executing Bank-financed projects, in terms of specific financial reporting and external audits (to be conducted by a firm acceptable to the Bank). However, the case of UNA-EP, which will be the subexecuting agency for component 2 through the Food Provision Business Unit (UNPA),¹ is different. While this component requires a priority opinion and inclusion in the annual investment plan for purposes of obtaining a government budget allocation, UNA-EP will need to maintain accounting records under international financial reporting standards and is not required to use e-SIGEF for accounting purposes. The financial/accounting management system that it will use is at present yet to be determined and will be evaluated for use in reviewing the information and internal control system, which is an input for program eligibility.

III. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY AND SUBEXECUTING AGENCIES

- 3.1 The Ministry of Finance (MINFIN) will be the executing agency for this operation, which will also have three subexecuting agencies: the Ministry of Education (MINEDUC) for the "Improved school completion rates and educational quality" component; the State-owned enterprise Unidad Nacional de Almacenamiento (UNA-EP) for the "School nutrition" component; and the National Institute for Educational Assessment (INEVAL) for the "Educational assessment" component.
- 3.2 MINFIN directs and manages the country's public finances, proposing financial and budgetary policies and ensuring balanced public finances. In late 2011, an institutional assessment using the Institutional Capacity Assessment System methodology determined that the general risk associated with MINFIN is medium. This assessment, which included an additional focus on execution processes for this program, was updated in February of this year without yielding any significant additional risks. At present, MINFIN is satisfactorily executing the

¹ The UNPA is the unit that in February 2016 went through the process of merging the former Instituto de Provisión de Alimentos [Food Provision Institute] into UNA. The merger instrument is set forth in Executive Decree 821 of 17 November 2015.

Public Administration Institutional Reform Program (document 2653/OC-EC) and the Program to Improve Public Service Quality (document 3073/OC-EC).

- 3.3 Similarly, institutional capacity assessments were conducted in preparation for this program on the subexecuting agencies indicated in paragraph 3.1, specifically in the financial and internal/external control areas. The reports indicate that internal control is performed by the CGE through its internal control units and that external control is also performed by the CGE.
- 3.4 In view of the above, MINFIN, in its capacity as executing agency, will be responsible for coordination of the financial and administrative procedures related to the program, such as treasury, general accounting, and presentation of program reports; coordination between subexecuting agencies; and contracting of an external audit for the program. In addition, each of the program's subexecuting agencies will be required to provide strategic direction and plan, monitor, manage, and report on the use of financial resources, as well as tender, procure, and manage technical and fiduciary aspects of the goods, works, and consulting and nonconsulting services in the components for which it is responsible. All of these responsibilities will be described in the Operating Regulations for the program.
- 3.5 With regard to information systems in support of fiduciary management, the program will rely on e-SIGEF and the public procurement portal as applicable. Regarding the accounting system for UNA-EP, see paragraph 2.3 of this annex.

IV. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 4.1 Based on the results of the project risk management workshop conducted during program preparation and of the institutional capacity assessment of the executing agency and subexecuting agencies, the main risks are as indicated in section II.C of the loan proposal.

V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 5.1 The approval and entry into force of the Operating Regulations under the terms and conditions previously agreed upon with the Bank will be a special contractual condition precedent to the first disbursement for the program. The Operating Regulations will require the executing agency to appoint a project management team and jointly with each subexecuting agency present evidence of priority opinions and inclusion in the annual investment plan, as well as of budgetary allocations for each executing and/or subexecuting agency, at least for the first calendar year. In addition, as special contractual conditions precedent to the disbursement of loan proceeds for each component, evidence will be submitted of the signature and entry into effect of the following subsidiary agreements: (a) between the executing agency and MINEDUC, precedent to the disbursement of loan proceeds for activities related to component 1; (b) between the executing agency and the UNA-EP, precedent to the disbursement of loan proceeds for activities related to component 2; and (c) between the executing agency and

INEVAL precedent to the disbursement of loan proceeds for activities related to component 3.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 6.1 **Execution of procurement processes.** The use of country systems will apply since, in 2013, the Bank's Board of Executive Directors approved advanced use of the SNCP in Bank-financed operations. Accordingly, procurements below the threshold set for international competitive bidding (US\$3,000,000 for works, US\$250,000 for goods and nonconsulting services, and US\$200,000 for consulting firms) may be carried out within the framework of the SNCP, except in the case of a special regime, framework agreements, and selection of individual consultants. The procurement plan for the program will indicate which procurement processes will be executed through the approved country systems. For procurements involving amounts equal to or greater than the thresholds specified above, which must be identified in the procurement plan for the program, international competitive bidding will be used and the Policies for the procurement of goods and works financed by the IDB (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9) will apply. The procurement plan will cover at least the first 18 months and will be updated annually or as necessary.

a. Procurement of works, goods, and nonconsulting services. Contracts for goods, works, and nonconsulting services² generated under the program and subject to international competitive bidding (ICB)³ will be subject to the thresholds provided on the webpage www.iadb.org/procurement. ICB processes will be executed using the standard bidding documents issued by the Bank. Selection processes that involve direct contracting will be identified,⁴ although it should be noted that the initial procurement plan does not contemplate the use of this method. However, if direct contracting is required in the course of program execution, the selection process will need to comply with the provisions indicated in footnote 4.

b. Selection and contracting of consultants. Contracts for consulting services generated under the program will be executed using the standard request for proposals issued by or agreed upon with the Bank. The sector specialist for the program will be responsible for reviewing the terms of reference for consulting service contracts. In addition, selection involving the single-source selection method will be identified.⁵ In selecting and contracting consulting services any of the methods described in the Policies for the Selection and Contracting of Consultants may be used, provided that the method chosen has been identified for the corresponding contracting in the procurement plan approved by the Bank, which may be updated as needed. The threshold determining the inclusion of

² Document GN-2349-9, paragraph 1.1: Nonconsulting services are treated as goods.

³ At present, the ICB threshold is applicable in the case of amounts equal to or higher than US\$3,000,000 for works and in the case of amounts equal to or higher than US\$250,000 for goods and nonconsulting services.

⁴ Document GN-2349-9, paragraph 3.6: Direct contracting must be duly justified.

⁵ Document GN-2350-9, paragraphs 3.9 et seq.: Single-source selection must be duly justified.

international consultants on the short list⁶ will be posted for the program on the webpage www.iadb.org/procurement.

- Selection of individual consultants. In the cases identified in the approved procurement plans, the contracting of individual consultants may be solicited through local or international announcements, in order to compile a short list of qualified individuals, in accordance with the Policies for the Selection and Contracting of Consultants, section V, paragraphs 5.1 to 5.4.

Components 1 and 3. These components will finance the contracting of teachers/mentors with strong potential for helping youth and adults in basic and baccalaureate education to graduate, as well as of individuals to develop and validate items and administer assessment tests, respectively. Because this is a social sector project that will necessitate hiring a large number of individuals to provide services on a contractual basis, MINEDUC and INEVAL will apply the provisions established in paragraph 3.21, Service Delivery Contractors, under the section Selection of Particular Types of Consultants in the Bank policies for the selection and contracting of consultants. The job descriptions, minimum qualifications, terms of employment, selection procedures, and modality of Bank review of these procedures and documents will be set forth in the Operating Regulations, and the contracts will be included in the procurement plan approved by the Bank. The procedure to be followed by MINEDUC and INEVAL complies with the provisions of Section V of the Bank policies for the selection and contracting of consultants.

- Training. The procurement plan sets out the procurement processes relating to each component of the program that involves training, which is contracted in the form of consulting or nonconsulting services.

c. Use of the country procurement system. As indicated in section II, the Bank's Board of Executive Directors approved advanced use of the SNCP in operations financed by the Bank and executed by the agencies included in this system. Accordingly, procurements below the threshold set for international competitive bidding (US\$3,000,000 for works, US\$250,000 for goods and nonconsulting services, and US\$200,000 for consulting firms) may be carried out within the framework of the SNCP, except in the case of a special regime, framework agreements, and selection of individual consultants.

The procurement plan for the operation and its updates will indicate which procurements will be carried out using the approved country systems.⁷

d. Advance procurement and retroactive financing. The Bank may retroactively finance against the loan up to 20% of the proposed loan amount, and recognize against the local contribution up to 20% of the estimated amount of the local contribution, in eligible expenditures incurred by the borrower prior to the loan approval date for contracts and payments planned under each

⁶ In contracting consulting firms, the threshold is for amounts equal to or greater than US\$200,000; for lower amounts, the short list may consist entirely of national consulting firms.

⁷ If the Bank validates another system or subsystem, it will be applicable to the operation in accordance with the terms of the loan contract.

component of the project, provided that requirements substantially similar to those set forth in the loan contract have been met. These expenditures must be incurred on or after 17 February 2016 (project profile approval date) but may under no circumstances include expenditures incurred more than 18 months prior to the date of approval of the loan by the Bank's Board of Executive Directors.

Retroactive recognition of expenditures for the component executed by UNA-EP will be subject to a prior audit of the expenditures by an external auditing firm, and the firm's report will be attached to the disbursement request.

e. National preference. Offers of goods originating in the country of the borrower will be given a price preference⁸ equivalent to 15% in contracts subject to ICB.

f. Other. Component 2 will provide financing for the delivery of breakfast and snacks to students at all public, semi-public, and municipal schools. For financing of meals/snacks, the Bank will verify only the relevance of the expenditure on meals/snacks delivered and paid in full, using information generated by the schools, through audits commissioned specifically for this purpose.

6.2 Table of threshold amounts (US\$)

Works	Goods	Consulting services
ICB	ICB	International advertising for consulting
≥3,000,000	≥ 250,000	≥200,000

6.3 Main procurement processes

Activity	Type of bidding	Estimated invitation date	Estimated amount (US\$000)
Meals/snacks⁹			
Meals/snacks for students	N/A	H1 2016	80,000
Service contractors			
Contracting of teachers/mentors	Contracting of services	H1 2016	23,400
Contracting of technical supervisors to administer tests	Contracting of services	H1 2016	4,861
Goods			
Procurement of electronic tablets	ICB	H1 2016	573
Procurement of goods (see full procurement plan)	SNCP	H1 2016	1,521
Nonconsulting services			
Administration of international tests	ICB	H1 2016	1,005

⁸ Document GN-2349-9, Appendix 2, and the loan contract.

⁹ The meals/snacks consist of solid and liquid foods with specific minimum caloric content and are valued on the basis of the cost of the foods, transportation, storage, and verification costs per serving. There is a protocol in place that determines the calculations and helps to establish the servings.

- 6.4 **Procurement supervision.** Procurement will be supervised ex post, as determined by the Bank, except in cases in which ex ante review is justified. When procurement is executed through the country system, supervision will also be carried out through the country system¹⁰ and/or as agreed upon with the Bank.
- 6.5 The supervision method will be determined for each selection process.¹¹ Ex post reviews will be conducted every 12 months in accordance with the supervision plan for the program. Ex post reviews will include at least one physical inspection visit,¹² selected from among the procurement processes subject to ex post review.

Threshold for ex post review			
Works	Goods	Consulting services	Individual consultants
< 3,000,000	< 250,000	< 200,000	< 50,000

Note: The thresholds for ex-post review of procurement are applied on the basis of the executing agency's fiduciary capacity for execution. They may be modified by the Bank in the relevant procurement plan as the agency acquires greater experience.

- 6.6 **Special provisions.** Measures to reduce the likelihood of corruption: follow the provisions of documents GN-2349-9 and GN-2350-9 regarding prohibited practices (lists of ineligible companies and individuals drawn up by multilateral institutions).
- 6.7 **Other special procedures.** Since its inception in 2013, the Food Provision Business Unit (UNPA) has acquired experience in providing meals/snacks to schools. However, it does not have experience with projects financed by the Bank or other international financial institutions. For purposes of executing component 2, the UNPA has a technical and operational structure. With regard to governance and support processes such as general management, fiduciary processes (procurement and finance), and legal counsel, the UNPA depends on the institutional processes of the UNA-EP. Procurement processes, handled by the UNA-EP and by the UNPA, are regulated by the Law Establishing the National Public Procurement System and are managed with clarity and transparency using the mechanisms established at SERCOP for this purpose.
- 6.8 **Records and files.** The executing agency and subexecuting agencies will maintain updated records and appropriately organized files, with documentation on procurement and contracting kept in a single file that is distinguishable from those related to processes funded with resources from local counterpart or nonprogram resources. Project reports will be prepared and filed using formats or procedures that have been agreed upon and will be described in the program Operating Regulations.

¹⁰ Depending on the extent of use of the system, supervision may be supplemented with project audits, in which case this should be mentioned in this annex.

¹¹ The procurement plan will indicate which review method will apply to each contract: (i) ex post; (ii) ex ante; or (iii) country system.

¹² The inspection verifies the existence of the procurement, leaving verification of quality and of compliance with specifications to the sector specialist.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 7.1 **Programming and budget.** The Basic Code of Public Planning and Finance establishes the general provisions governing the programming, formulation, approval, execution, control, evaluation, and settlement of budgets. These general provisions are applied to the execution of Bank-financed programs in the country. The e-SIGEF implements and standardizes the application of these general provisions throughout the national public management apparatus. Programming and budgeting will be performed for each component of the program by the relevant executing or subexecuting agency and will be based on the annual work plan agreed upon between the Bank and the executing and subexecuting agencies in close coordination with the Financial and Management Planning and Control Office, following the national guidelines required at the various levels.
- 7.2 **Accounting and information systems.** Project accounting will be carried out through e-SIGEF. At present, e-SIGEF does not allow for the preparation of reports related to the specific aspects of the resources provided by the Bank. This means that separate reports will need to be prepared by the subexecuting agencies on program status and progress, with MINFIN consolidating this information for the reports that are required. The outline and formats for the presentation of reports on payments made with program resources, financial reports, and others will be examined with the executing agency and subexecuting agencies. With regard to the UNA-EP accounting system, see paragraph 2.3. The functions of each executing and subexecuting agency will be described in the Operating Regulations for the program.
- 7.3 The Bank will recognize program accounting on a cash basis.
- 7.4 **Disbursements and cash flow.** Starting in 2008, the Government of Ecuador established the general account of the Treasury as a mechanism designed to consolidate cash management at all entities in the central government.
- 7.5 The implementation of this mechanism did not eliminate the system of specific or special-purpose accounts set up at the Central Bank of Ecuador (BCE) to receive the proceeds of multilateral loans, including Bank loans. In view of the above, since MINFIN will be coordinating and requesting the processing of Bank disbursements, MINFIN will need to open a special account to manage the program's resources for the activities under its responsibility and make budgetary transfers of these resources to MINEDUC and INEVAL to enable them to execute their respective components. In addition, since the UNA-EP is a government enterprise, it will need to open an account at the BCE to receive the resources that MINFIN requests from the Bank under the respective disbursement requests. All program payments will be processed through e-SIGEF by debiting the general account of the Treasury. However, in the case of the UNA-EP, payments will be processed through the accounting system used by this entity by debiting the account it opens at the BCE.
- 7.6 The Bank will disburse loan proceeds in the form of advances of funds to meet the program's actual liquidity needs in accordance with a financial plan that

reflects the program's actual financial needs for a period of up to six months. These financial plans will be prepared at the start of the program and updated in line with program progress. The cash flow schedule must be consistent with the program execution plan/annual work plan and procurement plan that have received the Bank's no objection, and must cover a rolling horizon of at least 12 months. At the borrower's request, the Bank may also make direct payments to suppliers.

- 7.7 MINFIN will present disbursement requests to the Bank based on the liquidity needs of each executing agency, with information prepared by the relevant agency when appropriate, attaching the financial plan and cash flow for the project for a period of up to 180 days as well as a reconciliation of the available funds for the program. MINFIN will receive the disbursements in the special account through the general account of the Treasury and will be responsible for making timely allocation of resources to each of the subexecuting agencies in order to allow them to make timely payment to their respective suppliers. The rendering of accounts for advances of funds will be done in accordance with the provisions of OP-273-6. Disbursements will be justified in the following request, once 80% or more of the cumulative balance of fund advances pending justification has been executed.
- 7.8 The supporting documentation for expenditures or payments made by each source will be reviewed ex post with respect to the disbursement of resources by the Bank.
- 7.9 Since component 2 provides for the delivery of breakfast and snacks to students at public, semi-public, and municipal schools, whenever MINFIN presents expense vouchers and/or retroactive recognition of expenditures under this component, it will be required to submit a report issued by an external auditing firm, which will conduct a review for the purposes of verifying records, supporting documentation, and the relevance of the expenditures incurred by each source in relation to the complete meals/snacks delivered to the schools and paid for, additionally taking into account the provisions of the Operating Regulations. The auditing firm's work will be carried out in accordance with terms of reference previously approved by the Bank.

A. Internal control and internal audit

- 7.11 With regard to the internal control systems in Ecuador, the CGE is responsible for directing the public sector control system. As part of this sector, the executing agency and subexecuting agencies have their own respective internal audit areas that report directly to the CGE. However, the Bank will not use their services since their audit plans do not include a review of the program. The Operating Regulations will set out the main internal control processes needed to ensure that the controls are operating properly. During execution, the fiduciary team will assess these processes in terms of compliance and quality.

B. External control and reports

- 7.12 Since, for the time being, the CGE does not have sufficient capacity to exercise external control over externally financed projects, the external audit of the

program will be performed by tier-one independent auditors acceptable to the Bank (international auditing firms), in accordance with Bank requirements and the provisions of OP-273-6. The firm will be contracted, using loan proceeds, through a competitive process and based on the terms of reference previously approved by the Bank. During execution, within 120 days following the end of each fiscal year, MINFIN will present the audited financial statements and expenditure eligibility reports for the program in accordance with Bank guidelines. These reports will include an independent validation of the use of the loan proceeds for each financing source and a validation of the internal operational processes and controls implemented by the executing agency. For the specific case of the review of expenditures related to component 2, see paragraph 7.9 of this annex.

- 7.13 There is no national policy of public disclosure of audit reports. However, in accordance with the Bank's current Access to Information Policy, the audited program reports will be published in the Bank's systems.

C. Fiduciary supervision plan

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsible entity	
			Bank	Other
Operational	Progress report review	Semiannual	Fiduciary and sector team	
	Portfolio review with the executing agency	Based on MINFIN requirements	Fiduciary and sector team	
Financial	Review of cash flow and disbursement schedule	With each disbursement request. When required by the circumstances of the program.	Fiduciary and sector specialists	Executing agency or subexecuting agencies
	Inspection visits	Annual	Fiduciary specialist	Consultant/Audit or
	Review of audited and unaudited financial statements	Annual	Fiduciary specialist	Consultant/Audit or
	Review of financial audit reports and ex post disbursement review reports	Annual (in the case of the UNA, expenditures will be reviewed with each disbursement)	Fiduciary and sector specialists	Executing agency or subexecuting agencies /external auditor
Procurement	Ex ante procurement review	During program execution	Project Team Leader/ Procurement specialist	Executing agency or subexecuting agencies
	Update to procurement plan	Annual	Project Team Leader / Procurement specialist	Executing agency or subexecuting agencies
Compliance	Fulfillment of conditions precedent	One-time	Fiduciary team/ Project Team Leader /Operations analyst	Executing agency or subexecuting agencies

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsible entity	
			Bank	Other
	Review of prioritization and budget allocation	Annual, in June and January of each year	Fiduciary team/ Project Team Leader /Operations analyst	Executing agency or subexecuting agencies/ SENPLADES/ MINFIN
	Presentation of audited financial statements	Annual	Project Team Leader and fiduciary specialist	Executing agency or subexecuting agencies /Auditor

D. Execution mechanism

- 7.14 This program will be executed by the agencies indicated in paragraph 3.1.
- 7.15 The MINFIN management team will be responsible for coordinating and preparing all management information to be presented to the Bank on a consolidated basis, including progress reports, program execution plans/annual work plans, disbursement projections and requests, audited and unaudited financial statements, and evaluation reports.
- 7.16 The subexecuting agencies will prepare and deliver, on a timely basis, to MINFIN all the information it needs to comply with the requirements of paragraph 7.15 above.
- 7.17 Each subexecuting agency will notify the Bank of the officials responsible for general coordination, procurement management, and financial management of the relevant component.
- 7.18 The Operating Regulations will provide a detailed description of the program execution arrangements, the composition of the MINFIN management team, the responsibilities of each subexecuting agency, and the registration, communication, and reporting processes governing the collaboration between suppliers and subexecuting agencies.