

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB6570

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|---|---|
| Project Name | Recife Education and Public Management Project |
| Region | Latin America and Caribbean |
| Country | Brazil |
| Sector | Pre-primary education (35%); Primary Education (35%); Public administration- Other social services (10%); General transportation sector (10%); General finance sector (10%) |
| Lending Instrument | Specific Investment Loan (SWAp) |
| Project ID | P126372 |
| Parent Project ID | n/a |
| Borrower(s) | Municipality of Recife |
| Implementing Agency | Special Secretariat of Planning and Management |
| Environmental Screening Category | []A [X]B [X]C []FI []TBD (expected) |
| Date PID Prepared | May 24, 2011 |
| Estimated Date of Appraisal Completion | September 30, 2011 |
| Estimated Date of Board Approval | March 15, 2012 |
| Concept Review Decision | Following the review of the concept, the decision was taken to proceed with the preparation of the operation. |

I. Introduction and Context

Country Context

1. The Municipality of Recife, capital of the State of Pernambuco, is on the northeast coast of Brazil, centrally located between two other regional centers, Salvador and Fortaleza. It is by far the largest municipality in the Recife Metropolitan Region (RMR), which is the sixth largest metropolitan region in the country. It has the second highest unemployment rate of any metropolitan area in the country, and with 28% of households earning under R\$830 per month, RMR is the second poorest of any metropolitan area.

2. Recife's population has grown by 12.5% over the last ten years. The growth has led to increased urban transit problems which are expected to worsen in the absence of significant policy changes, particularly as Recife will be one of the host cities for the 2014 World Cup. The nature of the economy continues to evolve, with the vast majority (83%) of the Recife economy now focused in the service sector. As the state capital, Recife needs a lithe workforce resulting from a quality education – beginning from an effective foundation in early child education – and an efficient public management system.

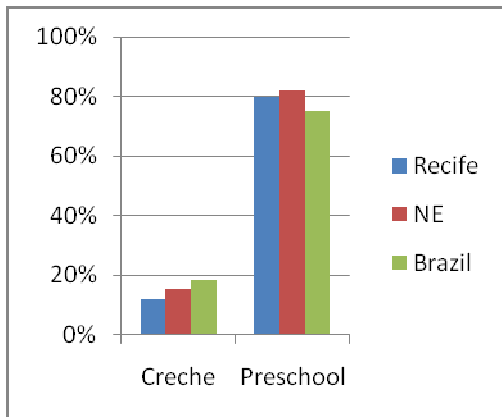
Sectoral and Institutional Context

Education

3. In Brazil, the principal responsibilities of the municipal education system are Early Child Education (ECE) and primary education (*Ensino Fundamental*, which lasts 9 years, from age 6 to age 14), as well as adult education, for which responsibilities are shared with the state. According to the 2010 School Census, there are 46,229 children age 0-5 enrolled in ECE in Recife, of which 34% are in municipal centers and another 20% are in municipally contracted private centers. Almost all of the rest are in private centers with no link to government. At the primary education level, 219,335 children are enrolled, with 34% in the municipal system. An equal number (34%) are enrolled in the state system, with slightly fewer (32%) in private institutions. Due to various legal reforms,¹ the municipal education system is expected to gradually absorb the entire primary education population, doubling its enrollment in coming years and demanding greater management capacity.

4. At the early child education level, coverage and coordination across sectors are significant challenges. *Creche* (0-3) coverage is 12% of the 0-3 year old population in Recife, with just 7% of that coverage provided in municipal *creches*. This is well below the 18% average coverage of the nation as a whole and even the almost 16% coverage of the northeastern region. Coverage at the pre-school level (age 4-5), which is now constitutionally obligatory, is 80%. This is higher than the nation but still trails the northeastern region. The low *creche* coverage is mainly caused by the dual problems of insufficient centers and existing centers with unsatisfactory infrastructure conditions to qualify for federal funds for expansion. At present, there is also no articulation of early child services across sectors in Recife, although programs elsewhere in Brazil have shown how coordinated services can be effective.

Figure 1: ECE Coverage in Recife and Brazil



5. Primary education in Recife suffers from various problems which create an environment not conducive to effective learning. One such problem is high age-grade distortion. Forty-three percent of students in the late years of primary school in Recife are too old for their grade; and 20% of students in early years suffer the same problem. Another problem is insufficiently trained teachers, as evidenced by data showing that Pernambuco teachers spend more time off task than those in other states. Finally, the short school day fails to take advantage of available hours to help low-performing students improve. As a result of all these factors, students in Recife are behind. The national standardized test for second graders (*Provinha Brasil*) and the state standardized test for third graders (*SAEPE*²) demonstrated that only 42% of students in the second year of primary school and only 55% of students in the third year are literate. In the national standardized test for later grades (*Prova Brasil*), Recife ranks last or second-to-last in math and Portuguese at both the 4th and 8th grade levels.

¹ The 1988 Constitution established the legal framework for the decentralization of primary education to municipalities, which was later complemented by the education finance funds FUNDEF (1996) and FUNDEB (2007), which created incentives for municipalities to enroll students in primary education.

² *Sistema de Avaliação Educacional de Pernambuco*, or Pernambuco's Educational Evaluation System

Public Sector Management

6. As autonomous entities, municipal governments in Brazil are responsible for the provision of many essential public services. Therefore, improving service delivery in the country depends significantly on the enhancement of capacity at the municipal level. It is precisely at this level, however, that Brazil faces greatest challenges for institutional development. Over the past 15 years, the federal and state governments have introduced reforms in line with international experience to both strengthen underlying administrative systems and introduce greater results orientation. Only recently these reforms are being more broadly adopted at the municipal level. They are central for improving efficiency and effectiveness of public service provision and are especially relevant for the education sector, where a certain level of funds are guaranteed through earmarks but which are not always effectively used.

7. Overall municipal fiscal and public management require significant reform. Despite recent improvements, challenges still persist in revenue collection, planning and budgeting, management, control of expenditures and human resource management. More than half of public resources (55%) derive from federal and state transfers, leading Recife's revenues to be subject to instability at these higher levels of government. Effective local tax collection would mitigate that problem, but actual tax collection is far from its potential, which leaves ample room to increase tax revenue by exploiting more efficiently the tax base. The debt load of the municipality is ineffectively managed. Finally, the municipality lacks clear contracting policies, well-defined terms of reference, a contract management information system, and policies for training contract managers.

8. On the expenditure and human resource management side, municipal salary scales are complex and non-transparent, and the payroll system is not integrated with the human resource system, leaving potential loopholes for inappropriate payments. Moreover, poor planning capacity and a fragmented decision making process mean that the municipality is unable to effectively channel resources to its priority programs. In order to improve planning and resource allocation, Recife has developed a strategic plan with the definition of key goals for each sector and adopted a new management model to be able to better monitor decisions and implement government priorities. However, the municipality lacks the information technology to be able to implement this model efficiently.

9. While all of the issues mentioned above negatively affect the education sector as well as the municipality as a whole, planning is a key challenge for education management in Recife. The Secretariat of Education (SEEL) and the schools implement a wide variety of projects, but there is little focus or coherent strategy. Schools elaborate improvement plans, called *Projetos Políticos Pedagógicos*, but there is no monitoring system to follow up the actions proposed. The SEEL has taken steps toward better organization and recognizes that a well-designed and effective monitoring and evaluation system is crucial to improve the overall quality of education in Recife, but much progress is still needed.

Relationship to CPS

10. The proposed operation is fully aligned with the current CPS.³ The analytical work in ECD carried out by the Bank in the context of the CPS underscores high returns to ECD in Brazil, priorities

³ The World Bank Group Country Partnership Strategy (CPS) 2008-2011 (Report #42677-BR) discussed by the Executive Directors on May 1, 2008, and the Progress Report (Report #53356-BR) discussed by the Executive Directors on April 20, 2010.

both for the municipality and within the project. This project proposes to improve the environment for quality primary education and strengthen the educational management system in Recife, echoing the CPS emphasis on education systems. Within education, the CPS particularly emphasizes the need to reduce age-grade distortion, also a key focus of the the project. Finally, the CPS places emphasis on public management effectiveness and results-oriented public sector reforms, both areas included in this operation.

11. Rationale for World Bank involvement. The education portfolio in Brazil has shifted to include a great deal of work at the sub-national level, which means that the Bank has experience in a number of states and municipalities and can share that experience in Recife. Specifically, the Bank has worked with the states of Acre, Rio de Janeiro, and Pernambuco on reducing age-grade distortion, and has worked with the states of Minas Gerais and Rio de Janeiro on public management reform, including in education management specifically. The Bank has worked on expanding ECD coverage in the Municipality of Rio de Janeiro as well as in Mexico, and it has supported cross-sectoral articulation of ECD programs in Chile. In Brazil, the Bank has prepared country studies on quality of education and on ECD, as well as organizing a Community of Practice to encourage knowledge sharing on ECD across municipalities. The proposed operation also provides a unique opportunity to encourage alignment of policies across the municipality and state because of the existing Pernambuco SWAp (P106208), a Bank-financed project that includes an education component (with early-grade literacy, late-grade accelerated learning programs, and monitoring and evaluation activities) and a public sector reform component.

II. Proposed Development Objective(s)

Proposed PDO

12. The Project Development Objective is to expand coverage of improved early child education, create conditions more conducive to learning in primary education, and improve municipal public management.

Key Results

13. Progress towards meeting this development objective will be measured by a series of output and impact indicators, to be further identified during project preparation. Impact indicators for the project are expected to include (1) increased number of children age 0-5 enrolled in newly constructed or rehabilitated Municipal Early Child Education Centers that satisfy Ministry of Education basic quality standards, (2) reduced age-grade distortion in primary school, (3) school improvement plans for the lowest performing schools based on data from an upgraded information system, and (4) a functioning enhanced central tax administration information system.

III. Preliminary Description

14. The project will have two components, the first of which will co-finance existing eligible government programs in early child and primary education via a SWAp approach, and the second of which will provide technical assistance to strengthen public sector management.

15. ***Component 1: Strengthen coverage of Early Child Education and quality of Primary Education*** (Estimated total cost: US\$360 million; Bank: US\$100 million). This component will expand coverage to improved early child education and create conditions more conducive to learning at the primary education level. It will also improve cross-sectoral articulation of services for young children.

16. At the early child education level, this will be accomplished through (a) the construction of 40 new Municipal Early Child Education Centers (CMEIS), which include both creche (age 0-3) and pre-school (age 4-5); (b) expansion and rehabilitation of a series of existing creches and pre-schools; (c) development of clear criteria for private creches and preschools to be contracted for provision of public education; (d) the establishment of one-stop shops for early child services, based at Early Child Education centers, where children can receive referrals for health and social assistance services, all in one place; and (e) the pilot of a home-based education and health program to reach the most vulnerable young children.

17. At the primary education level, this component will create conditions more conducive to learning via the following activities: (a) expansion of the school day with two additional hours of focused education in mathematics and Portuguese, (b) implementation of a revised in-service teacher training program, (c) expansion of early-grade remedial literacy programs Acelera and Se Liga, (d) implementation of a late-grade accelerated learning program; and (e) school-based projects with financing linked to results.

18. ***Component 2: Strengthen institutions for more efficient and effective public management*** (Estimated total cost: US\$30 million; Bank: US\$30 million). This component will strengthen management of systems in the municipality in five areas: education, human resource policy, public management, financial systems, and transport.

19. In education, this component will improve planning and management through the expansion of a new education information system, which has been piloted in 14 schools and which provides detailed information on student histories, teachers, and school infrastructure. It will also support implementation of the municipal student evaluation program (Sistema Municipal de Avaliação da Rede – SMAR) to complement the state student evaluation system. Critical studies such as identifying more effective ways to select school directors and to strengthen school development plans will likewise be financed under this component.

20. In municipal human resource policy, the project will support the following activities: (a) a detailed study of human resource and payroll policies, (b) development of a new system of personnel policy with revised salary structure and career paths, (c) the revision of human resource policy (integration of policies and processes at the Administration Secretariat and other Secretariats with HR and payroll processes), (d) updating and cleaning of the personnel database, and (e) establishment of a permanent system for payroll audits.

21. In public management, the municipality has adopted a new management system with a focus on results. The project will (a) support the implementation of an information system that automatically tracks progress towards established key goals, (b) strengthen capacity for multi-year planning through a series of sectoral diagnostic studies, definition of priorities and results indicators to measure success in each sector, and translation of priorities into a sector strategy, and (c) support mapping, simplification, and automation of administrative processes to increase efficiency.

22. In financial systems, the project will finance (a) a study of the current tax administration system and how it can be improved, (b) an enhanced central tax administration information system, and (c) the development of a public debt module of the existing budget information management system, improving on the current manual administration of public debt information.

23. In transport, the project will finance a series of studies seeking to implement the goals of the Municipal Mobility Plan of 2010: improving public transport (e.g., reprogramming traffic lights,

revising parking policies), updating origin-destination studies, integrating public transport systems across neighborhoods, and managing traffic control.

IV. Safeguard Policies that might apply

| Safeguard Policies Triggered by the Project | Yes | No | TBD |
|--|-----|----|-----|
| Environmental Assessment (OP/BP 4.01) | X | | |
| Natural Habitats (OP/BP 4.04) | | X | |
| Pest Management (OP 4.09) | | X | |
| Physical Cultural Resources (OP/BP 4.11) | X | | |
| Involuntary Resettlement (OP/BP 4.12) | | X | |
| Indigenous Peoples (OP/BP 4.10) | | X | |
| Forests (OP/BP 4.36) | | X | |
| Safety of Dams (OP/BP 4.37) | | X | |
| Projects in Disputed Areas (OP/BP 7.60)* | | X | |
| Projects on International Waterways (OP/BP 7.50) | | X | |

V. Tentative financing

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|--------------------|-------|--------|
| Source: | | (\$m.) |
| Borrower/Recipient | | 360.0 |
| IBRD | | 130.0 |
| IDA | | |
| Others (specify) | | |
| | Total | 490.0 |

VI. Contact point

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Implementing Agencies

Special Secretariat of Planning and Management

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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