

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

CHILE

PROGRAM TO STRENGTHEN EDUCATION SECTOR MANAGEMENT

(CH-L1081)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Analía Jaimovich, Project Team Leader, (EDU/CCH); Jesús Duarte (SCL/EDU); Gregory Elacqua (SCL/EDU); Alejandro Pareja Glass (IFD/ICS); Livia Mueller (SCL/EDU); Paola Robles (CSC/CCH); Francisco Lois (FMP/CCH); Raúl Lozano (FMP/CPR); Roberto Monteverde (Consultant CSC/CCH); Rodolfo Graham (LEG/SGO); Matthew Kelemen (EDU/CCH); María Luisa Iribarren (SCL/EDU); and Liora Schwartz (EDU/CCH).

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ABBREVIATIONS

| | |
|---------|---|
| AWP | Annual work plan |
| CGR | Contraloría General de la República [Office of the Comptroller General of the Republic] |
| CPEIP | Centro de Perfeccionamiento, Experimentación e Investigaciones Pedagógicas [Center for Pedagogical Training, Experimentation, and Research] |
| DAG | División Administración General [General Administration Division] |
| DEG | División de Educación General [Division of General Education] |
| DEP | Dirección de Educación Pública [Public Education Office] |
| DEPROV | Departamentos Provinciales [Provincial Departments] |
| DIPLAP | División de la Planificación y Presupuesto [Division of Planning and Budget] |
| ESMR | Environmental and social management report |
| MINEDUC | Ministry of Education |
| NCB | National competitive bidding |
| NPV | Net present value |
| OC | Ordinary Capital |
| SAC | Sistema de Aseguramiento de la Calidad [Quality Assurance System] |
| SAFP | Sistema de Administración Financiera y Presupuestaria [Financial and Budget Administration System] |
| SIGFE | Sistema de Información de la Gestión Financiero del Estado [State Financial Management Information System] |
| SIMCE | Sistema de Medición de la Calidad de la Educación [Educational Quality Measurement System] |
| SIRR | Social internal rate of return |
| SLE | Servicios locales de educación [local educational services] |
| TGR | Tesorería General de la República [General Treasury of the Republic] |
| UCE | Unidad de Curriculum y Evaluación [Curriculum and Evaluation Unit] |
| UINEP | Unidad de Implementación de la Nueva Educación Pública [New Public Education Implementation Unit] |

PROJECT SUMMARY

CHILE PROGRAM TO STRENGTHEN EDUCATION SECTOR MANAGEMENT (CH-L1081)

| Financial Terms and Conditions | | | | |
|---|----------------------|----------|--|--|
| Borrower: Republic of Chile | | | Flexible Financing Facility^(a) | |
| | | | Amortization period: | Bullet at 13 years |
| Executing agency: Ministry of Education (MINEDUC) | | | Original WAL: | Up to 13 years ^(b) |
| | | | Disbursement period: | 4 years |
| Source | Amount (US\$) | % | Grace period: | 13 years |
| IDB (OC): | 50 million | 71.5% | Inspection and supervision fee: | ^(c) |
| | | | Interest rate: | LIBOR-based |
| Local: | 20 million | 28.5% | Credit fee: | ^(c) |
| | | | Currency of approval: | U.S. dollars from the Bank's Ordinary Capital (OC) |
| Total: | 70 million | 100% | | |
| Project at a Glance | | | | |
| Project objective/description: The program objective is to improve the quality of the public education system in Chile by strengthening and/or creating leadership and technical/pedagogical support capabilities at the central and local levels of the system. | | | | |
| Special contractual conditions precedent to the first disbursement of the loan proceeds: Approval and entry into force of the Operating Regulations (OR) on the terms and conditions previously approved by the Bank will be a contractual condition precedent to the first disbursement (see paragraph 3.5). | | | | |
| Special contractual conditions for execution: Procurements conducted by the beneficiary municipal sustainers of the Component II activities, chargeable against the Bank loan proceeds, must be supported by transfer agreements entered into between the Ministry of Education (MINEDUC) and the respective municipal sustainers. Such agreements will include at least the following conditions: (i) terms of reference agreed upon with MINEDUC are to be used; (ii) selection and contracting are to be conducted through the ChileCompra system, preferably using framework agreements or as indicated in the procurement plan; and (iii) resources are to be used for program activities, including the engagement of consulting services (see paragraph 3.9). | | | | |
| Exceptions to Bank policy: None. | | | | |
| Project qualifies as: ^(d) SV <input type="checkbox"/> PE <input checked="" type="checkbox"/> CC <input type="checkbox"/> CI <input type="checkbox"/> | | | | |

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1) the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when considering such requests.
- (b) The original weighted average life (WAL) and the grace period may be shorter, depending on the effective date of loan contract signature.
- (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 the applicable policies.
- (d) SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy, and Environmental Sustainability), CI (Regional Cooperation and Integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 Chile's education system includes approximately 12,000 primary schools (eight years) and secondary schools (four years). Of these, 51% are public schools; 42% are subsidized private schools administered by private entities with public financing; and 5% are paid private schools whose administration and financing are entirely private. The public sector concentrates on the most vulnerable students; subsidized private schools tend to concentrate on middle socioeconomic sectors; and paid private schools focus on the high socioeconomic sector.¹
- 1.2 In terms of the education system's governance and management structure, direct administration of educational establishments falls to the "sustainers": the municipios, in the case of public schools, and the private administrators in the case of subsidized and paid private schools. The Ministry of Education (MINEDUC) is responsible for setting education policy guidelines, financing the public and subsidized private schools (through a per capita subsidy administered by the sustainers), establishing standards and curricula, and implementing policies to support education quality improvement. In 2011, two additional agencies were created to assist in overseeing education: the Superintendency of Education, responsible for ensuring compliance with current standards, and the Agency for Educational Quality, responsible for evaluating learning achievements and assessing the performance of educational establishments, principals, and sustainers, and for keeping the community informed. Together, MINEDUC, the Agency for Educational Quality, and the Superintendency of Education comprise the Quality Assurance System, known by its Spanish-language acronym SAC.
- 1.3 Public educational establishments pose major challenges in terms of the quality of student learning outcomes, as well as the high level of inequity both between and within regions. In 2013, 41% of fourth year primary school students in the public system had the lowest achievement levels in reading, while 50% of students in that sector had the lowest SIMCE achievement scores in mathematics.² In the case of secondary school education, the situation is even worse: 57% of second year students in public secondary schools scored "poor" in reading, and 59% in mathematics.³ In addition to the low scores in overall learning, educational outcomes vary greatly based on location. For example, in fourth grade primary school mathematics, only 13% to 17% of public sector students in prosperous municipios such as Vitacura and San Nicolás scored at the lowest levels of learning, compared to around 80% of public sector students in municipios such as Alto Bío Bío and Colchane.⁴
- 1.4 These challenges in terms of educational quality, combined with the citizenry's loss of confidence in public education, has led to a gradual decline in public sector enrollment (see Figure 1.1).⁵ In 2014, public school enrollment was just 39%, as a

¹ [Optional electronic link 5](#), Note 1.

² [Optional electronic link 5](#), Note 2.

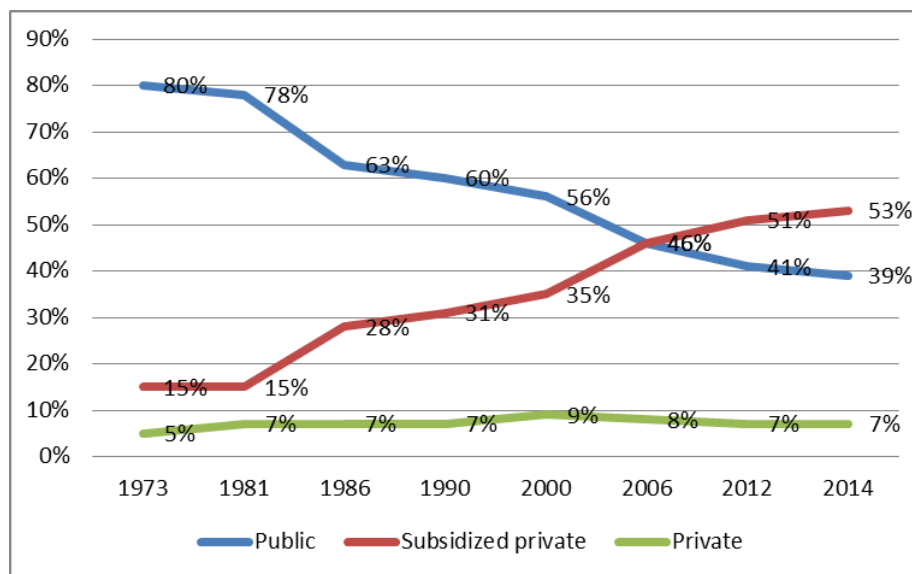
³ [Optional electronic link 5](#), Note 3.

⁴ [Optional electronic link 5](#), Note 4.

⁵ [Optional electronic link 5](#), Note 5.

result of a massive movement of students from public schools to subsidized private schools.^{6 7 8}

Figure 1.1. Enrollment by Sector (Chile, 1973-2014)



1.5 The main underlying cause of low quality and lack of equity in public sector education, and the associated decline in enrollment, is the limited capacity of the municipal system to promote processes for continuous scholastic improvement. Instead of technically managed teaching processes (which the literature associates with improvements in learning), municipal management of education tends to concentrate on administrative tasks: human resource management, including payment of salaries; financial and administrative management; and school infrastructure maintenance. Few municipios have the strategic planning capacity and ability to provide pedagogical support to the schools, promoting scholastic improvement.⁹ This is clearly evidenced by the composition of the municipio staff. According to a 2011 study, 20% of municipios do not have a Head of Education, who could exercise strategic leadership, and where such a position does exist within municipios, the individual is not devoted full-time to that mission. Most often, education staff at the municipal level deal with administrative and secretarial tasks, while the next-highest number of staff is dedicated to accounting and finance; only third in this hierarchy are personnel who deal with technical/pedagogical issues. Thirty-nine percent of municipios have no technical/pedagogical personnel at all.^{10 11} This lack of technical/pedagogical staff limits the ability of municipios to provide local support for scholastic improvement through mechanisms that the

⁶ [Optional electronic link 5](#), Note 6.

⁷ [Optional electronic link 5](#), Note 7.

⁸ [Optional electronic link 5](#), Note 8.

⁹ [Optional electronic link 5](#), Note 9.

¹⁰ [Optional electronic link 5](#), Note 10.

¹¹ [Optional electronic link 5](#), Note 11.

literature associates with enhancing teaching, as well as the level of local strategic planning and the number of technical/pedagogical support visits to schools.

- 1.6 Given the low capacity of municipios for technical/pedagogical management, the support functions have tended to be concentrated at the Ministry of Education, through its central and territorial support structure, the provincial education departments (DEPROVs). However, the support programs and strategies implemented by MINEDUC have not been effective in achieving scholastic improvements at the local level. A 2014 assessment of monitoring capacities and ability to provide pedagogical support in Chile's education sector rated as insufficient the number of MINEDUC technical/pedagogical staff in the field, and those were overburdened with administrative tasks and had little time to prepare visits and provide support for the schools. In addition, they had multiple demands on their time from various units in the central hierarchy.¹²
- 1.7 In summary, the technical/pedagogical support role within Chile's education system is very weak at both the central (MINEDUC) and municipal levels (local management of education), due primarily to the lack of technical staff with the necessary skills. Added to this, there are weaknesses in using data to support evidence-based strategies for improvement. Establishment of the SAC in 2011 helped to make data more available (primarily on the quality of learning and compliance with current standards). However, there are weaknesses with regard to integrating these data to support improvements in teaching and learning. There are no integrated information and management platforms to bring together information on technical/pedagogical advisory support, quality of learning, and inputs to facilitate using the data to identify needs for improvement and to help devise ways of providing the necessary support at the central and local levels.¹³ This is worrying, since successful education systems, to achieve scholastic improvement, have ways of ensuring that there are local support staff and mechanisms in place to promote improvement; these staff, in turn, receive support from the central level and are armed with the necessary data for evidence-based planning.¹⁴
- 1.8 In order to improve the quality of pedagogical management at the local level, the Government of Chile has designed a proposal to reform the institutional structure of public education. The purpose of the reform is to group municipios into local management units, known by their Spanish-language acronym as SLEs, or local educational services, to achieve the economies of scale necessary to ensure that there are trained staff at the local level to perform administrative, planning, and technical/pedagogical support functions. In the proposed new institutional structure, the municipios would no longer act as sustainers of the public schools. Instead, 67 SLEs would be established, each covering an average of six municipios. Their main role would be to manage the public schools, under the coordination of a Public Education Office (DEP) headquartered at MINEDUC. The responsibilities of the SLEs would include strategic planning, and, importantly, providing technical/pedagogical support to educational institutions in their respective territories, in addition to general administrative and financial management responsibilities.

¹² [Optional electronic link 5](#), Note 12.

¹³ [Optional electronic link 5](#), Note 13.

¹⁴ [Optional electronic link 5](#), Note 14.

- 1.9 In order to implement the proposed institutional reform of the public education system, the Government of Chile has sent a legislative bill to Congress that is expected to pass in 2016. In parallel with the process of enacting this law, the government has requested the Bank's support for implementing a program to strengthen central and local leadership and technical/pedagogical capacities. The government anticipates that, once the bill passes, these new installed capacities will prove useful to the SLEs. Agreements will be implemented under the Bank program to establish associations of municipios with separate legal status. The municipios will continue to act individually as sustainers of the public schools in regard to financial, administrative, and human resource management. The technical/pedagogical role and responsibility for strategic leadership, on the other hand, will be taken up by a pedagogical management team within each association of municipios, geared toward providing ongoing monitoring and technical/pedagogical support to the schools in their respective territories. The program for local strengthening consists of two stages in each of the territories (future SLEs): (i) preparatory studies; and (ii) introduction of local management tools, plans for training local staff, and communication and change management strategies. According to the initial planning, the program calls for six territories to be added in 2016 in both the preparation and the implementation stages. During 2017, the capacity-building program will be implemented in 15 territories (6 in implementation and 9 in preparation); during 2018, in 25 territories (9 in implementation and 16 in preparation); and during 2019, in 30 territories (16 in implementation and 14 in preparation). A similar gradual approach is envisaged in the legislative bill, with plans to incorporate the next set of SLEs, bringing the total number to 67 by 2022 (outside the scope of this operation). At the central level, the capacity building program will involve setting up the MINEDUC unit responsible for implementing the new institutional structure—the New Public Education Implementation Unit (UINEP), which will become the Public Education Office (DEP) once the law is enacted—and coordinating actions within the SAC framework.
- 1.10 **The program's strategy.** With the ultimate objective of improving student learning in the public education sector, the program is focused on enhancing strategic management and pedagogical capabilities at the local level (i.e., within each set of municipios or SLEs). The rationale of the program is that effective strategic and pedagogical management at the local level will produce improvements in these areas within the schools, which in turn will lead to improvements in teaching ability and improved student learning.¹⁵
- 1.11 The program is based on recent literature regarding the role of local educational management in the quality of education. Using data from the United States, Whitehurst, Chingos, and Galleher estimate that a difference of one standard deviation in leadership at the district level (i.e., at the level of local educational management) is associated with approximately 25% of the learning that takes place during a school year.¹⁶ Along the same lines, Louis et al. estimate that district leadership has a medium-level effect on student learning.¹⁷ In the specific case of Chile, a study has been done of the impact of municipal management on student learning. Larrañaga et al. find that, the stronger the municipal management of

¹⁵ [Optional electronic link 5](#), Note 15

¹⁶ [Optional electronic link 5](#), Note 16.

¹⁷ [Optional electronic link 5](#), Note 17.

education (measured in their study by an index of pedagogical management, financial management, and networking), the better the SIMCE Educational Quality Measurement System outcomes of students in the municipal sector.¹⁸ In short, the literature on the subject indicates that good management practices at the local level are associated with improved educational outcomes.

1.12 Local management practices that the literature associates with increased scholastic effectiveness (and, consequently, with better learning outcomes) include: strategic planning and implementation of processes for improvement, based on a clear theory of how to impact the pedagogical core within the schoolroom;¹⁹ a coherent, integrated strategy for bringing about improvements in learning, which incorporate various areas, such as curriculum, teaching strategies, professional development, etc.;²⁰ a strategy for developing and supporting school principals;²¹ and a culture of continuous improvement based on the use of data to identify what elements are needed for improvement at both the system/district level and the school level.²² Such practices with regard to local educational management have a positive effect on scholastic improvement, primarily by providing external support for better practices to be developed at the individual schools. The proposed program seeks to create the institutional conditions locally for implementation of the management practices that have been identified as successful.

1.13 **Lessons learned and relationship to other Bank operations in the country.**

The proposed program is novel in supporting system-wide reform that affects the institutional structure of the education system. The preceding section (“The program’s strategy”) summarizes the international evidence on reforms of this nature. Moreover, the design of the proposed operation benefits from active collaboration between the Bank and the country on the issue of educational management. Noteworthy in this regard are: (i) preparation of the Technical Note on the Education Sector 2014-2017, which serves as an analytical framework for the sector; (ii) analytical work on comparative international experiences in educational management; and (iii) consulting on issues specific to basic points of educational management policy in the country.²³ This work, some of it under technical cooperation operation ATN/OC-13882-CH, “Strengthening of the Education Quality Assurance System,” has provided analytical inputs for the design of this operation. Of specific note is the comparative study of experiences in educational management focusing on successful education systems.²⁴ Among the main findings of this study are that in these systems: (i) the local educational management units perform technical/pedagogical, as well as administrative, roles, including direct technical/pedagogical advisory support to the schools; (ii) there are mechanisms to ensure broad circulation of data at the different levels of governance within the system, which can be used for strategic decision-making on scholastic improvement; and (iii) there are embedded support mechanisms: each

¹⁸ [Optional electronic link 5](#), Note 18.

¹⁹ [Optional electronic link 5](#), Note 19.

²⁰ [Optional electronic link 5](#), Note 20.

²¹ [Optional electronic link 5](#), Note 21.

²² [Optional electronic link 5](#), Note 22.

²³ [Optional electronic link 5](#), Note 23.

²⁴ [Optional electronic link 5](#), Note 24.

level of school administration, from the central ministry to the individual schools, is responsible for identifying needed improvements and for building capacity at the lower levels.²⁵ These principles informed the design of this operation and were built into the structure of the SLEs at the local level (providing technical/pedagogical support to the schools) and, at the central level, within MINEDUC (ensuring the flow of data in the system and building capacity at the SLEs).

- 1.14 **The Bank's country and sector strategy.** The program will contribute to the lending priorities of the Ninth General Capital Increase (GCI-9) (document AB-2764) for poverty reduction and equity enhancement, given that the program's objective is to improve the quality of public education, which is attended by students from lower-income households, thereby enhancing their educational opportunities and employability. It will also contribute to the regional development goal for the share of youth ages 15 to 19 who complete ninth grade and to the output for "students benefited by education projects," as defined in the Results Framework. The program is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4), in that it addresses the priority area for IDB lending and analytical work of improving school quality. Under the Education and Early Childhood Development Sector Framework Document (document GN-2708-2), the program is aligned with Dimension 1 ("High goals for student learning guide the delivery and monitoring of education services at all levels"), which emphasizes the role of institutional coherence in ensuring the quality of education; Dimension 3 ("All students have access to effective teachers"), which emphasizes the importance of training, supporting, and working with teachers, school principals, and school supervisors to improve teaching and learning; and Dimension 4 ("All schools have adequate resources and are able to use them for learning"). The program is also aligned with the IDB's country strategy with Chile 2014-2018 (document GN-2785) under strategic pillar "B" (human capital development), since the priority area to which this program is expected to contribute is to improve the quality of learning among public school students.

B. Objectives, components, and cost

- 1.15 **Objectives.** The program objective is to improve the quality of the public education system in Chile by strengthening and/or creating leadership and technical/pedagogical support capabilities at the central and local levels of the system. The program has three components:
- 1.16 **Component I. Establishment of a New Public Education Implementation Unit at MINEDUC (US\$13,751,951).** The objective of this component is to improve the capacity of MINEDUC, at the central level, to coordinate public education. A unit will be established at MINEDUC to implement the new institutional structure for public education: the New Public Education Implementation Unit (UINEP). Once the law is enacted, UINEP is expected to become the Public Education Office (DEP). This component will have the following lines of action:
- (i) Design of the management model for UINEP and/or the unit to replace it, including definition of its executive staff and organizational structure, duties, necessary staff job descriptions, operational procedures and protocols to be used by the unit, and the process flow between it and other MINEDUC departments and SAC entities.

²⁵ [Optional electronic link 5](#), Note 25.

- (ii) Design and implementation of a plan to train staff of UINEP and/or the unit to replace it, including the training of approximately 150 people in continuous improvement approach in public education and management systems and tools.²⁶
- (iii) Design and implementation of information and management platforms for monitoring public education centrally, including survey of needs, building the necessary process architecture, and development of information and management systems (including integration with existing systems), purchase of software, and getting the platform up and running at MINEDUC.
- (iv) Design and implementation of a change management strategy, including contracting of specialized technical assistance for strategy design and implementation, supply of materials, and additional resources required for its implementation.
- (v) Design and implementation of a communication campaign, including identification of the target audience, content development, design of graphic materials, and implementation of the campaign.
- (vi) Supply of equipment for UINEP and/or the unit to replace it, including furniture and furnishings, installation of communication and computer networks, supply of hardware, and purchase of licenses.²⁷
- (vii) MINEDUC staff in place in advance, to assist in implementing the plan, at the central and local levels. Financing will be provided to hire the staff required for the various activities of UINEP and/or the unit to replace it. At the end of program execution, this cost will become part of MINEDUC's operating budget.²⁸

1.17 **Component II. Preparation for the transition to a new institutional structure at the local level (US\$44,763,646).** This component seeks to build local capacity and gradually introduce the management, leadership, and technical/pedagogical support processes necessary to ensure high-quality public education. The component will design and implement local management models for public education in 31 territories over the course of the program, staggering the entry of territories into the new institutional structure for public education described in paragraph 1.9. The component will have the following lines of action:

- (i) Development of local management tools for public education, including primarily the design of three management tool modules: territorial management, support, and participation; documentation of lessons learned from implementation of the three modules, and development of a plan for training human resources; and development of a protocol for operational implementation of the SLEs.
- (ii) Collection of the information necessary for advance transfer of educational management from the sustainer municipios in at least

²⁶ [Optional electronic link 5](#), Note 26.

²⁷ [Optional electronic link 5](#), Note 27.

²⁸ [Optional electronic link 5](#), Note 28.

31 territories, and implementation of local management tool modules in 31 territories.²⁹

- (iii) Capacity-building of local staff in the local management approach to public education, and in using the information and local management platforms and tools (100 people, on average, for each territory, representing the entire local staff in each territory), beginning in year 2 of program execution.
- (iv) Supply of equipment, and purchase, repair, or rehabilitation of physical premises as necessary at the local level for 31 territories.
- (v) Design and implementation of a change management strategy at the local level, including the contracting of specialized technical assistance for strategy design and implementation in each territory.
- (vi) Design and implementation of a communication strategy at the local level, including identification of the target audience for each territory, content development, design of graphic materials, and implementation of the strategy.

1.18 Component III. Strengthening of interagency coordination and capacity-building for implementation of a new institutional structure (US\$5,825,341).

The objective of this component is to strengthen interagency coordination between MINEDUC and other SAC institutions (the Agency for Educational Quality and the Superintendency of Education), in order to facilitate implementation of continuous improvement processes in public education under the new institutional structure. Actions will be financed in the following areas:

- (i) Design and validation of a common evaluation framework for local management of public education.³⁰ (a) setting performance standards to be used jointly by MINEDUC, the Agency for Educational Quality, and the Superintendency of Education in their dealings with public education institutions at the local level; and (b) designing performance evaluation instruments and the inspection framework for local public sustainers and their educational institutions.
- (ii) Extension of the existing education quality assurance model to facilitate introduction of the new institutional structure, including the identification of actions for UINEP and/or the unit to replace it, the Agency for Educational Quality, and the Superintendency of Education to coordinate in their dealings with local public sustainers; and the change management strategy for implementing the extension and specialization of the model at the central level.
- (iii) Design and implementation of a systems architecture to facilitate coordination of the management and information platforms of SAC institutions, including a survey of SAC institution processes in need of coordination, as well as design and implementation of the information systems architecture to coordinate information and management platforms.

²⁹ [Optional electronic link 5](#), Note 29.

³⁰ [Optional electronic link 5](#), Note 30.

- (iv) Design and implementation of territorial planning and management instruments for public education quality in 31 territories, including the identification of coordinated plans for each local public sustainer, implementation of coordination forums, and operational coordination among SAC institutions at the local level.
- (v) Capacity-building of SAC staff, including design and implementation of a plan for training evaluators (at the Agency for Educational Quality), inspectors (at the Superintendency of Education), MINEDUC supervisors, and local technical/pedagogical advisors in crosscutting issues related to the continuous improvement approach in public education.³¹

- 1.19 **Administration, monitoring, and audit (US\$4,259,062).** Administration and monitoring activities will be financed.
- 1.20 **Program evaluation (US\$1,400,000).** Financing will be provided for an outcome evaluation and an evaluation of program processes (see paragraph 3.13)
- 1.21 **Cost and financing.** The cost of the program will be US\$70 million. Up to US\$50 million of that amount (71.4%) will be financed with the Bank loan proceeds, and US\$20 million (28.6%) will be financed with country counterpart resources, as indicated in Table I-1. For more itemized, annualized information on costs, see [optional electronic link 3](#).

Table I-1: Summary of Costs by Component (US\$)

| Component/Output | IDB | Local | Total |
|--|-------------------|-------------------|-------------------|
| Component I: Establishment of a new Public Education Implementation Unit at MINEDUC | 6,043,164 | 7,708,786 | 13,751,951 |
| Component II: Preparation for the transition to a new institutional structure at the local level | 36,712,843 | 8,050,803 | 44,763,646 |
| Component III: Strengthening of interagency coordination and capacity-building for implementation of a new institutional structure | 5,825,341 | - | 5,825,341 |
| Administration, monitoring, and audit | 18,651 | 4,240,411 | 4,259,062 |
| Evaluation | 1,400,000 | - | 1,400,000 |
| TOTAL | 50,000,000 | 20,000,000 | 70,000,000 |

C. Key results indicators

- 1.22 The program's overall impact will be measured through indicators of the quality of learning at public schools (percentage of fourth year primary school and second year secondary school students with poor SIMCE learning achievement scores in reading and mathematics) and the coverage of public education (percentage of children in first year primary school enrolled in public schools in territories with the new local institutional structure), as a proxy for change in family perceptions of the quality of public education. The recent trend has been an average year-on-year increase of three points in the percentage of public school students with poor performance scores.³² The goal of the program is to halt that rising trend. No large-scale changes are expected within the four years of the program, since the effects of

³¹ [Optional electronic link 5](#), Note 31.

³² [Optional electronic link 5](#), Note 32.

institutional changes are seen only in the medium term.³³ The program outcomes include indicators related to improvements in the quality of management associated with improvements in student learning: (i) number of SLE directors using local educational management tools; and (ii) number of school principals receiving local technical/pedagogical support. The program will benefit approximately 580,000 students attending 2,300 schools participating in the program. The Results Matrix indicators are given in Annex II.

- 1.23 **Cost-benefit evaluation.** The ex ante economic analysis of the program, conducted using the cost-benefit methodology with a discount rate of 12%, yielded positive results. The main benefits that were quantified relate to expected future wage differentials among those receiving more and better education. These projections are regarded as a floor, since they do not incorporate positive externalities such as the impact of lower rates of crime and drug addiction, and savings in health costs. The ex ante evaluation of program benefits under a highly conservative scenario indicates a positive net present value (NPV) of \$2,878,877 and a social internal rate of return (SIRR) of 12.1%, indicating that the project is viable. Estimates were made using different scenarios, with more optimistic assumptions, yielding larger NPVs and higher SIRRs (see [optional electronic link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

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

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

| | Year I | Year II | Year III | Year IV | Total | % |
|--------------|-----------|------------|------------|------------|------------|------|
| IDB | 4,740,914 | 11,326,859 | 15,178,851 | 18,753,376 | 50,000,000 | 71.4 |
| Local | 2,680,811 | 4,830,343 | 5,620,582 | 6,868,264 | 20,000,000 | 28.6 |
| TOTAL | 7,421,725 | 16,157,202 | 20,799,433 | 25,621,640 | 70,000,000 | 100 |
| % | 10.6 | 23.1 | 29.7 | 36.6 | 100 | |

B. Environmental and social safeguard risks

- 2.2 This operation is classified as category "C." under the Environment and Safeguards Compliance Policy (Operational Policy OP-703). The program is expected to include the improvement and remodeling of premises with minor impacts typical of small-scale works.

C. Fiduciary risks

- 2.3 Annex III includes a description of the risks identified, their potential impacts, and the planned mitigation measures to reduce the likelihood of their occurrence.
- 2.4 The fiduciary risks of financial management are regarded as low. The main fiduciary risks associated with procurement (medium risk) involve potential noncompliance with the procurement plan ([required electronic link 3](#)) and,

³³ [Optional electronic link 5](#), Note 33.

consequently, with the annual work plan (AWP) ([required electronic link 4](#)). Given the nature of the program, most of the loan proceeds will be devoted to the contracting of consulting and other services (approximately 50 consulting engagements for a value close to US\$47 million), for which there must be appropriate terms of reference, technical staff in place, and the necessary coordination to achieve the expected outcomes as planned and on schedule.

- 2.5 The mitigation measures for the fiduciary risks of procurement consist of: (i) strengthening of MINEDUC staff through the hiring of additional fiduciary specialists in procurement, based on qualifications agreed upon with the Bank; (ii) training of procurement staff in the use of IDB procurement policies, particularly for the large-value contracting processes for consulting firms envisaged in the procurement plan; and (iii) the packaging of different consulting services, in order to facilitate the contracting and supervision process.

D. Other program risks

- 2.6 Two additional risks have been identified: (i) human resources may not be available locally with the capabilities required for the program, and there may not be enough local suppliers for the services required. To mitigate this risk, program Component II calls for the contracting of services as a package to benefit wider geographic areas, making them more attractive to the country's existing providers; and (ii) passage of the legislative bill may be delayed, or substantive amendments made, even though the government has made it a priority (the bill was sent to Congress in November 2015). The ultimate aim of the program is to generate pedagogical leadership and management capabilities and tools in order to establish a form of management that provides ongoing monitoring and pedagogical support, a function that at present is a weakness in the institutional structure of Chile's education system. Even in the case of an extreme delay and uncertainty in passage of the legislative bill, or substantive changes to the original bill during the parliamentary process, these capabilities will have been built into the system through the program, and will be transferable to the institutional structure as it exists at that point, thus contributing to the country's goal (consistent with the Bank's objective in the sector, see paragraph 1.17) of improving the quality of student learning in public schools. Moreover, the program is designed in such a way that the actions in Components I, II, and III can be carried out through agreements with municipal sustainers. As now conceived, at least the first two years of program implementation will be conducted using this modality, in parallel with ushering the legislative bill through to approval. A critical group of municipal sustainers has already agreed with the government to participate in the program through this modality. The program will also finance a communication campaign and a change management strategy, to ensure the support necessary for implementing the program using such agreements.

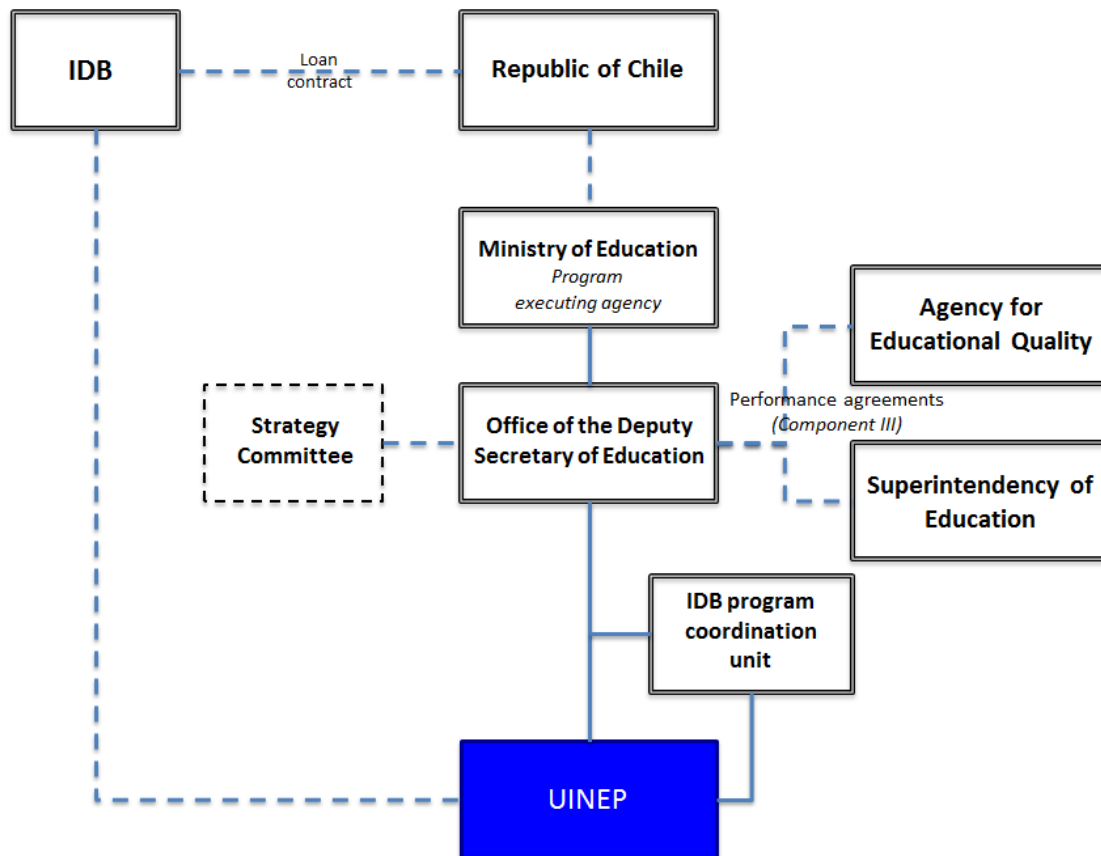
- 2.7 **Responsibility for operation and maintenance of the financed assets.** MINEDUC will be responsible for operating and maintaining the assets financed under this program (equipment, rehabilitations, information and management systems, licenses).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

3.1 **Borrower and executing agency.** The borrower will be the Republic of Chile, and the executing agency will be the Ministry of Education (MINEDUC), acting through the New Public Education Implementation Unit (UINEP) or the unit to replace it (see Figure III-1). UINEP is the unit responsible for the initial stages of implementing reform of the institutional structure of the public education sector. Once the law on this reform is enacted, UINEP will become the initial core of the Public Education Office, which is the central body that will coordinate the SLEs. UINEP will receive support from the MINEDUC-IDB program coordination unit, which will provide crosscutting methodological support on Bank procedures and tools to IDB program execution units at MINEDUC.³⁴

Figure III-1: Diagram of Program Execution
OUTLINE OF PROGRAM EXECUTION CH-L1081



3.2 MINEDUC's Office of the Deputy Secretary of Education will be the highest authority for program execution. A Program Advisory Committee will be created, chaired by Deputy Secretary of Education and including the heads of the institutions or bodies to be identified by the Office of the Deputy Secretary of

³⁴ [Optional electronic link 5](#), Note 34.

Education, as established in the program Operating Regulations. This committee will be responsible for the program's strategy and policy decisions.

- 3.3 The execution mechanism will have the following features: (i) UINEP will be responsible for overall program management, consisting primarily of program planning, execution, and monitoring, through the end of the program; (ii) UINEP will be responsible for preparation of program financial statements, disbursement requests, and accountability to the Bank, receiving support from the MINEDUC-IDB program coordination unit; (iii) for budget management functions, UINEP will receive support from the MINEDUC Division of Planning and Budget (DIPLAP); (iv) UINEP will be responsible for procurement and contracting, as well as administration of the program's financial resources, receiving support from the General Administration Division (DAG), through which such functions will be channeled; (v) for technical management, UINEP will receive support from the MINEDUC Division of General Education (DEG), Center for Pedagogical Training, Experimentation, and Research (CPEIP), Curriculum and Evaluation Unit (UCE), and DIPLAP; (vi) for execution of Component III, MINEDUC may enter into agreements with the Agency for Educational Quality and the Superintendency of Education; and (viii) for execution of Component II, MINEDUC may enter into agreements with municipios and/or associations of municipios.
- 3.4 UINEP will have core staff, engaged according to the criteria established in the program Operating Regulations, consisting of: (i) a program general coordinator; (ii) a planning and monitoring specialist; (iii) a procurement specialist, acting as liaison with DAG; (iv) an administrative/financial specialist, acting as liaison with DAG; and (v) technical experts knowledgeable on the central activities of the program. A firm specializing in project management will also be engaged, its main role being to provide advisory support on detailed planning for the program.
- 3.5 **Operating Regulations.** The Operating Regulations, now in preparation, will detail the operation's execution strategy, and include: (i) the program's organizational chart; (ii) technical and operational arrangements for its execution; (iii) an overview of programming, monitoring, and evaluation of outcomes; and (iv) guidelines for financial, audit, and procurement processes. In addition, the program Operating Regulations will identify the roles of the entities involved. **Approval and entry into force of the Operating Regulations on the terms and conditions previously approved by the Bank will be a contractual condition precedent to the first disbursement.**
- 3.6 **Financial and fiduciary management.** Program procurement and financial management will be conducted in accordance with the applicable Bank policies, as appropriate, and as established in the fiduciary agreements and requirements described in Annex III.
- 3.7 The executing agency will work within the Financial and Budget Administration System (SAFP), primarily using the State Financial Management Information System (SIGFE) for budgeting, accounting, and payments; there is also a sound internal audit unit supervised by the Office of the Comptroller General of the Republic (CGR).
- 3.8 For procurement management, the executing agency will use Chile's National Procurement System, approved by the Bank, for the procurement of: (i) goods and nonconsulting services, up to the threshold for national competitive bidding (NCB); (ii) works, up to the threshold for NCB (US\$5 million), using bidding documents

- agreed upon with the Bank; (iii) consulting services, up to the threshold for short list comprising national firms; and (iv) individual consultants, with no threshold. Above these threshold amounts, contracting and procurement financed in whole or in part by the Bank are to be conducted according to the procedures established in the Bank's procurement policies (documents GN-2350-9 and GN-2349-9), or are to be financed entirely from the local contribution, in the event that the executing agency wishes to rely exclusively on national legislation. Any system or subsystem approved subsequently will be applicable to the operation. The operation's procurement plan and any updates to it will indicate which contracts are to be executed through the approved country procurement systems. An initial version of the procurement plan has been validated by the Bank ([required electronic link 3](#)).
- 3.9 **Special contractual conditions for execution.** Procurements conducted by the beneficiary municipal sustainers of the Component II activities, chargeable against the Bank loan proceeds, must be supported by transfer agreements entered into between MINEDUC and the respective municipal sustainers. Such agreements will include at least the following conditions: (i) terms of reference agreed upon with MINEDUC are to be used; (ii) selection and contracting are to be conducted through the ChileCompra system, preferably using framework agreements or as indicated in the procurement plan; and (iii) resources are to be used for program activities, including the engagement of consulting services.
- 3.10 **Retroactive financing and recognition of expenditures.** The Bank may retroactively finance up to US\$5 million as part of the loan proceeds (10% of the proposed loan amount), and recognize up to US\$2 million as part of the local contribution (10% of the projected local contribution), in eligible expenditures made by the borrower prior to the loan approval date for procurements under Components I, II, and III, provided that requirements substantially similar to those of the loan contract were met. Such expenditures must have been incurred on or after 16 September 2015 (approval date of the project profile), but not under any circumstances more than 18 months prior to the date of loan approval by the Bank's Board of Executive Directors.
- 3.11 **Audits.** The borrower will deliver the project's financial statements to the Bank annually within 120 days after the close of each budget period of the executing agency and the date stipulated for the final disbursement of loan proceeds, duly audited by independent auditors in accordance with the terms of reference agreed upon with the Bank. The executing agency has expressed its interest in having the external audit of the program be performed by the CGR.
- B. Summary of arrangements for monitoring results**
- 3.12 **Monitoring arrangements.** MINEDUC will be responsible for periodic monitoring of the program. The monitoring will be based on the program execution plan, annual work plans (AWPs), Results Matrix, procurement plan, financial planning, audited financial statements, and six-monthly reports. At the start of the program, MINEDUC, the Bank, and the stakeholders involved in program execution will hold a launch workshop for the operation.
- 3.13 **Arrangements for evaluation of outcomes.** Evaluation of the program will include an outcome evaluation and a qualitative evaluation of processes. The outcome evaluation will look at the effect of implementing local management tools for public education in two areas: (i) student learning; and (ii) management

practices. In addition, the trend in public school enrollment in territories where the new institutional structure has been instituted will be studied.

- 3.14 The qualitative evaluation of processes will focus on describing key mechanisms for administrative and pedagogical management of local services, in order to provide feedback on program execution and gain a better understanding of the impacts identified in the impact evaluation. For details on the program monitoring and evaluation arrangements, see [required electronic link 2](#).

| Development Effectiveness Matrix | | | |
|---|---|--|----------------------|
| Summary | | | |
| I. Strategic Alignment | | | |
| 1. IDB Strategic Development Objectives | Aligned | | |
| Lending Program | -Lending for poverty reduction and equity enhancement | | |
| Regional Development Goals | -Share of youth ages 15 to19 who complete ninth grade | | |
| Bank Output Contribution (as defined in Results Framework of IDB-9) | -Students benefited by education projects | | |
| 2. Country Strategy Development Objectives | Aligned | | |
| Country Strategy Results Matrix | GN-2785 | Improve quality and equity in the education system. | |
| Country Program Results Matrix | | The intervention is not included in the 2015 Operational Program. | |
| Relevance of this project to country development challenges (If not aligned to country strategy or country program) | | | |
| II. Development Outcomes - Evaluability | Highly Evaluable | Weight | Maximum Score |
| | 9.4 | | 10 |
| 3. Evidence-based Assessment & Solution | 9.6 | 33.33% | 10 |
| 3.1 Program Diagnosis | 2.6 | | |
| 3.2 Proposed Interventions or Solutions | 4.0 | | |
| 3.3 Results Matrix Quality | 3.0 | | |
| 4. Ex ante Economic Analysis | 8.5 | 33.33% | 10 |
| 4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis | 4.0 | | |
| 4.2 Identified and Quantified Benefits | 0.0 | | |
| 4.3 Identified and Quantified Costs | 1.5 | | |
| 4.4 Reasonable Assumptions | 1.5 | | |
| 4.5 Sensitivity Analysis | 1.5 | | |
| 5. Monitoring and Evaluation | 10.0 | 33.33% | 10 |
| 5.1 Monitoring Mechanisms | 2.5 | | |
| 5.2 Evaluation Plan | 7.5 | | |
| III. Risks & Mitigation Monitoring Matrix | | | |
| Overall risks rate = magnitude of risks*likelihood | Low | | |
| Identified risks have been rated for magnitude and likelihood | Yes | | |
| Mitigation measures have been identified for major risks | Yes | | |
| Mitigation measures have indicators for tracking their implementation | Yes | | |
| Environmental & social risk classification | C | | |
| IV. IDB's Role - Additionality | | | |
| The project relies on the use of country systems | | | |
| Fiduciary (VPC/FMP Criteria) | Yes | Financial Management: Budget, Treasury, Accounting and Reporting, External control, Internal Audit. Procurement: Information System, Shopping Method, Contracting individual consultant, National Public Bidding. | |
| Non-Fiduciary | Yes | Strategic Planning National System, 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: | | | |
| Gender Equality | | | |
| Labor | | | |
| Environment | | | |
| Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project | | | |
| The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan | | | |

The project's objective is to improve the quality of education. The diagnosis states that almost half of the students in public schools are classified in the lowest achievement level according to SIMCE 2013 data. The main identified contributing factor is the low capacity of the municipalities to provide strategic planning and pedagogical support to local schools. This conclusion derives from four studies completed between 2008 and 2011, which found several limiting factors, for example, that 39% of the municipalities lack personnel to support technical pedagogic activities. The proposed solution consists of strengthening the institutional framework for administrative and pedagogical management in the sector. The effectiveness of this intervention is based on two international studies and one local study. The diagnosis focuses on the institutional characteristics of the system, but other factors that influence the quality of education are not discussed.

The vertical logic for the results matrix is clear. The impact indicators include one related to the quality of education that refers to the revealed preference of parents when keeping their children enrolled in public schools and measured with the percentage of children enrolled in public schools. Outcome and output indicators are SMART, and almost all include a baseline and a target values. The exception is a results indicator which includes a plan to collect baseline information and establish a baseline value.

The economic analysis estimates an IRR of 13.3% in the base scenario. The estimate is based on the assumption that there are benefits derived from an increase in enrollment in tertiary education as a result of the program. However, given that the goal of the project is to turn the negative trend in the quality of education into a constant level of achievement, the expected changes in impact indicators in the results matrix are null. Therefore, there is an inconsistency between expected benefits in the economic analysis and those established as a goal by the project.

The monitoring and evaluation plan includes agreements, budgets and chronograms for data collection. The proposed impact evaluation proposes a differences-in-differences analysis at the school level which exploits the gradual phase-in of the reform in the territories.

The main risks identified and classified with medium level are delays in the approval of the law, the lack of personnel with the required capacities, lack of national providers and delays in acquisitions. The proposed solutions include: having the proposal as a priority to submit for congress by the government, training for personnel, grouping of geographical areas and the packaging of services, hiring of fiduciary specialists and of firms to support management.

RESULTS MATRIX

| | |
|--------------------------|---|
| Project objective | The project objective is to improve the quality of the public education system in Chile by strengthening and/or creating leadership and technical/pedagogical support capabilities at the central and local levels of the system. |
|--------------------------|---|

| Outcomes/Impact | Unit of measure | Baseline | | Targets | | Remarks |
|--|-----------------|----------|------|---------|------|--|
| | | Value | Year | Value | Year | |
| Percentage of fourth year public primary school students with poor SIMCE scores in reading | Percentage | 44.4% | 2013 | 44.4% | 2019 | The recent trend has been an average year-on-year increase of three points in the percentage of public school students with poor performance scores (MINEDUC 2015). The goal of the program is to halt that rising trend. No large-scale changes are expected within the four years of the program, since the effects of institutional changes are seen only in the medium term (McKinsey, 2010, Slavin et al., 2013). |
| Percentage of fourth year public primary school students with poor SIMCE scores in mathematics | Percentage | 53.5% | 2013 | 53.5% | 2019 | The evaluation of program impact will provide information comparing the beneficiary group (first six territories with the new institutional structure) against the control group. SIMCE is the Educational Quality Measurement System used for annual standardized tests in language, mathematics, and other subjects. Students who are classified as underperforming fail to consistently demonstrate that they have acquired the most basic knowledge and skills specified in the curriculum for the level being evaluated. See: |
| Percentage of second year public secondary school students with poor SIMCE scores in reading | Percentage | 63.6% | 2013 | 63.6% | 2019 | http://www.curriculumenlineamineduc.cl/605/articles-33859_recurso_5.pdf http://www.curriculumenlineamineduc.cl/605/articles-33859_recurso_7.pdf http://www.curriculumenlineamineduc.cl/605/articles-33859_recurso_9.pdf http://www.curriculumenlineamineduc.cl/605/articles-33859_recurso_7.pdf |
| Percentage of second year public secondary school students with poor SIMCE scores in mathematics | Percentage | 67.4% | 2013 | 67.4% | 2019 | Source: Impact Evaluation Report Responsibility: MINEDUC |
| Percentage of children in first year primary school enrolled in public schools | Percentage | 40.2% | 2015 | 40.2% | 2019 | The trend has been toward a decline in the percentage of children enrolled in public schools (see proposal for operation development, paragraph 1.4). This indicator is used as a proxy for change in family perceptions of the quality of public education. Source: MINEDUC administrative data Responsibility: MINEDUC |

OUTPUTS

| Outputs | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|--|-------------------|----------|------|----------------------|--------|--------|--------|--------------|---|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Component 1: Establishment of a New Public Education Implementation Unit (UINEP) at MINEDUC | | | | | | | | | |
| Output 1: Document on design of the UINEP/DEP management model | Document | 0 | 2015 | 1 | | | | 1 | The purpose of the document is to propose a management model for UINEP, covering its organizational structure, duties, job descriptions, and procedures, as well as a staff training plan. Source: UINEP monitoring report Responsibility: UINEP |
| Output 2: Quotas for training of UINEP/DEP staff | Individual quotas | 0 | 2015 | | 46 | 50 | 50 | 146 | Training will be provided for 146 of the 222 people who will make up the UINEP/DEP staff. An assessment conducted by MINEDUC estimates that 146 is the number of people necessary to meet the design and implementation needs of the new institutional structure in the 31 (out of a total of 67) territories that will be involved over the four years of the program. Training will focus on: an approach aimed at achieving continuous improvement in public education and management processes and systems. Source: UINEP Monitoring report Responsibility: UINEP |
| Output 3: Information and management platforms | Platform | 0 | 2015 | | | | 2 | 2 | The platform is considered to have been implemented when there has been at least one national consultation and one local consultation using the platform. Source: UINEP monitoring report Responsibility: UINEP |

| Outputs | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|--|--------------------|----------|------|----------------------|--------|--------|--------|--------------|---|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Component 1: Establishment of a New Public Education Implementation Unit (UINEP) at MINEDUC | | | | | | | | | |
| Output 4: Communication campaigns | Campaign | 0 | 2015 | 1 | 1 | | | 2 | The communication campaign is considered to have been implemented when at least one seminar has been held, and at least one television spot has aired. Source: UINEP monitoring report Responsibility: UINEP |
| Output 5: Change management strategy | Strategy | 0 | 2015 | | | 1 | | 1 | The change management strategy is considered to have been implemented when at least one change management workshop has been held at MINEDUC. Source: UINEP monitoring report Responsibility: UINEP |
| Output 6: Individual packages of office equipment distributed at UINEP/DEP | Equipment packages | 0 | 2015 | 46 | 50 | 50 | | 146 | The individual packages of equipment include: computer, software, desk, and chair. Source: UINEP monitoring report Responsibility: UINEP |
| Output 7: Hiring of staff at UINEP/DEP | Persons per year | 0 | 2015 | 46 | 46 | 46 | 46 | 184 | The program will finance the hiring of a total of 46 people for the entire period of execution (noncumulative). It is estimated that UINEP/DEP will have a staff of 146 people toward the end of program year 4. The difference of 100 people will be financed directly by MINEDUC. Source: UINEP monitoring report Responsibility: UINEP |

| Outputs | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|--|-----------------|----------|------|----------------------|--------|--------|--------|--------------|--|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Component 2: Preparation for the transition to a new institutional structure at the local level | | | | | | | | | |
| Output 8: Documents on developing local management tools for public education | Document | 0 | 2015 | 1 | 1 | 1 | | 3 | <p>Document 1 includes the design and proposed implementation of three local management modules, with their respective management tools: leadership, pedagogical support, and community participation.</p> <p>Document 2 includes the analysis and documentation of know-how for the first year of implementing the local management modules.</p> <p>Document 3 includes a design for the process architecture for SLEs.</p> <p>Source: UINEP monitoring report</p> <p>Responsibility: UINEP</p> |
| Output 9: Local management tools for public education at the territorial level | Territories | 0 | 2015 | | 6 | 9 | 16 | 31 | <p>A territory is the set of municipios making up a SLE. Local management tools (leadership, pedagogical support, and community participation modules) are considered to have been implemented when at least one SLE director or his/her equivalent has made use of at least one of the management instruments incorporated in each module.</p> <p>Source: UINEP monitoring report</p> <p>Responsibility: UINEP</p> |

| Outputs | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|--|-------------------|----------|------|----------------------|--------|--------|--------|--------------|--|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Component 2: Preparation for the transition to a new institutional structure at the local level | | | | | | | | | |
| Output 10: Individual quotas for training local staff | Individual quotas | 0 | 2015 | | 642 | 963 | 1712 | 3317 | All staff at each local SLE will be trained (107 people, on average, for each territory). Source: UINEP monitoring report Responsibility: UINEP |
| Output 11: Equipping and rehabilitation of local SLE offices | Offices | 0 | 2015 | | 6 | 9 | 16 | 31 | There will be an estimated one office per territory (SLE). An office is considered to have been equipped and rehabilitated when there is a complete work station in place (computer, software, Internet connection, desk, and chair) for at least 70% of the office staff. Source: UINEP monitoring report Responsibility: UINEP |
| Output 12: Communication campaigns at the territorial level | Territories | 0 | 2015 | | 6 | 9 | 16 | 31 | A territory is the set of municipios making up a SLE. The communication campaign is considered to have been implemented when at least one seminar has been held, and at least one radio spot has aired. Source: UINEP monitoring report Responsibility: UINEP |

| Outputs | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|---|-----------------|----------|------|----------------------|--------|--------|--------|--------------|--|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Component 2: Preparation for the transition to a new institutional structure at the local level | | | | | | | | | |
| Output 13: Change management strategy at the territorial level | Territories | 0 | 2015 | | 6 | 9 | 16 | 31 | <p>A territory is the set of municipios making up a SLE. The change management strategy is being implemented for two years in each territory.</p> <p>The change management strategy is considered to have been implemented when at least one change management workshop has been held in the territory.</p> <p>Source: UINEP monitoring report Responsibility: UINEP</p> |
| Component 3: Strengthening of interagency coordination and capacity-building for implementation of a new institutional structure | | | | | | | | | |
| Output 14: Documents detailing design of the evaluation framework for local management of public education | Document | 0 | 2015 | | 1 | 1 | 1 | 3 | <p>Document 1 includes: Definition of indicative performance standards.</p> <p>Document 2 includes: Instruments for evaluating the performance of public sustainers.</p> <p>Document 3 includes: Proposed framework for inspection, focusing on public sustainers.</p> <p>Source: UINEP monitoring report Responsibility: UINEP</p> |

| Outputs | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|---|-----------------|----------|------|----------------------|--------|--------|--------|--------------|---|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Component 3: Strengthening of interagency coordination and capacity-building for implementation of a new institutional structure | | | | | | | | | |
| Output 15: Documents detailing design of model for operational coordination of SAC institutions for public education | Document | 0 | 2015 | 1 | 1 | | | 2 | <p>Document 1 includes: Model for continuous improvement in public education and design for coordinated actions by the SAC institutions at the central and local levels.</p> <p>Document 2 includes: Estimate of the staff needed in each institution and generic instruments to be used by the SAC institutions.</p> <p>Source: UINEP monitoring report</p> <p>Responsibility: UINEP</p> |
| Output 16: Integrated management and information platform | Platform | 0 | 2015 | | | | 1 | 1 | <p>The platform is considered to have been implemented when there has been at least one national consultation and one local consultation using the platform.</p> <p>Source: UINEP monitoring report</p> <p>Responsibility: UINEP</p> |

| Outputs | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|---|-------------------|----------|------|----------------------|--------|--------|--------|--------------|--|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Output 17: SAC planning and management instruments at the territorial level | Territory | 0 | 2015 | | 6 | 9 | 16 | 31 | A territory is the set of municipios making up an SLE. The SAC planning and management instruments are considered to have been implemented when there is a document containing a plan for coordinating SAC actions that is specific to the territory. Source: UINEP monitoring report Responsibility: UINEP |
| Output 18: Quotas for training SAC staff | Individual quotas | 0 | 2015 | | 60 | 90 | 160 | 310 | An average of 10 people per territory (SLE) is estimated, including staff from the provincial education departments (DEPROVs), the Agency for Educational Quality, and the Superintendency of Education. Source: UINEP monitoring report Responsibility: UINEP |
| Evaluation | | | | | | | | | |
| Output 19: Evaluation reports on program processes | Document | 0 | 2015 | 1 | 1 | 1 | | 3 | Source: UINEP monitoring report Responsibility: UINEP |
| Output 20: Evaluation reports on program impact | Document | 0 | 2015 | 1 | | 1 | 1 | 3 | Source: UINEP monitoring report Responsibility: UINEP |

OUTCOMES

| Expected outcomes | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|---|-----------------|----------|------|----------------------|--------|--------|--------|--------------|--|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| Number of SLE directors who use local management tools | Persons | 0 | 2015 | | 6 | 9 | 16 | 31 | An SLE director is considered to be using local management tools when he/she uses at least one of the instruments developed in Component II (Leadership) to inform development of the local improvement plan. 100% of SLE directors are considered in the calculation. Source: UINEP monitoring report Responsibility: UINEP |
| Number of school principals who receive local technical-pedagogical support | Persons | N/A | 2015 | | 231 | 347 | 616 | 1194 | Number of school principals who receive technical-pedagogical support at the local level. 50% of school principals in the 31 territories participating in the program are considered in the calculation. A school principal is considered to be receiving technical-pedagogical support when he/she receives at least three visits per year focusing on leadership. See Monitoring and evaluation plan for the baseline methodology. Source: UINEP monitoring report Responsibility: UINEP |

| Expected outcomes | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|--|-----------------|----------|------|----------------------|--------|--------|--------|--------------|---|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| CSI Indicators | | | | | | | | | |
| Number of female primary school students benefited | Persons | 0 | 2015 | | 36,484 | 54,726 | 97,290 | 188,500 | Students benefited are considered to be those who study in a public school that receives at least one benefit from the program. The objectives reflect that all female primary school students in each participating territory are benefited. Source: MINEDUC administrative data Responsibility: UINEP |
| Number of female secondary school students benefited | Persons | 0 | 2015 | | 19,645 | 29,468 | 52,387 | 101,500 | Students benefited are considered to be those who study in a public school who receive at least one benefit from the program. The objectives reflect that all female secondary school students in each participating territory are benefited. Source: MINEDUC administrative data Responsibility: UINEP |

| Expected outcomes | Unit of measure | Baseline | | Midterm measurements | | | | Final Target | Remarks |
|--|-----------------|----------|------|----------------------|--------|--------|--------|--------------|---|
| | | Value | Year | Year 1 | Year 2 | Year 3 | Year 4 | | |
| CSI Indicators | | | | | | | | | |
| Number of male primary school students benefited | Persons | 0 | 2015 | | 36,484 | 54,726 | 97,290 | 188,500 | Students benefited are considered to be those who study at a public school who receive at least one benefit from the program. The objectives are established taking into account that all male primary school students in each participating territory are benefited. Source: MINEDUC administrative data Responsibility: UINEP |
| Number of male secondary school students benefited | Persons | 0 | 2015 | | 19,645 | 29,468 | 52,387 | 101,500 | Students benefited are considered to be those who study at a public school who receive at least one benefit from the program. The objectives are established taking into account that all male secondary school students in each participating territory are benefited. Source: MINEDUC administrative data Responsibility: UINEP |

FIDUCIARY AGREEMENTS AND REQUIREMENTS

| | |
|--------------------------|--|
| Country: | Chile |
| Project number: | CH-L1081 |
| Project name: | Program to Strengthen Education Sector Management |
| Executing agency: | Ministry of Education (MINEDUC) |
| Prepared by: | Francisco Lois (FMP/CCH); Raúl Lozano (FMP/CPR); and Roberto Monteverde (procurement consultant) |

I. EXECUTIVE SUMMARY

- 1.1 A risk workshop was held, following the project risk management (PRM) methodology. Participating were MINEDUC staff and the Project Team. Fiduciary risk is low. Procurement Pillar VI poses a medium risk, as is the case in the PRM. Regarding the level of development and use of country systems, a fiduciary risk analysis of the executing agency was done based on using the country systems, with the involvement of MINEDUC line staff and the fiduciary team at the Bank's Country Office, confirming that the fiduciary risk is low.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The executing agency works within the Financial and Budget Administration System (SAFP), primarily using the State Financial Management Information System (SIGFE) for budget, accounting, and payments. There is also a sound internal audit unit, supervised by the Office of the Comptroller General of the Republic (CGR). The Bank has assessed the budget, cash management, accounting, government internal audit (CAIGG), and external audit (CGR) aspects of the country systems and determined that they have a high level of development.
- 2.2 The executing agency uses the ChileCompra System to manage procurements. This is a robust public procurement and contracting system with a modern, efficient electronic system that handles most of the country's public procurement and contracting.

III. FIDUCIARY RISK ASSESSMENT AND MITIGATION MEASURES

- 3.1 **Fiduciary risks associated with procurement and financial management.** The main fiduciary risks associated with procurements involve potential noncompliance with the procurement plan and, consequently, with the annual work plan (AWP). Given the nature of the program, most of the loan proceeds will be devoted to the contracting of consulting and other services (approximately 50 consulting engagements for a value close to US\$47 million), for which there must be appropriate terms of reference, technical staff in place, and the

necessary coordination to achieve the expected outcomes as planned and on schedule. Although the fiduciary risks associated with financial management are regarded as low, weaknesses have been identified in the preparation of the program financial statements, the programming of financial resource requirements, and the correct and timely recording of expenditures in the project's accounting due to the large number of payments processed, lack of staff experience in preparing reports, and the priority given, in program activities, to MINEDUC's functional administrative areas.

- 3.2 **Mitigation measures.** Measures to mitigate fiduciary risks in procurement (medium risk) include: (i) strengthening of MINEDUC staff through the hiring of additional fiduciary specialists in procurement, based on qualifications agreed upon with the Bank; (ii) training of procurement staff in the use of IDB procurement policies, particularly for the large-value contracting processes for consulting firms envisaged in the procurement plan; and (iii) the packaging of different consulting services, in order to facilitate the contracting and supervision process. Measures to mitigate the fiduciary risks associated with financial management (low risk) include: (i) ensuring that program accounting is conducted in the SIGFE system, in the transactional unit for international agencies; (ii) maintaining a separate account for program resources; (iii) having the program coordination unit (PCU), together with the General Administration Division (DAG), prepare the program financial statements; (iv) ensuring that the internal audit unit reviews the financial statements submitted to the external auditing firm; (v) ensuring that UINEP has a financial specialist; (vi) holding financial training workshops for MINEDUC staff and for internal and external auditors; and (vii) drafting the program Operating Regulations to include financial management agreements and requirements. The executing agency has expressed interest in having the CGR serve as the program's external auditors.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

- 4.1 As agreed with the executing agency, following is a list of agreements and requirements to be considered in the Special Provisions:
- a. Procurements that, according to the procurement plan, are to be conducted through country procurement systems approved by the Bank, chargeable against the Bank loan proceeds, must provide that the executing agency and the Bank agree to guarantee compliance with Section I of the Bank's procurement policies and the scopes of use of the country systems approved by the Bank.
 - b. Procurements conducted by the beneficiary municipal sustainers of the Component II activities of the Sole Annex to this contract, chargeable against the Bank loan proceeds, must be supported by transfer agreements entered into between the Ministry of Education (MINEDUC) and the respective municipal sustainers. Such agreements will include at least the following conditions: (i) terms of reference agreed upon with MINEDUC are to be used; (ii) selection and contracting are to be conducted through the ChileCompra system, preferably using framework agreements or as indicated in the procurement plan; and (iii) resources are to be used for program activities, including the engagement of consulting services.

- c. Requests for advances of funds will require a financial plan to cover program needs for up to six months, and justification must have been provided for at least 65% of funds already advanced.
- d. For reimbursement of expenditures made with own resources and accounting for the local contribution, the exchange rate on the first business day of the month in which the expenditure was made will be used, and the local currency conversation rate will be used for the justification of advances of funds.
- e. The entry into force of the program Operating Regulations, with the Bank's no objection, will be a condition precedent to the first disbursement.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

5.1 The fiduciary agreements and requirements for procurement establish the provisions applicable to all planned procurements under the program.

A. Procurements execution

5.2 The following stipulations will apply:

- a. **Selection and contracting of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services will be executed in accordance with paragraph 5.3, "Use of country procurement system," and within the thresholds established in Section V.B.
- b. **Selection and contracting of consulting firms.** Contracting of consulting services made under the program will be executed in accordance with paragraph 5.3, "Use of country procurement system," and within the thresholds established in Section V.B.
- c. **Selection of individual consultants.** Contracting of individual consultants for the program will be executed in accordance with paragraph 5.3, "Use of country procurement system."
- d. **Training.** Training activities will be conducted through the contracting of consulting services or contracts with individual consultants, pursuant to the provisions cited in the preceding paragraphs.

5.3 **Use of country procurement system.** Advanced use of Chile's National Procurement System, approved by the Bank,¹ will apply to procurements of: (i) goods and nonconsulting services, up to the threshold for national competitive bidding (NCB); (ii) works, up to the threshold of US\$5 million, using bidding

¹ In December 2011, the Bank's Board of Executive Directors approved the advanced use of Chile's country procurement system for Bank-financed operations, within the scope and thresholds established for Chile, which, as of this date, are: (i) US\$350,000 for works; (ii) US\$350,000 for goods and services; (iii) US\$500,000 for consulting services; and (iv) no thresholds for individual consultants. Above these threshold amounts, contracting and procurement financed in whole or in part by the Bank are to be conducted according to the procedures established in the Bank's procurement policies (documents GN-2350-9 and GN-2349-9), or are to be financed entirely from the local contribution, in the event that the executing agency wishes to rely exclusively on national legislation.

documents agreed upon with the Bank;² (iii) consulting services, up to the threshold for short list comprising national firms; and (iv) individual consultants, with no threshold. Above these threshold amounts, contracting and procurement financed in whole or in part by the Bank are to be conducted according to the procedures established in the Bank's procurement policies (documents GN-2350-9 and GN-2349-9), or are to be financed entirely from the local contribution, in the event that the executing agency wishes to rely exclusively on national legislation. Any system or subsystem approved subsequently will be applicable to the operation. The operation's procurement plan and any updates to it will indicate which contracts are to be executed through the approved country procurement systems.³

- 5.4 **Retroactive financing and recognition of expenses.** The Bank may retroactively finance up to US\$5 million as part of the loan proceeds (10% of the proposed loan amount), and recognize up to US\$2 million as part of the local contribution (10% of the projected local contribution), in eligible expenditures made by the borrower prior to the loan approval date for procurements under Components I, II, and III, provided that requirements substantially similar to those of the loan contract were met. Such expenditures must have been incurred on or after 16 September 2015 (approval date of the project profile), but not under any circumstances more than 18 months prior to the loan approval date. Such contracting will be recognized, provided that it complies with the provisions cited in paragraphs 5.2 (a), (b), (c), and (d), above.
- 5.5 Review of the technical specifications or terms of reference for procurements included in the procurement plans to be principal or important procurements, prepared during execution of this loan operation, will be subject to the Bank's prior no objection, since they fall within the responsibility of the program's sector specialist.

B. Thresholds for international competitive bidding (ICB) and international short list (US\$000)

| Method | ICB Works | ICB Goods and nonconsulting services | International short list – Consulting services |
|-----------|-----------|--------------------------------------|--|
| Threshold | 5,000 | 350 | 500 |

C. Main procurements

- 5.6 To view the procurement plan for the first 18 months of the program, see [required electronic link 3](#).

² As indicated in the "Report on Application of the Guide for Acceptance of the Use of Chile's Country Procurement System," October 2011, Annex II, Results Matrix, which states that "in the case of NCB for works for Ministry of Public Works (MOP), the Ministry of Housing and Urban Development (MINVU), or public-sector entities procuring works, a standard document will be agreed upon with the Bank."

³ In the event that the Bank validates another system or subsystem, it will be applicable to the operation, pursuant to the provisions of the loan contract.

D. Procurement supervision

- 5.7 The procurements supervision method will be primarily as provided in the validated country systems,⁴ using the mechanisms agreed upon with ChileCompra, with ex ante review of procurements for more complex contracting. The technical relevance of expenditures will also be subject to ex ante review by the sector specialist, as indicated in the procurement plan.
- 5.8 Given to the nature of project with a large number of consulting engagements to drive the institutional reform of public education, procurement supervision visits will be required with a preventive focus, along with ongoing monitoring of competitive bidding processes and execution of the corresponding contracts, pursuant to the project's supervision plan. These procurement supervision visits will be supplemented by annual reports on procurement procedure reviews by the CGR. The executing agency's internal audit unit will also monitor and identify any deficiencies in procurements.

| Threshold for ex post review ⁵ | | |
|---|-------------|---------------------|
| Works | Goods | Consulting services |
| US\$5,000,000 | US\$350,000 | US\$500,000 |

E. Special provisions

- 5.9 A launch workshop will be held with MINEDUC (UINEP/PCU) staff, including personnel from the Central Administration Division and other operational areas responsible for procurements, attended by the internal audit staff of those entities.
- 5.10 Training will be provided for beneficiary entities of Component II (municipios) on applicable procurement procedures, with MINEDUC being responsible for consolidating the program's procurement plan, including procurements conducted at the central level and by the beneficiary entities.

F. Records and files

- 5.11 Documentation of procurement processes and disbursements will be kept at MINEDUC and at the beneficiary municipios, as these are responsible for management and execution of each of the projects comprising the program.

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** MINEDUC's budget is part of the national budget, as established in the State Financial Administration Act (LAFE). The Ministry of Finance, acting through the Budget Office (DIPRES), is responsible for preparing the public sector budget. The executing agency uses the SIGFE system for budget management and control. Due to the interrelationship of budget systems,

⁴ Responsibility, support for reviews, and methodology are described in the ex post procurement review guidelines document. The procurement plan will specify the review methods to be used for each contract, i.e.: (i) ex post; (ii) ex ante; or (iii) country system.

⁵ The thresholds for ex post review will be used based on the fiduciary capacity of the executing agency, and may be modified by the Bank, if there are changes in that capacity.

- the loan operations must be included in the national budget, to access the resources (financing and local contribution). No problems affecting execution are expected in using the budget system.
- 6.2 **Accounting and information systems.** Although the CGR is assigned responsibility for national accounting and establishing the relevant principles and standards, there is a decentralization of accounting, with institutions recording their accounting transactions and the CGR consolidating the services. The program has a chart of accounts for recording activities in the SIGFE, under a transactional unit. MINEDUC has a financial information system and internal control structure that meet its needs. The country is in the process of adopting the International Accounting Standards, which will take effect in 2016.
- 6.3 The six-monthly progress reports delivered to the Bank will include monitoring of observations contained in the audit reports and reconciliation of the executing agency's accounting with the Bank's.
- 6.4 **Disbursements and cash flow.** The General Treasury of the Republic (TGR) maintains and controls the General Treasury Account, which supplies funds according to the Program of Cash Accounts maintained by institutions, while receiving revenue intake, since these entities manage the current accounts autonomously. At MINEDUC, payments are made through the SIGFE's cash management module within 30 days of acceptance by the requester of the procured goods and/or services. The system has a variety of controls at the stages where funds are approved and authorized. Disbursements will be made through advances of funds, reimbursement of expenditures, and direct payment to vendors.
- 6.5 Although the executing agency has stated its intention to use the reimbursement of expenditures modality, advances of funds, if needed, will be requested based on a financial plan to cover program requirements for up to six months, and justification must have been provided for at least 65% of funds advanced before requesting a new advance. The foregoing applies in situations where different activities are being financed at the same time with different execution periods, and the executing agency must have resources in order to commit new activities.
- 6.6 **Disbursement methods.** (i) advances; (ii) reimbursement to executing agency; and (iii) direct payments.
- 6.7 **Disbursement requests.** The Bank will process disbursement requests using the forms stipulated in the "Disbursement Guide," once the conditions precedent to the first disbursement have been met. Bank charges related to disbursements are the responsibility of the executing agency.
- 6.8 **Supporting documentation.** The executing agencies are responsible for keeping the required accounting records and retaining the originals of all supporting documentation. The review of disbursements will be carried out on an ex post basis by the external auditors.
- 6.9 **Origin of goods and services.** Loan resources may only be used to pay for goods and services originating in the Bank's member countries.
- 6.10 **Eligible expenditures.** The Bank regards as eligible, expenditures that: (i) are needed for the program and are aligned with its objectives; (ii) comply with the

- program's policies, contracts, and legal agreements; and (iii) are properly recorded and documented in the executing agency's accounting.
- 6.11 **Internal control and internal audit.** The internal control system relies on the ministry's organizational plan, strategic plans, and operational and control procedures approved by the General Government Internal Audit Council (CAIGG). The internal audit function is overseen by the ministry and reports to the ministerial auditor and to the CAIGG with qualified personnel, procedures, plans, and work programs. It will receive support from the ministry's internal audit staff in monitoring the project, as has been occurring with the internal audits for Bank projects in Chile over the last three years.
- 6.12 **External control and reports.** Independent auditors acceptable to the Bank, one of which will be the CGR, will be used. The executing agency has expressed its interest in having the CGR serve as the program's auditors. The audited financial statements for the program will be delivered within 120 days after the close of each budget period of the executing agency during the loan disbursement period, in accordance with the terms of reference agreed upon with the Bank. The final report will be delivered within 120 days after the date stipulated for the final loan disbursement.
- 6.13 **Financial supervision plan.** Given that the analysis indicated that the risks for this program are low, annual and final audited financial statements will be required, along with financial information provided in the six-monthly progress reports, which are to include the ex post review of procurements and disbursements. The internal audit will examine the program financial statements and follow up the observations of the external auditors. The Bank will take advance notice of the auditing plans of the external auditors, making any appropriate observations, and will review the auditors' reports and working papers as it deems appropriate, along with review of desk audits and financial accounting visits to MINEDUC, based on the risk matrix for the Bank's portfolio at the Country Office. It will also provide training for the program's financial management specialists.
- 6.14 **Execution mechanism.** The project will be executed by MINEDUC, using the integrated set of country systems. The New Public Education Implementation Unit (UINEP) will report to the Office of the Deputy Secretary of Education, the program's highest authority, and will be responsible, within MINEDUC, for project execution. For preparation of the program financial statements, and for disbursement requests and accounting to the Bank, UINEP will receive support from the MINEDUC-IDB program coordination unit (PCU). Procurement and contracting, as well as administration of the program's financial resources, will be channeled through the MINEDUC's General Administration Division (DAG). In the event that resources are transferred to municipios for planned activities involving them, agreements will be signed specifying the corresponding obligations and responsibilities, and the executing agency will use the SIGFE system to record the accounting of resources thus transferred and the expenditures justified. A firm specializing in project management will also be engaged, its main role being to provide advisory support on detailed planning for the program.
- 6.15 Other financial management agreements and requirements:
- a. Program accounting will be kept in the SIGFE system, in the transactional unit for international agencies, and will have a separate chart of accounts.

- b. The PCU, with support from DAG, will prepare the project's financial statements.
- c. The currency conversion exchange rate will be used for the justification of advances of funds. To determine the equivalence of expenditures incurred in local currency, chargeable against the local contribution, or for the reimbursement of expenditures chargeable against the loan, the agreed exchange rate will be the exchange rate on the first business day of the month in which the request is submitted to the Bank. New requests for advances of funds may be made with a financial projection for the next six months, once justification has been provided at least 65% of funds advanced.
- d. Disbursement requests will be approved by an official designated by the ministry, whose signature is registered with the Bank.
- e. Internal audit will take the lead in responding to observations of the external auditors, and will follow up these observations, review the program financial statements to be audited, and inform the Bank of its program audits.
- f. A current account will be established for the program resources (financing and local contribution), to be reconciled monthly.
- g. The Bank will hold financial training workshops for MINEDUC staff, as well as for the internal and external auditors.
- h. The PCU will provide a financial specialist for budget programming, ensuring that an allocation is made in the budget law, preparing disbursement requests and justifications of expenditures, preparing the program financial statements, supporting audits, and meeting the Bank's information requirements.
- i. The progress reports will provide an account of the status of the auditors' observations and report on the reconciliation of accounts between the executing agency and the Bank.
- j. The auditors' ex post review of disbursements and procurements, and their findings, will serve as input for the declaration of eligibility of expenditures by the Bank.
- k. Loan proceeds and/or local contribution resources may be used to finance taxes related to program activities.
- l. The breakdown by categories of expenditure for both the loan and the local contribution may be modified by written agreement of the parties.