

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## HONDURAS

### IMPROVING EDUCATIONAL QUALITY TO DEVELOP SKILLS FOR EMPLOYMENT: PROJECT YOUTH

(HO-L1188)

#### LOAN PROPOSAL

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ELECTRONIC LINKS
<b>REQUIRED</b>
1. <a href="#">Multiyear execution plan (MEP)</a> and <a href="#">annual work plan (AWP)</a>
2. <a href="#">Monitoring and evaluation plan</a>
3. <a href="#">Procurement plan</a>
<b>OPTIONAL</b>
1. <a href="#">Project economic analysis</a>
2. <a href="#">Institutional analysis</a>
3. <a href="#">Analysis of the education sector in Honduras</a>
4. <a href="#">Program Operations Manual</a>
5. <a href="#">Safeguard policy filter (SPF)</a> and <a href="#">safeguard screening form (SSF)</a> for classification of projects

## ABBREVIATIONS

DGCE	Dirección General de Curriculum y Evaluación [General Directorate of Curriculum and Evaluation]
DGDP	Dirección General de Formación Profesional [General Directorate of Professional Training]
DGME	Dirección General de Modalidades Educativas [General Directorate of Educational Modalities]
DIGECEBI	Dirección General de Construcciones Escolares y Bienes Inmuebles [General Directorate of School Construction and Property]
IHER	Instituto Hondureño de Educación por Radio [Honduran Institute for Radio Education]
IIFE	International Institute for Education Planning
LFE	Ley Fundamental de Educación [Education Act]
MIDEH	Programa Mejorando el Impacto al Desempeño Estudiantil de Honduras [Honduran Program to Improve the Impact on Student Performance]
NBCD	National Basic Curriculum Design
PAPTN	Plan of the Alliance for Prosperity in the Northern Triangle
PEU	Program execution unit
SACE	Sistema de Administración de Centros Escolares [School Administration System]
SEDUC	Secretaría de Educación [Department of Education]
SEMED	Sistema de Educación Media a Distancia [Distance Secondary Education System]
SIAFI	Sistema de Administración Financiera Integrada [Integrated Financial Administration System]
SIARH	Sistema de Administración de Recursos Humanos [Human Resources Administration System]
SINPLIE	Sistema de Planificación de Infraestructura Educativa [Educational Infrastructure Planning System]
SSATP	Subsecretaría de Asuntos Técnico-Pedagógicos [Office of the Undersecretary of Technical and Pedagogical Affairs]
UEPEX	Unidades Ejecutoras de Proyectos con Financiamiento Externo [Execution Units for Projects with External Financing]
UPNFM	Universidad Pedagógica Nacional Francisco Morazán [Francisco Morazán National Pedagogical University]
WAL	Weighted average life

## PROJECT SUMMARY

### HONDURAS IMPROVING EDUCATIONAL QUALITY TO DEVELOP SKILLS FOR EMPLOYMENT: PROJECT YOUTH (HO-L1188)

Financial Terms and Conditions			
Borrower:	Source	%	Amount (US\$)
Republic of Honduras	<b>IDB (Regular OC):</b>	60%	36 million
<b>Executing agency:</b>	<b>IDB (Concessional OC):</b>	40%	24 million
Department of Education (SEDUC)	<b>Total:</b>	100%	60 million
	Regular OC (FFF) <sup>(a)</sup>	Concessional OC	
<b>Amortization period:</b>	25 years	40 years	
<b>Disbursement period:</b>	5 years		
<b>Greece period:</b>	5.5 years	40 years	
<b>Interest rate:</b>	LIBOR-based		0.25%
<b>Credit fee:</b>	(b)		N/A
<b>Inspection and supervision fee:</b>	(b)		N/A
<b>Original WAL:</b>	15.25 years		N/A
<b>Currency of approval:</b>	United States dollars		
Project at a Glance			
<b>Project objective/description:</b> The objective is to contribute to the development of life and work skills for young Hondurans by improving middle school learning access and quality in municipios prioritized by the program.			
<b>Special contractual conditions precedent to the first disbursement of the loan proceeds:</b> (i) contracting of the key staff of the program execution unit (PEU): program general coordinator, financial specialist, and procurement specialist (see paragraph 3.2); and (ii) approval of the program Operations Manual (see paragraph 3.5).			
<b>Special disbursement:</b> Upon fulfillment of the general conditions precedent to the first disbursement, contained in Article 4.01 of the General Conditions of the loan contract, a special disbursement of up to an estimated US\$300,000 may be made in order to move forward on fulfillment of the special contractual conditions precedent to the first disbursement (see paragraph 3.3).			
<b>Special contractual execution condition:</b> Evidence will be provided that interagency agreements have been signed between SEDUC and the institutions delivering alternative education services, prior to the start of activities under Subcomponent 1.1 of Component 1 (see paragraph 3.6).			
<b>Exceptions to bank policies:</b> None.			
Strategic Alignment			
<b>Challenges:<sup>(c)</sup></b>	SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>
<b>Crosscutting themes:<sup>(d)</sup></b>	GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input type="checkbox"/>

<sup>(a)</sup> Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations, as well as prevailing market conditions and the degree of concessionality of the loan, into account when considering such requests, in accordance with applicable Bank policies.

<sup>(b)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

<sup>(c)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(d)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem to be addressed, and rationale

- 1.1 Honduras has one of the highest poverty rates in Latin America. In 2015, 58.2% of the population was living on less than US\$4/day (World Bank), compared to an average of 39.2% in Central America and 23.6% in Latin America as a whole.<sup>1</sup>
- 1.2 Even in this setting, the Honduran education system has made progress in recent years, expanding preschool enrollment from 20% (2005) to 66% (2015), and cutting the illiteracy rate from 15.2% (2010) to 12.8% (2014).<sup>2</sup> Nevertheless, considerable challenges remain in access, retention, and low levels of student learning.
- 1.3 **The Honduran education system faces challenges in school access and attrition.**<sup>3</sup> Coverage is nearly universal for the first six years of primary education (net enrollment rate of 94%), but plunges to 45% in the third cycle of primary education (“middle school”) and to just 26% in secondary education.<sup>4</sup> These rates are among the lowest in Latin America and the Caribbean, where the average is 68.2% in primary and 52.4% in secondary education.<sup>5</sup> The lowest middle school coverage is in the western departments<sup>6</sup> of the country: 32% for middle school, and 17% for secondary school (Calderon, 2017).
- 1.4 Low enrollment rates are related to school attrition, which worsens from the third cycle of primary, or “middle school,” onward. The dropout rate rises progressively: 5% in grades 6 and 7, 16% in grade 8, and nearly 30% in grade 9 (SACE 2015/2016). When these data are further broken down by income quintiles and urban versus rural areas, some major gaps emerge. The majority of children complete the second cycle of primary without significant differences among income quintiles. Yet as of 12 years of age, in middle school, the difference in attendance rates between the first and fifth income quintiles, and between rural and urban areas, reaches 20 percentage points.<sup>7</sup> Thus, middle school represents a bottleneck to the educational progress of the most vulnerable young people.
- 1.5 Dropping out of school is associated with the need to work in order to contribute to the household finances, as well as with teenage pregnancy, involvement in criminal activities or violence, being overage for one’s grade, repetition, and poor previous performance (Fernandes, 2009/2010; Gremaud, 2010; Florez and Soto, 2007). An estimated 29% drop out because of socioeconomic conditions, 15% because of the need to work, and 32% because of lack of interest.<sup>8</sup> Another factor associated with

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<sup>1</sup> Two out of every five people live in extreme poverty, or on less than US\$2.50 per day. In rural areas, the extreme poverty rate climbs to 52.4% (INE, 2016).

<sup>2</sup> International Institute for Education Planning (IIEP), 2017.

<sup>3</sup> [Optional electronic link 3](#) contains information on the structure of the Honduran education system and the responsibilities of the agencies involved.

<sup>4</sup> The education system has four levels: preprimary, primary (first cycle: grades 1, 2 and 3; second cycle, grades 4, 5 and 6; and third cycle, grades 7, 8 and 9), secondary (grades 10 and 11 and, in some cases, grade 12), and higher education.

<sup>5</sup> CIMA-IDB, 2014.

<sup>6</sup> Copán, Lempira, Ocotepeque, Intibucá, La Paz and Santa Bárbara.

<sup>7</sup> FEREMA, 2017. Informe de progreso educativo Honduras [Report on education progress in Honduras].

<sup>8</sup> IIES-UNAH (2014). Estudio sobre la deserción escolar en Honduras [Study on school dropout in Honduras].

dropout, especially in the western part of the country, is insufficient educational offerings. In rural areas, many young people have no opportunity to pursue their studies after grade 6. According to Cárdenas (2012), only 11% of rural students have access to the third cycle of primary in their village, which means that many do not attend school. According to SEDUC, the Western region requires at least 547 new middle schools to meet this demand.<sup>9</sup> Of those new schools, 297 would have sufficient enrollment (at least 25 pupils) to require infrastructure.

**1.6 Learning achievement among Honduran students is low.** The quality of education is crucial for enhancing countries' economic development (Hanushek and Woessmann, 2012; Barro, 2001) and for reducing learning and skills gaps between students from different geographic, socioeconomic, racial, and ethnic backgrounds (Reardon, 2013). Although Honduras moved up four notches in the last regional test in which it participated (Third Regional Comparative and Explanatory Study, TERCE, 2013), compared to the first such study (PERCE, conducted in 1998), the outcomes in reading, mathematics, and science fall short of the regional average. In the 2011 Trends in International Mathematics and Science Study (TIMSS), Honduras ranks among the countries with the poorest performance. In mathematics, students in grades 6 and 9 earned average scores of 395 and 338 points, respectively, placing them well short of the performance scale considered.<sup>10</sup> In science, students in the sixth and ninth grades obtained 432 points (low performance) and 369 points (off the scale). On the Progress in International Reading Literacy Study (PIRLS),<sup>11</sup> Honduras scored 450 points on average, below the median of the 34 participating countries. National tests also reflect meager results: only 34% of students in grade 9 obtained a satisfactory level in reading, and barely 7% in mathematics (MIDE, 2016).

**1.7 What young people learn is not relevant to entering the workforce.** More than half of the firms participating in a study of Honduran businesses maintain that the principal barrier to hiring is the inadequacy of employment-related skills (IDB, 2014).<sup>12</sup> One study showed that middle-school students lack the preparation necessary for success in the workplace.<sup>13</sup> Employers prefer to hire applicants who have a positive attitude to work, a desire to learn, or effective communication skills. In this respect, it is important to reduce the gaps in terms of skills and educational outcomes, so as not to perpetuate workplace skills deficits (IDB, 2017),<sup>14</sup> in particular because the system is not generating the skills needed to adapt to the changing

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<sup>9</sup> This is reflected as well in the “Bono Vida Mejor” [Better Life Voucher] program, a conditional cash transfer program supported by loan HO-L1093 for rural areas in the western part of the country). The [levels of compliance](#) with coresponsibility rules are lower in middle school, due in part to the lack of access to education services.

<sup>10</sup> In TIMSS, the low performance level starts at 400 points.

<sup>11</sup> TIMSS and PIRLS are sponsored by the International Association for the Evaluation of Educational Achievement.

<sup>12</sup> IDB (2016). Education and Early Childhood Development Sector Framework Document.

<sup>13</sup> Encuesta productividad y formación de recursos humanos en establecimientos [Survey on human resource productivity and training in schools] (EPFRH), IDB.

<sup>14</sup> IDB (2017), Learning better: Public policy for skills development.

world of today, skills that have been defined, both nationally<sup>15</sup> and internationally, as desirable for achieving integration into the modern economy.

- 1.8 The factors associated with poor learning achievement in Honduras are:<sup>16</sup> (i) the role of teachers and their teaching abilities and knowledge; (ii) pedagogical management by the school principal; (iii) the availability and use of educational materials; and (iv) the school and classroom climate. With respect to teachers, the knowledge examination administered in 2013 by the General Directorate of Curriculum and Evaluation (DGCE) shows that around a quarter of teachers rate low in mathematics and reading. At the same time, according to Morales and Paz (2017), teachers report that they are unprepared to develop critical thinking in their students or incorporate the use of technology into regular instruction. In the teaching of mathematics, teachers insist that the most important thing is to memorize formulas, and only 27.28% believe that this involves a creative process. Teachers also do not know how to support their students through ongoing evaluations in order to give them the special attention they may need. Only 11.20% try to top up their students' knowledge after the evaluations.<sup>17</sup> These practices do not produce the necessary kind of active teaching, according to the National Basic Curriculum Design (NBCD).<sup>18</sup> Moreover, an analysis by Moncada and Lopez (2016) found that the majority of teachers do not have enough educational materials available.
- 1.9 An evaluation of principals showed that 70% of them had training in reading comprehension, 68% in specific knowledge, and only 65% in pedagogy (DGCE, 2015). The poor school environment is associated with rising conflict in the schools. An IDB study<sup>19</sup> found that 30% of students and teachers felt unsafe in the schools, and that youngsters tend to report microaggressions (victimization or bullying).
- 1.10 **The limited management capacity of the Department of Education (SEDUC) affects the efficiency and the quality of the sector, exacerbating the difficulties in resolving the challenges of access, retention, and quality.** In recent years, SEDUC has given priority to developing two information systems in support of management. One of the most notable advances was the creation of the School Administration System (SACE), which records online information on enrollment, school attendance, and hours of teaching. The SEDUC has successfully made the cultural change necessary to implement the SACE, which is now being widely used by principals, teachers, and sector officials. One of the pending tasks is to

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<sup>15</sup> Since 2003, the National Basic Curriculum Design (NBCD) has put the emphasis on skills rather than content, in the wake of international evidence that gives priority to skills for the productive integration of young people.

<sup>16</sup> CIDEH, 2010 and 2011. Factores asociados al aprendizaje en Honduras [Factors associated with learning in Honduras]. Chinnen, and Sennet, 2014. Factores asociados al rendimiento académico en Honduras en las áreas curriculares de español y matemáticas [Factors associated with academic performance in Honduras in the curricular areas of Spanish and mathematics]. Universidad Pedagógica Nacional Francisco Morazán (UPNFM), 2003.

<sup>17</sup> Moncada G, Lopez V. (2017) Evaluación en el aula: El uso e implementación del modelo de evaluación 0-700 [Evaluation in the classroom: Use and implementation of the 0-700 evaluation model]. UPNFM.

<sup>18</sup> Teaching based on practice, on the use of knowledge for life that will allow the development of skills.

<sup>19</sup> Bautista et al, 2017. Educación y violencia: una mirada a las escuelas de El Salvador y Honduras: clima escolar, resiliencia y aulas disruptivas [Education and violence: a look at the schools of El Salvador and Honduras: school climate, resilience, and disruptive classrooms].



systematize the data collected in order to create policy inputs and thereby impact decision-making. The Educational Infrastructure Planning System (SINPLIE) has also been developed, with information on school infrastructure and a master plan for closing the gaps.

- 1.11 The digital transformation of SEDUC is a work in progress: its most important challenge is to develop an integrated approach. Each system compiles and generates data on its own sites, without any standardized protocols for managing or sharing data, and with incompatible IT systems, meaning that there is little coordination among the divisions of SEDUC (Mejer, 2017). Without unified data, it is impossible to realize the full potential of the data for identifying and analyzing associations and trends as a guide to decision-making. For example, the Human Resources Administration System (SIARH) uses obsolete software with which it is impossible to make the improvements and adaptations necessary for proper functioning, thus sparking a lack of confidence in the system and leading to the manual estimation of data, with the associated risk of insecurity. The SIARH is merely transactional, focused on managing the payroll, and is far from being a human resource management system, which is one of the fundamental inputs of an education system. As a result, it is impossible to reconcile the total number of teachers receiving salaries in the SIARH with the list of teachers recorded in the SACE who are giving classes (Mejer, 2017).
- 1.12 The analysis performed during the development of the Strategic Education Plan 2017-2027<sup>20</sup> shows that SEDUC needs to strengthen its technical and managerial capabilities to make the changes required by the Education Act, known by its Spanish language acronym, LFE. Specifically, SEDUC needs to coordinate the processes of ongoing teacher training, take the lead in evaluating educational outcomes, and promote the expansion of coverage while guaranteeing quality.
- 1.13 **Recent actions of the Government of Honduras.** The government's priorities have been focused on implementing the Education Act of 2012, and on improving the management of the system. The Education Act and its implementing regulations<sup>21</sup> provide a new policy framework making education compulsory for 13 years, and instituting ongoing evaluation and training of teachers.
- 1.14 Efforts to expand coverage have been based on the "alternative modalities" envisaged in the Education Act:<sup>22</sup> in 2016 these covered 17.7% of the middle school student population, at lower cost and with positive assessments.<sup>23</sup> These include the Tutorial Learning System, the Honduran Institute for Radio Education (IHER), EDUCATODOS, and the Distance Secondary Education System (SEMED).<sup>24</sup> The government has seen these approaches as a way of expanding the coverage required by the Education Act, while recognizing that, as with the regular systems, it is important to ensure their quality and relevance. In recent years, with IDB support

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<sup>20</sup> IPE-UNESCO Buenos Aires, 2017. Análisis diagnóstico del Sistema Nacional de la República de Honduras [Diagnostic analysis of the National System of the Republic of Honduras].

<sup>21</sup> [Education Act](#).

<sup>22</sup> [Executive Order 1371-SE-2014](#), Education Act. Regulations governing alternative modalities.

<sup>23</sup> Alternative upper secondary education in Honduras: Assessment and recommendations. USAID 2007.

<sup>24</sup> [Modalidades alternativas en Honduras](#) [Alternative modalities in Honduras].

- (loan HO-L1093, 3371/BL-HO) and as part of the “Bono Vida Mejor” [Better Life Voucher] program, SEDUC has implemented a new alternative strategy for expanding the third cycle of primary education in the western rural areas under contract with IHER. Financing has been provided for more than 150 middle school classroom modules in the West, with a view to narrowing the coverage gap. The strategy has been effective for reaching areas without coverage, but requires financing to ensure its continuity, expansion, and improvement.
- 1.15 In 2014, the “Teaching Career Regulations” were approved, whereby, beginning in 2018, candidates for the teaching career must have a degree in education. The Francisco Morazán National Pedagogical University (UPNFM) has begun to reform its teacher training courses, representing an opportunity to ensure alignment with the NBCD and with ongoing training for teachers, as well as to incorporate the relevant life and work skills into the new curriculum.
- 1.16 The country has also taken some important steps in measuring student learning. Since 2012, the Honduran Program to Improve the Impact on Student Performance (MIDEH) has been conducting standardized annual assessments. Nevertheless, many challenges remain (OECD, 2013). One of these is to foster the pedagogical use of evaluative information, improving the mechanisms for delivering this information from the various levels of the system (IIPE, 2017).
- 1.17 The Plan of the Alliance for Prosperity in the Northern Triangle (PAPTAN) is an initiative of the governments of Honduras, Guatemala, and El Salvador to address the problem posed by increasing flows of migrants, by developing greater economic and social opportunities for citizens. In the context of this strategic aspect of human capital development, the Government of Honduras has sponsored Proyecto Joven [“Youth Project”], to improve the quality of education in middle school and secondary school in 57 municipios prioritized in the PAPTAN. The intent is to help reduce risk factors for teenage migration, and to assist in the reintegration of returning migrant youth. The PAPTAN will have the support of various sectors and programs, including this operation, to achieve its objectives.
- 1.18 **Coordination with other donors.** Since 1998, international donors have been coordinating their education efforts through the MERECE forum for external cooperation in education. The Bank plays an active role in this forum, with a view to coordinating technical and financial support. This coordination will be handled specifically for this operation in the context of the MERECE working subcommittees on teacher training and the prevention of school violence. Profiles of school violence prevention programs in the country have been prepared for the same purpose.<sup>25</sup>
- 1.19 **Strategy of this operation.** The theory of change is that, by promoting access to high-quality education services and the use of information in ongoing improvement cycles, the internal efficiency of the system can be enhanced and, above all, learning and life and work skills can be increased. In this respect, the operation will ensure school advancement for Honduran students by expanding access to the third cycle of primary education (“middle school”) (Component 1). As instruction without

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<sup>25</sup> Siri, 2017. Caracterización de programas de prevención de violencia en Honduras [Profiles of violence prevention programs in Honduras].

learning represents a waste of resources and of human potential,<sup>26</sup> the major focus of the operation will be to implement a comprehensive package for improving the quality of educational services (Component 2). Thus, it is expected that teachers will modify and improve their teaching practices in the classroom, and that this will have a positive impact on student progression and, ultimately, on greater retention and better learning and skills levels for students. At the same time, recognizing that improvement processes must be continuous, the program will enhance management capacities in the sector through a digital transformation that integrates the collection, systematization, and use of data for educational decision-making (Component 3). In particular, the information generated will serve as a key input for improving the quality of Component 2, and for creating installed capacity to sustain and expand activities in the future.

**1.20 Evidence supporting the intervention.** International and regional evidence suggests that expanding access to education is associated with improved rates of enrollment and student learning<sup>27</sup> and that adequate school infrastructure is associated with positive impacts on school attendance.<sup>28</sup> In 2016,<sup>29</sup> the expansion of the IHER alternative classroom model, for example, resulted in lower repetition rates than the regular models (2.9% versus 3.46%). For developing students' skills, the literature shows that the teacher is a key factor.<sup>30,31</sup> Exposure to a high-quality teacher during the school year enhances students' learning by between 0.2 and 0.3 standard deviations.<sup>32</sup> To improve teaching practices, the literature shows that coaching is needed, particularly for new teachers and those with fewer skills.<sup>33</sup> The existence of onsite support opportunities for teachers has an impact on educational outcomes.<sup>34</sup> Consistent with international evidence,<sup>35</sup> Moncada and Gutiérrez (2016) find that the availability and use of educational materials is an academic factor of great impact on learning outcomes in Honduras, and that student performance is positively affected when teachers use educational materials aligned with the NBCD. In addition, a study by Muralidharan et al. (2017) revealed positive impacts on learning from using a technological program of personalized instruction in India. Students covered by the program achieved better outcomes in mathematics and

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<sup>26</sup> World Bank, 2018. World Development Report. Learning to realize education's promise.

<sup>27</sup> Paxson and Schady, 2002; Duarte, Gargiulo, and Moreno, 2011.

<sup>28</sup> Cuesta, Glewwe, and Krause (2015). op. cit.

<sup>29</sup> SACE, 2016.

<sup>30</sup> IDB (2016). Education and Early Childhood Development Sector Framework Document.

<sup>31</sup> Hanushek and Rivkin (2012). The distribution of teacher quality and the implication of teacher policy. Annual review of Economics; Hanushek, E. A. (2011). Higher teacher quality would catapult U.S. toward economic growth; Kane and Staiger (2008). Estimating teaching impacts on student achievement: An experimental evaluation. NBER working paper.

<sup>32</sup> Rivkin, Hanushek, and Kain (2005). Teachers, schools, and academic achievement. Journal of Econometric Society. See also, Araujo, Carneiro, Cruz-Aguayo, and Schady: Teacher quality and learning outcomes in kindergarten. The Quarterly Journal of Economics, 2016, vol. 131, issue 3, 1415-1453.

<sup>33</sup> Ganimian and Murnane (2016). Improving education in developing countries: Lessons from rigorous impact evaluations. Review of Educational Research.

<sup>34</sup> Cuesta, Glewwe, and Krause (2015). A literature review, with special reference to Latin America; Duarte, Jaureguiberry, and Racimo (2017). Sufficiency, equity, and effectiveness of school infrastructure in Latin America, according to TERCE. IDB-UNESCO.

<sup>35</sup> IDB (2016), Education and Early Childhood Development Sector Framework Document.

- Hindi, compared to those who did not use the program. Carillo et al. (2010) also found positive effects in mathematics from the use of personalized learning software in Ecuador.
- 1.21 Studies on academic efficiency and improvement show that the school climate is of great importance both for promoting learning and for enhancing retention, regardless of the context.<sup>36</sup> Analyses of interactions between teachers and students note that the school climate is related to the organization of the classroom, which includes the ways teachers conduct themselves, the ways students respond to the rules and standards of the classroom, and productivity within the classroom. Berger and Lisboa (2009) show that the factors associated with a positive social climate are an appropriate physical environment, varied and enjoyable activities, respectful communication between teachers and students, and between classmates, the capacity to listen to each other, and the capacity for mutual respect. In addition, they find that the capacity of schools to be sensitive to students' problems and to have mechanisms for detecting them early and for offering support will have an impact on student learning.
- 1.22 According to international evidence,<sup>37</sup> education systems with solid information systems have positive effects throughout the process of educational management, from policy formulation, implementation, and monitoring to the evaluation of policy effectiveness. Moreover, analytical platforms can individualize reports and generate them as and when required, with greater data quality and in less time.<sup>38</sup> This serves to enhance the quality of management decisions and teaching practices.<sup>39</sup> The emerging literature has shown that, in underperforming schools, accountability can lead to an improvement in student performance and to significant changes in teaching policies and practices.<sup>40</sup> A study by Chinen and Sennett (2014) on Honduras showed that, if teachers know the results of year-end assessments and have prepared improvement plans, students will score between eight and ten percentage points higher on standardized learning tests, in comparison to students whose teachers have not done this.
- 1.23 The proposed interventions are applicable to the Honduran context for the following reasons: (i) they are based on the compliance framework of the Education Act, and there is accordingly a strong commitment to improve the target areas; (ii) the country offers examples of previous experience and progress that should facilitate their implementation, including: (a) experience has been gained in expanding the coverage of alternative models in the country; (b) the three key information systems

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<sup>36</sup> Bryk, Bender Sebring, Allensworth, Luppescu, and Easton, 2010; Casassus et al., 1998; Reynolds, 2006; Sammons, 1995; Scheerens, 2000; Teddlie and Reynolds, 2000; Teddlie, Stringfield, and Burdett, 2003; Treviño et al., 2010.

<sup>37</sup> IDB 2016, op. cit.

<sup>38</sup> One educational institution reduced the time needed to generate reports from 15 hours to 15 minutes. IBM *Cognos* (2003). Business Intelligence for the Public Sector.

<sup>39</sup> Wieder and Ossimitz (2015). The impact of business intelligence on the quality of decision making. *Procedia Computer Science*.

<sup>40</sup> Allen and Burgess (2012). How should we treat underperforming schools? A regression discontinuity analysis of school inspections in England. Bristol; Rockoff and Turner (2008). Short-run impacts of accountability on school quality. *Journal of Public Economics*; Rouse et al. (2013). Feeling the Florida heat: How low-performing schools respond to voucher and accountability pressure. *American Economic Journal*.

- of SEDUC (SIARH, SACE and SINPLIE) are up and running, which will facilitate modernization; and (c) the country has conducted previous tests of students and has instituted an evaluation culture; (iii) promotion of the basic intellectual and social skills that are to be developed can be achieved by using teaching methodologies that are viable in situations of very scarce resources and are not based solely on the use of ICTs, thereby allowing parallel interventions in schools with or without access to electricity and the Internet; and (iv) the technical capacity of SEDUC will be reinforced for implementing the pedagogical innovations proposed by this operation.
- 1.24 **Bank support in the sector.** The Bank has supported the expansion of education with both alternative and conventional approaches (loans HO-L1062, 2524/BL-HO; HO-L1069, 2628/BL-HO; HO-L1087, 2937/BL-HO and HO-L1093, 3371/BL-HO).<sup>41</sup> In addition, several technical cooperation operations have supported the incorporation of an evaluation culture into the education system (ATN/OC-14391-HO), the development of a new teacher training model consistent with the Education Act (ATN/OC-15180-HO), and teacher training with the use of technology (ATN/JF-1397-HO). The Bank has also supported the development of information on school violence (ATN/OC-15241-RG) and on improving the school climate (HO-L1063, 2745/BL-HO). In addition, through operation ATN/OC-15226-HO, which aids PAPTN activities in Honduras, support was provided for developing pedagogical models that will strengthen effective implementation of Proyecto Joven in middle school and secondary school, and which will be reinforced by this operation. These efforts are supplemented, moreover, by interventions in relevant areas such as citizen security (loan HO-L1063, 2745/BL-HO).
- 1.25 **Lessons learned.** The design of the operation took into account lessons learned by the Bank in Honduras and internationally (see paragraph 1.20). The implementation of loan 3371/BL-HO, particularly as it relates to development of the model for expanding coverage with alternative classroom models contracted to IHER and the design of prototype classrooms for middle school, has generated lessons that will be used for this operation. Operation HO-L1069 shows the importance of a monitoring system to provide information on the classroom spaces that will be financed with alternative mechanisms. Component 2 incorporates the lessons from loan 2524/BL-HO into its design, such as: (i) the need for change management strategies, to secure the participation of teachers; (ii) the promotion of training models that are closer to the school, distinct from traditional “cascading” schemes; (iii) and the introduction of technology in the school must be seen as part of a comprehensive education strategy. This operation therefore gives priority to pedagogical change as the key for enabling technological innovation. The operation’s design also drew upon the studies conducted under operation ATN/OC-15241-RG, which analyzed the importance of stress generated by school violence, and the proposed structure for teacher training defined on the basis of operation ATN/OC-15180-HO. The protocols developed under loan 2745/BL-HO will also be used to measure the school climate.

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<sup>41</sup> This operation consolidates and expands the coverage achieved by these programs, but its emphasis is on ensuring quality and relevance. It seeks to give the country the capacity to continue expansion and to ensure quality and relevance.

- 1.26 **Strategic alignment.** The operation is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the challenge of social exclusion and inequality by expanding student access and learning in poor areas of the country. In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6), through the indicator of the number of students benefiting from education projects. The operation is consistent with the Bank's current country strategy with Honduras 2015-2018 (document GN-2796-1), as it will promote the accumulation of human capital in extremely poor households. It is included in the 2017 Country Programming Document (document GN-2884) and is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) and with the Education and Early Childhood Development Sector Framework Document (document GN-2708-5) under dimensions 1, 3, and 5. The program offers additionality in terms of gender and diversity, in that the impact evaluation will identify gender differences in the learning of mathematics, and the proposals to reduce dropout rates will analyze the causes affecting males and females. The operation is also aligned with the Plan of the Alliance for Prosperity in the Northern Triangle (PAPTN), as it will support implementation of Proyecto Joven ["Youth Project"] in 18 of its 57 municipios, as well as with the Programa Honduras 2020,<sup>42</sup> which gives priority to human capital for achieving economic development.
- 1.27 **Profile of beneficiaries.**<sup>43</sup> Component 1 will be of primary benefit to students in departments where middle school coverage is lowest (see paragraph 1.29). These are located in the rural areas of the western part of the country, and include the departments of Copán, Intibucá, La Paz, Lempira, Ocotepeque, and Santa Bárbara. Within these departments priority will be given to municipios that have schools of the first and second cycles of primary school, but no regular, nearby third-cycle facilities, facilities in areas with a high concentration of extreme poverty, and facilities serving as school network nodes. This last criterion will ensure enrollment by establishing a benchmark of 20 sixth-grade children per network who can attend the third-cycle center. The schools identified (see footnote 48) are located in 84 municipios, including 16 municipios prioritized by the PAPTN in the western part of the country. As educational quality is a problem nationwide, Component 2 will benefit the same students as Component 1, plus their teachers, as well as students and teachers from schools of the municipios of San Pedro Sula in Cortés and the Central District of Francisco Morazán (see paragraph 1.30). These two municipios were selected because: (i) they exhibit the same quality problems as the rest of the country, and have higher dropout and repetition rates; (ii) they have been prioritized by Programa Honduras 2020 and the PAPTN, so educational improvements are considered priorities; and (iii) they have the highest rates of violence in the country and receive large numbers of young people returning to Honduras.<sup>44</sup> Eligible schools will be those offering the third cycle of primary education ("middle school") located in poor areas, with an enrollment of under 1,000 students. Within this universe, 80 schools will be selected at random. The improvements in educational management under

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<sup>42</sup> [Programa Honduras 2020](#).

<sup>43</sup> [Beneficiarios de programa y cobertura del 3er ciclo](#) [Program beneficiaries and third-cycle coverage].

<sup>44</sup> The Central District and San Pedro Sula were the municipios with the greatest occurrence of homicides during 2016 (1,801 cases), accounting for 35% of all reported homicides in the country (Observatorio de la Violencia, 2016).

Component 3 will have benefits nationwide by ensuring that the institutional capacities for the sustainability and upscaling of improvements in the quality of the third cycle will be extended to other parts of the country, including all the municipios prioritized by the PAPTN.

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

1.28 **Objective.** The objective of the program is to contribute to the development of life and work skills for young Hondurans by improving middle school learning access and quality in municipios prioritized by the program. The program is structured around the following components:

1.29 **Component 1. Coverage of middle school services with emphasis on western rural areas (US\$22 million).** The objective is to support access to middle school education.

a. **Subcomponent 1.1. Middle school education services based on alternative modalities.** These models have been recognized by SEDUC and will operate in the prioritized departments, for which a per capita amount will be paid,<sup>45</sup> and quality audits will be conducted. Students pursuing the alternative models must take part in the training and coaching processes of Component 2, and will be subject to the same formalities as the students attending regular education centers (registered through the SACE and participating in the evaluations of SEDUC and of this program).<sup>46</sup>

b. **Subcomponent 1.2. Expansion of educational infrastructure, furniture, and equipment.** Fifty modules<sup>47</sup> will be built to provide the third cycle of primary education in low-coverage rural areas in the western part of the country. These modules will include three classrooms and a set of bathrooms. The schools where these modules will be built must meet the following criteria: (i) they must have space and ownership of land in the same community where the first and second cycles are offered; (ii) they must be able to accommodate future enrollment from the first and second cycles; and (iii) SEDUC must provide the teaching staff required for opening the third cycle.<sup>48</sup>

1.30 **Component 2. Improved quality and relevance of education services (US\$27 million).** The objective is to provide comprehensive support to the school to develop life and work skills<sup>49</sup> among students in the regular and alternative modalities, through three subcomponents:

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<sup>45</sup> An average outlay of US\$250 per capita was planned, but the models vary greatly in their intervention approaches, and therefore in their cost (see footnote 24).

<sup>46</sup> The specific conditions to be met by operators are given in the program Operations Manual.

<sup>47</sup> The pace of infrastructure construction should not outstrip the ability to fill teaching positions. The operation will contribute 16.8% (50 out of 297). Program HO-L1093 is financing 150 additional modules (50.5% of demand), and additional financing is expected from the German cooperation agency.

<sup>48</sup> Eligibility will be subject to the Bank's no objection. There is a list of 191 [pre-identified centers](#) where work is progressing in accordance with enrollment numbers.

<sup>49</sup> These are understood as basic skills (language and mathematics), thinking skills (critical analysis, synthesis, problem-solving, and application of knowledge), and personal and interpersonal skills (responsibility, self-control, metacognition, teamwork). They are aligned with the NBCD and the life skills defined by the OECD as necessary for productive incorporation into society.

- a. **Subcomponent 2.1. Improved capabilities of teachers, principals, and supervisors.** This subcomponent will support initial and on-the-job training for teaching personnel, in line with the NBCD and on the basis of a framework for sound instruction that defines what middle school teachers must know and be able to do.<sup>50</sup> It will finance: (i) reinforcement of the initial teacher training offered by the UPNFM by strengthening theory and practice modules to ensure the use of appropriate methodologies for implementation of the NBCD, and developing a study plan for third-cycle facilitators<sup>51</sup> which can be offered as a specialty; (ii) onsite training and monitoring for teams of middle school teachers and principals in schools prioritized by the program (see paragraph 1.27). An innovative model will be developed for the country, based on coaching and ongoing feedback on the practice, as well as other effective strategies for the development of life and work skills; (iii) development of an interactive teacher quality platform with teaching and evaluation resources for development of the NBCD; and (iv) development and implementation of a communication plan to promote a paradigm shift in instruction focused on skills development rather than on memorization.
  - b. **Subcomponent 2.2. Improved learning conditions in the school.** The prioritized schools will have: (i) programs to improve the school environment, including measures to prevent social risk (violence and pregnancy) and to facilitate the educational reintegration of young people returning to the country.<sup>52</sup> This will include a system for early detection, needs assessment, and improvement plans; (ii) development and supply of innovative teaching materials to support implementation of the NBCD for teachers and students; and (iii) introduction of a pilot program to improve learning in mathematics through digital technology.<sup>53</sup>
  - c. **Subcomponent 2.3. Evaluation for educational quality.** This subcomponent will finance the upgrade of instruments for expanding educational evaluation. These include: (i) revision of instruments and expansion of the sample for evaluating learning outcomes in language and mathematics, for both regular and alternative modalities; (ii) development of innovative strategies and instruments to measure progress in the development of superior thinking abilities, personal and interpersonal skills, and the school environment; and (iii) dissemination of outcomes from the analysis at the district and school levels.
- 1.31 **Component 3. Modernization of SEDUC's administrative and pedagogical management (US\$7.2 million).** The objective is to boost the capacity of SEDUC to

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<sup>50</sup> For further details see the [teacher training framework for program HO-L1188](#).

<sup>51</sup> Facilitators serve as standalone teachers, and must be able to address all the materials for the seventh, eighth, and ninth grades, as appropriate.

<sup>52</sup> To achieve comprehensive care for returning young people under the PAPTN, inventories were compiled of programs targeted at returning migrants, and key institutions were incorporated into the interagency technical committee (see paragraph 3.4).

<sup>53</sup> Assessment and Learning in Knowledge Spaces (ALEKS) is a system for evaluation and adaptive learning of mathematics online. It determines what students know and instructs them on the topics they are most ready to learn.



lead the process of transforming the third cycle of primary education and to establish the technical and operational capacity to sustain and extend the reforms throughout the country. The component will finance:

- a. **Subcomponent 3.1. Strengthening of SEDUC's technical capacities to enhance educational quality.** Specialized technical teams will be commissioned to address innovative areas where SEDUC does not have sufficient experience or personnel.<sup>54</sup> These will include technical teams to: (i) coordinate and monitor the expansion of the third cycle, guaranteeing educational quality in both the alternative and regular modalities; (ii) take the lead in transforming teacher training to promote active learning; (iii) expand the vision of learning to include life and work skills, evaluating outcomes and providing feedback to the schools; and (iv) leading the process of educational innovation, including adaptive platforms.
- b. **Subcomponent 3.2. Advancement of the digital transformation of SEDUC.** The objective is to implement an integrated information system to guide educational policy decisions. This includes: (i) permanent licenses for business process management software, to function as the backbone of integration for the information systems (SIARH, SACE, SINPLIE); (ii) modernization of the SIARH through process reengineering and implementation of new human resource software with the capability for personnel management and development; (iii) strengthening the SACE by expanding modules and interfaces;<sup>55</sup> (iv) a business intelligence platform to manage information from the systems in a comprehensive manner and to generate inputs for decision-making; and (v) financing for the procurement and distribution of computer equipment.

1.32 **Administration, monitoring, and evaluation (US\$3.8 million).** This includes the costs of administration, supervision, audit, and evaluation of the operation.

### C. Key results indicators

1.33 The impact indicators relate to learning achievements in mathematics, language, and thinking skills. They will also measure the reduction in student dropout and gross enrollment in the third cycle of primary education ("middle school"). In terms of outcomes, they will measure: (i) access to educational services in middle school; (ii) the change in classroom teaching practices; (iii) the level of grade advancement in program schools; and (iv) the use of timely and comprehensive information for decision-making. The detailed indicators are found in Annex II.

1.34 The ex ante economic analysis, conducted using the cost-benefit methodology, produced a positive net present value (NPV). The social internal rate of return (SIRR) is 19.86%, higher than the discount rate of 12% which represents the opportunity cost of the program ([optional electronic link 1](#)). The program benefits for students are expected to begin in year 2 of program execution, and three years are assumed for implementation. This result should be regarded as a lower limit, as it is based on

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<sup>54</sup> Financing of consultants with the loan proceeds will decline over time, and SEDUC will absorb the functions progressively until it is covering 100%.

<sup>55</sup> The modules and interfaces will be for deliverables such as the automatic issuance of diplomas, linkages to the SIARH, the master plan, and the virtual education platform.

conservative assumptions, and the benefits do not include the positive externalities commonly associated with interventions of this kind.<sup>56</sup> The sensitivity analysis confirms that the outcomes are robust to changes in key assumptions such as the number of beneficiaries and variations in the dropout rate.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The financing instrument is a specific investment loan for a total of US\$60 million, with US\$36 million chargeable to the Bank's Regular OC, and US\$24 million to the Concessional OC, as indicated in Table 1 ([required electronic link 3](#)). The disbursement period will be five years, estimated on the basis of the scope of the outputs of the multiyear execution plan (MEP) ([required electronic link 1](#)) and recent experience with multilateral loans in the sector.

**Table 1. Total program cost (US\$ million)**

Investment categories	Total
<b>Component 1: Coverage of middle school services with emphasis on western rural areas</b>	<b>22.00</b>
Subcomponent 1.1: Middle school education services based on alternative modalities	16.18
Subcomponent 1.2: Expansion of educational infrastructure, furniture, and equipment	5.82
<b>Component 2: Improved quality and relevance of education services</b>	<b>27.00</b>
Subcomponent 2.1: Improved capabilities of teachers, principals, and supervisors	9.47
Subcomponent 2.2: Improved learning conditions in the school	16.03
Subcomponent 2.3: Evaluation and feedback for educational quality	1.50
<b>Component 3: Modernization of SEDUC's administrative and pedagogical management</b>	<b>7.20</b>
Subcomponent 3.1: Strengthening of SEDUC's technical capacities to enhance educational quality	1.31
Subcomponent 3.2: Advancement of the digital transformation of SEDUC	5.89
<b>Subtotal, components</b>	<b>56.20</b>
Administration, monitoring, and evaluation	3.80
<b>Total</b>	<b>60.00</b>

**Table 2. Disbursement timetable (US\$ million)**

Source of financing	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>IDB – Total</b>	4.328	18.527	15.916	12.149	9.080	<b>60</b>
<b>Percentage (%)</b>	7.2	30.9	26.5	20.2	15.2	<b>100</b>

<sup>56</sup> The externalities were not incorporated, for lack of information. These typically manifest themselves in lower rates of crime and drug addiction, longer life expectancy, and improved living standards.

**B. Environmental and social safeguard risks**

- 2.2 This operation has been classified as category “C” under the Bank’s Environment and Safeguards Compliance Policy (Operational Policy OP-703), as it presents minimal environmental and social risks. The structural interventions under Component 1 will be of very low impact, as the construction of classrooms and bathrooms will be on a small scale, will take place on lots where schools already exist, will follow the necessary hygiene and safety measures, and does not call for resettlement of any kind. Funds will be allocated for facility maintenance.

**C. Fiduciary risks**

- 2.3 The project risk associated with financial management and procurement is medium. The main fiduciary risks, specifically the absence of internal control and the lack of a system for documentation of transactions, will be mitigated in the following ways: (i) the executing agency has prior experience in the use of the SIAF/UEPEX Integrated Financial Administration System and the national internal controls deriving from its use; (ii) a project execution unit (PEU) will be established, staffed by personnel with the qualifications and terms of reference agreed upon with the Bank; and (iii) the fiduciary arrangement for financial supervision will include annual audits with preliminary reports on a six-monthly basis, which will be used to support the monitoring of fiduciary management and the evolution of risks in this area. The risks relating to the executing agency’s capacity to conduct procurement under IDB procedures will be mitigated by: (i) maintaining specialized procurement staff in the PEU, which will be responsible for fiduciary matters throughout execution; (ii) implementing a monitoring system that will cover the planning of procurement required for achieving the program’s objectives, through use of the Procurement Plan Execution System (SEPA) agreed upon with the Bank; and (iii) requiring the PEU to conduct exhaustive monitoring at the planned dates.

**D. Other project risks**

- 2.4 **Public management and governance risks.** The program risk analysis, conducted using the project risk management methodology for sovereign-guaranteed projects, detected the following risks relating to public management and governance: (i) possible turnover of key program staff with the change of government in 2018 (medium); (ii) resistance to change on the part of teachers and trainers (medium); and (iii) systems for managing beginner staff of SEDUC (high). The following mitigation measures are planned: (i) develop a transitional strategy for operation of the program; (ii) hold introductory meetings with the new government prior to the handover of power; (iii) carry out a training program; (iv) enlist leading education specialists in the programming and implementation of activities; (v) conduct a social marketing campaign; and (vi) establish a competently staffed PEU.
- 2.5 **Development.** The issue of coordination among the teacher training entities (NGOs, universities, firms) and SEDUC was identified as a high risk, as the functions of these institutions relate to the teacher training and coaching activities under Component 2. The following mitigation measures were identified: (i) hold meetings with SEDUC and the training entities; (ii) prepare cooperation agreements for executing the project; (iii) define responsibilities in the context of the program Operations Manual; and (iv) ensure that the operation’s design makes provision for strengthening the technical capabilities of SEDUC to guide teacher training.

- 2.6 **Monitoring and accountability.** The following medium risks were identified: (i) the fairly recent mechanism for monitoring and accountability; (ii) vacancies in the activities programming area of SEDUC; and (iii) lack of an effective mechanism for managing asset inventories. The corresponding mitigation measures are: (i) develop policies and procedures for project monitoring and accountability, especially in the transmission of information from the schools to SEDUC; (ii) develop and implement an education information system; (iii) establish the PEU; (iv) improve the programming instruments ([optional electronic link 2](#)); and (v) prepare and implement a specific manual for asset administration.
- 2.7 **Sustainability.** Sustainability will be guaranteed by leaving the country with the installed capacity to continue with teacher training, both initial and ongoing (see footnote 53). The financing provided for the alternative modalities will decline over the disbursement period, and SEDUC will gradually absorb the facilitators. This will amount to less than 0.5% of the teaching body annually. All works procured must have guarantees, maintenance plans, and extended technical support. The borrower will be asked to produce an annual maintenance plan that contains a description of the main activities to be conducted during execution, and to deliver a report to the Bank annually, for a period of five years, on the status of those works and the annual maintenance plan.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Honduras, and the executing agency will be the Department of Education (SEDUC). SEDUC will be responsible for coordination, planning and monitoring, technical and administrative management, procurement and contracting, and financial administration of the program.
- 3.2 A program execution unit (PEU) will be responsible for program execution, reporting to the Office of the Undersecretary of Technical and Pedagogical Affairs (SSATP). The PEU will be devoted exclusively to the program, with financial and administrative autonomy and with staff qualified to meet the program's objectives. The PEU staff will be financed with resources of the operation, and will consist of at least: (i) a general coordinator for the program; (ii) three technical coordinators (one per component) and four technical assistants; (iii) a specialist in planning, monitoring and evaluation; (iv) a financial specialist; (v) a procurement specialist and (vi) a legal advisor.<sup>57</sup> The PEU staff will work in direct coordination with the General Directorate of Professional Training (DGDP), the General Directorate of Educational Modalities (DGME), the General Directorate of Curriculum and Evaluation (DGCE), the General Directorate of School Construction and Property (DIGECEBI), and the unit of the National Educational Information System responsible for managing technical components. A technical committee will be established with members from all the divisions involved, to conduct monthly monitoring of the operation's planning and execution. **A special contractual condition precedent to the first disbursement will be contracting of the key staff of the PEU: program general coordinator,**

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<sup>57</sup> The structure of the PEU has been agreed upon, along with the terms of reference for key positions.

- financial specialist, and procurement specialist**, to ensure that a qualified team is in place to prepare the project execution instruments.
- 3.3 **Disbursements.** As the annual budgetary appropriations and amendments are subject to delay, it is recommended that the prior accountability percentage for the advance of funds should be set at 70%. Upon fulfillment of the general conditions precedent to the first disbursement, contained in Article 4.01 of the General Conditions of the loan contract, a special disbursement may be made for up to an estimated amount of US\$300,000, in order to move forward with fulfillment of the special contractual conditions precedent to the first disbursement.
- 3.4 **Strategic direction and interagency coordination.** An interagency technical management committee will be created to ensure interagency support in the achievement of the program objectives. The committee members may include SEDUC, the Department of Finance, the National Telecommunications Commission, the Department of Health, educational integration programs for migrants, violence prevention programs, Plan Honduras 2020, and universities.
- 3.5 **Program Operations Manual.** Program execution will be governed by the program Operations Manual, which establishes operational guidelines relating to: (i) the structure of program execution and the responsibilities of the executing agency; (ii) the responsibilities of other entities involved in implementation; (iii) the procedures for programming the activities to be financed; (iv) the procedures for technical management and financial and procurement administration; (v) the procedures for environmental and social management of the program; and (vi) operating instructions for implementing the impact monitoring and evaluation activities. **Approval of the program Operations Manual will be a special contractual condition precedent to the first disbursement**, to ensure that the program has appropriate rules in place governing its operations.
- 3.6 **Delivery of educational services with alternative modalities.** These services will be delivered by third parties or offered directly by SEDUC. Financing of the alternative modalities offered by SEDUC will be aimed at covering the incremental costs of SEDUC, as required to meet the quality criteria formalized in work plans. In the case of services offered by third parties, service agreements will be negotiated with nonprofit organizations registered with SEDUC that provide alternative services. Those agreements will define the roles and responsibilities of SEDUC and of the providers, including: (i) the targeted areas, in accordance with program needs; (ii) participation in the SEDUC evaluations; (iii) registration of students in the SACE; (iv) participation in training in innovative active teaching methods for the program; and (v) reporting on targets and outcomes. Annual audits of reasonable compliance with the agreements will be conducted to determine whether the targets agreed upon with SEDUC have been met. If, during program execution, other providers of this kind of service should emerge, the PEU may make a selection from among them in accordance with the Bank's procurement policies. As a special contractual execution condition, evidence will be provided that interagency agreements have been signed between SEDUC and the institutions delivering alternative education services, prior to start of activities under Subcomponent 1.1 of Component 1, to ensure the quality criteria established in the program.
- 3.7 **Procurement.** Bank policies for the procurement of works and goods (document GN-2349-9) and the selection and contracting of consultants

(document GN-2350-9) will be applied. The type of review to be used will be determined on a case-by-case basis in the procurement plan ([required electronic link 3](#)). The Procurement Plan Execution System (SEPA) or its updated successor version, such as the electronic monitoring and procurement system, will be used.

- 3.8 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$3 million (5% of the proposed loan) in eligible expenditures incurred by the borrower prior to the loan approval date for goods and nonconsulting services as well as consulting services, provided that requirements substantially similar to those of the loan contract have been met. Such expenditures must have been incurred on or after 6 October 2017, the approval date of the project profile, but under no circumstances may they include expenditures incurred more than 18 months prior to the date of loan approval.
- 3.9 **Advance procurement.** The operation provides for the possibility of procurements of up to 5% to meet needs arising between program approval and eligibility.
- 3.10 **Audits.** The project financial statements, audited by the supreme audit authority or an independent audit firm acceptable to the Bank, will be requested annually within 120 days after the close of each fiscal year, or the date of the last disbursement.

**B. Summary of arrangements for monitoring results**

- 3.11 **Monitoring arrangements.** The executing agency and the Bank have agreed to monitor program execution closely, using the Results Matrix, the program execution plan ([required electronic link 1](#)), the annual work plans ([required electronic link 1](#)) and the six-monthly program monitoring reports. To facilitate monitoring, the Education Division (SCL/EDU), in collaboration with the Bank's Country Office in Honduras, will conduct regular field visits and meetings with the working team to discuss needs arising from those reports ([required electronic link 2](#)). A project completion report will be prepared at the end of execution.
- 3.12 **Arrangements for evaluating results.** An experimental methodology will be used to evaluate interventions intended to improve the learning achievement levels of students participating in Component 2. The measurement will be conducted after two years of intervention. The variable of interest will be the results obtained on the standardized mathematics tests taken annually by middle school students ([required electronic link 2](#)).

Development Effectiveness Matrix		
Summary		
<b>I. Corporate and Country Priorities</b>		
<b>1. IDB Development Objectives</b>	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality	
Country Development Results Indicators	-Students benefited by education projects (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Teachers trained (#)*	
<b>2. Country Development Objectives</b>	Yes	
Country Strategy Results Matrix	GN-2796-1	To promote human capital accumulation of minors in households in extreme poverty.
Country Program Results Matrix	GN-2884	The intervention is included in the 2017 Operational Program.
Relevance of this project to country development challenges (if not aligned to country strategy or country program)		
<b>II. Development Outcomes - Evaluability</b>	Evaluable	
<b>3. Evidence-based Assessment &amp; Solution</b>	9.3	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	3.6	
3.3 Results Matrix Quality	2.7	
<b>4. Ex ante Economic Analysis</b>	8.5	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0	
4.2 Identified and Quantified Benefits	1.5	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	0.0	
4.5 Sensitivity Analysis	1.5	
<b>5. Monitoring and Evaluation</b>	9.0	
5.1 Monitoring Mechanisms	1.5	
5.2 Evaluation Plan	7.5	
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	C	
<b>IV. IDB's Role - Additionality</b>		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality	Yes	Proposals to reduce school dropout analyze causes that affect men and women, such as pregnancy and violence. The impact evaluation will allow identifying gender disparities in math learning.
Labor		
Environment		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical Cooperation HO-T1224 is financing a study on the technological needs to implement the pedagogical proposals of the CNB, and the preliminary design of a teacher platform. Technical cooperation HO-T1215 generated information on the capabilities of teachers and facilitated the analysis of international good practices in teacher training.
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The impact of active pedagogical practices in math learning will be evaluated, as well as the additionality of computer assisted learning.

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

The loan proposal identifies as the problem to be addressed by the project the low access, the high dropout and the deficient quality that characterize the third cycle of basic education in Honduras. The document presents as evidence of these challenges data on enrollment and dropout rates, results on national and international standardized tests, and results from surveys to employers.

The proposal identifies as causes of this problem factors of demand, related to the socioeconomic conditions of the students, their need to go out to work and their disinterest in education. It also identifies supply factors related to the limited accessibility to educational establishments in rural areas, the insufficient capacities of teachers, directors and supervisors, the inadequate school climate and the management weaknesses of SEDUC. The document presents evidence of these factors and their relationship with the challenges identified in the results of the education system.

The project proposes three components to address the problem and causal factors identified: expansion of coverage in the third cycle of basic education, improvement of quality and relevance of education, and strengthening of the SEDUC. The document presents evidence on the effectiveness of these interventions based on international and regional studies. However, it only includes partial evidence of their effectiveness in the case of Honduras.

The results matrix is adequate. It includes SMART impact, result and output indicators, and their corresponding baseline and target values, in most cases. The source of information for each indicator is also included.

The economic analysis annex presents a cost-benefit analysis that considers the benefits from increases in future salaries of the target population, in comparison with the costs of the project. Although the methodological approach is adequate, some of the assumptions made about the educational and employment levels reached by the beneficiaries of the project do not seem realistic.

The monitoring plan identifies the results matrix and the PMR as the instruments to monitor the implementation of the operation. However, the annual and total costs for the products of the results matrix are not presented. The evaluation plan proposes an experimental impact evaluation to measure the effectiveness of the pedagogical intervention and the digital pilot in children's learning.

## RESULTS MATRIX

<b>Project objective:</b>	To contribute to the development of life and work skills for young Hondurans by improving middle school learning access and quality in municipios prioritized by the program.
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### EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Base year	Final target	Final target year	Means of verification	Comments
Average scores on standardized tests of students in the third cycle of primary education in the targeted areas. Mathematics Language	Average	228 <sup>1</sup> 277	2015	250 304	2022	National Academic Achievement Test 2022 Responsibility Center: Ministry of Education (SEDUC)	Includes municipios participating in Component 2.
Average overall scores on evaluations of thinking skills for students in the third cycle in the targeted areas.	Average	-	2018	-	2022	Baseline report and final consultant's report	
Average gross enrollment for students in the third cycle in the targeted areas.	Percentage	45.3 <sup>2</sup>	2014	55.3 <sup>3</sup>	2022	School Administration System (SACE), SEDUC.	Includes municipios participating in Component 1.
Average dropout rate for students in the third cycle in the targeted areas.	Percentage	9.4 <sup>4</sup>	2014	7.0 <sup>5</sup>	2022	SACE report (SEDUC/National Statistics Institute)	Includes municipios participating in Component 2.

<sup>1</sup> Average levels for the Western Region, San Pedro Sula, and Central District.

<sup>2</sup> In the west of the country, priority is given to access to services under Component 1.

<sup>3</sup> Will record progress with coverage of the centers for which SEDUC has accepted permanent responsibility.

<sup>4</sup> SACE, 2016.

<sup>5</sup> Assumes an improvement of 0.6%/year. In Mexico, institutions covered by the Programa de Escuelas de Calidad [Quality Schools Program] (PEC), similar to those of this program, have recorded lower dropout rates than nonparticipating schools (0.7% vs. 1.3%). Gutiérrez, J. A. (2003).



**EXPECTED OUTCOMES**

Indicators	Unit of measure	Baseline	Base year	Final target	Final year	Means of verification	Comments
<b>Outcome 1: Greater access to services of the third cycle of primary education through alternative modalities</b>							
Students enrolled in the third cycle of primary education in alternative programs financed by the project.	Number of students	0	2014	16,015	2022	Official annual enrollment reports (SEDUC), disaggregated by educational modality.	
Males	Number of males	0	2014	8,086	2022		
Females	Number of females	0	2014	7,929	2022		
Percentage of enrollment in third-cycle schools with new classrooms.	Percentage	0	2014	80%	2022	Official annual enrollment reports (SEDUC)	Places will be created for 4,500 students with 50 modules (90/school).
<b>Outcome 2: More teachers apply active learning methods</b>							
Teachers applying active learning methods in accordance with the CLASS instrument in the third cycle in the targeted areas.	Percentage	TBD	2018	80%	2022	Executing agency's approval of the consultant's report with results from application of CLASS	Consultant will be financed under Component 2. The CLASS instrument is based on classroom observation and will be adapted
Students enrolled in schools with teachers trained in active learning methods. (CRF)	Number of students	0	2017	41,000 <sup>6</sup>	2022	Enrollment report of SACE (SEDUC/INE)	All students under Component 2.
<b>Outcome 3: Greater school advancement</b>							
Average graduation from third cycle in the targeted areas.	Percentage	80.7% <sup>7</sup>	2017	85% <sup>8</sup>	2022	SACE report (SEDUC/INE)	All students under Component 2.

<sup>6</sup> Assumes students benefiting in each year of intervention with the exception of 4,000 places for nonclassroom modalities, where incorporation will proceed gradually year by year. With an estimated three beneficiary cohorts, the total is 82,736 students.

<sup>7</sup> SACE, 2016.

<sup>8</sup> Programs with institutional improvement plans (PMIs) in Argentina recorded positive results on efficiency indicators. In beneficiary schools, promotion rates rose from 80% to 85% in La Pampa between 2010 and 2011. Ministry of Education (Argentina) (2012): Los PMI [Institutional Improvement Plans (PMIs)]. Monitor de la Educación, December 2012.

Indicators	Unit of measure	Baseline	Base year	Final target	Final year	Means of verification	Comments
<b>Outcome 4: Timely and comprehensive information used in policy decisions</b>							
Regional programming documents on teacher training include indicators produced by SACE, SIPLN and SIAREH.	Number of programming documents with indicators	0	2017	3	2022	SEDUC. Programming documents approved for San Pedro Sula, Western Region, and Central District	

**OUTPUTS**

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
<b>Component 1. Coverage of middle school services with emphasis on western rural areas</b>										
Agreements to deliver alternative education services for the third cycle, signed in accordance with SEDUC requirements.	Number of agreements	0	2	4	0	0	0	4	Agreements signed between providers and SEDUC	
Schools with three third-cycle classroom modules constructed and equipped.	Number of modules	0	0	15	20	15	0	50	Acts confirming delivery of buildings and equipment signed by SEDUC	
<b>Component 2. Improved quality and relevance of education services</b>										
Initial teacher training curriculum updated with more hours of practice and review of teaching modules.	Curriculum	2017	0	1	1	0	0	2	Document with updated training curriculum approved by SEDUC	
Teachers trained in active learning methods. (CRF)	Number of teachers	0	0	400	800	1,200	2,708	2,708	Attendance certifications issued by SEDUC	4 teachers/school in the West; 8/school in San Pedro Sula and Capital District; 200 alternative modality teachers.
Interactive teacher quality platform functioning.	Platform	0	0	0	1	0	0	1	Online platform activated and accessible to users	Platform geared to development of skills in third cycle of primary.

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Schools receiving teaching materials for development of skills in accordance with SEDUC guidelines.	Number of schools	0	0	100	200	300	547	547	Program report based on acts of delivery to schools	Package includes language and mathematics textbooks with guidance for students and teachers.
Schools with programs for improving the school environment implemented, including prevention of pregnancy and violence, as established in the program Operations Manual.	Number of schools	0	0	20	40	80	80	80	PEU progress reports, with list of schools implementing school climate programs. Consultant's reports	Include early warning measures, support for students who are lagging or reentering, referral to other services, work with parents.
Pilot program implemented for computer-assisted learning in mathematics.	Program	0	0	1	0	0	0	1	PEU report showing total of students with access to assisted learning software	
Skills evaluation finalized	Evaluation	0	0	4	0	2	4	10	Reports on the results of SEDUC evaluations in: language (3) mathematics (3) thinking skills (2) personal/interpersonal skills (2)	
Communication strategy implemented for managing the pedagogical transformation in the third cycle.	Strategy	0	0	0	0	0	1	1	Last page of the consulting contract on the communication strategy. The six-monthly status reports will be achievement milestones as of year 2	

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
<b>Component 3. Modernization of SEDUC's administrative and pedagogical management</b>										
New SIAREH up and running.	System	0	0	1	0	0	0	1	PEU provides the Bank with evidence that the monthly SEDUC payroll has been executed via the SIAREH	Evidence will be provided in the month after SEDUC declares the system operational.
Business intelligence platform implemented.	Platform	0	0	0	1	0	0	1	PEU report confirming that the platform is in use and listing the officials with access for visualizing key performance indicators	
Business process management license tendering completed.	License	0	1	0	0	0	0	1	PEU report with results of the tendering, attaching contract signed with the firm selected to provide the license	
SEDUC areas with computerized connectivity equipment installed.	Equipment	N/A	0	4	4	4	4	4	Progress report on equipment installation by the Information Systems Unit of SEDUC	Departmental offices in participating municipios.
SEDUC offices in participating departments with Internet access.	Equipment	0	50%	50%	100%	100%	100%	100%	Document of Connectivity Certification by the Information Systems Unit of SEDUC	SEDUC offices in: Tegucigalpa, San Pedro Sula, Ocotepeque, La Paz, Lempira, Copán, Intibucá, Santa Barbara.
SEDUC technical teams established.	Number of teams	N/A	4	4	4	4	4	4	Act of establishment approved by SEDUC	Teams comprising at least two SEDUC staff members and two consultants.

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

<b>Country:</b>	Honduras
<b>Project number:</b>	HO-L1188
<b>Project name:</b>	Improving Educational Quality to Develop Skills for Employment: Project Youth
<b>Executing agency:</b>	Department of Education (SEDUC)
<b>Prepared by:</b>	Nalda Morales, Financial Management (VPC/FMP), and María Cecilia del Puerto, Procurement (VPC/FMP)

### **I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY**

- 1.1 The executing agency for the operation is the Department of Education (SEDUC), which has implemented the Integrated Financial Administration System (SIAFI), with its budgetary, accounting, and cash management subsystems, along with the Module for Execution Units for Projects with External Financing (UEPEX) for issuing reports. This is being used for the financial and accounting management of operation ATN/JF-15397-HO and in execution of loan HO-L1062, 2524/BL-HO, which concluded in October 2015. By law, use of this system is mandatory for the financial and accounting management of operations with external financing in the Honduran public sector. With respect to procurement, recognizing the low fiduciary capacity identified in the institutional analysis, and the decision to establish a program execution unit (PEU), the PEU will hire staff trained in the Bank's procurement policies. Nevertheless, publicity for processes at the national level will be appear on HONDUCOMPRAS, the official government website for publishing procurement and contracting opportunities. The standard national competitive bidding documents and the shopping modality will be used for the procurement of goods and works, as agreed upon by the IDB and the Regulatory Office of State Contracting and Procurement (ONCAE).

### **II. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES**

- 2.1 The fiduciary team determined that the project risk associated with financial management and procurement is medium.
- 2.2 The main fiduciary risks, specifically the absence of internal control and the lack of a system for documentation of transactions, will be mitigated in the following ways: (i) the executing agency has prior experience in the use of the SIAF/UEPEX Integrated Financial Administration System and the national internal controls deriving from its use; (ii) a project execution unit (PEU) will be established, staffed by personnel with the qualifications and terms of reference agreed upon with the Bank; and (iii) the fiduciary arrangement for financial supervision will include annual audits with preliminary six-monthly reports, which will be used to support the monitoring of fiduciary management and the evolution of risks in this area.

- 2.3 The risks relating to the executing agency's capacity to conduct procurement under IDB procedures will be mitigated by: (i) maintaining specialized procurement staff in the PEU, which will be responsible for fiduciary matters throughout execution; (ii) implementing a monitoring system that will cover the planning of procurement required for achieving the program's objectives, through use of the Procurement Plan Execution System (SEPA) agreed upon with the Bank; and (iii) requiring the PEU to conduct exhaustive monitoring at the planned dates.

### III. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACTS

- 3.1 No special conditions of a fiduciary nature will be included in the Special Provisions of the loan contract. The aspects to be considered are:
- a. **Exchange rate agreed upon with the executing agency/borrower for accountability.** For purposes of Article 4.01 (b) of the General Conditions of the loan contract, the applicable exchange rate will be the rate indicated in Article 4.01(b)(ii). In this case, the exchange rate used will be the rate in effect on the date of payment of the expenditure in the local currency of the borrower.
  - b. **Financial statements and other audited reports.** The borrower or the executing agency will deliver the external financial audit reports to the Bank within the time limits stipulated in Article 6.03(a) of the General Conditions, including preliminary reports on a six-monthly basis or other frequency, based on changes in the fiduciary risk.

### IV. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 4.1 The fiduciary agreements and requirements for procurement establish the provisions applicable for the execution of all planned procurements.
- A. Procurement execution**
- 4.2 The executing agency, acting through the PEU, will execute the processes of selection, contracting, supervision, and acceptance of procurements, in accordance with the Bank's procurement policies (documents GN-2349-9 and GN-2350-9) and the provisions of the procurement plan, which will describe: (i) the required contracts for works, goods, and consulting services; (ii) the proposed methods for the procurement of goods and the selection of consultants; and (iii) the procedures used by the Bank to review each of the procurement processes. For procurement planning, the executing agency will update the procurement plan on an annual basis, or according to project needs, using the SEPA determined by the Bank, both for planning and for reporting progress. Any change to the procurement plan must be submitted to the Bank for approval. The PEU and the Bank will agree on a procurement plan for the first 18 months.
- 4.3 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods and nonconsulting services<sup>1</sup> generated under the project and subject to international competitive bidding (ICB) will be executed using the standard bidding documents (SBDs) issued by the Bank. Bidding processes subject to national

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<sup>1</sup> Policy document [GN-2349-9](#), paragraph 1.1. Nonconsulting services are treated as goods.

competitive bidding (NCB) will be conducted using country bidding documents agreed upon with the Bank and published at the website of the Regulatory Office of State Contracting and Procurement (ONCAE) ([www.honducmpras.hn](http://www.honducmpras.hn)).

- 4.4 **Selection and contracting of consultants.** Contracts for consulting services generated under the program will be executed using the standard request for proposals issued by or agreed upon with the Bank.
- 4.5 **Selection of individual consultants.** When the executing agency does not know of suitable consultants to whom it might send invitations, the contracting of individual consultants may be solicited through local or international notices, as a means of forming a short list of qualified individuals. The consultants contracted to assist the executing agency during execution may be hired for the entire execution period, provided that the Bank's no objection was obtained for the competitive process involved in the initial selection, without the need to obtain no objection for each period of budgetary execution, regardless of whether more than one contract coinciding with each period is signed. This is without prejudice to the performance evaluation, which could result in the cancellation of the consulting contract and, hence, in the need for a new request for no objection.
- 4.6 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$3 million (5% of the proposed loan) in eligible expenditures incurred by the borrower prior to the loan approval date for goods and nonconsulting services as well as consulting services, provided that requirements substantially similar to those of the loan contract have been met. Such expenditures must have been incurred on or after 6 October 2017, the approval date of the project profile, but under no circumstances may they include expenditures incurred more than 18 months prior to the date of loan approval.
- 4.7 **Advance procurement.** The operation provides for the possibility of procurements of up to 5% to meet needs arising between program approval and eligibility.
- 4.8 **Domestic preference.** No provision is made for domestic preference.

#### **B. Threshold amounts (US\$000s)**

- 4.9 The thresholds for the use of ICB and for the international short list of consultants will be made available to the executing agency on the website [www.iadb.org/procurement](http://www.iadb.org/procurement). Below those thresholds, the selection method will be determined given the complexity and features of the procurement or contract, which must be reflected in the procurement plan approved by the Bank.

#### **C. Main procurements**

- 4.10 The executing agency will be responsible for preparing the procurement plan.<sup>2,3</sup> The Bank's procurement specialist will provide assistance to ensure that procedures are effective under the Bank's procurement policies. The planned main procurements are described in Table 1.

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<sup>2</sup> Policy documents [GN-2349-9](#), paragraph 1.16, and [GN-2350-9](#), paragraph 1.23. The borrower will prepare and, prior to loan negotiations, provide to the Bank for its approval, a procurement plan acceptable to the Bank for an initial period of at least 18 months.

<sup>3</sup> [See Guidelines for the preparation and application of procurement plans.](#)

**Table 1. Main procurements**

Activity	Type of bidding	Estimated date	Estimated amount in US\$
<b>Works</b>			
Construction of modules for the third cycle of primary education	ICB	March 2018	5,000,000
<b>Consulting firms<sup>4</sup></b>			
Initial Ongoing Training Program, third cycle of primary education	QCBS	June 2018	7,899,833
Education Information System	QCBS	June 2018	3,800,000
Improvement of learning conditions in the schools	QCBS	June 2018	2,900,000
Impact evaluation	QCBS	June 2018	1,050,000
Strengthening the design and application of standardized tests	QCBS	June 2018	1,500,000
Pilot project for incorporating computer-assisted learning programs	QCBS	June 2018	2,000,000
Social communication for change	QCBS	June 2018	1,200,000
<b>Goods</b>			
Printing and distribution of teaching materials for administrators, principals, and third-cycle teachers	ICB	September 2018	11,128,000
Procurement and distribution of computerized connectivity equipment	ICB	June 2018	1,884,800

#### **D. Procurement supervision**

- 4.11 In accordance with the fiduciary risk analysis for procurement, the supervision method will be ex ante.
- 4.12 Any direct selection of consulting services to be performed by firms or individuals, and the procurement of nonconsulting services, goods, or works, will be subject to ex ante supervision by the Bank, regardless of the amount of the contract.

#### **E. Special provisions**

- 4.13 Measures to reduce the likelihood of corruption: compliance with the provisions of documents GN-2349-9 and GN-2350-9 regarding prohibited practices (lists of companies and individuals considered ineligible by multilateral agencies).

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<sup>4</sup> In the case of consulting services, this means including firms of various nationalities on the shortlist. Policy document [GN-2350-9](#), paragraph 2.6.



- 4.14 The Bank may, at its discretion, change the procurement supervision model, based on experience during execution and on institutional capacity updates or fiduciary visits.

**F. Records and files**

- 4.15 The PEU will be responsible for maintaining original files and supporting documentation for procurement processes conducted with project resources, as well as for keeping records, using the established procedures. The program Operations Manual will document the internal workflows and the separation of functions.

**V. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS**

**A. Programming and budget**

- 5.1 The implementation of the SIAFI and the Single Treasury Account (CUT) has resulted in more prudent and disciplined management of cash resources and a greater centralization of the treasury function. Within certain limits, reprogramming and expansions of budgets for externally sourced projects do not require legislative approval, but rather require agreements and amendments that may be approved by the Department of Finance (SEFIN), subject to room in the budget. This subsystem will be used for budget management.

**B. Accounting and information systems**

- 5.2 The SIAFI/UEPEX module is being used for financial reports and accounting for Bank-financed projects. The project's financial and accounting transactions will be supported by country system practices. The accounting records will be kept on a cash basis.

**C. Disbursements and cash flow**

- 5.3 For the disbursement of funds, the executing agency will open a special account at the Central Bank of Honduras. The maximum amount of each advance of funds will be set by the Bank, based on the cash flow analysis or financial plan for the period of months agreed upon with the executing agency. As the annual budgetary appropriations and amendments are subject to delay, it is recommended that the prior accountability percentage for the advance of funds should be set at 70%. In addition, a special disbursement of up to US\$300,000 may be made to fulfill the special conditions precedent to the first disbursement.

**D. Internal control and internal audit**

- 5.4 The Bank and the National Office for Comprehensive Development of Internal Control in Public Institutions (ONADICI) are coordinating efforts to improve internal control in the entities responsible for Bank-financed operations in Honduras, and to make use of those institutions' internal audit units, to the extent that they have been strengthened by the Bank. They are not expected to be used in this operation.

**E. External control and reports**

- 5.5 The external audit of the operation may be performed by the Tribunal Superior de Cuentas [High Court of Accounts] or by an outside audit firm acceptable to the Bank.

- 5.6 The following financial agreements and arrangements have been defined:
- a. External financial audit services will be used for the project each year, and preliminary reports on a six-monthly basis.
  - b. The policies to be followed in this operation are the Financial Management Policy for IDB-financed Projects (document OP-273), and the Financial Management Operational Guidelines for IDB-financed Projects (document OP-274), in the versions in force at the time the operation is approved.
  - c. The total estimated cost of audit services is US\$120,000, to be financed with the loan proceeds. The method for selection and contracting of the audit services will be based on established guidelines.
- 5.7 **Financial supervision plan.** The Bank will supervise the project's financial management, monitoring the actions to be taken by the executing agency or the borrower, in order to address any qualifications and findings identified as part of the external audits. In addition, visits and meetings will be arranged for tracking implementation of the recommendations from the external audits, and monitoring fiduciary risks. Supervision will be performed by the Bank's financial management specialist assigned to the operation, with support from the external audit services and consultants, in coordination with the Project Team Leader. Disbursements will be subject to ex ante review as part of the contracted external audit work.
- 5.8 **Execution mechanism.** Project execution will be the responsibility of SEDUC, acting through a program execution unit (PEU) consisting of at least the following: a project general coordinator, a financial specialist, a procurement specialist, and a monitoring specialist, all of whom must have qualifications and terms of reference acceptable to the Bank.
- 5.9 **Other financial management agreements and requirements.** The fiduciary risks identified during project development will be monitored. Reinforcement measures will be proposed as necessary to provide reasonable assurance that the funds will be used properly and efficiently, and the fiduciary arrangements will be amended as needed to guarantee this objective.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/17

Honduras. Loan \_\_\_\_/BL-HO to the Republic of Honduras  
Improving Educational Quality to Develop Skills  
for Employment: Project Youth

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Improving Educational Quality to Develop Skills for Employment: Project Youth." Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$24,000,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$36,000,000, subject to financial terms and conditions applicable to loan operations financed from the Bank's regular program of OC resources ("Regular OC"), as indicated in the Project Summary of the Loan Proposal, and subject to the Special Contractual Conditions of said Project Summary.

(Adopted on \_\_ \_\_\_\_\_ 2017)