

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ECUADOR

INVESTMENT IN THE QUALITY OF CHILD DEVELOPMENT SERVICES

(EC-L1235)

LOAN PROPOSAL

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ABBREVIATIONS

CDI	Centro de Desarrollo Infantil [Early Childhood Development Center] (formerly CIBV)
CIBV	Centro Infantil del Buen Vivir [“Good Life” Early Childhood Center]
CLASS	Classroom Assessment Scoring System
CNH	Creciendo con Nuestros Hijos [Growing with Our Children]
CNII	Consejo Nacional de Igualdad Intergeneracional [National Council for Intergenerational Equality]
CONA	Código Orgánico de la Niñez y Adolescencia [Basic Code on Childhood and Adolescence]
ECV	Encuesta Nacional de Calidad de Vida [National Quality of Life Survey]
ENSANUT	Encuesta Nacional de Salud y Nutrición [National Health and Nutrition Survey]
EOD	Entidad Operativa Desconcentrada [deconcentrated operating entity]
INEC	Instituto Nacional de Estadística y Censos [National Statistics and Census Institute]
ITERS-R	Infant/Toddler Environment Rating Scale – Revised
JCPD	Juntas cantonales de protección de derechos [cantonal rights protection boards]
MEF	Ministry of Economy and Finance
MIES	Ministry of Economic and Social Inclusion
MINEDUC	Ministry of Education
NGO	Nongovernmental organization
NPV	Net present value

PROJECT SUMMARY

ECUADOR INVESTMENT IN THE QUALITY OF CHILD DEVELOPMENT SERVICES (EC-L1235)

Financial Terms and Conditions				
Borrower: Republic of Ecuador			Flexible Financing Facility ^(a)	
			Amortization period:	25 years
Executing agency: Ministry of Economic and Social Inclusion (MIES)			Disbursement period:	5 years
			Grace period:	7.5 years ^(b)
			Interest rate:	LIBOR-based
Source	Amount (US\$)	%	Credit fee:	(c)
IDB (Ordinary Capital):	50,000,000	87	Inspection and supervision fee:	(c)
Local:	7,521,720	13	Weighted average life (WAL):	15.07 years
Total:	57,521,720	100	Approval currency:	U.S. dollars (US\$)
Project at a Glance				
Project objective: The objective of the project is to improve the quality and management of public early childhood development services, which are delivered via different modalities of care, including Early Childhood Development Centers (CDIs) and Growing with Our Children (CNH).				
Special contractual conditions precedent to the first disbursement of the loan: As a special contractual condition precedent to the first disbursement of the loan, evidence will be presented that the Operating Regulations have been approved with the Bank's prior no objection (paragraph 3.4).				
Exceptions to Bank policies: None				
Strategic Alignment				
Challenges: ^(d)	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
			EI	<input type="checkbox"/>
Crosscutting themes: ^(e)	GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input type="checkbox"/>

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

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

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

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

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

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems to be addressed, and rationale

- 1.1 Following the approval of a National Childhood Action Plan in 1991 and of the first [Childhood and Adolescence Code](#) in 2003, Ecuador launched a set of regulatory and institutional reforms to promote the development of the population aged 0 to 3 by means of nonschool modalities of care and ongoing educational services up to the transition to regular basic education.¹
- 1.2 **Importance of public services.** As a result of the implementation of national strategies and programs, the general coverage of child development services expanded significantly. In the country's public and private early childhood centers, coverage for children aged 1 to 3 rose from 11.8% in 2006 to 28.4% in 2014, according to the National Quality of Life Survey (ECV). This rise in coverage was particularly sharp in the indigenous population, where it went from 0% to 34.5% (Table 1).

Table 1: Gross attendance at (public and private) early childhood centers by demographic gradient (2006 and 2014)

Attendance at centers (ages 1-3)	2006 ECV	2014 ECV
National	11.8%	28.4%
Area		
Urban	11.8%	26.8%
Rural	11.7%	31.9%
Ethnic self-identification		
Indigenous	0.0%	34.5%
Non-indigenous	11.8%	30.5%

Source: Prepared by the authors using 2006 and 2014 ECV data.
INEC (Johannsen et al., 2017).²

- 1.3 Most of these children attend centers that operate with public resources. Public provision of services is currently concentrated in two modalities of service: (i) Early Childhood Development Centers (CDI),³ where children attend for full days; and (ii) service units under the Growing with Our Children (CNH) program, which work with families to improve their childrearing and child stimulation practices through home visits and group sessions.
- 1.4 In 2014, at a nationwide level, 92% of children who attended early childhood centers were served by public services (Table 2). In 2016, 2,132 public CDIs cared for

¹ Children under the age of 3 are subject to the Early Education I curriculum in a nonschool setting, provided by the Ministry of Social Inclusion (MIES) through early childhood centers and community services. Starting at 3 years of age, the Ecuadorian educational system calls for Early Education II attendance in a school setting, provided by the Ministry of Education (MINEDUC). This age-based division by type of service and provider may change in the future, allowing children aged 3 to 5 to attend nonschool centers, as is the case in other countries.

² Johannsen, Ponce, and Araujo (2017): El desarrollo infantil temprano en Ecuador - Un análisis de los avances y retos de la política pública de desarrollo infantil temprano en la última década hasta hoy. IDB sector note.

³ CDIs were formerly known as "Good Life" Early Childhood Centers (CIBVs).

92,185 children and 3,550 CNH service units cared for 207,582 children throughout the country.⁴

Table 2: Attendance at public early childhood centers by demographic gradient (2006 and 2014)

Attendance at public centers (ages 1-3)	2006 ECV	2014 ECV
National	87.7%	91.7%
Area		
Urban	81.3%	87.6%
Rural	98.1%	99.2%
Ethnic self-identification		
Indigenous	0%	97.7%
Non-indigenous	87.7%	91.0%

Source: Prepared by the authors using 2006 and 2014 ECV data. INEC (Johannsen et al., 2017).

- 1.5 **Potential impacts of early childhood development services and their determinants.** In view of the considerable expansion in coverage over the last decade and the relative importance of public services, the quality of these services becomes a significant factor in ensuring a positive impact on early childhood development and thus a cost-efficient use of public resources.
- 1.6 The evidence of these impacts is extensive, but it varies based on the quality of the programs. In the United States, high-quality child care pilot programs implemented on a small scale and focusing on highly vulnerable children have shown to have long-term impacts on health, education, and employment ([Heckman et al., 2010](#); [F. Campbell et al., 2008](#); [F. Campbell et al., 2014](#)). There is evidence on services in developed countries, implemented on a large scale (which makes it more difficult to sustain high levels of quality), showing negative impacts, particularly on socioemotional development ([Baker, Gruber, and Milligan, 2008](#); [Baker, Gruber, and Milligan, 2015](#); [Datta Gupta and Simonsen, 2010](#); [Herbst and Tekin, 2010](#); [Herbst and Tekin, 2010](#)). Therefore, attendance at an early childhood center is advisable only when the quality of care is equal to or better than what the child would receive at home (paragraph 1.9).
- 1.7 The evidence in Latin America and the Caribbean is consistent with the global findings. This includes mixed results regarding the impacts of large-scale programs on early childhood development as well as on child health and nutrition ([Berlinski and Schady, 2015](#); [Leroy, Gadsden, and Guijarro, 2012](#); [Noboa-Hidalgo and Urzúa, 2012](#); [Rosero and Oosterbeek, 2011](#)). Studies in the region, including in Ecuador, show that an increase in the supply of child care services translates into higher female participation in the workforce ([Mateo Díaz and Rodríguez Chamussy, 2013](#); [Ángeles et al., 2011](#); [Calderon, 2014](#); [Paes de Barros et al., 2011](#); [Rosero and Oosterbeek, 2011](#)).
- 1.8 The variability of the impacts of these services is related to two main determining factors: quality and targeting. In addition, process quality, i.e., the frequency and

⁴ MIES administrative data (2016), cited in Johannsen et al. (2017).

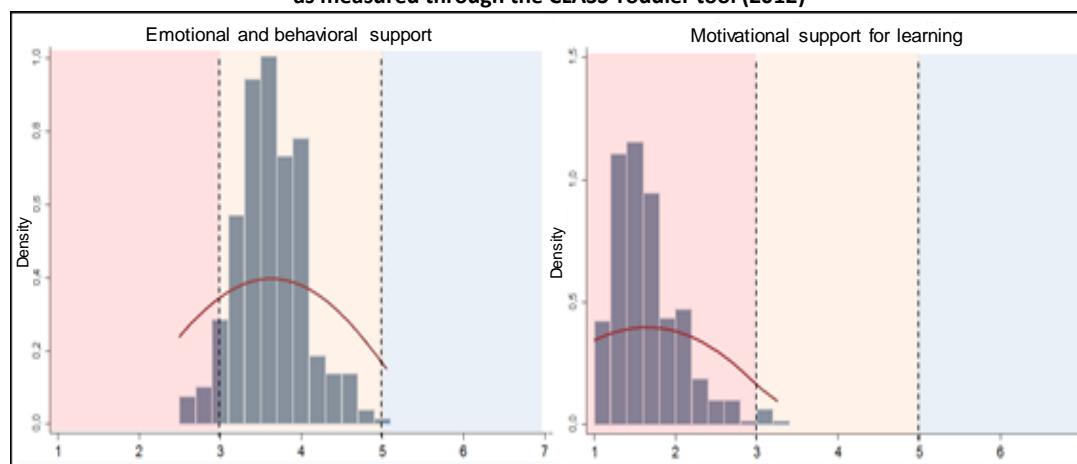
quality of adult-child interaction, is particularly important. Furthermore, it is more feasible to achieve high service quality in small-scale programs, maintaining a well-designed teaching and curriculum model. The characteristics of the beneficiary population, which are a function of the targeting of a program, are also an important factor.

- 1.9 **Quality of services in Latin America and the Caribbean.** In countries in which significant studies have been conducted, quality levels are at the lowest range of the applied tests ([Berlinski and Schady, 2015](#)). In Peru, care by staff with more years of experience and involving a higher frequency and quality of adult-child interaction translates into better child development results. The effect of quality interactions on development is pronounced in the most developmentally disadvantaged children ([Araujo, Dormal, and Schady, 2017](#)).
- 1.10 Quality of services is subdivided into two distinct dimensions: structural quality and process quality. The former refers to the state of the equipment, characteristics of teachers and caregivers, and characteristics of the group of children (size, age, caregivers-children ratio, etc.). The latter refers to curriculum implementation and the frequency, types, and quality of adult-children and adult-parents interaction ([Berlinski and Schady, 2015](#)).
- 1.11 There is encouraging evidence in the region regarding initiatives aimed at improving quality. In Colombia, staff training and professional certification succeeded in improving the quality of community care services in terms of structural aspects of family care and the protocols used by caregivers ([Bernal, 2015](#)). It has been documented that investments exclusively aimed at the structural dimensions of infrastructure and equipment, without paying attention to the quality of adult-child interactions and the teaching model, fail to translate into child development results ([Bernal and Fernández, 2013](#); [Bernal et al., 2015](#)).
- 1.12 **Quality of services in Ecuador.** The Bank performed a quality assessment on a sample of 404 CDIs, with data obtained in 2012 ([Araujo et al., 2015](#)). Several quality measurement tools were used in this assessment, and the conclusion was that few centers are of acceptable quality. For example, under the CLASS tool,⁵ the indicators in the “engaged support for learning” domain range from 1.4 to 2.2 points of a possible 7, with an average score of 1.5, which is classified as “low quality.”⁶ In the “emotional and behavioral support” domain, the average score in the relevant indicators is slightly better at 3.6 and is classified as “moderate quality” (Figure 1).

⁵ A detailed description of the Classroom Assessment Scoring System (CLASS) tool and the version used in Ecuador may be found in [Lopez-Boo et al. \(2015\)](#).

⁶ By comparison, public early childhood centers in Peru are also classified as “low quality,” with an average score of 1.8 in this dimension of process quality.

Figure 1: Process quality results at early childhood centers in Ecuador, as measured through the CLASS Toddler tool (2012)



Source: Araujo et al. (2015).

- 1.13 Building skills in educators is one way to help improve the quality of service in these dimensions, ensuring quality interactions with children and their families. This can be implemented through prior and ongoing training arrangements, assistance to educators, salary and job incentives, development of a curriculum that facilitates activity planning, and improvement of teaching materials, play materials, and picture books.
- 1.14 Another finding of the aforementioned study is that failure to comply with certain structural quality parameters is fairly common in CDIs. Therefore, there is a need to strengthen structural standards such as classroom size, care (children to educator) ratio, and grouping of children by age or developmental level. Recent MIES data (2018) and field visits have confirmed this assessment and highlighted problems regarding the improper use of physical space.
- 1.15 **Targeting of public services in Ecuador.** Children who experience unstimulating home environments, violent disciplinary practices, or low-quality interactions have greater potential to benefit from care services of higher quality than those available at home (paragraphs 1.6 and 1.9). Consequently, child care services have a greater impact when targeted toward poor and vulnerable children. There is much room for improvement in the targeting of social services toward the poorest population segments. According to 2018 data from the Ministry of Economic and Social Inclusion's Integrated Information System (SIIMIES), 40% of CDI and CNH users or their representatives have not been registered in the database of social program users (Social Registry). Of the 60% of users that are registered, only half are poor or extremely poor according to the Social Registry targeting index.⁷ In other words, close to 70% of CDI and CNH users either are not poor or are not registered in the Social Registry.

⁷ The index is a monetary poverty predictive tool that uses proxy variables (proxy means test) and suffers from inaccuracies (inclusion and exclusion errors) in classifying the poor and not poor, as compared to a detailed measurement of monetary poverty based on the ECV income or expenditure modules.

- 1.16 According to the 2014 ECV, more than 93% of children from socioeconomic quintiles 3 and 4 who attend child development centers are cared for through public, rather than private, services. For children in the wealthiest quintile, the proportion is 50% (Table 3). Thus, although all of the poorest children (quintiles 1 and 2) who use these services attend public CDIs, these centers serve many children from the wealthiest quintiles, limiting access to a larger number of poor children. In quintiles 1 and 2, more than two thirds of children do not attend any child development center (Johannsen et al., 2017).

Table 3: Attendance at public early childhood centers by user quintile (2006 and 2014)

Attendance at public centers (ages 1-3)	2006 ECV	2014 ECV
National	87.7%	91.7%
User quintile		
Q1	100.0%	100.0%
Q2	100.0%	100.0%
Q3	98.6%	97.9%
Q4	88.1%	93.5%
Q5	28.9%	49.7%

Source: Prepared by the authors using 2006 and 2014 ECV data. INEC (Johannsen et al., 2017).

- 1.17 The fact that most deprivations in social dimensions such as education, health, and early childhood development statistically correlate with the socioeconomic status of the household, and particularly with the household's level of income or expenditure ([Haughton and Khandker, 2009](#); [Schady et al., 2015](#)), justifies the use of monetary poverty targeting instruments in many types of social programs, including CDI and CNH, along with additional eligibility criteria (such as age, gender, or single-parent household status). Of the traditional alternatives for household targeting based on income (or expenditure) ([Coady et al, 2004](#)), Ecuador has used two: (i) approximating or predicting income by means of a short questionnaire or survey (proxy means test); and (ii) detailed measuring through extensive questionnaire modules on income or expenditure, similar to those used in national surveys (sophisticated means test), which in Ecuador has been used for a sub-sample of the Social Registry.
- 1.18 While the second method has a high data collection cost due to the survey time involved (several hours per household), the first is characterized by targeting inaccuracies in many countries, in the form of errors of inclusion of the nonpoor and/or errors of exclusion of the poor. In the case of the Ecuadorian proxy means test, its application in the Human Development Bond (BDH) cash transfer program in recent years⁸ has resulted in a 64% coverage of the (moderately and extremely) poor population. This exceeds the average of 43% reached in 16 Latin American

⁸ Data from 2013. In 2014, Ecuador drastically reduced the BDH user population based on a lower or stricter Social Registry poverty score, leading to less favorable BDH coverage of those living in (extreme) poverty. In part, this was due to the inaccuracy of proxy means tests, particularly in the extremes of the income distribution curve.

and Caribbean countries ([Robles et al., 2015](#), Table 2) and justifies its use in the absence of better alternatives, provided the index calculation is revised on the basis of the new Social Registry database and the score cutoff point to determine program eligibility.⁹

- 1.19 At present, the Ecuadorian government is supporting an update of the Social Registry database by means of census sweeps in selected geographic areas and through social services, such as those provided by the MIES, that will collect the data from their users. Early childhood development services are still not being targeted by poverty or any other criterion. However, by populating the Social Registry database through its childhood development services, the MIES will have the socioeconomic characteristics of current users on record. Accordingly, the MIES envisages effective application of prioritization criteria at the CDIs and the CNH program, which in the medium term will result in the admission of new users to these free services only if they are poor and/or vulnerable.
- 1.20 **Other aspects of service management quality.** Recent MIES data (2018) and field visits indicate there is room for improvement in the planning, management, and allocation of public resources for early childhood development, above and beyond targeting them to the poor. Regarding the system in place for management of services, only 6% of public CDIs are directly managed by the MIES, while 94% are centers “under agreement” that are managed by third parties (NGOs or municipios) (Table 4).

Table 4: Types of public early childhood centers (2006 and 2014)

Type of public early childhood center	Number of centers	% of centers
Under agreement	2010	94.3
Directly managed by the MIES (“emblematic”)	69	3.2
Directly managed by the MIES (other)	53	2.5
Total	2132	100

Source: Prepared by the authors using MIES administrative data from 2016.

- 1.21 The centers under agreement receive financial allocations from the MIES to pay the salaries of the coordinator and the educators, food for the children, and (partial) costs of maintenance and basic services, among other expenses. These allocations are based on past budgets rather than on projected eligible demand or on results. The criteria currently in effect for selecting providers do not allow for prioritizing providers that comply with quality criteria in terms of service management and delivery. The current service management and monitoring system is not digitized at the service provider level due to a lack of technological equipment and institutional capacity at the local level. Thus, it does not interoperate with the ministry’s information system (SIIMIES), making it impossible to determine whether the coverage reported by a nongovernmental organization (NGO) or a municipio matches the coverage actually achieved. Furthermore, the current system does not allow nominal tracking of each child and his/her family along with their

⁹ These tasks were supported through IDB in-house technical assistance in 2017.

- socioeconomic characteristics and use of public services, making it difficult to effectively manage an array of comprehensive social services for poor households. This management system adds inefficiencies in synchronizing supply capacity with potential demand in the poorest population segment.
- 1.22 The absence of supporting data on the management quality of childhood development services in terms of the monitoring of external providers (“cooperation agencies”) and accountability for their budget allocation applies to many countries. The literature on early childhood development services has grown considerably at the international and regional levels but has focused on children’s growth and development and how to measure them, the quality of services in various other management aspects (such as the quality and quantity of human resources or the quality of the pedagogical content), and the impact evaluations of specific programs or interventions. The few studies that focus on separately analyzing the effectiveness of specific financial, institutional, or operational management issues are qualitative in nature. For example, in a qualitative systemic study conducted in five Latin American countries,¹⁰ [Kagan et al. \(2016\)](#) examine various aspects of the management of childhood development services, including information and accountability systems for these services (both public and private). The study concludes that these systems vary widely throughout the region in terms of their existence, quality, and use, and that they are not necessarily used to monitor the implementation and assess the performance of programs. The reasons for this include problems with the frequency of information updates, inadequate aggregation by age groups, limited institutional capacity, insufficient technological equipment or connectivity, and/or lack of interoperability between different information systems and databases for nominal tracking of children in different subsectors and social programs, as was identified for Ecuador.
- 1.23 **The regulatory and institutional situation for the protection of children’s rights in Ecuador.** Despite the regulatory and institutional advances achieved since the approval of the first Basic Code on Childhood and Adolescence (CONA) in 2003, the regulatory and legal child protection framework and its institutional and operational implementation continue to exhibit significant gaps. In the regulatory arena, the government and civil society envisage a comprehensive reform of the CONA that will safeguard the 2003 code and promote regulatory consistency with the 2008 Constitution, international regulations such as the United Nations Convention on the Rights of the Child, and the [Law on Elimination and Prevention of Violence against Women \(Law 175\)](#) approved in February 2018. To this end, plans call for a diagnostic assessment of the code’s current status, since it has been partially amended, followed by a participatory process leading to the presentation of a draft comprehensive reform of the code in line with the aforementioned regulations. In addition, Ecuador intends to prepare a Ten-Year Childhood and Adolescence Action Plan 2020-2030, aligned with the Sustainable Development Goals and with the United Nations Convention on the Rights of the Child, to which the country is signatory.
- 1.24 In the institutional arena, efforts will be made to strengthen child and adolescent protections in the framework of the country’s new social institutional structure (established, for example, through Law 175), which is aimed at building a national,

¹⁰ Brazil, Chile, Colombia, Guatemala, and Trinidad and Tobago.

decentralized, comprehensive protection system by developing and strengthening coordinated processes and actions to ensure the free exercise of children's and adolescents' rights under Article 341 of the Constitution, including the creation of specialized local systems for this age group. This protective institutional structure at the local level primarily includes the formation of cantonal rights protection boards (JCPDs), the creation of care service coordinating networks, and the activation of social oversight and supervision mechanisms through the JCPDs. The primary duties of these boards are to hear cases of violence or other child and adolescent rights violations in their cantonal jurisdiction, provide the appropriate administrative measures to protect the threatened right or restore the violated right, oversee implementation of these measures, initiate the necessary action before the appropriate judicial bodies in the event of noncompliance with board decisions, and report administrative or criminal violations affecting children or adolescents to the relevant authorities (Art. 206). The existing evidence from other countries shows that a system of mandatory and effective reporting of violence, such as the one envisaged in Ecuador through JCPDs and the health and education systems, significantly increases the percentage of cases of sexual violence against children or adolescents that are reported to the relevant authorities, as well as the percentage of sexually abused children who are identified and treated ([Mathews, 2014](#)).

- 1.25 In Ecuador, 6 of every 10 rape victims are children or adolescents. It is estimated that the vast majority of cases goes unreported. For example, only 10.8% of all female victims of sexual violence are able to file a police report ([Gomez de la Torre et al., 2015](#)), and 40% of abused girls (children and adolescents) did not inform anyone; the reason is that 28% of those who did were not believed and 16.3% were asked to say nothing of what had taken place, with the result that only one third of all abused girls were treated or received some response (Camacho and Mendoza, 2014, cited in [Gomez de la Torre et al., 2015](#), p. 12). In addition, according to a study on the functioning of cantonal boards and councils (CNII/MIES, 2018, unpublished), only 68% of the cases of violence against children and adolescents heard by the JCPDs nationwide are covered by protective measures issued under the current CONA. The 2003 CONA already provided for the mandatory municipal formation of JCPDs. Fifteen years after the approval of the 2003 CONA, an investigation by the National Council for Intergenerational Equality (CNII) in 2018 showed that 44 municipios have yet to form even one JCPD, and there are many others in which JCPDs have been formally created but fail to apply the regulatory rights protection framework or lack the required knowledge or tools. For example, JCPDs generally lack technological equipment and a computerized system for the monitoring and accountability of cases heard.
- 1.26 **Complementarity with the Ministry of Education's early childhood education policies.** Consistent and well-coordinated transitions—from the home to the childhood center, to preschool, to school—are an essential component of the quality of early childhood care. This operation aims to ensure quality in the initial stage of these transitions, from the home to the childhood center. In the subsequent stage with the education sector in Ecuador, the Bank is supporting the In-the-Field Teaching Assistance Program (PAPT) through loan EC-L1155 (3726/OC-EC). The PAPT consists of activities organized and implemented in the educational circuit, aimed at improving teachers' classroom capacities by means of a mentoring process in schools. The central strategy of the PAPT consists of a mentoring system to

support teachers in the first to the fourth year of basic general education, together with other processes that help to sustain a generalized improvement in the delivery of educational services. Each specially trained mentor assists 20 teachers in the teaching process, with pedagogical support, feedback, and demonstrations of classroom methods and practices.

- 1.27 **Lessons learned from early childhood development programs supported by the Bank.** In the last 20 years, the Bank has approved more than 150 loan and technical cooperation operations for more than US\$1.700 billion in support of child development initiatives in the region. This work has made it possible to identify important lessons on how to bring child development services to scale with quality, including the following: (i) expanding the coverage of child development services without regard to quality can have deleterious effects on child development and welfare; (ii) continuous quality improvement requires management tools and capacities that need to be developed in the technical teams; (iii) child development programs in the region have traditionally failed to take advantage of existing targeting systems to ensure priority care for families living in extreme poverty; (iv) in work environments in which the care of children and families is in the hands of community personnel lacking specialized training in early childhood development, it is essential to have structured curricula and activity manuals that can offer technical guidelines for the work; (v) delivering these services with quality requires investing in the initial training and continuous support of personnel at all levels (community, supervisory, technical, and administrative); and (vi) in order for the programs to be able to take advantage of the return of these investments on their personnel, they should offer competitive employment terms and professional growth opportunities for those working in early childhood development services. In the operational sphere, this operation incorporates the lessons learned from loan EC-L1107 (2787/OC-EC) in terms of a simple execution mechanism, with a single executing agency, and more streamlined and deconcentrated administrative and financial processes within the MIES. Loan operation 2787/OC-EC was executed by five different agencies and suffered from persistent underexecution, leading to the cancelation of 92% of the external resources without it having achieved the expected results. In addition, the program design will be technically enriched by MIES's competence in ongoing service quality improvement methods, developed in 2018 through EC-T1369 (ATN/OC-16373-EC).
- 1.28 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is directly aligned with the development challenge of social inclusion and equality through the impact indicator "Peabody Picture Vocabulary Test Score for children aged 36-42 months who use CDI and CNH services," which corresponds to the language dimension of development and represents the program's goal of improving the early childhood development level of Ecuadorian children. The program is also aligned with the crosscutting area of gender equality and diversity, inasmuch as public child development services are also used by indigenous populations and girls. Accordingly, the aforementioned impact indicator will be disaggregated by gender and diversity in the impact evaluation, given that the activities for curriculum review and strengthening of educators' skills under Component 1 will incorporate a gender perspective and considerations related to ethnic diversity and disabilities. In addition, the program is aligned with the Corporate Results Framework (CRF) 2016-2019

(document GN-2727-6) through the CRF auxiliary indicator of Country Development Results “Children receiving early childhood development services targeted to the poor,” which in terms of content corresponds to the outcome indicators of the program’s Component 2 “Percentage of household users (children or legal representatives) of CDI (or, respectively, CNH) services below the Social Registry’s poverty threshold.” The program is also aligned with the IDB Group’s Country Strategy with Ecuador 2018-2021 (document GN-2924), which identifies improving the management and quality of social services as a strategic objective, and it is included in the 2018 Operational Program Report (document GN-2915). This operation is also consistent with the Poverty and Social Protection Sector Framework Document (document GN-2784-7), which emphasizes the need to bring child development services to scale with quality, and with the Education and Early Childhood Development Sector Framework Document (document GN-2708-3) in the first four of its five dimensions of success for educational programs. In addition, given its focus on the most vulnerable segments of the population, the operation is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4). Furthermore, investment in child development services is supported by the country’s and the Bank’s strategic priorities. The goals of the [National Development Plan \(PND\) 2017-2021 “Toda una Vida”](#) for 2021 include expanding the coverage of early childhood programs.

B. Objectives, components, and cost

- 1.29 The objective of the project is to improve the quality and management of public early child development services, which encompass various modalities of care, including Early Childhood Development Centers (CDIs) and Growing with Our Children (CNH). The main beneficiaries of Component 1 will be the 299,460 children¹¹ aged 0 to 3 years¹² of both genders and various ethnic groups, as well as their respective families, who use any of the public child development services provided at 2,100 CDIs and by CNH units nationwide, in addition to the 9,000 CDI educators, 3,400 CNH educators, and coordinators who provide these services. Component 2 will benefit the MIES cooperation agencies (municipios and service provider NGOs) that manage CDIs “under agreement” as well as the ministry. Component 3 will benefit the authorities that make decisions in favor of children based on regulations and data on the status of children, public and civil society organizations that work for children and the protection of children’s rights, the MIES, and other State agencies that seek to boost the cost-effectiveness of social expenditure on public child services.
- 1.30 **Component 1. Quality of child development services (US\$38,905,216).** The objective of this component is to improve the structural and process quality (paragraph 1.10) of child development services. The component will finance the following activities: (i) procurement of teaching and play materials for CDIs and CNH, together accounting for 42% of the component’s resources; (ii) preparation and implementation of new or updated content in the form of practical activity guides for

¹¹ The program will seek to have an impact on ensuring that, in the future, child users are targeted for poverty by means of the Social Registry index instead of the currently applied qualitative and subjective vulnerability criteria.

¹² If the government expands the eligible age range for attending the MIES’ child development centers and units, the age of the beneficiaries will be modified accordingly.

CDIs and CNH; (iii) preparation and implementation of curricula and training arrangements for the development of skills in CDI and CNH educators and coordinators; (iv) design and operational implementation of professional assistance and ongoing improvement services with mentors who visit the educators and assist them in the use of the management policies and guides, together accounting for 44% of the component's resources; and (v) design of a monitoring mechanism for public and private providers of child development services.

- 1.31 In preparing activity guides for child care in CDIs and CNH units and in providing staff training, special attention will be paid to the opportunities for incorporating gender and diversity considerations into the content. For example, the component will promote play activities that do not reinforce gender stereotypes. It will also identify children's books with pictures and messages that equally empower boys and girls in a variety of areas. Picture books and cards offer a unique opportunity to promote the inclusion of children and adults of different ethnic groups, as well as respect and empathy for children and adults with disabilities. These issues will also be addressed explicitly in the staff training and assistance activities.
- 1.32 **Component 2. Management quality of child development services (US\$8,192,886).** The objective of this component is to strengthen the management quality of child development services. This strengthening will be aimed at improving the criteria, process, and monitoring of MIES resource allocation to the care units by financing the following activities: (i) technical and operational design of mechanisms for prioritization of CDI and CNH users by poverty and vulnerability and for the allocation of slots and active search for priority users, including a protocol of operational flows as a guide for CDI and CNH staff; (ii) procurement of computers, printers, and tablets to be used by CDI and CNH staff to create the Social Registry database and collect other MIES data; (iii) technical and operational design of a new cooperation model between MIES and the service providers to regulate MIES selection, financial transfer, supervision, and evaluation of external providers ("cooperation agencies"); (iv) development of an automated system for expense and coverage accountability by CDI and CNH providers, including the procurement of computer equipment and user training with a view to monitoring the budget allocation; and (v) development of a dashboard of SIIMIES indicators¹³ at the municipal level to enable nominal tracking of every child. Activities (iv) and (v) are a first step in digitizing the monitoring of childhood indicators and the management of child development services in the field.
- 1.33 **Component 3. Regulatory and institutional child protection framework (US\$8,117,290).** This component pursues the objective of strengthening the regulatory and institutional framework for child protection at the central and local levels. The component will finance legal initiatives that include: (i) a comprehensive reform project of the CONA, containing a specific chapter on early childhood; and (ii) preparation of a Ten-Year Childhood and Adolescence Action Plan, which involves technical and legal design and development work and a participatory validation process by means of nationwide workshops and events. In addition, this component will finance activities to strengthen the local institutional infrastructure for the protection of children's and adolescents' rights by means of: (i) onsite and distance training of local government, central government, and civil society actors in

¹³ [MIES Integrated Information System](#).

tracking and setting public policy on childhood, including development of content for the MIES digital training platform; and (ii) development of a computerized system that enables the cantonal rights protection councils and boards to track child care, including the procurement of the required technological equipment and the respective training in the system's use. Lastly, this component will finance surveys and assessments aimed at reducing the information and data gap on the status of children and on the effectiveness of programs in Ecuador that contribute to the formulation of public policy in this area. These studies include: (i) a child development module to be included in the National Health and Nutrition Survey (ENSANUT); and (ii) impact evaluations of the CDI and CNH services supported by this operation (paragraph 3.12).¹⁴

- 1.34 **Audits and management (US\$2,306,328).** The operation will finance part of the project management team that will staff the deconcentrated operating entity (EOD) or its equivalent (paragraph 3.2), a midterm and a final evaluation, and the audits.

C. Key results indicators

- 1.35 **Expected impacts.** The project's general impact on child development will be centered on the language dimension as being representative of other, additional dimensions of comprehensive child development that are more difficult to measure and/or correlate with measurements of language. Child vocabulary will be measured by the indicator "Peabody Picture Vocabulary Test Score ([Dunn et al., 1986](#)) for children aged 36-42 months who use CDI and CNH services" (Annex II).
- 1.36 **Expected outcomes.** The outcomes on quality of services under Component 1 will be measured by the following indicators: (i) quality of CDI processes (average score in two domains of CLASS); (ii) CDI structural quality (average score of Infant/Toddler Environment Rating Scale – Revised (ITERS-R) in the space and furnishings dimension); and (iii) CNH structural quality, measured as the average annual number of contacts between (home and group) educator and child aged 0-24 months; and (iv) 25-36 months, respectively. Under Component 2, the outcome indicators are: (i) percentage of household users of CDI services listed in the Social Registry database; (ii) the equivalent for household users of CNH services; (iii) percentage of household users of CDI services below the Social Registry's poverty threshold; and (iv) the equivalent for household users of CNH services. The outcomes of Component 3 will be measured by: (i) cantonal child and adolescent protection boards formed; and (ii) cantonal child and adolescent protection boards that apply the regulatory protection framework (measured through the resolution of cases concerning child and adolescent rights violations).
- 1.37 **Economic analysis.** The ex ante economic analysis ([optional link #1](#)) of Component 1, performed using the cost-benefit methodology, indicates that for CDIs, the net present value (NPV) is US\$36 million and the benefit-cost ratio is 3.2, while for CNH, the NPV is US\$96.4 million and the benefit-cost ratio is 7.8, suggesting that the proposed intervention is broadly beneficial. Although these estimates do not incorporate spillover effects or positive externalities that would

¹⁴ The component will finance experimental impact evaluations that will measure the causal effects of the investments in CDI services in urban areas, and the impacts of CNH in rural and urban areas, on intermediate outcomes in terms of quality of service delivery and final outcomes in terms of home childrearing practices (in the case of CNH) and child development (in the case of CDIs).

boost the program's social return (such as the adoption of best practices by the rest of the household members), they may prove optimistic if the expected effects of the quality improvements turn out to be less impactful in practice.

- 1.38 The cost-benefit analysis of Component 2 yields an NPV of US\$24.2 million and a high benefit-cost ratio of 5.9 for the CDIs and an NPV of 1.5 and a benefit-cost ratio of 1.4 for CNH, which may prove to be an optimistic estimate if the expected improvements in targeting services toward poor households are not achieved. The sensitivity analyses, which use discount rates of up to 12%¹⁵ and reduced effects in the expected outcomes, demonstrate that only for the Component 2 intervention for CNH units are there cases in which the benefit is lower than the cost. In order for the project as a whole to have a negative NPV, the operation's results on quality and the results of quality on future income would have to be much lower than suggested by the international evidence.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is structured as a specific investment loan for a total amount of US\$57,521,720 and will be financed with US\$50,000,000 from the Bank's Ordinary Capital (OC) and US\$7,521,720 in local counterpart resources, as shown in Table 5. The disbursement period will be five years (Table 6).

Table 5. Project costs (in US\$)

Components	IDB	Local	Total	%
Component 1. Quality of child development services	34,736,800	4,168,416	38,905,216	67.6
Component 2. Management quality of child development services	7,047,220	1,145,666	8,192,886	14.2
Component 3. Regulatory and institutional child protection framework	7,247,580	869,710	8,117,290	14.1
Audits, management, and evaluations	968,400	1,337,928	2,306,328	4.0
TOTAL	50,000,000	7,521,720	57,521,720	100.0

Table 6. Disbursement schedule* (in US\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
IDB	6,152,358	18,104,031	14,121,406	8,674,880	2,947,325	50,000,000
% per year	12	36	28	17	6	100

* Preliminary figures subject to adjustment in the launch workshop.

B. Environmental and social risks

- 2.2 Adverse socioenvironmental aspects are expected to be minimal, and the program is classified as a category "C" operation in accordance with the guidelines of the Bank's Environment and Safeguards Compliance Policy (OP-703).

¹⁵ The main cost-benefit analysis applies a discount rate of 3% based on the guidelines for a cost-benefit analysis of early childhood development interventions established in [Karoly \(2012\)](#).

- 2.3 The operation does not call for the financing of infrastructure works and will therefore not carry out activities with negative implications for natural resources. Neither is the program expected to generate negative social impacts. On the contrary, it is expected to improve the structural and process quality of public child development services provided under various modalities of care. These services are also used by indigenous populations and by girls. In the event that a new, specific care modality for indigenous populations is included, the plan would be to include a cultural and bilingual adaptation in the work of curriculum review and strengthening of educators' skills, or at least to adjust the existing teaching materials and cultural sensitization of CDI and CNH educators.

C. Fiduciary risks

- 2.4 There is a medium-level fiduciary risk that the procurements will fail to comply with the minimum required quality standards and that the executing agency will fail to properly apply the Bank's procurement policies. To mitigate this risk, consulting services will be engaged both to support procurement processes and to help define the technical aspects, in addition to having a procurement specialist on the program with the appropriate professional profile (Annex III).

D. Other project risks

- 2.5 There is a high-level risk associated with public management and governance: interinstitutional coordination and interaction with the National Planning and Development Office (SENPLADES) and MEF are insufficient, delaying the budget allocation of Bank and local counterpart resources. To mitigate this risk, the MIES authorities will initiate in advance the priority opinion request process at SENPLADES and the program's budget registration and certification process at the MEF, in accordance with the 2019 pro forma budget sent to the National Assembly.
- 2.6 There is a medium-level fiscal sustainability risk that the loan contract will not be signed and/or disbursements will not be made because the debt ceiling established under the Ecuadorian regulatory framework is exceeded. To mitigate this risk, the Bank will be closely monitoring the judicial and financial decisions of the country's highest authorities relating to borrowing and will adjust the project's management tools in case the signing of the contract is delayed to the following fiscal year.
- 2.7 There are two medium-level development risks: (i) the technical-operational capacity and intrainstitutional coordination at the MIES are limited in the face of a technically complex program, delaying the start and execution of the operation. To mitigate this risk, the entity within the MIES that will execute the program will be deconcentrated and housed in close proximity to the ministry office (paragraph 3.2); in addition, the Bank will provide in-house and externally contracted technical support during the design, startup, and precontract stages of the key activities to be financed with the loan proceeds; and (ii) the technical staff of the CDIs and CNH units lacks sufficient job incentives to ensure their sustainable retention in child development services. To mitigate this development risk, the MIES authorities, with Bank support, will develop an ongoing training, mentoring, and assistance model to ensure that the service quality introduced through the project can be sustained.
- 2.8 **Sustainability.** The evidence presented in section A shows that there is room for improvement in the quality of child development services and their management mechanisms. According to the economic analysis ([optional link 1](#)), the program

interventions will support useful reforms in improving the cost-effectiveness of public expenditure (paragraphs 1.37 and 1.38) at an opportune time in terms of the restricted macroeconomic and fiscal environment. The only aspect in which the program will finance current expenditure are the salaries that will be paid for three years for 340 mentors who will assist 3,400 CNH educators in adopting the new teaching model as part of the ongoing improvements. After the program, these services will be sustained through fiscal resources, provided the evidence generated through the impact evaluation confirms the cost-effectiveness created.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Ecuador, acting through the Ministry of Economic and Social Inclusion (MIES) as the executing agency. In turn, the MIES will execute strategic coordination with the Sector Council for Social Affairs,¹⁶ thereby helping to ensure the continuity of public policy in the area of child development and the strategic relevance of the activities of this operation throughout the execution period.
- 3.2 **Project execution, management, and coordination mechanisms.** The program will be executed at the MIES by an execution team organized as a deconcentrated operating entity (EOD), which is a nomenclature used in the Financial Administration System, or a similar entity.¹⁷ In response to the lessons learned from the underexecution of loan operation EC-L1107 (paragraph 3.3) and given the number of Bank-financed operations in which the MIES will participate (EC-L1235, EC-L1236, EC-L1238, EC-T1369, EC-T1405, EC-T1407), the duties of the EOD, or its equivalent, will be expanded in terms of administrative-financial management as compared to those of a traditional execution team. Its manager will be able to manage financial activities and make payments under the general guidelines of the MIES, MEF, and Office of the Comptroller General. The EOD will be created by ministerial resolution and will work with the planning area and in close coordination with the MIES to ensure consistency and complementarity with other policies and actions implemented by the MIES. The team will be comprised of a manager specifically delegated to act as expenditure officer and financed with counterpart resources, and financial, monitoring and evaluation, legal, and procurement specialists, who may be financed with program resources. Their responsibilities will be set out in the program Operating Regulations. In addition, the support staff in charge of the operational tasks associated with the budget, accounting, and treasury areas will be financed with local counterpart resources and will apply the financial management rules and processes and information systems of the MEF. In the technical sphere, the OED or its equivalent may prepare drafts terms of reference, technical specifications, and bidding terms. The Office of the Deputy Secretary for

¹⁶ The sector councils are bodies requiring mandatory institutional participation and tasked with reviewing, articulating, coordinating, harmonizing, and approving ministerial and interministerial policy in their sector and policy alignment with the National Development Plan. Their responsibilities include formulating and approving the intersector coordination agenda and intersector public investment planning. The full members of the Sector Council are those Executive Branch institutions that are governed by the Council's coordination (Executive Decree 34 of June 2017).

¹⁷ See the MEF Technical Budget Regulations, updated at 5 April 2018 (Art. 2.1.3).

Child Development, the General Bureau of Research and Data, and the Office of Services, Processes, and Quality will participate as requesting technical areas. In this capacity, they will review the bidding documents and technical outputs generated through the procurement processes.

- 3.3 The cooperation agencies (municipios, NGOs) that provide public child development services at CDIs under agreement, while not taking part in the fiduciary execution, will benefit from the quality-related activities and investments under Components 1 and 2 by receiving and using teaching and play materials. The responsibility and processes for the receipt, use, and maintenance of the goods received will be set out in the program Operating Regulations, including specific agreements that the MIES will sign with each cooperation agency.
- 3.4 **As a special contractual condition precedent to the first disbursement of the loan, evidence will be presented that the Operating Regulations have been approved with the Bank's prior no objection**, thus allowing the program to have operating rules as provided in paragraph 3.2 as well as guidelines and procedures to be followed by the executing agency.
- 3.5 **Operating Regulations.** The program Operating Regulations will describe the procedures for execution of the program components, the creation and characteristics of the EOD or its equivalent, the responsibilities, duties, and coordination mechanisms of the entities involved in the operation, and the financial management and procurement arrangements. Any modification of the program Operating Regulations will require the Bank's no objection. As indicated in paragraph 3.4, approval of the program [Operating Regulations](#) will be a special contractual condition precedent to the first disbursement.
- 3.6 **Procurement.** For procurement financed with loan proceeds, the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9) will apply. In addition, procurements may be carried out under the National Public Procurement System (see details in Annex III, Chapter VI).
- 3.7 Component 3 of the program envisages the following direct contracting: (i) inclusion of a child development module in the ENSANUT 2018, to be carried out through direct contracting of the National Statistics and Census Institute (INEC), the national statistics lead agency, in accordance with paragraph 3.6(c) of the Bank's procurement policies, since the INEC is considered a sole source (collection of official statistics); and (ii) data collection for the impact evaluation monitoring survey. Since the baseline contracting will be done under a competitive process of quality- and cost-based selection (QCBS), the evaluation with the monitoring survey calls for continuation of service by the same firm, in accordance with the Bank's contracting policies, paragraphs 3.10(a) and 3.11. Component 1 calls for the contracting of educator assistants for the operating staff with a view to providing ongoing training to the staff under a mentoring program. In this regard, the provisions of paragraph 3.21 of the Bank's contracting policies for service delivery consultants will apply, since this operation is a social sector program and will involve the hiring of large numbers of individuals who will deliver services on a contract basis. The contracting procedure authorized for this purpose (job postings), operating on the computer platform of the executing agency, includes the minimum parameters acceptable to the Bank. The program [Operating Regulations](#) will include the terms of the selection

process, profiles, duties, evaluation criteria, and contracting conditions to be followed by the MIES.

- 3.8 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$600,000 (1.2% of the proposed loan amount) in eligible project expenditures incurred by the borrower prior to the loan approval date, particularly for consulting services for the preparation or adaptation of activity guides and work methodologies used in interventions of proven effectiveness, for the CNH and CDI interventions, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 20 April 2018 (the project profile approval date), but in no case will they include expenditures incurred more than 18 months prior to the loan approval date.
- 3.9 **Financial management and audits.** Financial management will follow the Bank's Financial Management Guidelines (OP-273-6). Disbursements will be made in the form of advances for a period of up to 180 days, and at least 80% of the balance of previous advances should be justified prior to release of a new one. Project accounts will be recorded using the e-SIGEF country system, and audited financial reports will be requested within 120 days following the close of each fiscal year, or the date of the final disbursement (details in paragraphs 7.1 to 7.10 of Annex III).

B. Summary of arrangements for results monitoring

- 3.10 The monitoring and evaluation plan ([required link #2](#)) describes the monitoring and evaluation arrangements for the program. The MIES, through the EOD or its equivalent, will be responsible for the monitoring. The main monitoring instruments are: (i) the semiannual reports, which describe the degree of progress in physical and financial execution achieved in the six-month period and the planning of the respective targets for the following six months, and include the updated progress monitoring report, multiyear execution plan/annual work plan ([required link #1](#)), procurement plan ([required link #3](#)), project risk management, and financial planning matrices; (ii) the financial audits; and (iii) the Bank's missions or inspection visits and portfolio review meetings.
- 3.11 There will be a midterm and a final project evaluation. These descriptive evaluations will focus on the advances made in achieving the output and outcome targets set out in the original results matrix and the progress monitoring reports for every second six-month period during the years of execution ([required link #2](#)).
- 3.12 An experimental impact evaluation will be performed for each modality of care to measure the impacts attributable to the program in the CDI and CNH interventions. These evaluations will measure the causal effects of investments in CDI services in urban areas, and the impacts of CNH in rural and urban areas, on intermediate outcomes in terms of quality of service delivery and on final outcomes in terms of home childrearing practices (in the case of CNH) and child development. The specific objectives of the evaluations are: (i) to identify the impact of CDI quality improvement interventions (equipment, staff training, and other actions at the CDI level) on the quality of service; (ii) to identify the impact of attending upgraded and non-upgraded early childhood centers on child development for a sample of children who did not previously attend early childhood centers; and (iii) to measure the impact of participation in improved CNH home visits on childrearing practices and

development outcomes in children. The analysis will cover heterogeneous effects by gender and other baseline conditions in children. The monitoring and evaluation plan ([required link #2](#)) presents the evaluation design for CDIs and separately describes the evaluation proposal for CNH.

- 3.13 The findings of both evaluations will inform decisions on service expansion and budget allocation for the various modalities of care, based on the evidence and the recommendations.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity	
Country Development Results Indicators	-Children receiving early childhood development services targeted to the poor (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2924	Promote opportunities for the poorest families through an integrated system of social promotion and protection5
Country Program Results Matrix	GN-2915	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	10.0	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	10.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	1.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	1.0	
5. Monitoring and Evaluation	10.0	
5.1 Monitoring Mechanisms	2.5	
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)	Yes	Financial Management: Budget, Treasury. Procurement: Information System, Price Comparison, National Public Bidding.
Non-Fiduciary	Yes	Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Workshop on impact evaluation methods; EC-T1369 in execution on methods of continuous quality improvement; Workshop of technical content of children's centers / visits of proven effectiveness (pending)

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

The project's objective is to improve the quality of public services for child development and its management, including the modalities of CDI (Child Development Centers) and CNH (Growing with Our Children). To achieve this objective, the project finances investments in structural and process quality of child development services, strengthens the management of services, and strengthens the normative and institutional framework for the protection of children. The project presents a cost-benefit analysis that supports the economic viability of the proposed activities, with a benefit-cost ratio of 3.2 in CDI and 7.8 in CNH. The vertical logic presented in the POD is consistent with the indicators presented in the results matrix, and includes indicators for the main outputs, outcomes and impacts. The indicators meet SMART criteria and include baseline values and targets, as well as the sources and means of verification that will be used to measure them. The final impact indicator is receptive language measured by the Picture Peabody Vocabulary Test. The Ministry of Economic and Social Inclusion, through an executing team in the Decentralized Operating Entity, will oversee the monitoring and evaluation of the program. The indicators of the results matrix will be reported using administrative data sources including the Social Registry and the SIIMIES. The project includes an experimental impact evaluation that will measure the effects attributable to the CDI and CNH interventions on intermediate outcomes of service provision quality, and final outcomes of parenting practices and child development.

RESULTS MATRIX

Project objective:	The objective of the program is to improve the quality and management of public early childhood development services, which encompass various modalities of care, including Early Childhood Development Centers (CDIs) and Growing with Our Children (CNH).
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EXPECTED IMPACTS¹

Indicators	Measurement unit	Baseline	Baseline year	2023 final target	Means of verification
Impact 1: Level of early childhood development improved					
Peabody Picture Vocabulary Test (PPVT) score for children aged 36-42 months who use CDI and CNH services (disaggregated by gender)	Standardized PPVT score (mean = 100 points, TD = 15)		2008	Increase relative to the control of 0.11 TD or 2.25 points	Impact evaluation monitoring survey
36-42 months, girls		88.5			
36-42 months, boys		89.2			
36-42 months, girls and boys		88.9			

¹ Annex A of the monitoring and evaluation plan contains a more complete version of this matrix in terms of explanatory footnotes. Annex B presents a detailed description of the methodology for building the program impact and outcome indicators, their baseline and expected targets, and the way in which they are to be adjusted during the execution stage.

EXPECTED OUTCOMES¹

Indicators	Unit of measurement	Baseline	Baseline year	2019	2020	2021	2022	2023	Final target	Means of verification
Outcome 1: Quality of child development services improved										
Quality of CDI processes: average CLASS (Classroom Assessment Scoring System) score Emotional and behavioral support Engaged support for learning	Points	3.6 1.6	2012	3.6 1.6	3.6 1.6	3.6 1.6	3.6 1.6	4.0 2.0	4.0 2.0	Baseline surveys and monitoring of the program impact evaluation
CDI structural quality: average ITERS-R score in space and furnishings dimension	Points	2.1	2012	2.1	2.1	2.1	2.1	4.0	4.0	
CNH structural quality: average annual number of contacts between (home and group) educator and child aged 0-24 months	Number of contacts	22.65	2017	22.65	26.05	29.95	34.45	39.61	39.61	SIIMIES
CNH structural quality: average annual number of contacts between (home and group) educator and child aged 25-36 months	Number of contacts	23.67	2017	23.67	27.22	31.30	36.00	41.40	41.40	
Outcome 2: Management quality of child development services improved										
Percentage of household users (children or legal representatives) of CDI services listed in the Social Registry database	%	68	2018	68	68	78	90	100	100	Social Registry and SIIMIES
Percentage of household users (children or legal representatives) of CNH services listed in the Social Registry database	%	56	2018	56	56	64	74	85	85	

Indicators	Unit of measurement	Baseline	Baseline year	2019	2020	2021	2022	2023	Final target	Means of verification
Percentage of household users (children or legal representatives) of CDI services below the Social Registry's poverty threshold Note: Households not on the Social Registry database count as Social Registry poverty threshold = 0	%	43	2018	43	43	43	59	74	74	Social Registry and SIIMIES
Percentage of household users (children or legal representatives) of CNH services below the Social Registry's poverty threshold Note: Households not on the Social Registry database count as Social Registry poverty threshold = 0	%	56	2018	56	56	56	68	78	78	Social Registry and administrative SIIMIES records
Outcome 3: Regulatory and institutional child protection framework strengthened										
Cantonal child and adolescent protection boards formed	Boards	177	2018	177	221	291	341	341	341	Municipal ordinances of formation (at a minimum, there should be one board for each of the 221 cantons)
Cantonal child and adolescent protection boards that apply the regulatory protection framework through case resolutions	Boards	106	2018	106	132	174	205	205	205	Survey of boards (baseline) by the National Council for Intergenerational Equality and annual MIES reports with an analysis of case resolutions providing protective measures

OUTPUTS¹

Outputs	Unit of measurement	Baseline	Baseline year	2019	2020	2021	2022	2023	Final target	Means of verification
Component 1. Quality of child development services										
P.1.1 CDIs equipped	Centers	0	2018	0	1,050	0	1,050	0	2,100	Semiannual project reports (based on certificates of delivery and acceptance of goods)
P1.2 CNH units equipped	Units	0	2018	0	1,700	0	1,700	0	3,400	
P1.3 Activity guides for CDIs and CNH units prepared	Documents	0	2018	0	0	2	0	0	2	Semiannual project reports (based on approved consulting reports)
P1.4 CDI and CNH educational staff trained	Persons	0	2018	0	0	0	6,200	6,200	12,400	Semiannual project reports (based on training certificates issued)
P1.5 Assistance and ongoing improvement system designed	Systems	0	2018	0	1	0	0	0	1	Semiannual project reports
P1.6 Assistance and ongoing improvement system implemented	Systems	0	2018	0	0	0	0	1	1	
P1.7 Private sector monitoring system designed	Systems	0	2018	0	0	1	0	0	1	
Component 2: Management quality of child development services										
P2.1 Field management and user prioritization system strengthened and improved	Systems	0	2018	0	1	0	0	0	1	Semiannual project reports

Outputs	Unit of measurement	Baseline	Baseline year	2019	2020	2021	2022	2023	Final target	Means of verification
P2.2 Field management and user prioritization system strengthened, improved, and implemented	Systems	0	2018	0	0	1	0	0	1	Semiannual project reports
Component 3: Regulatory and institutional child protection framework										
P3.1 Childhood regulations prepared	Documents	0	2018	0	1	1	0	0	2	Semiannual project reports
P3.2 Local and central government and civil society personnel trained	Persons	0	2018	0	2,000	2,000	2,000	0	6,000	
P3.3 Cantonal boards and councils equipped	Boards and councils	0	2018	0	221	177	164	0	562	Semiannual project reports (calculation based on 341 cantonal boards and 221 councils)
P3.4 Childhood research and assessments conducted	Research	0	2018	1	0	0	0	1	2	Semiannual project reports

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Republic of Ecuador
Project number: EC-L1235
Name: Investment in the Quality of Child Development Services
Executing agency: Ministry of Economic and Social Inclusion (MIES)
Prepared by: Juan Carlos Dugand and Gumersindo Velázquez (FMP/CEC)

I. INTRODUCTION

- 1.1 This document contains the procurement- and financial management-related fiduciary agreements for execution, prepared on the basis of: (i) the country's fiduciary context; (ii) a fiduciary risk evaluation; (iii) an institutional capacity assessment of the MIES; and (iv) input from work meetings with the project teams and government officials involved.

II. THE FIDUCIARY CONTEXT OF THE COUNTRY

- 2.1 There have been significant advances in the country's fiduciary context since 2008, as evidenced in recent evaluations of both the public procurement system (MAPS-2011) and the public financial management system.
- 2.2 **Procurement system:** On 25 February 2013, the Bank's Board of Executive Directors approved advanced use of Ecuador's National Public Procurement System (SNCP) in Bank-financed operations (document GN-2680-2). On 13 May 2014, the Ministry of Economy and Finance (MEF), the National Public Procurement Service (SERCOP) (lead agency), and the Bank signed an agreement for use of the SNCP in Bank-financed operations. Paragraph 3.2 of this agreement provided for use of the SNCP in seven projects and its gradual expansion.
- 2.3 **Financial management system.** Central government entities use the eSIGEF financial management system, which integrates the budget, accounting, and treasury processes. Government entities are subject to supervision and oversight by the Office of the Comptroller General (CGE). Generally speaking, the country systems for financial management have an adequate level of development, but, for execution of Bank-financed projects, they need to be supplemented as regards financial reporting with off-balance-sheet records and external auditing by auditing firms acceptable to the Bank. The government is currently implementing a new system to replace eSIGEF. This new system is expected to be in operation in 2019.

III. THE FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 3.1 The project executing agency will be the Ministry of Economic and Social Inclusion (MIES), which acted as the subexecuting agency in loan operation 2787/OC-EC (EC-L1107). This loan operation, now in the closing process, had limited execution since 92% of the external proceeds were redirected to the contingent loan to handle the emergency that occurred in the wake of the 2016 earthquake.
- 3.2 The MIES will seek to obtain the relevant authorizations to establish an administratively and financially autonomous deconcentrated operating entity (EOD) or its equivalent, as described in paragraph 3.2 of the loan proposal. The project's Operating Regulations will establish the profiles of the individuals hired or appointed to carry out their duties either at the EOD or as key support staff.
- 3.3 With regard to information systems in support of financial management, the executing agency relies on the tool described in paragraph 2.3. Procurement is posted on the public procurement portal when country systems are used.

IV. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 4.1 There is a medium-level fiduciary risk that the procurements will fail to comply with the minimum required quality standards and that the executing agency will fail to properly apply the Bank's procurement policies. To mitigate this risk, consulting services will be engaged both to support procurement processes and to help define the technical aspects, in addition to having a procurement specialist on the project with the appropriate professional profile.

V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 5.1 There is no need to incorporate special aspects or exceptions to the policies. The project Operating Regulations will establish the required key team and the profile of its members.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 6.1 **Procurement execution:** The Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9) will apply. The procurement plan will be updated annually or as needed through the Procurement Plan Execution System (SEPA).
- 6.2 **Procurement of works, goods, and nonconsulting services.** Contracts for goods, works, and nonconsulting services ¹ generated under the project and subject to international competitive bidding (ICB)² will be subject to the thresholds

¹ Document GN-2349-9 (paragraph 1.1): Nonconsulting services are treated as goods.

² At present, the ICB threshold is applicable in the case of amounts equal to or higher than US\$3,000,000 for works and in the case of amounts equal to or greater than US\$250,000 for goods and nonconsulting services.

provided on the [webpage](#). ICB processes will be executed using the standard bidding documents issued by the Bank.

- 6.3 Component 3 envisages the inclusion of a child development module in the ENSANUT 2018, which will be carried out by the National Statistics and Census Institute (INEC), the national statistics lead agency and the entity responsible for generating official statistics in Ecuador for public policy decision-making. This activity will be covered through direct contracting of the INEC as provided in paragraph 3.6(c) of the Bank's procurement policies, since the INEC is considered the sole source (collection of official statistics). Contracting and payment will be done against delivery of outputs.
- 6.4 **Selection and contracting of consultants.** Contracts for consulting services will be executed using the standard request for proposals issued by or agreed upon with the Bank. Similarly, the selection processes to be carried out through direct contracting will be identified. In selecting and contracting consulting services any of the methods described in document GN-2350-9 may be used, provided that the method chosen has been identified for the corresponding contracting in the procurement plan approved by the Bank. The threshold determining the inclusion of international consultants on the short list³ will be posted for the project on the [webpage](#).
- 6.5 Component 3 will include the contracting of an impact evaluation. To this end, two contracts are planned. The first will be for baseline data collection, and the second for the monitoring survey. The first phase will be contracted under a competitive process of quality- and cost-based selection (QCBS). The second calls for continuation of service by the same firm that was awarded the previous contract, in accordance with the Bank's contracting policies (document GN-2350-9), paragraphs 3.10(a) and 3.11. Continuity is essential for the impact evaluation, and these services will be specified in the request for proposals (terms of reference) for the baseline study. Provided that the consultant's results and performance in the baseline study have been satisfactory, the executing agency will proceed with direct selection based on continuation of service; the need to maintain the original consultant's technical approach, acquired experience, and professional sense of responsibility may make it preferable to continue to contract this consultant rather than carry out a new competitive process.
- 6.6 **Selection of individual consultants:** In the cases identified in the approved procurement plans, individual consultants will be contracted in accordance with the policies for the selection and contracting of consultants, Section V (paragraphs 5.1-5.4).
- 6.7 Component 1 calls for the contracting of educator assistants for the operating staff of the Office of the Deputy Secretary for Child Development with a view to providing ongoing staff training as part of a mentoring system. In this regard, the provisions of paragraph 3.21 of the Bank's contracting policies for service delivery consultants will apply, since this operation is a social sector project and will involve the hiring of large numbers of individuals who will deliver services on a contract basis. The contracting procedure authorized for this purpose (job postings) includes the

³ In contracting consulting firms, the threshold is for amounts equal to or greater than US\$200,000; for lower amounts, the short list may consist entirely of national consulting firms.

minimum parameters acceptable to the Bank within the operating limits of the computer platform. The project Operating Regulations will include the terms of the selection process, profiles, duties, evaluation criteria, and contracting conditions to be followed by the MIES.

- 6.8 **Training:** Contracting for training will be recorded in the procurement plan. In the event that such contracting is carried out through universities or technical institutes, it will require a prior competitive process in accordance with the Bank's procurement policies.
- 6.9 **Use of the country procurement system:** Procurements below the threshold set in Table 1 may be carried out within the framework of the SNCP, except in the case of a special regime, framework agreements, and selection of individual consultants. The procurement plan for the operation and its updates will indicate which procurements will be carried out using the approved country systems.
- a. **Advance procurement and retroactive financing:** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$600,000 (1.2% of the proposed loan amount) in eligible project expenditures incurred by the borrower prior to the loan approval date, particularly for consulting services for the preparation or adaptation of activity guides and work methodologies used in interventions of proven effectiveness, for the CNH and CDI interventions or the child development module to be included in the National Health and Nutrition Survey (ENSANUT), provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 20 April 2018 (the project profile approval date), but in no case will they include expenditures incurred more than 18 months prior to the loan approval date.
- b. **National preference.** Offers of goods originating in the country of the borrower will be given a price preference⁴ equivalent to 15% in contracts subject to ICB.

Table 1. Threshold amounts (US\$)

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

⁴ Document GN-2349-9, Appendix II, and loan contract.

Table 2. Main procurement items

Activity	Type of procurement	Estimated invitation date	Estimated amount (US\$000)
Goods			
Procurement of equipment for CDIs	ICB	26/08/19	12,600
Procurement of technological equipment for CNII, CCPD, JCPD	ICB	03/02/19	2,998
Procurement of technological equipment for CNH counterparts	ICB	22/01/19	2,367
Nonconsulting services			
Printing of activity guide materials	ICB	16/03/20	2,500
Training of CDI and CNH counterparts in information system and accountability	ICB	27/04/20	1,500
Training of CDI and CNH educators, including distribution and delivery of materials in the field	ICB	31/01/22	1,240
Child development module in the ENSANUT 2018	DC	21/12/18	500
Consulting firms			
Consulting services for the project impact evaluation (baseline surveys)	QCBS	1/10/2018	1,000
Consulting service for project impact evaluation (monitoring surveys)	SSS	13/09/2021	1,000
Consulting services for design and content of the assistance/mentoring and ongoing improvement system	QCBS	22/10/2018	600
Individual consultants			
Contracting of educator assistants	SC	22/10/18	13,096

6.10 Procurement supervision. The procurement supervision method will be as determined by the Bank. Generally, procurement will be supervised ex post, except in the case of consulting contracted on the basis of quality- and cost-based selection (QCBS), individual consulting by key execution staff, and other cases in which ex ante review is justified and the Bank asks to include it in the procurement plan. When procurement is executed through the country system, supervision will also be carried out through the country system⁵ and/or as agreed upon with the Bank.

6.11 The supervision method will be determined for each selection process.⁶ Ex post reviews will be conducted every 12 months in accordance with the supervision plan

⁵ Depending on the extent of use of the system, supervision may be supplemented with program audits, in which case this should be mentioned in this annex.

⁶ The procurement plan will indicate which review method will apply to each contract: (i) ex post; (ii) ex ante; or (iii) country system.

for the project. Ex post review reports will include at least one physical inspection visit,⁷ selected from among the procurement processes subject to ex post review.

Table 3. Threshold for ex post review (US\$)

Works	Goods	Consulting services	Individual consulting
< 3,000,000	< 250,000	< 200,000	< 50,000

Note: The thresholds for ex post review of procurement are applied on the basis of the executing agency's fiduciary capacity for execution.

- 6.12 **Special provisions.** Measures to reduce the likelihood of corruption: The provisions set forth in documents GN-2349-9 and 2350-9 relating to prohibited practices (list of companies and individuals ineligible to work with multilateral organizations) will apply.
- 6.13 **Records and files.** The executing agency will maintain updated records and appropriately organized files, with documentation on procurement and contracting kept in a single file that is perfectly distinguishable from those related to processes funded with local counterpart or nonproject resources. Program reports will be prepared and filed using formats or procedures that have been agreed upon and will be described in the project Operating Regulations.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 7.1 **Programming and budget:** The Basic Code on Planning and Public Finances (COPYFP) is the legislation establishing the general standards governing programming, formulation, approval, execution, control, evaluation, and settlement of the budgets. These general standards apply to the execution of Bank-financed programs in Ecuador. The eSIGEF integrated system orchestrates and standardizes implementation of these general standards through the national public management apparatus. The MIES will see to it that the project's priority status is obtained and that the project is included in the government's annual investment plan, as well as handle the respective budget allocations, obtain the necessary guarantees for contracting processes, and supervise budget execution through the relevant systems.
- 7.2 **Accounting and information systems.** Program accounting will be performed through the eSIGEF system or the new system being developed by the government, once it is operational. All project commitments and payments will be recorded in this system, but off-balance-sheet records will be needed to make itemized entries by component and be able to generate the project's financial reports while the reliability of the new system and its reports is verified.
- 7.3 **Disbursements and cash flow.** In 2008, the Ecuadorian government installed the National Treasury Single Account (TSA) mechanism, which unified cash management at all central government entities.
- 7.4 Implementing this mechanism did not eliminate the Central Bank of Ecuador's (BCE) system of special accounts or special-purpose accounts for financing from

⁷ The inspection verifies the existence of the procurement, leaving verification of quality and of compliance with specifications to the sector specialist.

- multilateral loans. The project will have a special account at the BCE into which the loan proceeds will be disbursed. All project payments will be made through the eSIGEF system or the new system by debiting the TSA.
- 7.5 The Bank will disburse the loan proceeds in the form of advances of funds based on the project's liquidity needs, pursuant to a detailed financial plan and cash flow statement reflecting the project's actual resource needs, for a period of up to six months. At the borrower's request, the Bank may also make direct payments to suppliers or expenditure reimbursements.
- 7.6 The rendering of accounts for advances will be done pursuant to document OP-273-6. Once it is demonstrated that at least 80% of the balance of previous advances has been used, a new disbursement may be made.
- 7.7 The supporting documentation for payments made will be reviewed by the Bank and/or the external auditors following the disbursement of the resources.
- 7.8 **Internal control and internal auditing.** Ecuador's Constitution provides that the CGE is responsible for running the public sector control system. As part of that sector, the executing agency has its own internal audit area that reports directly to the CGE; however, the Bank does not use its services, since that area's audit plans do not include reviewing the project.
- 7.9 **External control and reports.** Since the CGE does not currently have sufficient capacity for external control of projects financed with external loans, external auditing of the project will be performed by independent auditors acceptable to the Bank, in keeping with IDB requirements (OP-273-6) and the terms of reference previously agreed upon with the Bank. During execution, the audited financial reports will be presented annually, within 120 days following the closing date of each fiscal year or the date of the last disbursement. The Bank may also request that the executing agency provide unaudited financial reports related to the project.
- 7.10 There is no national policy on public disclosure of audit reports. However, in keeping with the current access to information and information disclosure policy, the audited project reports are to be published in the Bank's systems.

Table 4. Fiduciary supervision plan

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsible entity	
			Bank	Other
Operational	Review of semiannual progress report	Semiannual	Project team	
	Portfolio review with the executing agency	Based on MEF requirements		
Financial	Review of cash flow and disbursement schedule	With each request for a funds advance and during the portfolio reviews		Executing agency
	Inspection visits	Annual	Fiduciary specialist	Consultant/Auditor
	Review of audited financial statements		Fiduciary specialist and Project Team Leader	
Procurement	Ex ante procurement review	During execution	Project Team Leader/ Procurement specialist	Executing agency
	Ex post review	As required under the supervision plan	Project Team Leader/ Procurement specialist	Consultant/ Auditor/ Office of the Comptroller General
	Update to procurement plan	As often as needed, at least every six months	Project Team Leader/ Procurement specialist	Executing agency
Compliance	Fulfillment of conditions precedent	One time	Project team	Executing agency
	Review of prioritization and budget allocation	Annual	Fiduciary specialist/ Project Team Leader/ Operations analyst	
	Presentation of audited financial statements		Project Team Leader and fiduciary specialist	Executing agency/ Auditor

7.11 **Execution mechanism.** The project will be executed at the MIES by an execution team organized as a deconcentrated operating entity (EOD), which is a nomenclature used in the Financial Administration System,⁸ or a similar entity. For more detailed information, see paragraph 3.2 of the loan proposal.

7.12 The main activities of the EOD or its equivalent (paragraph 3.2) include: (i) administration of the loan proceeds and management of the fiduciary aspects (procurement-related and financial); (ii) planning of loan execution, including preparing the annual work plans and monitoring and updating the procurement plan; (iii) coordination, management, and supervision of the activities associated with the procurement of goods, nonconsulting services, works, and consulting services by firms and individuals; (iv) supervision and monitoring of progress on

⁸ See the MEF Technical Budget Regulations, updated at 5 April 2018 (Art. 2.1.3).

project execution; (v) preparation of financial statements and disbursement requests; and (vi) project impact evaluation, in addition to other activities to be listed in the Operating Regulations.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/18

Ecuador. Loan ____/OC-EC to the Republic of Ecuador
Investment in Quality of Child Development Services

The Board of Executive Directors

RESOLVES:

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

(Adopted on _____ 2018)