

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**EDUCATION QUALITY IMPROVEMENT PROGRAM OF THE MUNICIPALITY OF
PORTO ALEGRE**

(BR-L1393)

LOAN PROPOSAL

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ABBREVIATIONS

EMEF	Escola Municipal de Ensino Fundamental [Municipal Elementary School]
EMEI	Escola Municipal de Ensino Infantil [Municipal Early Childhood Education Institution]
EI	Educação infantil [Early childhood education]
EF	Ensino fundamental [Elementary education]
EB	Educação básica [Basic education]
ESMR	Environmental and Social Management Report
IBGE	Brazilian Geographical and Statistical Institute
ICAS	Institutional Capacity Assessment System
IDEB	Índice de Desenvolvimento da Educação Básica no Brasil [Index of Educational Development in Brazil]
INEP	Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira [Anísio Teixeira National Institute of Educational Studies and Research]
MEC	Ministry of Education
PCE	Programa Cidade Escola [School City Program]
PMU	Project Management Unit
PNE	Plan Nacional de Educação [National Education Plan]
PROCempa	Companhia de Processamento de Dados do Município de Porto Alegre [Porto Alegre Municipal Data Processing Company]
SIE	Sistema de Informação Educacional [Educational Information System]
SMED	Secretaria Municipal de Educação [Municipal Education Department]

PROJECT SUMMARY
BRAZIL
EDUCATION QUALITY IMPROVEMENT PROGRAM OF THE MUNICIPALITY OF PORTO ALEGRE
(BR-L1393)

Financial Terms and Conditions					
Borrower: Municipality of Porto Alegre Guarantor: Federative Republic of Brazil Executing agency: Municipality of Porto Alegre through the Municipal Education Department			Flexible Financing Facility^(a)		
			Amortization period:	25 years	
			Original weighted-average life:	15.25 years	
			Disbursement period:	5 years	
Source	Amount (US\$)	%	Grace period:	5.5 years	
IDB (Ordinary Capital – OC)	80,800,000	50%	Inspection and supervision fee:	^(b)	
Local	80,800,000	50%	Interest rate:	LIBOR-based	
			Credit fee:	^(b)	
Total	161,600,000	100%	Currency of approval:	United States dollars from the Ordinary Capital	
Project at a Glance					
Project objective/description: The program's objective is to expand coverage and enhance the quality of early childhood education and elementary education in the Porto Alegre municipal school system.					
Special contractual conditions precedent to the first disbursement of the loan proceeds: The borrower will demonstrate to the Bank's satisfaction that: (i) the Project Management Unit (PMU) has been created by Municipal Decree, and the positions making it up have been established by Municipal Law (paragraph 3.2); (ii) terms of reference have been presented for implementing a project management system that allows for record-keeping and generation of the financial reports required by the Bank (paragraph 3.2); and (iii) a firm has been hired to produce the detailed designs for the works under Component 1 (paragraph 3.2); and (iv) Operating Regulations have been submitted under the terms previously agreed upon with the Bank (paragraph 3.3).					
Special execution conditions: Before the start of the works under Component 1, the borrower will satisfy the Bank that a firm has been contracted to support works supervision (paragraph 3.2).					
Exceptions to Bank policies: None.					
Strategic Alignment					
Challenges^(c):		SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
				EI	<input type="checkbox"/>
Crosscutting themes^(d):		GD	<input type="checkbox"/>	CC	<input type="checkbox"/>
				IC	<input type="checkbox"/>

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

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

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

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

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, rationale

- 1.1 Porto Alegre, capital of the State of Rio Grande do Sul, has a population of 1.4 million and a per capita gross domestic product (GDP) of R\$30,000, which is among Brazil's highest.¹ Porto Alegre is among the 30 municipalities with the highest Municipal Human Development Index (IDH-M) in Brazil (0,805), having cut its poverty rate by 50% since 2000, to just 4.6% of the population.² Nonetheless, its educational results lag far behind these economic and social indicators.
- 1.2 Basic education (EB) in Brazil consists of three stages: (i) Early childhood education (EI) which encompasses a cycle consisting of “*crèches*” (4 months to 3 years of age) and preschool (4 to 5 years of age); (ii) Elementary education (EF) lasting nine years from 6 to 14 years of age, divided into two cycles: EF1 from first to fifth grade and EF2 from sixth to ninth grade; and (iii) Secondary Education (EM) which lasts three years. Given the division of functions in educational policies and programs between the three spheres of the Federation (Union, States, and Municipalities), the Municipal Education Department (SMED) is responsible for early childhood and elementary education, and also has minor secondary-school responsibilities in the city of Porto Alegre. The municipality has 96 of its own schools and 219 units providing early education services under contract (*conveniadas*).³ These are attended by a total of 67,000 pupils: 23,000 in early childhood education, 43,500 in elementary education, and 1,500 in secondary. In 2013, the Basic Education Development Index (IDEB)⁴ was 4.5 for EF1 and 3.6 for EF2—well below the 5.6 and 4.1, respectively, for the South region or the corresponding indices for Brazil as a whole (4.9 and 3.8). Most of the coverage and flow indicators are also below the regional and national averages (see Table I-1):

Table I-1: Coverage and Flow Indicators 2013 (%) (MEC/INEP)

	Net enrollment		Pass rate		Over-age	
	PE	EF	EF1	EF2	EF1	EF2
Porto Alegre	69	98	88	79	20	36
South region	80	98	94	84	11	23
Brazil	88	98	93	85	15	27

- 1.3 In terms of learning outcomes, the proportion of students who attain an adequate level in Portuguese and Mathematics on the *Prova Brasil* achievement tests⁵ is not

¹ Brazilian Geographical and Statistical Institute (IBGE), 2010.

² United Nations Development Programme (UNDP), 2010.

³ Financed from public funds but operated and managed by community institutions; they provide early childhood education services.

⁴ The IDEB score ranges from 0 to 10. It consists of a performance indicator such as the *Prova Brasil* test (test of mathematics and language every two years, in fifth and ninth grades of Elementary Education and third year of secondary education), and a flow indicator (pass rate). See: <http://portal.inep.gov.br/web/portal-ideb/o-que-e-o-ideb>.

⁵ The following scores are considered to represent an adequate level of learning in Portuguese: 200 for fifth grade and 275 for ninth grade. The corresponding figures for mathematics are 225 and 300.

only decreasing in all educational cycles, but is also well below both the South region and the national average for each educational level (see Table I-2).

Table I-2: Students with Adequate Learning Outcomes on the Prova Brasil Test (2013) (MEC/INEP), %

	Fifth grade Elementary Ed.		Ninth grade Elementary Ed.	
	Portuguese	Mathematics	Portuguese	Mathematics
Porto Alegre	34	26	21	6
South region	58	53	33	19
Brazil	45	39	29	16

- 1.4 **Coverage.**⁶ Porto Alegre is facing challenges arising from a low early childhood education coverage rate and deficient education infrastructure.⁷ In terms of coverage, only 69% of the population in the respective age group attends preschool, and just 39% make use of *crèche* facilities,⁸ far from the target coverage rates of 100% (preschool) and 50% (*crèche*) set in the National Education Plan (PNE) 2011-2020⁹ assuming full utilization of available SMED infrastructure. Moreover, in terms of infrastructure quality, two thirds of the 96 municipally-owned schools need repairs: the SMED has only built one municipal early education center (CEMEI) in the last 18 years. In addition, 30% of the 216 units in the *conveniada* system require urgent operational improvements.
- 1.5 **School performance and education quality.** In recent years, the SMED has prioritized expanding its staff and developing various educational projects; but these have lacked a strategic framework encompassing the whole of basic education, and have failed to achieve high levels of educational achievement and school progression, as shown in Tables I-1 and I-2. The following paragraphs analyze this problem from three angles: (i) the curricular model; (ii) human resources; and (iii) educational management and monitoring practices.
- 1.6 **Curricular model.** The SMED does not have a pedagogical and curricular model for basic education, which would form the basis of the other elements of education policy. The pedagogical model for early childhood education, which dates from 1996, focuses on issues related to social assistance, without a vision of early childhood education as the first stage of basic education, and thus of the socioemotional and cognitive development process. The greatest weaknesses in early childhood education include classroom activities, which stem from inadequate teacher training to the specifics of early childhood education,

⁶ Estado da infraestrutura escolar municipal, própria e *conveniada* [Status of municipal school infrastructure, owned and contracted] and administrative date, SMED, 2013.

⁷ The evidence shows that a better physical infrastructure endowment contributes to academic outcomes. See Duarte J., C. Gargiulo, and M. Moreno. 2011. *Situación de la Infraestructura Escolar y Calidad de la EB en América Latina: Un análisis a partir del SERCE*. [Status of school infrastructure and the quality of basic education in Latin America: an analysis based on the SERCE] SCL/EDU, Technical Note. Washington, D.C.: Inter-American Development Bank, and Barros, R. P., Mendonça, Santos and Quintaes, (2001), *Determinantes do Desempenho Educacional no Brasil. Pesquisa e Planejamento Econômico* [Determinants of education performance in Brazil. Economic Research and Planning].

⁸ MEC/INEP, 2013.

⁹ Law 13005/14. A description of the contents and targets of the PNE can be found in the PNE Observatory, <http://www.observatoriodopne.org.br/>, led by the *Todos pela Educação* [Everyone for education] movement. http://portal.mec.gov.br/index.php?option=com_content&view=article&id=16478&Itemid=1107.

compounded by a lack of play and didactic materials.¹⁰ In elementary education, the curriculum does not concentrate on strengthening achievement levels in Mathematics and Portuguese, but devotes the same number of hours to these subjects as to others.¹¹ This results in low levels of learning, leading to high grade retention rates (12% for fifth grade, the final year of EF1, compared to 6% in the South region and 7% in Brazil as a whole),¹² and which ultimately are crystallized in a high over-age rate (see Tables I-1 and I-2). The SMED has various school day extension programs, including psychopedagogical support for students with learning difficulties, and extracurricular activities,¹³ such as support for the literacy development process and initiation into mathematics, along with sporting practices and artistic-cultural activities. Nonetheless, these programs are not aligned with the objective of improving learning outcomes and school progression, but concentrate more on social considerations.¹⁴ At present, 25% of students participate in some modality of extended school day,¹⁵ which is offered in three forms: (i) full-day schools in which all students attend seven hours of classes; (ii) half-day schools with additional extracurricular activities on their premises, including: (a) learning laboratories, with activities to strengthen reading and mathematics, together with play activities; and (b) integration rooms that serve students with special needs; and (iii) half-day schools that provide extracurricular activities outside their premises, through the School City Program (PCE). This program, which is implemented under agreements with foundations, offers school reinforcement workshops, along with information technology and sporting and cultural activities. The lack of an overall guiding framework means that the programs are not coordinated, and their targeting, intensity, and/or content do not make it possible to reverse low levels of learning and high failure rates, which then are translated into high rates of academic underachievement and dropout at the secondary school level. These programs operate in parallel and independently of each other. Each has its own coordinator and staff, and there are no criteria for selecting the students, to prioritize overcoming learning problems and promote school progression.

- 1.7 **Human resources.** The SMED has 4,956 employees, of whom just 61% are teachers who work in the classroom, whereas the rest are supervision and support staff.¹⁶ This reflects a human resource policy that requires each elementary school to have a principal, two pedagogical supervisors, a laboratory coordinator, two

¹⁰ *The Economic Value of Higher Teacher Quality. The Economics of Education Review*, Hanushek, E., 2011) and *Educação Infantil no Brasil: Avaliação quantitativa e qualitativa* [Early childhood education in Brazil: quantitative and qualitative evaluation]. Carlos Chagas Foundation, MEC and IDB (2010) - (ATN/OC-11259-BR). The study applied the following observation scales (0 to 10): *Infant and Toddler Environmental Rating Scale in Creches*, and *Early Childhood Environment Rating Scale*. The six Brazilian capitals that participated in the study (Rio de Janeiro, Campo Grande, Teresina, Belem, and Fortaleza) obtained just 3.3 and 3.4 in *creches* and preschool, respectively.

¹¹ In EF2, mathematics has the same number of teaching hours per week as physical education.

¹² SMED. 2012.

¹³ Half-day schools operate with a morning or afternoon shift. Extracurricular activities take place in the other shift.

¹⁴ *Quick Assessment das Iniciativas em Turno Escolar Inverso no EF da Rede Municipal de PAL* [Quick assessment of inverse school shift initiatives in elementary education of the Porto Alegre municipal network], Lara Simielli (2015).

¹⁵ SMED administrative data, 2014. These levels achieve the PNE target of 25% of students attending a full school day (Law 13,005/14).

¹⁶ SMED administrative data, 2014.

program coordinators, a teacher for the integration and resource rooms, a shift coordinator, and a cultural coordinator, along with floating teachers, a financial assistant, and a school office team. This has not helped achieve good indicators of learning outcomes and progression. In contrast, at the early childhood level there are insufficient staff to comply with the municipal regulations that specify the maximum number of children per adult (teacher and monitor).¹⁷ There is also an imbalance in working conditions: elementary teachers work for four days a week in the classroom, which requires additional teachers to complete the weekly school schedule. In contrast, teachers at the early childhood level work five days a week in the classroom. In the “*conveniada*” early childhood education system, although coverage can be expanded without having to hire additional teachers on the payroll, and it has some cost advantages, the *conveniada* units operate with staff of lower qualifications than those of the municipal network itself, given the low wages paid¹⁸ and the lack of minimum qualification criteria when hiring.¹⁹ Moreover, the SMED does not have practices or resources to support quality improvement among those teachers.

- 1.8 Although 80% of SMED teachers have postgraduate training,²⁰ this is not reflected in the academic results achieved by their students. In-service training has a theoretical bias and little relationship to the needs arising from learning problems, according to SMED data.²¹ As is true of all education systems in Brazil, the teacher selection process is based on competitive processes, followed by hiring and the start of a three-year trial period. Although the process provides good opportunities for effective teachers to be chosen and distinguishes those who are ineffective, these opportunities are not being fully leveraged. The competitive processes only evaluate background and subject knowledge, and do not contain any evaluation of the candidates’ teaching skills. The SMED does not have an onboarding process for new teachers, which complicates their integration into the schools.²² The trial period lacks coaching and ends up as little more than the passing of time needed to confirm the teacher on the SMED payroll. Lastly, assignment mechanisms and the existing information systems do not allow for rapid location of the school and

¹⁷ Municipal Resolution 015 of 18 December 2014 requires 5 children/adult and 10 children/teacher for children of 0 to 11 months of age (i.e. a total of two adults: one teacher and one monitor). For children of one year to 23 months of age, 6 children/adult and 18 children/teacher (i.e. a total of three adults; 1 teacher and 2 monitors). For children between two years and 47 months, 10 children/adult and 20 children/teacher (i.e. a total of two adults: one teacher and one monitor). For children between four and six years of age, 22 children/adult (one teacher).

¹⁸ Staffing costs in the contracted (*conveniada*) network are one third of those in the public network (SMED administrative data, 2014).

¹⁹ Whereas the owned CEMEs have teachers with higher education and even some with master’s degrees and doctorates, teachers in the contracted units have secondary education and a short specialization course.

²⁰ SMED, 2013, Administrative data.

²¹ Ayrton Senna Institute and Boston Consulting Group (2014). *Formação Continuada de Professores no Brasil: Acelerando o Desenvolvimento de Nossos Educadores*. [Ongoing training of teachers in Brazil: speeding up the development of our educators].

²² The greatest difficulties faced by teachers in their professional activity are concentrated in the lack of subject knowledge and classroom management skills. *Formação continuada de professores: Uma análise das modalidades e das práticas em estados e municípios brasileiros*. [Ongoing teacher training: an analysis of modalities and practices in Brazilian states and municipalities] Victo Civita Foundation and Carlos Chagas Foundation (2011).

classroom where each of the teachers are assigned, and a large proportion of them are on medical leave.²³

- 1.9 **Educational management and monitoring.** The SMED regularly collects administrative data from the schools and the professionals and students through the Educational Information System (SIE), which provides basic data such as enrollment and attendance by students and teachers. Nonetheless, it does not have management information that would generate systematic and objective indicators to ascertain the situation of the schools comprising the network, and to support education policy decision-making. Moreover, in terms of the programming language, scope, business rules, and functionalities of its modules, this system has potential for improvement. In terms of monitoring and evaluation systems, the challenges vary by level. In early childhood education, the SMED, like most of Brazil's municipal educational networks, lacks systems and practices for routine monitoring and evaluation of the quality of the services provided. In elementary education, the municipality only has the biennial information from the *Prova Brasil* (PB) test to track the performance of its students. Data from that test take about two years to be published, so teachers and managers cannot access this information on a timely basis to change their practices and improve learning outcomes.
- 1.10 Unlike other municipal networks, Porto Alegre opted for a contracted (*conveniada*) management model in early childhood education, based on a public-community partnership (APC) system, involving public financing and private management, which covers 73% of the early childhood education enrollment. Porto Alegre also has adopted a contracted management system to provide extracurricular activities under the PCE program, which serves elementary students. The management of the contracted services for early childhood and elementary education faces challenges. The current agreements are governed by Law 8,666, which regulates tendering processes and government contracts, and are focused almost exclusively on financial accountability. Only the contracted entities of the PCE are selected through public tenders. There are very few mentions of minimum service quality parameters. There is also little support from the SMED, because there are no tools and routine practices for monitoring and evaluating results, to ensure their quality. In July 2015, a new regulatory framework took effect,²⁴ which defines the legal regime governing voluntary associations, with or without funding transfers between government and the civil society organizations, to achieve objectives of public interest. The new agreements will be called “terms of collaboration,” and there will be stricter requirements such as: (i) public tenders for all cases; (ii) the need to present a certificate of no fiscal debt and legal existence; (iii) a minimum of three years of existence; and (iv) prior experience and technical and operational capacity to undertake the activities. This gives the SMED an opportunity to improve the quality of the services, redesign the contents of the agreements, and structure a framework for monitoring and supporting results, to promote quality improvement.
- 1.11 Porto Alegre has a long way to go to fulfill the ambitious targets proposed by Brazil in its PNE, particularly: universalizing preschool education by 2016, increasing *creche* coverage and improving school performance indicators in line with the

²³ About 15% of teachers are on medical leave on average. SMED administrative data, 2014.

²⁴ Law 13,019/ 2014.

IDEB targets. To attain the coverage targets mentioned in paragraph 1.4, and the quality targets mentioned in paragraph 1.6, the program proposes two strategic lines of action: (i) expansion and improvement of early childhood school infrastructure, and increased coverage and increased supply of full-day schooling at the elementary level; and (ii) a new curricular model that will integrate the existing extended-day initiatives in a single curricular framework, avoiding the duplications that are present in the system today, together with a new staffing policy, and new tools of educational outcome management and monitoring to improve school performance.

- 1.12 **The Bank's strategy with the country and sector.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is directly aligned with the development challenge of reducing social exclusion and inequality, since the objective of the program is to expand coverage and enhance the quality of education in the Porto Alegre municipal network, attended by students of lower-income homes. The program will also contribute to the Corporate Results Framework 2016-2019 (CRF) (document GN-2727-4) in relation to the number of students benefitted by education projects. The proposed program will also contribute to: (i) the IDB Country Strategy with Brazil (2016-2018) (document GN-2850), as part of the strategic area to reduce inequity and improve public services; (ii) the Strategy on Social Policy for Equity and Productivity (document GN-2588-4), linked to the improvement of education quality and effective investment in early childhood development; and (iii) the Education and Early Childhood Development Sector Framework Document (document GN-2708-2) by contributing to each of its five dimensions.
- 1.13 **Lessons learned and relationship to other Bank operations.** Having approved four program since 2013²⁵ and executed several dialogue and knowledge products (see [optional electronic link 4](#)), the Bank is contributing to several of the priorities defined in Brazil's PNE. The lessons learned are varied and have been incorporated into the project proposal. The main lessons include the need to have quality monitoring systems for early childhood education. The progress made in the conceptualization and design of those systems in Rio de Janeiro (ATN/JF-12669-BR) and in Florianópolis (3079/OC-BR) has been drawn on for this operation. The preparation activities included a meeting held between the key staff of the early childhood education management divisions of Porto Alegre, Florianópolis, and Manaus. Secondly, the design of the operation takes into account previous experience that slow start-up times in infrastructure components warrant advance contracting for the preparation of detailed designs, providing resources for support teams and adapting planning to execution times. Recognition of the diversity of situations in Brazilian education and their management capacities requires solutions which, although possibly similar in terms of issues and problems, require very specific implementation. This is recognized particularly in the focus of intervention on the supply of contracted services, and in the proposed curricular reorganization strategy. The dialogue with civil society education foundations has made it possible to identify actors that complement the Division's programs. Lastly, the program's design takes into account the main conclusions of the literature on

²⁵ Program to improve the quality and expand coverage of basic education in the State of Pará (2933/OC-BR); Program to accelerate educational progress in Amazonas State (2992/OC-BR); Project to expand and improve early and basic education in Florianópolis (3079/OC-BR); and Project to improve quality and expand coverage of the Manaus municipal public education system (3397/OC-BR).

the effects of extending the school day, which stress the importance of a comprehensive curricular model, the organization of human resources, and school management, to ensure that extra hours of classes result in better learning outcomes,²⁶ and recommendations from the literature on the importance of regulatory frameworks for effective implementation of school systems that are privately managed with public funding.²⁷

B. Objectives, components, and cost

- 1.14 The program's objective is to expand the coverage and enhance the quality of early childhood and elementary education in the Porto Alegre municipal school system.
- 1.15 **Component 1. Expansion of coverage and improvement of education infrastructure (US\$67.62 million).** The objective of this component is to expand the coverage of full-time early childhood and elementary education by expanding and improving school infrastructure. This component will finance the following: (i) the construction of approximately 24 municipal early childhood education units (EMEI) and four full-time municipal elementary schools (EMEF), which will make it possible to increase the supply of early childhood education by nearly 3,500 slots²⁸ and the supply of full-day elementary education by nearly 3,000 slots;²⁹ (ii) the expansion of approximately 12 EMEIs and 10 EMEFs, which will make it possible to increase the supply of early childhood education by nearly 600 slots and full-time elementary education by nearly 1,000 slots; (iii) the remodeling³⁰ of approximately 26 EMEIs, 31 EMEFs, and 60 contracted early childhood education units;³¹ (iv) the provision of goods and equipment to the schools;³² and (v) the contracting of a firm or firms for the detailed designs and supervision of the works.
- 1.16 **Component 2. Education quality management (US\$9.96 million).** With the aim of improving the performance of students in the early childhood and elementary school systems, under educational management driven by academic results and school progression, this component will finance the following activities aligned with three strategic areas through the following subcomponents:
- 1.17 **Subcomponent 2.A. New pedagogical model with basic education (EB) curricular reorganization,** understood as a continuous, sequential, and comprehensive process, with a single curriculum and programs that are coordinated and oriented towards the same pedagogical end, centered on student learning outcomes and school progression, focused on the transitions between the education stages and cycles, with particular attention on comprehensive

²⁶ See the literature review included in the Monitoring and Evaluation Plan ([required electronic link 2](#)).

²⁷ See Epple, D., Romano, R. and Urquiola, M. (2015). *School vouchers: A survey of the economic literature*. NBER Working Paper 21523. Cambridge, MA: National Bureau of Economic Research.

²⁸ Preschool coverage will reach 82%, and *creche* coverage 47%, as a result of increasing the coverage of Early Childhood Education from 52% to 62%.

²⁹ The new EMEF will serve students who would otherwise attend the regular school day in schools operating with two shifts. Hence the need for new schools to expand the coverage of full-time supply.

³⁰ Improvement of building infrastructure.

³¹ All units are owned.

³² In the remodeling and expansion works, priority will be given to schools with the worst building conditions or with the possibility of generating new spaces. The new schools will be located in areas of greatest coverage need with land available.

education.³³ Funding will be provided for the following: (i) the design and implementation of a new pedagogical/curricular model³⁴ encompassing basic education, with a focus on early childhood and elementary education, including a revision of existing offerings and the related internal regulations, and their communication and training plan; and (ii) the strengthening of the contracted institutions and the quality of their services, through the design and implementation of a new municipal regulatory framework for education service contracts in early childhood and elementary education, under the legal existing legal framework, defining minimum parameters for the provision of those services.

- 1.18 **Subcomponent 2.B. Human resources policy aligned with this pedagogical model.** Activities relating to the human resources policy will be based on the new pedagogical model for basic education, and on the results-based education management strategy for school progression and learning outcomes, and informed by the school network management system. Program financing will include: (i) the design, implementation, and regulation of a new human resources policy that includes: (a) processes for the selecting, contracting, and assignment of teachers and school administrators; (b) continuous training for teachers and school principals, both during the trial period and throughout the teaching career;³⁵ and (c) processes of performance evaluation and potential incentives; and (ii) conducting a human resource census, the design of its updating mechanisms, and successive application.
- 1.19 **Subcomponent 2.C. A system for monitoring management of the network and the results-based schools.** The objective of this subcomponent is to provide the SMED with information and tools to manage and coordinate the core aspects of the new pedagogical model, as well as administrative, financial, and other issues.³⁶ This system will be made available to both owned and contracted schools and will encompass activities financed by the SMED for basic education. Program financing will include: (i) the identification of information needs to support the management, design, and implementation of the new educational management system, the procurement of assets to host, operate, and protect the system, both at the central level and in schools, as well as its connectivity; (ii) the creation of an educational analysis and statistics unit to support decision-making based on the analysis of system data and information, information from external evaluations,

³³ Whitehurst (2009) compares the size of the effect (obtained from rigorous impact evaluations) of curricular reforms on learning outcomes and school progression, with the effects obtained from other popular educational interventions (charter schools, renewal of the teaching force, preschool programs), and finds that the effects of curricular reforms are greater than those of the majority of these other interventions. See Whitehurst, G. (2009). *Don't forget curriculum*. Brown Center Letters on Education. Washington, D.C.: Brookings Institution.

³⁴ The new model should consist of: (i) strengthening of the teaching of the Portuguese language and Mathematics; (ii) strategies to reduce over-age in elementary education and non-attendance by students in EF2, and explicit coordination between early childhood and elementary education; and (iii) pedagogical use of information and communication technologies.

³⁵ New teachers who participate in onboarding and support programs perform better in the classroom, and their students obtain better results on standardized tests. See Ingersoll, R. M. and Strong, M. (2011). "The impact of induction and mentoring programs for beginning teachers: A critical review of the research" *Review of Educational Research*, 81(2), 201-233.

³⁶ Abdul-Hamid (2014) summarizes the characteristics required of an effective educational management information system, and synthesizes studies that relate information and monitoring systems to learning outcomes. See Abdul-Hamid, H. (2014). *What matters most for Education Management Information Systems: A framework paper*. SABER Working Paper Series 7. Washington, D.C.: The World Bank.

and results indicators; (iii) the design and implementation of an early childhood education quality monitoring system, based on international scales that are validated and adapted to the Brazilian context; (iv) design and implementation of the evaluation system for elementary education; and (v) the design and implementation of evaluations of processes and the impact generated by the program.

- 1.20 **Component 3. Program administration (US\$3.22 million).** In order to give the SMED the capacity to execute the program, activities will include the following: (i) creation of the project management unit; (ii) procurement of goods for its functioning; and (iii) the provision of management support services.
- 1.21 **Cost and financing.** The program's total cost will be US\$161.6 million, with US\$80.8 million (50%) financed from the Bank's Ordinary Capital and US\$80.8 million (50%) funded from local counterpart resources, as indicated in Table I-3. For further detail see the itemized budget ([optional electronic link 3](#)).

Table I-3: Overall Budget, by Component (US\$ million)

Description	IDB	Local	Total	%
Component 1. Expansion of basic education coverage	67.62	54.86	122.48	75.8
Component 2. Education quality management	9.95	24.08	34.03	21.0
Component 3. Program administration	3.23	1.86	5.09	3.2
TOTAL	80.80	80.80	161.60	100.0

C. Key results indicators

- 1.22 Upon completion of the program, students' academic performance and school progression, as measured by the IDEB, is expected to have improved. The main outcome indicator for Component 1 is an increase both in the net coverage of early childhood education, and in the proportion of SMED elementary students attending a full school day. Component 2 is expected to contribute to: (i) increasing the percentage of students who attain minimum learning standards in various proportions depending on grade level and subject (see Annex II); (ii) improving school management through effective use of the new management and monitoring tools in the schools; and (iii) the Bank's regional development goals in terms of students benefited by educational products.
- 1.23 **Cost-benefit analysis.** This analysis estimated the project's social benefits, which stem from the expansion of the supply of early childhood and elementary education services in the extended school day, together with expected improvements in the elementary and secondary education completion rates, as a result of the implementation of a set of reforms in SMED schools, on three fronts: (i) introduction of a new curricular and pedagogical model; (ii) a new human resources and teacher training policy aligned with the new pedagogical model; and (iii) the development and implementation of a new management-by-results monitoring system, in the schools and in the municipal network. The ex ante cost benefit analysis of this operation shows that the project has a social return of 14.3%, which is above the 12% discount rate used by the Bank, and a positive net present value (NPV) of US\$54 million. Various scenarios demonstrate the project's economic viability, under assumptions that are even more conservative than those of the baseline scenario ([optional electronic link 2](#)).

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 This is an investment program drawn from the Ordinary Capital under the Flexible Financing Facility. The estimated disbursement schedule will be as follows:

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

	Year I	Year II	Year III	Year IV	Year V	Total	%
IDB	8.07	18.05	27.27	20.08	7.33	80.80	50.0%
Local	19.73	21.29	15.28	15.90	8.60	80.80	50.0%
TOTAL	27.80	39.34	42.55	35.97	15.93	161.60	100%
%	17.2%	24.3%	26.3%	22.3%	9.9%	100%	

B. Environmental and social risks

- 2.2 The potential impacts on the environment will be minor, given the scale of the works and their urban location. The school projects, whether new construction, remodeling, or expansions, could have small-scale, localized, short-term environmental impacts, typical of works of this size. Accordingly, they will be easy to control and manage using standard environmental procedures. According to the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), this project was classified as a category "B" operation. The recommendations made were adopted and have been summarized in the Environmental and Social Management Report (ESMR) ([required electronic link 3](#)). With regard to the environmental licensing process, the works will comply with Brazilian environmental law, municipal construction regulations, and the management and monitoring requirements specified in the Operating Regulations ([optional electronic link 1](#)) in line with Operational Policy OP-703. In terms of the risks of disasters associated with flooding and potential landslides, the location of schools in high-risk areas will be prohibited. The executing agency will make this explicit in the bidding documents, works contracts, and technical documentation submitted to the Bank before the work, pursuant to the Bank's Disaster Risk Management Policy (Operational Policy OP-704). In principle, no involuntary resettlement activities linked to the construction of the schools are envisaged. Should any resettlement be needed, the Bank's Involuntary Resettlement Policy (Operational Policy OP-710) will be take effect, under which the corresponding plan will be developed, adopting adequate economic compensation measures for those affected. The program will have positive social impacts in terms of the increased coverage of full-day early childhood and elementary education, and improvements in academic performance and school progression and completion.

C. Fiduciary risks

- 2.3 The capacity of the SMED to organize, implement, and control the program was analyzed using the Institutional Capacity Assessment System (ICAS), and the risk evaluation exercise. The results showed that the SMED has a satisfactory institutional capacity, and a medium risk level. The following risks were identified: slow execution owing to delays in program operations, caused by limited monitoring of investment, weaknesses in information systems and/or technical-financial records, processes, accounting, and interagency coordination among the bodies involved. The following mitigation measures have been proposed as part of the phase of preparation and fulfillment of conditions precedent: (i) creation of

the PMU and appointment of its key staff and those responsible for technical execution; (ii) strengthening of the executing agency through training on fulfillment of the fiduciary management policies; (iii) contracting of an engineering firm to support the preparation of detailed designs and works supervision; (iv) the arrangements needed for the procurement plan to be approved “en bloc” by the entities participating in the review process, thereby facilitating the start of the processes; and (v) implementation of a project management system to allow for record-keeping and the generation of the reports required by the Bank.

D. Other project risks

- 2.4 **Implementation risks.** The operation is considered to have a medium risk. The risk analysis exercise undertaken during program preparation identified the following categories.
- 2.5 **Macroeconomic and fiscal sustainability risks.** The situation facing Brazil in terms of the drop in tax revenues could cause a number of problems for the availability of counterpart funding. As a mitigation measure, the necessary line items were included in the municipal budget programs, as well as a balanced distribution of counterpart contributions throughout project execution.
- 2.6 **Public management and governance.** The significant volume of works to be executed by the SMED over the next five years will be a major challenge for the current teams. This challenge also relates to the delay in related procedures that must pass through several mechanisms such as the Municipal Environment Department (SMAM), the Municipal Urban Development Department (SMURB) the Municipal Finance Department, and the Office of the Attorney General. To that end, works management coordination will be strengthened through the PMU; and resources will be included for the processes of finalization and preparation of detailed designs for construction and works supervision, and the signing of agreements or appointments of staff responsible for the main areas involved in decision-making on contracting and works such as the Attorney General’s Office, the Finance Department, the Urban Mobility Department, the Environment Department, the Planning Department, and systems such as the Porto Alegre Municipal Data Processing Company (PROCEMPA). The changes in education policy could face resistance from the union and municipal legislature, for the few program actions that could require regulatory changes. This risk will be mitigated by implementing a strategy for communication and building consensus around the reform, targeting both the main stakeholders and the general population, together with routines of planning, monitoring, and feedback on the program’s actions among the departments involved, and directly with the schools themselves, to support and validate the preparation of the new pedagogical model. The SMED teams have little experience in executing some of the program’s innovative activities. Accordingly, an institution will be hired to support the preparation and implementation of the pedagogical model, and the SMED team will be strengthened through the PMU, incorporating specialists in technical areas such as early childhood and elementary education.
- 2.7 **Development risks.** Effective incorporation of the new pedagogical model in classroom practices is crucial for the program’s success. For that purpose, in addition to permanent support from a specialized firm, all teachers and school principals will receive training in the new pedagogical model. In addition, aspects

of the new model will be incorporated as requirements for regular SMED and school actions; and the schools' activities will be systematically monitored.

- 2.8 **Operation and maintenance of the infrastructure.** The SMED will be responsible for this, except for infrastructure used by contracted units, which will be the responsibility of the community institutions that operate and manage them.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency.** The program's executing agency will be the Municipality of Porto Alegre, acting through the SMED, or any other department succeeding it with the same powers and legal authority, with the Bank's prior approval, in which a Program Management Unit (PMU) will be set up, reporting directly to the Office of the Secretary for Education. The PMU will be the program's official interlocutor both with the Bank and with other public and private organizations. It will be headed by a General Coordinator, and will be staffed by civil servants and may include consultants contracted for defined periods. In addition to the general coordinator, its minimum structure includes a staff member responsible for each project component, one for financial/accounting issues, one for procurement, and a legal adviser. Other departments and entities, such as those mentioned in paragraph 2.6, within their legal authority, will provide technical support to the SMED to ensure project execution. Focal points will be designated for each area involved, to support the execution of project activities. The program's financial execution and accounting management will be the responsibility of the Planning Office, which reports to the Secretary for Education, supported by the PMU (see Annex III).
- 3.2 **As a special contractual condition precedent to the first disbursement of the loan proceeds, the borrower will demonstrate to the Bank's satisfaction that: (i) the PMU has been created by Municipal Decree and the positions making it up have been established by Municipal Law; (ii) terms of reference have been presented for implementing a project management system that will allow for record-keeping and the generation of the financial reports required by the Bank; and (iii) a firm has been hired to produce the detailed designs for the works for Component 1.** As a special condition precedent to execution, the borrower will demonstrate, to the Bank's satisfaction, that, before the start of works under Component 1, a firm has been hired to supervise the works.
- 3.3 **Operating Regulations.** The program's Operating Regulations ([optional electronic link 1](#)) will provide details of the program's execution arrangements and the operation's execution strategy and will include the following: (i) a description of the program's expected outputs, in both quantitative and qualitative terms; (ii) the project's organizational arrangements and the functions to be fulfilled both by the PMU and by the other internal areas of the SMED and those responsible for the activities; (iii) technical and operational arrangements for execution, including eligibility and expenditure targeting criteria; (iv) arrangements for programming, monitoring, and evaluating the results; (v) financial, audit, and procurement procedures; (vi) the Environmental and Social Management Plan, pursuant to the terms required by the Bank; (vii) mechanisms for updating the Operating Regulations; and (viii) complementary annexes that facilitate program execution and monitoring, such as the Results Matrix (Annex II); Risk Matrix; Fiduciary Agreements and Requirements (Annex III); Monitoring and Evaluation Plan

([required electronic link 2](#)); ESMR ([required electronic link 3](#)) and the Itemized Program Budget ([optional electronic link 3](#)). **As a special contractual condition precedent to the first disbursement of the loan proceeds, the borrower will present the Operating Regulations under terms previously agreed upon with the Bank.**

- 3.4 **Procurement.** The program's works and goods will be procured according to the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9); and consulting services will be selected and contracted according to the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9) (Annex III). In view of the analysis of the executing agency's capacity, it was decided that all international competitive bidding (ICB), direct contracting, and consulting service selections for amounts estimated above US\$1 million will be subject to ex ante review. Other processes will be subject to annual ex post review. Based on the annual audit reviews, the Bank may alter the mode of review indicated. In December of each calendar year, starting with the first December following the effective date of the loan contract, the SMED will submit the procurement plan together with the annual work plan (AWP) as agreed.
- 3.5 **Direct contracting.** The following organizations will be contracted directly: (i) PROCEMPA, for the activities of Component 2 linked to the school management system and the adaptation and maintenance of the Project Management System, because these represent a natural continuation of services provided previously as the executing agency of the Porto Alegre Information Technology Policy (document GN-2350-9, 3.10, a and d).³⁷ PROCEMPA will demonstrate its capacity to deliver the specified outputs in the timeframes stipulated by the SMED, and the compatibility of its costs with market practices; (ii) the Carlos Chagas Foundation, a private nonprofit institution, to apply the baseline and survey of information from the early childhood education observation scales. The Foundation's participation is considered essential owing to the exceptional value of its previous experience (document GN-2350-9, 3.10, d) because it participated in adapting those early childhood education scales to the Brazilian context, which were applied to a sample of schools in six Brazilian capitals, as noted in paragraph 1.5, and also a second-round application in schools in the municipality of Rio de Janeiro.³⁸
- 3.6 **Retroactive financing and recognition of expenses.** The Bank will recognize eligible expenses as a charge against the loan proceeds and local counterpart funding, incurred in the 18 months prior to the loan approval date, but after 30 April 2015 (the project profile approval date). Up to US\$1.4 million in expenses (1.7% of the loan amount) may be charged against the loan proceeds, which will be related to school construction works and the hiring of consulting services for detailed designs of works and support for educational programs and the PMU. Expenses related to the local counterpart will be for up to US\$3.2 million (3.9% of the counterpart funding) and will be related to school construction works and school connectivity, consulting services, and staff. In both cases, expenses will be

³⁷ Law 4267/1977 makes PROCEMPA responsible for developing and customizing all municipal systems, and for providing corrective and evolutionary maintenance, technical support, and user training.

³⁸ Support to Rio de Janeiro PROSOCIAL: an integrated program to increase quality and coverage of social services for the population 0 to 6 years of age (ATN/JF-12669-BR).

processed in accordance with the Bank's procurement policies, or procedures that are substantially analogous thereto, pursuant to Operational Policy OP-507.

- 3.7 **Financial analysis.** To ensure fiscal sustainability, the decision on the capacity of subnational governments to borrow from external financing agencies is made by the federal government, which has a methodology and specific parameters defined for that purpose and is also the guarantor of the loans contracted. According to the analyses performed by the federal government, the municipality of Porto Alegre is in a position to contract this loan with the Bank and fulfill the provisions stipulated by the Fiscal Responsibility Law. Accordingly, Recommendation 7/0108 (17 December 2014) of the External Financing Commission (COFLEX) authorized the municipality to prepare the operation for a value of up to US\$80.8 million, with local counterpart funding of at least US\$80.8 million, for a total of US\$161.6 million.
- 3.8 **Advances of funds.** Disbursements will be made to a special bank account in the name of the project, for the exclusive use of the loan proceeds, under the advance of funds modality, based on liquidity needs for up to six months, in accordance with the investment schedule, as specified in the document "Financial Management Guidelines for IDB-financed Projects" (document OP-273-6) and described in the Fiduciary Agreements and Requirements.
- 3.9 **Audits.** The project's financial statements and expenditure eligibility will be audited annually by the Audit Department of the State of Rio Grande do Sul (TCE-RS) or an audit firm acceptable to the Bank. The audited reports will be sent to the Bank no later than four months after the end of each fiscal year, pursuant to the procedures and terms of reference agreed upon with the Bank. The project's audit will include a review of procurement processes in addition to the Bank's own actions and reviews.

B. Summary of arrangements for monitoring results

- 3.10 **Monitoring arrangements.** The program will adopt the Bank's supervision mechanisms. The program's monitoring arrangements will include: (i) at least two meetings per year for the technical and operational review of program progress, the solution of problems, and the mitigation of risks (including an update of the risk analysis in the last meeting of each year), with participation by key institutional stakeholders and the Bank. The management agreements reached therein will be duly circulated; (ii) the implementation of a project management system for financial record-keeping and generation of the semiannual program report; (iii) semiannual reports on achievements and problems encountered in each of the components, and the program's performance according to the agreed-upon Results Matrix (Annex II), based on the project management system, starting no later than year 2 of program implementation; and (iv) the use of the management tools specified in the Monitoring and Evaluation Plan ([required electronic link 2](#)) which were agreed upon in the program's start-up and planning workshop, with a view to having instruments for planning the activities and processes needed to achieve the physical outputs and the midterm and final results.
- 3.11 **Arrangements for evaluating results.** The program's impact evaluation plan considers the fact that the program will support comprehensive reforms to the municipality's basic education system, and that the actions to be implemented are of a universal type. It consists of the following evaluations ([required electronic link 2](#)): (i) reflexive evaluations (before and after): (a) using the results of the *Prova*

Brasil test, changes in minimum learning levels in Portuguese and Mathematics will be measured after introducing subcomponents 2A, 2B, and 2C; and (b) evaluating changes in the quality of *creche* and preschool service provision by applying the Infant-Toddler Environment Rating Scale (ITERS) and the Early Childhood Environment Rating Scale (ECERS). These scales will be applied to a random sample stratified by size of institution, of 20 early childhood education centers in the *conveniada* regime and another 20 under municipal management; and (ii) evaluation of educational management processes for improving learning outcomes, which will combine an analysis of administrative data with classroom observations and observations of the elementary schools, in-depth interviews with all stakeholders, and questionnaires to determine the degree of implementation of the new pedagogical model and changes in school management arising therefrom. A data survey will be performed (classroom observations and questionnaires) at the start of the program, another at midterm (with in-depth interviews), and one at the end of the program.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality		
Regional Context Indicators			
Country Development Results Indicators	-Countries in the region with improved learning outcomes according to PISA (%) -Students benefited by education projects (#)*		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2850	Support the country to help it achieve its school coverage goals. Improve the quality of education.	
Country Program Results Matrix		The intervention is not included in the 2016 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Evaluable	Weight	Maximum Score
	8.6		10
3. Evidence-based Assessment & Solution	9.3	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	2.3		
4. Ex ante Economic Analysis	10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	6.4	33.33%	10
5.1 Monitoring Mechanisms	2.0		
5.2 Evaluation Plan	4.4		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Accounting and Reporting, External control. Procurement: Shopping Method, National Public Bidding.	
Non-Fiduciary	Yes	Monitoring and Evaluation National System, Statistics National System.	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

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

The Project has the goal to expand coverage in EI and improve quality in EI and EF in the Municipality of Porto Alegre. The problems are diagnosed based on data provided by the Ministry of Education. The constraint associated with the coverage is infrastructure, but the former is not diagnosed. The difficulties associated with quality are three. First, the curriculum is outdated which makes evidence the need for its update. Second, human resources face multiple problems, but particularly: a lack of personnel in EI as opposed to the existence of administrative support in EF; and a lack of a consistent criterion in educator requirements for hiring new teachers between the two levels. Third, educational management lacks systems and mechanisms to monitor and evaluate interventions. Also, the lack of systems to monitor the quality for community operated schools is highlighted. The project aims to implement the implementation of a longer school day in EF. This increase of time generates both; demand for curricular contents to determine activities and for additional infrastructure as some schools work in two shifts.

The vertical logic in the result matrix is as follows. The expansion of infrastructure in EI will increase coverage. The construction, modification and improvement of infrastructure in EF will allow increasing coverage for the students in the extended school day scheme. The improvement of management and regulatory systems, teacher training, and an updated pedagogical approach will result in schools with better information, monitoring of quality standards, and more students in an extended day program. These changes will improve student learning. The evidence on effectiveness of the proposed solutions on results and impact indicators is based on international studies.

The project has as a result indicator the percentage of schools in EI that meet a quality standard. In spite of the scale through which schools will be rated, the information will be collected by consultancies that are part of the project. Therefore, there is no existing source to collect this information. The lack of information in this stage also prevents the estimation of a baseline and target value. The list of results indicators includes the use by schools of performance reports without specifying how this will be verified. The indicator "EMEI and EMEF extended" is not specific because the mechanisms to determine the extensions to school infrastructures is not defined.

The economic analysis has an IRR of 14% in the base scenario. The project proposes a before-after and a qualitative evaluation to determine program effects on results indicators. All the identified risk are categorized with probability "medium", but two out of six are categorized as "high" risk. The main risks are the difficulties by the municipality to provide matching funds and resistance by the labor union. The proposed mitigation actions include programming of matching funds from decentralized sources for the first, and hiring a firm to implement a communication campaign and create work groups to address the former. It is possible to monitor these actions during the life of the project.

PRELIMINARY RESULTS MATRIX

Project objective	The program's objective is to expand coverage and enhance the quality of early childhood and elementary education in the municipal school system.
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Impact	Baseline	Final target	Comments
% pass rate for the first cycle of elementary education (EF1)	Index of Basic Educational Development (IDEB) (2013) 88%	95%	The baseline will be updated when the 2015 results are released. Source: IDEB, Anísio Teixeira National Institute of Educational Studies and Research (INEP).
EF1 learning index	IDEB (2013) 5.47	5.63	The baseline will be updated when the 2015 results are released. Source: IDEB, INEP.
% pass rate for the second cycle of elementary education (EF2)	IDEB (2013) 79%	85%	The baseline will be updated when the 2015 results are released. Source: IDEB, INEP.
EF2 learning index	IDEB (2013) 4.55	4.90	The baseline will be updated when the 2015 results are released. Source: IDEB, INEP.

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Comments
Component 1. Expansion of basic education coverage and infrastructure improvement								
Outputs								
New municipal early childhood schools (EMEIs). Unit of measure: EMEI	0	0	0	11	9	4	24	The EMEIs must be functioning, which means construction work completed and basic equipment incorporated, pursuant to the standards of the National Education Development Fund (FNDE)—Descriptive Manual for the Procurement of School Furniture, and Manual of Minimum Standards for School Functioning—and with teaching staff appointed for EMEIs of 12 classrooms working in two shifts. Source: Porto Alegre SMED administrative records.
New municipal full-day elementary schools (EMEFs). Unit of measure: EMEF	0	0	0	1	2	1	4	The EMEFs must be functioning, which means construction work completed and basic equipment incorporated, pursuant to the standards of the FNDE—Descriptive Manual for the Procurement of School Furniture, and Manual of Minimum Standards for School Functioning—and with teaching staff appointed for EMEFs operating the extended day. Source: Porto Alegre SMED administrative records.
Expanded EMEIs and EMEFs. Unit of measure: EMEI and EMEF	0	0	7	6	9		22	Expanded means construction work completed and new educational spaces incorporated. Source: Porto Alegre SMED administrative records.

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Comments
Component 1. Expansion of basic education coverage and infrastructure improvement								
Outputs								
EMEI, EMEF and contracted establishments remodeled. Unit of measure: EMEI and EMEF	0	0	42	42	22	11	117	Remodeled means construction work completed with an improvement of school infrastructure. The schools are SMED property. Source: Porto Alegre SMED administrative records.
Outcomes								
Net coverage rate of Early Childhood Education (EI).	52%	53%	55%	58%	61%	62%	62%	Sources: INEP based on the National Household Sample Survey (PNAD) applied by the Brazilian Geographical and Statistical Institute (IBGE). The baseline was calculated for 2013.
Students benefited by education programs (number).*	0	0	0	2,800	3,300	2,000	8,100	This indicator contributes to the Bank's regional development goals and corresponds to new students enrolled in the newly built/expanded schools. Source: Porto Alegre SMED administrative records.
Boys	0	0	0	1,400	1,650	1,000	4,050	
Girls	0	0	0	1,400	1,650	1,000	4,050	
Coverage of full-day schooling in the municipal elementary school (EF) network	31%	31%	31%	33%	39%	42%	42%	Sources: IBGE and Porto Alegre SMED administrative records. The baseline was calculated for 2013.
Component 2. Education quality management								
Outputs								
Document of the new pedagogical/curricular model for full-day basic education, containing standards and an implementation plan. Unit of measure: Consulting document	0	1	0	0	0	0	1	Source: Porto Alegre SMED administrative records.

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

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Comments
New municipal regulatory framework document for the contracted supply of EI and EF services, containing standards and an implementation plan. Unit of measure: Consulting document	0	1	0	0	0	0	1	Source: Porto Alegre SMED administrative records.
New human resources policy document formulated for the selection, contracting, trial period, evaluation, and tenure of teachers and managers, with regulatory standards and an implementation plan. Unit of measure: Consulting document	0	0	1	0	0	0	1	Source: Porto Alegre SMED administrative records.
Number of education professionals (teachers and administrators) who receive continuing training based on the new pedagogical/curricular model. Measurement unit: Education professionals participating in continuing training courses.	0	0	2,870	2,970	4,070	4,445	14,355	Corresponds to the total number of teachers. Source: Porto Alegre SMED administrative records.
Component 2. Education quality management								
Outputs								
Document showing that the education management system to improve learning outcomes has been formulated, with monitoring indicators defined (EI and EF), (Educational Information System – SIES, SADEPA, and EI quality monitoring) and is functioning. Unit of measure: ?	0	0	0	1	0	0	1	Source: Porto Alegre administrative records. Functioning means that the three components of the system (SIES, SADEPA, and EI quality monitoring) are operational.

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Comments
Outcomes								
Students benefited by education programs.*	0	0	3,500	8,500	13,500	18,000	43,500	This indicator contributes to the Bank's regional development goals and corresponds to EF students covered by the new pedagogical/curricular model. In grade 5 this represents 41% of the EF student enrolment, who will be covered by the new pedagogical/curricular model. Source: Porto Alegre SMED administrative records.
Boys	0	0	1,750	4,250	6,750	9,000	21,750	
Girls	0	0	1,750	4,250	6,750	9,000	21,750	
Elementary schools that use the performance reports generated by the new education management system to improve learning outcomes when preparing their annual pedagogical policy plans.	0	0	0	30	60	60	150	The final target corresponds to the total number of elementary schools. Source: Porto Alegre SMED administrative records.
Component 2. Education quality management								
Outcomes								
Early childhood education institutions (both owned and contracted) that satisfy the basic quality parameters, measured through the Infant and Toddler Environmental Rating Scale (ITERS) for creches and the Early Childhood Environment Rating Scale (ECEERS), for preschool units.	X%					X%	X%	The scales consist of seven subscales (space and furnishings, care routines; language and communication, activities, interaction, program structure, parents and staff); and each one is rated with a score in one of these five brackets: 1 to 3 inadequate 3 to 5 minimal 5 to 7 adequate 7 to 8,5 good 8.5 to 10 excellent Percentages to be defined after the application of the quality measurement instruments in all schools in the first year of the program.

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

	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Comments
Students in the municipal schools network who attain adequate learning outcomes for each year in Portuguese (EF fifth grade)	EF5 34% (2013)		37%		42%		42%	Source: <i>Prova Brasil</i> (MEC/INEP). The baseline data will be adjusted when the results of the 2015 <i>Prova Brasil</i> test are released at the end of 2016. The results of the 2019 <i>Prova Brasil</i> test will be available in 2020. The <i>Prova Brasil</i> test is administered in odd years.
Component 2. Education quality management								
Outcomes								
Students in the municipal school network that attain adequate learning outcomes for each year in Mathematics (EF fifth grade).	EF5 26% (2013)		30%		36%		36%	Source: <i>Prova Brasil</i> (MEC/INEP). The baseline data will be adjusted when the results of the 2015 <i>Prova Brasil</i> test are released at the end of 2016. The results of the 2019 <i>Prova Brasil</i> test will be available in 2020. The <i>Prova Brasil</i> test is administered in odd years.
Sector indicator								
Outcomes								
Students benefited by education programs (EI).*		0	0	1,850	1,400	850	4,100	This consolidates the component 1 and 2 indicators related to students benefited by education programs.
Boys		0	0	925	700	425	2,050	
Girls		0	0	925	700	425	2,050	
Students benefited by education programs (EF).*		0	3,500	9,450	15,400	19,150	47,500	This consolidates the component 1 and 2 indicators related to students benefited by education programs.
Boys		0	1,750	4,725	7,700	9,575	23,750	
Girls		0	1,750	4,725	7,700	9,575	23,750	

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

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

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Brazil

Project number: BR-L1393

Name: Education Quality Improvement Program of the Municipality of Porto Alegre

Executing agency: Municipality of Porto Alegre

Prepared by: Karina Diaz (Procurement Specialist) and Santiago Schneider (Financial Management Specialist)

I. EXECUTIVE SUMMARY

- 1.1 The institutional assessment for the program's fiduciary management was based on: (i) the country's current fiduciary context; (ii) the results of the assessment of the main fiduciary risks; (iii) the institutional capacity assessment; and (iv) working meetings held with the project teams of the Bank and the Municipality of Porto Alegre (MPA) in the State of Rio Grande do Sul. The latter included the Finance Department, the Planning Department, the Attorney General's Office, and various areas of the Municipal Education Department (SMED) such as the Legal Department, the Administrative Unit, the Bidding Committee, and the Financial Coordination Unit. As a result of this work, the following procurement- and financial management-related fiduciary agreements have been prepared for project execution

II. FIDUCIARY CONTEXT OF THE COUNTRY AND EXECUTING AGENCY

- 2.1 The Bank's fiduciary strategy with Brazil aims at making progressive use of the country's robust fiduciary systems, which allow for sound management of administrative, financial, control, and procurement processes, fulfilling principles of transparency, economy, and efficiency.
- 2.2 Public agencies in the MPA use the Budgetary Expenses (SDO), Budgetary Management (GOR) and Accounting (CTB) systems, for financial activities involving the budget, cash management, and accounting. These systems are administered by the Municipal Finance Department, with technical support from the Municipal Data Processing Company (PROCEMPA).
- 2.3 For the planning and organization of program actions, the entities use and abide by the following national management support instruments: (i) the Multiyear Government Plan of Action (PPAG); (ii) the Multiyear Plan (PPA), which defines the guidelines, objectives, and targets for the government; (iii) the Budgetary Procedures Law (LDO), which defines the government's budgetary guidelines; (iv) the Annual Budget Law (LOA), which estimates and establishes government expenditure for the current fiscal year; and (v) the Fiscal Responsibility Law, which sets government expenditure limits.

- 2.4 For procurement and contracting processes, the MPA uses the Administrative Unit (DA) which is a SMED agency that handles contracting processes for school remodeling, rehabilitation, and construction processes. For these processes it has exclusive support from a Bidding Committee, which conducts the processes and coordinates with the areas involved outside the SMED to complete the entire cycle. For contract monitoring, the DA has a works management area with a coordinator and five professional staff members (three engineers and two architects). For goods procurement, the SMED must submit requests to the Municipal Finance Department, which works with the reverse auction and price list system. The Bidding Committee and the Finance Department have exclusive experience in bidding processes governed by the National Tenders Law 8,666/93.
- 2.5 The MPA has a general activities monitoring system, which runs under MS Project. As the implementation process is just beginning, it would be advisable to support the MPA to ensure that project development feeds into the system and strengthens its planning and monitoring capacity.
- 2.6 The external control of government entities is maintained by the Audit Department of the State of Rio Grande do Sul (TCE/RS), with which the Bank has been working for several years. External control of federal funds is handled by national oversight bodies, the Audit Department of the Union (TCU), the Office of the Comptroller General of the Union (CGU) through its office in Rio Grande do Sul, and the State and Federal Public Prosecutors' Offices.
- 2.7 The SMED will serve as the program's executing agency; and a project management unit (PMU) will be set up within it, with responsibility for the preparation, management, and monitoring of program actions.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The results of the institutional assessment and risk analysis undertaken showed that the SMED has satisfactory institutional capacity and a medium risk level for program management. The following fiduciary risks were identified: slow execution owing to delays in program operations, limited investment monitoring, weaknesses in program information, and/or technical/financial records, processes, accounting, and interagency coordination between the various entities involved.
- 3.2 The following mitigation measures are being proposed as part of the loan preparation and fulfillment of the conditions precedent: (i) the creation of the PMU and appointment of its staff and personnel responsible for technical execution, basically the coordinator, the procurement officer, the financial manager, the engineering assistant, the education specialist and the program monitoring assistant; (ii) strengthening of the executing agency, by providing training to the team for fulfilling the Fiduciary Management Policies; (iii) the signing of agreements or appointments with the main decision-making areas, and the designation of the focal point for each area: Attorney General's Office, Finance Department, Urban Mobility Department (SMURB), Environment Department (SMA), Planning Department, and PROCEMPA; (iv) the contracting of an engineering firm to help with detailed designs and works supervision; (v) coordination to ensure that the procurement plan is approved by the second line manager, so the launch of processes are approved as a package; and (vi) the implementation of a Project

Management System that allows for record-keeping and reporting as required by the Bank.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 4.1 The special fiduciary conditions precedent to the first disbursement are:
1. Creation of the Project Management Unit (PMU) by municipal decree, and establishment of the positions making it up by municipal law.
 2. Presentation of the terms of reference for implementing a Project Management System with functionalities that include record-keeping and reporting as required by the Bank.
 3. The presentation of the program's Operating Regulations under the terms approved by the Bank.
 4. The contracting of a firm for the detailed designs of the works under Component 1.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement execution.** Procurement processes will be executed by the PMU, with support from the SMED Bidding Committee. Procurement of works, goods, and nonconsulting services will use the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9). Consultants will be selected and contracted using the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). The Bank will review procurement processes as indicated in the procurement plan.
- 5.2 **Procurement of works, goods, and nonconsulting services.** Contracting for works, goods, and nonconsulting services¹ arising under the project and subject to international competitive bidding (ICB) will be executed using the Bank's standard bidding documents (SDB). Procurement subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank (or satisfactory to the Bank if not agreed upon to date). For purchases of off-the-shelf goods or services, the Bank will accept the use of the Banco do Brasil electronic procurement systems, ComprasNet and Licitações-e, up to the ICB threshold.
- 5.3 **Selection and contracting of consultants.** Consulting service contracts arising under the project will be executed using the standard request for proposals (RFP) issued by the Bank. The sector specialist will review the terms of reference for the contracting of consulting services.
- 5.4 **Retroactive financing and recognition of expenses.** The Bank will recognize eligible expenses as a charge against the loan proceeds and local counterpart funding, incurred in the 18 months prior to the loan approval date, but after 30 April 2015 (the project profile approval date). Up to US\$1.4 million in expenses (1.7% of the loan amount) may be charged against the loan proceeds, which will be related

¹ In accordance with the Bank's procurement policies, nonconsulting services are treated similarly to goods.

- to school construction works and the hiring of consulting services for detailed designs of works and support for educational programs and the PMU. Expenses related to the local counterpart will be for up to US\$3.2 million (3.9% of the counterpart funding) and will be related to school construction works and school connectivity, consulting services, and staff. In both cases, expenses will be processed in accordance with the Bank's procurement policies, or procedures that are substantially analogous thereto, pursuant to Operational Policy OP-507.
- 5.5 **Direct contracting.** The following organizations will be contracted directly: (i) PROCEMPA, for the activities of Component 2 linked to the school management system and the adaptation and maintenance of the Project Management System, because these represent a natural continuation of services provided previously as the executing agency of the Porto Alegre Information Technology Policy (document GN-2350-9, 3.10, a and d).² The approximate amount of this contract is US\$1.5 million. As a condition for the contract, PROCEMPA will demonstrate its capacity to deliver the specified outputs in the timeframes stipulated by the SMED, and the compatibility of its costs with market practices; (ii) the Carlos Chagas Foundation, for approximately US\$300,000, to apply the baseline and survey of information from the early childhood education observation scales. Its participation is essential owing to the exceptional value of its previous experience (document GN-2350-9, 3.10, d) because it participated in adapting those scales to the Brazilian context, in a sample of schools in six Brazilian capitals, and in the municipality of Rio de Janeiro.³
- 5.6 **Procurement thresholds.** The borrower or the executing agency, as the case may be, will be informed of the threshold for using ICB at www.iadb.org/procurement. Below such threshold, the selection method will be determined on the basis of the complexity and characteristics of the procurement or contract in question, which will be reflected in the procurement plan.
- 5.7 **Recurrent costs.** Not anticipated. Should recurrent costs be identified during execution, they will be reviewed and accepted provided they do not contravene the fundamental principles of economy, efficiency, competition, and transparency. Operating costs do not include the salaries of civil servants.
- 5.8 **National preference.** National preference margins will not be applicable.
- 5.9 **Initial procurement plan.** The current proposal is attached. The agreed upon version may be adjusted during project execution, based on the circumstances (see [Procurement Plan](#) link). Given the volume of works to be undertaken, arrangements will be made with the executing agency to form suitable groupings to create attractive lots that generate interest and competition.
- 5.10 **Procurement supervision.** All ICB, direct contracting, and consultant selections in amounts estimated at over US\$1 million will be subject to ex ante review. Based on the annual audit reviews, the Bank may alter the review method indicated in the procurement plan.

² Law 4267/1977 makes PROCEMPA responsible for developing and customizing all municipal systems, and for providing corrective and evolutionary maintenance, technical support, and user training.

³ See ATN/OC-11259-BR, ATN/JF-12669-BR, 3079/OC-BR, 3397/OC-BR.

- 5.11 **Records and files.** The files will be kept in the SMED under appropriate security conditions.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

A. Programming and budget

- 6.1 The SMED, acting through the PMU, will be responsible for planning the execution of the activities as specified in the Program Execution Plan (PEP), budgets, and annual work plan (AWP); and it will coordinate directly with the Planning Department, which is responsible for the municipality's planning activities. The budget allocated to the program's activities will be approved through the Municipal Budget Law. The Department uses planning tools such as the Multiyear Plan and the Annual Budget Law. The budget assigned to program activities is part of the Annual Budget Law.
- 6.2 The PMU team will ensure that program funds (the IDB loan and local counterpart) are budgeted each year and secured for execution in accordance with the operational programming. Project funds will be used to execute the entity's budget. The Annual Budget Law will include the funds needed to execute both the external loan and the local counterpart funding.

B. Accounting and information system

- 6.3 Public entities in the Municipality of Porto Alegre use the SDO, GOR, and CTB systems for financial activities involving the budget, cash management, and accounting. These systems are administered by the Municipal Finance Department with technical support from PROCempa, a public enterprise that centralizes all MPA systems/technology activities.
- 6.4 All budgetary, accounting, and financial information relating to the loan operation will be recorded in the municipal systems. These systems currently do not allow project reports to be automatically issued in U.S. dollars, by investment category and financing source, as required by the Bank. For that reason, within no more than six months following the signature of the loan contract, the SMED will provide evidence of having implemented a system that allows for the automatic issuance of the program's financial reports.

C. Disbursements and cash flows

- 6.5 The program will use the MPA cash management system. Expenses will be subject to the budgetary execution and financial process, and will be duly recorded in the municipal systems.
- 6.6 The Bank funds will be managed through an exclusive account that makes it possible to independently identify the loan proceeds. Disbursements will be made in U.S. dollars, under the advance of funds modality. The Bank will release disbursements on the basis of a 180-day projection presented by the executing agency; future advances of funds will require justification of at least 80% of funds previously advanced.
- 6.7 Expenses considered ineligible by the Bank will be reimbursed from local counterpart funds or from other sources at the Bank's discretion, depending on the nature of the ineligibility.

D. Internal control and internal audit

- 6.8 For the internal control activities, the MPA has a Comptroller General's Office, which is linked to the Municipal Finance Department and consists of units working in each of the municipal entities. These are responsible for undertaking prior control work by reviewing the entity's payment procedures and the audit reviews of internal processes and activities, to monitor fulfillment of the entity's control recommendations.

E. External control and reports

- 6.9 The program's financial statements and expense eligibility will be audited each year by the Audit Department of the State of Rio Grande do Sul (TCE-RS), an entity that is eligible to audit Bank projects, and which audits all Bank projects in the state, or by an audit firm acceptable to the Bank.
- 6.10 Pursuant to document OP-273-6, Financial Management Guidelines for IDB-financed Projects, the TCE-RS or by an audit firm acceptable to the Bank will submit a report on the eligibility of the program's expenses, and will make on-site physical inspection visits, in addition to the Bank's own actions and reviews. The program's audited financial statements will be sent to the Bank annually no later than 120 days after the end of the executing agency's fiscal year, pursuant to procedures and terms of reference previously agreed upon with the Bank.

F. Supervision plan

- 6.11 The supervision plan may be altered during project execution, based on the evolution of risk levels or any additional control needs determined by the Bank.

Supervision activity	Supervision plan			
	Nature-scope	Frequency	Responsible party	
			Bank	Executing agency
Procurement	Review procurement processes for works and consulting services	As indicated in the procurement plan	Sector and procurement specialist	PMU
	Review of processes above the ICB and direct contracting thresholds	Throughout the execution period	Sector and procurement specialist	PMU
	Supervision visit	Annual	Sector specialist and fiduciary team	
Financial	Ex post review of disbursements and procurement processes	Annual	Fiduciary team	PMU/TCE-RS
	Annual audit	Annual	Fiduciary team	PMU/TCE-RS
	Review of disbursement requests	Periodic	Fiduciary team	
	Supervision visit	Annual	Sector specialist and fiduciary team	

G. Execution arrangements

- 6.12 The program's executing agency will be the MPA, acting through the SMED. The PMU will be created in the latter, reporting directly to the Education Secretary, and serving as the program's official interlocutor both with the Bank and with other public and private organizations. The PMU will be headed by a General Coordinator and will be staffed by civil servants and may include consultants contracted for defined periods. In addition to the general coordinator, its minimum structure will also include a staff member responsible for each project component, one for financial/accounting issues, one for procurement, and a legal adviser. The PMU will have full responsibility for the general administration, supervision, and evaluation of the program.
- 6.13 Other involved departments and entities, within their legal authority, will provide technical support to the SMED to ensure project execution. Focal points will be designated for each area involved, to support the execution of project activities.
- 6.14 Financial management will be the responsibility of the Planning Office, which reports to the Education Secretary, supported by the PMU. Use will be made of the MPA's cash management system and the systems mentioned above (paragraph 6.3), which will be complemented with a Project Management System that allows for record-keeping and reporting as required by the Bank. The Operating Regulations, currently in preparation, will specify the program execution arrangements, as well as the functions of the PMU and the other internal areas of the SMED, identifying institutional strengthening measures and the need to enlarge their teams to ensure proper project execution.