

IMPROVEMENT AND EXPANSION PROGRAM FOR SECONDARY EDUCATION "ESCOLA JOVEM"

(BR-0300)

EXECUTIVE SUMMARY

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| Borrower and guarantor: | Government of Brazil | | | |
| Executing agency: | Department of Secondary and Technical Education, Ministry of Education (SEMTEC/MEC) | | | |
| Amount and source: | (In US\$ millions) | | | |
| | Phase I | Phase II | Total | |
| IDB (OC) | 250 | 250 | 500 | |
| National counterpart funding: | <u>250</u> | <u>250</u> | <u>500</u> | |
| Total: | 500 | 500 | 1,000 | |
| Financial terms and conditions: | Amortization period: | 25 years | | |
| | Disbursement period: | 3.5 years | | |
| | Commitment period: | 3 years | | |
| | Grace period: | 4 years | | |
| | Interest rate: | variable | | |
| | Inspection and supervision: | 1% | | |
| | Credit fee: | 0.75% | | |
| | Currency: | basket of currencies | | |
| Objectives: | <p>The general objective of the program is to promote the reform and expansion of secondary education, by improving the quality and coverage of the school system in ways that will increase equity and contribute to the country's economic and social development.</p> <p>Specifically, the program is intended to:</p> <ul style="list-style-type: none">a. Expand the coverage of secondary education, particularly in terms of number of school-age children;b. Reduce grade repeater and dropout rates; andc. Improve learning performance as measured by achievement tests. | | | |

These objectives will be achieved by encouraging individual states to undertake reforms and investments to improve and expand secondary education (SE), through the provision of project financing grants.

Description: To achieve these objectives, the "Escola Jovem" program consists of two subprograms:

1. Subprogram: financing investment projects at the state level. (Phase I: US\$450 million)

This subprogram will finance investment projects (IPs) undertaken at the state or "federated unit" level to improve and expand secondary education. These projects will be based on specific appraisals and will include:

- a. Programs to reduce grade repeater and dropout rates in grades 5 through 8, so as to help low-income students complete school and avoid lagging behind their age cohort ("age-group lag");
- b. Definition and gradual adoption of basic minimum operating standards for schools (PMBFE), to enhance the quality of education, via:
 - (i) Implementing a plan to rationalize the use of existing human resources and state-owned infrastructure;
 - (ii) Developing and implementing new curricula, training human resources, upgrading and expanding infrastructure, procuring teaching materials, creating teacher performance incentives, strengthening school autonomy and management capacity, and reinforcing management of school systems;

2. Subprogram: national policies and programs (Phase I: US\$37.5 million)

The purpose here is to help implement national policies and programs. Specifically, this subprogram includes: (i) institutional strengthening of SEMTEC and of information and evaluation systems to improve the formulation and implementation of secondary education policies; (ii) preparing and producing a national secondary education "telecourse"; (iii) technical assistance and training at the state level; (iv) supplying teaching materials directly to secondary schools and departments of education; and (v) public communication about secondary education reform and the program itself.

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| Relationship of project in Bank's country and sector strategy: | The proposed project fits the Bank's strategy for encouraging public sector reform and attention to social problems, through its emphasis on: (i) modernizing state systems of education administration; (ii) enhancing the efficiency of educational expenditure; and (iii) expanding the education system to include greater numbers of young people, with an emphasis on measures to promote access by disadvantaged groups, thereby helping to reduce the level of social inequality. |
| Environmental and social review: | The recommendations of the Committee on Environment and Social Impact (CESI) have been incorporated into the program (paragraph 4.17). |
| Benefits: | The program will improve the equity, efficiency and quality of secondary education in Brazil, thereby assuring a more relevant education to a greater number of students. |
| Risks: | <p>Financial capacity of the states. The precarious finances of some states could limit demand for program resources and could threaten the sustainability of investments that are undertaken. To deal with these aspects, the program calls for two approaches: (i) eligible counterpart contributions will include not only investment expenditures but also incremental operating costs associated with those investments, and (ii) as part of each IP, the state will need to quantify all incremental costs associated with the project and identify mechanisms to ensure sustainability of the investments.</p> <p>Management capacity of the states. The managerial weakness of some state education departments could compromise execution of the IPs. To minimize this risk, each state will submit, prior to or along with its IP, a plan to establish a State Management Unit (UGE). Alternatively, it must demonstrate that existing structures are adequate for executing the corresponding IP. These state units will receive training in all relevant aspects from the Program Coordination Unit (PCU).</p> <p>Implementing new curriculum guidelines. Each state's education system will have the task of "contextualizing" the new curricular guidelines so that secondary education will become more effective and relevant, particularly for meeting the demands of the labor market. Moreover, each school team will have to adjust a portion of the curriculum to local characteristics. These requirements may in some cases exceed existing capacities. To deal with this situation, the program calls for creating the necessary capacities, during Phase I, and developing methodologies and tools to facilitate full implementation of the guidelines.</p> |
| Special contractual clauses: | Prior to the first disbursement, evidence must be submitted to the Bank's satisfaction showing that: (i) the PCU has been expanded in accordance with the terms of reference agreed with the Bank |

(paragraph 3.1); and (ii) the Operating Regulations and their annexes are in effect (paragraph 3.6).

Prior to the first disbursement for the IP financing subprogram, the first three state investment projects (paragraph 3.28) must be submitted to the Bank for no objection.

For the first four bidding procedures: (i) prior to tendering, the bidding documents must be submitted to the Bank for no objection; and (ii) prior to award, the basis and results of selection must be submitted to the Bank for no objection (paragraph 3.28).

Before contracting consulting services in amounts less than US\$100,000, in the case of individual consultants, and US\$200,000 in the case of consulting terms, the generic terms of reference to be used must be submitted to the Bank for no objection (paragraph 3.29).

The eventual contract must specify sufficient provisions to ensure the presentation of an annual operating plan, monitoring and evaluation of the program, presentation of audited financial statements and methodologies for continuous evaluation of the program, utilization of Bank procedures for the procurement of goods and services and contracting of consulting services, and maintenance of goods and equipment (paragraphs 3.21, 3.22, 3.23 and 3.31). It should also stipulate the commitment of the Secretaria Federal de Controle [Federal Supervisory Department] (SFC) to audit the disbursements semiannually (paragraph 3.37).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Exceptions to Bank policy:

None.

Procurement:

Normal Bank procurement procedures will apply to construction works, goods and services to be financed with resources from the proposed loan. The procurement of construction works for amounts of US\$5 million and more, goods for amounts of US\$350,000 or more, and services for US\$200,000 or more will require international public bidding. In order to streamline execution of the program, however, national bidding procedures will be evaluated on an ex post basis.

I. FRAME OF REFERENCE

A. Introduction

- 1.1 School enrollment levels in Brazil are low in comparison to other middle-income countries. This situation has been pointed to as one of the factors responsible for the excessive inequality of income distribution, and the high level of structural poverty. Low enrollment also imposes a constraint on the country's political and social development, as well as on its economic growth. This is particularly true at a time of increasing economic openness, with its attendant need to create competitive advantages. The Government of Brazil has undertaken a series of measures to meet this challenge, including the present program to improve and expand secondary education.
- 1.2 The educational challenge facing Brazil is especially acute at the secondary level, in terms of coverage as well as efficiency, quality, and equity. A sustained effort to invest in improving primary education over the last 15 years – something that was undertaken much earlier in other Latin American countries – has made itself felt in the growing numbers of students who are completing this level of schooling, and who now are exerting increasing demands for greater access to secondary education. The state education systems in Brazil are not yet prepared to cope with this demand. Their curricula are out of date, teachers are not well trained, and the necessary classroom materials and infrastructure are lacking, all of which point to the need for an immediate and large-scale effort both to correct the current situation and to prepare for meeting future demand.
- 1.3 The Government of Brazil has requested the Bank to consider a global program of up to US\$1 billion (US\$500 million in loan funds) to be financed in two phases of US\$500 million each (US\$250 million in loan funds). The program is divided into two phases to mitigate the execution risks associated with the financial and institutional limitations of the states. Authorization for financing of Phase II will depend on a satisfactory evaluation of Phase I. This document has been prepared in that context.

B. Organization of the Brazilian education system

- 1.4 Brazil's education system is composed of: (i) basic education, consisting of early childhood education (0 to 6 years); eight grades of primary education (7 to 14 years), referred to as "fundamental" schooling; and three grades of secondary education (15 to 17 years); (ii) technical and vocational education; and (iii) higher education, consisting of universities and other facilities. The system also offers special education for children with learning difficulties, and supplementary education for young people and adults beyond school age. The Constitution accords a proactive role to publicly supported education in the training of Brazilian citizens, without placing any obstacles to the development of private education. It also

provides that public education must be free, and that primary schooling is compulsory, while secondary education is to be progressively universalized.

- 1.5 With respect to the administration and financing of public education, the basic legislation calls for decentralizing the structure to the state level, with increasing devolution to the municipal level in the case of early childhood and primary education, while maintaining responsibility for secondary education (SE) with the states. Currently, municipalities are already administering a high proportion of primary education, although the states still retain an important role in this area. On the other hand, few municipalities are involved in administering secondary education. table I-1 presents global statistics on the distribution of enrollment at various levels in both the public and the private sector.

Table I-1: Distribution of enrolment (1998)

| Level and ideal age range | Total enrollment 1998 (millions) | Public % | | | Private % |
|----------------------------|----------------------------------|----------|----------------------------|-----------|-----------|
| | | Federal | Federal units ¹ | Municipal | |
| Childhood (0 to 6 years) | 4.9 | - | 13% | 62% | 24 |
| Primary (7 to 14 years) | 35.8 | - | 48% | 42% | 9 |
| Secondary (15 to 17 years) | 7.0 | 2% | 76% | 5% | 18 |
| Higher | 2.1 | 22% | 14% | 6% | 58 |

¹ The term "Federated Units" refers to the states plus the Federal District (DF)

Source: MEC/INEP

- 1.6 The Ministry of Education (MEC) now plays primarily a standard-setting and supervisory role, although it retains the power to conduct nation-wide programs for implementing national education policy. The MEC administers and finances some schools at the secondary level (which are now in the process of being converted to vocational schools) and is heavily involved in the funding of higher education.
- 1.7 With respect to human resource administration, the subnational systems are for the most part organized along conventional lines, with centralized contracting, evaluation and promotion, and are governed by professional regulations. These regulations are the result of negotiations between governments and the respective teachers' unions.
- 1.8 In many states of Brazil over the past decade, public education, including secondary schooling, has benefited from a number of decentralization initiatives to enhance school autonomy, whereby: (i) funding is transferred direct to the schools; (ii) school principals and directors are chosen by electoral colleges that include parents and other interested parties; and (iii) school councils have been established

to elicit discussion and evaluation from various members of the community, and in some cases to exercise supervisory functions.

C. The financing of education

- 1.9 Total spending on education in Brazil amounts to 4.7% of Gross Domestic Product (GDP), well above the average for the region (3.5%), and on a par with levels observed in developed countries of the Organization for Economic Cooperation and Development (OECD). Nevertheless, in comparison with other countries, the proportion of spending on secondary education is still relatively low.
- 1.10 The federal Constitution provides that the states and municipalities must devote to education at least 25% of their revenues from taxes and transfers, a proportion that rises to 35% in some states, as a result of specific provisions in their state constitutions. The Constitution also requires that 60% of state and municipal funding for education must be earmarked for primary education, while the remaining 40% is to be devoted to secondary instruction, in the case of the states, and to early childhood schooling, in the case of the municipalities. Nevertheless, because the Constitution was promulgated after most state educational systems were in place, the intention of this legislative provision has not been completely fulfilled. In fact, there are still municipalities that offer secondary education, although their numbers are decreasing. On the other hand, most of the states offer higher education, and devote a large part of their funding to that level. They also spend much of their education resources on pensions for education system personnel. Because the states are the primary instance responsible for financing SE, it is clear that they will increasingly have to give priority in their spending and investment to expansion of their respective systems. The proposed program, as presented in chapter II, will provide a strong incentive to the states to establish priorities of this kind.

D. Trends and performance in the Brazilian education sector

1. Demand forecasts for secondary education

- 1.11 In the past 15 years, basic education has made major progress both in terms of coverage and in terms of the average length of schooling provided. In 1980, the average amount of schooling among the population was less than four years; this indicator improved rapidly to five years by 1990, and 6.5 years in 1998, a level that is similar to the average for Latin America. This progress was the result of an enormous effort to broaden the coverage of primary education, which today is virtually universal.
- 1.12 Despite the high coverage ratio at the primary level, high repeater and dropout rates have meant historically that the proportion of students completing primary school was relatively low, and thus schooling at the secondary level was essentially

reserved to a privileged minority who were able to pursue their studies in private schools. Even today, only 60% of students can expect to complete grade 8, while in Chile, for example, that proportion is greater than 80%. This factor limits the demand for SE in Brazil to levels well below the average for countries with a comparable income per capita.

- 1.13 Another consequence of the low internal efficiency¹ of the system is that most of those who manage to complete primary school and to enter the secondary level do so two or three years later than the ideal reference age. Many of these people are already young working adults. This is reflected in the fact that more than half of the student body at the secondary level is enrolled in night classes.
- 1.14 During the last decade, however, primary education has become universal, and continuous efforts have been made to reduce repeater rates and to enhance the internal efficiency of primary schooling, with the result that today three out of every four students complete grade 4. On the other hand, the shifting demographic structure means that total enrollment in the first four grades of primary school is beginning to drop. Most students are now reaching the later primary grades (5 to 8), and a steadily increasing number of students are completing primary school. Social demand for SE is rising accordingly.

- 1.15 Table I-2 shows that during the next five years Brazil will complete this transition and that enrollment at the primary level will stabilize, while the major challenge in basic education will be to expand secondary instruction. As internal efficiency improves, the flow of students through primary school will become more regular [referred to hereinafter as "regularizing the flow"], and they will begin to enter secondary school at the normal age, a phenomenon that is already beginning to show up in increasing demand for day-school classes.

| Table I-2 Projected demand (in millions) | | | | |
|---|------------------|------------------|-------|-----------|
| Year | Primary | | Total | Secondary |
| | Grades 1 to 4 | Grades 5 to 8 | | 9 to 11 |
| 1980 | 17.3 | 7.4 | 24.7 | 2.8 |
| 1991 | 19.5 | 9.7 | 29.2 | 3.8 |
| 1998 | 21.2 | 14.3 | 35.5 | 7.0 |
| 2002* | 17.7 | 16.7 | 34.4 | 9.3 |
| 2007* | 16.2 | 15.6 | 31.8 | 12.6 |

* Projected using the Ruben Klein model.

- 1.16 As a reflection of the progress achieved, and of growing access for the middle classes to secondary education, most of the enrollment growth has been absorbed by public schools, primarily by the state school system. The data suggest that the

¹ Internal efficiency relates to the flow of a cohort of students from the time they enter the school system until they leave it. Repetition and dropouts have a negative effect on efficiency and increase the cost per graduate.

proportion of the student body served by tuition-charging private schools has stabilized at about 20%, and that enrollment growth rates in the state system are three or four times higher than in the private system. This explosive growth in public SE is a relatively recent phenomenon (over the last ten years), and it is occurring at a varying pace, depending on the stage of development of the education system in different states.

2. Differences between regions and states

- 1.17 On the other hand, discrepancies in economic opportunities, the dynamics of the urban labor market and migration within and among regions (from the interior to rapidly growing metropolitan areas) mean that the challenges facing SE in Brazil are highly varied.
 - a. In the more advanced states of the South and Southwest, two out of every three students are now completing the primary level and are seeking alternatives for pursuing their studies, both in metropolitan areas and in the interior.
 - b. In the less-developed states of the North and Northeast, barely one out of every three students succeeds in completing primary school, and the principal bottleneck is still to be found in the later years (grades 5 to 8) of this level. Consequently, most of the growth at the secondary level is concentrated in the capital cities, and is highly influenced by migration of people from rural areas in search of work.
- 1.18 Differences can also be appreciated in the quantity and quality of SE offerings. Financial constraints on state governments have imposed severe restrictions on the expansion of education at this level, and on its quality. Regional variations in the demand profile and in the quantity and quality of educational offerings are reflected in the levels of coverage, and in the indicators of efficiency and quality for the respective education systems. Table I-3 presents some economic and educational indicators for each of the five regions, and table I-4 shows the same indicators for selected states.

Table I-3
Socioeconomic and education discrepancies between regions and states

| Region | Income per capita 1996 (US\$) | Years of schooling (1996) | Primary | | | Secondary | | |
|--------------|-------------------------------|---------------------------|-----------------------|--------------------|------------------|-----------------------|--------------------|------------------|
| | | | Enrollment (millions) | Gross coverage (%) | Net coverage (%) | Enrollment (millions) | Gross coverage (%) | Net coverage (%) |
| Brazil | 6,491 | 5,9 | 35,8 | 138 | 95 | 7,0 | 68 | 31 |
| North | 4,705 | 5,8 | 3,2 | 134 | 90 | 0,5 | 53 | 15 |
| Northeast | 3,085 | 4,4 | 12,3 | 147 | 90 | 1,5 | 46 | 15 |
| Southeast | 8,843 | 6,6 | 13,3 | 135 | 97 | 3,4 | 85 | 43 |
| South | 6,865 | 6,3 | 4,6 | 127 | 97 | 1,1 | 80 | 45 |
| Central-West | 7,073 | 6,0 | 2,6 | 141 | 94 | 0,5 | 72 | 31 |

Gross coverage: number of children enrolled relative to total of children in the ideal age bracket.

Net coverage: number of enrolled children of ideal age relative to total of children within the ideal age bracket.

Source: MEC/INPE/SEEC

Table I-4
Discrepancies between states (examples)

| Region | Population in metropolitan areas (%) | Years of schooling (1996) | Primary | | | Secondary | | |
|-----------|--------------------------------------|---------------------------|-----------------------|------------------|--------------------|-----------------------|------------------|--------------------|
| | | | Enrollment (millions) | Net coverage (%) | % completing level | Enrollment (millions) | Net coverage (%) | % completing level |
| São Paulo | 49 | 7,1 | 3,2 | 98 | 66 | 1,8 | 52 | 51 |
| Bahia | 22 | 4,6 | 1,0 | 92 | 47 | 0,4 | 12 | 36 |
| Ceará | 38 | 4,7 | 0,5 | 90 | 56 | 0,2 | 17 | 39 |
| D.F. | 100 | 8,6 | 0,2 | 98 | 60 | 0,1 | 48 | 45 |

Source: MEC/INPE/SEEC and Ruben Klein model

- 1.19 As can be seen from tables I-3 and I-4, there are wide socioeconomic and educational discrepancies between regions and between states. The more developed states in the South and Southwest have education indicators that are similar to or higher than the average for Latin American countries as a whole: most of their students succeed in completing primary school, a fact that is reflected in an explosion of demand for secondary education among the middle classes, who previously had no such access. This is also the case in the Federal District (Brasilia). In contrast, the less-developed states of the Northeast and the North still face serious problems in terms of internal efficiency at the primary level, which means that most of their students do not even complete the eighth grade. Thanks to this situation, the average length of schooling among the population in those states is less than five years, compared to an average of seven or eight years for states where the education system has been able to regularize the flow of students at the primary level. The states of the Central West fall into a secondary position between these two extremes.

3. Equity

- 1.20 The issue of equity can be approached from two perspectives. On one hand, there are socioeconomic differences among the regions, as a function of their levels of income per capita and the incidence of poverty (regional equity). On the other hand, there are differences in terms of education systems (equality of educational opportunity), and it is these that determine whether poor people will in fact have access to SE.
- 1.21 If a uniform definition of poverty is applied, and allowing for the fact that the incidence of poverty (percentage of poor families) is higher in the Northeast than in the Southeast, the probability that a student from a poor family will be able to go on to SE is much higher in São Paulo (South), where two-thirds of students complete the primary level, than in Bahia (Northeast), where only one in three children (the non-poor) complete grade 8. For the country as a whole, household survey data show that only 13% of students from families in the poorest three income distribution deciles complete primary school, compared to 76% in the case of students from families in the richest three deciles.
- 1.22 The implications for education policies that seek to improve equity are clear enough. In states where the bottleneck is still to be found in the low efficiency of the primary system, efforts must be focused on further reducing the repeater rate and improving performance at this level, so that greater numbers of poor students can complete it successfully and move on to SE. In states where the flow of students has already been regularized, the challenge is to broaden educational opportunities and alternatives so that students from disadvantaged families who have completed the eighth grade will have access to a secondary education of good quality. The reality in most of the states is a mixture of these two situations: in rural areas, the bottleneck is still at the primary level, while in the metropolitan areas there is an explosion of demand for SE, and a consequent need to offer viable alternatives for the working population (night schools, supplementary classes, telecourses).
- 1.23 The proposed program will incorporate both types of policies, depending on the needs of the states in question. As a criterion of eligibility under the program, a state must adopt or have already implemented programs to regularize the flow of students through grades 5 to 8. The program will also finance educational alternatives that have proven their effectiveness with working adults and youth who normally attend night school or supplementary classes (e.g. evening telecourses in São Paulo). As well, it will encourage the use of distance education and new technologies as alternatives for providing instruction in areas where it is not feasible to have a regular secondary school (because of a widely scattered population, or the lack of teachers).

E. Factors determining educational performance

- 1.24 The "Sector Study on Secondary Education in Brazil", which is being carried out jointly by the Inter-American Development Bank (IDB) and the World Bank, has examined **factors of supply and demand** that influence student educational performance (years of schooling and learning achieved). With respect to **supply**, the results confirm the importance of the variables that contribute to a **school's quality**, in particular the role of the director or principal, the time devoted to teaching, and the inputs that the school can draw upon. On the other hand, the study raises a number of important questions about the quality and relevance of teacher training. From the viewpoint of **demand**, results of the study stress the importance of the **age-group lag** and labor market participation as factors that impel students to take night courses, or to drop out of school completely. Similarly, the study points to the strong influence of socioeconomic variables: in particular, the educational level of parents is a significant factor, even when data are corrected for differences in income levels.

1. School quality

- 1.25 In Brazil, the relatively low quality of schools is associated with a number of elements:
- a. A curriculum that is outdated and fragmented, and teaching methods that show little adjustment to different student profiles.
 - b. Shortcomings in terms of human resources and infrastructure, which mean that: (i) secondary-level instruction must rely primarily on administrative structures, physical premises, human and financial resources that from the legal viewpoint belong to the primary education system, and hence lack their own identity; (ii) a reduced supply of daytime classes; (iii) excessive numbers of teaching shifts in the schools (three or four shifts per day); (iv) a high number of students per classroom (40 to 50); and (v) a relatively short school day (3 or 4 hours of classes per day).
 - c. Inadequate teaching equipment and materials.
 - d. Teaching schedules that force teachers to divide their time among various schools; this makes it difficult for them to establish any personal identification with one school in particular, and leaves them no time to meet with other teachers to exchange information on teaching techniques or to compare the academic achievements of their students.
 - e. The lack of a youth culture within the schools that could serve as a catalyst for learning.
 - f. Inadequate training of teachers.

- g. Weak management and support systems for the schools, a limited capacity for self-management, and a lack of performance incentives.

1.26 These structural features of the system are reflected in the lack of minimum operating standards for secondary schools. There is a need for policies and programs that will respond to these shortcomings in an integrated manner, taking the school as their focal point, and the improvement of learning as their objective

F. Program strategy

1.27 The program will serve as an instrument whereby the federal government will provide support and incentives to the states, through a matching-grant mechanism, to undertake reforms and investments to improve and expand SE. The principal reforms and investments that will be encouraged are the following:

- a. Adoption of programs to regularize the student flow through grades 5 to 8 so as to overcome the age-group lag and provide greater educational opportunity for low-income groups;
- b. Definition and gradual adoption of **minimum basic school operating standards (PMBFE)** (relating to the quality and quantity of physical and human inputs, the educational process, and school management), in order to improve the quality of instruction, by:
 - (i) Designing and implementing new secondary school curricula, in accordance with the Basic Secondary Curriculum Guidelines (DCNEM);
 - (ii) Implementing a plan to rationalize the use of existing human resources and state-owned infrastructure;
 - (iii) Upgrading and expanding educational infrastructure and the supply of teaching equipment and materials;
 - (iv) Defining and implementing a policy for qualifying teacher candidates, so as to improve the level of preparation of the teaching body;
 - (v) Continuous training for teachers;
 - (vi) Creating benefits and incentives to make the teaching career more attractive and to encourage teachers to improve their performance, recognizing the limited capacity to raise teachers' salaries;
 - (vii) Supporting development of a youth culture in the schools as a catalyst for learning;

- (viii) Supporting the autonomy and management capacity of schools, primarily through the financing of school projects; and
 - (ix) Strengthening the management of the school system, with particular reference to decentralization at the individual school level, developing and implementing educational policies, management information, and measuring and evaluating performance of the school system and educational projects.
 - (x) Developing alternative approaches, including distance learning and education for indigenous groups and persons with disabilities.
- 1.28 To be eligible, a state-sponsored investment project must include (or demonstrate that it already complies with) items b.(i), b.(ii), and b.(iv), above, and demonstrate that it has complied with (a), as conditions for further investment in the project.
- 1.29 The foregoing actions will be based on appraisals of current and projected demand in each state, using the best available methodologies. In addition, each state will be expected to plan and budget for the resources needed to ensure that investments under the program are sustainable over time.
- 1.30 The approach to implementing the proposed strategy will vary from state to state, depending on the particular appraisal in each case. States such as São Paulo and Rio Grande do Sul, where the primary education system is more mature, are facing massive and burgeoning demand for SE, and their greatest challenge is to make optimal use of current resources, ensure the quality of the system, and expand its capacity. In fact, São Paulo has for some time been rationalizing the use of its infrastructure and human resources, and is now ready to implement a new curriculum, to support education projects and to expand the number of secondary schools.
- 1.31 On the other hand, states in the North and Northeast still face serious problems of internal efficiency at the primary level. Consequently the demand for SE, while growing, is limited, and great institutional weaknesses persist at this level of instruction. These states require greater efforts to regularize student flow at the primary level. As well, they need to rationalize the use of their existing resources, strengthen their management and school support systems, and gradually establish minimum operating conditions in the schools. The more sparsely populated states, like Rondonia and Amazonas, have greater problems of scale and a shortage of trained teachers, factors that point to the development of distance education programs.
- 1.32 With respect to direct action by the MEC in support of the proposed changes, this will consist of:

- a. Institutional strengthening of the Department of Secondary and Technical Education (SEMTEC), and the SE information and evaluation systems, so that SE policies can be properly formulated and carried out;
- b. Identifying, evaluating, systematizing and disseminating successful innovations and experiments in educational practices;
- c. Preparing and producing a "telecourse" for SE;
- d. Technical assistance and training for the states;
- e. Supplying educational materials directly to secondary schools and to education departments;
- f. Monitoring the evolution of SE; and
- g. Communicating with the public about SE reforms and the program.

G. The current government's educational policies

- 1.33 The current government's education policy places priority on developing and expanding primary education, reforming, improving and expanding SE, and reforming vocational or work-oriented education. It also seeks to adapt higher education to the needs of the labor market.
- 1.34 Reforms and progress at the primary education level are largely funded by domestic resources, pursuant to provisions of the Constitution and the recent Act establishing a Fund for Maintenance and Development of Primary Education and Upgrading the Teaching Body (FUNDEF). As well, World Bank funding has been provided for various programs at the primary level. The government is also promoting vocational education reforms, through the Vocational Education Program financed in part by the IDB (PROEP, 1052/OC-BR).
- 1.35 Efforts to reform SE began in 1997, when vocational education was removed from its scope, thereby allowing a re-definition of its content. In 1998, the National Education Council approved the new Basic Secondary Education Curriculum Guidelines (DCNEM), which call for: (i) an explicit statement of educational values and principles; (ii) defining skills and abilities in three basic areas: codes and languages, science and technology, and society and culture; and (iii) contextualized teaching, i.e. teaching theoretical principles by applying them in interdisciplinary projects. Another step forward is that for the first time the National Secondary School Examination (ENEM) was administered to measure skills and abilities of students completing this level.

H. Bank strategy

- 1.36 The current country paper identifies four areas of importance for socioeconomic development in Brazil: (i) price stabilization; (ii) public sector reform; (iii) modernization of the productive sectors; and (iv) attention to social problems.
- 1.37 The proposed project fits the Bank strategy in that it relates to public sector reform and attention to social problems, through its emphasis on: (i) modernizing state systems of education administration; (ii) improving the efficiency of education expenditure; and (iii) expanding the education system to include more of the country's youth, with an emphasis on measures for underprivileged groups, thereby helping to reduce the degree of social inequality.
- 1.38 In the SE area, the IDB is working with Brazil on two projects currently in execution: (i) a program for improving secondary education in Paraná (950/OC-BR), which is progressing satisfactorily in physical terms, but has encountered difficulties with the state's counterpart contribution, a problem that is currently being resolved by recognizing certain previously unaccounted expenditures as eligible; and (ii) the vocational education reform program referred to above, execution of which is considered satisfactory. The World Bank is now preparing a primary education support program for the North, Northeast and Central West regions, as a follow-up to previous programs in those regions (4311, 3604 and 3663-BR). It also has underway a program targeted at primary education in Paraná, and is preparing another for the state of Bahia.

II. THE PROGRAM

A. Program objective

- 2.1 The general objective of the program is to promote the reform and expansion of secondary education, by improving the quality and coverage of the school system in ways that will increase equity and contribute to the country's economic and social development.
- 2.2 The specific objectives of the program, with respect to equity, efficiency and effectiveness of secondary education, are as follows:
 - a. Expand the coverage of secondary education, particularly in terms of number of school-age children;
 - b. Reduce grade repeater and dropout rates; and
 - c. Improve learning performance as measured by achievement tests.

B. Program results

- 2.3 To assess the scope of the objectives and the results expected from the program, a set of indicators has been developed by the Bank and the MEC, as detailed in the logical framework (see annex II-1) and in chapter III of this paper.
- 2.4 Since all states meeting the eligibility requirements will be able to join the program, it is expected that upon completion, financing will have been provided for investment projects in 14 of the 27 Federated Units (UFs), and that a national program of dissemination and direct support to schools will be in place in all UFs.

C. Description

- 2.5 To achieve these objectives, the Improvement and Expansion Program for Secondary Education (PROMED) provides for two subprograms: investment projects at the state level, and national policies and programs.
 - 1. **Subprogram: financing investment projects at the state level.** (Program: US\$900 million; Phase I: US\$450 million)
- 2.6 This subprogram will **finance investment projects (IPs) at the state level for improving and expanding secondary education.** The IPs, which will be financed on a matching grant basis, are the means by which the federal government intends to encourage the states to undertake reforms and investments to improve and expand secondary education.

2.7 The design of the IPs will be based on:

- a. Diagnoses conducted with proven methodologies, with respect to the determinants of current and future demand, the coverage and condition of the existing physical network, the availability of teaching equipment and materials, the characteristics and working conditions of education professionals, current and future demand for teachers in science, mathematics and other areas, the legal and institutional framework, the financing situation, etc.;
- b. The specific policies and objectives of the state in terms of improving the quality of education and expanding its supply;
- c. Strategy and actions for achieving these objectives, which must be consistent with the considerations set out in paragraphs 1.27 and 1.28, referring to the program strategy;
- d. A commitment by the state to provide the financial resources required for the counterpart contribution and to ensure sustainability of the proposed investments, including operating and maintenance costs.

2.8 Table II-1 summarizes the potential components of the IPs; as noted above, however, the specific situation in each state will determine the actual composition of its IP. Following is a description of what each of these components will contain:

Table II-1
Eligible components of investment projects

- Curriculum development.
 - Rationalizing and expanding the secondary education network.
 - Upgrading the teaching staff.
 - Youth projects.
 - Decentralization and school autonomy.
 - Implementing alternative systems of instruction.
 - Strengthening state departments of education.
 - Communication and dissemination plan.
-

- a. **Curriculum development.** The aim is to ensure that the objectives and principles of the new DCNEMs will guide the curricula developed by the schools through teaching projects and innovations and the production and distribution of teaching "toolboxes" to the schools.
- b. **Rationalizing and expanding the secondary education system.** The objective is to optimize, upgrade and expand the infrastructure required to implement the DCNEM, with reference to the PMBFs; this will involve financing for:
 - (i) Studying and upgrading the physical network;
 - (ii) Construction, expansion, adaptation and rehabilitation of the necessary infrastructure;
 - (iii) Procurement of teaching materials, equipment and furnishings; and

- (iv) Rationalizing the distribution of the student body and the system's human resources.
- c. **Upgrading professional teaching staff.** The objective is to enhance the performance level of the teaching body, through investments in:
 - (i) Initial training to qualify teaching professionals, continuous training for the existing teaching body, and permanent training systems;
 - (ii) Introducing performance incentive systems, such as:
 - Fellowships and study tours to learn from successful experiments in Brazil and other countries;
 - Awards for successful or outstanding projects;
 - Attendance at exhibitions and cultural events, publications, equipment, etc.
- d. **Youth projects.** The objective is to instill a youth culture within the school, as a catalyst for encouraging youth to take an active role in their own learning, by financing student-initiated projects (theatrical pieces, scientific experiments, student publications, etc.) incorporating elements of the proposed school curriculum.
- e. **Decentralization and school autonomy.** The objective is to strengthen the self-management and administrative capacity of the schools, by:
 - (i) Developing and introducing legal, financial and administrative tools that will allow the schools to undertake greater self-management;
 - (ii) Strengthening school support services; and
 - (iii) Financing school projects proposed by the teaching body, involving such activities as: curriculum organization, infrastructure upgrades, purchase of teaching materials, etc.
- f. **Implementing alternative systems of instruction.** The objective is to support efforts to broaden non-conventional coverage, by providing funds to identify, design and implement alternative instruction methods, such as telecourses and other forms of education, to meet the diversity of demand for SE.
- g. **Strengthening state departments of education.** The objective is to ensure better management of the school system, through such measures as:

- (i) School system management, with the planning and implementation of legal, institutional and organizational measures;
 - (ii) School support services, with the organization of decentralized school support systems;
 - (iii) Developing and introducing educational policies at the state level;
 - (iv) monitoring and evaluating secondary education.
- h. **Communication and dissemination plan.** The objective is to inform and sensitize society in general, as well as specific groups interested in the reform of secondary education, by providing funding for seminars, production of publicity materials, opinion surveys to assess reaction to the reforms, and refining outreach instruments, etc.
- 2.9 For preparing the IPs, SEMTEC has available highly qualified personnel and consultants, as well as the preparation guidelines and specific eligibility criteria detailed in chapter III. Finally, there is technical cooperation financing of US\$750,000 (TC-98-12-00-1-BR) from the Special Japan Fund.
- 2. Subprogram: national policies and programs (program: US\$75 million; Phase I: US\$37.5 million).**
- 2.10 The purpose is to contribute to the development and introduction of policies and programs at the national level. Specifically, the subprogram contains four components, as described below:
- a. **Development and introduction of secondary education policies (US\$4.4 million)**
- 2.11 The objective is to assist the MEC in developing and implementing national policies for secondary education. Specifically, two subcomponents will be financed:
- (i) **Institutional strengthening (US\$3.2 million).** The purpose is to strengthen the institutional capacity of SEMTEC and its systems of educational evaluation and information. To this end, the following activities will be financed: contracting of consultants; procurement of equipment; training for technical and administrative staff; acquisition of a technical library; and other activities intended to strengthen information and evaluation systems: integrating secondary schools into the educational management information system (SIED); and undertaking studies for making use of the integrated information system and of achievement test results (SAEB, ENEM).

(ii) **Policy formulation** (US\$1.2 million). The objective is to develop specific policies for reforming secondary education. Funding will be provided for studies, conferences, public meetings and publications dealing with development of the following educational policies, among others:

- **Organization and management of systems and schools**, with respect to human resource administration, administration of the schools network (reorganizing the physical system), financial administration, education planning and budgeting, and information, monitoring and evaluation systems;
- **Financing secondary education**, with respect to investment, sources of financing, inter-state comparative cost studies;
- **Curriculum development**, to introduce the DCNEMs in the schools for analysis and discussion, producing and distributing support materials for curriculum reform, and permanent updating of these national guidelines;
- **Initial and continuing teacher training**, relating to new contents and forms of organization, including cost dimensioning and explicit incentive mechanisms; and
- **Alternative forms of instruction**, such as distance education systems, for optimizing the supply of secondary education.

b. Implementation of secondary education policies (US\$25.7 million)

2.12 The objective here is to implement SE policies through a series of activities and programs. Financing will be provided for six subcomponents:

- (i) **Disseminating secondary education policies** (US\$1.7 million). The purpose is to disseminate the principal policy and program guidelines for secondary education to the states and the schools. Funding will be provided for publication and distribution of a bimonthly newsletter, "Escola Jovem", and the holding of seminars, teleconferences, workshops and other events.
- (ii) **Identifying, evaluating, systematizing and disseminating successful experiments and innovations** (US\$0.4 million). Funding will be provided for studies, pilot experiments, public meetings, conferences and other events dealing with effective teaching practices; teaching materials and resources; models and approaches to organizing and managing schools and systems; initial and continuing training;

alternative means of instruction; youth projects; and policies for upgrading the teaching staff.

- (iii) **Preparation and introduction of a secondary education telecourse** (US\$9.5 million). The objective is to offer an educational alternative in areas where a regular secondary school is not feasible, because of the dispersal of the population, problems of access or difficulties in hiring qualified teachers. The main activities to be funded will be: contracting consultants to design and prepare written and audiovisual materials; production and distribution of written and audiovisual materials; training for monitors; and developing a pilot experiment in two states.
- (iv) **Promoting educational innovations** (US\$4.2 million). The intent is to support and carry out pilot experiments and existing educational innovations, at both the state and the school level, with respect to effective teaching practices; teaching materials; various models and methods for organizing and managing schools and school systems; initial and continuing training for teachers; alternative instruction technologies. Financing will be provided for the following:
 - **An "Innovative Projects Competition Fund"** (US\$2.4 million), involving the schools themselves, secondary technical teams, and state departments of education;
 - **A Virtual Reference Center** (US\$0.3 million) for teachers; and
 - **The International Virtual Education Network (IVEN)** (US\$1.5 million), a pilot project that will be undertaken in 50 secondary schools, aimed at strengthening teaching in science and mathematics. Funding will be provided for online technology (Internet), video technology and computer technology (graphics, text, audio, digital video and interactive multimedia). The scope of this pilot project will allow for economies of scale in terms of cost, resources and expertise.
- (v) **Technical assistance and training** (US\$6.1 million). The purpose is to enhance the capacity of the human resources within the state departments of education and the schools to implement the reform. Funding will be provided for: technical assistance for the departmental teams; training for teachers and technical teams in the curricular use of new technologies, in collaboration with the Educational Technology Units (NTE); and producing and disseminating a daily secondary school broadcast over the TV Escola Network.

- (vi) **Direct provision of resources to secondary schools and departments of education** (US\$3.8 million). Funding will be provided for the purchase and distribution of school library materials; tool kits for institutional self-evaluation by the schools ("SAEB kits"); and preparation, production and distribution of a series of written and audiovisual materials ("toolbox") dealing with reform, for teachers and technical personnel of the education departments.

c. Monitoring and evaluation of program policies (US\$3.7 million)

- 2.13 Financing will be provided for: (i) monitoring and evaluating results of secondary education and activities under the "Escola Jovem" program; (ii) developing longitudinal performance achievement studies, based on cohorts of students at the secondary level; (iii) implementing the National Secondary School Examination; and (iv) preparing and using the SAEBS, and ensuring their compatibility with the DCNEMs for secondary education.

d. Social communication (US\$3.7 million)

- 2.14 The objective here is to introduce an outreach plan to enlist support and commitment to the reform among the public in general, and in particular among parents, teachers and students. The following activities will be financed: (i) production and dissemination of regular institutional campaigns, via radio, TV and the press; (ii) youth-oriented written materials; (iii) public opinion research; and (iv) specialized advisory services.

D. Dimensioning

- 2.15 In the case of the subprogram for national policies and programs, this has been dimensioned at US\$75 million; Phase I: US\$37.5 million, to meet the needs of implementing national policies and programs, as discussed in this chapter.
- 2.16 In the case of the subprogram for investment projects at the state level, this has been dimensioned at US\$900 million; Phase I: US\$450 million. It is expected to cost approximately US\$2.5 billion to create the five million additional places needed to meet the current shortfall (about 2 million for students now taking classes in primary schools or other facilities unsuitable for secondary level instruction) plus projected growth in the student body (about three million over the next five years). In addition, considering that an investment of at least US\$100 per head will be required to improve the quality of education, the total **potential demand** for program funding would amount to **US\$3.5 billion**.
- 2.17 Dimensioning of the subprogram takes account of the financial and institutional limitations of the states, for which reason the first phase is designed to address only about 15% of potential demand. In addition, the program has an initial project

pipeline (see table IV-1) that will use up approximately 45% of funding available under Phase I. Since there are a number of states not yet included in the pipeline, and additional demand could also arise from the initial group of participating states, it is reasonable to expect that the program will come up with the additional projects to absorb the remaining 55% of funding under Phase I.

- 2.18 As explained in chapter III, once effective demand on the part of the states has been demonstrated, and assuming a positive evaluation of Phase I, Phase II will be authorized. The two phases together will meet up to 30% of potential demand. In fact, the program will cover only a portion of the potential demand, but will serve as a catalyst and channel for the rest of the required investment.

E. Program cost and financing

1. Program cost

- 2.19 The total cost of the program will be up to US\$1.0 billion, spread over two operations or phases of US\$500 million each (US\$250 million in IDB loan funds). The local contribution for each phase will be drawn from the budget of the Ministry of Education (US\$25 million) and from the beneficiary states (US\$225 million). The following tables present a breakdown of these costs by category of investment and source of financing for each phase:

Table II-2
Total program: Cost by subprogram and source of financing
(US\$ millions)

| Category: Subprogram | Local | IDB/OC | TOTAL | Phase I | Phase II |
|---|--------------|---------------|----------------|----------------|-----------------|
| 1. Administration expenses | 20.0 | - | 20.0 | 10.0 | 10.0 |
| 2. Investment projects | 450.0 | 450.0 | 900.0 | 450.0 | 450.0 |
| 3. Implementation of national policies and programs | 30.0 | 45.0 | 75.0 | 37.5 | 37.5 |
| 4. Inspection and supervision | - | 5.0 | 5.0 | 2.5 | 2.5 |
| Total | 500.0 | 500.0 | 1,000.0 | 500.0 | 500.0 |

Table II-3
Phase 1: Cost by category of investment in source of financing
(US\$ millions)

| Category: Subprogram | Local | IDB/OC | Total | % |
|---|--------------|---------------|--------------|--------------|
| 1. Administration expenses | 10.0 | - | 10.0 | 2.0 |
| 2. State investment projects | 225.0 | 225.0 | 450.0 | 90.0 |
| 2.1 infrastructure | 75.0 | 125.0 | 200.0 | |
| 2.2 equipment and furnishings | 20.0 | 32.0 | 52.0 | |
| 2.3 teaching materials | 32.0 | 38.0 | 70.0 | |
| 2.4 training | 42.0 | 14.0 | 56.0 | |
| 2.5 consulting services | 30.0 | 6.0 | 36.0 | |
| 2.6 other services | 26.0 | 10.0 | 36.0 | |
| 3. Implementation of national policies and programs | 15.0 | 22.5 | 37.5 | 7.5 |
| 3.1 equipment and furnishings | 5.0 | - | 5.0 | |
| 3.2 teaching materials | 6.0 | 4.0 | 10.0 | |
| 3.3 Training | 1.0 | 4.0 | 5.0 | |
| 3.4 Consulting services | 1.0 | 6.5 | 7.5 | |
| 3.5 Other services | 2.0 | 8.0 | 10.0 | |
| Subtotal | 250.0 | 247.5 | 497.5 | 99.5 |
| 4. Inspection and supervision | - | 2.5 | 2.5 | 0.5 |
| Grand total | 250.0 | 250.0 | 500.0 | 100.0 |

2. Financing plan

- 2.20 Bank funding will be provided from ordinary capital resources, under the following terms and conditions:

Table II-4: Financing terms and conditions

| | |
|-----------------------------|-----------|
| Amortization period: | 25 years |
| Grace period: | 4 years |
| Disbursement period: | 3.5 years |
| Commitment period: | 3.0 years |
| Interest rate: | Variable |
| Inspection and supervision: | 1% |
| Credit fee: | 0.75% |

3. Local counterpart contribution

- 2.21 The proposed national budget for the year 2000, as presented to Congress, included funds for the national counterpart contribution. In addition, those states most likely to participate in Phase I of the program are making provision for funding within their multiyear budgets. It is expected that those states will be able to generate the counterpart funds required by the program from regular revenues earmarked for education purposes.

F. Status of project reparation

1. Subprogram for investment projects

- 2.22 As shown in table II-5, there is an initial pipeline of 10 IPs, and this pipeline is expected to grow as other states complete their initial assessments. One of the projects (São Paulo) has been examined by the IDB and the result of this analysis is presented in chapter IV (paragraphs 4.19 to 4.27).

Table II-5: Project pipeline

| Stage | Number (UF) | Funding required (US\$ million) | | |
|---|---|------------------------------------|------------------|------------------|
| | | Program | Counterpart | Total |
| Identification with appraisals prepared | 5 (Alagoas, Espírito Santo, Mato Grosso, Santa Catarina, and Bahia) | US\$18.6 | US\$17.2 | US\$35.8 |
| Preparation | 4 (Ceará, Pernambuco, Goiás, D. Federal) | US\$29.5 | US\$24.4 | US\$53.9 |
| Analysis | 1 (São Paulo) | US\$44.0 | US\$66.0 | US\$110.0 |
| Total | 10 UFs | US\$92.1 | US\$107.6 | US\$199.7 |

- 2.23 The current pipeline of projects should absorb about 45% of the funds under Phase I. During program execution, it is expected that additional IPs, or expansions of IPs already in the pipeline, will be able to absorb the remaining 55% of funding under Phase I.

2. Subprogram for national policies and programs

- 2.24 A complete description of components and principal activities for this subprogram has been prepared, along with a timetable and estimate of costs. Some of the activities are being executed by the MEC. In addition, detailed activities for the first year of execution are now being worked out, together with the terms of reference and bidding documents for the major procurement requirements.

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower will be the Federal Republic of Brazil, which has designated the Department of Secondary and Technical Education (SEMTEC), part of the Ministry of Education (MEC), as responsible for coordinating and supervising execution of the program. SEMTEC will rely on the program coordination unit (PCU) to perform these functions. The PCU has been in operation for more than one year and is responsible for implementing the Vocational Education Reform Program (PROEP), for which the Inter-American Development Bank has provided funding. The PCU will be expanded to include a new identification and technical assistance office for the program (see table III-1) to carry out program implementation, as summarized in paragraph 3.3. **As a condition precedent to the first disbursement, evidence must be submitted that the PCU has been restructured in accordance with the terms agreed with the IDB (the Operating Regulations include an annex with the organization manual for the PCU).**

B. Execution mechanism

- 3.2 The program will be executed in a decentralized manner, with the federal government (GOB) providing matching grants to the states for prioritizing developing and implementing a series of activities aimed at reforming and improving secondary education. The states, as discussed below, will compete for funding under the program, by submitting investment projects (IPs). The subprogram on national policies and programs will be executed, as appropriate, by various dependencies of SEMTEC and entities associated with the MEC, such as the National Institute for Studies and Surveys in Education (INEP).

- 3.3 The PCU, the structure of which is summarized in table III-1, will maintain liaison with the IDB, and will be responsible for overseeing compliance with the terms and conditions for implementing the program. It will have the power to set rules and standards for the program and to promote the program among the states. It will act as technical and operational coordination agent for the program, and will be responsible, among other things, for evaluating and

Table III-1
Structure of the PCU

- Executive Director
 - Advisory services:
 - strategic planning
 - information processing
 - Branches:
 - Identification and technical assistance ("Escola Jovem" program)
 - Identification and selection PROEP
 - Technical assistance PROEP
 - Project analysis
 - Monitoring and evaluation
 - Administration and finance
-

approving eligible IPs; signing and monitoring agreements for transferring resources to the states; certifying counterpart contributions by the states; and monitoring the program itself. For the national component, the PCU will work with other agencies of SEMTEC and with the State Management Units (UGEs) for implementing the IPs.

- 3.4 The UGEs will provide support to the state departments of education in implementing the IPs, and will be responsible for their preparation, processing with the PCU and management by the respective state. The UGE will also provide technical assistance and logistics support to the various areas of the department participating in the IPs. It will provide technical and operational liaison between the MEC and states.
- 3.5 Execution will be conducted in accordance with operating and financial procedures established in: (i) the loan contract between the IDB and the borrower; (ii) fund transfer agreements between the MEC and states; and (iii) the program's Operating Regulations (OR).

C. The Operating Regulations

- 3.6 The **Operating Regulations** include a mechanism for allocating resources to the states, the formula for calculating the required counterpart funding from each state, a mechanism for transferring resources to the states, the program operating mechanism, the IP preparation cycle, rules governing the allocation of resources for financing IPs, eligibility criteria for IPs, and the technical, economic, legal, social, environmental and beneficiary criteria for the components of the IPs. An integral part of the OR will be the following documents, setting out operational standards for program execution: (i) PCU organization manual; (ii) a manual for preparing, submitting and evaluating IPs; (iii) model operating agreements; (iv) model agreements for transferring funds to the states; (v) IDB procedures for contracting works and procuring goods and services; (vi) guidelines for program dissemination and promotion; (vii) executive summaries of the IPs; (viii) eligible cost items; and (ix) a classification list of the states, defining the percentage of their supplementary contributions. **Entry into force of the OR will be a condition prior to the first disbursement. (The OR are found in the technical files of RE1/SO1).**
- 3.7 The following aspects of the program OR in particular should be noted:
 - 1. Allocation of program resources**
- 3.8 Program resources (under both Phase I and Phase II) will be allocated to states on the basis of criteria relating to demand, efficiency and equity, using formulas that will set maximum funding quotas for each state. Table III-2 shows the quotas set for Phase I, and the required state counterpart contributions.

2. State counterpart contributions

- 3.9 The states will be expected to make counterpart contributions, to varying degrees, to their corresponding IPs. The formula for determining the percentage of contribution will take into consideration aspects relating to regional and distributive equity, to favor those states with a lower economic and financial capacity.
- 3.10 An index will be used that relates to the state's fiscal revenue per capita of population in the 15-17 year age group and its overall income per capita. The states will be ranked in three groups according to their financial capacity as revealed by these indicators. Each group of states will be assigned a counterpart requirement: 40% for the poorest states, 50% for those at a secondary level, and 60% for those with the greatest financial capacity.

| Table III-2 Maximum funding quotas per state and counterpart contributions ^a In US\$ millions | | | |
|---|----------------------------------|-------------------------------------|---------------|
| State (UF) | Funding quota IDB/MEC | counterpart contribution | Total |
| Acre | 2.25 | 1.50 | 3.75 |
| Amapá | 2.25 | 1.50 | 3.75 |
| Amazonas | 4.50 | 3.00 | 7.50 |
| Para | 7.88 | 5.25 | 13.13 |
| Rondonia | 2.25 | 1.50 | 3.75 |
| Roraima | 2.25 | 1.50 | 3.75 |
| Tocantins | 2.25 | 1.50 | 3.75 |
| Alagoas | 4.50 | 3.00 | 7.50 |
| Bahia | 16.20 | 10.80 | 27.00 |
| Ceará | 9.00 | 6.00 | 15.00 |
| Maranhao | 6.30 | 4.20 | 10.50 |
| Paraíba | 4.50 | 3.00 | 7.50 |
| Pernambuco | 10.58 | 7.05 | 17.63 |
| Piauí | 4.50 | 3.00 | 7.50 |
| Rio Grande do Norte | 4.50 | 3.00 | 7.50 |
| Sergipe | 2.25 | 1.50 | 3.75 |
| Espírito Santo | 4.50 | 4.50 | 9.00 |
| Minas Gerais | 25.20 | 25.20 | 50.40 |
| Santa Catarina | 6.53 | 6.53 | 13.06 |
| Goiás | 6.98 | 6.98 | 13.96 |
| Mato Grosso do Sul | 2.70 | 2.70 | 5.40 |
| Matto Grosso | 3.15 | 3.15 | 6.30 |
| Rio de Janeiro | 18.00 | 27.00 | 45.00 |
| São Paulo | 44.33 | 66.50 | 110.83 |
| Paraná | 12.83 | 19.25 | 32.08 |
| Rio Grande do Sul | 11.93 | 17.90 | 29.83 |
| Distrito Federal | 2.93 | 4.40 | 7.33 |
| Total | 225.04 | 241.41 | 466.45 |

^a Some figures have been rounded; the total amount of counterpart funding exceeds what is strictly necessary for the program (US\$225 million)

D. Execution of the subprogram for investment projects

- 3.11 For the funding available for IPs under Phase I, a competitive mechanism will be established to encourage operational efficiency by the states in preparing and executing their IP. In addition to promoting competition, this will avoid the allocation of excess funding to the states. This mechanism will allocate resources to eligible IPs on a first come, first served basis.
- 3.12 In order to protect those states with significant institutional weaknesses, each state will be assured, for 18 months, an amount equal to the maximum quota established in the program OR. At the end of that term, resources will be released to for use on request. States may draw funds up to their maximum quota.
- 3.13 After three years of program implementation, the PCU will review allocations and commitments of resources for the IPs approved to date, in order to identify any cases where allocated funds have not been actually committed. Those resources will then be released to finance activities under other eligible IPs.

1. Dissemination and promotion

- 3.14 To ensure a suitable pipeline of IPs eligible for financing, the PCU, together with other areas of SEMTEC, will undertake a number of activities with the states to disseminate and promote the program, such as: (i) workshops with the state education departments; (ii) distributing publicity materials; (iii) distributing documents such as the manual for preparation, presentation and evaluation of IPs, explaining basic procedures and eligibility criteria both for the IP and for the menu of components; and (iv) seminars to stimulate interest and activity in those states that are regarded as priorities by the GOB (stimulating demand).
- 3.15 Promotional activities will also include funding technical assistance in the preparation of IPs for those states that so request, for an amount of up to 5% of the maximum quota established for each state. Once the IP is approved, funds spent on its preparation will be considered as part of the pre-investment expenditure for the IP. With this ex ante financing mechanism, it should be possible to stimulate demand from the institutionally weaker states.

2. Eligibility for investment projects

- 3.16 For an IP to be eligible for subprogram funding, it must be approved by the Steering Committee (CD) of the PCU. The technical manager of the PCU will analyze the IP presented by the state, review compliance of the IP and its components with eligibility criteria, prepare a report with the relevant recommendations, and submit it for consideration by the CD. This committee will keep an official record of all points discussed for each IP.
- 3.17 The eligibility criteria for IPs are summarized in table III-3.

Table III-3. Eligibility criteria.

- Must be consistent with the diagnosis, reflect an integral focus and provide for implementation of the DCNEMs, restructuring of the school system, decentralization and school autonomy, and a plan for progressive implementation of the EMBFE.
 - Must be structured so as to enhance social equity.
 - Present evidence of administrative or legal measures necessary for implementation of the IP.
 - Each component or subcomponent must correspond to the list of eligible items (table II-1), and address clear objectives that respond directly to specific problems indicated in the diagnosis.
 - Present evidence of having implemented, or having planned to implement a teacher professional training policy.
 - Activities under the components must correspond to documented best practice or represent pilot experiments for development and evaluation.
 - Evidence of activities defined by the state for regularizing the flow of students through grades 5 o 8 at the primary level.
 - Evidence that a plan to restructure the physical system and rationalize human resources has been implemented or is planned.
 - Present a budget within the ceiling, and a schedule that is feasible within the contractual time limits.
 - Present a system for monitoring and evaluation, with indicators including a baseline for assessing the impact of the investment on the school.
 - Present evidence that counterpart funding is available, and that the budget law and supplementary amendments will be submitted before signature of the contract.
 - Present evidence of financial sustainability for incremental recurrent costs.
 - The institutional scheme for implementing the project must be viable, and the UGE must be in place.
 - Identify and prioritize localities or schools for the first year of investment in infrastructure and equipment.
 - Details on products and services to be contracted during the first year of execution, and a commitment to present the respective terms of reference before signature of the contract.
 - The components of infrastructure works must comply with criteria relating to cost per square meter; physical parameters such as the number of classrooms per school, and the number of students per classroom; maximum cost parameters per student; environmental parameters; operational parameters, and operating and maintenance criteria.
-

3. Allocation of funding for investment projects

- 3.18 The PCU will notify the state when its IP has been approved and will sign a contract for the transfer of funding. The PCU will deduct the amount approved for the IP from resources available under the subprogram and will open an individual account for handling implementation of the IP. The UGE, in accordance with the IP and the funding transfer contract, will commit and disburse the allocated funds against progress in IP execution and the effective availability of counterpart funds required from the respective state. In order to streamline implementation of approved IPs, a revolving fund will be set up for each participating state, for up to 5% of the value of the IP.

4. Execution and supervision of investment projects

- 3.19 The UGE is responsible for IP execution. In accordance with the execution timetable, it will call for tenders for the various components and activities that make up the IP, following the procurement procedures established in the loan contract.

E. Execution of the subprogram for national policies and programs

- 3.20 Applications for funding for these activities may be submitted by any dependency of SEMTEC or by entities associated with MEC, such as the INEP. For the execution of activities under this subprogram, SEMTEC must approve the terms of reference for procurement, the execution schedule and the cost of the eligible items discussed in chapter II. The steering committee of the PCU will consider each proposal on its merits, in light of the guidelines established for this subprogram in the OR. Once the proposal is approved, a thematic group (GT) will be established, with a responsible manager and including internal and external representatives as appropriate. The GT will enjoy logistic support from the PCU, pursuant to the terms of reference, for executing the respective work plan.

F. Program monitoring

1. Annual progress report

- 3.21 The borrower will present to the Bank each year, through the executing agency, a progress report on execution of the program, highlighting the following aspects with respect to each subprogram:

a. Subprogram for state investment projects:

- (i) Actions and activities completed with respect to promotion and technical assistance.
- (ii) IP's prepared and approved.
- (iii) Progress in physical and financial execution of the IPs, by component and by expenditure category.
- (iv) Progress with IP execution as measured against the indicators and goals contained in the program's logical framework and in the logical framework for each IP.
- (v) Results of procedural and impact evaluations conducted by the state, for the major components of its IP.
- (vi) Major limitations encountered in developing and executing the IP, and proposed solutions.

- (vii) Changes in performance indicators for the education systems of the participating states.

b. Subprogram for national policies and programs:

- (i) Actions and activities completed.
- (ii) Progress in physical and financial execution of the components and subcomponents, by expenditure category.
- (iii) Progress with IP execution as measured against the indicators and goals contained in the program's logical framework.
- (iv) Principal results of procedural and impact evaluations for components and subcomponents.
- (v) Major limitations encountered, and proposed solutions.
- (vi) Changes in performance indicators for the national education system.

3.22 The annual progress report will include a proposed annual operating plan (AOP), detailing all activities and goals to be achieved during the current year.

3.23 These reports will be submitted within the first 90 days of each calendar year, during program execution, and for an additional two years after the last disbursement. For purposes of the procedural and impact evaluations for components and subcomponents under the subprogram for national policies and programs, within twelve months after the contract comes into effect the borrower, through the executor, will submit the methodologies it intends to follow to the Bank for no objection.

2. Annual reviews and operating plans

3.24 On the basis of the annual progress report, a review of the program will be conducted within the first four months of each year, in which the executing agency and the Bank will examine progress to date. These reviews will be used to negotiate the definitive AOP. Both the annual review and the AOP must refer to compliance with the commitments and goals established in the program's logical framework.

G. Criteria for approving Phase II of the program

3.25 A recommendation to approve the implementation of Phase II of the program will be made to the Board once the conditions stipulated below have been met.

- a. At least 75% of the resources allocated to Phase I have been committed.²
- b. At least 50% of the resources of Phase I have been disbursed by the IDB.
- c. Verification by the Bank, on the basis of the reports, indicators and evaluations requested for "program monitoring" as well as a review of program documentation, that the planned results and goals have been achieved. These include the following:
 - (i) At least 90% of IPs approved meet the eligibility criteria established in the OR, to the satisfaction of the Bank.
 - (ii) At least 70% of the IPs underway are, in the Bank's judgment, being satisfactorily executed and are meeting their objectives.
 - (iii) At least 80% of the states with IPs approved are satisfactorily implementing the DCNEMs.
 - (iv) At least 80% of the states with IPs approved have underway programs to regularize the flow of students through grades 5 to 8, and can demonstrate satisfactory progress in this respect.
 - (v) At least 80% of the states with IPs approved have executed or are executing programs to rationalize their infrastructure network and human resources, and can demonstrate satisfactory progress in this respect.
 - (vi) At least 90% of states with IPs approved are implementing minimum basic school operating standards and can demonstrate satisfactory progress in this respect.
 - (vii) The components of the subprogram for national policies and programs are, in the Bank's judgment, being executed satisfactorily.
 - (viii) Progress against indicators of coverage, efficiency and quality relating to the investments undertaken.
 - (ix) Evidence of satisfactory compliance with the contractual conditions, and that no significant problems have been encountered in execution, or that the necessary corrective measures have been taken.
- d. Verification that there is effective demand for financing of new IPs and the expansion of IPs underway, on the basis of applications for financing submitted

² "Committed" resources are those for which investment contracts have been signed.

to and evaluated by the PCU, and that currently participating states are in compliance with their financial commitments.

- 3.26 To prepare for Phase II of the program, a memorandum requesting its approval will be prepared for submission to the Board. This document will contain the following: (i) the degree to which the criteria indicated in paragraph 3.35 have been fulfilled; (ii) an explanation of changes in the design of the program; (iii) benchmarks; and (iv) a table of costs and procurement expected for Phase II.

H. Other aspects of project execution

1. Procurement of goods and services³

- 3.27 Goods, services, and construction works will be procured in accordance with the procedures stipulated in annex B of the loan contract. Public international bidding will be required for procurement in amounts exceeding US\$350,000 for goods and US\$5 million for construction works. Nevertheless, in order to facilitate program execution, national bidding procedures will be evaluated on an ex post basis
- 3.28 In a further effort to adjust program operations to the powers and attributes of the PCU and UGEs, and to enhance the instruments for keeping the Bank informed, **the loan contract will require the PCU to submit the first three IPs to the Bank for prior approval. In addition, the first four national bidding exercises relating to IP implementation will be submitted to the Bank for no objection.** The purpose of this no-objection submission is to ensure uniformity between the PCU, the UGE and the Country Office with respect to the documents that will subsequently be used for reporting to the Bank.
- 3.29 The selection and contracting of consulting services will be conducted in accordance with the procedures stipulated in annex C, or for contract amounts below US\$50,000, in annex A to the loan contract. Nevertheless, given the large number of consulting services required by the program, and in order to streamline execution and facilitate the supervision task of the Country Office, it is recommended that the requirement for prior consultation with the Bank should apply only in the case of selecting and contracting services from individual consultants in excess of US\$100,000, and from consulting firms in excess of US\$200,000. **The generic terms of reference for each group of services must be approved by the Bank in advance.**
- 3.30 The borrower has informed the Bank of its intention to contract an international agency to administer the consulting contracts, using counterpart funds. Moreover, it indicated that it would earmark counterpart funding for the firm of McCann-

³ Annex III-2 presents a tentative plan for works contracting and procurement under the program.

Erikson, Publicidade Ltda, a company that had previously won the bidding to supply social communications services for all activities of the MEC.

2. Disbursements

- 3.31 Given the nature of the operation and the high volume of transactions arising from the procurement of goods and services, an efficient mechanism has been proposed for the process of disbursing program resources. To this end, an ex post method of reviewing supporting documentation will be applied. The constitution and replenishment of the revolving fund will follow normal Bank rules. The executing agency will submit disbursement requests to the Bank's Country Office, together with details of payment and control of disbursements and local contributions.
- 3.32 The original documents relating to expenses for execution of the IP component will remain with the state departments of education or the UGEs responsible for making payment. The original documents relating to expenditures under the subcomponent for national policies and programs will remain in the hands of the PCU or of SEMTEC and other entities of the MEC responsible for payment.
- 3.33 The executing agency must ensure that the information contained in the details of payment is properly supported by documentation on disbursement requests (contracts, orders, invoices, receipts for payment, suppliers' certificates, certificates of origin and other documents corroborating the information provided in the payment details), duly identified, properly filed and available for review by authorized officials of the IDB and the Federal Supervision Department (SFC).
- 3.34 The Country Office will conduct sample testing during its technical and financial inspection visits to determine whether the PCU, the UGE and other co-executors are keeping proper records with support documentation for disbursement requests, and to ensure that resources have been used in the manner indicated in the loan contract. In addition, the Country Office will use the semi-annual reports prepared by the SFC as the basis for reviewing supporting documentation for disbursement requests.
- 3.35 The project team concluded that the PCU, thanks to execution of the Vocational Education Program (1052/OC-BR), now has a mechanism for financial transfers and an accounting control system that can identify the source and use of program funds. The analysis of the São Paulo IP demonstrated that the UGE also has such mechanisms.

3. Recognition of previous expenditures

- 3.36 The executing agency has incurred a series of expenditures in preparing the program. The amount of those expenditures to the date of expected loan approval is calculated at the equivalent US\$800,000, of which US\$300,000 will be charged to

IDB financing, and the balance of US\$500,000 to the local counterpart contribution. The analysis mission found that in procuring goods and services eligible for recognition as previous expenses, the procedures followed were substantially the same as those recommended for inclusion in the loan contract.

4. Auditing

- 3.37 The SFC will conduct an audit of the financial statements for the program, in conformity with Bank policies, and will issue a report within 120 days of the end of each calendar year during the program execution period. As well, the SFC will examine, on a sampling basis, the supporting documentation submitted with disbursement requests during each calendar semester, and will issue a separate report within sixty days of the end of each semester. **A special condition of the loan contract will be a commitment by the SFC to conduct these semi-annual disbursement audits in accordance with terms of reference to be agreed in advance with the Bank.**

5. Revolving fund

- 3.38 Considering the size of the operation and its funding requirements, and the flexibility required to cope with expenditures during program execution, it is recommended that a revolving fund be established for up to 5% of the total amount of financing. The executing agency must present semi-annual reports on the status of the revolving fund, within sixty days after the close of each semester.

6. Ex post evaluation

- 3.39 The borrower indicated that it would not commit in advance to performing the ex post evaluation. However, monitoring reports and the MEC and state information systems will compile data, which will enable the borrower to perform this evaluation after Phase I or II, if the latter comes to fruition.

IV. PROGRAM FEASIBILITY

A. Political feasibility

- 4.1 There is a broad degree of public support for efforts to improve and expand Brazil's SE system. The proposed reforms are for the most part the result of consensus-building efforts among the various stakeholders in the education sector. Moreover, the program is intended to meet the growing demand for SE among social groups that are only now beginning to enjoy access to this level of education.
- 4.2 There was some initial resistance to the reform in 1998, when vocational education was split off from the regular SE stream. However, with the passage of time and greater public awareness, secondary education reform has been gradually accepted by the teachers' unions and by the state education specialists and authorities.
- 4.3 To maintain public support for the program, a political and social marketing strategy will be undertaken to disseminate the principles, objectives and results of the reform and the investments involved.

B. Institutional feasibility

- 4.4 The institutional mechanism to be established for executing the program (as described in the OR, see paragraph 3.6) is considered feasible, because its design takes account of the full preparation cycle of the IPs: sponsorship, preparation, analysis, approval, execution, monitoring and evaluation. As well, the PCU has gained valuable experience in working both with the Bank and with the states, thanks to the Vocational Education Program (1052/OC-BR).
- 4.5 The institutional design of the IPs will allow for decentralized execution by the state departments of education, which have the powers, and for the most part the capacities, required to undertake them. Funding under this operation will be used to support institutional strengthening for those departments that require it, and to finance a UGE that will provide logistical support for carrying out the IPs.
- 4.6 At the central level, the program will help to produce a critical mass of human resources within SEMTEC, so that it can take a proactive leadership role in implementing SE reforms throughout the country, disseminating best practices, providing specific products that will serve as models for the states, and reorienting the investment process towards a project focus. At the state level, the existing departmental structures will be strengthened by equipping them with a dedicated SE management team. The goal is to develop a stable institutional structure that can meet the challenge of improving and expanding SE in Brazil.

- 4.7 The proposed execution scheme calls for a series of incentives to promote excellence and reward efficiency in the states' approach to SE. One example is the mechanism for allocating resources to IPs, where priority will be given to eligible IPs on a first come, first served basis (see paragraph 3.11). As well, during implementation of approved IPs, those that show the greatest promise will be able to broaden their goals (see paragraph 3.13).

C. Financial feasibility

- 4.8 The counterpart funding requirements for Phase I of the program (approximately US\$75 million per year) and the funding needed to ensure their sustainability (US\$200 million per year following execution) are considered feasible, because they will absorb a reasonable proportion of state resources that must in any case be devoted to SE. For example, in the case of São Paulo, it is estimated that the increase in current expenditures as a result of the IP represents 2% of current spending on primary and secondary education. In terms of counterpart funding, the proposed investment in the IP represents an increase of 16% over SE expenditures incurred during 1998, which in turn accounted for only 1% of spending on primary education during that same year.
- 4.9 The proportion of GDP that Brazil spends on education is comparable to that in other countries; nevertheless, the resources that were until now devoted to SE have clearly been inadequate. Current legislation requires that 10% of state funds be devoted to SE (approximately US\$3 billion per year), but in practice this amount is also used to cover expenditures under other educational headings (higher education and teachers pensions).
- 4.10 In this context the program, which provides nonreimbursable funding to the states and in turn requires guarantees with respect to counterpart funding and the sustainability of investments, constitutes an incentive to launch a gradual restructuring of educational expenditure by states seeking to participate in the program. In fact, the program will help to address not only the financial but the technical aspects of coping with rising social pressure for SE.

D. Economic feasibility

- 4.11 Studies on the returns from education expenditure in Brazil show high private and social gains from investments in education, and demonstrate their strategic importance in reducing poverty and inequality of incomes over the longer term. The most recent calculations of private rates of return from secondary education vary between 12% in 14%, and are higher than those for primary education (which are already beginning to fall), although they are lower than the returns from higher education (which are above 16%, and rising).

- 4.12 In light of virtually universal access to primary education, public investments at the secondary level are taking on a critical nature, in terms both of further improvement in equality of educational opportunity and of enhancing the employability of the workforce. In an increasingly globalized economy, the minimum level of skills needed to compete and prosper in the marketplace is steadily rising. Analysis of the more highly developed labor markets (such as in São Paulo) suggests that a secondary education is now the minimum level required for finding or keeping a formal job. From both of these perspectives – enhancing equality of educational opportunity and producing a more employable workforce – there is increasing social justification for investment in SE.

E. Technical and pedagogical feasibility

- 4.13 Current curriculum guidelines approved by the National Education Council for the reform of secondary education provide clear direction with respect to values, principles, skills and abilities. Specifically, they call for creating schools: (i) with their own institutional status; (ii) with a flexible and permanently adaptable organizational structure; (iii) with working teams capable of a high degree of autonomy, coordination and collective responsibility; (iv) with a well-organized curriculum in terms of content, timing, space, resources and evaluation methods adapted to the setting in which they must operate; (v) where teachers can devote a greater portion of their time to one school, and find opportunities to exchange experiences and discuss teaching methods with their colleagues, coordinate activities and upgrade their skills on-the-job, and (vi) with a clear concern for the continuous evaluation and monitoring of results.

F. Social equity and poverty reduction classification

- 4.14 The social impacts of the program may be verified: (i) in the creation of greater employment and income earning opportunities for youth and adults, by improving their qualifications and skills; (ii) in greater access to education for a broader stratum of society, by financing expansion of the country's school systems; and (iii) in contributing over the longer term to improving Brazil's income distribution profile.
- 4.15 This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). This operation does not qualify as a poverty-targeted investment (PTI), because it will benefit primarily secondary school students, who constitute a relatively privileged group in Brazil. The borrower will not be using the 10 percentage points in additional financing.
- 4.16 The proposed operation will address the issue of equity from two complementary perspectives. In terms of regional equity, the formula for allocating resources and the requirement for counterpart funding will include redistributive elements in favor

of the poorer states. On the other hand, the program will foster greater equity within the education system itself, in the following ways: (i) it will help to reduce the quality gap that now exists between public institutions and the private schools that serve a higher-income clientele; (ii) it will provide a broader range of educational options for students who until now have had no access to secondary education; (iii) funding under the program will be conditioned upon implementation of programs to regularize student flows at the primary level in participating states, which will ensure that greater numbers of children from poor families will reach the secondary level; and (iv) it will place special emphasis on schools where performance levels are low.

G. Environmental impact

- 4.17 The Committee on Environment and Social Impact (CESI) considered the operation on February 12, 1999, and recommended that horizontal issues, such as environment and gender, should be included in the proposed new curriculum, and that construction standards should provide for mitigation of any possible negative impacts. The project team concluded that the program's environmental and social impacts will be largely positive: the precarious conditions under which secondary students now take their classes will be improved, and the new national curriculum parameters include horizontal issues, such as environmental education, gender, ethnic and cultural pluralism. On the other hand, the negative environmental impacts that might arise during school construction and operation will be localized and of low magnitude. National and state legislation provides for mitigation measures with respect to the location, construction and functioning of schools. Among other things, those rules call for careful attention to sanitation, disposal of solid wastes, energy conservation, and student safety both in laboratories and in other areas of school precincts.

H. Gender considerations

- 4.18 Brazilian data on female participation in secondary education show that over the last decade, female enrollment has outstripped male enrollment, and now stands at 54% of the student body. As a result, over this period, the female labor force has achieved a higher average educational level than males, and there are now more women than men enrolled in higher education courses. Given the already high female participation rate in secondary education, it is expected that the program will have a positive impact on women.

I. Sample project

1. Investment project by the State Of São Paulo

4.19 The analysis of the São Paulo IP concluded that it meets the eligibility requirements in the OR. It would require US\$110 million, approximately 25% of the funds destined for the IP subprogram. Following is a summary of its principal features.⁴

4.20 **The state of São Paulo** accounts for 30% of Brazil's total enrollment at the secondary level; its system embraces 2,400 schools and nearly two million students. As a result of continuous efforts to improve the quality and internal efficiency of primary school education, two out of every three students who enter primary school are now completing that level and ready to move on to secondary education. A growing number of adults are also returning to the education system at the secondary level, seeking to upgrade their level of education to meet the greater demands of the labor market in that state.

4.21 To meet this challenge, the state has in recent years implemented a series of policies and programs to consolidate progress at the primary level, and has adopted a strategy to improve and expand secondary education. In this context, the state of São Paulo has given priority to its IP, the objectives and content of which are consistent with the purposes of the proposed program. The success of those objectives will be evaluated against the indicators contained in the logical framework, summarized in table IV-1.

Table IV-1
Goals of the São Paulo IP

- Raise the enrollment rate from 52% to 58%.
 - Maintain or reduce dropout rates (currently at 10.8%).
 - Maintain or reduce repeater rates (currently 3.6%).
 - Increase the graduation rate by five percentage points.
 - Improve student learning performance.
-

The success of those objectives will be evaluated against the indicators contained in the logical framework, summarized in table IV-1.

4.22 **Description.** The IP has three components: (i) laying the foundations for improving the quality of SE; (ii) support for the preparation of school projects, and (iii) implementation of school projects.

4.23 **Laying the foundations for improving the quality of SE** (US\$66 million). This covers activities such as: disseminating the DCNEMs at all secondary schools through a training process; preparing and disseminating a "tool box" to all secondary schools, with materials and instruments to help teachers implement the curriculum guidelines and changes in teaching practices; technical and institutional strengthening for the São Paulo Department of Education; and creating 63 schools with places for 113,000 new students.

⁴ The executive summary and logical framework for the São Paulo IP are found in the technical files.

4.24 Support for the preparation of school projects (US\$13.2 million). This will finance activities such as: (i) technical assistance to all secondary schools in preparing school projects consistent with the new pedagogical approach, including investments (training, equipment and materials, upgrading physical infrastructure, etc.) needed to achieve the desired results; (ii) efforts to encourage teachers to submit school projects (prizes, access to cultural goods, etc.); and (iii) selection, awards and dissemination of successful school projects that have been shown to enhance student performance.

Table IV-2: A "Reformed School"

- Collective school project focused on a new pedagogical approach
 - An interdisciplinary and context-specific approach to curriculum and methodology that will serve the interests of the community, meet the requirements of young people and adolescents in the workforce, and strengthen links between students and their school.
 - A school day of five hours, with two daytime shifts and one evening shift.
 - A teaching coordinator trained to support and articulate the professional activity of the school's teaching body.
 - Projects to strengthen remedial instruction and lend more flexibility to the curriculum, particularly for students with learning difficulties, to help reduce the age-group lag.
 - Teaching materials appropriate for implementing the proposed pedagogical approach.
 - Continuing education program to strengthen the capacity to assess and define effective strategies for teaching and learning.
 - Opportunities for community participation in efforts to improve the quality of teaching in the schools.
 - Proper school infrastructure and equipment: 12 to 15 classrooms of 40 students each, a reading center, a sports field and a multiple-use room, 5 to 10 computers to meet the particular needs of children and adolescents.
 - Providing teachers with access to information (magazines, newspapers, Internet), and motivating and enabling them to apply new knowledge and technologies and to exchange experiences with other institutions.
-

4.25 Implementing school projects (US\$27 million). This will finance a subgroup of projects presented by the schools, which they themselves will execute, and which will help to consolidate autonomy in school management autonomy and promote community participation. Tables IV-2 details the characteristics of a secondary school that has implemented the school project.

4.26 Cost and financing. Table IV-3 presents the breakdown of IP costs, by category of expenditure and source of financing:

| Table IV-3 São Paulo investment project Costs by expenditure category and financing source. (in US\$ millions) | | | | |
|---|-------------|-------------|--------------|------------|
| Category | State | MEC/IDB | Total | % |
| 1. Administration expenses | 3.5 | - | 3.5 | 3 |
| 2. Infrastructure | 17.1 | 24.0 | 4.1 | 37 |
| 3. Equipment and furnishing | 5.4 | 9.0 | 14.4 | 13 |
| 4. Educational material and instruments | 14.8 | 5.0 | 19.8 | 18 |
| 5. Training | 17.5 | 4.0 | 21.5 | 20 |
| 6. Consulting and other services | 7.7 | 2.0 | 9.7 | 9 |
| Total | 66.0 | 44.0 | 110.0 | 100 |

- 4.27 **Special aspects.** Two aspects of this project stand out in particular: (i) it has a functioning UGE, with a basic team that provides support to areas of the department that are responsible for executing the various components called for in the IP; and (ii) investment plans are prepared and ready for implementation during the first year of the project.

2. Other sample projects in preparation

- 4.28 The Bank's project team reviewed preliminary documents for IPs in the states of Ceará and Goiás. The diagnoses and projections were found to be adequate and the IPs were targeted at resolving priority problems in SE, identified through the respective diagnoses. The proposed activities were also found to be consistent with program eligibility criteria. The diagnoses included: (i) current enrollment and five-year projections; (ii) an inventory and profile of principals and teachers; (iii) current and future student profiles; (iv) a description of existing physical infrastructure, equipment and materials; (v) examination of alternative sources and mechanisms of financing the initial and recurrent costs of expansion; and (vi) the purpose is to improve and expand secondary education in the state.
- 4.29 These IPs still need more work to detail their objectives, specify their goals, and determine their costs and timetable. Considering the state of progress in preparation of these IPs, however, there should be no difficulty in having them ready before the proposed operation comes into effect.

J. Program risks

- 4.30 **Financial capacity of the states.** The precarious finances of some states could limit demand for program resources and threaten the sustainability of investments that are undertaken. To deal with these aspects, the program calls for two approaches: (i) eligible counterpart contributions will include not only investment expenditures but also incremental operating costs associated with those investments, and (ii) as

part of each IP, the state will need to quantify all incremental costs associated with the project and identify mechanisms to ensure sustainability of the investments.

- 4.31 **Management capacity of the states.** The managerial weakness of some state education departments could compromise execution of the IPs. To minimize this risk, each state will submit, prior to or along with its IPs, a plan to establish a state management unit (state PCU). Alternatively, it must demonstrate that existing structures are adequate for executing the corresponding IP. These state units will receive training in all relevant aspects from the federal program coordination unit.
- 4.32 **Implementing new curriculum guidelines.** Each state's education system will have the task of "contextualizing" the new curricular guidelines so that secondary education will become more effective and relevant, particularly for meeting the demands of the labor market. Moreover, each school team will have to adapt a portion of the curriculum to local characteristics. These requirements may in some cases exceed existing capacities. To deal with this situation, the program calls for creating the necessary capacities, during Phase I, and developing methodologies and tools to facilitate full implementation of the guidelines.

LOGICAL FRAMEWORK

| summary of ectives | Objectively verifiable indicators | | | Means of verification | Assu |
|--|---|---------------|----------------|---|--|
| Objective | | | | | |
| ity, efficiency ness in ducation | 1.1 Improve the coverage of secondary education, particularly for for school-age children. 1.2 Reduce repeater and dropout rates. 1.3 Enhance student learning. | | | 1. Education Information System 2. Reports of the National Basic Education Evaluation System (SAEB) 3. Program evaluation reports | Seconda policy is Political support i |
| Components | | | | | |
| vestment | 1.1 Number of states with IPs eligible for financing: | Phase I 18 | Phase II 25 | 1. Program execution reports | 1. Stro dem state 2. The situa them com prov cour fund ensu susta inve |
| | 1.2 Number of states with IPs approved: | 14 | 25 | | |
| | 1.3 Number of states with IPs executed: | 14 | 24 | | |
| | 1.4 Participating states with DCNEMs developed and implemented: | 12 | 24 | | |
| | 1.5 States with programs in place to regularize student flows from grades 5 to 8: | 12 | 20 | | |
| | 1.6 Participating states with rationalized physical infrastructure and human resources: | 12 | 22 | | |
| | 1.7 Participating states implementing basic minimum school operational guidelines: | 14 | 24 | | |

| summary of activities | Objectively verifiable indicators | | | Means of verification | Assessment |
|------------------------------------|--|--|---|--|--|
| Education policies and programs | <p>2.1 Strengthening SEMTEC to take on functions of standard setting, coordination, guidance and monitoring and evaluation at national level.</p> <p>2.2 Integrating schools and states into the Education Information System.</p> <p>2.3 National education policies relating to school system organization and management; financing of secondary education; curriculum development; initial and continuing teacher training; and alternative approaches.</p> <p>2.4 Program for "disseminating successful best-practices."</p> <p>2.5 Program of competition for innovative projects.</p> <p>2.6 IVEN initiative.</p> <p>2.7 Develop "telecourse" based on national curriculum.</p> <p>2.8 Provision of basic library materials to secondary schools.</p> | <p>Phase I</p> <p>Completed</p> <p>Completed</p> <p>Defined</p> <p>In operation, with continuous evaluation</p> <p>In operation, with continuous evaluation</p> <p>In operation and evaluated in 50 schools</p> <p>Developed: science and math pilots completed</p> <p>Completed and evaluated</p> | <p>Phase II</p> <p>Implemented and evaluated</p> <p>In operation, with continuous evaluation</p> <p>In operation, with continuous evaluation</p> <p>Operating in 200 schools</p> <p>In use by at least nine states</p> | <p>1. Supervision reports</p> <p>2. Follow-up studies</p> | <p>1. School state reception center initiative</p> |

PROCUREMENT PLAN

| Main procurement items | Financing | | Type of bidding | Date | Total US\$ Million |
|-------------------------------|-----------|-----------|-----------------|------|-----------------------|
| | IDB (%) | Local (%) | | | |
| 1. Infrastructure | 60 | 40 | | | 200 |
| 65 contracts | | | LCB | 2000 | 50 |
| 104 contracts | | | LCB | 2001 | 80 |
| 94 contracts | | | LCB | 2002 | 70 |
| 2. Equipment | 44 | 56 | | | 57 |
| 83 contracts | | | LCB | 2000 | 14 |
| 133 contracts | | | LCB | 2001 | 23 |
| 116 contracts | | | LCB | 2002 | 20 |
| 3. Materials | 47 | 53 | | | 80 |
| 17 contracts | | | LCB | 2000 | 20 |
| 27 contracts | | | LCB | 2001 | 32 |
| 24 contracts | | | LCB | 2002 | 38 |
| 4. Training | 29 | 71 | | | 61 |
| 8 contracts | | | LCB | 2000 | 18 |
| 12 contracts | | | LCB | 2001 | 31 |
| 7 contracts | | | LCB | 2002 | 12 |
| 5. Consulting services | 34 | 66 | | | 90 |
| 2 contracts | | | ICB | 2000 | 6 |
| 11 contracts | | | LCB | 2000 | 23 |
| 3 contracts | | | ICB | 2001 | 2 |
| 18 contracts | | | LCB | 2001 | 40 |
| 3 contracts | | | ICB | 2002 | 3 |
| 7 contracts | | | LCB | 2002 | 16 |

ICB: International competitive bidding

LCB: Local competitive bidding

PROPOSED RESOLUTION

BRAZIL. LOAN /OC-BR TO THE FEDERATIVE REPUBLIC OF BRAZIL
IMPROVEMENT AND EXPANSION OF SECONDARY
EDUCATION PROGRAM – “ESCOLA JOVEM”

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Federative Republic of Brazil, as Borrower, for the purpose of granting it a financing to cooperate in the execution of an Improvement and Expansion of Secondary Education Program – “Escola Jovem”. Such financing will be for the amount of up to two hundred and fifty million dollars of the United States of America (US\$250,000,000), or its equivalent in other currencies, except that of Federative Republic of Brazil, which are part of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.