

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**PROJECT TO EXPAND AND IMPROVE EARLY AND BASIC
EDUCATION IN FLORIANÓPOLIS**

(BR-L1329)

LOAN PROPOSAL

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CONTENTS

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	1
A.	Background, problems, and rationale	1
B.	Objectives, components, and cost	5
C.	Key results indicators	7
II.	FINANCING STRUCTURE AND RISKS	8
A.	Financing instruments	8
B.	Environmental and social risks	8
C.	Fiduciary risks	9
D.	Other risks	9
III.	IMPLEMENTATION AND ACTION PLAN	10
A.	Summary of implementation arrangements	10
B.	Summary of arrangements for monitoring results	12
C.	Post approval activities	13

ANNEXES	
Annex I	Summary Development Effectiveness Matrix (DEM)
Annex II	Results matrix
Annex III	Fiduciary agreements and requirements

ELECTRONIC LINKS	
REQUIRED	
1.	AWP (Annual work plan for the first disbursement and the first 18 months of implementation) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36766825
2.	Monitoring and evaluation arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38192315
3.	Complete procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36768690
4.	Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36767989
OPTIONAL	
1.	Draft Operating Regulations http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38192289
2.	Economic analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36767197
3.	Itemized budget http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38192387
4.	<i>Educação Infantil no Brasil: Avaliação quantitativa e qualitativa</i> [Early Childhood Education in Brazil: quantitative and qualitative evaluation] http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36817945

ABBREVIATIONS

CIEB	Basic Education Innovation Center
ECERS	Early Childhood Environment Rating Scale
ESMR	Environmental and Social Management Report
ICB	International competitive bidding
IDEB	Índice de Desenvolvimento da Educação Básica [Basic Education Performance Index]
INEP	Instituto Nacional de Estudos e Pesquisas Educacionais [National Institute for Educational Research]
ITERS	Infant and Toddler Environment Rating Scale
NCB	National competitive bidding
OECD	Organization for Economic Cooperation and Development
PISA	Programme for International Student Assessment (OECD)
SAO	Special Advisory Office
SIGEF	Integrated School Administration System
SIRR	Social internal rate of return
SME	Municipal Department of Education
WAL	Weighted average life

PROJECT SUMMARY

BRAZIL

PROJECT TO EXPAND AND IMPROVE EARLY AND BASIC EDUCATION IN FLORIANÓPOLIS (BR-L1329)

Financial Terms and Conditions			
Borrower: Município of Florianópolis Guarantor: Federative Republic of Brazil Executing agency: Município of Florianópolis, through the Municipal Department of Education (SME)		Flexible Financing Facility*	
		Amortization period:	25 years
		Original WAL**:	15.25 years
		Disbursement period:	5 years
Source	Amount (US\$)	Grace period:	5.5 years
IDB (Ordinary Capital)	58,860,000	Inspection and supervision fee:	***
Local	59,570,000	Interest rate:	LIBOR-based
Total	118,430,000	Credit fee:	***
		Currency of approval:	U.S. dollars from the Ordinary Capital
Project at a Glance			
<p>Project objective/description: The general objective of the program is to expand coverage and improve the quality of early and basic education in the Florianópolis municipal system, seeking to develop the multiple human dimensions of students by providing access to all-day services (paragraph 1.10).</p> <p>Special conditions precedent to the first disbursement: (i) creation of the Special Advisory Office (SAO) in the Florianópolis Municipal Department of Education (paragraph 3.1); (ii) approval of the program Operating Regulations (paragraph 3.1); (iii) creation of the special procurement committee (paragraph 3.7); and (iv) creation of the program coordination committee (paragraph 3.2) through an official act of the respective Municipal Departments.</p> <p>Exceptions to Bank policies: There are plans to directly contract, for a period of up to 48 months, the Carlos Chagas Foundation, a private nonprofit institution, for up to US\$800,000, to design and implement the quality monitoring system for early childhood education services in the município of Florianópolis. The Foundation is a respected applied research institution, able to guarantee the qualifications of the professionals who will be involved in the consulting services (paragraph 3.7).</p> <p>Special clause: The deadline for the material start of works will be four years as from the date the loan contract is signed.</p>			
Project qualifies as:		SEQ <input checked="" type="checkbox"/>	PTI <input checked="" type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input checked="" type="checkbox"/>

* Under the terms of the Flexible Financing Facility (document FN-655-1), borrowers have the option of requesting changes in the amortization schedule, as well as currency and interest rate conversions. In considering such requests, the Bank will take operational and risk management aspects into account.

** The original weighted average life for the loan could be less, depending on the date on which the loan contract is signed.

*** The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate for Ordinary Capital loans.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems, and rationale

- 1.1 The Brazilian National Education Plan 2011-2020¹ sets ambitious objectives for the country: universal preschool by 2016; daycare (crèche) coverage increased to 50% by 2020; all-day basic education provided at 50% of public schools; and better school performance indicators,² just to mention the most relevant. Moreover, a constitutional amendment passed in 2009 provides for obligatory, free education for children ages 4 to 17, with progressive implementation due to be completed by 2016. Owing to this change, preschool education is now part of the mandatory cycle, presenting municípios with the challenge of expanding their networks while improving the quality of current services to meet the new demand and strengthen interaction with the other cycles.
- 1.2 The Município of Florianópolis has made the education sector a priority, in order to bring the quality of education up to international standards and demonstrate that the National Education Plan targets are achievable, becoming a pilot case for other Brazilian education systems. As evidence of this commitment, the Municipal Education Plan 2010/2020 (Law 379/2010), fully aligned with that goal, was approved unanimously. With a population of 421,000 (Census 2010, Instituto Brasileiro de Geografia e Estatística [Brazilian Geography and Statistics Institute]), the município experienced dramatic growth in the past 10 years, adding almost 10,000 inhabitants per year. This growth, together with a good quality of life by national standards, and a booming economy, are putting pressure on the local government to meet demand for public services, both in terms of coverage and quality. Based on the division of education policy and programmatic functions between the three levels of government in Brazil (union, states, and municípios), the Municipal Department of Education (SME) is responsible for early childhood education and basic education,³ serving the population in the lower socioeconomic brackets.⁴ In the Brazilian context, the município performs well, scoring 5.2 for the initial years and 4.5 for the final years of basic education on the Educational Development Index for Brazil⁵, compared with 4.6 and 4 for the country. However, the situation is quite different in the international context. Despite being the best in

¹ http://portal.mec.gov.br/index.php?option=com_content&view=article&id=16478&Itemid=1107, before Congress.

² Education Development Index for Brazil and Programme for International Student Assessment (PISA).

³ Early childhood education services include crèche (ages 4 months to 3 years) and preschool (ages 4 to 5 years). Basic education covers nine years of schooling (ages 6 to 14 years) and is divided into two blocs: 1st to 5th grades, and 6th to 9th grades. This, together with middle school, constitutes basic education.

⁴ The Bolsa Família program helps 13% of basic education students. An analysis of family education levels—a good proxy for socioeconomic status—shows that 34% of mothers of basic education students had some basic education schooling and only 15% had completed the cycle. For fathers, the proportions are 53% and 17% (online enrollment, 2012).

⁵ The Education Development Index has a 1 to 10 scale. It comprises a performance indicator such as Prova Brasil (mathematics and language tests administered every two years, in 5th and 9th grades) and a flow indicator (pass rate). For more details, go to: <http://portal.inep.gov.br/web/portal-ideb/o-que-e-o-ideb>.

the country, the mathematics scores on PISA⁶ tests in southern Brazil, where Florianópolis is located, are 20% below the OECD average, ranking barely 49 out of 57 countries. A full 59% of students score at level 1 or <1, indicating that they have a hard time solving the most basic mathematical problems.⁷

- 1.3 **Education in Florianópolis.** According to the 2011 school census, the município offers a wide range of early and basic education services. There are 17,000 children enrolled in early childhood education, of which 61% in municipal schools, 37% in private institutions, and 2% in federal or state institutions. Enrollment in basic education is more diversified: of the 48,000 students, 32% attend municipal schools, 37% state schools, 29% private schools, and the balance federal institutions.
- 1.4 The município's early childhood education system comprises 80 establishments and 22 contracted institutions serving 10,500 children, with a preschool coverage rate of 94% and a daycare (crèche) coverage rate of 38%. The proportion of all-day students is 71% for crèches and 66% for preschool. The pressure due to population growth translates into a need to expand the system, which has coverage gaps concentrated at the crèche level, and a need for qualified professionals this level, in addition to demand for all-day service. Based on these statistics, 2,600 new positions in early childhood education are needed: 600 to achieve universal preschool coverage, and 2,000 in daycare to achieve 60% coverage. All positions will be full time. This expansion also calls for increasing the number of establishments and remodeling existing ones when unfit to accommodate the upgraded services, and the selection, contracting, and training of new teachers and assistants. At present, only 60 establishments have supervisors. Quality is barely satisfactory in the município according to a study conducted in 2009 and 2010 based on observation scales, despite the fact that it scored highest among the six Brazilian capitals that participated in the study.⁸ The study revealed that classroom activities were the weakest area (3.2 points out of 10), directly tied to the inadequate training of teachers who lack the skills to implement pedagogical activities in the classroom.⁹ The study also highlighted the shortage of suitable

⁶ OECD, Iberoamerica in PISA 2006. Regional Report (2010).

⁷ The PISA mathematical literacy achievement levels range from 6 to <1. Level 1 means students are only able to solve obvious problems, i.e., where all the information is provided and clearly defined. Levels below 1 mean students are unable to resolve the most basic mathematics problems measured by PISA.

⁸ *Educação Infantil no Brasil: Avaliação quantitativa e qualitativa [Early Child Education in Brazil: Quantitative and Qualitative Assessment]*, Fundação Carlos Chagas, MEC and IDB (2010) – (ATN/OC-11259-BR). The study used two observation scales (0 to 10): Infant and Toddler Environment Rating Scale (ITERS) for crèches, and Early Childhood Environment Rating Scale (ECERS) at preschools, gathering data in seven dimensions: (i) space and furnishings; (ii) personal care routines; (iii) listening and talking; (iv) activities; (v) interaction, (vi) program structure; and (vii) parents and staff. Florianópolis scored 4.4 and 4.7 in crèches and preschools, respectively, indicating minimal levels of quality on the scale, compared with an average of 3.3 and 3.4 for the six systems that participated in the study (Rio de Janeiro, Campo Grande, Teresina, Belém, and Fortaleza).

⁹ Teacher quality is one of the most important factors in learning. ("Early Childhood Development and the Human Resources Challenge," Verdisco and Ñopo, 2012).

educational games and didactic materials, and the absence of techniques to encourage active use of the language that incorporate basic notions of science and nature to encourage children to explore their surroundings. The study further showed that students who attended higher quality preschools performed better in second-grade literacy tests. For this to happen, there needs to be fluid and frequent dialogue between levels, with clear strategies to program and coordinate learning topics and goals, similar to what already exists for basic education. To this end, joint training of early and basic education teachers, as well as supervisors and principals, is crucial.¹⁰ High quality early childhood education coordinated with basic education through joint teacher activities has a positive impact on student academic performance and promotions. Early childhood education plays an important role in instilling the learning and study skills needed in basic education, fully justifying efforts to make preschool mandatory for all children.

- 1.5 The Florianópolis basic education system comprises 37 establishments providing universal coverage for 15,000 students. Despite satisfactory student promotion and coverage indicators (a pass rate of 93% for the final years and a distortion rate of 6.4%),¹¹ and a generally well prepared teaching corps (68.7% of teachers have a specialization beyond basic training, and 10% earned Master's degrees), there are many performance issues: the Prova Brasil 2010¹² test scores showed that 22.4% and 14.2% of students were proficient in Portuguese and mathematics, respectively. An analysis of schools shows that 91% do not achieve the acceptable average grade in Portuguese. The município is gradually extending the all-day school service, presently covering 21% of students, having recognized its positive effect on learning through greater exposure to knowledge, more time to develop the basic curriculum, more support for children with learning issues, and implementation of new pedagogical projects.¹³ Moreover, educational inputs critical to improving the quality of education must be reinforced: (i) teachers, recognized as the most important resource:¹⁴ selection, hiring, and training of teachers must be improved in order to meet this new demand, and coaching for all teachers must be strengthened;

¹⁰ Preschool programming was the only area where the SME received a below average score in the study (2.6).

¹¹ Anísio Teixeira National Institute for Educational Research and Study - INEP/MEC 2010.

¹² The Prova Brasil considers a score of 275 in Portuguese and 300 in mathematics as an adequate 9th grade literacy level.

¹³ Biondi, R.L., F. Felicio, "Atributos escolares e o desempenho dos estudantes: uma análise em painel dos dados do Saeb. Texto para Discussão," Inep/MEC, No. 28, 2007; and Eren, O., and D. Millimet, "Time to Learn? The Organizational Structure of Schools and Student Achievement," Empirical Economics, Vol. 32, No. 2, pp. 301-332, May 2007.

¹⁴ McKinsey & Company, 2007, "How the World's Best-Performing School Systems Have Come Out on Top"; and Rockoff, J., 2004, "The Impact of Individual Teachers on Student Achievement: Evidence from Panel Data," American Economic Review, papers and proceedings.

- (ii) infrastructure:¹⁵ the existing infrastructure cannot accommodate the growing demand for all-day services, and there is a shortage of teaching areas to develop skills, teach scientific and mathematical content, and use information technologies, since scarcely half the schools have any such space; and (iii) educational materials: although it is known that access to high quality, relevant educational resources is crucial for students' learning experience, the material provided by the SME is insufficient and out of date, practically unchanged since 2005.¹⁶
- 1.6 **Educational administration.** Administration of the SME system presents several challenges. Although school principals are selected through a participatory system, the issues of qualifications to run a school and virtual tenure remain unresolved. A new selection and appointment model emphasizing qualifications must be designed to improve school administration and ensure successful implementation of measures to raise the quality of education.
- 1.7 In terms of monitoring and evaluation systems, the challenges are different depending on whether early childhood education or basic education is involved. In the case of early childhood education, the SME, like other municipal systems in Brazil, does not conduct routine monitoring and evaluation of the quality of services, such as the physical condition of premises, teacher working conditions, implementation of pedagogical proposals, and other inputs needed to ensure the highest quality of service. Evaluations are a politically sensitive topic, especially when they concern children, which has resulted in greater use of process evaluations. The SME acquired valuable diagnostic experience in the use of observation scales through the study mentioned in paragraph 1.4. However, the process must be adapted and simplified for routine monitoring purposes. The SME also expressed interest in evaluating children, and the possibility of developing an instrument for this purpose. For basic education, there is another powerful tool in addition to Prova Brasil to evaluate student performance: Prova Floripa, an annual test for all grades, emphasizing Portuguese and mathematics, but also covering other subjects. The instrument could be improved. Because of its design and self-testing strategy, the results are neither comparable over time or between schools. Although this tool could be very useful to improve school or classroom performance, the school system has not tapped into its full potential to guide monitoring actions, support the system, and train teachers. Instead, the SME has focused its efforts on designing and administering the test rather than the above strategic actions to improve school and classroom performance.

¹⁵ Duarte J., C. Gargiulo, and M. Moreno, 2011, "Situación de la Infraestructura Escolar y Calidad de la Educación Básica en América Latina: Un análisis a partir del SERCE," SCL/EDU Technical Note, Washington, D. C.: Inter-American Development Bank; and Barros, R. P., Mendonça, Santos, and Quintaes, "Determinantes do Desempenho Educacional no Brasil. Pesquisa e Planejamento Econômico," Vol. 31, No. 1, pp.1-42, April 2001.

¹⁶ Duarte J., M. Bos, and M. Moreno, 2011, "Los docentes, las escuelas y los aprendizajes escolares en América Latina: Un estudio regional usando la base de datos del SERCE," SCL/EDU Technical Note, Washington, D. C. Inter-American Development Bank.

- 1.8 The SME data systems comprise a myriad of systems with diverse functionalities, often overlapping: *Serie Escola* (cadastre of students per class; evaluation, transfer, and movement records; student history; and cadastre of schools); *Gestor Escolar* (student cadastre, online registration, online newsletter, early childhood education wait list); *Educa Censo* (student, teacher, and school census); *Joaquina* (teacher admission and career, training certification, payment of salary); and the Prova Floripa results for basic education. The day-to-day management of the school system relies on fragmented, unreliable information systems. These systems have not evolved to reflect the many dimensions of the educational process, such as enrollment, student and teacher ratio, condition of physical infrastructure, consideration of performance indicators, and their use as a tool to manage the learning process, the SME's chief objective.
- 1.9 **Relationship with the Bank's country strategy.** The program is consistent with the Bank's country strategy with Brazil 2012-2014 (document GN-2662-1). Under the strategic objective of promoting social inclusion in the priority sector of education, the country strategy aims to: (i) improve the quality of basic education through teacher training and development, and upgrade and make greater use of available evaluation instruments; and (ii) expand the coverage of early childhood and basic education through the reform of educational institutions, the procurement and development of didactic material, and professional development for teachers. The program is also consistent with the objectives of the Ninth General Capital Increase (GCI-9), contributing to the goal of poverty reduction and equity enhancement, and the priority areas of the Bank's social development strategy to enhance equality and productivity (document GN-2241-1), linked to investment in early childhood development and better school quality.

B. Objectives, components, and cost

- 1.10 The general objective of the program is to expand coverage and improve the quality of early and basic education in the Florianópolis municipal system, seeking to develop the multiple human dimensions of students by providing access to all-day services. The program has four components.
- 1.11 **Component 1. Expanded coverage and school infrastructure improvements** (US\$42.1 million). The objective of this component is to increase the supply and coverage of early and basic education by expanding and improving school infrastructure. The component will finance: (i) procurement of land to build education facilities; (ii) commissioning studies, projects, inspection, and supervision of works; (iii) construction of 23 early childhood education facilities, expansion or renovation of an additional 15 to provide 100% preschool coverage (600 additional children) and at least 60% for children ages 0 to 3 years (2,000 children), all on an all-day basis; and (iv) construction of four basic education schools and expansion or renovation of an additional 11 units, reaching 32% coverage with all-day services, plus construction of two Basic Education

Innovation Centers (CIEB)¹⁷ to provide after-school educational activities, covering 68% of enrolled students with some form of extended day (4,000 new students).¹⁸

- 1.12 **Component 2. Enhanced quality of education** (US\$9.9 million). To improve the performance of students in early and basic education, this component will finance specific consulting services and the procurement of goods and services for the following activities: (i) review of the selection and hiring process for teachers, by incorporating teacher practice modules into the competitions and reviewing the trial period for new hires; (ii) training and certification of education professionals with comprehensive education training courses, specific content, and pedagogical skills required for each level, with an emphasis on improving classroom skills (14,236 teachers during the life of the program), and implementation of a coaching system for teachers, especially during their trial period, with feedback based on results and recommendations from the new monitoring systems for early and basic education; (iii) a proposal to improve teacher evaluation to add other performance criteria in addition to the usual criteria of training and years of service; (iv) preparation of proposed curricular matrixes for basic education (0 to 14 years) focused on all-day schooling and easing the transition from one educational level to the next; (v) development of projects to teach mathematics, Portuguese, and science, and to use information technologies in the classroom to boost school performance and retention. All basic education schools will be equipped with multimedia laboratories that will have laptops or tablets available for students and teachers, and the basic technological infrastructure to ensure every school is able to gain access to digital educational resources and continued learning platforms for teachers; and (vi) procurement of equipment, furniture, learning materials, sports equipment, and toys to equip all the educational facilities in the system.
- 1.13 **Component 3. Management, monitoring, and evaluation** (US\$4.4 million). This component will build the SME's capacity to manage the education system. Consulting services and the procurement of equipment will be financed to: (i) improve the school administrator selection process and the selection criteria, with the focus on management skills and experience, in addition to knowledge of educational and pedagogical issues, and train early and basic education school principals and supervisors, and for the SME team; (ii) develop and implement an integrated school administration system, unifying the existing databases, adding functions, optimizing management processes, and facilitating use of the information to customize strategies to assist student and train teachers, addressing the challenges of introducing all-day services; (iii) improve the Prova Floripa design, processing, administration, analysis, and use of results with a view to administering the test at least once a year, producing results to compare cohorts, and monitoring student progress over time. These results will also support teaching in the classroom, as

¹⁷ The centers will provide tutoring services for students who are lagging or have not fully developed their skills, and pedagogical support in terms of expansion of curricular repertoires.

¹⁸ Since there are renovation works involved, it was thought that the deadline for the material start of the works could be four years from the date the loan contract is signed.

well as facilitate the monitoring and support of schools conducted by the SME, and suggest topics and material for subsequent training. These services will be contracted externally, enabling the SME to focus on using and monitoring the results; and (iv) develop and implement a basic education quality monitoring system, with a focus on evaluating the teaching environment and process, to guide teaching practices and training activities. A baseline will be prepared in parallel with the quality evaluation to assess early childhood education teacher working conditions with an emphasis on their pedagogical work—professional profiles, supervision and continuing education processes, school operations, distribution of resources and materials, and the condition and maintenance of infrastructure. The observation scales mentioned in paragraph 1.4 will be used for this purpose, supplemented by other tools. The initial activity will serve both as baseline for a subsequent assessment at the midpoint and end of the program, and to develop the indicators to be used for the permanent early childhood education monitoring system. The SME will receive specialized support to conduct a critical review and adapt international instruments to the Brazilian environment, allowing teachers and their assistants to evaluate student performance and learning. The monitoring activities will be closely linked to training; and (v) design and implement process and program impact evaluations.

- 1.14 **Component 4. Program administration** (US\$2.5 million). To ensure the SME has the capacity to execute the program, financing will be provided to: (i) establish the Special Advisory Office for program management; (ii) procure goods for its operation; and (iii) provide studies and support services to the SME, strengthening key departments such as Finance, Infrastructure, and the Procurement Committee.
- 1.15 **Cost and financing.** The total cost of the program is US\$118.43 million, of which the Bank will contribute US\$58.86 million (49.7%) from the Flexible Financing Facility of the Bank's Ordinary Capital, and the local counterpart will contribute US\$59.57 million (50.3%), as shown in Table I-1. For more information, see the itemized budget.

Table I-1: Total budget, by component (US\$000)

Description	IDB	Local	Total	%
Component 1. Expanded coverage and school infrastructure improvements	42,123	43,624	85,747	72.4%
Component 2. Enhanced quality of education	9,824	10,679	20,503	17.3%
Component 3: Management, monitoring, and evaluation	4,373	2,915	7,288	6.2%
Component 4. Program administration	2,540	2,352	4,892	4.1%
TOTAL	<u>58,860</u>	<u>59,570</u>	<u>118,430</u>	<u>100%</u>

C. Key results indicators

- 1.16 Upon completion, the program is expected to achieve the following goal: better academic performance as measured by Prova Brasil and Prova Floripa results.

- 1.17 Component 1, for the expansion of school infrastructure, is expected to expand the supply and coverage of early and basic education services with 26 new, fully equipped and operational establishments, providing 100% preschool and 60% crèche coverage. All-day services will be provided for 100% of children enrolled in early childhood education and for 68% in basic education. Component 2, for enhanced quality of education, is expected to help improve the quality of early child education, as measured by the Infant/Toddler Environment Rating Scale (ITERS) and Early Childhood Environment Rating Scale (ECERS) (see [Results Matrix](#)), and the performance of students enrolled in basic education, through a system to support classroom teachers (1,200), supplemented with training for all early childhood education teachers and assistants (10,000) and all basic education teachers (3,800). Lastly, Component 3, for management, monitoring, and evaluation, will strengthen the management capacity of the SME, thanks to a new management system, an early childhood education quality monitoring system, and a new design and enhanced feedback mechanisms for Prova Floripa so policy actions can be implemented to address problems identified by these systems and better target training actions.

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 The following conditions apply to the loan: (i) LIBOR-based interest rate; (ii) 25-year amortization period; (iii) five-year disbursement period and five-and-a-half year grace period; and (iv) weighted average life (WAL) of 15.25 years. The operation is expected to have the following disbursement schedule:

Table II-1. Disbursement schedule (US\$000)

	Year I	Year II	Year III	Year IV	Year V	Contingencies	Total	%
IDB	8,341	18,222	18,856	7,584	3,955	1,902	58,860	49.7%
CP	7,914	18,380	19,638	8,621	3,516	1,501	59,570	50.3%
TOTAL	16,255	36,602	38,494	16,205	7,471	3,403	118,430	100%
%	13.7%	30.9%	32.5%	13.7%	6.3%	2.9%	100%	

B. Environmental and social risks

- 2.2 Given the small size of the 54 schools to be built or renovated (most between 400 m² and 1,110 m², and two measuring 6,000 m²) and their urban location, the potential environmental impacts will be small in scale, localized, short term, and typical of small-scale works, and thus easily controlled and managed with standard environmental procedures. This has been classified as a category “B” operation under the Bank’s Environment and Safeguards Compliance Policy (OP-703), and the recommendations received were taken into account and summarized in the [Environmental and Social Management Report](#) (ESMR). Concerning the environmental licensing process, program works must comply with Brazilian environmental laws and regulations, Florianópolis municipal construction

regulations, and the management and monitoring requirements specified in the program Operating Regulations, in accordance with the Bank's Environment and Safeguards Compliance Policy (OP-703). As regards the risk of disasters associated mainly with flooding and potential landslides, centers may not be located in areas of risk. This restriction will be explicitly stated by the executing agency in the bidding documents, works contracts, and the technical documentation presented to the IDB prior to the work, in accordance with the Bank's Disaster Risk Management Policy (OP-704). In principle, the construction of new school facilities is not expected to require any involuntary resettlements. However, should the situation arise, the Bank's Involuntary Resettlement Policy (OP-710) will be activated, and a plan will be developed to adopt suitable measures to provide economic compensation to the affected population.

- 2.3 The program will have positive social impacts through increased early childhood education coverage and improved school performance. What is more, early childhood education solutions will be brought closer to families, thus reducing the number and duration of trips to school. From the perspective of the Gender Equality Policy, the program will have a positive impact on women's employment possibilities by increasing the supply of early childhood education services for children ages 0 to 3 years.

C. Fiduciary risks

- 2.4 The SME institutional capacity and risk evaluation exercise identified the following fiduciary risks that could potentially delay program execution: (i) centralized bidding in the município, combined with the SME's scant experience with such procedures; (ii) little familiarity with Bank policies (financial, accounting, procurement, progress reports); and (iii) delays in payments to providers, currently processed centrally in the município. The following mitigation measures are proposed: (i) creation of a Special Advisory Office (SAO) by Executive Order of the Mayor, to coordinate program implementation; (ii) creation of the Special Procurement Committee, hiring staff and training them in the Bank's procurement policies; (iii) training for SAO and SME staff involved in program execution; and (iv) separate accounts at the SME for Bank and counterpart funds, in order to make the corresponding payments.

D. Other risks

- 2.5 **Delays in the availability of new educational facilities.** Many program activities cannot begin until the new infrastructure is ready. Thus, delays could impact the timely achievement of program goals, and completing activities on schedule is essential for program success. Three risks were identified: (i) scarcity of land for new facilities (only 5 of 23 plots needed for early childhood education facilities have been identified), added to the time needed to search for and purchase land; (ii) construction time for basic education and CIEB units; and (iii) insufficient manpower to execute the works. To mitigate these risks, the mapping of available land adjoining municipal and state facilities will begin immediately; bidding

documents will be prepared for a careful selection of builders able to guarantee construction times and quality; and the Infrastructure Division will receive engineering and construction staff reinforcements.

- 2.6 **Weak coordination between SME divisions.** Some areas requiring more and better cohesive coordination include developing a comprehensive picture of the basic education cycle from 0 to 14 years; easing the transition between education levels; initiating some important actions to recruit, support, and map a career path for teachers; and selecting school principals. The SME Secretary and Executive Secretariat, as the highest authorities, together with the project coordination committee will develop routine processes to find consensus and plan and monitor program actions between the different departments.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency.** The executing agency will be the Município of Florianópolis, through the Municipal Department of Education (SME). A Special Advisory Office (SAO) will be created within the SME, reporting directly to the Secretary. The SAO will be responsible for program execution, and will be the official program interlocutor with the Bank and all other public and private institutions. It will have a support team and will coordinate program activities carried out by SME divisions and other line offices, such as the Early Childhood Education, Basic Education, Continuing Education, and Infrastructure Divisions, the Directorate for the Education and Student Support Observatory, as well as the Administration and Finance Office, thereby preventing duplication of functions and responsibilities. The latter office will be responsible for project financial execution and accounting, and some procedures will have to be adjusted to comply with Bank accountability requirements. In addition to describing execution policies, the Operating Regulations (in preparation) will specify the functions to be carried out by the SAO and other SME departments, identifying institutional capacity-building and staff strengthening measures to assure good program execution. **The following will be special conditions precedent to the first disbursement of the loan proceeds: (i) creation of the SAO in the Municipal Department of Education; and (ii) approval of the program Operating Regulations through an official act of the Municipal Secretary for Education.**
- 3.2 **Coordination.** Coordination within the SME will be facilitated by a program coordination committee, formally established by Resolution of the Municipal Secretary for Education, chaired by the SAO Manager, and consisting of the above-mentioned departments. The committee will hold regular weekly meetings. **Creation of the program coordination committee, by official act of the Municipal Secretary for Education, will be a special condition precedent to the first disbursement of the loan proceeds.**

- 3.3 **Reports.** The SME will present semiannual progress reports to the Bank, providing information on achievements and problems encountered. Every December, starting with the first December after the effective date of the loan contract, the SME will present for the Bank's approval, an annual work plan (AWP) with the corresponding procurement plan, in accordance with the terms agreed upon with the Bank.
- 3.4 **Program supervision system.** The program will adopt the Bank's supervision mechanisms. The executing agency will prepare the supervision plan for validation during the program launch workshop, taking into consideration the program report, results matrix, Operating Regulations, and risk analysis findings. The plan will also contain a multiyear program of the activities and resources required to achieve the expected outputs and outcomes.
- 3.5 **Program readiness.** The operation profile was approved for Bank financing of US\$58.8 million. Recommendation 1293 of the Committee on External Financing (COFIEX) of 20 December 2011 established a loan amount of US\$58.86 million and a minimum of US\$59.57 million in counterpart resources.
- 3.6 **Procurement.** Program goods, works, and consulting services will be procured in accordance with Bank policies (documents GN-2349-9 and GN-2350-9, March 2011). Based on the analysis of the executing agency's capacity, all processes to procure, contract, or select consultants using loan proceeds, regardless of value and modality, will be reviewed ex ante by the Bank. When deemed appropriate, the Bank will reassess the situation and may decide to change the modality to ex post reviews for certain procurement methods. The executing agency asked the Bank about the possibility of financing expenses related to the purchase of land where the schools will be built. These expenses would be eligible according to the provisions of documents GN-2331 (Modernization of policies and practices that restrict the use of resources in investment loans), CC-6004-1 (Guidelines for the application of the policy on eligibility of expenditures), and CP-2795-5 (Country financing parameters for Brazil – new Bank policy on expenditure eligibility).
- 3.7 In keeping with the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9, paragraph 3.10 (d)), there are plans to directly contract, for a period of up to 48 months, the Carlos Chagas Foundation, a private nonprofit institution, for up to US\$800,000, to design and implement the quality monitoring system for early childhood education services. Direct contracting of the Foundation is justified given the specificity and nature of the services it provides to the borrower. Participation by the Carlos Chagas Foundation is regarded as essential, due to the exceptional value of its experience with this type of activity, as it was instrumental in adapting the early childhood education observation scales to the Brazilian reality. The scales were used to assess a small sample of schools in six Brazilian capitals, including Florianópolis (see paragraph 1.4). As part of this consulting assignment, in addition to developing the monitoring system, the Foundation will also assess the quality of all early childhood education establishments. The Foundation is a respected applied research

institution, guaranteeing the qualifications of the professionals who will be involved in the consulting services. Furthermore, the Foundation is able to offer system design and implementation, training, and dialogue and consensus-building capacities, all crucial for this ground-breaking endeavor in Brazil. A Special Procurement Committee will be established to handle all procurement and contracting. **Creation of the Special Procurement Committee, by official act of the respective Municipal Secretary, will be a special condition precedent to the first disbursement of the loan proceeds.**

- 3.8 **Advances of funds.** The loan proceeds will be disbursed under the advance funding mechanism.
- 3.9 **Audits.** The State Audit Office of Santa Catarina, duly accredited by the Bank, or an independent auditing firm approved by the Bank will conduct annual audits of the program financial statements.
- 3.10 **Retroactive financing and recognition of expenditures.** The Bank can finance retroactively eligible expenditures for up to US\$4.1 million (approximately 7% of the proposed loan amount) and can recognize eligible expenditures for up to US\$4.9 million (approximately 8% of the estimated local counterpart amount) made by the borrower prior to the loan approval date. Those expenditures will be recognized provided they meet requirements substantially similar to those established in the loan contract. They must have been made within the 18 months prior to the loan approval date, but in no case will expenditures made prior to 19 March 2012 (the date on which the Project Profile was approved) be accepted.

B. Summary of arrangements for monitoring results

- 3.11 **Cost-benefit evaluation.** This analysis estimated the social benefits of this program associated with a greater supply of crèches and preschool services to improve the educational level, elimination of the age-grade distortion, and the benefits accruing to the formation of human capital as a result of better quality learning. The ex ante evaluation of program benefits points to a positive net present value (NPV) of US\$9.26 million, supporting the project's viability. The 12.59% social internal rate of return (SIRR) is greater than the discount rate—the project opportunity cost—further supporting project viability. Different scenarios with less conservative assumptions yield an SIRR of 14.6% (see Economic Analysis).
- 3.12 **Monitoring, supervision, and impact evaluation.** In addition to the standard loan operation activities consisting of semiannual reports on component achievements and program performance measured against the agreed upon results matrix, several specific activities will be carried out: (i) an assessment of the quality of early childhood education, as part of monitoring system implementation, to yield a reflexive evaluation (before and after the program); (ii) strengthening of the Prova Floripa for basic education, to enhance use of test results by the SME and classroom teachers, identifying system-wide problems, as well as problems specific to schools and students; (iii) impact evaluation of the coaching program for basic education teachers. This evaluation will be conducted in tandem with the phased

implementation of the teacher coaching initiative. Schools will be selected in random order for these interventions. All teachers at a school will receive coaching, which will initially be based on data collected from the first school year Prova Floripa test. Additional diagnostic tools for reading, writing, and mathematics will be considered, as well as classroom diagnostic tools. Another possibility is to consider analyzing schools with similar characteristics in other municípios for use as control group once the experimental phase has concluded; and (iv) ex post cost-benefit analysis: the cost-benefit ratio obtained with the economic evaluation currently under way for this operation will be reevaluated following program completion. The analysis will be based on specific data generated by the regular monitoring and evaluation activities to measure benefits. The benefits will then be compared against the actual costs incurred for each activity over the course of program execution. Insofar as possible, the assumptions made during the ex ante economic analysis will be verified, and the assumptions used in the ex post analysis will be subjected to the usual sensitivity tests.

- 3.13 **Baseline.** The baseline against which to measure the results matrix will be drawn up in December 2012 to measure the basic education Prova Brasil performance achievements, and in late 2014 for the first redesigned version of Prova Floripa. The impact evaluation will be designed in the second half of 2012 and the fieldwork conducted in the first quarter of 2013. Information will be gathered from primary and secondary sources with the instruments described in the [Monitoring and Evaluation Plan](#).

C. Post approval activities

- 3.14 **Search for buildable sites.** In keeping with the above-described risk mitigation measures, the SME will begin as soon as possible to identify suitable plots to build schools financed with program resources, in coordination with municipal and state entities.
- 3.15 **Preparation of terms of reference and bidding documentation.** The SME will move forward in both areas so priority consulting assignments can begin as soon as possible.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending for poverty reduction and equity enhancement.		
Regional Development Goals	i) Extreme poverty rate, and ii) Share of youth ages 15 to19 who complete ninth grade.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	i) Students benefited by education projects (girls, boys), ii) Teachers trained, and iii) Municipal or other sub-national governments supported.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2662-1	Promote social and productive inclusion and social equity (priority sector: education).	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	10.0		10
3. Evidence-based Assessment & Solution	10.0	33.33%	10
4. Ex ante Economic Analysis	10.0	33.33%	10
5. Monitoring and Evaluation	10.0	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	High		
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 (VPC/PDP criteria)	Yes	The project relies on the use of Financial Management and Procurement Systems.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	This project will increase infant education service supply (0 to 5 year olds) and will facilitate female participation in the labor market.	
Labor	Yes	Improvement of early education supply will result in young individuals reaching high school education with more knowledge and skills. Therefore, the program is expected to promote graduation and later to increase the likelihood of employment.	
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	Educacao Infantil no Brasil: Avaliacao quantitativa e qualitativa. (ATN/OC-11259-BR). The study applied observation scales (0 to 10): Infant and Toddler Environmental Rating Scale (ITERS) and the Early Childhood Environment Rating Scale (ECERS) collecting data in seven dimensions: (i) infrastructure and equipment, (ii) care routines; (iii) language and communication; (iv) activities; (v) interaction; (vi) programming; y (vii) parents and equipment. Rio de Janeiro, Campo Grande, teresina, Belem y Fortaleza participated in addition to Florianopolis.	
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	For reference on the state of literature on coaching for teachers, please see the monitoring and evaluation plan. In this document the need to generate rigorous evaluations on the subject is discussed. The evaluation seeks to generate evidence on coaching programs in the region, where there are no concluding studies. The specific goals of the evaluation are to investigate the coaching on teachers in different stages of their professional development and methodologies on delivery.	

This program has the objective to increase coverage and quality of early education centers for children ages 0 to 5 and for education centers of basic education for children ages 6 to 14. The program is proposed in the municipality of Florianopolis. The program proposes to build new schools and improve the existing ones, improve the recruiting and support to teachers and to improve the managerial capacity of the system.

Part of the diagnostic is based on the factors that the literature identifies as those that are more influential to contribute to the problem. For early education an index on provision of quality is provided. This index is lower than the country average. There is robust evidence on the positive effect of early education on enrollment in later years. Even though there is no rigorous evidence on the effect of teacher training and coaching on learning, there is robust evidence that the teacher is the most influential school factor on student performance. The intervention has a clear vertical logic with SMART indicators. There is a clear plan for data collection for the few indicators for which there is not data available.

The POD includes an annex with a cost benefit analysis showing positive results. An ex post evaluation is proposed based on a random phase in of schools into the program. The main challenge remains the small number of schools participating in the program. As a result, the evaluation design only allows for the identification of relatively large effects when compared to observed effects in other education interventions.

The main execution risks are: delayed payment of goods and services and limited experience by the counterpart in execution, both classified as high. The mitigation actions proposed are hiring of personal with experience and training. Both actions will be monitored by the completion of the hiring process and the number of training sessions.

RESULTS MATRIX

Project objective	To expand coverage and improve the quality of early and basic education in the Florianópolis municipal system, seeking to develop the multiple human dimensions of students by providing access to all-day services.
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Outcomes	Baseline	Final target	Comments
Better academic performance in basic education as measured by Prova Brasil and Prova Floripa results.	<p>Prova Brasil, basic education lower levels, language and mathematics (2011)</p> <p>Prova Brasil, basic education upper levels, language and mathematics (2011)</p> <p>Prova Floripa (2014), language and mathematics (3rd, 5th, and 9th grades)</p>	<p>Better Prova Brasil scores</p> <p>Basic education lower levels</p> <p>Language: 7 to 10%</p> <p>Mathematics: 9 to 13%</p> <p>Basic education upper levels</p> <p>Language: 8 to 11%</p> <p>Mathematics: 11 to 17%</p> <p>The Prova Floripa targets will be calculated when the baseline measurements are taken</p>	<p>Data from Brazil's Basic Education Performance Index (IDEB) for 2011, including Prova Brasil, are not yet available. They are expected to be released in late 2012. Data from the first administration of the newly designed, and thus comparable, Prova Floripa will be available in late 2014.</p> <p>Sources: National Institute for Educational Research (INEP) for the IDEB, and Municipal Department of Education (SME) for Prova Floripa.</p>

	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Component I. Expanded coverage and school infrastructure improvements								
Outputs								
New early and basic education facilities in operation.	0	0	2	9	13	2	26	In operation means construction work completed, basic equipment supplied, and teaching corps appointed. Source: SME administrative records and Daily Gazette of the Município of Florianópolis.
Expanded/remodeled and re-equipped early and basic education facilities.	0	0	5	10	11	0	26	Expansion/renovation work completed, basic equipment in place, and additional teachers appointed as needed. Source: SME administrative records and Daily Gazette of the Município of Florianópolis.

	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Final outcomes								
% of children aged 4 to 5 years enrolled in preschool in the city of Florianópolis.	94%	94%	100%	100%	100%	100%	100%	Source: School Census, Integrated School Administration System (SIGEF) administrative records, and Population Census (2010) updates.
% of children aged 0 to 3 years enrolled in crèches in the city of Florianópolis.	38%	38%	38%	46%	52%	60%	60%	Source: School Census, SIGEF administrative records, and Population Census (2010) updates.
% of children enrolled in all-day crèches in the municipal system.	71%	71%	71%	85%	91%	100%	100%	Source: SIGEF administrative records and Population Census (2010) updates.
% of children enrolled in all-day preschools in the municipal system.	66%	66%	66%	80%	90%	90%	90%	Source: SIGEF administrative records and Population Census (2010) updates.
% of children enrolled in all-day schools at the basic education level in the municipal system (open or closed). ¹	42%	42%	42%	50%	68%	68%	68%	Source: SIGEF administrative records and Population Census (2010) updates.
Component 2. Enhanced quality of education								
Outputs								
Number of trained teachers and assistants at the early childhood level.	0	557	2,229	2,231	2,329	3,035	10,381	Source: SME administrative records.
Number of trained teachers at the basic level.	0	219	877	893	933	933	3,855	Source: SME administrative records.
Number of basic education teachers participating in the coaching and support system.	0	0	0	240	480	734	734	Participants include classroom teachers at the preschool and basic education levels. Source: SME administrative records.

¹ All day refers to an extended school day. Closed means when services are provided at the school and open means students attend afterschool activities at another venue.

	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Number of tutoring classes offered.	TBD ²	TBD	TBD	TBD	TBD	TBD	TBD	The baseline will be drawn from courses offered in 2012 and will be used to calculate intermediate and final targets. Source: SME administrative records.
Final outcomes								
Better quality early childhood education services as measured by the ITERS and ECERS observation scale results (Infant and Toddler Environment Rating Scale for crèches, and Early Childhood Environment Rating Scale for preschool, respectively).	TBD	Baseline	-	-	-	ITERS and ECERS scale averages for all establishments rated as adequate (5 to 7 points) with no subscale item rated less than adequate	ITERS and ECERS scale averages for all establishments rated as adequate (5 to 7 points) with no subscale item rated less than adequate	The scales consist of seven subscales (space and furnishings, personal care routines, listening and talking, activities, interaction, program structure, parents and staff). Each is rated with a score in the following five ranges: 1 to 3 points: inadequate 3 to 5 points: minimal 5 to 7 points: adequate 7 to 8.5 points: good 8.5 to 10 points: excellent The baseline will include 100% of the education establishments at this level Sources: Baseline report, three-year report, and final program evaluation.
Better academic performance in language and mathematics as measured by Prova Floripa in 3 rd and 5 th grades in two areas identified in the baseline as posing learning problems.	To be determined in the baseline	-	Baseline	TBD	TBD	TBD	TBD	Data from the first administration of the newly designed, and thus comparable, Prova Floripa will be available in late 2014. Source: SME for Prova Floripa.

² TBD: to be determined

	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Students participating in tutoring activities.	TBD	TBD	TBD	TBD	TBD	TBD	TBD	The baseline will be drawn from 2012 data and will be used to calculate intermediate and final targets. Source: Number of students promoted with restrictions, from the final performance report on basic education (SME).
Component 3: Management, monitoring, and evaluation								
Outputs								
Number of schools using the SIGEF system regularly.	0	0	0	122	14	15	151	Source: SIGEF.
Number of schools participating in the school administrator technical coaching system.	0	0	122	0	14	15	151	Source: Report by the consultant hired to develop and implement the system, and SME administrative records.
Number of students taking the redesigned Prova Floripa test.	0	0	16,000	16,000	16,000	16,000	64,000	Source: Data on administration of the Prova Floripa.
Number of early childhood education establishments with a quality monitoring system in regular operation.	0	0	0	93	10	0	103	Source: Report by the consultant hired to develop and implement the monitoring system, and SME administrative records.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Brazil

Project No.: BR-L1329

Name: Project to Expand and Improve Early and Basic Education in Florianópolis

Prepared by: Fernando Glasman and Santiago Schneider (Financial Management Specialists)
Marília Santos (Procurement Specialist)

I. EXECUTIVE SUMMARY

A. Financial management

- 1.1 The evaluation of fiduciary management was based on meetings with the Bank's project team, the executing agency, and the Florianópolis Municipal Department of Education (SME). Consideration was also given to the operation preparation documents (project profile, ICAS-based institutional assessment, risk matrix following the project risk management methodology) and the Bank's experience working on similar projects with the federal, state, and municipal governments.
- 1.2 Fiduciary agreements were drawn up to govern program procurement and financial administration based on the findings of the assessment of the executing agency.
- 1.3 Furthermore, in preparing the fiduciary agreements, the fiduciary context of the country and the executing agency have been taken into account, with the most salient points addressed below.

II. COUNTRY FIDUCIARY CONTEXT

- 2.1 Brazil has robust national fiduciary systems allowing for good management of administrative, financial, control, and procurement processes, complying with the principles of transparency, economy, and efficiency. Ongoing strengthening of these systems is needed to address new fiduciary requirements. The Bank's fiduciary strategy with Brazil aims for progressive and sustainable utilization of the country's fiduciary systems.
- 2.2 It should be noted that the Bank has been working with the federal government to ensure that the Integrated Financial Administration System (SIAFI) will become the tool of choice for financial and accounting management, and to generate reports for operations executed with the Bank. Another important consideration is the fact that the control function lies with the Federal Secretariat for Internal Control for all loan operations involving the federal government, and at the state

level, the Bank has accorded eligible status to the Audit Offices of Brazil, the Federal District, Bahia, Santa Catarina, Rio Grande do Sul, Espírito Santo, Amazonas, Minas Gerais, Ceará, and Pernambuco. The third aspect refers to the gradual increase in the Bank's use of country public procurement systems, in particular COMPRASNET (electronic reverse auction system run by the federal government) and Banco do Brasil's electronic bidding system.

III. EXECUTING AGENCY FIDUCIARY CONTEXT

- 3.1 The executing agency will be the Município of Florianópolis, through the Municipal Department of Education (SME). Within the SME, a Special Advisory Office will be created, reporting directly to the Secretary's office. It will be responsible for coordinating, planning, monitoring, and executing activities related to projects and actions financed with Bank resources. It will also be responsible for the fiduciary administration of project execution, including preparing the budget and processing expenditure authorization, recognition, and payment.
- 3.2 In matters relating to program execution, the Special Advisory Office will be the SME's interlocutor with the Bank and with other areas within the Department and the municipal administration involved with the program.
- 3.3 The committee will also be responsible for strategic coordination and technical guidance for program actions.
- 3.4 Because this is a municipal project, it will be governed by the national laws regulating public administration, including the Law on Fiscal Responsibility.
- 3.5 Procurement and contracting are governed by Law 8666/93. Because the SME will have to comply with Bank policies for program procurement and contracting, a Special Procurement Committee will be created by an official act of the respective Secretary. To ensure execution of the planned actions, it will be necessary to strengthen and train the team in the Bank's policies, rules, and procedures, and develop and/or purchase a data processing system to perform the controls and generate the reports required by the Bank.

IV. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 4.1 The SME institutional capacity and risk evaluation exercise identified the following fiduciary risks that could potentially delay program execution: (i) centralized bidding in the município, combined with the SME's scant experience with such procedures; (ii) little familiarity with Bank policies (financial, accounting, procurement, progress reports); and (iii) delays in payments to providers, currently processed centrally in the município. The following mitigation measures are proposed: (i) creation of a Special Advisory Office to coordinate program implementation; (ii) creation of the Special Procurement Committee, hiring staff and training them in the Bank's procurement policies; (iii) training for Special Advisory Office and SME staff involved in program execution; and (iv) separate accounts at the SME for Bank and

counterpart funds, to be administered by the SME with the appropriate segregation of functions.

V. ASPECTS FOR CONSIDERATION UNDER SPECIAL CONTRACTUAL CONDITIONS

- 5.1 **Conditions precedent to the first disbursement:** (i) creation of the Special Advisory Office in the Municipal Department of Education; (ii) approval of the program Operating Regulations; (iii) creation of the special procurement committee; and (iv) creation of the program coordination committee, through an official act of the respective Municipal Secretaries.
- 5.2 **Other financial administration requirements.** Supporting documents for all expenditures will be reviewed ex post.
- 5.3 **Exchange rate option.** The exchange rate to be used will be the same rate used to convert the dollar disbursements to the local currency.

VI. AGREEMENTS AND REQUIREMENTS FOR THE EXECUTION OF PROCUREMENTS

1. Execution of procurements and contracting

- 6.1 The fiduciary agreements and requirements concerning procurements specify the provisions governing all program procurement and contracting.
- 6.2 **Procurement of works, goods, and nonconsulting services.** Goods, services, and works, financed in full or in part with proceeds from the Bank's loan, will be procured in accordance with the Policies for the procurement of works and goods financed by the Inter-American Development Bank (document GN-2349-9, of March 2011).
- 6.3 International competitive bidding (ICB) will be required for works, goods, and services when the estimated cost is US\$25 million or more for works and US\$5 million or more for goods and services, in accordance with the procedures specified in Section II of document GN-2349-9. National competitive bidding (NCB) may be used for works when the estimated cost is less than US\$25 million, and for goods and services for less than US\$5 million. The shopping method may be used for works with an estimated cost of less than US\$500,000, and for goods and services for less than US\$100,000, in accordance with the procedures in Section III of the aforementioned document.
- 6.4 The Bank may recognize the methods specified in Law 10520/2002—Electronic Auction Law, in process—when the estimated cost per contract is below the threshold set for ICB, provided they comply with the requirements in the Bank's procurement policies, especially those referring to: (i) the origin of the goods; (ii) the nationality of the vendors; (iii) changes in purchase orders; (iv) prohibition of price bands; and (v) publication in a major national daily newspaper.
- 6.5 The following limits apply to procurement under Law 10520/2002: (i) electronic auction, using Bank-approved systems for the procurement of off-the-shelf goods and services with an estimated cost of US\$5 million or less; (ii) price list for

- procurement of off-the-shelf goods with an estimated cost of US\$5 million or less, with prior Bank authorization of such list; and (iii) live auction for the procurement of off-the-shelf goods and services with an estimated cost of US\$100,000 or less. The Bank may, at any time during program execution, eliminate the use of one or more procurement methods described in this paragraph.
- 6.6 **Selection and contracting of consulting services.** Consulting services, financed in full or in part with IDB loan proceeds, will be selected and contracted in accordance with the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9, of March 2011).
- 6.7 Consulting firms will be selected and contracted pursuant to the methods in Section II (Quality- and Cost-Based Selection – QCBS) and Section III (Other Methods of Selection) of document GN-2350-9, taking into account the structuring of processes, guidelines, and standards described in Section II (QCBS).
- 6.8 The executing agency will draw up short lists consisting of six firms that meet the technical requirements specified in the Request for Expressions of Interest.
- 6.9 Short lists for assignments estimated to cost US\$1 million or less per contract may consist entirely of national firms. When the estimated cost of the contract is US\$1 million or more, the short list will consist of six firms, with no more than two of the same nationality.
- 6.10 Regardless of the selection method used, when the estimated cost of the assignment is US\$200,000 or more per contract, the Request for Expressions of Interest will be published online in the United Nations Development Business (international advertising).
- 6.11 Individual consultants, financed in full or in part with proceeds from the Bank's loan, will be selected and contracted in accordance with Section V (Selection of Individual Consultants) of document GN-2350-9.
- 6.12 **Retroactive financing and recognition of expenditures.** The Bank can finance retroactively eligible expenditures for up to US\$4.1 million (approximately 7% of the proposed loan amount) and can recognize eligible expenditures for up to US\$4.9 million (approximately 8% of the estimated local counterpart amount) made by the borrower prior to the loan approval date. Those expenditures will be recognized provided they meet requirements substantially similar to those established in the loan contract. They must have been made within the 18 months prior to the loan approval date, but in no case will expenditures made prior to 19 March 2012 (the date on which the Project Profile was approved) be accepted.
- 6.13 **Domestic preference.** There are no domestic preference margins.
- 6.14 **Direct contracting.** There are plans to directly contract the Carlos Chagas Foundation, a private nonprofit institution, for up to US\$800,000, to design and

implement the quality monitoring system for early childhood education services in the município of Florianópolis. Participation by the Carlos Chagas Foundation is regarded as essential as it was instrumental in adapting the early childhood education observation scales to the Brazilian reality. The scales were used to assess a small sample of schools in six Brazilian capitals, including Florianópolis (see paragraph 1.4).¹ As part of this consulting assignment, in addition to developing the monitoring system, the Foundation will also assess the quality of all early childhood education establishments. The Foundation is a respected applied research institution, guaranteeing the qualifications of the professionals who will be involved in the consulting services.

2. Table of threshold amounts for Brazil (US\$)

Works			Goods			Consulting services	
International competitive bidding	National competitive bidding	Shopping	International competitive bidding	National competitive bidding	Shopping	International publicity	100% national short list
≥ 25,000,000	< 25,000,000 & ≥ 500,000	< 500,000	≥ 5,000,000	< 500,000 & ≥ 100,000	< 100,000	≥ 200,000	< 1,000,000

3. Principal procurements

Activity	Procurement method	Estimated date	Estimated amount US\$
Works			
Construction of one and renovation/expansion of two early education centers	NCB	Aug-13	1,895,839
Construction of four and renovation/expansion of four early education centers	NCB	May-13	6,535,948
Construction of eight early education centers	NCB	Apr-14	10,977,080
Renovation and expansion of three basic education centers	NCB	Apr-13	1,561,668
Renovation and expansion of one basic education center	NCB	Jul-13	520,556
Construction of two basic education schools	NCB	Dec-13	6,361,110
Construction of one basic education school	NCB	Feb-13	3,180,555
Construction of a Basic Education Innovation Center	NCB	Sep-13	11,111,110
Land			
Procurement of 19 plots to build schools	DC	Jan-13	4,653,000
Goods			
Procurement of furniture, appliances, and computers for the early and basic education facilities constructed, renovated and/or expanded under the project	PPE	Mar-14	11,462,640
Procurement of educational - pedagogical materials for all SME units	PPE	Sep-13	22,043,890
Nonconsulting services			
Consulting services to design the technical advisory system for administrators	QCBS	Nov-13	1,797,000
Consulting services to design and implement the ECE quality monitoring system (including baseline)	DC	Mar-13	1,000,000

¹ This evaluation was performed with resources from ATN/OC-11259-BR.

Consulting services (firms)			
Early childhood education teacher training	NCB/PE	Oct-13	441,190
Training for basic education teachers and non-teaching staff	NCB/PE	Oct-13	517,140
Contracting of a works supervision and oversight company	NCB	Jan-13	3,886,670

4. Review of procurements

- 6.15 Ex ante review was agreed upon with the team for the first relevant processes listed in the procurement plan, financed in full or in part by the Bank, regardless of their value, as well as for all processes with an estimated cost that exceeds the ICB thresholds. When deemed appropriate, based on joint analysis with the executing agency and at the Bank's discretion, these procurements may be reviewed ex post.

5. Special provisions

- 6.16 Procurement plan. The SME will present, for the Bank's review and approval, every 18 months or as needed, updates to the 18-month procurement plan.
- 6.17 For goods and nonconsulting services procured in accordance with Law 10520/2002 (Electronic Auction Law), the processes will be carried out on systems acceptable to the Bank, such as COMPRASNET or Banco do Brasil's electronic bidding system. The project sector specialist will be responsible for executing and updating procurement plans, as well as executing procurements and reviewing technical specifications.

6. Records and files

- 6.18 Program records and files will fulfill the following conditions, at a minimum:
- Records/processes will contain original documents, filed in chronological order.
 - Records/files will be kept in a suitable environment intended for such purpose, with restricted access and preventive security measures, such as a smoking ban, access limited to authorized persons, etc.
 - A record will be kept of all documentation on file.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 7.1 The SME will be responsible for program strategic and technical coordination, and will set program guidelines and priorities.
- 7.2 The SME will also maintain operational communications with the Bank and support the execution of activities. Specifically, it will: (i) plan the execution of activities as specified in the program execution plan, the budgets, and the annual work plan; (ii) prepare and update the initial project report, the annual work plan, procurement plan, semiannual progress reports, evaluation reports, and project completion report; (iii) manage, monitor, and supervise execution of the annual work plan and the indicators listed in the results matrixes for the operation results; (iv) conduct budget and financial planning for the program, and perform the

corresponding monitoring activities; (v) implement and maintain a control system to guarantee correct use of loan proceeds, and maintain and preserve project documents; (vi) execute and supervise the technical aspects of the project; (vii) execute the activities necessary for processing program procurements; (viii) prepare the technical files for the execution of each component; (ix) formulate technical specifications and terms of reference to process procurements; (x) prepare and present regular program progress reports covering both qualitative and quantitative elements; and (xi) conduct fiduciary management of the operation and assume responsibility for program contracts and financial administration, including managing resources and payments, preparing financial statements, keeping accounts, preparing requests for disbursement, and providing information for audits.

- 7.3 The project budget will be duly recorded and operated through the BETHA financial management system used by the Município of Florianópolis.
- 7.4 The budget for program activities will be approved by the appropriate legal instrument. The Bank will reimburse eligible project expenditures in conformity with the agreements arranged and signed.

1. Accounting and information systems

- 7.5 Project budget and financial execution will be carried out directly through the ERP BETHA, which will be duly adapted for this purpose. Project components and subcomponents will be integrated with municipal accounts.

2. Disbursements and cash flow

- 7.6 The program will operate with resources advanced by the Bank to meet project liquidity needs. Disbursement requests will be submitted together with a financial plan reflecting the need for funds for a given period as previously agreed upon with the Bank. The executing agency will deliver the initial financial plan for the project to the Bank along with a disbursement schedule for the entire execution period. In order to obtain future advances (if applicable), accounts will have to be rendered for at least 80% of the previous advanced funds, and the executing agency will have to present a new financial plan for the period in question.
- 7.7 When accounting for loan proceeds and local counterpart funds, amounts paid in local currency will be converted to the currency of the operation, observing the following exchange rate provision: the exchange rate to be used will be the same rate used to convert the dollar disbursements to the local currency. Expenditures deemed not eligible by the Bank will be covered by local contribution or other resources, at the borrower's discretion, depending on the reason for ineligibility.

3. External control and reports

- 7.8 The State Audit Office of Santa Catarina or an independent auditing firm approved by the Bank will exercise external control.
- 7.9 Within 120 days after the close of each fiscal year, project financial statements will be submitted to the Bank, duly audited by the State Audit Office of Santa Catarina

or, failing that, by a previously selected firm of independent auditors contracted in accordance with the Bank's applicable policies and procedures.

- 7.10 The auditor's opinion and other reports will follow the guidelines with respect to content set by the Bank for external audits, and will be presented to the Bank within the timeframe specified in the loan contract.

4. Financial supervision plan

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsible area	
			Bank	Third party
OPERATIONAL	Review of physical progress of component actions and activities measured against disbursements	Semiannual	Technical team	
	Progress report review	Semiannual	Fiduciary and technical teams	Executing agency
	Portfolio review	Annual	Technical team	
FINANCIAL	Prior and post review of disbursements and procurement	Annual	Fiduciary team	Fiduciary team and external auditors
	Financial and operational audit	Annual		State Audit Office or external auditing firm
	Review of disbursement requests and related reports	Periodic	Fiduciary team	
	Inspection visit, analysis of internal controls, and control environment	Annual	Fiduciary team	
COMPLIANCE	Annual budget resource allocation for project execution	Annual	Fiduciary team	Executing agency
	Presentation of audited financial statement and operational audit	Annual	Fiduciary and technical teams	Executing agency
	Conditions precedent to the first disbursement	Only once	Fiduciary and technical teams	Executing agency

5. Execution mechanism

- 7.11 Given the execution mechanism described in the Proposal for Operational Development, the administrative and financial execution plan will be centralized through the SME. The SME will prepare the annual budget and financial execution plan, both for the local contribution and the Bank loan. As mentioned, a Special Advisory Office will be established to coordinate activities carried out by SME directorates and line departments.