

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PARAGUAY

**PROJECT TO SUPPORT EXTENDED SCHOOL DAYS AND IMPROVED
TRANSPORTATION CONDITIONS FOR STUDENTS ATTENDING RURAL
OFFICIAL SCHOOLS**

(PR-L1097)

LOAN PROPOSAL

This document was prepared by the project team consisting of Mercedes Mateo (EDU/CCH) Project Team Leader; María Luisa Iribarren (SCL/EDU); Juanita Caycedo (SCL/EDU); Livia Mueller (SCL/EDU); Marta Corvalán (CSC/CPR); Raúl Lozano (FMP/CPR); Mariano Perales (FMP/CPR); Alberto de Egea (FMP/CPR); Bruno Candia (FMP/CPR); and Javier Jiménez (LEG/SGO).

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ABBREVIATIONS

AWP	Annual work plan
DGEIyEB	Dirección General de Educación Inicial and Escolar Básica [Directorate General of Early Childhood and Basic Education]
FONACIDE	Fondo Nacional de Inversión Pública y Desarrollo [National Public Investment and Development Fund]
ICT	Information and communications technology
LIBOR	London Interbank Offered Rate
MEC	Ministry of Education and Culture
PEP	Project execution plan
PMT	Project Management Team
SNEPE	Sistema Nacional de Evaluación del Proceso Educativo [National Education Process Evaluation System]
SUAF	Sub-Unidad de Administración Financiera [Financial Management Sub-unit]
TERCE	Tercer Estudio Regional Comparativo and Explicativo [Third Regional Comparative and Explanatory Study]
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UOC	Unidad Operativa de Contrataciones [Procurement Operating Unit]

PROJECT SUMMARY

PARAGUAY

PROJECT TO SUPPORT EXTENDED SCHOOL DAYS AND IMPROVED TRANSPORTATION CONDITIONS FOR STUDENTS ATTENDING RURAL OFFICIAL SCHOOLS (PR-L1097)

Financial Terms and Conditions				
Borrower: Republic of Paraguay			Flexible Financing Facility^(a)	
			Amortization period:	25 years
Executing agency: Ministry of Education and Culture (MEC)			Original weighted-average life:	15.25 years ^(b)
			Disbursement period:	5 years
Source	Amount (US\$)	%	Grace period:	5.5 years
IDB (Ordinary Capital)	20,000,000	100	Inspection and supervision fee:	^(c)
			Interest rate:	LIBOR-based
			Credit fee:	^(c)
Total	20,000,000	100	Currency of approval:	U.S. dollars from the Ordinary Capital
Project at a Glance				
Project objective/description: The project's general objective will be to improve the learning outcomes of students in the 1st and 2nd cycles of basic education in schools implementing the extended school day, and to implement a pilot offering transportation options for students attending official schools in rural areas. The specific objectives include: (i) developing and implementing pedagogic innovations that support extending the school day in official schools; (ii) supporting the development of schools' management autonomy and capacity, by making school management tools available in the administrative, pedagogic, organizational, and community spheres; (iii) showing results from the impact of these changes on learning outcomes; and (iv) producing documented evidence of the transportation needs of students in rural or sparsely populated zones, and performing a cost-benefit analysis of transportation options as intersectoral inputs for the education policy.				
Special contractual conditions precedent to the first disbursement: Implementation of the following actions will be conditions precedent to the first disbursement: (i) creation of a programs and projects execution unit, with Financial Management Sub-unit and Procurement Operating Unit ^(d) status, and entry into force of its organizational, functional, and procedural manual (paragraph 3.1); (ii) creation and staffing of the Project Management Team (paragraph 3.2); (iii) creation of a Programs and Projects Board and appointment of its members (paragraph 3.4); (iv) approval and entry into force of the project's Operating Regulations under the terms and conditions agreed upon previously with the Bank (paragraph 3.6); and (v) implementation by the executing agency of a financial, account-keeping, and accountability system for project execution (paragraph 3.7).				
Strategic Alignment				
Challenges:^(e)	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
Crosscutting issues:^(f)	CC	<input type="checkbox"/>	GD	<input checked="" 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. When considering such requests, the Bank will take operational and risk management considerations into account.

^(b) The original 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 provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans.

^(d) The unit must have sufficient operational, budgetary, financial, procurement, and technical autonomy to carry out MEC programs and projects.

^(e) SI (Social inclusion and equality), PI (Productivity and innovation), and EI (Economic integration).

^(f) CC (Climate change and environmental sustainability), GD (Gender equality and diversity), and IC (Institutional capacity and rule of law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, rationale

- 1.1 Formal education in Paraguay is compulsory and free, from early childhood education through secondary. The Ministry of Education and Culture (MEC) is responsible for education policy and school management. The Paraguayan education system is structured as follows: (i) early childhood education: from birth to four years of age;¹ (ii) preschool for five year-olds; (iii) basic education: first cycle (1st, 2nd, and 3rd grades) from 6 to 8 years of age; second cycle (4th, 5th, and 6th grades), from 9 to 11 years of age; and third cycle (7th, 8th, and 9th grade), from 12 to 14 years of age; (iv) secondary education² from 15 to 17 years of age; and (v) higher education³ as from 18 years of age. The country has 8,200 schools offering basic education, of which 64% are in rural zones, accounting for 39% of total enrollment. Many of those schools are small (77% have fewer than 200 pupils). Nearly all schools in Paraguay (83.2%) are publicly run, and these account for 77% of student enrollment. The remainder are either privately managed subsidized schools (10.6%) or wholly private (6.2%).
- 1.2 The education system faces major challenges in terms of both the quality of learning and equity (see Table I-1). The literature identifies education quality as one of the key determinants of economic growth and development (Hanushek and Wößmann, 2007, 2012; Hanushek, 2012). In this regard, Paraguay displays a low level of student learning as measured by national and international tests. The results of national tests to evaluate students in 3rd, 6th, and 9th grades (SNEPE 2010)⁴ show that, in language, between 30% and 45% of students, depending on the grade, do not achieve more than Level I out of IV;⁵ and in mathematics the equivalent figure is around 50%. According to the Third Regional Comparative and Explanatory Study (TERCE) tests for 3rd-6th grades of basic education, Paraguay is below the Latin American average (UNESCO, 2015).⁶ These performance differences are further accentuated when urban and rural schools are compared, with differences of up to 74 points in 6th grade reading, 49 points in 3rd grade reading, 33 points in 6th grade mathematics, or 46 points in 6th grade science (UNESCO, 2015).

¹ Includes preschool and pre-kindergarten from birth to three years of age, and kindergarten for four-year-olds.

² Includes the scientific and technical baccalaureate or vocational training.

³ Includes university or higher technical training and teacher training.

⁴ The National Education Process Evaluation System (SNEPE) was created in 1996. The latest SNEPE test was applied in 2010 to a national sample of students in the terminal grades of the three basic education cycles (i.e. 3rd, 6th, and 9th grades).

⁵ See [Optional link #7](#), Note 1.

⁶ See [Optional link #7](#), Note 2.

Table I-1 Main Education Indicators by Income and Zone

ACCESS	Average	Quintile 1	Quintile 5	Urban	Rural
1. Percentage of children attending school by age group					
a. 5 year-olds	65.5	50.5	91.2	74.9	52.7
b. 6 to 11 year-olds	97.8	95.6	99.7	98.5	96.9
c. 12 to 17 year-olds	85.8	79.0	95.0	91.5	79.1
2. Net enrollment rate					
a. Primary (6-11 year-olds)	89.3	88.4	85.5	89.8	88.7
b. 1st cycle of secondary (12-14 year-olds)	64.6	49.2	76.6	73.5	54.0
c. 2nd cycle of secondary (baccalaureate) (15-17 year-olds)	49.1	32.8	66.2	58.2	38.2
COMPLETION	Average	Quintile 1	Quintile 5	Urban	Rural
4. Percentage of children who successfully complete at least:					
a. 6 years of schooling (primary complete)	92.4	83.9	96.8	96.2	87.5
b. 9 years of schooling (first cycle of secondary complete)	61.6	42.4	83.0	70.9	49.3
c. 12 years of schooling (secondary complete)	29.1	7.2	52.9	41.0	9.5
d. 15 years of schooling (at least three years of higher education complete)	8.1		15.7	10.3	3.5

Note: See the description of the calculations in [Optional link #7](#), Note 3.

- 1.3 Poor educational quality stems from multiple factors that need to be addressed on an integrated basis, among which the following are the most important in Paraguay:⁷ teacher training and their pedagogic practices;⁸ class time spent learning (Paraguay has the fewest compulsory teaching hours in Latin America and the Caribbean);⁹ school absenteeism, in many cases related to access difficulties owing to distance or lack of transportation;¹⁰ and insufficient physical

⁷ The [Education Sector Note](#) presents a diagnostic assessment of education in Paraguay and identifies the following factors underlying low student performance: poor quality of educational service supply (physical and pedagogic resources, teachers, pedagogic models and practices), institutional weakness, a low preschool coverage rate, and inequality.

⁸ The assessment tests applied to new teachers reveal one of the key problems of education in Paraguay: over 50% of applicants for teaching and school management posts do not achieve the minimum scores required (Vaillant D., 2013). A recent Bank study shows that, in a total of 100 science classes in Paraguay, the teacher committed at least one error in 59 cases, and most of these were of a conceptual nature. In 90% of the cases, neither the students nor the teacher noticed the error. Moreover, in 48% of situations in which the students made a mistake, the teacher failed to correct it or guide the student towards discovering it (Loera A., 2012).

⁹ See UNESCO (2008, 2013). See also Holland, P.; Alfaro, P., and Evans, D.K. (2015), "Extending the School Day in Latin America and the Caribbean," World Bank Policy Research Working Paper 7309, pp. 29.

¹⁰ Two thirds (66.8%) of the population ages 5-17 who do not attend school live in rural zones (Vera, 2012).

and pedagogical resources in the schools, including the availability and organization of educational spaces.¹¹

- 1.4 The foregoing is compounded by an institutionally weak system, the strengthening of which is a priority in terms of capacity for stewardship, the planning and formulation of strategic proposals, and the regulation and administration of public schools by the MEC in conjunction with the departments and municipios.¹² The MEC at the central level, and the departmental governments (gubernaciones) and municipios at the local level, all participate in education planning and management. To improve institutional management (articulation, coordination, and distribution of responsibilities), the MEC is working on a deconcentration strategy to enhance the efficiency of decision-making by devolving it to the corresponding level.¹³ For the deconcentration process to be effective, it is important that administrative tasks are decentralized, that planning and pedagogic support capacities are developed at intermediate levels, and that the preparation and management of strategic lines and interagency coordination are kept centralized to ensure consistency and equity in the application of education policy. Ministerial Resolution 10.711/2000 creates Departmental Education Boards and approves a new system of education supervision aimed at promoting the deconcentration of education services. Despite formal efforts, in practice the model remains heavily centralized, and it has proven impossible to transfer responsibilities to local management entities. This has resulted in: a lack of mechanisms for supervising and managing teaching staff, with major delays in responses to administrative and pedagogic issues; lack of mechanisms to monitor the strategic management of the school; absence of spaces for families and communities to participate in education processes; and weak coordination between the MEC and the departmental governments and municipios.¹⁴
- 1.5 To address these challenges and steer education reform towards new horizons, the Paraguayan government increased education funding through Law 4.758 of 30 August 2012, creating the National Public Investment and Development Fund (FONACIDE) and, as part of it, the Fund for Excellence in Education and Research. This fund is financed entirely from royalties obtained from the Itaipú dam; 30% of these resources are used to finance the Fund for Excellence in Education and Research, and another 25% is for the departmental and municipal governments. Roughly US\$150 million is allocated to education each year, and

¹¹ Per capita spending on education is less than the average of Mercosur countries and also below the regional average (Morduchowicz, 2012). This exposes investment shortcomings in key inputs such as physical resources (infrastructure), materials, and pedagogic-curricular practices, or in teacher training and management (Duarte, Gargiulo, and Moreno, 2011). The evidence shows that infrastructure, although not a sufficient condition, is necessary to facilitate learning. For example, a Bank study for Latin America and the Caribbean (Duarte J., Bos S. and Moreno M., 2009) reports an association between learning outcomes and factors related to the family, the classroom and the school, the absence or low level of which affect education results. These findings are confirmed in Paraguay (Jimenez, 2009), particularly in terms of an insufficiency of learning resources (science laboratories, computer rooms, libraries, ICTs) and the need to upgrade school buildings and basic services, such as hygiene and access to drinking water.

¹² From a strategic standpoint, the recent literature recommends pursuing a systemic approach, where the critical factors are developed jointly and generate the synergy needed to improve education performance (Mourshed, Chijioko, and Barber, 2010).

¹³ See General Education Law 1264/98, Articles 6, 16, 9, and 117.

¹⁴ See [Optional link #6](#).

this will be used to complete the additional expenditure on infrastructure and human resources needed for this project (for details see paragraph 1.7).¹⁵

- 1.6 One of the MEC's priorities, which is consistent with the objectives of FONACIDE, is to improve the quality of basic education services by reinforcing individual schools. Reinforced schools will be beneficiaries of the school day extension project, and are geographically located in the radius of smaller schools with fewer physical and human resources. They are expected to gradually absorb the demand from the smaller schools.¹⁶ At the early childhood and basic education levels, schools currently offer four hours of classes per day on five days of the week, for 38 weeks of the year. The intention is to extend the school day for the first two basic education cycles.
- 1.7 In that context, this operation aims to complement and contribute to the integrated nature of the actions being undertaken in the education sector, particularly with FONACIDE resources, while at the same time maintaining a specific intervention unit that can be evaluated independently of other national programs. The latter include: the expansion and replacement of school spaces (roughly US\$35 million); training for educators to improve learning outcomes (roughly US\$50 million);¹⁷ the improvement of learning conditions by harnessing information and communication technologies (ICTs) (US\$145 million); extension of the supply of education services to children ages 0 to 5 (roughly US\$20 million for formal education); and the design and implementation of student learning appraisals (US\$17.4 million).¹⁸ Nonetheless, to optimize the results of these investments, it is important that they be implemented on an articulated basis and as scheduled. In particular, the physical spaces needed in the target schools are expected to be available when implementation begins (see paragraph 2.7).¹⁹
- 1.8 **Project strategy.** The proposed intervention is targeted on the organization of time and school space in a subset of 664 of the 1,292 early childhood and basic education schools, selected for reinforcement²⁰ with a full school day. The project would finance an initial expansion stage (2017-2020) targeting the 1st and 2nd cycles of basic education (6-11 years of age). In the selected schools, the amount of time that pupils will spend in school each day will be increased from four to eight

¹⁵ Investment in education currently amounts to US\$946 million (2014 data), which represents roughly 3.6% of Paraguay's GDP. The United Nations Educational, Scientific, and Cultural Organization (UNESCO) recommends that at least 7% of GDP should be allocated to education. FONACIDE funding for 2014-2018 is projected at around US\$530 million. A comparative study on public expenditure per student by the International Standard Classification of Education shows that Paraguay invests less than US\$500 per student each year in the 1st and 2nd cycles of basic education, which is the lowest amount in the region.

¹⁶ See the list of reinforced and associated schools in [Optional link #7](#), Note 4.

¹⁷ See [Optional link #7](#), Note 5.

¹⁸ This does not include the total amounts of each of the FONACIDE projects, but only of those projects that benefit schools covered by the MEC school day extension program.

¹⁹ The Ministry will publish a resolution listing the schools benefiting from this program. The project to expand and replace school physical facilities, financed from FONACIDE, will prioritize actions in those schools according to their infrastructure needs. Teacher training and ICT projects will also prioritize those schools in their interventions.

²⁰ Pursuant to Resolution 2557/14.

- hours, including lunch.²¹ In the curriculum, some priority academic areas receive extra class hours (language and mathematics in particular). In addition, foreign language instruction will be added. Pedagogic innovations will also be developed and implemented to help improve how the additional teaching time is used.²²
- 1.9 Many of the region's countries are opting to lengthen the amount of time spent in school as a strategy to improve quality.²³ Nonetheless, there is evidence of inefficiencies in the way schools use the time they have available today (see Bruns and Luque, 2014). Most of the available evidence on extending the school day in Latin America and the Caribbean comes from quasi-experimental evaluations.²⁴ Recent evidence from Colombia and Uruguay suggests that lengthening the school day produces positive academic and extracurricular results, particularly among students from the lowest socioeconomic level (Hincapie, 2014; Cerdán-Infantes and Vermeersch, 2007). Similar evidence has been found in Argentina, Chile, and Mexico (Llach et al., 2009; Valenzuela, 2005; Garcia, 2006; Toledo Badilla, 2008; Bellei, 2009; Arzola, 2011; Bonilla-Mejia, 2011; CabreraHernandez, 2015; Pires and Urzua, 2014). Studies that have analyzed experiences in Chile, Uruguay, Colombia, and Mexico have found an average impact of 0.1 standard deviations in students' scores on mathematics and language tests, which is a considerable achievement, although less than the effects of other educational actions. Some of the impacts on education are seen in the long term, years after the pupils were exposed to longer school days (Pires and Urzua, 2014).
 - 1.10 The evidence also shows that there are positive effects on other educational outcomes, such as secondary school graduation rates (Llach et al., 2009) and dropout and repeater rates (Garcia et al., 2013). There is evidence suggesting a 2.2 percentage point increase in students' performance on the graduation exams (Bonilla-Mejia, 2011); a reduction of 2 to 5 percentage points in the probability of dropout (Garcia et al., 2013); and a 21% increase in secondary school graduation rates (Llach et al., 2009). In addition to the educational results, extending the school day seems to have an effect on risk behavior, reducing teen pregnancy rates and participation in criminal activities (Kruger and Berthelon, 2009; Pires and Urzua, 2014).
 - 1.11 Outside the region, research has concentrated mainly on the effect of providing a "double dose" of instruction and teaching time in core subjects such as mathematics and language. In this type of intervention, students go to regular classes but receive a supplement with extra instruction time. Double-dosing in algebra has had a positive effect (Nomi and Allensworth, 2010; Cortes, Goodman and Nomi, 2015), as has double-dosing in language (Dougherty, 2015). These actions mainly target the weaker students, but there is no evidence of the effect of changes in teaching time for students with different performance levels and abilities.

²¹ Pupils attending the morning and afternoon shifts currently receive breakfast or an afternoon snack, respectively.

²² See [Optional link #7](#), Note 6.

²³ See policies on extending the school day in Latin America and the Caribbean in [Optional link #7](#), Note 7.

²⁴ For recent comparative evidence on the positive relationship between the number of hours and educational outcomes, see OECD (2015), *Is spending more hours in class better for learning?*

- 1.12 Formally increasing the time that students spend in school, and using those additional hours for more effective pedagogic practices does not resolve the problem of learning if the students do not go to school.²⁵ Numerous research studies have shown the relation between levels of academic achievement and regular class attendance²⁶ (e.g. American Biology Teacher, 2003; Devadoss and Foltz, 1996; Gump, 2005; Morrissey, Hutchison and Winsler, 2013; Steward, 2002). In other words, students with lower rates of absenteeism and tardies score better on achievement tests of any type, particularly in vulnerable or disadvantaged contexts (Gatherer and Manning, 1998). Evidence of this can be seen at the different education levels, such as primary (Morrissey, Hutchison and Winsler, 2013), secondary (Steward, 2002), and university (American Biology Teacher, 2003; Devadoss and Foltz, 1996; Gatherer and Manning, 1998; Stanca, 2004; Webb, Christian, and Armitage, 2007). Absenteeism is associated with various causes (IDB, 2014), but the rate tends to be higher among students living in rural zones who are further from the school, or those who, while living close by, have access or transportation difficulties (Cunningham, 2005; Gibbison and Murphy, 2003; Severin, 2007). For every young person who completes secondary school in the rural area, over four do so in urban zones (Alfonso, Bos, Duarte and Rondón, 2012).
- 1.13 Lastly, with respect to the institutional challenges mentioned in paragraph 1.4, the evidence shows that effective educational leadership practices at the local level can produce significant improvements in student learning.²⁷ In particular, effective school districts are characterized by: strategically planning and implementing improvement strategies based on a clear theory of action on how to affect the pedagogic core;²⁸ having a consistent and integrated strategy to produce better learning outcomes (including various areas such as curriculum, teaching strategies, or professional development);²⁹ having a strategy to develop and provide support to school leaders;³⁰ and sustaining a culture of continuous improvement using data to identify improvement needs both at the systemic-district level and in individual schools.³¹
- 1.14 In view of all of the above, this project aims to support school-day extension in Paraguay by developing and implementing pedagogic innovations that help improve how the additional instruction time is used; strengthening the management capacity of the schools; and providing transportation options for students. By lengthening the school day, the aim is to increase the proportion of

²⁵ The results of TERCE (UNESCO, 2015) show that students who miss classes twice or more per month tend to score between 10 and 33 points lower.

²⁶ See [Optional link #7](#), Note 8.

²⁷ See Louis, K. S., Leithwood, K., Wahlstrom, K., Anderson, S. (2010); Leithwood, K., and Jantzi, D. (2008); Campbell, C., Fullan, M., Glaze, A. (2006); Childress, S., Elmore, R.F., Grossman, A. and Johnson, S.M. (Eds.) (2007).

²⁸ See Leithwood, K. (2013).

²⁹ See Honig, M. I., Copland, M. A., Rainey, L., Lorton, J. A., and Newton, M. (2010); Childress, S., Elmore, R.F., Grossman, A. and Johnson, S.M. (Eds.) (2007).

³⁰ See Augustine, C. H., Gonzalez, G., Ikemoto, G. S., Russell, J., Zellman, G. L., Constant, L., and Dembosky, J. W. (2009); Ikemoto, G., Taliaferro, L., Fenton, B. and Davis, J. (2014).

³¹ See Louis, K. S., Leithwood, K., Wahlstrom, K., Anderson, S. (2010); Honig, M. I., Copland, M. A., Rainey, L., Lorton, J. A., and Newton, M. (2010).

students who stay in school and improve learning outcomes in language and mathematics.

- 1.15 The proposed intervention has a strategic value, not only for Paraguay, but also for the region as a whole, given the numerous countries that have implemented or are currently implementing programs to extend the school day. However, there is no experimental evidence of the impact of additional instruction hours on student learning outcomes. For that reason, the operation includes a project evaluation component, which will be crucial for documenting the contribution made by the additional hours of exposure to language and mathematics instruction, and academic performance in both subjects; and to generate solid evidence on how to maximize the benefits of this type of project, for use in other countries.
- 1.16 The extended school day will be phased in at 1,292 schools across the country³² selected by the MEC pursuant to Resolution 2557/14: (i) official schools, which offer at least one grade of early childhood education; (ii) those offering at least one grade of the 3rd cycle of basic education; (iii) schools with a total enrollment of at least 182 pupils; and (iv) schools offering all grades of the 1st and 2nd cycles of basic education.³³ An effort has been made to maintain consistency with the investments the MEC is making through other ongoing projects (Escuela Viva II or FONACIDE). Lastly, the 71 schools that have already begun the extended school day will be included in the program but not in the impact assessment.³⁴
- 1.17 **Lessons learned and relation with other Bank operations in the country.** Apart from responding to the country's needs and its government's priorities, the project is aligned with the Bank's policies and strategies in the sector and country, and it complements other ongoing actions such as the project in execution "Escuela Viva II" (loan 1880/BL-PR), the "Matemática en mi escuela" [Mathematics in my school] technical cooperation operations financed by the Japan Fund (ATN/SF-11948-PR and ATN/JO-13252-PR), and the technical cooperation program to support development of the Scholas model (ATN/KP-15013-PR and ATN/OC-15012-PR),³⁵ which are implementing pedagogic innovations that will form the basis for developing the innovations proposed under this project to extend the school day in basic education. Lastly, this operation will provide the first experimental evidence in Latin America and the Caribbean of the impact of extending the school day on learning outcomes, as described in detail in paragraphs 1.9-1.11, 1.24, 3.10, and 3.11, which will serve as essential input for the design of future projects.
- 1.18 The implementation arrangements for the present operation have incorporated lessons learned, in particular, those from the education reform strengthening programs—Escuela Viva I and II (loans 1254/OC-PR; 1880/BL-PR), and the Preschool and Early Childhood Education Improvement Program (loan 1467/OC-PR). Several lessons learned from the experience of these earlier operations have been identified and included in the design of the operation, including the importance of: (i) ensuring effective coordination and efficient

³² A total of 71 schools have already started the extended school day.

³³ The inclusion criteria must be implemented simultaneously. See [Optional link #7](#), Note 9.

³⁴ See list of schools in [Optional link #5](#).

³⁵ See [Optional link #7](#), Note 10.

processes owing to the existence of a multiplicity of actors within the MEC at the central and local levels, who interact in the different activities of the projects; for that purpose, the local management and supervision units will be strengthened through the project (Departmental Coordination Offices); (ii) strengthening programming and monitoring capacity to integrate technical and operational issues; for which purpose the project will set up school management teams and development of a school management monitoring system; (iii) guaranteeing closer articulation between the different projects that are being implemented to ensure that the technical-pedagogic activities are properly developed; for which purpose the implementation arrangements will include the creation of a Projects and Programs Board, to coordinate the implementation of MEC investment projects; (iv) actively involving families in school and educational management, particularly in rural settings; for which activities have been programmed to support the link between school and family, strengthening, among other things, the already existing School Cooperation Associations (ACEs);³⁶ (v) bearing in mind that new pedagogic proposals are more readily accepted when teachers are given quality pedagogic materials and clearly defined classroom strategies; for this, proposals that have already proven effective will be scaled up and used as a principle for developing additional pedagogic innovations; and (vi) paying special attention to the modality and content of teacher training, including the training of principals in school management; for which purpose teams in the schools will receive instruction in the use of information on learning outcomes, processes, and accountability generated through the school monitoring and management system.

- 1.19 **The Bank's strategy with the country and in the sector.** The proposed operation is aligned with the Bank's country strategy with Paraguay (2014-2018) (document GN-2805), as part of the crosscutting objective of supporting the investment of FONACIDE resources (see paragraphs 3.38 and 3.39). The project is consistent with the update to the Institutional Strategy 2010-2020 (document GN-2788-5) and is directly aligned with the following development challenges: (i) social inclusion and equality; and (ii) productivity and innovation, helping to build high-quality human capital by improving the vulnerable population's access to better education offerings. It is also aligned with the crosscutting area of gender equality and diversity. In addition, it will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-4) through the number of students benefiting from education projects. The operation is aligned with the Bank's Strategy on Social Policy for Equity and Productivity (document GN-2588-4); and with Dimensions of Success 1, 4, and 5 of the Education and Early Childhood Development Sector Framework Document, namely "high expectations for student learning guide education services," "students have access to effective teachers," and "schools have adequate resources and are able to use them for learning" (document GN-2708-2).

B. Objectives, components, and cost

- 1.20 **Objective.** The project's general objective will be to improve learning outcomes among students in the 1st and 2nd cycles of basic education in schools implementing the extended school day, and the implementation of a pilot scheme offering transportation options for students attending official schools located in rural

³⁶ See [Optional link #7](#), Note 11.

areas. The specific objectives include: (i) developing and implementing pedagogic innovations that support extending the school day in official schools; (ii) supporting the development of schools' management autonomy and capacity by making school management tools available in the administrative, pedagogic, organizational, and community spheres; (iii) showing results of the impact of these changes on learning outcomes; and (iv) producing documented evidence of the transportation needs of students in rural or sparsely populated zones, and performing a cost-benefit analysis of transportation options as intersectoral inputs for the education policy. The project will have the following components:

- 1.21 **Component I: Development and implementation of pedagogic innovations (US\$13,441,279).** The pedagogic component is crucial since the evidence shows that improvements obtained by increasing time spent in school could be relatively modest if they are not accompanied by reforms in organizational and pedagogic practices, including curricular design and the teaching team.³⁷ Cost-benefit analyses suggest that greater impacts are needed to make the investment worthwhile.³⁸ This component seeks to provide teachers with the inputs they need to apply more effective pedagogic practices in the classroom. For that purpose, the project will finance: (i) the development of content, didactic materials, and training programs to implement new practices in the areas of language (reading-writing), mathematics, sciences and foreign language; (ii) support for the creation of educational spaces;³⁹ and (iii) the implementation of pedagogic innovations in the selected schools pursuant to the criteria defined in paragraph 1.16 and in the Monitoring and Evaluation Plan ([Required link #3](#)), including coaching and tutoring activities. This will also include activities related to implementing the Scholas modules (see [Optional link #7](#), Note 10), which will be introduced as part of the extracurricular content of the schools implementing the extended school day.
- 1.22 **Component II: Strengthening of school autonomy (US\$1,841,122).** The management component will support the MEC in the process of progressively devolving responsibilities to local management levels, strengthening mechanisms for the supervision and management of teaching staff, creating mechanisms for monitoring the management of the schools, creating spaces for participation by families and communities, and strengthening coordination between the different levels. This component aims to support the strengthening of the management capacity of the schools, municipios and departments in administering education, to ensure articulation and sustainability of the new modalities for extending the school day. The main activities would be: (i) support for the development of Departmental Supervision Coordination Offices;⁴⁰ (ii) support for the creation of management teams in schools;⁴¹ (iii) support for the formation of School Councils;⁴² (iv) support

³⁷ On pedagogic practices, see Bruns and Luque (2014); Araujo, Carneiro, Cruz-Aguayo, and Schady (2014); on teachers, see Rivkin, Hanushek, and Kain, 2005; Rockoff, 2004; Hanushek, 2011; Chetty, 2014.

³⁸ See Holland et al., 2015.

³⁹ Provision of extra classes if necessary to complement the investments in education spaces that are being funded from other sources.

⁴⁰ See [Optional link #7](#), Note 11.

⁴¹ See [Optional link #7](#), Note 11.

⁴² See [Optional link #7](#), Note 11.

for the link between schools, and between school, family, and community;⁴³ (v) development of a monitoring and information system to improve results and school management; and (vi) training of teams in the schools to use information for management and monitoring of learning outcomes, to improve processes at the school level, and for accountability purposes.

- 1.23 **Component III: Improvement of transportation conditions for students attending rural official schools (US\$3,074,800).** To address problems of access to schools in rural and vulnerable zones, the third component of the project will implement two school transportation pilots (see [Optional link #4](#)). The project will thus help to identify cost-effective ways of transporting students to the reinforced schools in rural areas. Changes in the behavior of demand are expected when the families of students who currently attend small rural schools decide to transfer them to the reinforced schools, which will offer a better education service. This component has been developed to serve students from vulnerable families in particular, because evidence suggests that the distance from home to school could be an important factor in school dropout.⁴⁴ The proposed activities would be: (i) development of transportation solutions based on existing schemes implemented by the MEC and other successful international experiences; (ii) implementation of pilots in selected schools;⁴⁵ and (iii) cost-benefit analysis of the different interventions.⁴⁶
- 1.24 **Component IV: Monitoring and evaluation of results (US\$590,000).** This component will finance monitoring and evaluation of the project (see paragraph 3.10). The monitoring activities include: (i) tracking of school time organization plans, including an analysis of their contents and monitoring of execution, adjustments, and any changes; (ii) annual management report; and (iii) process evaluations. In addition, an experimental impact evaluation will be performed. The project will finance all of the actions needed to evaluate the effects of extending the school day on student learning outcomes, both through the impact assessment and through the two process evaluations envisaged, thereby generating useful evidence for decision-making, and for making adjustments to project processes and to the education system as a whole.
- 1.25 **Administration and audit costs (US\$1,082,799).** Funding will also be provided for the project's administration costs (roughly 5% of project resources), and for the cost of the project's external audit.
- 1.26 **Cost and financing.** The total cost of the project is US\$20 million, wholly financed from the proceeds of the Bank's Ordinary Capital, as shown in Table I-1. The itemized budget is included in [Optional link #2](#).

⁴³ See [Optional link #7](#), Note 11.

⁴⁴ On the differential impact between boys and girls see, for example, McMillan et al., 2006.

⁴⁵ See the selection criteria in [Optional link #4](#).

⁴⁶ The evaluation will be performed with resources allocated to this component, rather than Component IV.

Table I-1: Global Budget, by Component (US\$)

Table of Costs by Component		IDB	%
1	Component I: Development and implementation of pedagogic innovations	13,411,279	67.1%
2	Component II: Strengthening of school autonomy	1,841,122	9.2 %
3	Component III: Improvement of transportation conditions for students attending rural official schools	3,074,800	15.4%
4	Component IV: Monitoring and evaluation of results	590,000	3%
5	Project administration	962,799	4.8%
6	External audit	120,000	0.6%
Total		20,000,000	100.0%

Note: This operation does not involve a local counterpart.

C. Key outcome indicators

- 1.27 The main impact indicators contained in the Results Matrix are: the differential in language test scores achieved by students in the 2nd cycle of basic education who are exposed to additional instruction hours compared to those who attend the regular school day; and the same in the case of the mathematics test (see Annex II).
- 1.28 The project's expected outcomes are that: (i) at least 156,000 students from the first cycle (1st, 2nd, and 3rd grades) and from the second cycle (4th, 5th and 6th grades) are benefiting from the extended school day, with improvements in learning outcomes in language and mathematics in the 2nd cycle of basic education; (ii) 664 schools under the extended day regime apply pedagogic innovations in the classroom (Component I) and have strengthened their management capacity (Component II); (iii) 80 schools have benefited from implementing school transportation pilots to make it easier for students to get to school, while at the same time generating information that makes it possible to replicate the most successful experiences in other schools (Component III); and (iv) there is a robust evaluation on the effect of extending the school day on student learning outcomes in language and mathematics. This information will be used to enable the MEC to fine-tune the interventions and processes to make them more effective.
- 1.29 **Cost-benefit evaluation.** The project's ex ante economic cost-benefit analysis reported positive results (see [Optional link #1](#)). The main benefits that were quantified are linked to expected wage differentials in the future, obtained by those covered by the extended school day project. The following direct benefits have been identified in this connection: (i) the average marginal income increment for each year of schooling in excess of the national average; (ii) the reduction in grade repetition, deferral, and dropout in the 1st and 2nd cycles of basic education; and (iii) the increase in the average number of years of schooling in the treatment group. The rate of return is calculated in terms of the average increase in annual incomes earned by the targeted students, when they reach working age, in relation to average years of schooling. This takes the national average of 8.6 years of schooling as a base level, and measures the marginal increase in average income

among students (of working age) who were covered by the program, for each year of schooling above the national average. As this project has not considered all the actions and corresponding costs involved in implementing the extended school day, a scenario was estimated including the investment in infrastructure in those schools that will be funded from national resources. The results show that a social internal rate of return of 44% would be achieved in this context. The results are sensitive to the number of students covered by the project, and the average return estimated for each additional year of schooling.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The financing instrument is a specific investment loan funded from the Bank's Ordinary Capital. The disbursement period will be five years, with the following estimated schedule:

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

SOURCE	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
	2017	2018	2019	2020	2021		
IDB	2,127,725	7,379,701	7,318,356	2,056,495	1,117,723	20,000,000	100%
Total	2,127,725	7,379,701	7,318,356	2,056,495	1,117,723	20,000,000	
%	11%	37%	37%	10%	6%	100%	

B. Environmental and social risks

- 2.2 According to the guidelines of the Bank's Environment and Safeguards Compliance Policy (document GN-2208-20) (OP-703) this has been classified as a category "C" operation, and no adverse social or environmental impact is expected. In principle, the project will not involve any construction works. Nonetheless, depending on progress in the implementation of the school infrastructure programs the country is financing from other sources, school spaces might require adaptation (kitchens, cafeterias, information technology classrooms, or sports facilities), involving minor costs and slight environmental impacts typical of small-scale civil works construction.

C. Fiduciary risks

- 2.3 Annex III, Fiduciary Agreements and Requirements, describes the risks identified, their potential impacts, and the mitigation actions foreseen to reduce the likelihood of their occurrence, based on the MEC's experience in implementing projects with the Bank. The main risks and their mitigation measures are as follows:
- 2.4 **Procurement risks.** A high risk of delay in fulfilling the schedule has been identified owing to the lack of an executing agency with operational and procurement capacity, and with budgetary and financial resources and responsibilities in respect of cash management, account-keeping, accountability, human resources, and administration. As mitigation measures, a Programs and Projects Execution Unit will be created, with SUAF-UOC status (see

paragraph 3.1); and the Project Management Team will receive training on the use of the Bank's procurement policies and planning instruments.

- 2.5 **Financial risks.** Potential delays in financial processes have been identified, mainly owing to the lack of an efficient financial, account-keeping, and accountability system. As a mitigating measure, the executing agency will set up a financial, account-keeping, and accountability system for project implementation that fulfills the financial management principles defined by the Bank (document OP-273-6).

D. Other project risks

- 2.6 The following risks have been identified, along with their mitigation measures:

- 2.7 **Public management and governance risks.** These include: (i) delayed legislative approval for the project (medium risk); and (ii) operational risks stemming from weak technical, management, and coordination capacity among stakeholders, particularly in the implementation of parallel projects, compounded by ineffective operational capacity to implement the project on time, and with the expected cost, scope, and quality (high risk). Activities such as the following will be undertaken as mitigation measures: (i) informing and enlisting parliament, and communication of the scope and importance of the project, to ensure adequate budgetary appropriation for the start of year 1 implementation; (ii) creation of a Board for strategic issues and high-level decisions on project implementation (see paragraph 3.4); (iii) implementation arrangements in which the central technical teams are supported by their zonal counterparts to reach the schools from the country's departments, ensuring the provision of resources needed to implement the activities; (iv) establishment of a project implementation scheme with a team that is highly qualified in project management, with competencies assigned for the project's technical-operational and fiduciary management, and with high management capacity articulated and coordinated with the MEC's functional units that will participate in developing the planned technical-pedagogic activities; (v) hiring/appointment of key technical staff according to the defined profiles, assigned full-time to project implementation; (vi) participation by the Departmental Education Boards, which will deal with local matters such as lunch, afternoon snack, transportation, among other things; and (vii) integrated planning of related projects.

- 2.8 **Development risks.** These include: (i) insufficient human resources at the MEC central level to undertake the project's activities (medium risk); and (ii) a failure to put school participation mechanisms into operation (medium risk). Mitigation measures include the following: (i) implementation of an incentives program based on management by results, particularly for the development of the technical-pedagogical activities in the field; (ii) prior to project execution,⁴⁷ the contracting of a high-level specialized consulting service to support project implementation and fulfillment of the conditions precedent to the first disbursement; (iii) creation of a programs and projects executing unit within the MEC, which has a Project Management Team with full-time responsibility for project implementation; (iv) the development of monitoring and management support strategies in the schools; (v) the development and implementation of communication and coordination

⁴⁷ During the process of approving the loan contract.

strategies for articulation between the schools, municipios and departments to ensure sustainable implementation of the extended school day; and (vi) the simplification of requirements for the formal constitution of the School Cooperation Associations. In addition, for project execution, consideration can be given to contracting a support firm that creates conditions for the efficient provision of logistics and operational services needed to develop the technical activities on the ground.⁴⁸

- 2.9 **Sustainability risks.** The risks associated with the strategic continuity of the project's actions are low. The Bank's operation forms part of a national policy consolidated in the 2014-2018 Strategic Agenda on Education,⁴⁹ which commands a high degree of consensus in Paraguay, having been disseminated and supported by key education stakeholders. In this connection, the country has already undertaken various preinvestment studies for the extension of the school day using the resources of the technical cooperation operation ATN/OC-13894-PR, in the context of preparing the Strategic Agenda.⁵⁰ Moreover, in principle, FONACIDE is ensuring a flow of resources that will make it possible to continue these and other complementary actions as they unfold. Roughly 40% of FONACIDE funding for 2014-2018 will be used to finance the additional investments needed to implement the extended school day (see paragraph 1.7).
- 2.10 Nonetheless, there could be a (medium) risk to project sustainability arising from: (i) failure to move towards progressive universalization of the provision of school lunches, particularly for the most vulnerable population;⁵¹ and (ii) capacity to secure financing alternatives to afford sustainability to the school transportation proposals when they need to be scaled up. To mitigate this risk, the MEC will develop a strategy with the municipios and departmental governments to prioritize resources received in the provision of school meals, and transportation when necessary. The MEC will also work with the Municipal and Departmental Governments Division of the Ministry of Finance, to prioritize the provision of school lunches (and transportation when necessary) at the subnational level.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Paraguay, and the executing agency will be the Ministry of Education and Culture (MEC) acting through a programs and projects execution unit soon to be created,⁵² which will be responsible for implementing all Ministry programs and projects. The unit will have UOC status⁵³ giving it capacity and autonomy to manage procurements and SUAF status, which in turn gives it capacity and autonomy to manage the

⁴⁸ The process of contracting the firm has been included as an item in the budget and in the procurement plan.

⁴⁹ See [Educational agenda](#).

⁵⁰ See Concha Albornoz, C. (2014), [Report C. Concha](#); and MEC (2014), [MEC Guidance Document](#).

⁵¹ See [Optional link #7](#), Note 12.

⁵² See [Optional link #7](#), Note 13.

⁵³ Procurement Operations Unit pursuant to Law 2051/03.

budget, and administrative, financial, account-keeping, and accountability processes, among other things.⁵⁴ **The creation of a programs and projects execution unit with SUAF-UOC status, and entry into force of its organizational, functional, and procedural manual, will be a condition precedent to the first disbursement.**

- 3.2 For the execution of this project, the unit mentioned in the foregoing paragraph will accommodate a Project Management Team (PMT) with full-time responsibility for the implementation of all of the project's planning, technical management, operational, fiduciary, and monitoring processes. Key PMT staff will be selected or hired, as per the profiles defined in the Operating Regulations. **The creation and staffing of the PMT will be a condition precedent to the first disbursement.**
- 3.3 To implement the technical-pedagogic activities, the PMT will work under the technical coordination of the Directorate General of Early Childhood and Basic Education (DGElyEB); and it will liaise and work in coordination with other permanent MEC units related directly or indirectly with the project, according to the mechanisms to be defined in the Operating Regulations.
- 3.4 The implementation arrangements also foresee a Programs and Projects Board for strategic issues and high level decision-making related to the coordination and execution of MEC investment projects financed with domestic and external resources, including this project. This will be formed as indicated in the Operating Regulations. **Creation of the Programs and Projects Board and appointment of its members will be a condition precedent to the first disbursement.**
- 3.5 At the local level, partnerships with the Departmental Education Boards will be strengthened to support collaboration with the PMT in articulating and coordinating the activities required and related to the project at the departmental and local levels, such as school lunch, afternoon snack, and transportation, among others. For the operational management of the project, the MEC will be able to contract a firm to support the PMT, which will be responsible for executing logistic and operational activities that generate the best conditions for developing the technical-pedagogic activities on the ground, including sending the central technical team⁵⁵ to the departments, and the zonal technical teams⁵⁶ to the beneficiary schools, among other things.

⁵⁴ Financial Management Sub-unit, pursuant to Law 1535/99.

⁵⁵ See [Optional link #7](#), Note 11.

⁵⁶ See [Optional link #7](#), Note 11.

- 3.6 **Operating Regulations.** The Operating Regulations, currently being prepared, will give details of the operation's implementation strategy. The Operating Regulations will include the following: (i) the project's organizational scheme; (ii) technical and operational arrangements for its execution; (iii) the programming, and results monitoring and evaluation arrangements; and (iv) guidelines for financial, audit, and procurement processes. In addition, the project's Operating Regulations will define the specific functions of the programs and projects execution unit, the PMT, the Project Board, and the Departmental Boards, for the purposes of project execution, and the responsibilities of other relevant MEC entities participating in the processes envisaged in this operation. Its annexes will include the following at least: (i) the project's results matrix; (ii) the fiduciary agreements and requirements; (iii) the monitoring and evaluation plan; and (iv) the itemized budget. **The approval and entry into force of the Operating Regulations under the terms and conditions approved previously by the Bank will be a contractual condition precedent to the first disbursement.**
- 3.7 **Financial and fiduciary management.** The project's procurement and financial management will abide by the corresponding Bank policies and the provisions of the Fiduciary Agreements and Requirements specified in Annex III. The project's executing agency will keep an up-to-date procurement plan, the original version of which has been validated by the Bank. **The implementation by the executing agency of a financial, account-keeping and accountability system for project execution will be a condition precedent to the first disbursement.**
- 3.8 **Financial statements and external audit.** The MEC will present, both annually and at the end of the project, financial statements relating to the activities financed by the loan, and an audited report thereon. These reports will be filed within 120 days following the end of the fiscal year (31 December) and the final report 120 days after the last disbursement, pursuant to the Bank's policy on financial management (document OP-273-6). Midterm reports may also be filed at the Bank's request. The external audit will be performed by an independent firm of auditors eligible for the Bank, or by the Supreme Audit Unit, if the executing agency so desires. The scope of the audit work will be subject to the terms of reference approved by the Bank. The external audit reports will be published in accordance with the Bank's Access to Information Policy (document GN-1831-28).
- B. Summary of results monitoring arrangements**
- 3.9 **Monitoring arrangements.** The PMT will present the following instruments as part of its monitoring system: (i) the project execution plan (PEP) and the annual work plans (AWPs), including the updating of risks and mitigation measures; (ii) updating, if applicable, of the project's Results Matrix; (iii) the procurement plan; (iv) financial planning, including the project disbursements projection; (v) the audited financial statements; and (vi) semiannual reports, including the progress achieved on the AWPs, the results obtained from the execution of the activities, and a plan of action for the following six months on matters that require corrective actions to improve project performance. The proposed evaluation system will include: (i) verification of fulfillment of the targets agreed upon in the Results Matrix (Annex II); and (ii) a performance monitoring report and its supervision plan aimed

at achieving results and the evaluation of the project's performance. In addition, process evaluations are planned for the end of years 2 and 3, and a final evaluation once 90% of the loan proceeds has been disbursed. The process evaluations will contain the following, among other things: (i) evaluation of the quality of the interventions from the technical-pedagogic, operational, and fiduciary standpoints; (ii) the results of financial execution; (iii) the fulfillment of output and outcome targets and progress towards the expected impacts; and (iv) the degree of compliance with contractual commitments. At the start of the project, the MEC, the Bank, and other relevant participants in its implementation will hold a startup workshop for the operation to present its planned objectives, expected results, execution arrangements, and technical and operational processes. They will also agree upon the final version of the management and planning tools to be used, and the annual values projected for the operation's intermediate outputs and outcomes. The workshop will produce an initial Project Monitoring Report (PMR).

- 3.10 **Arrangements for evaluating results.** Component IV of the project includes an evaluation to measure the impact of the extended school day project on students' academic results.⁵⁷ This will be evaluated by applying an experimental design. The evidence obtained from the evaluation will complement information generated by project monitoring and the two planned process evaluations for analyzing mechanisms through which the intervention generates the documented impacts and how they could be enhanced. The project's expansion strategy will be implemented on a staggered basis between 2018 and 2020 with groups of 200 schools entering each year. The schools will be randomly distributed between a treatment group and a control group; and their order of entry has also been randomly determined.
- 3.11 The evaluation will analyze the impact of extending the school day on student performance using the "double dose" approach, which will substantially increase instruction time in core subjects such as language and mathematics.
- 3.12 The Bank will perform an initial diagnostic assessment of the schools in the treatment and control groups, drawing on resources from technical cooperation operation ATN/KP-15013-PR. The diagnostic study will be repeated annually to document in detail the resources and processes of the project analyzed. In addition, performance in language and mathematics by students in the treatment and control groups will be evaluated every year. The different evaluation activities will involve close collaboration between the MEC's Planning Bureau and the Bank's technical team. Details of the project's monitoring and evaluation arrangements can be found at [Optional link #4](#).

⁵⁷ School day extension includes the components defined in paragraph 1.19.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity			
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-2769	Improve students' performance in language and communication.		
Country Program Results Matrix		Document under revision.		
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
		9.3		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		8.5	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		0.0		
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	Yes	In the context of the extended school day program, the MEC has requested Technical Cooperation support to develop a model for the provision of full school day educative services in vulnerable areas, centered in curricular and pedagogical innovations that focus on the practice of new technologies at school. Technical cooperations PR-T1180 and PR-T1195 will be used to elaborate a diagnosis of the schools that will benefit from the program with infrastructure, transport, numbers of students and teachers. A pilot with new pedagogical practices will be launched in a small number of schools.		
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	There is no experimental evidence in LAC about the impact of extended school day programs. Therefore, this evaluation will be the first to explore the causal links between more schooling hours and student achievement in the region. A majority of the existing evidence in LAC comes from quasi-experimental evaluations. Evidence from Argentina, Chile, Colombia, Uruguay, and Mexico show that longer school days have a positive effect on learning outcomes. Evidence also suggests that there are positive effects on other education outcomes, like high school graduation rates and drop-out and repetition rates. In addition to educational outcomes, extending school days seems to have an effect on risk behaviors, reducing the incidence of teen pregnancy and involvement in criminal activities. Most of the literature shows larger impact for more vulnerable students and schools. With an experimental design, this evaluation will analyze the impact of extending the school day on student achievement looking at the impact of additional instructional time on core subjects for students across the performance or ability distribution.		

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

The objective of this project is to improve students' learning. The SENEPE 2010 and TERCE 2015 national tests provide the data to support the need to improve student learning. The program also has the goal to implement a transportation pilot. This does not seem to be a development goal. The transportation pilot seems to rather aim to provide evidence on how to improve access. The diagnosis follows the framework laid in the education sector note for Paraguay. The project proposal identifies needs in physical and educational resources and teacher training. The project proposes to extend the school day. An extension would increase effective instructional time. As a complementary input, the project proposes to develop pedagogical innovations and educative materials. The project targets 664 schools for extended school hours. Target students include those enrolled in small schools in a near geographical radius to a target school. This implies an increase in the quantity of transport demanded. Another complementary input is improving the management capacity of the schools. International studies and country experiences provide evidence for the effectiveness of the proposed intervention.

The results matrix presents a clear vertical logic. The objectives of the project are listed together with the definitions of indicators to track progress. This results in a biased connotation in monitoring. The products listed include as a milestone the acquisition of hardware for schools to track attendance. However, the results matrix does not include this product. Moreover, the budget aggregates resources for this hardware and complementary software. These features result in discrepancies between the products and the detailed budget. As a result, this discrepancy results in a decrease in the evaluability score.

The economic analysis estimates project benefits and total costs. However, it includes costs for transportation subsidies for families, but there is no product associated to this cost. Additionally, the analysis assumes that students will improve scores in one additional school year. Yet, the results matrix proposes an increase of 0.1 standard deviations. This value is comparable to about a tenth of a one-school year according to evidence in other countries.

The evaluation method for the extended school day component is experimental. The evaluation relies on a group of about 600 schools to serve as a control group.

There were two main risks identified: lack of coordination between the actors involved and insufficient capacity of operational management. The mitigation actions included the creation of a board of directors, promoting the participation of departmental councils, and the implementation of comprehensive planning.

RESULTS MATRIX - PROJECT TO SUPPORT EXTENDED SCHOOL DAYS AND IMPROVED TRANSPORTATION CONDITIONS FOR STUDENTS ATTENDING RURAL OFFICIAL SCHOOLS – PR-L1097

Project objective:	The project's general objective will be to improve the learning outcomes of students in the 1st and 2nd cycles of basic education in schools that implement the extended school day, and to implement a pilot offering transportation options for students attending official schools in rural areas.
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Expected Impact

Indicators	Measure- ment Unit	Baseline		Targets		Means of Verification	Comments
		Value	Year	Value	Year		
Expected impact							
<u>Improved 2nd cycle learning outcomes in language:</u> Differential (in standard deviations) in the scores obtained on the language test between 2nd cycle students who are exposed to the extended school day and those who are not.	Standard deviation	0	2017	0.1	4	Academic achievement tests applied to the students by the Ministry of Education and Culture (MEC).	The baseline will be defined in October 2017. The first follow-up measurement will be made in 2018, the second in 2019, and the final results in 2020. The monitoring and evaluation plan specifies which test each measurement corresponds to.
<u>Improved 2nd cycle learning outcomes in mathematics:</u> Differential (in standard deviations) in the scores obtained on the mathematics test between 2nd cycle students who are exposed to the extended school day and those who are not.	Standard deviation	0	2017	0.1	4	Academic achievement tests applied to the students by the MEC.	The baseline will be defined in October 2017. The first follow-up measurement will be made in 2018, the second in 2019, and the final results in 2020. The monitoring and evaluation plan specifies which test each measurement corresponds to.

Expected Outcomes

Expected Outcomes	Measure- ment Unit	Baseline		Intermediate		Targets		Means of Verification	Comments
		Value	Year	Value	Year	Value	Year		
Expected outcome									
No. of schools with extended school day implemented	School	71	2016			664	5	School Accountability Reports ¹ approved by the MEC.	“Implemented” means that the school states that it is operating the extended day in its accountability reports.
No. of schools that manage their educational projects autonomously	School	0	2016			664	5	Institutional education projects approved by the MEC.	A school with autonomous management has at least one educational project approved.
No. of schools that implement pilot transportation schemes for their students	School	0	2016			80	5	MEC monitoring reports	The implementation of pilot schemes means that at least one student travels to the school by bicycle or using resources obtained from project subsidies or transfers.
No. of students benefiting from the extended school day ²	Unit	16,000	2016			156,000	5	MEC statistical reports	Sector indicator (CSI). “Benefiting students” are those enrolled in the 1st and 2nd cycles of basic education in schools implementing the extended school day.
Girls	#	8,000	2016			78,000			
Boys	#	8,000	2016			78,000			

¹ Accountability involves reports on pedagogic and administrative management, which the schools file annually.

² This is equivalent to the sector indicator "Students benefitted by education projects."

Outputs

Outputs	Measure- ment Unit	Base- line	Year 1	Year 2	Year 3	Year 4	Year 5	Final Target	Means of Verification	Comments
Component I: Development and implementation of pedagogic innovations										
<u>Output 1:</u> Pedagogic innovations development study	Document	0	2					2	MEC monitoring reports	The aim is to review and compare existing pedagogic innovations in foreign language and mathematics and choose the most appropriate ones. The other pedagogic innovations to be implemented will be developed by the Escuela Viva II project and the Tikichuela technical cooperation operation.
<u>Output 2:</u> Pedagogic innovations materials packages ³	Packages per school	0	0	221	222	221	0	664	MEC monitoring reports	Implementation includes coaching and tutoring activities.
Component II: Strengthening of school autonomy										
<u>Output 3:</u> Workshops to exchange teacher experiences between schools	Workshop	0		16	16	16		48	MEC activities management reports	The workshops include transfers to the organizing schools to subsidize per diems and transportation costs for the participating teachers.
<u>Output 4:</u> Workshops in schools to support the link between school, community, and family	Workshops	0		0	221	222	221	664	MEC activities management reports	The workshops include transfers to the organizing schools to subsidize the sporting, cultural, or community activities chosen by them.
<u>Output 5:</u> Packages for Departmental Supervision Coordination Offices	Teams	0			16			16	MEC activities management reports	A package includes the provision of two notebooks with Internet connectivity per office.

³ The package of materials includes the following, on average, per school: 10 teaching guides for the teacher; 234 exercise books; one classroom library; two sets of didactic materials (stories, abacus, puzzles, audiovisuals, CD); 2 items of audio equipment.

Outputs	Measure- ment Unit	Base- line	Year 1	Year 2	Year 3	Year 4	Year 5	Final Target	Means of Verification	Comments
<u>Output 6</u> : Training and advisory workshops for school management teams	Workshop	0		0	221	222	221	664	MEC management and monitoring reports	The workshops include the fees of the facilitators for the training and support of School Cooperation Associations (ACEs) and school management teams.
Component II: Strengthening of school autonomy										
<u>Output 7</u> : School Council training workshops ⁴	Workshop	0	0	221	222	221	0	664	MEC management and monitoring reports	The workshops include the facilitators' fees for training students participating on the School Councils.
<u>Output 8</u> : Software system to monitor school management	Software	0			1			1	MEC management and monitoring reports	
<u>Milestone 1</u> : Attendance control devices (DIGIPASS)	Device	0		300				300	MEC management and monitoring reports	
Component III: Improvement of transportation conditions for students attending rural official schools										
<u>Output 9</u> : Transportation solutions study	Document	0	1					1	Management and monitoring reports	This study aims to make a diagnostic assessment of the schools in which the transportation solutions will be implemented.
<u>Output 10</u> : Bicycles for transportation pilots	Bicycle	0		10,000				10,000	MEC management and monitoring reports	

⁴ School Councils are made up of the school's students.

Outputs	Measure- ment Unit	Base- line	Year 1	Year 2	Year 3	Year 4	Year 5	Final Target	Means of Verification	Comments
<u>Output 11</u> : Transfers to the municipios for transportation pilots	Transfer	0				134		134	MEC management and monitoring reports	
<u>Output 12</u> : Economic evaluation study of transportation options	Document	0					1	1	MEC management and monitoring reports	See the technical specifications for the study in Optional link #4 .
Component IV: Monitoring and evaluation of results										
<u>Output 13</u> : Process evaluation study	Document	0	0	1	1	0	1	3	MEC management and monitoring reports	
<u>Output 14</u> : Project impact evaluation study	Document	0					1	1	MEC management and monitoring reports	Required link #3 specifies the details of the evaluation.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Paraguay
Name:	Project to Support Extended School Days and Improved Transportation Conditions for Students Attending Rural Official Schools
Project Number:	PR-L1097
Executing agency:	Ministry of Education and Culture (MEC)
Prepared by:	Alberto de Egea, Raul Lozano and Mariano Perales (Fiduciary Specialists), Humberto Rojas and Bruno Candia (Fiduciary Consultants)

Executive Summary

The institutional evaluation for the project's fiduciary management was based on: (i) the country's fiduciary context; (ii) the results of the fiduciary risk evaluation and Project Risk Management (PRM) workshop; and (iii) the recent update analysis of the Institutional Capacity Assessment System (ICAS) applied to the MEC for operation PR-L1097. As a result of this evaluation, procurement- and financial-management-related fiduciary agreements have been prepared for project execution.

I. THE COUNTRY'S FIDUCIARY CONTEXT

- 1.1 In general, Paraguay's financial management country systems have a medium development level. For the purposes of implementing Bank-financed projects, they need to be complemented in respect of specific financial reports and external control, with auxiliary accounting systems and project auditing either by the Office of the Comptroller General of the Republic (CGR), or by specially contracted private audit firms eligible for the Bank. Financial control tools, such as the Integrated Financial Management System (SIAF), the Accounting System (SICO) and other subsystems, enable executing agencies to channel payment transfers to goods and service suppliers through the central bank; the integration of these systems will make it possible in the near future to have audited financial statements of the project(s) prepared from the SIAF. Until then, parallel systems will be used.
- 1.2 With regard to the Public Procurement Information System (SICP) which is already being fully used in Bank operations, as from 2015 the country electronic reverse auction (SBE) and competitive bidding (LCO) subsystems will also be used for the amounts and categories specified in the agreement on the use of such subsystems, which was signed between the Republic of Paraguay and the Bank on 17 June 2014.

II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The MEC currently has a central Procurement Operating Unit (UOC) which has not had recent experience in implementing procurement processes in an IDB loan of these characteristics, because the last operation was a performance-driven loan. As happens with other executing agencies, administrative centralization generates bottlenecks at key stages of selection and contracting processes, which lengthen the timeframes envisaged in the procurement plans prepared by the same entities, and thus cause implementation delays.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 Having applied the capacities weighting criteria (IR%), the ICAS rated overall institutional capacity for project implementation at 57.08%, indicating incipient development (ID) and significant risk (SR) levels.
- 3.2 The ICAS and PRM evaluations performed for this operation show that opportunities for crosscutting improvements in the MEC, both for this project and for others in the future, should focus on:
- 3.3 **Procurement management:** Given the lack of organizational charts, clearly defined processes and staff capacity, there is a high risk of delay in relation to the schedule set in the procurement plan, for the following reasons:
- a. Delays in setting up a programs and projects management unit or the possibility that the unit does not get set up, such that the Project Management Team (PMT) will have to interact directly with the different MEC divisions, thereby detracting from operational efficiency;
 - b. That once the unit in question is set up, the Ministry of Finance, in coordination with the MEC, accords it Financial Management Sub-unit (SUAF) and Procurement Operating Unit (UOC) status by MEC decision, which will help to speed up contracting and payment processes.
 - c. That the PMT procurement specialist or permanent staff or technical officers involved in procurement processes have insufficient or no qualifications to manage procurements, particularly in the stages of preparing the terms of reference of the tendering and bid evaluation documents, owing to participation by many areas external to the executing unit, or else insufficient resources/incentives to select suitable staff.
 - d. Difficulties in identifying responsibilities in the different stages of the procurement process, and the respective levels of authorization.
- 3.4 **Financial management:** There is potential for delay in financial processes, mainly as a result of:
- a. The lack of an efficient financial, account-keeping and accountability system that meets the Bank's requirements.
 - b. Inadequate monitoring by the Internal Audit Department of projects financed by the Bank.

- c. Lack of experience in the executing agency to use the advance of funds modality to make disbursements.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 4.1 Considerations for the special provisions of the contract are as follows:
- a. Formation of the Programs and Projects Board.
 - b. Creation of a programs and projects management unit with UOC and SUAF status, and entry into force of its organizational, functional and procedural manual as a condition precedent to the first disbursement.
 - c. Creation of the PMT and appointment of its key staff, as a condition precedent to the first disbursement.
 - d. Approval of the Operating Regulations by the Bank and the MEC, as a condition precedent to the first disbursement.
 - e. Development of the Integrated Management System for the execution of MEC projects and programs.
 - f. Demonstration by the executing agency that it has a financial, account-keeping, and accountability system that meets the requirements specified in the Bank's fiduciary policies, or else approval by the Bank of the terms and conditions for the procurement thereof, as a condition precedent to the first disbursement.
 - g. The dollar equivalent of a loan-financed expense incurred in guaraníes will be calculated at the exchange rate used to convert funds disbursed in dollars into guaraníes.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement policies applicable to this loan are set forth in documents GN-2349-9 and GN-2350-9. In addition, the Bank's Board of Executive Directors approved (document GN-2538-11) the use of the electronic reverse auction (SBE) and the competitive bidding (LCO) subsystems, of the Public Procurement System of Paraguay (SCSP) (Law 2051/03). The use of other country systems that may be approved after the project approval date will be automatically applicable, as will be indicated in the procurement plan.
- 5.2 **Procurement of works, goods, and nonconsulting services:** Contracting for works, goods and nonconsulting services¹ requiring international competitive bidding (ICB) will use the standard bidding documents issued by the Bank. Procurements subject to national competitive bidding (NCB) will use national bidding documents agreed upon with the Bank. The technical specifications of the procurements will be reviewed by the project's sector specialist during

¹ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) paragraph 1.1: Nonconsulting services are treated as goods.

preparation of the selection processes. Initially, no single-source selection processes are anticipated.²

5.3 Selection and contracting of consultants: Consulting service contracts generated under the project will be executed using the Standard Request for Proposals issued by, or agreed upon with, the Bank. The terms of reference for contracting consulting services are the responsibility of the project's sector specialist. In addition, single-source selection for the Scholas program³ is provided for, in an amount up to US\$750,000.⁴

- a. **Individual consultant selection:** Individual consultants will be contracted by the general administrative and technical coordination unit of the PMT.
- b. **Training:** No Bank funding for a teacher training program is envisaged, since this will be financed from FONACIDE resources, which the Ministry of Finance has decided will not be considered a counterpart of this project. This gives rise to a synchronization risk between these investments.

5.4 Use of country systems: Pursuant to document GN-2538 of October 2013, the use of the electronic reverse auction and competitive bidding subsystems of the SCSP in Bank-financed operations will be applicable to the following:

- a. All contracts for goods and nonconsulting services eligible for the electronic reverse auction system, as provided for in the SCSP, the amount of which is below the threshold set by the Bank for application of the shopping method for off-the-shelf goods (for reference US\$250,000).
- b. All works contracts in amounts below the threshold set by the Bank for the application of the shopping method for simple works (for reference US\$250,000), and goods and nonconsulting service contracts up to the amount specified by the Bank for application of the shopping method for non-off-the-shelf goods and services (for reference US\$50,000).
- c. Contracts for amounts equal to or above those mentioned will be governed by the methods provided for in the Bank's policies (document GN-2349-9).
- d. Section 1 of the Bank's policies will remain applicable (document GN-2349-9) in all contracts executed, irrespective of their amount or contracting modality. Any system or subsystem approved afterwards will be applicable to the operation. The operation's procurement plan and updates thereof will indicate which procurements will be executed through the approved country systems.⁵

5.5 Recurrent costs. Not foreseen for this operation.

5.6 Advance procurements/retroactive financing: None foreseen.

5.7 Domestic preference: Not foreseen for this operation.

² Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document [GN-2349-9](#)) paragraph 3.6: Direct contracting must be duly justified.

³ See [Optional link #7](#), Note 11.

⁴ Policies for the Selection and Contracting of Consulting Services (document GN-2350-9) paragraph 3.9 et seq.: Single-source selections must be duly justified.

⁵ Should the Bank validate another system or subsystem, that system will be applicable to the operation, as specified in the loan contract.

5.8 Thresholds for ICB and international shortlist (US\$ thousand)

Method	ICB works	ICB goods and nonconsulting services	International shortlist in consulting services
Threshold	US\$3,000	US\$250	US\$200

5.9 Main procurements

Description of Procurement	Estimated date	Estimated amount*	Selection method
Goods		250.0	
Equipment to record attendance at the schools specified in the sample	Jul/2018	250.0	ICB
Nonconsulting services		11,432.6	
Preparation of didactic materials for mathematics and sciences for 1st and 2nd cycles	Jan/2017	8,139.6	ICB
Preparation of didactic materials for foreign language as a taught language, for 1st and 2nd cycles	Jan/2017	2,713.2	ICB
Recording studio services (editing and speech for audio)	Jan/2017	63.0	NCB
Distribution of materials	Jul/2017	516.8	ICB
Consulting firms		3,289	
Impact assessment of the implementation of the extended school day project	Jun/2020	368.0	Quality- and cost-based selection (QCBS)
Final project evaluation	Jan/2021	50.0	Selection based on consultants' qualifications (CQS)
Operational Management Support Firm	Jul/2016	2,001	QCBS
Implementation of the Scholas project as part of the complementary pedagogic innovations	Jun/2017	750.0	SSS
Financial audit/accounting services	Mar/2017	120.0	QCBS
<i>*Amounts in US\$000</i>	TOTAL	14,971.6	

Click here for the full [Procurement Plan](#) covering the first 18 months.

5.10 Procurement supervision. All procurement and/or contracting processes governed by documents GN-2349-9 and GN-2350-9 will be reviewed by the Bank ex ante, bearing in mind the government's position on this subject. All procurement and/or contracting processes governed by the electronic reverse auction and competitive bidding subsystems of the SCSP (document GN-2538-11) will be reviewed through the country system.⁶

5.11 Special provisions. No special provisions are envisaged, apart from those mentioned in paragraph 5.2 of this annex.

⁶ Depending on the scope of its use, the supervision system may be complemented with project audits, in which case this should be mentioned in this annex.

- 5.12 **Records and files.** Project reports will be prepared and filed using the agreed-upon formats or procedures, and will be described in the project's Fiduciary Manual of Functions and Procedures.

VI. FIDUCIARY AGREEMENTS AND REQUIREMENTS FOR FINANCIAL EXECUTION

- 6.1 **Programming and budget.** Budgetary programming, management, and execution is undertaken by the Administration and Finance Directorate, under the zero-based budget system. The PMT will submit disbursement requests under the financial planning system with advances and renewals, which must also be aligned with the tools of the project execution plan (PEP), annual work plan (AWP), procurement plan, and budget, among others.
- 6.2 **Accounting and information systems.** Although the accrual accounting principle is generally applicable, cash-based accounting will be used for the accountability process in projects partly financed by the Bank. The SIAF is the main manager of budgetary and accounting transactions, connected to the SICO as an accounting subsystem. In addition, the entity will have a financial, account-keeping, and accountability system for project records, which will make it possible to prepare reports accessible to the Bank and other financing sources. Monthly bank reconciliations must be performed between the two systems.
- 6.3 **Disbursements and cash flow.** Project disbursements will be made through direct payments, reimbursements, and/or advances of funds. In the case of advances, the amount to be disbursed will be corroborated by submitting a detailed monthly financial plan covering a six-month period, or another long period not to exceed 12 months, making it possible to identify the project's actual demand from the PEP, AWP, and procurement plan. The second and subsequent disbursements of advances will require justification of 80% of the total cumulative balance of funds advanced previously. A one-off or permanent change in this percentage can be applied if previously approved by the Bank, such that the financial plan and management documents specify a lower percentage, although never less than 50%.
- 6.4 **Internal control and internal audit.** In the internal control environment, the Standard Internal Control Model of Paraguay (MECIP) will be implemented as an improvement plan, and all functional and accounting manuals must be implemented, updated, and circulated during the course of the project. The internal audit will include all project-related execution activities in its annual work plan.
- 6.5 **External control and reporting.** The project's financial statements will be produced annually as of the end of each fiscal year and presented 120 days after the fiscal year-end. Intermediate reports can be filed at the Bank's request. The annual financial and insurance audits must be performed by independent audit firms or by the Supreme Audit Unit should the executing agency so desire. These entities must be eligible to the Bank, and their scope of work will be subject to the terms of reference approved by the Bank. The external audit reports will be published pursuant to the Access to Information Policy.
- 6.6 **Financial supervision plan.** Financial supervision will be done in four ways: (i) through the control of disbursement reports and review visits; (ii) through

supervision visits programmed by the Bank on-site at the MEC; (iii) through financial information obtained from the financial statements and the execution reports issued; and (iv) through a project staff member who will have the function of monitoring project execution.

VII. EXECUTION MECHANISM

- 7.1 The PMT will be responsible for: (i) the coordination of all project-related activities; (ii) the preparation of physical-financial progress reports; (iii) the presentation of no objection and loan disbursement requests, and the maintenance of accounting records which will serve as the main source for preparing those requests and any financial report; (iv) the implementation and maintenance of a control system that guarantees correct use of the resources and safeguards them together with the maintenance of the documentary file on the transactions; and (v) preparation and updating of the PEP, AWP and procurement plans, the semiannual monitoring reports, the evaluation reports, and the project completion report, prior to their presentation to the Bank. The PMT will be responsible for timely fulfillment of the clauses and agreements contained in the loan contract and for the completion of project-related activities.
- 7.2 **Project Operating Regulations:** (i) the Operating Regulations will be consistent with the standards and policies of the MEC and the Bank, and with financial laws and practices in force in Paraguay; (ii) their approval and implementation by the PMT, to the Bank's satisfaction, will be a condition precedent to the disbursement of resources; and (iii) any changes thereto would require the Bank's no objection.

VIII. OTHER FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 8.1 Not applicable.