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THE WORLD BANK

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Report No: 121673-BR

PROGRAM APPRAISAL DOCUMENT

ON

PROPOSED LOANS

IN THE AMOUNT OF US$250 MILLION

TO THE

FEDERATIVE REPUBLIC OF BRAZIL

FOR A

SUPPORT TO THE UPPER SECONDARY EDUCATION REFORM OPERATION

NOVEMBER 20, 2017

Education Global Practice

Latin America and The Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective November 2, 2017)

Currency Unit	=	Brazilian Real (BRL)
BRL 1	=	US$3.25
US$1	=	BRL 0.30

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACG	Anticorruption Guidelines
ASA	Advisory Services and Analytics
BECEN	Central Bank of Brazil (*Banco Central do Brasil*)
BNCC	National Common Core Curriculum (*Base Nacional Comum Curricular*)
CGEI	General Coordination of Full-time School (*Coordenação-Geral de Educação Integral*)
CGEOF	General Coordination for Implementation and Financing (*Coordenação-Geral de Execução e Operação Financeira*)
CGU	Controller General of the Union (*Controladoria Geral da União*)
COEM	General Coordination of Secondary Education (*Coordenação-Geral de Ensino Médio*)
CPAG	Coordination for Planning and Management Support (*Coordenação de Planejamento e Apoio à Gestão*)
CPF	Country Partnership Framework
DICEI	Directorate of Curricula and Full-time School (*Diretoria de Currículos e Educação Integral*)
DIFOR	Directorate of Teacher Training and Professional Development (*Diretoria de Formação e Desenvolvimento dos Profissionais da Educação Básica*)
DLI	Disbursement-linked Indicator
DLR	Disbursement-linked Result
DOU	Brazilian Federal Register (*Diário Oficial da União*)
EMTI	Full-time Upper Seconday School Expansion Support Program *(Programa de Fomento às Escolas de Ensino Médio em Tempo Integral)*
ENEM	Upper Secondary Education National Test (*Exame Nacional do Ensino Médio*)
ERR	Economic Rate of Return
ESSA	Environmental and Social System Assessment
FM	Financial Management
FMIS	Financial Management Information System
FNDE	National Fund for Education Development (*Fundo Nacional para o Desenvolvimento da Educação*)
FSA	Fiduciary Systems Assessment
FTS	Full-time School
FUNDEB	Basic Education National Fund (*Fundo de Manutenção e Desenvolvimento da Educação Básica e de Valorização dos Profissionais da Educação*)
GRS	Grievance Redress Service
IDEB	Index of Basic Education Development (*Indice de Desenvolvimento da Educação Básica*)
IFR	Interim Unaudited Financial Report

INEP	National Institute of Education Statistics (*Instituto Nacional de Estatísticas Educacionais*)
INSE	School Socioeconomic Level Indicator *(Indicador de Nível Socioeconômico)*
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
ITC	Information and communications technology
LAC	Latin America and the Caribbean
LDB	National Basic Education Law (*Lei de Diretrizes e Bases da Educação Nacional)*
LDO	Budgetary Guidelines Law (*Lei de Diretrizes Orçamentárias*)
LOA	Annual Budget Law (*Lei de Orçamento Annual*)
M&E	Monitoring and Evaluation
MEC	Ministry of Education (*Ministério da Educação*)
NEM	New Upper Secondary Education (*Novo Ensino Médio*)
NPV	Net Present Value
OECD	Organisation for Economic Co-operation and Development
OM	Operational Manual (Program and Operation)
OMU	Operation Management Unit
OPRC	Operational Procurement Review Committee
PAP	Program Action Plan
PDDE	Money Direct to School Program (*Programa Dinheiro Direto na Escola*)
PforR	Program-for-Results
PMU	Project Management Unit
PNE	National Education Plan (*Plano Nacional de Educação*)
PNLD	National Textbook Program (*Programa Nacional do Livro Didático*)
PPA	Multiyear Action Plan (*Plano de Ação Plurianual*)
PR	Procurement
SAA	Sub-secretariat of Administrative Affairs (*Subsecretaria de Assuntos Administrativos*)
SBC	Special Bidding Committee
SEB	Secretariat of Basic Education (*Secretaria de Educação Básica*)
SEE	State Secretariats of Education (*Secretarias Estaduais e Distrital de Educação*)
SIAFI	Integrated System of Financial Administration (*Sistema Integrado de Administração Financeira*)
SIGEF	Land Management System (*Sistema de Gestão Fundiária*)
SIMEC	Full-Time Secondary Education Fostering Program (*Ensino Médio em Tempo Integral*)
SISG	General Service System (*Sistema Geral de Serviços*)
SPO	Sub-secretariat of Planning and Budget (*Subsecretaria de Planejamento e Orçamento*)
STA	Single Treasury Account
STEM	Sciences, Technology, and Mathematics
STN	National Treasury Secretariat (*Secretaria do Tesouro Nacional*)
TA	Technical Assistance
TCU	Supreme Audit Institution (*Tribunal de Contas da União*)
TOR	Terms of Reference

Regional Vice President:	Jorge Familiar
Senior Global Practice Director:	Jaime Saavedra
Country Director:	Martin Raiser
Practice Manager:	Reema Nayar
Task Team Leaders:	Marcelo Becerra and Andre Loureiro

FEDERATIVE REPUBLIC OF BRAZIL

Support to the Upper Secondary Education Reform Operation

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PAD DATA SHEET

Federative Republic of Brazil

Support to the Upper Secondary Education Reform Operation

PROGRAM APPRAISAL DOCUMENT

Latin America and the Caribbean Region

Education Global Practice

Basic Information			
Date:	November 2, 2017	Sectors:	Upper Secondary Education
Country Director:	Martin Raiser	Themes:	Education for All, Education for the Kn Economy
Practice Manager	Reema Nayar		
Senior Global Practice Director:	Jaime Saavedra Chanduvi		
Program ID:	P163868		
Team Leader(s):	Marcelo Becerra Andre Loureiro		

Program Implementation Period:	Start Date:	April 2, 2018	End Date:	June 30, 2023
Expected Financing Effectiveness Date:		April 2, 2018		
Expected Financing Closing Date:		December 31, 2023		

Program Financing Data		
[X] Loan	[ ] Grant	[ ] Other _____
[ ] Credit		

For Loans (US$, millions):

Total Program Cost:	US$1,577	Total Bank Financing:	US$250	Program – PforR: US$221 (IBRD 8812-BR); Project IPF: US$29 (IBRD 8813-BR)
Total Cofinancing:	US$0	Financing Gap:	US$0	

Financing Source	Amount (US$, millions)
BORROWER/RECIPIENT	1,327
IBRD/IDA	250
Program – PforR - (Loan IBRD 8812-BR)	221
Project – IPF - (Loan IBRD 8813-BR)	29
Total	1,577

Borrower: Federative Republic of Brazil

Responsible Agency: Ministry of Finance

Contact:	Henrique de Campos Meirelles	Title:	Minister of Finance
Telephone No.:	(61) 3412-2515 / (61) 3412-2516	Email:	gabinete.ministro@fazenda.gov.br

Responsible Agency: Ministry of Education

Contact:	Jose Mendonça Filho	Title:	Minister of Education
Telephone No.:	(61) 2022-7822, (61) 2022-7828	Email:	gabinetedoministro@mec.gov.br

	Expected Disbursements (in US$, millions)						
Fiscal Year	2018	2019	2020	2021	2022	2023	Total
Annual	60	69	65.5	25.5	20	10	250
Cumulative	60	129	194.5	220	240	250	250

Program Development Objective(s)

To strengthen the capacity of the state secretariats of education to implement the upper secondary reform, prioritizing vulnerable schools, and to increase the Index of Basic Education Development in targeted full-time upper secondary schools in Brazil's territory.

Compliance

Policy

Does the program depart from the CAS in content or in other significant respects?	Yes [ ] No [X]
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes [ ] No [X]
Have these been approved by Bank management?	Yes [ ] No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ] No [X]

Gender Tag

Does the project plan to undertake any of the following?

Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes [X] No [ ]
Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes [X] No [ ]
Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes [X] No [ ]

Overall Risk Rating: **Substantial**

Legal Covenants

Name	Recurrent	Due Date	Frequency
Condition of Effectiveness Anti-Corruption Guidelines included in FTS Portaria Commitment Agreements	No	The Effectiveness Deadline is the date ninety (90) days after the date of the LA	

Description of Condition of Effectiveness

ARTICLE V. Section 5.01

Acceptable evidence has been received by the Bank confirming that the *FTS Portaria* Commitment Agreements comply with the Anti-Corruption Guidelines, in form and substance satisfactory to the Bank.

Name	Recurrent	Due Date	Frequency
Key PMU Staff in place		No later than 90 days after the Effective Date	

Description of Covenant

SCHEDULE 2. Section I. B. 1. (a)

Without limitation on the provisions of Part A of this Section I, the Borrower shall, no later than ninety (90) days after the Effective Date, establish and thereafter operate and maintain, at all times during the execution of the Operation, a PMU within SEB to implement, coordinate, monitor and report on the execution of the Operation, with powers, functions, key staff (with a coordinator, a financial management specialist, a procurement specialist, and a monitoring and evaluation specialist), capacity and resources, all satisfactory to the Bank, to discharge such functions under the Operation, as further detailed in the Operational Manual.

Name	Recurrent	Due Date	Frequency
FNDE functions under the Program	Yes		Continuous

Description of Covenant

SCHEDULE 2. Section I. B. 1. (b)

For purposes of carrying out the Program activities that fall under the administrative jurisdiction of FNDE, the Borrower through MEC shall cause FNDE, within its legal mandate and as further described in more details in the Operational Manual, to discharge its functions under the Program.

Name	Recurrent	Due Date	Frequency
NEM *Portaria* Commitment Agreements and FTS *Portaria* Commitment Agreements: signing and maintain and; obligations of the SEEs	Yes		Continuous

Description of Covenant

SCHEDULE 2. Section I. B. 2. (a)

To facilitate the carrying out the Program, the Borrower through MEC shall sign the NEM *Portaria* Commitment Agreements and thereafter maintain the NEM *Portaria* Commitment Agreements and the FTS *Portaria* Commitment Agreements under terms and conditions approved by the Bank, including, *inter alia*, the obligation of SEEs to: (i) carry out the activities which fall within their administrative jurisdiction under the Program; and (ii) comply with the pertinent provisions of this Schedule as applicable to SEEs, including compliance with the provisions of the Operational Manual and the Anti-Corruption Guidelines.

Name	Recurrent	Due Date	Frequency
NEM *Portaria* Commitment Agreements and FTS *Portaria* Commitment Agreements: obligations and amendments	Yes		Continuous

Description of Covenant

SCHEDULE 2. Section I. B. 2. (b)

The Borrower, through MEC, shall exercise its rights and carry out its obligations under each NEM *Portaria* Commitment Agreement and each FTS *Portaria* Commitment Agreement in such manner as to protect the interests of the Borrower, the States and the Bank and to accomplish the purposes of the Operation Loan. Except as the Bank shall otherwise agree, the Borrower, through MEC, shall not assign, amend, abrogate, terminate, waive or fail to enforce any NEM *Portaria* Commitment Agreement, any FTS *Portaria* Commitment Agreement, or any of their provisions.

Name	Recurrent	Due Date	Frequency
Operational Manual	Yes		Continuous

Description of Covenant

SCHEDULE 2. Section I. A. 1.; 2; and 3

1. Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out, and cause the Operation to be carried out, in accordance with the Operational Manual, which shall include, *inter alia*: (a) the Program Action Plan; (b) the Program Fiduciary, Environmental and Social Systems; (c) the Annual Targets and Verification Protocols for DLIs and DLRs and the Result Monitoring Framework; (d) the functions, responsibilities and composition of implementation units in MEC, SEB, FNDE, and SEEs, in charge of the Program implementation, including their obligation to comply with the Anti-Corruption Guidelines and follow-up on any related allegation; (e) a detailed description of Project activities under its responsibility and institutional arrangements for the Project; (f) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (g) the monitoring indicators for the Project; (h) the grievance mechanisms; (i) the institutional and administrative arrangements established to ensure inter-institutional coordination; and (j) the functions, responsibilities and composition of implementation units in MEC and SEB in charge of the Project implementation, including their obligation to comply with the provisions of paragraph B.3 below.
2. Except as the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
3. In case of any conflict between the terms of the Operational Manual and this Agreement, the provisions of this Agreement shall prevail.

Name	Recurrent	Due Date	Frequency
Safeguards	Yes		Continuous

Description of Covenant

SCHEDULE 2. Section I. B. 3

The Borrower through MEC shall ensure that the terms of reference for any consultancy in respect of any activity under Part 2 of the Operation shall: (a) duly incorporate, in the opinion of the Bank, the requirements of the applicable Bank Safeguards Policies then in force; and (b) require that the advice conveyed through any such consultancy comply, in the opinion of the Bank, with the requirement of the applicable Bank Safeguards Policies then in force.

Name	Recurrent	Due Date	Frequency
Withdrawal Conditions for the Program	No	Prior to Disbursement	

Description of Covenant

SCHEDULE 2. Section IIV. B.1, 2. and 3.

1. The Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   (a) for purposes of Section 2.03 of the Program General Conditions, for DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed $30,000,000 may be made for such DLRs, as further described and detailed in the Disbursement and Financial Information Letter, achieved prior to this date but on or after July 13, 2017; and
   (b) for any DLR (as further described and detailed in the Disbursement and Financial Information Letter) under Categories (1) to (10) until and unless the Borrower through MEC shall ensure that the terms of reference for any consultancy in respect of any activity under Part 2 of the Operation shall: (a) duly incorporate,has furnished evidence satisfactory to the Bank that said DLR has been achieved, as further detailed in the Verification Protocols.

2. Notwithstanding the provisions of Part B.1 of this Section, the Borrower may withdraw: (i) an amount not to exceed $55,250,000 as an advance under the Program Loan; provided, however, that if the DLRs (as further described and detailed in the Disbursement and Financial Information Letter) in the opinion of the Bank, the requirements of the applicable Bank Safeguards Policiesare not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the provisions of the Disbursement and Financial Information Letter) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. Notwithstanding the provisions of Part B.1 of this Section, if any of the DLRs under Categories (1) to (10), except for Non-Scalable DLRs, as further described and detailed in the Disbursement and Financial Information Letter, has not been achieved by the date by which the said DLR is set to be

achieved (as per the Disbursement and Financial Information Letter), the Bank may, by notice to the Borrower: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Program Loan then in force; and (b) require that the advice conveyed through any such consultancy complyallocated to said Category which, in the opinion of the Bank, with the requirement of the applicable Bank Safeguards Policiescorresponds to the extent of achievement of said DLRs (Scalable DLRs), said lesser amount to be calculated in accordance with the formula set out in the Operational Manual; (b) reallocate all or a portion of the proceeds of the Program Loan then in force.allocated to said DLRs to any other DLR within the same DLI; and/or (c) cancel all or a portion of the proceeds of the Program Loan then allocated to said DLR.

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Marcelo Becerra	Lead Education Specialist	Co – Task Team Leader	GED04
Andre Loureiro	Senior Economist	Co – Task Team Leader	GED04
Adriane Menescal Landwehr	Team Assistant	Operations	LCC5C
Alberto Coelho Gomes Costa	Senior Social Development Specialist	Social Development	GSU04
Clarisse Torrens Borges Dall Acqua	Senior Environmental Specialist	Environment	GEN04
Daniela Pena De Lima	Senior Operations Officer	Operations	GHN04
Ezequiel Molina	Young Professional	Education	GEDGE
Isabella Micali Drossos	Senior Counsel	Legal	LEGLE
Leandro Oliveira Costa	Senior Economist	Education	GED04
Marcio Batitucci	Senior Environmental Specialist	Environment	GEN04
Miguel-Santiago Oliveira	Sr Financial Management Specialist	Financial Management	GGO22
Monica Tambucho	Senior Finance Officer	Disbursement	WFALA

Renata Pereira de Mello	Program Assistant	Operations	LCC5C
Sinue Aliram de Souza	Senior Procurement Specialist	Procurement	GGO04
Susana Amaral	Senior Financial Management Specialist	Financial Management	GGO22
Tania Lettieri	Operations Officer	Operations	LCC5C
Tatiana de Abreu Souza	Finance Officer	Disbursement	WFALA
Uriel Kejsefman	Analyst	Education / Operations	GED04

Non-Bank Staff

Name	**Title**	**Specialization**
Alexandre Takahashi	Consultant	Environment
Giovani Rocha Batista Santos	Consultant	Education
Maria Madalena Rodrigues dos Santos	Consultant	Education
Raquel Kimie Pereira de Sousa Tsukada Lehmann	Consultant	Analytics
Vivian Amorim	Consultant	Analytics

I. STRATEGIC CONTEXT

A. Country Context

1. **After a 'Golden Decade' of rapid growth and social progress up to 2013, Brazil's economy first stumbled and then fell into deep recession.** A decade of sound macro policies and a favorable external environment contributed to fast economic and social progress between 2001 and 2010. However, the deterioration in both factors led to a steady decline in growth after 2010. Growth declined from an average of 4.5 percent per year in 2006–10 to 2.4 percent in 2011–14, followed by contractions of 3.8 percent and 3.6 percent in 2015 and 2016, respectively. While external factors triggered the slowdown, an expansionary policy response led to rapidly rising fiscal disequilibria and, with rising domestic political uncertainty, to a loss of confidence and a sharp drop in investment. To restore confidence and fiscal stability, the Government has begun to pursue fiscal reforms, including a constitutional amendment to limit the growth of public expenditures.[1] Growth has resumed in 2017, but the strength of the recovery is projected to remain weak and slow.[2]

2. **The crisis threatens a decade of development progress.** Brazil experienced an unprecedented reduction in poverty and inequality over the past decade and a half, when 24.2 million Brazilians escaped poverty and the Gini coefficient of household incomes fell from 0.59 to 0.51. The road to prosperity for the majority of poor Brazilians was through formal sector jobs, as the unemployment rate declined sharply during the 'Golden Decade' to a low of 6.8 percent in 2014. However, the economic crisis precipitated a rapid rise in unemployment in 2015 and 2016 with large job losses of 0.6 million in 2015 and 2.0 million in 2016, pushing unemployment to 12.4 percent in September 2017. Average real wages declined by 0.3 percent in 2015 and 2.3 percent in 2016. Rising unemployment and falling real wages mean that past progress in poverty reduction is at risk of being reversed. Indeed, in only two years, poverty increased from 7.4 percent in 2014 to 9.7 percent in 2016.

3. **With low productivity at the center of low economic growth, fiscal constraints make the need for an efficient boost in human capital more pressing.** The recent fiscal adjustments, however, have placed rigid spending caps on social spending such as education. As a result, structural reforms that efficiently boost human capital have become a key government and development priority. A key avenue to improving quality and value for money in Brazil is to increase the relevance of upper secondary education (*Ensino Médio*) and tackling the system's low internal efficiency.

B. Sectoral and Institutional Context

4. **Brazil exhibits an intricate and multilayered education system.** The Brazilian constitution establishes clear education attributions for each layer of government. Fundamental education[3] provision is the responsibility of municipalities; upper secondary education is principally provided by the 27 state governments, and tertiary education is the focus of the Federal Government. However, it is the Federal Government that establishes the norms for the functioning of all levels of education, including for instance the national common core curriculum (*Base Nacional Comum Curricular*, BNCC) of upper secondary education. Although the implementation of the upper secondary education reform is a main responsibility of the states, the Federal Government, through the Secretariat of Basic Education (*Secretaria de Educação*

[1] The constitutional amendment (PEC 241) was approved by the Brazilian Senate in December 2016. It limits the growth of the Federal Government's public expenditures, corrected by inflation, for up to 20 years. Limits for the education sector take effect starting in 2018.
[2] Organisation for Economic Co-operation and Development (OECD), Economic Outlook 2017: Brazil economic forecast summary (June 2017).
[3] Fundamental education encompasses primary education and lower secondary education, grades 1–9.

Básica, SEB) within the Ministry of Education (*Ministério da Educação*, MEC), has a crucial role in leading the process, by setting guidelines, giving technical support, and creating capacity into the states.

5. **Public expenditure in education mimics the complex distribution of responsibilities among government levels and has grown substantially over the past decade.** Between 2005 and 2014, expenditure in education rose from 4.5 percent to almost 6.6 percent of GDP, reaching a level above the average of its peers and OECD countries. The financing of the public education system is shared among federal, state, and municipality levels, with a roughly similar percentage for the three levels of government.[4] However, the stake of the Federal Government expenditure in fundamental and upper secondary education corresponds approximately to 10 percent of total public expenditure on these levels of education, mostly through transfers from the Basic Education National Fund (*Fundo de Manutenção e Desenvolvimento da Educação Básica e de Valorização dos Profissionais da Educação*, FUNDEB), created in 2007 to equalize funding within regions through compensatory support to lagging states and municipal systems. FUNDEB established that each level of government (federal, state, and municipal) set aside 20 percent of its revenue to finance education and defined a minimum level per-student spending. The Federal Government complements the subnational investment per student in cases where the threshold is not met. In this context, the MEC has expanded the mechanisms at its disposal to create funding incentives for subnational governments to implement reforms and focus on results. Through the National Fund for Education Development (*Fundo Nacional para o Desenvolvimento da Educação*, FNDE),[5] the MEC makes transfers to subnational governments and directly to schools, with most of those transfers being non-discretionary, because they are mandated by the national educational legal framework (in 2015, the MEC transferred more than US$7.4 billion).

6. **The quality of education, as measured by international standardized learning tests, has improved in the last 15 years, but remains below that of regional peers; the 'value for money' has also fallen.** Brazil has had the largest improvement in the Programme for International Student Assessment[6] of all participating countries between 2003 and 2012. Despite this progress, Brazil performs below all other participating countries in Latin America and the Caribbean (LAC) in all subjects tested except for Peru and the Dominican Republic. Moreover, science and reading scores have stagnated since 2009, and math scores since 2012, despite expenditure per student more than doubling between 2000 and 2015, a faster rate of growth than for LAC and BRICS[7] peers. Per the 2018 World Development Report, if Brazil continues to improve at the current rate, it will not reach the OECD average score in math for 75 years. In reading, it will take 263 years.

7. **The Brazilian upper education system displays low internal efficiency, with the highest repetition rate in LAC, pervasive age distortions, and some of the lowest completion rates in the region.**[8] Brazil has some of the highest levels of repetition and dropouts in the world, resulting in an average

[4] In 2014, municipal governments were responsible for 35.8 percent of all public expenditures in education (mostly focused on primary education), state governments accounted for 36.2 percent (mostly used in upper secondary education), and the Federal Government accounted for the remaining 28 percent (mainly spent on tertiary education through direct spending in federal institutions, student loans, direct transfers, or specific programs to support states and municipalities).

[5] The FNDE is the financial arm of the MEC responsible for all financial transfers to states, municipalities, and schools.

[6] A worldwide standardized student assessment of 15-year-old students' performance in mathematics, science, and reading.

[7] Brazil, Russia, India, China, and South Africa.

[8] In addition to contributing to the decision of dropping out of school, high grade repetition rates are associated with inefficiencies in the educational system, because repeaters are required to spend many hours in class for marginal returns in learning (Bruns, Barbara; Evans, David; Luque, Javier. 2011. Achieving world-class education in Brazil:

of 15 years of schooling (instead of 12 years) to produce one high school graduate. Indeed, high levels of grade repetition make age-grade distortion ubiquitous in the education system: more than a quarter of upper secondary students were overage in 2014. While many students drop out during the transition between fundamental and upper secondary education (6 percentage points), the majority drop out during the upper secondary cycle[9] (15 percentage points).[10] Previous progress on this front has stalled: the repetition rate stagnated at 12 percent between 2008 and 2014. Chronic overage leads to the average Brazilian completing upper secondary education years after students in OECD and most LAC countries. There is a substantial gender gap in favor of girls, with female students significantly more likely to complete upper secondary education: the completion rate for 19-year-old Brazilian girls is 63.4 against 52.3 percent for boys, an astounding 10 percentage point differential (the overall average rate is 58.2). The type of school is another source of inequity: while in state schools, on average, 7.9 percent of students in upper secondary education drop out every year, only 0.5 percent of upper secondary students in private schools do so. This gap is especially significant as 87 percent of the 8 million secondary students in Brazil attend public education. There is also a high degree of inequality in education outcomes from both an income and a regional prism. For example, the likelihood of a 19-year-old completing upper secondary education varies substantially depending on the state or the level of income of the household he or she lives in. The regional inequity in education quality is affected not only by socioeconomic disparity, but also by a high level of heterogeneity in the capacity of the state secretariats of education (*Secretarias Estaduais de Educação*, SEE) to provide quality public education.

8. **Overloaded curricula, insufficient instruction time, and a perceived lack of relevance for insertion into the labor market and higher education are some of the main drivers of dropout.** Brazilian upper secondary students currently have 13 mandatory subject matters that in most public schools are taught in a four-hour day. There is evidence that the main reason why students drop out of upper secondary education in Brazil is a lack of interest in the contents of a poorly structured curriculum that is an amalgam of many subject matters. About 40 percent of students place the lack of intrinsic interest in school as the main reason for dropping out.[11] It is reasonable to establish a link between this lack of engagement and the fact that graduates from public upper secondary schools generally do not have the skills needed for the labor market. Moreover, public school students find it difficult to progress to tertiary education because they compete with better-prepared private school students, especially for admission in free-of-charge public universities. In this context, the Federal Government has proposed a substantial overhaul of the upper secondary education system through two main elements: adding flexibility to a new competence-based curriculum and extending the school day (Full-time school [FTS] program).

C. Relationship to the CPF and Rationale for Use of Instrument

9. **The proposed operation is consistent with the emerging priorities of the new Brazil Country Partnership Framework (CPF) for the Federative Republic of Brazil (Report No. 113259-BR, FY18–FY23[12]), in which the education sector is explicitly mentioned as a key area of intervention within the first Focus Area—fiscal consolidation and government effectiveness.** The Program complies with the criteria for prioritizing the World Bank engagement by combining government demand with the World Bank's comparative advantage. It is particularly aligned with the CPF objective 1.3 'Increase effectiveness

the next agenda. Directions in development; human development. Washington, DC: World Bank). Thus, repetition often leads to wasting student time and school resources.

[9] Basic education includes the cycles of fundamental education (primary education and lower secondary education, grades 1–9) and upper secondary education (grades 10–12).

[10] As shown by Simões (2016), who examines the moment of dropout from school during the life of a cohort of 19-year-olds. Simões, A. A. As metas de universalização da Educação Básica no Plano Nacional de Educação: o desafio do acesso e a evasão dos jovens de famílias de baixa renda no Brasil, PNE em Movimento 4, INEP, 2016.

[11] See Neri, M. Motivos da evasão escolar. Fundação Getulio Vargas, IBRE/CPS, 2009.

[12] The CPF was discussed by the Board of Directors on July 13, 2017.

of service delivery in education', which emphasizes the need to support: (a) activities to address the low quality and inefficiency of education in Brazil; (b) alternative delivery models, and (c) results-based management practices to achieve improved education outcomes. The flagship education sector reform at the federal level, to be implemented by all states, was included in the CPF's financial envelope, accompanied by a specific indicator related to public secondary schools. The proposed operation is also consistent with the World Bank's twin goals of eliminating extreme poverty and boosting shared prosperity by supporting a program targeted toward students at risk of dropping out and repetition, who overwhelmingly come from vulnerable backgrounds.

10. **The design and implementation of the upper secondary education reform require a focus on institutions and capacity building, as well as incentives for achieving results.** These were the main reasons why a hybrid operation, combining a Program-for-Results (PforR) and an Investment Project Financing (IPF), was selected. The TA is designed to strengthen the institutional capacity of the MEC/SEB and SEE, with the objective of supporting the proper implementation of the reform. Because the loan proceeds are not additional to regular annual budgets for the education sector, it makes sense to use and strengthen government systems to ensure sound implementation and sustainability. The focus on results will support strengthening central and local governments' capacities to use data for decision making and reorient planning and monitoring tools from inputs to outputs and outcomes. The proposed PforR instrument provides fiduciary flexibilities that are important for working with several stakeholders, while the IPF (around 11 percent of total loan proceeds) allows the financing of technical assistance (TA) activities to better implement the reform.

II. PROGRAM DESCRIPTION

A. Government Program

11. **The Federal Government has proposed[13] a substantial overhaul of the upper secondary education system.** This reform involves the following two main elements:

(a) **Adding flexibility to a new competence-based curriculum.** Brazilian upper secondary education includes 13 mandatory subjects. The reform proposes: (i) to reduce this number to three core curriculum subjects: Portuguese language, mathematics, and English language; (ii) to allow students to additionally focus on a 'learning itinerary' from five areas of knowledge: languages, mathematics, natural sciences, humanities, or technical education, and (iii) the development of key competences, including socioemotional skills. The students who opt for a technical track can use some of the technical courses and internships to replace some traditional subjects.

(b) **Promoting the extension of the school day.** Currently, most upper secondary students in public schools have four hours of classes on average per day. The reform will provide financial support for states to increase the school day to five hours in all schools and seven hours in selected schools. The extended school day will support the diversification of the curriculum and the development of key competences.

[13] The reform was established by *Medida Provisoria* 746 (2016), which changed two of the main education laws in Brazil: The National Basic Education Law (*Lei de Diretrizes e Bases da Educação Nacional*, LDB) and the FUNDEB law.

B. Program Development Objectives (PDO) and Key Results

12. The Program Development Objectives (PDO) are to strengthen the capacity of the state secretariats of education to implement the upper secondary reform, prioritizing vulnerable schools, and to increase the Index of Basic Education Development in targeted full-time upper secondary schools in Brazil's territory.

13. Achieving the strengthening in the capacity of the SEE to implement the upper secondary reform, prioritizing vulnerable schools, is a critical and necessary condition for the reform to increase the relevance of upper secondary education across Brazilian states and schools, and improve learning and education quality in the long term. The second part of the PDO: 'increase the Index of Basic Education Development in targeted full-time upper secondary schools', encapsulates the results agreements in terms of improvements in education outcomes established between the MEC and the SEE for their FTS supported by the federal program.[14] A result chain in Annex 4 illustrates how the Program activities and products contribute to the achievement of the PDO.

14. **To track the achievement of the PDO, the Program has three key indicators:**

(a) Number of States[15] where at least 40 percent of schools have implemented the New Curricula;[16]

(b) Number of States where at least 50 percent of vulnerable[17] schools have implemented the New Curricula;

(c) Percentage change in the Basic Education Development Index (IDEB)[18] in targeted FTS.

15. Indicator one captures a successful implementation of the reform that requires that the BNCC and New Upper Secondary Education (*Novo Ensino Médio*, NEM) laws establishing flexible learning paths and a minimum of five daily hours of instruction are reflected in the state curricula, thereby establishing a minimum standard to be implemented at the school level in all states. By establishing a minimum standard for implementation at the school level in all states, it also promotes cross-regional equity. Indicator two measures implementation in each state as well as implementation in the most socioeconomically vulnerable schools. Indicator three ultimately captures the goals of the FTS federal program in terms of improvement in education outcomes, as established in the respective Regulatory Instrument (*Portaria*).[19] Indicator three

[14] Since 2007, INEP/MEC calculates the Index of Basic Education Development (*Índice de Desenvolvimento da Educação Básica* - IDEB) every two years based on student performance in Portuguese and Mathematics and student pass rates. IDEB is calculated at the school, municipal, state, and national levels and is based on student performance in the nationwide standardized test and student pass rates. The index is coupled with targets that enable monitoring of whether or not schools, municipalities, states, and the country as a whole are on track regarding improvements in education quality.

[15] Hereafter, 'States' refers to the 26 states of Brazil and the Federal District.

[16] The New Curricula's implementation includes, at least, (a) incorporating the mandated BNCC common core, (b) having at least five daily hours of instruction, and (c) having at least two 'learning itineraries'.

[17] 'Vulnerable' refers to schools in the bottom 40 percent of the distribution for the School Socioeconomic Level Indicator (INSE), calculated every year by INEP/MEC.

[18] The IDEB methodology is fully explained in a technical note from INEP/MEC published in 2007. (http://download.inep.gov.br/educacao_basica/portal_ideb/o_que_e_o_ideb/Nota_Tecnica_n1_concepcaoIDEB.pdf) In summary, the indicator is given by the following formula: $IDEB_{i,k} = N_{i,k} \cdot P_{i,k}$, where $N_{i,k}$is the average between the standardized scores in Portuguese language and mathematics from the standardized national exam in area/school i in the last grade of k-th level of education, multiplied by 10 (therefore, $0 \leq N_{i,k} \leq 10$); $P_{ik}$is the harmonic mean of the passing rates of all grades in level k in area/school i (therefore, $0 \leq P_{i,k} \leq 1$); K={Lower Fundamental Education (grades 1–5), Upper Fundamental Education (grades 6–9), Upper Secondary Education (grades 10–12)}.

[19] MEC *Portaria* number 113, published in June 14, 2017.

captures the goals of the FTS federal program for passing rates, as established in the corresponding *Portaria,* assuming that learning test scores do not fall during the early stages of implementation.

16. While the FTS intervention is expected to generate significant improvements in school dropout and repetition rates from the first year of implementation (and for the duration of the Operation, thereby affecting the IDEB), the impact on learning outcomes of a more relevant curriculum brought about by the NEM will only start to be observed by the end of the life of the Operation. It depends critically on adequate and timely implementation of the reform, and on assuring that vulnerable schools and poorer regions of the country with lower institutional capacity do not lag behind in the process.

C. PforR Program Scope

17. **Policy context.** The upper secondary reform is a key priority for the country, as established in the National Education Plan (*Plano Nacional de Educação*, PNE). Its long-term objectives are: (a) the universalization of access and completion; (b) improvements in the quality and relevance of learning; (c) higher productivity for sustainable growth, and (d) efficiency and sustainability in public expenditures in education. The reform seeks to achieve a substantial decrease in existing inequalities in outcomes among states and socioeconomic groups, and among the genders.

18. **PforR Program boundary.** The Program to be supported includes most of the actions undertaken by the MEC, distributed among three budget lines,[20] to support the states in the implementation of the upper secondary reform. A preliminary conservative analysis on the current program budgetary codes, based on 2016 budget execution figures, showed that the amount of eligible expenditures under the said codes is sufficient to reconcile the loan funds (US$221 million) by Program closing. The reform has two results areas: (a) supporting the implementation of the new curriculum, and (b) promoting the expansion of full-time schools. These changes entail substantial challenges to the SEE that are responsible for public upper secondary provision and management. In this context, the MEC has designed a series of actions and programs to support the states in implementing the reform, given the low institutional and technical capacity of the SEE to carry out such a complex endeavor. The financial support from the MEC is carried out through transfers to the state governments, via the FNDE, and is conditional on the implementation and achievement of agreed results and targets. The activities to be supported, and the results to be achieved for each program, are established through Action Plans agreed between the MEC and each state. Although the financial transfers are managed by the FNDE, the SEB is the technical agency responsible for endorsing, supporting, and supervising the actions and results in the framework of each program. Moreover, the MEC will support the establishment of monitoring and management systems at the SEE to ensure efficiency in the allocation of the resources and allow proper accountability and measuring of targeted actions and outcomes.

19. **Results Area 1. Support the implementation of the new curriculum.** The core structural change in the upper secondary reform is the proposed new curriculum. The main change will consist of going from a rigid structure to a more flexible, adaptable configuration, which comprises a common compulsory element for all states and schools (BNCC) and a flexible element with 'itineraries' in five areas of knowledge (languages, mathematics, natural sciences, humanities, or technical education). From the current comprehensive approach with 13 currently mandatory disciplines, the new law[21] that was approved by the National Congress in February 2017 (NEM) reduces this number to three subjects, allowing students to define the remaining contents that they will learn by choosing 'learning itineraries'. The new national education legal norms establish key parameters for the design of the BNCC for upper secondary education, which will establish the basic competences and contents that the graduates should master. This new

[20] Budget lines: 0515 (Money Direct to School), 0509 (Support to Basic Education), and 00O0 (Scholarships).
[21] Law number 13,415 that also amends other relevant national education laws like the LDB (main national education law) and the FUNDEB law, a national education funds redistribution mechanism.

framework provides an opportunity for deeper and more substantial teaching and learning processes that can considerably increase the school engagement of the youth, thereby enhancing student retention and learning. The BNCC is under nationwide consultation and discussion and is expected to be finalized and approved in the first half of 2018. The state curricula will then need to be redefined to be aligned with the BNCC and the national education parameters, which is expected to occur between the second half of 2018 and the first half of 2019.[22] The schools will need to have their own curricula updated to be aligned with the new curriculum of their state and to effectively implement the NEM in the schools.

20. **The implementation of the new curriculum involves the following main activities:**

(a) Redesign of the state curricula to be fully aligned with the BNCC and NEM legal framework, including the design and implementation of flexible learning itineraries;

(b) Training of the SEE officials, technical staff, school principals, and pedagogic coordinators and ultimately school teachers on the main elements and implementation of the NEM (including pedagogical practices toward competencies, better use of teaching time, and socioemotional skills);

(c) Teacher redeployment and in-service teacher professional development to adapt to the new upper secondary education demand for disciplines and contents, with focus on instruction and learning;

(d) Reorganization of the school spaces;

(e) Capacity building of the MEC and SEE to plan, implement, and monitor the reform;

(f) Adaptation of the national textbook program (*Programa Nacional do Livro Didático*, PNLD) to the new education framework;

(g) Redesign of main upper secondary education assessments (Upper Secondary Education National Test [*Exame Nacional do Ensino Médio*, ENEM] and *Prova Brasil*).

21. **To organize and coordinate all these activities, the MEC will issue a new *Portaria* that will establish the responsibilities of both the MEC and SEE, including the development of an Implementation Plan, with schedules and targets, and an accountability relationship based on results.** The strategy will also tackle key equity aspects, including:

(a) Prioritizing the implementation of the NEM in the most vulnerable schools;[23]

(b) Providing higher level of support for the poorest states with the lowest implementation capacity, and

(c) Introducing incentives for reducing gender gaps.

22. **Gender-specific interventions.** To increase the effectiveness of the NEM on education outcomes, the Portaria will also create incentives for the SEE and schools to implement evidence-based specific

[22] The states will have a substantial level of flexibility to define their new curricula, provided that they follow the basic parameters established by the BNCC and the learning itineraries structure established by the NEM legal framework.

[23] 'Vulnerable' refers to schools in the bottom 40 percent in the distribution of INSE, calculated every year by INEP/MEC.

strategies to increase the education engagement of girls and boys, and to this end the Operation will support a fuller gender assessment to inform the actions required in each case. The data indicate higher upper secondary school dropout rates for boys than girls, with different principal reasons for the dropouts among boys versus girls. Interventions to address this gender gap will be based on the national and international evidence that points out that girls usually abandon their studies most commonly due to teen pregnancy, whereas boys tend to leave school mainly to seek employment (mostly informal) or due to involvement in criminal activities. Data also point to higher uptake of natural science and math streams by boys than by girls. Therefore, another set of interventions and strategies, described in Annex 1, will seek to mitigate the risk that girls shy away from learning itineraries associated with natural sciences and math, by removing the social barriers and unconscious biases that keep many female students from those areas. Progress in closing these gender gaps will be tracked via three Intermediate Results Indicators, described in further detail in Annex 2, related to: (a) the number of states with school-based interventions to promote gender equality in at least 40% of their schools (IR 4.2); (b) the percentage of female students enrolled in natural science and math itineraries (IR 4.3), and (c) the number of states where the average absolute gender gap of enrollment in formative itineraries is less than 5% (IR 4.4).

23. **Finally, to increase the knowledge of the MEC and SEE on how to implement the NEM, the *Portaria* will incentivize states to have a subset of schools implementing the flexible itineraries in 2018 and 2019.**[24] The pilots will pay special attention to the implementation of the learning itineraries in technical education, with at least a proportion of the piloting schools in each state with a path in that area. The pilots will also include FTSs, creating important synergies with Results Area 2. That will allow the production of several lessons for the most critical and challenging aspects of the NEM implementation (especially for schools with few classrooms) before the Program starts in all schools.

24. **Results Area 2. Promoting the expansion of full-time schools.** Based on best international practices, the PNE establishes that, by 2024, at least 25 percent of all students enrolled in public upper secondary education in Brazil must attend FTSs. The new program will result in going from four hours (or five hours depending on the school) to a seven-hour school-day (or from 800 hours to 1,400 hours per year). This shift will be accompanied by the rollout of a new curriculum and new school facilities (labs and ICT) The integrated and specific curricular proposal of the participating schools must include a minimum of 2,250 minutes weekly, with at least 300 weekly minutes dedicated to Portuguese language, 300 weekly minutes to Mathematics, and 500 weekly minutes dedicated to the activities of the flexible itineraries. Moreover, because the FTS Program is already ongoing, the preliminary proposals, implementation, and assessments carried out under the FTS model will help fine-tune the design of the new curriculum (Results Area 1).

25. **In this context, the MEC is supporting the SEE in the introduction of FTS in 1,088 targeted schools throughout the country (8 percent of total public upper secondary enrollment).** To join the program, each state must sign an agreement with the SEB that includes: (a) an Implementation Plan, and (b) targets for two key indicators: a decrease in dropout rates and an increase in learning outcomes. This program is regulated by the MEC's Regulatory Instrument (*Portaria*), which describes in detail the conditions to be fulfilled by the states and the selected schools. The financing, through the FNDE, is a fixed amount (around US$600) per participating student. For the next five years, an estimated US$1.29 billion will be allocated to this program. Eligible expenditures include infrastructure, equipment and furniture, teacher and staff training, personnel salaries, pedagogical material, and TA for the SEE capacity building and institutional strengthening. Eligible schools were selected based on the following conditions, two of which are designed to foster equity: (a) have a minimum of 120 enrollments in the first year of upper secondary; (b) have high socioeconomic vulnerability in relation to the respective educational network,

[24] That would be possible because this aspect of the NEM is already allowed by Law 13,415 and its implementation does not depend on the approval of the BNCC.

considering a socioeconomic indicator disaggregated by school (measured by the INSE Index, developed by the National Institute of Education Statistics [*Instituto Nacional de Estatísticas Educacionais*, INEP]); (c) ensure the existence of at least four of the six infrastructure items,[25] and (d) ensure that at least 50 percent of students have less than 2,100 minutes of weekly workload.

26. **Expenditure Framework.** The total operation has an estimated outlay of US$1.57 billion over six years, out of which US$1.54 billion is the Program supported by the PforR, financed through fiscal budgetary transfers to states, and US$29 million is TA, financed by the World Bank (external source). The World Bank financing of the PforR component will be US$221 million, roughly 15 percent of the total Program. Consultations with the Government suggest that actual implementation costs could be lower than the amount budgeted, because transfers or actual disbursements to states depend on the achievement of agreed Action Plan and targets.

Table 1. World Bank Program Financing

Component/Results Area	Program Amount (US$, millions)					
	2018	**2019**	**2020**	**2021**	**2022**	**Total**
Component 1: Supporting the New Upper Secondary Education (PforR)	194 (55.5525)[26]	285 (60)	319 (59.5)	373 (25.5)	377 (20.4475)	1,548 (221)
Results Area 1. Support the implementation of the new curriculum	37 (25)	51 (32.5)	51 (39.5)	56 (25.5)	60 (20.4475)	255 (142.9475)
Results Area 2. Promoting the expansion of full-time schools	157 (30)	234 (27.5)	268 (20)	317 (0)	317 (0)	1.293 (77.5)
Component 2. Technical Assistance to Implement the New Upper Secondary Education (IPF)	4.4475 (4.4475)	9 (9)	6 (6)	5 (5)	4.5525 (4.5525)	29 (29)
Total	**198 (60)**	**294 (69)**	**325 (65.5)**	**378 (30.5)**	**382 (25)**	**1,577 (250)**

Source: SEB/MEC.

D. Disbursement-linked Indicators and Verification Protocols

27. **Under the PforR component, funds will be disbursed based on the achievement of Disbursement-linked Indicators (DLIs).** Table 2 presents the Program's DLIs and annex 3 introduces a more detailed matrix and the verification protocols.

[25] Required infrastructure: (a) library: 50 m²; (b) classrooms: minimum 40 m²; (c) sports field: 400 m²; (d) locker rooms (for men and women): 16 m² each; (e) kitchen, and (f) canteen space.

[26] For the first year, the total amount also includes the capitalized front-end fee of US$552,500 for Component 1 and 72,500 for Component 2.

Table 2. DLIs, by Expected Calendar Year of Completion

DLIs eligible for partial achievement are marked 'Scalable' *Detailed DLI Matrix and Verification Protocol are provided in annex 3*					
	DLR 1[27] (2018)	**DLR 2 (2019)**	**DLR 3 (2020)**	**DLR 4 (2021)**	**DLR 5 (2022)**
DLI 1: The MEC NEM *Portaria* regulating the support to the Upper Secondary Education Reform has been published by MEC	Published Prior results[28] US$15 M				
DLI 2: Number of States[29] that formally signed a NEM *Portaria* Commitment Agreement	20[30] Scalable US$10 M	25 Scalable US$2.5 M			
DLI 3: Number of States that achieved 75% of the key objectives included in their NEM Implementation Plans			10 Scalable US$15 M	15 Scalable US$7.5 M	22 Scalable US$10.4475 M
DLI 4: Number of States that have their curricula adapted to NEM, validated and published by each State		10 Scalable US$10 M	15 Scalable US$5 M	25 Scalable US$10 M	
DLI 5: Number of States that have trained at least 40% of school principals and school coordinators in in the New State Curriculum			7 Scalable US$7 M	15 Scalable US$8 M	25 Scalable US$10 M
DLI 6: Number of States with schools in NEM Implementation Pilots		10 Scalable US$10 M	20 Scalable US$10 M		
DLI 7: Number of States that have their revised FTS Implementation Plans approved by MEC	25 Prior results Scalable US$15 M				
DLI 8: Evaluations and adjustment of the FTS Program have been carried out	A Pre-evaluation is Satisfactorily completed US$10 M	25 States publish and commit to Revised FTS Implementation Plans US$12.5 M	A Midterm Evaluation is Satisfactorily completed and its results disseminated US$10 M		

[27] Disbursement-linked Result (DLR) is the yearly target of a DLI.
[28] 'Prior results' indicates DLRs that may be achieved prior to the loan signing date but after July 13, 2017.
[29] Here and henceforth, "States" refers to the 26 states of Brazil and the Federal District.
[30] The baseline for indicators is zero unless specified otherwise. For DLI 1, the baseline is "No" and for DLI 8, the baseline is "No FTS review is in place."

DLI 9: Percentage of agreed FTS key process targets achieved by States as included in their FTS Implementation Plans	45% Scalable US$5 M	60% Scalable US$15 M	75% Scalable US$10 M		
DLI 10: Number of States with NEM Implementation Plans with specific strategies to implement NEM in Vulnerable Schools		20 Scalable US$10 M	25 Scalable US$2.5 M		
Estimated disbursement	**US$55 M**	**US$60 M**	**US$59.5 M**	**US$25.5 M**	**US$20.4475 M**

E. Capacity Building and Institutional Strengthening

28. **Technical Assistance to Implement the New Upper Secondary Education.** Due to low capacity at the MEC and SEE in planning, teacher deployment, and monitoring and evaluation (M&E), the Project will provide TA to strengthen the institutional capacity of the MEC/SEB and SEE, with the objective of ensuring proper implementation of the reform, including: (a) technical cooperation between the MEC and SEE; (b) periodical M&E of the implementation and results of the reform, and (c) optimization of existing resources and establishment of accountability between the MEC and SEE in the implementation of the reform, while ensuring proper implementation standards. For this purpose, the TA will provide highly specialized consulting services to support the reform for the following: (a) Build capacity at the SEE to improve planning, management, and monitoring of the reform; (b) Strengthen the MEC institutional capacity for design and management of the implementation of the reform; (c) Develop models of flexible curricula (BNCC and flexible itineraries); (d) Train technical staff at the MEC and SEE responsible for the design and implementation of the reform; (e) Develop studies and tools to support the design and management of the reform and assess their results; (f) Develop innovative projects to support the implementation of the reform; (g) Conduct communication campaigns and integration work among the various organs of the MEC and federative entities to facilitate the implementation of the new high school curriculum; (h) Develop the diagnostic of the determining factors of gender inequalities in education; and (i) Provide TA to strengthen the MEC's capacity and the capacity of the states for managing social and environmental effects of the Program.

29. **In an effort to reduce regional gaps, states with lower implementation capacity will be provided additional resources and support.** Indeed, a key priority of the Program and chief purpose of the World Bank's involvement is to guarantee that the innovations of the NEM can be accessed equally by all Brazilian students, independent of the capacity of their state or of their own socioeconomic condition.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

30. **The Program will be implemented over a five-year period, with the effectiveness expected on April 2, 2018, and the closing date of December 31, 2023.** Efforts to implement the new upper secondary education will require concerted and coordinated participation from a wide range of stakeholders, including the MEC and FNDE, SEE, teachers, students, parents' associations, and decision makers at different levels of the Government.

31. **Oversight responsibility.** The oversight responsibility for Program activities and results rests with the SEB at the MEC. The SEB will coordinate the work with its Directorate of Curricula and Full-time School (*Diretoria de Currículos e Educação Integral*, DICEI), and Directorate of Basic Education Network (*Diretoria de Apoio às Redes de Educação Básica*). In general, the SEB will have the following roles and responsibilities: (a) coordinating M&E of the operation; (b) technical and operational decision making; (c) promoting a results-based culture; (d) supporting the SEE to implement the new secondary education model; (e) coordinating with other secretariats and departments within and outside the MEC to ensure the operation's proper implementation, and (f) functioning as the World Bank's interlocutor for the execution of the operation. The following arrangements for the operation's implementation, by component, are envisaged.

32. **Component 1: Supporting the New Upper Secondary Education.** By complementing the MEC programs and resources, Component 1 will support activities nationwide through a PforR lending instrument. It will be implemented by the SEB, with support of the FNDE, in accordance with the current arrangements for the execution of activities under the budget lines included in the operation. At the SEB, the General Coordination of Secondary Education (*Coordenação-Geral de Ensino Médio*, COEM), under DICEI, will be the main interlocutor for the technical aspects of the operation and operation coordinator. Within the SEB/DICEI, the COEM will continue working with the General Coordination of Full-time School (*Coordenação-Geral de Educação Integral*, CGEI) to implement the operation. The centralized procurement and financial transfers to states, schools, and beneficiaries of scholarships will continue to be done by the FNDE through its specific units.[31]

33. **Component 2: Technical Assistance to Implement the New Upper Secondary Education.** This component will follow the traditional operational and fiduciary arrangements for an IPF. The unit at the SEB responsible for implementing Component 2 is the COEM. This component includes several consultancies (firms and individuals) and studies, including evaluations and diagnoses, to be carried out mainly during the first half of the operation implementation period. A substantial and critical part of this component is to support the states in the implementation of the new upper secondary education, which will be conducted regionally with the assistance of consulting services (firms). From the procurement point of view, the Sub-secretariat of Administrative Affairs (*Subsecretaria de Assuntos Administrativos*, SAA) will support the COEM to implement activities under this component.

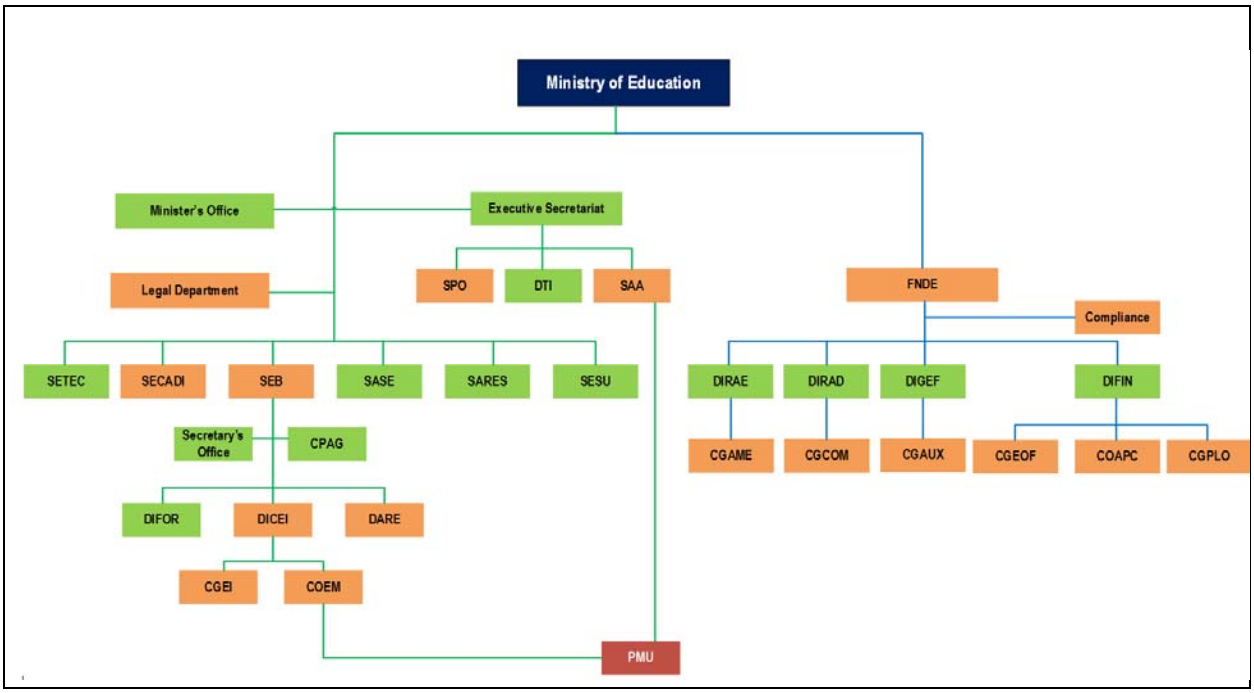
34. **Both the COEM and SAA will need to be strengthened to play the expected roles and responsibilities associated with the operation design, implementation, M&E, support to states, and fiduciary and safeguards compliance.** To this end, a Project Management Unit (PMU) and a Special Bidding Committee (SBC) will be established at the SEB and SAA, respectively. The Project Management Unit (PMU) is expected to be formed by eight technical specialists to support the COEM, an Operation coordinator, an M&E specialist, four procurement and financial management (FM) specialists/analysts, and a safeguards specialist, totaling around 15 professionals. The need to strengthen the SEB's technical and fiduciary capacity is justified by the various consulting selection processes that are expected to be conducted under Component 2, which will follow World Bank procurement rules that are substantially different from the national law. The Operational Manual will detail the OMU structure and organization and flow of documents among the different units involved in operation implementation. Arrangements may vary during implementation, depending on arising needs. It is expected that the PMU's key operational and fiduciary

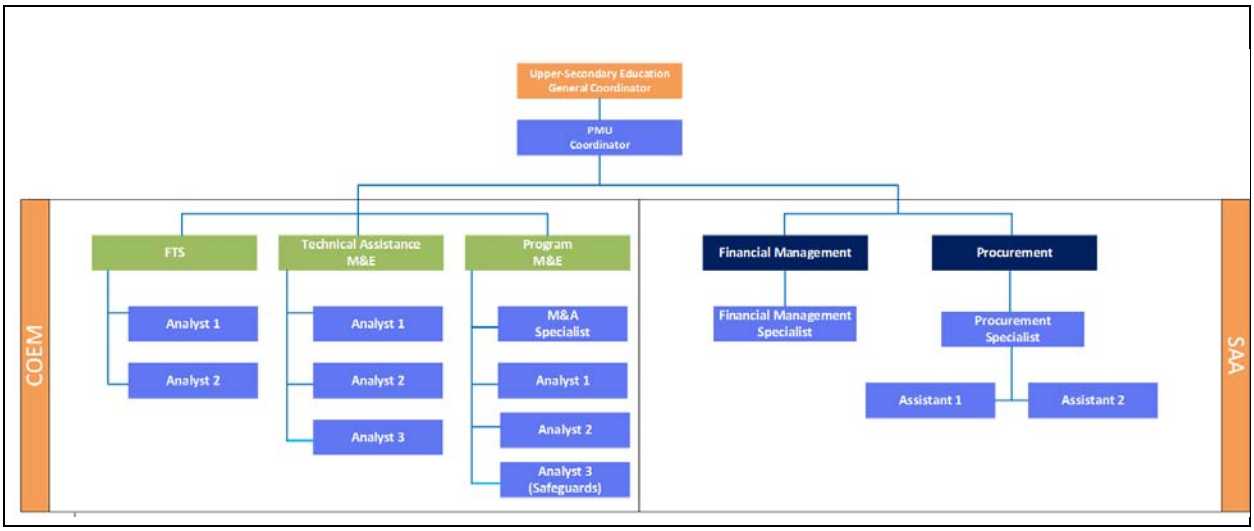
[31] The FNDE's main units involved in the Program will be General Coordination to Support School Maintenance (*Coordenação-Geral de Apoio à Manutenção Escolar*), General Coordination for Management of Scholarships and Benefits (*Coordenação-Geral de Gestão de Bolsas e Auxílios*), General Coordination of Market, Quality, and Procurement (*Coordenação-Geral de Mercado, Qualidade e Compras*), General Coordination for Implementation and Financing (*Coordenação-Geral de Execução e Operação Financeira*), and General Coordination for Planning and Budget (*Coordenação-Geral de Planejamento e Orçamento*).

staff (general coordinator, procurement specialist, FM specialist, and M&E specialist), as agreed with the World Bank, will be hired through the TA component no later than 90 days after loan effectiveness.

35. **PMU.** The PMU will support the COEM and SAA in: (a) Ensuring proper and timely implementation of operation activities; (b) Assisting in the preparation of Terms of Reference (TOR); (c) Ensuring that procurement is carried out in the most expeditious manner, with technical inputs provided by relevant departments and/or in-country expertise in the relevant area being financed, following World Bank rules; (d) Assisting in the monitoring of contracts under the operation; (e) Presenting operation progress and financial reports on time as required by the World Bank; (f) Disseminating results in such a manner as to strengthen reform constituencies and ensure the carrying out of reforms deriving from the implementation of the operation or studies and recommendations; and (g) Hosting and facilitating World Bank support review missions and working with the World Bank to optimize the operation's results and impact.

Figure 1. MEC and PMU Organizational Charts





B. Results Monitoring and Evaluation

36. **Brazil has one of the largest and most organized basic education M&E systems in the world, with more than 164,000 schools (approximately 28,000 schools providing upper secondary education, with about 20,000 being public) across 5,602 municipal and state school networks, as well as the private system.** INEP manages this system that includes two main pillars: (a) an annual school census that cover all public and private schools across the country and collects information about school organization, infrastructure, management, principals, teachers, and students, and (b) biannual student learning assessments of all students attending public schools and a sample of students enrolled in private schools. Based on the student progression rates and test scores, INEP calculates an index (IDEB) that seeks to measure education quality for public and private systems, at the national, state, and municipal school levels. IDEB is coupled with targets established by INEP/MEC that provide a strong results-based accountability system.

37. **The robust M&E system in Brazil enables calculation and follow-up of most indicators without additional effort.** However, some indicators pose a challenge for their measurement, because they are not part of the usual M&E at the national level. The indicators that could require the establishment of a new instrument to be calculated more completely are the two first PDO indicators:

- Number of States where at least 40 percent of schools have implemented the New Curricula;
- Number of States where at least 50 percent of vulnerable schools have implemented the New Curricula.

38. **PDO indicators 1 and 2 can readily be measured to the extent that they assess whether a school offers at least two learning itineraries and provides at least five hours of classes per day.** However, a complete definition that also examines the degree of alignment between the state curricula and what is being taught in the schools will require a more complex measurement tool. The measurement of this aspect will benefit from the fact that some states (like Pernambuco) have systems designed to measure curriculum implementation that could be supported by the TA component, and whose use by the SEE could be encouraged by the MEC.

39. **Four intermediate results indicators could also require the establishment of a new instrument to be calculated, namely:**

- IR Indicator 1.6: Number of States that have trained at least 40% of school principals and school coordinators on the new state curricula;

- IR Indicator 1.11: Number of States with a satisfactory level in a Curricular Reform Implementation and Monitoring Capacity Index;

- IR Indicator 4.3: Percentage of female students enrolled in natural sciences and math itineraries; and

- IR Indicator 4.4: States where the average absolute gender gap of enrollment in formative itineraries is less than 5%.

40. **The precise measurement of those indicators will require that some SEE strengthen their M&E capacities**. With the support available for this under the TA component, the MEC could encourage the precise measurement of these indicators by the SEE. The SEB and PMU will oversee the provision of Program results, monitor their achievements, and propose correction measures as needed.

C. Disbursement Arrangements

41. **Based on the current information, the Program's expenditure framework is adequate to support the PforR operation.** The Government's actual expenditures are greater than the amount to be disbursed by the World Bank over the life of the World Bank financing. The proposed PforR will provide funds to the MEC based on 10 DLIs selected by the MEC and agreed upon with the World Bank. The DLIs are fully aligned with MEC priorities and are designed to be challenging but achievable, so that the financial incentive attached to each DLI will promote the intended impacts. Most DLIs are designed to be disbursed proportionally to the quantitative achievement of the results (that is, scalable). Disbursement arrangements include the following:

- Upon loan effectiveness, disbursements against already achieved DLIs (prior results) will be made for an amount of US$30 million allocated to DLI 1 and DLI 7 to be achieved before the loan signing date but after July 13, 2017.

- The funds to be transferred as result of achieving DLIs will be deposited in United States dollars, into an account indicated by the borrower and acceptable to the World Bank.

- The DLI verification protocols include clear definitions of the agreed DLIs, as well as baseline and target values, and procedures for their measurement. The timeline for targets is indicative and Withdrawal Applications for disbursements can be made once the targets are achieved (or partially achieved, as applicable), singly, or in groups. The achievement of the DLI targets according to the agreed protocols will be verified by agents specified in Annex 3.

42. **The TA component's fiduciary arrangements will rely on the same procedures and systems for planning and budgeting, accounting, internal controls, funds flow, financial reporting and auditing described above for the PforR component.** The disbursement of TA funds will be processed in accordance with World Bank procedures as stipulated in the Legal Agreement and Disbursement and Financial Information Letter. During Project implementation, the following disbursement methods will be available for use under the TA component: Reimbursement and Advances.[32]

[32] More details on the disbursement arrangements can be found in Annex 5.

IV. ASSESSMENT SUMMARY

A. Technical

43. **Strategic relevance.** The focus on upper secondary reform, with the objectives of increasing school completion and education quality, is highly justified based on Brazil's need to: (a) increase its productivity by fostering relevant skills that cement sustainable growth, and (b) decrease high inequalities in outcomes among states and socioeconomic groups. To achieve these long-term objectives, the reform entails a threefold implementation approach: (a) a sound and comprehensive technical strategy, through the introduction of the flexible curriculum and gradually expanding teaching time (FTSs); (b) the creation of results-based accountability mechanisms between the Federal Government and the states with the purpose of providing incentives and responsibilities for the proper implementation of the reform and a more efficient allocation of resources, and (c) strong federal support to states to strengthen the institutional capacity of the SEE, with the objective of ensuring the proper planning, implementation, and monitoring of the reform.

44. **Technical soundness.** The design and the proposed implementation of this upper secondary reform is technically sound and comprehensive, and is based on recent and successful experiences worldwide. The experiences of Mexico and other OECD countries, such as Poland, were taken as valuable references and lessons were learned in the implementation of a flexible and competence-based curriculum. Regarding FTS, the international literature indicates that this type of intervention—if well designed—can improve student learning and school dropout rates in upper secondary education, especially when coupled with the development of socioemotional skills. There is some evidence that well-designed programs can also potentially increase labor force participation by women and reduce crime and violence among youth. There is also evidence that interventions to increase school engagement are likely to address the most important considerations governing the decisions of boys and girls to remain in school.

45. **The Program and the selected DLIs also include some features with a high potential to increase its effectiveness and promote (regional, socioeconomic, and gender) equity and mitigate the risks of the curriculum reform exacerbating inequalities.** By providing customized support according to the SEE needs, the Program will ensure a minimum level of the curriculum implementation across the states. The incentives for the SEE having interventions focused on vulnerable schools will also help schools that are lagging in the implementation of the reform to catch up and swiftly implement the flexible curriculum. The promotion and support to the SEE for the implementation of gender-specific interventions has the potential to substantially increase the education engagement of girls and boys,[33] such as strategies to inspire, engage, and empower girls in natural sciences, technology, and mathematics (STEM education) can also mitigate the risk of assortative selection whereby it is mostly boys that take STEM itineraries while girls mostly focus on language and social science itineraries (specific strategies are listed in Annex 1).[34] To capture the evolution of key results associated with gender-specific interventions supported by the Program, the following indicators were included in the Results Framework: IR Indicator 4.2: Number of SEE with school-based interventions to promote gender equality in at least 40 percent of their schools; IR Indicator 4.3: Percentage of female students enrolled in natural sciences and math itineraries, and IR Indicator 4.4: States where the average absolute gender gap of enrollment in formative itineraries is less than 5 percent.

[33] See Rumberger, R., A., H., Allensworth, E., B., R., Bruch, J., Dillon, E., Duardo, D., Dynarski, M., Furgeson, J., Jayanthi, M., Newman-Gonchar, R., Place, K., & Tuttle, C. (2017). Preventing drop-out in secondary schools (NCEE 2017-4028). Washington, DC: National Center for Education Evalua-tion and Regional Assistance (NCEE), Institute of Education Sciences, U.S. Department of Education.

[34] There is international evidence that girls shy away from STEM subjects they are optinal and some strategies can substantially reduce this phenomenon. UNESCO (2017). Cracking the Code: Girls' and Women's Education in Science, Technology, Engineering and Mathematics (STEM).

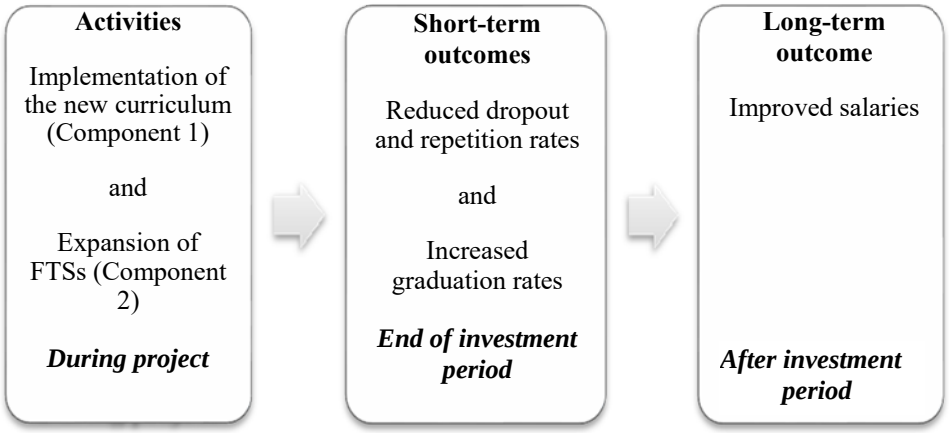
46. **The World Bank has long been supporting reforms in upper secondary education at the subnational level that aim to address the low quality and inefficiency of basic education in Brazil.** The initiatives include: (a) Providing professional development for teachers and school directors to develop greater autonomy for schools to create improved learning and teaching environment based on assessments of school performance and student achievement; (b) Expanding FTS in upper secondary education to enable students and teachers to have more time to complete the course work, enrich the curriculum, and introduce skills of the 21st century; (c) Implementing M&E systems that increase results-based accountability and allow for customized support of its schools, and (d) Developing evidence-based education policies to make education service provision more efficient.

47. **Lessons learned.** The preparation of this operation benefited from several recent relevant pieces of Advisory Services and Analytics (ASA) in education done in Brazil, for example to support the FNDE/MEC in designing a results-based grants scheme to improve quality outcomes via incentive mechanisms for municipal and state secretariats to diversify their education interventions (P162334). Another active and relevant ASA is a two-year analytical task focused on skills and jobs in Brazil (P156683), which examines the performance of education, workforce development, and labor market policies from the perspective of Brazil's youth. A recently completed ASA on Rio de Janeiro Education Studies (P157908) analyzed innovative policies in the Brazilian context and provided valuable lessons not only for Rio de Janeiro but also to other municipal and state networks, many of which have already indicated their interest in rolling out similar programs. One such policy was a well-designed and implemented FTS Program, with robust impacts on school dropout rates and student learning as measured by test scores.[35] The design of this Program also benefitted from the World Bank's experience in the design and implementation of FUNDESCOLA I (Loan 4311-BR), FUNDESCOLA II (Loan 4487-BR), FUNDESCOLA III (Loan 7122-BR), and earlier World Bank experience in Brazil. The operation has taken into consideration the aspects that were successful in achieving their intended objectives. Lessons include the need to assign greater priority to social mobilization and communication efforts in promoting the new secondary education model, providing an incentive for states and schools to remain focused on the issue of quality improvement and to practice the planning skills they will learn, and providing incentives for states to expand FTSs.

48. **Economic justification.** The Brazil Upper Secondary Reform operation is expected to have a significant development impact. By reducing dropout and repetition rates and increasing graduation rates, the expected long-term consequences are improvements in future labor productivity, employability, and wages. A cost-benefit analysis of the Operation was conducted based on: (a) reasonable projections of investment and recurrent costs, and (b) benefits from similar types of education interventions. Specifically, Components 1 and 2 are amenable to a cost-benefit analysis because the benefits of activities under these two components can be reasonably appraised from existing evidence. The estimates below stem from a quantitative analysis based on conservative assumptions.

[35] See Cruz, Tassia De Souza, Andre Loureiro, and Eduardo Sa. 2017. "Full-time Teachers, Students, and Curriculum: The Single-shift Model in Rio de Janeiro." Policy Research Working Paper No. WPS 8086, Impact Evaluation Series, World Bank, Washington, DC.

Figure 2. A Framework of Benefits from the Support to the Upper Secondary Education Reform Operation



49. **The benefits of the Brazil Upper Secondary Education Reform Operation are expected to far exceed its costs.** Using a discount rate of 10 percent, the net present value (NPV) ranges between US$2.9 billion and US$8.6 billion in the conservative and optimistic scenarios, respectively. Using a discount rate of 5 percent, the NPV ranges between US$13.3 billion and US$24.3 billion, in the conservative and optimistic scenarios, respectively. The associated economic rate of return (ERR), which is the rate of return that brings the NPV to zero, is 13–19 percent, in the conservative and optimistic scenarios, respectively. A sensitivity analysis was undertaken confirming that the benefits of the Operation would still substantially outweigh its costs even with a significant decrease in the expected impact on graduation rates. Details of the analysis are presented in Annex 4.

50. **Rationale for public sector financing.** Public investment in improving education in Brazil is justified for several reasons, namely positive externalities, capital market constraints, and equity concerns. First, activities that are perceived to have significant externalities are prime candidates for increased government involvement to move toward a social optimum. Education has various benefits beyond private returns to education such as civic engagement, crime reduction, health and nutrition improvements, and economic growth. Second, capital market constraints may result in underinvestment in education, because parents may not be able to provide appropriate schooling opportunities for their children. Last, public sector involvement is justified for more equitable distribution of income and well being in society.

51. **Value added of World Bank's support.** By engaging in the financing of the upper secondary education reform program in Brazil, the World Bankwould bring to bear: (a) technical expertise and knowledge services, and (b) institutional strengthening and a strong focus on results, while (c) helping to mitigate risk of delays in the implementation due to political transitions. The reform of the upper secondary education is a new and complex program to be implemented countrywide, and as such, it will require deep knowledge of Brazil's education sector and of the implementation capacity and constraints at the federal and state levels. Given the World Bank's existing engagement in the sector, both locally and internationally, and its experience in promoting education reforms, it is well positioned to assist the Government in this endeavor. Recent and ongoing World Bank analytical studies and investment operations in Brazil[36] provide

[36] For example, Brazil Skills and Jobs (P133162); Support for Education Policy Reforms in Brazil (P162334); Brazil Expenditure Review (P158800); Rio Grande do Norte Regional Development and Governance Project (P126452); Acre Social and Economic Inclusion and Sustainable Development Project (P107146), and the Piauí Pillars of Growth and Social Inclusion Project (P129342).

a substantial amount of knowledge and lessons learned to strengthen the design and implementation of the Program.

52. **The World Bank Group has a great deal of experience with curriculum reform, FTSs, and teacher training, both within Brazil and elsewhere.** As such, it is uniquely positioned to provide technical support and share evidence on innovative best practices in these key areas. In addition, the World Bank will bring its expertise on project management and on M&E, and the proposed strategy in the Operation will strengthen the culture of evidence-based decision making and the capacity to implement other similar operations.

B. Fiduciary

Financial Management

53. **The FM systems' capacity and performance, with the implementation of the proposed mitigating measures and agreed actions to strengthen the systems (which are reflected in the Program Action Plan [PAP]), are adequate to provide reasonable assurance that the Program funds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.**

54. **The overall fiduciary risk rating is considered Substantial.** The key fiduciary risks to the development outcomes of the Program that underpin the Substantial risk rating are as follows:

(a) The Program will be implemented at a decentralized level, which requires the federal transfers to be included in the various states' budgets (and be approved within their respective budget cycles), which may cause delays, together with delays at the school level, in providing adequate support documentation.

(b) Due to the numerous implementing agencies involved in the Program's execution, particularly at the decentralized level, there is a risk that contracts could be awarded to firms and/or individuals debarred or suspended by the World Bank.

55. **The proposed systems-and capacity-strengthening and/or mitigation measures, to address the above risks include the following:**

(a) The MEC will hire consultants to provide support at the state level, to expedite implementation and ensure the proper use and documentation of funds.

(b) All implementing agencies, both at the federal and state levels (including schools), will be instructed by a legal document satisfactory to the World Bank, to comply with the World Bank's Anticorruption Guidelines (ACG), to ensure that no contract will be awarded to a firm or individual that is on the World Bank's debarred list. In addition, the external auditors' TOR will include a requirement to review Program expenditure for such ineligible contracts.

56. **Procurement.** For the PforR component, the MEC will follow the procedures of the national legislation regarding biddings according to the following Operational Procurement Review Committee (OPRC) limits of value per procedure: works US$30 million, goods and services US$30 million, and consultancies US$15 million. There are no high-value contracts above the OPRC thresholds expected under the Program.

57. **For the TA component, the bids must follow the World Bank's procurement guidelines.** The MEC will establish an SBC, which will be created under the SAA, to conduct procurement processes under the TA, which will follow the current World Bank "Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016, and the provisions stipulated in the Legal Agreement. The SBC will be created under the SAA. To this end, a draft Procurement Plan for the first 18 months of project implementation and a Project Procurement Strategy for Development have been developed.

C. Environmental and Social Effects

58. **Based on the findings of the Environmental and Social System Assessment (ESSA), the borrower's institutional capacity is broadly considered as adequate given the environmental and social risks to be managed under this operation.** An Action Plan was agreed to overcome the few gaps identified and ensure the environmental and social benefits of the Program are enhanced and its few risks minimized.

59. **Environmental.** The team assessed the Program proposed by the MEC and the main actions to be undertaken. Among these activities, rehabilitation and improvement of school buildings to adapt them to the new demands posed by the FTS system is the only one that may likely generate limited adverse effects on natural habitats and physical and cultural resources as well as pose some risks to the community and workers' safety. These civil refurbishment works are limited in number per municipality and located in urban and peri-urban areas that have already been developed. Their effects will be site-specific, time-bound, and reversible.

60. **The ESSA finds that the Brazilian Government has advanced environmental laws and construction regulations (including standards to ensure overall accessibility), reflecting a political culture of strong environmental protection.** Federal and state practices include standard early consideration of environmental assessment in program design for the types of civil works planned under the PforR. The country law includes robust and comprehensive federal and state Environmental Assessment guidelines, analytical tools, and measures that must be complied with to ensure environmental licensing for the implementation and operation of public facilities. Operation of public schools also has to comply with robust safety measures and accessibility standards. Concerning environmental issues, the main challenge foreseen is the wide variation among state environmental agencies' institutional environmental capacity to enforce environmental protection legislation, due to staffing, budgetary resources, and political commitment. Although, the overall risks and potential adverse impacts are considered minor, the TA component includes support for strengthening the capacity of MEC and states' implementing agencies for managing social and environmental effects of the Project, including the elaboration of an "Environmental and Social Management Guide", assembling in a user-friendly format all the guidelines and manuals required by the Brazilian legislation (specific themes of the guide are described in detail in Annex 1).

61. **Climate change.** The redefinition of the NEM curriculum and the option to focus on tracks from five areas of knowledge (including 'Natural Sciences') as well as the 'technical tracks' will contribute to climate change adaption or mitigation co-benefits. The BNCC guidelines make it clear that the study of climate change will be a required competency for all upper secondary education students, including "initiatives that contribute to reestablishing the environmental balance through the identification of regional and global climate changes caused by human intervention."[37] The Program, by supporting the implementation of the NEM and the BNCC, is indirectly advancing this key priority. Moreover, as part of the lessons from the ESSA and through the Action Plan, the Program will support the formulation of guidelines and manuals on the assessment and mitigation of risks of natural disasters.

[37] Brazil MEC, *Base Nacional Comum Curricular: Educação e a base (Terceira versão)*, 2017

62. **Social.** The ESSA also finds that the main gap between the Brazilian social and environmental legislation and the core principles of the World Bank's Program for Results Financing Policy relates to how to deal with adverse impacts caused by land acquisition leading to involuntary resettlement. Nevertheless, it also concludes that civil works required to adapt the schools' network to an FTS system are not expected to require land acquisition. The ESSA includes mitigation measures to minimize and resolve issues related to land acquisition (Action 9). In the exceptional circumstances in which land acquisition is required and there are unresolved adverse impacts related to involuntary resettlement, the schools associated will automatically be excluded from the Program. Therefore, risks associated with land acquisition and involuntary resettlement are considered low. The findings of the ESSA also show that the Program has a huge potential to benefit young men and women from vulnerable social groups, increasing their opportunities to complete secondary school education, which remains strongly associated in Brazil to better opportunities to access and retain better paid jobs in the formal job market. The Program proposed by the MEC has been broadly and thoroughly consulted with key stakeholders and the civil society. The education sector has well-developed mechanisms of civil society participation in policy decision making, democratic school management, and social control operating from the local (school) level up to the federal one. Robust legislation and efficient and widely known mechanisms of grievance redressing are also in place and will be strengthened by the Program. Policy changes introduced by the Program with the BNCC do not interfere with the previous regulatory framework ruling special modalities of school education—such as indigenous and quilombola school education national curriculum guidelines—that ensure the prior, free, and informed consultation of indigenous peoples and other vulnerable groups in all matters related to education policies directed to them as well as their continued participation in the management of schools and the full respect of cultural and social diversity. The Program proposed by the MEC faced early opposition from some key stakeholders—representative organizations of students, teachers, and scholars, that diminished significantly after substantive dialogue between the MEC and SEEs and these stakeholders across the country. This opposition may occasionally resurface, but can be greatly mitigated by the implementation strategy planned in the NEM *Portaria* that will involve consulations with the school communities (students, parents, teachers, principals, etc), a robust communication strategy, further consultation rounds envisaged for the discussion of the BNCC, and the strengthening of the mechanisms to promote transparency, foster citizen engagement, and redress grievances are considered adequate measures to deal with these differences of opinion in a democratic context.

63. **TA component.** This component is focused on straightforward institutional capacity-building activities without a physical investment footprint. They are not expected to have any potential adverse downstream environmental or social implications or risks. Following the World Bank's 'Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects and Trust Funds Administered by the Bank', these activities are classified as Type 2, with an indicative Environmental Assessment Category B. However, two safeguard policies are triggered, OP 4.01 Environmental Assessment and OP/BP 4.10 Indigenous Peoples. The requirements of both policies will be incorporated in the TORs for the capacity-building activities. The TORs, to be prepared during project implementation and reviewed by the World Bank, will cover and address relevant activities under the TA that may have an impact on indigenous peoples, including consultations during project implementation.

64. **Gender equity.** The implementation of gender-specific interventions, such as strategies to inspire, engage, and empower girls in sciences, technology, and mathematics (STEM) education can also mitigate the risk of assortative selection in a way that boys mostly take STEM itineraries and girls mostly focus on language and social science itineraries. A broader gender assessment seeking to identify promising avenues for intervention within the framework of the reform was conducted during preparation. During implementation, a Gender Equity Plan will be developed, based on in-depth diagnosis, including successful national and international experiences. The TA component will support both the development of the plan and some key dissemination activities (guidelines, awareness, and technical support) to implement good practices.

65. **Citizen engagement and grievance redress mechanism.** Transparency, citizen engagement, and grievance redressing mechanisms are being reinforced. Measures taken by the MEC to ensure social accountability have been discussed during preparation. In particular, the MEC is developing a social control module (*Painel Público*) within its Management System for the Full-Time Secondary Education Fostering Program (*Ensino Médio em Tempo Integral*, SIMEC). This module will allow civil society to visualize and oversee the program's implementation and the achievement of its goals, and thus give transparency to the program's activities and results. The MEC will make specific channels available for receiving and responding to questions, comments, suggestions, and complaints about the SIMEC and the New Secondary Education on its website. Finally, the Program will monitor and evaluate an indicator on citizen engagement: Intermediate indicator 4.1 – Number of states that have achieved 50% of planned activities promoting the participation of local communities on all FTS schools.

66. **Stakeholder consultation and disclosure.** The elaboration of the ESSA drew on an analysis of opinions previously and publicly expressed by the interested parties. Thematic meetings on social and environmental aspects were also held with relevant government agencies. This information corroborated the expectation that there is a great heterogeneity in terms of the institutional capacity to manage social and environmental impacts and risks between the different units of the Federation. To support the elaboration of the ESSA, the SEB of the MEC called a meeting to which it invited 30 entities representing key stakeholders, with a view to addressing key issues to improve the results of the evaluation and consult on measures to improve the Program's Socio-Environmental Management System. The invitation for this meeting was also disclosed through the MEC's website. A preliminary version of the evaluation was made available, and the invitation indicated that comments, criticisms, and suggestions could also be sent to a MEC's email address. Meeting confirmation messages were sent to all invitees two days before the meeting date. Despite all these efforts, there was no attendance at the meeting. Invitations were therefore sent out again and a second meeting was held the day after, counting with the presence and participation of representatives of the Educational and Environmental Programs Directorates of the National Confederation of Industry, Industry Social Service, and the National Industrial Learning Service. The Operation will continue to engage stakeholders and support a range of outreach, transparency and grievance redress mechanisms to ensure strong civic participation and support.

67. **Social and Environmental Management Action Plan. As a result of these consultations, activities related to**: (a) ensuring the continuation of consultations on the National Curricular Common Core of High School, and (b) strengthening of transparency, communication, and grievance redressing mechanisms, were incorporated into the Action Plan for Social and Environmental Management of the Program. They led, therefore, to the following activities being included in the Action Plan: (a) the elaboration of a Guide to Socio-Environmental Management, and (b) institutional strengthening of the implementing entities through a training program of the engineering, environmental, and health management teams and State Departments of Education with less institutional capacity. The consultations also included meetings with representatives of the Secretariat for Continuing Education, Literacy, Diversity, and Inclusion and the FNDE, which resulted in confirmation of the need to include the following activities in the Action Plan: (a) enhance the PMU capacity for offering TA to the states and the Federal District regarding the implementation of socio-environmental, health, and safety requirements, and (b) adopt specific procedures for evaluating and coping with risks.

68. **Grievance Redress Service (GRS).** Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time

after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

D. Risk Assessment

69. The overall risk is 'Substantial'. The Political and Governance, the Institutional Capacity for Implementation and Sustainability, and the Technical Design risks are assessed to be High, mainly due to the complexity for the Federal Government of promoting major curricular and school attendance reforms across multiple states in an area (upper secondary education) that is the responsibility of the states, which have varying levels of capacity. Moreover, the Program requires additional coordination between federal and state governments in enforcing a result based accountability framework. This is complemented by high political risks associated with implementation delays due to government transitions that will take place in January 2019 after the presidential and governors elections in October 2018. To mitigate these risks, the operation includes provisions for significant communications campaigns, outreach and capacity building, as well as the structuring of results based commitment agreements between the federal and state governments, including structuring financial incentives towards achieving the intended results.

70. The integrated fiduciary risk is 'Substantial', mainly due to Program design involving decentralization of funds, possible delays by the FNDE in adjusting its management information system to monitor the program and run Interim Financial Reports (IFRs) on time, and possible delays at the decentralized level for executing Program funds. Moreover, it is possible that contracts will be awarded to firms and/or individuals debarred or suspended by the World Bank. The proposed systems- and capacity-strengthening and mitigation measures to address the above risks include: (a) the MEC hiring consultants to support states, expedite implementation, and ensure proper use and documentation of funds; (b) all implementing agencies, both at the federal and state levels including schools, being required by official decree to comply with the World Bank's ACG, to ensure that no contract will be awarded to a firm or individual that is on the World Bank's debarred list. In addition, external auditors' TOR include a review of the Program expenditure for such ineligible contracts.

71. Sector Strategy and Policies and Stakeholders risks are Substantial. Overall, upper secondary reform has a reasonable stakeholder and political consensus, and has not experienced significant political opposition. However, there are still possible risks based on (a) the change in Government next year may lead to changes or delays (as mentioned earlier); and (b) opposition by teacher unions due to resistance to possible redeployment and reassignment. These risks are mitigated by the solid legal basis of the reform, and the incentives included to ensure commitment at the states' level. In terms of teachers, although opposition to the reform from teachers' unions had been strong at the time of the debate of the new law in the Congress, it has eased lately due to the broad overall support from the population in general (last survey indicates that 72% of the population supports the reform). Moreover, a comprehensive and solid dialogue promoted by MEC with key stakeholders has dissipated most of remaining opposition and currently the debate is focused on the best strategy to implement the reform. MEC has planned to continue with this strategy in 2018, with an implementation strategy of NEM that will involve consulations with the school communities (students, parents, teachers, principals, etc), strengthening communication campaigns, consultation and, importantly, re-training of teachers for adapting them to the new, pedagogic and content needs to minimize the risk of implementation delays.

72. **Environment and Social risks are 'Moderate'.** With the complexity of the institutional arrangements, the Program will need to ensure that consistent attention is paid to: (a) giving due consideration to cultural appropriateness of, and equitable access to, program benefits, and (b) avoiding

exacerbating social conflict, paying special attention to aspects related to citizen engagement and stakeholder participation in the Program.

E. Program Action Plan

73. The PAP is summarized in annex 8.

ANNEXES

Annex 1: Detailed Program Description

1. The PDO is to strengthen the capacity of the state secretariats of education to implement the upper secondary reform, prioritizing vulnerable schools, and to increase the Index of Basic Education Development in targeted full-time upper secondary schools, in Brazil's territory. This operation is a hybrid PforR, consisting of two components: the Program (US$221 million) and a TA component (US$29 million) that uses the IPF instrument.

2. **PforR Program boundary.** In this framework, the Program to be supported includes most of the actions undertaken by the MEC to support the states in the implementation of the upper secondary reform. The reform has two results areas: (a) support the implementation of the new curriculum and (b) promote the expansion of full-time schools. These changes entail substantial challenges for the SEE that are the responsible for providing and managing upper secondary education. In this context, the MEC has designed and financed a series of actions and programs to support the states in implementing the reform, given the low institutional and technical capacity of the SEE to carry out such a complex reform. The financial support from the MEC is carried out through transfers to the states, via the FNDE,[38] and are conditional on the implementation and achievement of agreed results and targets. The activities to be supported, and the results to be achieved for each program, are established through action plans between the MEC and each state. Moreover, the MEC will support the establishment of monitoring and management systems at the SEE to ensure efficiency in the allocation of resources (notably teachers), promote proper accountability and ensure the measurement of targeted actions and outcomes. There are no high-value contracts foreseen to be included under the supported Program.

Results Area 1. Support the implementation of the new curriculum

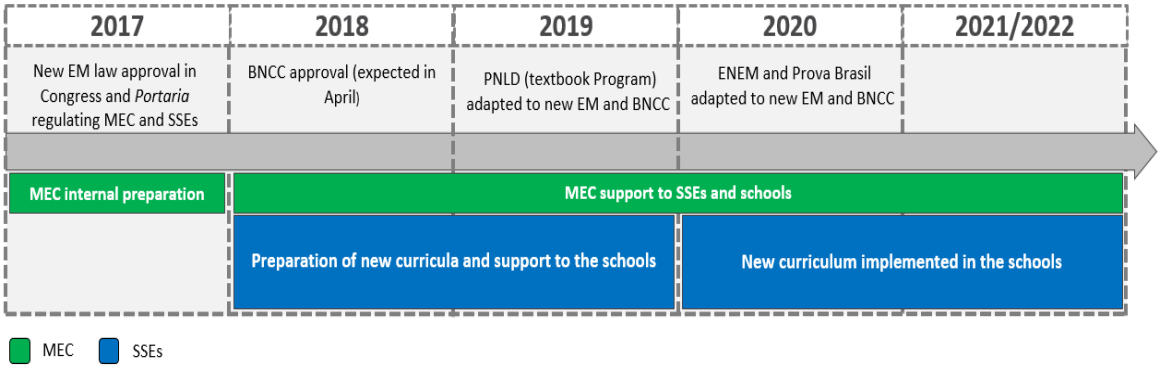
3. **The objective of the curriculum reform is to increase the relevance of upper secondary education and ultimately decrease dropout and repetition rates.** The upper secondary reform will change the existing rigid structure of the curriculum to a more flexible, adaptable configuration, which comprises a common compulsory element for all states and schools (BNCC) and a flexible element with 'learning itineraries' in five areas of knowledge (language, math, social sciences and humanities, natural sciences, and technical education). From the current comprehensive approach with 13 current mandatory disciplines, the new law[39] that was approved by the National Congress in February 2017 (NEM) reduces this number to three subjects, allowing students to define the remaining content that they will learn in upper secondary education by choosing 'learning itineraries'. The new national education legal norms establish key parameters for the design of the BNCC for upper secondary education, which will establish the basic competences and content that upper secondary education graduates should master. The BNCC is under nationwide consultation and discussion and is expected to be finalized and approved by the end of the first semester of 2018. The state curricula will be redefined based on the BNCC and the national education parameters, which is expected to occur between the second half of 2018 and the first half of 2019, allowing schools to redefine their own curricula—which in Brazil is a part of a broader document called Pedagogical and Political Project (*Projeto Político-Pedagógico* [PPP])—and result in the NEM effectively being implemented in the schools. Figure 1.1 presents a summary of the timeline for the implementation of the new curricula based on the BNCC and NEM legal framework. After the new BNCC is approved, the MEC will adapt its PNLD to the new education parameters and INEP will redesign its main upper secondary

[38] FNDE's role is related to the financial transaction with the SSEs and schools, with the SEB being responsible for the management of the interventions and establishing results agreements. For example, the results agreements between the SEB/MEC and the SSEs for the FTS Program take place under a *Portaria*.

[39] Law number 13,415 that also changes other relevant national education laws like the LDB (main national education law) and the FUNDEB law (for a national education funds redistribution mechanism).

education assessments (ENEM and *Prova Brasil*) to the NEM. The Program will also tackle key equity aspects, including: (a) prioritizing the implementation of the NEM in the most vulnerable schools; (b) higher level of support from the Program in the poorest states with the lowest implementation capacity, and (c) introducing incentives for reducing gender gaps.

Figure 1.1. Summary of Timeline for the Implementation of New Curricula



4. The upper secondary education, with the new curricula based on the BNCC and the education laws, will have 60 percent of the time in school (or 1,800 hours per year) dedicated to content established by the BNCC (including the three mandatory disciplines: Portuguese language, math, and English). The flexibility emerges in the remaining 40 percent of the time, for which the students can choose a 'learning path' in one of the five areas of knowledge. The total number of yearly hours in upper secondary education will go from a minimum of 800 to 1,000 hours (or 4–5 hours of class per day), for a total of at least 3,000 hours in the three years of upper secondary education. Both the new structure and the longer teaching time pose significant challenges to the SEE and schools in terms of adapting teachers' skills and managing teachers' redeployment/reassignments to deal with the multiple learning itineraries. It is expected that the new flexible and relevant programs paired with longer learning time will lead to more attractiveness and engagement from students, thereby reducing school dropout and repetition rates, as well as improving the quality of learning.

5. In summary, the implementation of the new curriculum involves the following main activities:

(a) Reorganization of the state curricula (based on the BNCC and NEM legal framework), including the design and implementation of flexible learning itineraries;

(b) Training of the SEE officials, technical staff, school principals, and pedagogic coordinators and ultimately school teachers in the main elements and implementation of the NEM (including pedagogical practices toward competencies, better use of teaching time, and socioemotional skills);

(c) Teacher redeployment and in-service teacher training to adapt to the new upper secondary education demand for disciplines and contents;

(d) Reorganization of the school spaces;

(e) Capacity building of the MEC and SEE to plan, implement, and monitor the reform;

(f) Adaptation of the PNLD to the new education framework, and

(g) Redesign of main upper secondary education assessments (ENEM and *Prova Brasil*).

6. Many aspects of the new curriculum implementation strategy have been developed further by the MEC, but some others are still under discussion between the World Bank task team and MEC (which in turn is consulting the SEE) and will be defined and designed in the next few weeks. The interventions for implementing the new curriculum that are more developed are as follows:

(a) **Provision of methodological tools and guidelines to the SEE.** The MEC will provide a set of materials to the SEE to enable their team to effectively implement the reform, including: (i) an operational manual for the implementation of the NEM with concrete steps to be followed by the SEE and schools; (ii) methodologies to develop competence-based flexible curricula at the state level, and (iii) reference guides and studies for the main elements of the reform, such as strategies for the definition of learning itineraries at the school level with focus on competences and the development of socioemotional skills,[40] as well as strategies to inspire, engage, and empower girls in natural sciences, technology, and mathematics education.[41]

(b) **Professional development of the SEE officials and technical staff in the main elements and implementation of the NEM.** This includes assembling and training task teams in each of the 27 SEE that will be responsible to implement the curriculum reform in their respective states. These staff will receive scholarships for participating in the training and disseminate their knowledge in the respective state networks.

7. Some other elements to increase the effectiveness of the Program that are being planned for inclusion in the design of the Program are:

(a) Promotion and support to the SEE for the implementation of gender-specific interventions;

(b) Specific strategies to increase the capacity of schools lagging behind in the implementation of the reform. In each state, schools with ex ante high performance and/or that are able to swiftly implement the flexible curriculum (reference schools) will receive additional funds to twin with schools lagging behind in the implementation of the new curriculum (that will also receive funds and public recognition) to allow for the exchange of experiences. The most successful cases will receive prizes (additional funds) and their experiences will be shared to all schools in each state and nationwide;

(c) Incentives to the SEE to provide special support to vulnerable schools as an additional mitigation measure to assist schools in the poorer areas that are lagging behind in the implementation of the NEM.

8. **The MEC will issue a Regulatory Instrument (*Portaria*) that will regulate the NEM implementation, establishing the governing rules and mechanisms by which the SEE and schools will be supported.** The *Portaria* will also define results, agreements, and targets associated with the implementation of the reform that will be done through Implementation Plans submitted by the SEE and approved by the MEC. This *Portaria* and many details of the new curriculum implementation are being designed and are under discussion between the MEC and the SEE, with December 15, 2017, as the expected date of issue. The *Portaria* will also incentivize States to have a subset of schools implementing the flexible

[40] Many of those materials will be developed through the TA component.
[41] This type of strategy can also mitigate the risk of assortative selection in a way that boys mostly take STEM itineraries and girls mostly focus on language and social science itineraries.

itineraries in 2018 and 2019. That would be possible because this aspect of the NEM is already allowed by Law 13,415 and its implementation does not depend on the approval of the BNCC. The pilots will pay special attention to the implementation of the learning itineraries in technical education, allowing all the implementing agencies to learn how to move from the current model in which students have the technical contents on top of the traditional courses (*integrado and concomitante*) to a fully integrated technical education model in upper secondary. The pilots will also include FTSs, creating important synergies with Results Area 2. The MEC will create incentives for the SEE to include a representative sample of schools in each state that will allow several lessons to be generated for the most critical and challenging aspects of the NEM implementation (including the implementation of technical education itineraries in vulnerable schools and the creation of multiple itineraries in schools with few classrooms) before the Program starts in all schools.

9. **Gender-specific interventions.** To increase the effectiveness of the NEM on education outcomes, the *Portaria* will also create incentives for the SEE and schools to implement specific strategies to increase the educational engagement of girls and boys. The interventions will be based on national and international evidence that has identified markedly distinct causes for school disengagement for girls and boys. While girls abandon their studies most commonly due to teen pregnancy, boys tend to leave school mainly to seek employment (mostly informal) or due to involvement in criminal activities. The planned interventions include:

(a) Teacher professional development to increase their knowledge on how to use specific classroom management strategies to engage girls and boys, prioritizing youth in vulnerable schools;

(b) School-based focal groups with the students to discuss the specific challenges of teenage girls and boys, with careful attention to avoid gender stereotypes;

(c) Teachers acting as tutors for small, fixed groups of at-risk students by themes relevant to their communities (rather than academic topics); and

(d) Promoting a greater balance between female and male teachers, associated with specific in-service teacher training to create an environment in which teachers are role models for both boys and girls.

10. Another set of interventions and strategies will seek to mitigate the risk that girls shy away from learning itineraries associated with natural sciences and math, by removing the social barriers and unconscious biases that keep many female students from those areas. The school-based interventions include:

(a) Teacher professional development to increase the use of practical and applied strategies for the teaching of natural sciences and math;

(b) Increasing awareness among teachers and principals of unconscious gender biases;

(c) Strategies to build a ‘science identity’ for girls; and

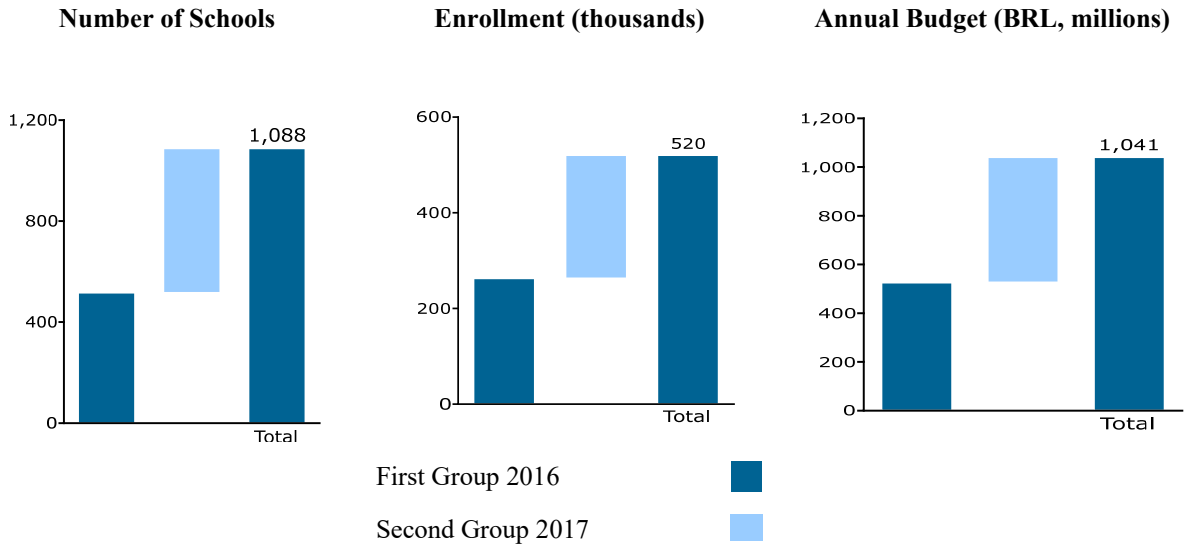
(d) Removing gender stereotypes and biases from learning materials.

Results Area 2. Promoting the expansion of full-time schools

11. **The objective of the FTS Program is to decrease dropout and repetition rates while ensuring quality of learning in a group of 1,088 targeted upper secondary schools.** The program will serve as a pilot to expand the coverage of FTS, in line with the PNE, which establishes that, by 2024, at least 25 percent of all students enrolled in public upper secondary education in Brazil must attend FTSs. The program will result in an increase in the school day from 4 hours (or 5 hours depending of the school) to 7 hours (or from 800 hours to 1,400 hours per year). This change will be accompanied with a curriculum aligned with the NEM basic guidelines (BNCC and learning itineraries), new school facilities (labs and ICT), teachers training, learning materials, and other inputs needed. These changes will imply substantial transformations that will require adequate planning, especially in the allocation of teachers by discipline, and increases in the supply of infrastructure and equipment. The early lessons from the ongoing FTS Program (for example, with models for learning itineraries) will also support the improvement of the new curriculum (Results Area 1).

12. **In this context, the MEC is supporting the SEE with the introduction of FTS in 1,088 targeted schools with 520,000 students throughout the country, which represents around 8 percent of total enrollment at public upper secondary level.** To join the program, each state needs to sign an agreement with the SEB that includes: (a) an Implementation Plan; (b) the appointment of an ad hoc team, and (c) targets for three key indicators: a decrease in dropout and repetition rates, as well as an increase in learning test scores. The Program is legally regulated by the MEC's *Portaria*, issued in June 2017 (which encompasses and replaces a former *Portaria* issued in October 2016, containing a first group of selected schools). The *Portaria* describes in detail the conditions to be fulfilled by the states and the selected schools. Importantly, the Program follows a result-based approach, meaning that states that do not implement the Program properly and/or do not reach agreed targets can be left out of the Program. The financing is an additional amount of about US$600 (BRL 2,000) per participating student per year. For the next five years, an estimated US$1.3 billion will be allocated to this program. Eligible expenditures include infrastructure, equipment and furniture, teacher and staff training, pedagogical material, and TA for the SEE capacity building and institutional strengthening.

Figure 1.2. Number of Schools, Enrollment, and Budget for Each Group



Source: FTS *Portarias* and School Census, 2016.

13. **Eligibility and selection of targeted schools.** Eligible schools were selected based on the following four conditions. They must:

(a) Have a minimum of 120 enrollments in the first year of upper secondary;

(b) Have high socioeconomic vulnerability in relation to the respective educational network, considering a socioeconomic indicator disaggregated by school (measured by the INSE Index, developed by INEP);

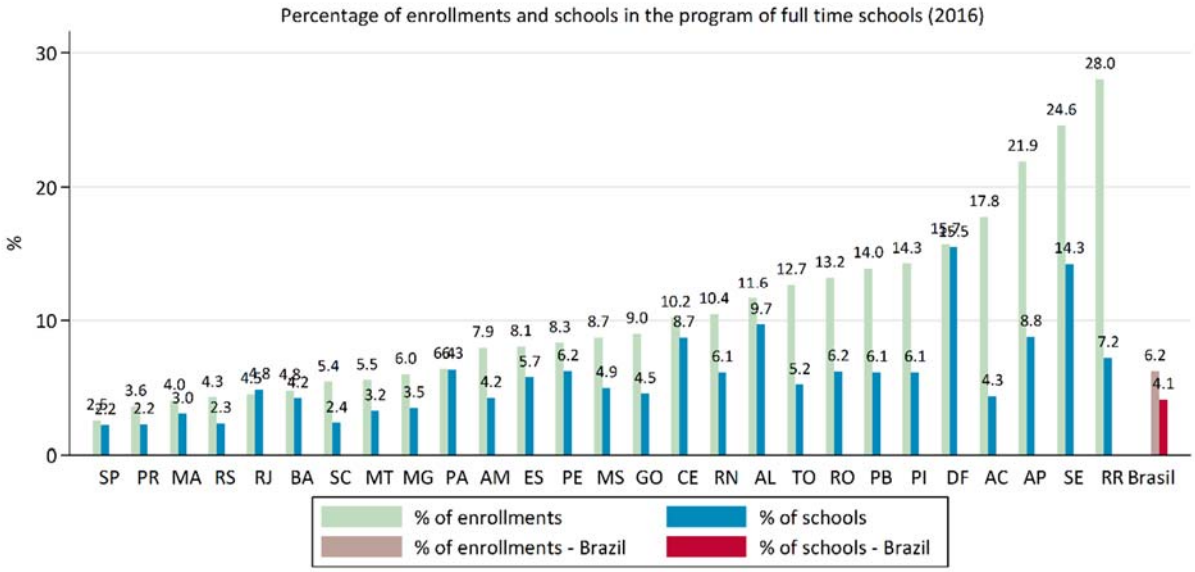
(c) Have at least 4 of the 6 infrastructure items;[42]

(d) Have more than 50 percent of students who have less than 2,100 minutes of weekly workload.

14. In addition, more vulnerable states (low quality/high dropouts) got a higher proportion of schools and enrollment, going from 2.2 percent and 2.6 percent in Sao Paulo to 15.5 percent in the Federal District and 28 percent in Sergipe, respectively (Figure 1.3).

[42] Required infrastructure: (a) library: 50 m²; (b) classrooms: minimum 40 m²; (c) sports field: 400 m²; (d) locker rooms (men and women): each 16 m²; (e) kitchen, and (f) canteen space.

Figure 1.3 Percentage of Enrollment and Schools in the FTS Program by State



Source: FTS *Portarias* and School Census, 2016.

15. **The selection process included the following steps:**

(a) The SEB/MEC sent each of the SEE a list of potential eligible schools, based on the above criteria;

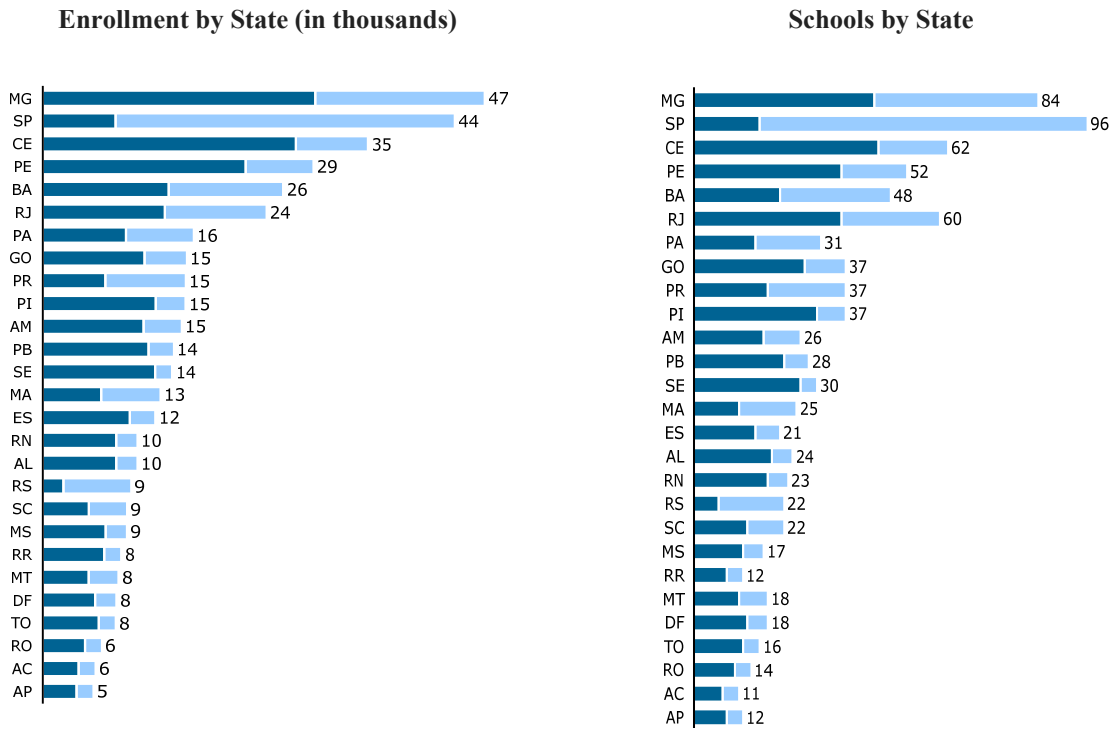
(b) The SEE indicated thoseeligible schools that it intended to include in the FTS Program, listed in order of priority;

(c) The SEB/MEC evaluate the schools indicated by the SEE, taking into account the number of schools and enrollments pre-established, as follows:

(i) A minimum of 75 percent of schools must fulfill the above selection criteria;

(ii) For the remaining (up to) 25 percent of schools, each school must fulfill at least one of the four following conditions: have more than 50 percent of students with a weekly workload of at least 2,100 minutes; offer vocational education and training secondary education and other two itineraries; have less than 120 enrollments, but over 60 students in the first year of upper secondary; adopt full-time model in two shifts, totaling at least 2,100 weekly minutes in each shift, with no overlap between the shifts. Each school participating in the FTS should have, in the first year of implementation, a minimum of 60 enrollments for each full year and, after three years of its inclusion, must meet at least 350 full-time students.

Figure 1.4. Enrollment and Number of Schools by State



Source: FTS *Portarias* and School Census, 2016.

16. **Implementation Plan and eligible expenditures.** Each of the SEE should prepare and submit to the SEB/MEC an Implementation Plan, to be submitted for analysis and approval by the SEB/MEC as a condition for receiving funds. The plan is composed of:

(a) List of selected schools;

(b) An action work plan, which includes the details for a period of three years aiming for the full implementation of the proposal, and

(c) Curricular matrix, including pedagogical plan, approved by the State Council of Education.

17. The Implementation Plan should be prepared according to detailed criteria and format, which is included in a specific module developed by the MEC. The Implementation Plan comprises the following sections:

(a) Declaration that the participating schools will follow the curricular matrix approved by the State Board of Education;

(b) Present legislation or supporting documentation of the bill that regulates the implementation of the FTS in the state;

(c) Proof that the FTS Implementation Unit is in place (a General Coordinator; Pedagogical Specialist; Management Specialist, and a Specialist in Infrastructure);

(d) Demonstration that objective mechanisms are in place for selection, M&E, continuing education, and possible substitution of principals of the participating schools, in line with effective attendance in full-time education schools;

(e) Transformation Plan for each selected school with a detailed proposal for gradual implementation;

(f) Proof that, in the participating schools, the admission of students is due to proximity to the public school of origin or place of residence, without any other selection criteria;

(g) Data of the initial diagnosis performed in the participating schools and a plan for the diagnosis of the academic background of new students admitted, including proposals for actions aimed at improving the teaching and learning process and results;

(h) Proposal for a plan to promote community participation in schools;

(i) Elaboration of a proposal of school management for the participating schools;

(j) Proposal for a plan so that the teachers of the BNCC work full-time in the school at the end of the three years of complete transformation to FTS, and

(k) An integrated and specific curriculum proposal for participating schools.

18. **The gradual implementation of FTS is defined as the transformation of all classes of the first grade of upper secondary in the first year of implementation of the Program, reaching full implementation at the end of the third year.** All FTSs participating in the Program must begin the school year with the extended working hours and with the new curricular matrix implanted. The integrated and specific curricular proposal of the participating schools must include a minimum of 2,250 weekly minutes, with at least 300 weekly minutes dedicated to Portuguese language, 300 weekly minutes to Mathematics, and 500 weekly minutes dedicated to the activities of the flexible itineraries. In the case of a two-shift FTS, the minimum working load shall be 2,100 weekly minutes per shift, with a minimum of 300 minutes of Portuguese language, 300 weekly minutes of Mathematics, and 300 weekly minutes for flexible activities. The curricular proposal of the participating schools must contain the flexible part in accordance with the current NEM legislation. Technical schools selected by the SEE that do not have other preparatory itineraries will have a period of two years to implement them.

19. **Eligible expenses can be both current and capital. Current expenditures include remuneration and training of practicing professionals and those used for the conservation of existing assets and purchase of consumer material.** Examples of current expenses allowed in the Program are:

(a) Remuneration and improvement of teaching staff and other education professionals;

(b) Use and maintenance of goods and services linked to education (rent of facilities and equipment and payment of services—electricity, gas, water, telephone, and so on), and

(c) Acquisition of school didactic material and maintenance of school transportation programs.

20. **Eligible capital expenditures are those expenses intended for the creation of new spaces or for the modification of existing spaces in the participating schools, including:**

(a) Increase of the area already built, as in the case of the construction of new cisterns or sports courts;

(b) Increase of space for a different purpose, such as in transformation of a common classroom into a chemistry laboratory; and

(c) Major reforms in school buildings.

21. **Capital expenditure is also considered to be the acquisition of permanent assets—those which, unlike consumer goods, have greater durability—and equipment and laboratory machinery, computers and notebooks, modems and routers for Internet connection, classroom furniture, libraries, laboratories, courts, and textbooks.**

22. **The resources must be used for the abovementioned expenses only in the selected schools included in the Implementation Plan approved by the SEB/MEC.** The amount transferred to the SEE, although calculated based on the number of participating schools/students, does not have to be spent proportionally to the number of students in each of these establishments. It is the responsibility of the SEE to define the best use to provide appropriate educational services, but only in the participating schools. The resources destined to civil works can only be used as established in the respective actions of the approved Implementation Plan.

23. **Both the SEE and participant schools will be subject to a process of M&E of the Implementation Plan and outcome results.** The criteria for the evaluation of SEE procedures for the implementation of FTS at the school level are to: (a) have a minimum number of full-time enrollments, and (b) follow up on the attainment of the actions agreed in the Implementation Plan. The evaluation process of the SEE will be held before December 31 of each year. The SEE process evaluation at the school level shall be held annually. The MEC, through the SEB, may conduct visits to verify the adequacy of the SEE and schools to the criteria of the evaluation process.

24. **The evaluation of results will be carried out annually and will assess both processes/implementation and achievement of results.** Regarding the latter, results are divided into two components: (a) flow component, and (b) proficiency component. The improvement of the 'flow component', or enrollment, will be measured by the sum of dropout and repetition rates, as reported in the School Census, based on the following targets:

(a) In the first year of the Program, reduce by 3.5 percentage points.

(b) In the second year of the Program, reduce by 3.5 percentage points.

(c) From the third year of the Program onward, achieve and maintain a rate of up to 5 percent.

25. **For new schools, the sum of dropout rates and failure to achieve is targeted as follows:**

(a) In the first year of the Program, achieve a rate of up to 15 percent.

(b) In the second year of the Program, reduce by 3.5 percentage points.

(c) From the third year of the Program onward, achieve and maintain a rate of up to 5 percent.

26. **The improvement of the 'proficiency component' is measured by the standardized IDEB points scheme.** In terms of IDEB targets, the Strategic Monitoring Committee suggests a goal of

proficiency to be achieved by the participant schools and SEE. Participating schools that do not comply with the achievement of established results may be removed from the FTS Program and the SEE cannot replace them with other schools. The SEE that have more than 50 percent of the schools that do not comply with results may be removed from the FTS Program by technical recommendation of the SEB/MEC (remaining funds can be reallocated to other states). In addition, the *Portaria* establishes that the MEC may create additional performance indicators and may apply the same consequences of evaluation as the other performance indicators.

TA for Strengthening the Institutional Capacity and Cooperation of the MEC and SEE for the Implementation of the Upper Secondary Reform

27. **Due to the complexity of the NEM, the project will include a TA component seeking to strengthen the institutional capacity of the MEC and SEE for the cooperative implementation of the NEM.** The aim of the TA to ensure proper implementation of the reform includes: (a) the design of the content of the reform; (b) technical cooperation between the MEC and SEE; (c) periodical M&E of the implementation and results of the reform, and (d) optimization of existing resources and establishment of accountability between the MEC and SEE in the implementation of the reform, while ensuring proper implementation standards. For this purpose, the TA will provide highly specialized consulting services to support the reform for the following:

(a) **Strengthen the technical and operational capacity of the MEC for the design and management of the implementation of the reform**. Considering the development of the BNCC and the flexible curriculum approach, the project will support the MEC to provide general guidance and set goals and priorities for implementation at the school level, based on international experiences in implementing the reform. In particular, the project will enable the MEC to provide the SEE with:

(i) Guidelines for implementation in the form of legal norms, regulations, and consultancy services;

(ii) An analysis of potential challenges of implementation specific to the SEE as well as recommendations based on this analysis, and

(iii) A system to evaluate and adapt the implementation of the reform and a staff development program.

The MEC will also be responsible for the interface with the World Bank in the implementation of the project. To develop its activities, the MEC's technical team will be supported by consultancy services.

(b) **Develop a staff development program for the MEC and SEE**. A review of the international literature shows that successful education reforms, involving decentralization of tasks, should include training for both central administrators and local implementers. Technical and managerial training will be provided not only for those to whom responsibility is being transferred, but also to central officials who must learn how to support local implementers more effectively. The objectives of these activities are to strengthen the technical capacity and relevant knowledge of the actors involved in the implementation of the upper secondary education reform about successful experiences and to improve the exchanges of experiences. The staff development program will provide:

(i) Training programs, and

(ii) Consultancy services.

The Cabinet of the SEB will be responsible for coordinating this program.

(c) **Build capacity at the SEE to improve planning, implementation, and monitoring of the reform.** Technical and operational capacity to implement the new secondary education reform and follow World Bank requirements varies greatly across Brazil's many states and municipalities. The SEE will need to identify their most effective models to carry out the reform at the school level. The key challenges for the SEE are:

(i) The creation of the state-level curricula;

(ii) The setup of the school system, including allocation of teachers and definition of learning paths;

(iii) The design of teacher professional development programs for schools, and

(iv) The determination of potential partners to deliver the new learnings paths.

On the other hand, the MEC will set in place a structure through which the Federal Government could provide TA and budget support and create a mechanism of incentives for the state governments to implement the necessary reforms themselves, as well as instruments and monitoring systems to support the implementation of the various elements of the upper secondary education reform. Low-capacity states will be prioritized and benefit from greater support from these activities.

Table 1.1.: Consultancies to provide direct support to SEE

Activity	Objectives	Unit Responsible
(i) Develop models of flexible curricula (BNCC and flexible learning paths)	Address the demands of states for references and examples of curriculum organization that support the construction of local curricula. These examples and references should be built from the BNCC.	COEM/DICEI
(ii) Develop training in curriculum design for the MEC and SEE technicians responsible for implementing the upper secondary education reform	To develop the training model (including instructional design, specific content, and methodology) for the MEC and State Secretariats' consultants and curriculum technicians to prepare the upper secondary curricula. This model should use as input the outputs of the other studies. This model provides for the transfer of the methodology and contents for the project, with training of people indicated by the MEC.	DIFOR

(d) **Develop instruments, models, and studies to support the MEC and the States to implement, monitor, and assess the reform and make changes accordingly.** The studies will provide the analytical basis to provide valuable information to monitor the implementation and the assessment of the reform and make the adjustments as needed. The instruments and tools will support the State Secretariats in the implementation of the reform and using quality standards to achieve the major objectives of the reform. Moreover, in this context, international expertise may be hired to support the MEC in ensuring the quality of

the reform (notably on the new curriculum). The activities to be performed under the project TA include but are not limited to those listed in Table 1.2.

Table 1.2.: Background consultancies to support the SEE

Activity	Objectives	Unit Responsible
(a) Prepare studies and tools to support the design and management of the reform and assess their results.	Improve the design of reform actions; Develop impact assessment of major programs; Conduct studies on effective teaching time; Conduct study on student-teacher ratio, and more efficient allocation of teachers; and Conduct studies to define better solutions for upper secondary night school.	DIFOR
(b) Develop innovative projects to support the implementation of the reform.	Test and evaluate innovative actions that can contribute to the implementation of the NEM.	COEM/DICEI
(c) Develop a platform to provide data, studies, and tools for the SEE.	Support monitoring of project activities and provide information to the SEE.	COEM/DICEI
(d) Conduct study on gender equality associated with enrollment and school dropout and action plan.	Identify key diagnostic of gender imbalances and collection of best practices to remedy them within the scope of action of the upper secondary reform.	
(e) Provide quality assurance.	Hire international expertise to advise the MEC on quality review of curriculum reform.	COEM/DICEI

(e) **Communication campaigns and integration work among the various units of the MEC and federative entities to facilitate the implementation of the new upper secondary reform.** International experiences with education reform projects in developing countries show that where insufficient attention was given to identifying real needs or to mobilizing demand for changes, innovation was difficult to implement. Using these experiences, the MEC will develop a series of strategies to guarantee education agents' participation in the education reform process. The plan calls for the strengthening of an effective communication strategy as a key tool to guarantee public support for education innovations and for strengthening the communication system, so as to provide a permanent information channel within the MEC, and between the MEC and State Secretariats and the public, and to receive feedback from the sector's stakeholders. The communication activities, which started during project preparation, will continue through project implementation to inform and mobilize the participation of parents, teachers, students, and other stakeholders.

(f) **Strengthen its capacity and the capacity of the state implementing agencies for managing social and environmental effects of the Project.** These activities are:

(i) Elaboration of an Environmental and Social Management Guide, assembling in a user-friendly format all the guidelines and manuals required by the Brazilian legislation for each of the following themes:

a. Preservation of archaeological, paleontological, historical, cultural, or religious patrimony, following the applicable legislation;

b. Preservation of the vegetation of legally protected areas, following the applicable legislation;

c. Environmental impact assessment;

d. Use of toxic chemicals to control pests;

e. Management of environmental, health, and safety risks;

f. Environmental management of works and buildings;

g. Best practices in projects of reform and expansion of schools (considering the sustainability of buildings);

h. Assessment and mitigation of risks of natural disasters, and

i. The necessary elements to ensure the accessibility of the reformed and/or expanded school buildings.

(ii) Based on these guidelines and manuals, the design and implementation of a capacity-building program for engineering, environmental management, and health and safety teams of the SEE (which are the implementing agencies of civil works) with lower institutional capacity;

(iii) Design of specific procedures for assessment and response to natural disasters; and

(iv) The design of a manual for sustainable buildings, aiming to incentivize energy efficiency and the rational use of water. (Solid waste recycling programs can also be implemented.)

(g) **Establishment of a PMU to strengthen the institutional capacity of the SEB and to be responsible for the management of the Operation.** This unit will strengthen the borrower's capacity for coordinating the operation through the SEB, including building the SEB's capacity on safeguards, managing procurement and carrying out FM under the operation, developing monitoring systems, and providing support for carrying out technical audits of DLI compliance under the Program. To this end, around 15 professionals will be hired, including:

(a) Eight technical experts on FTS and curriculum to support the SEB and states to implement the NEM;

(b) An M&E specialist;

(c) Four professionals for fiduciary functions—procurement and FM;

(d) A safeguards specialist, and

(e) An operations coordinator.

This arrangement is based on the current assessment of the SEB's needs, but may vary along implementation.

28. In the context of the reform, the MEC recognizes the importance of the states in the implementation of the new secondary reform. While retaining for itself the role of setting overarching policies and goals for the reform, it should provide technical support and instruments to State Secretariats so that they can pursue quality improvements in their systems. However, this approach of providing extensive TA to State Secretariats does not intervene in state decisions, nor does it impose its instruments on them. This approach is not only consistent with Brazil's Constitution but avoids resistance on the part of local governments. The reform and the quality of teaching and student outcomes may be affected by weak management capacity of education systems; therefore, considering the uneven capacity of the State Secretariats, special support to implement the reform should be provided to the local governments.

Annex 2: Results Framework Matrix

Results Framework

	PDO and Intermediate Results Indicators	DLI	Unit of Measurement	Baseline (Year)	2018	2019	2020	2021	2022	End Target
Results Area 1	PDO Indicator 1: Number of States where at least 40 percent of schools have implemented the New Curricula		Number	0 (2017)	0	0	0	10	27	27
	PDO Indicator 2: Number of States where at least 50 percent of vulnerable schools have implemented the New Curricula		Number	(2017)	0	0	0	10	27	27
	IR Indicator 1.1: The MEC NEM *Portaria* regulating the support to the Upper Secondary Education Reform has been published by MEC	1	Text	No (2017)	Published	Active	Active	Active	Active	Active
	IR Indicator 1.2: Analytical Reference Tools for the implementation of NEM are developed and disseminated to SEE		Text	No (2017)	No	Developed and disseminated	—	—	—	Developed and disseminated
	IR Indicator 1.3: Number of States that formally signed a NEM *Portaria* Commitment Agreement	2	Number	0 (2017)	20	25	25	25	25	25
	IR Indicator 1.4: Number of States that achieved 75% of the key objectives included in their NEM Implementation Plans	3	Number	0 (2017)	0	0	10	15	22	22
	IR Indicator 1.5: Number of States that have their curricula adapted	4	Number	0 (2017)	0	10	15	25	25	25

	PDO and Intermediate Results Indicators	DLI	Unit of Measurement	Baseline (Year)	2018	2019	2020	2021	2022	End Target
	to NEM, validated and published by each State									
	IR Indicator 1.6: Number of States that have trained at least 40% of school principals and school coordinators in the New State Curriculum	5	Number	0 (2017)	0	0	7	15	25	25
	IR Indicator 1.7: NEM pedagogic materials have been developed by MEC and disseminated to the schools by SEE		Text	No (2017)	No	No	Developed and disseminated	—	—	Developed and disseminated
	IR Indicator 1.8: Number of States with schools in NEM Implementation Pilots	6	Number	0 (2017)	0	10	20	n.a.	n.a.	20
	IR Indicator 1.9: Number of States with NEM Implementation Plans with specific strategies to implement NEM in Vulnerable Schools	10	Number	0 (2017)	0	20	25	25	25	25
	IR Indicator 1.10: Number of States where at least 20% of NEM Implementation Pilots have at least one technical education learning itinerary		Number	0 (2017)	0	10	25	—	—	25
	IR Indicator 1.11: Number of States with a satisfactory level in a Curricular Reform Implementation and Monitoring Capacity Index		Number	0 (2017)	0	0	7	15	25	25
	IR Indicator 1.12: Number of States that have trained key SEE staff in the new state curriculum		Number	0 (2017)	0	10	20	25	25	25

	PDO and Intermediate Results Indicators	DLI	Unit of Measurement	Baseline (Year)	2018	2019	2020	2021	2022	End Target
	IR Indicator 1.13: Number of States that have M&E systems monitoring the implementation of the reform in the accomplishment of objectives		Number	0 (2017)	0	0	10	15	22	22
Results Area 2	PDO Indicator 3: Percentage change in the Basic Education Development Index (IDEB) in Targeted FTS[43]		Percentage	0 (2017)	-	11	—	18	—	18
	IR Indicator 3.1: Percentage point change in passing rates in targeted full-time schools		Percentage points	0 (2017)	3	6	9	12	14	14
	IR Indicator 3.2: Number of States that have their revised FTS Implementation Plans approved by MEC	7	Number	0 (2017)	25	25	25	25	27	27
	IR Indicator 3.3: Evaluations and adjustment of the FTS program have been carried out	8	Text	No FTS review is in place (2017)	A pre-evaluation is Satisfactorily completed	25 States Publish and Commit to Revised FTS Implementation Plans	A Midterm Evaluation is Satisfactorily completed and its results Disseminated	-	-	A Midterm Evaluation is Satisfactorily completed and its results Disseminated
	IR Indicator 3.4: Percentage of agreed FTS key process targets achieved by States as included in their FTS Implementation Plans	9	Percentage	0 (2017)	45	60	75	75	75	75

[43] Percentage change of IDEB in relation to 2017, defined by: $\Delta IDEB_t = \frac{IDEB_t - IDEB_{2017}}{IDEB_{2017}}$, in which t assumes values equal to 2017, 2019, and 2021; and $IDEB_t$ is the weighted average (by enrollment) of the IDEB scores that will be achieved by these 1,088 FTSs included in the program.

	PDO and Intermediate Results Indicators	DLI	Unit of Measurement	Baseline (Year)	2018	2019	2020	2021	2022	End Target
Overall Indicators	IR Indicator 4.1: Number of states that have achieved 50% of planned activities promoting the participation of local communities on all FTSs.		Number	n.a. (2017)	7	15	20	22	25	25
	IR Indicator 4.2: Number of SEE with school-based interventions to promote gender equality in at least 40 percent of their schools		Number	n.a. (2017)	0	5	10	15	20	20
	IR Indicator 4.3: Percentage of female students enrolled in natural sciences and math itineraries		Percentage	n.a. (2017)	—	—	—	45	45	45
	IR Indicator 4.4: States where the average absolute gender gap of enrollment in formative itineraries is less than 5%		Number	n.a. (2017)	—	—	—	27	27	27
	IR Indicator 4.5: Students benefiting from direct interventions to enhance learning		Number	n.a. (2017)	260,000	525,000	800,000	1,600,000	2,400,000	2,400,000

***Note: Shaded cells are associated with results linked to disbursements, as established in the DLIs table.**

Description of Indicators

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
PDO Indicator 1: Number of States where at least 40 percent of schools have implemented the New Curricula	Implementation of the New Curricula means that a school has the disciplines based on the BNCC, offers at least 2 learning itineraries, and provides at least 5 hours of classes per day, all based on the State-approved new curriculum. 'School' refers to any public school under the responsibility of the respective SEE.	Biannual	MEC /INEP /SIMEC	BNCC: INEP/MEC will develop an instrument to capture the use of the adapted state curricula at school level. Number of Hours: INEP already annually surveys schools on hours per school day. Itineraries: The SEE update itinerary availability information on SIMEC, and results are evaluated/validated by the MEC. More details will be provided in the Operational Manual.	MEC
PDO Indicator 2: Number of States where at least 50 percent of vulnerable schools have implemented the New Curricula	Implementation of the New Curricula means that a school has the disciplines based on the BNCC, offers at least 2 learning itineraries, and provides at least 5 hours of classes per day, all based on the State-approved new curriculum. 'Vulnerable' refers to schools in the bottom 40 percent in the ranking given by INSE, calculated every year by INEP/MEC. 'School' refers to any public school under the responsibility of the respective SEE.	Biannual	MEC /INEP /SIMEC	BNCC: INEP/MEC will develop an instrument to capture the use of the adapted state curricula at school level. Number of Hours: INEP already surveys annually schools on hours per school day. Itineraries: The SEE update itinerary availability information on SIMEC, and results are evaluated/validated by the MEC. INSE is provided every year by INEP/MEC. More details will be provided in the Operational Manual.	MEC
IR Indicator 1.1: The MEC NEM *Portaria* regulating the support to the Upper Secondary Education Reform has	The MEC publishes a document regulating the terms, conditions, and general guidelines for the NEM to support the SEE. A valid *portaria* must include, at least, Implementation Plan guidelines, templates, targets, information on overall program	Annual	MEC	The MEC publishes the *Portaria* in the Brazilian Federal Register (*Diário Oficial da União*, DOU).	MEC

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
been published by MEC	incentives, specific incentives for the NEM Implementation Pilots, equity- and gender-focused implementation strategies, anticorruption and antifraud terms, and so on.				
IR Indicator 1.2: Analytical Reference Tools for the implementation of NEM are developed and disseminated to SEE	Reference Tools (diagnostic studies, specific database on key elements of the program implementation, curriculum development methodology guidelines, and overall guiding documents) are developed and made available to the SEE. These tools aim at aiding the SEE in the development of their Implementation Plans and state curricula.	Annual	MEC	Tools are provided through SIMEC under 'files download' page.	MEC
IR Indicator 1.3: Number of States that formally signed a NEM *Portaria* Commitment Agreement	The SEE send official publications of agreements signed by the competent public official confirming adherence to the terms, conditions, and general guidelines defined in the NEM *Portaria.*	Annual	MEC/ SEE	The SEE upload onto SIMEC a copy of the signed agreements as officially published in their respective State Registers (*Diários Oficiais*).	MEC
IR Indicator 1.4: Number of States that achieved 75% of the key objectives included in their NEM Implementation Plans	States show proof of successful accomplishment of at least 75% of their annual implementation targets for the NEM program. These targets must have been agreed between the SEE and MEC based on the NEM *Portaria*. The MEC will review the annual progress and report to the World Bank each state's percentage of success. This percentage is calculated as: Total number of accomplished annual objectives / total number of annual objectives.	Annual	MEC/SE E	Completion of yearly implementation milestones is updated by the SEE on SIMEC and then validated by the MEC.	MEC
IR Indicator 1.5: Number of States that have their curricula adapted to NEM, validated and published by each State	Based on the NEM Portaria, the BNCC guidelines and the TA to the SEE, each state will develop a Curricular Proposal, validate this proposal with the competent educational entity, and publish the approved document using official channels.	Annual	MEC/SE E	The SEE upload the publication of their curricula onto SIMEC.	MEC

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
IR Indicator 1.6: Number of States that have trained at least 40% of school principals and school coordinators in the New State Curriculum	Number of states that have trained at least 40% of school directors and coordinators on the state curriculum proposal. A valid training will: (a) have a training program that is based on the guideline to be set in the *Portaria*, ensuring minimum quality standards; (b) focus on the state's validated NEM Curricular Proposals, and (c) have received a written certification of quality and adequacy to the NEM/BNCC from the MEC.	Annual	MEC/ SEE	The SEE update SIMEC with general training information (dates, venues, and number of participants) and official document(s) that provide the attendance list with participants' information, at least, full name, titles/job position, ID number, schools where they are principals or school coordinators, school national code, and signature. The MEC performs sample evaluations by states to check the veracity of information provided by the SEE.	MEC
IR Indicator 1.7: NEM pedagogic materials have been developed by MEC and disseminated to the schools by SEE	Schools have access to communication pieces and guiding materials that bring general orientation on the upper secondary school reform. The MEC shows proof of dissemination and receipt from the SEE.	Annual	MEC/SE E	Guiding materials are provided to the SEE through SIMEC, which are then responsible for disseminating the content to schools. The MEC verifies whether schools had access to documents using the FNDE data from state transfer questionnaires (PDDE *Interativo*).	MEC
IR Indicator 1.8: Number of States with schools in NEM Implementation Pilots	'NEM Implementation Pilots' are pilot schools defined by the SEE that satisfactorily implement at least 2 learning itineraries and follow the guidelines in the revised NEM *Portaria*. 'School' refers to any public school under the responsibility of the respective SEE.	Annual	MEC	The SEE define a list of at least 2 pilot schools on SIMEC following guidelines brought in the *Portaria* and attach, among other documents, the school's *Projeto Político Pedagógico*. The MEC monitors the implementation remotely through reports provided by the SEE—as defined in the *Portaria*—and visiting a sample of schools where the pilots have been implemented. Nationwide, at least 300 schools should be included in the pilots.	MEC

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
IR Indicator 1.9: Number of States with NEM Implementation Plans with specific strategies to implement NEM in Vulnerable Schools	'NEM Implementation Pilots' are pilot schools defined by the SEE that satisfactorily implement at least 2 learning itineraries and follow the guidelines in the revised NEM *Portaria*. 'Vulnerable' refers to schools in the bottom 40 percent in the ranking given by INSE, calculated every year by INEP/MEC. 'School' refers to any public school under the responsibility of the respective SEE.	Annual	MEC	The MEC provide strategies to the SEE through the NEM *Portaria* to implement activities on schools with low socioeconomic index and monitors the number of states that adapt but incorporate them in their Implementation Plans.	MEC
IR Indicator 1.10: Number of States where at least 20% of NEM Implementation Pilots have at least one technical education learning itinerary	'NEM Implementation Pilots' are pilot schools defined by the SEE that satisfactorily implement at least 2 learning itineraries and follow the guidelines in the revised NEM *Portaria*. 'Technical education learning itinerary' must follow the definition of law 13,415 that establishes the NEM. 'School' refers to any public school under the responsibility of the respective SEE.	Annual	MEC/ SEE	States where at least 20% of the NEM Implementation Pilots have at least one technical education learning itinerary	MEC
IR Indicator 1.11: Number of States with a satisfactory level in a Curricular Reform Implementation and Monitoring Capacity Index	This index presents information on management practices from senior management staff through a semistructured interview covering the following topics: (a) incentive alignment; (b) capacity to develop the curriculum based on the framework provided; (c) capacity to implement the reform, and (d) M&E.	Annual	MEC/ SEE	Methodology will be determined by the MEC with support from the World Bank during the first year of implementation and specified in the Operational Manual.	MEC
IR Indicator 1.12: Number of States that have trained key SEE staff in the new state curriculum	Key SEE staff trained in the new state curriculum adapted to the BNCC and the NEM law (13,415).	Annual	MEC/SE E	The SEE report to the MEC a list of their staff trained in the new state curriculum.	MEC

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
IR Indicator 1.13: Number of States that have M&E systems monitoring the implementation of the reform in the accomplishment of objectives	'M&E systems monitoring the implementation of the reform' refers to M&E frameworks in the SEE that allow an effective implementation of the NEM.	Annual	MEC/SEE	The SEE sends information on their systems monitoring the implementation of the reform.	MEC
PDO Indicator 3: Percent change in the Basic Education Development Index (IDEB) in Targeted FTSs	The PDO indicator associated with the federal program to promote the expansion of FTSs is the percentage change of IDEB in relation to 2017, defined by $\Delta IDEB_t = \frac{IDEB_t - IDEB_{2017}}{IDEB_{2017}}$, in which t assumes values equal to 2017, 2019, and 2021; and $IDEB_t$ is the weighted average of the IDEB scores that will be achieved by these 1,088 FTSs included in the program.[44] For each one of the schools, IDEB is calculated by multiplying the standardized proficiency in Portuguese and Mathematics, which ranges from 0 to 10, by the approval rates, which range from 0 to 1.	Biannual	MEC/SEE	The targets for this indicator were established assuming that FTSs will decrease the sum of repetition and dropout rates by 3.5 percentage points per year[45] and that in the next five years, the proficiency will remain constant at the 2017 levels and taking as baseline the estimate of the approval rates that schools will achieve in 2017.[46]	MEC
IR Indicator 3.1: Percentage point change in passing rates	Percentage of students enrolled in FTSs supported by the Program that pass into next grade or graduate.	Annual	MEC/INEP	Weighted average of the passi rates of the FTSs supported by the Program	MEC

[44] The estimate of upper secondary enrollments in those schools was used as the weight.
[45] Meaning that approval rates should increase by 3.5 percentage points as the sum of dropout, repetition, and approval is 100 percent. FTSs need to reduce the sum of dropout and repetition rates by 3.5 percentage points in the first and second years of the program. In the third year, the sum of these indicators should not be higher than 5 percent. To determine the targets for the PDO indicator, a more conservative scenario was used considering that the reduction would continue at 3.5 percentage points per year.
[46] It is considered that approval rates in 2017 are equal to approval rates in 2016 plus the average increase of this indicator in the last six years. If, on average, the approval rates decreased, the assumption was that the approval in 2017 is equal to the approval in 2016.

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
in targeted full-time schools					
IR Indicator 3.2: Number of States that have their revised FTS Implementation Plans approved by MEC	States revise their Original FTS Implementation Plans based on the Revised FTS *Portaria*. The 'Revised FTS *Portaria'* is any *Portaria* for the FTS Program that has been published after October 2017. The MEC evaluates each state's plans and approves those that are in accordance with the most recent agreed guidelines, terms, and conditions.	Annual	MEC/SEE	States with Revised FTS Implementation Plans based on the Revised FTS P*ortaria*.	MEC
IR Indicator 3.3: Evaluations and adjustment of the FTS program have been carried out.	This indicator includes a pre-evaluation of the early lessons and progress in the development of the FTS model in Brazil, with early data.	Annual	MEC	Evaluations are executed and FTS *Portaria* use their finding to be updated.	MEC
IR Indicator 3.4: Percentage of agreed FTS key process targets achieved by States as included in their FTS Implementation Plans	Number of SEE that show proof of successful accomplishment of a target percentage of all process targets defined in their FTS Implementation Plans for each given year. 'Process targets' do *not* include outcome indicators (for example, learning outcomes, retention, and completion rates) but do include, among others, communication plans, school pedagogic plan, legal milestones, finance plans, infrastructure milestones, and enrollment milestones. These targets must have been agreed between the SEE and MEC. The MEC will review the annual progress and report to the World Bank each state's percentage of success. This percentage is calculated as: Total number of accomplished annual objectives / total number of annual objectives.	Annual	MEC/SEE	The MEC analyses the reports sent by the SEE with the status of their objectives.	MEC
IR Indicator 4.1: Number of states that	Each state has developed a community participation plan that describes how the schools	Annual	SIMEC	Schools will report to the MEC (on SIMEC) on their implementation of	MEC

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
have achieved 50% of planned activities promoting the participation of local communities on all FTSs	will welcome parents and the general community into their activities. From these plans, the MEC has identified four types of community engagement actions, which schools are expected to enact.			the community engagement activities.	
IR Indicator 4.2: Number of SEE with school-based interventions to promote gender equality in at least 40 percent of their schools	The SEE with gender-specific activities being implemented in at least 40 percent of their state schools	Annual	MEC/INEP	The MEC provides strategies to the SEE through the NEM *Portaria* to implement gender-specific activities and monitors the number of states that adapt and incorporate them in their Implementation Plans	MEC
IR Indicator 4.3: Percentage of female students enrolled in natural sciences and math itineraries	This indicator measures the proportion of upper secondary education female students enrolled in learning itineraries in natural sciences and math.	Annual	MEC/INEP	INEP adds question regarding the offer and enrollment by gender of itineraries in the national school census, and results are evaluated in each respective year of verification. Ratio between upper secondary education female students enrolled in learning itineraries in natural sciences and math and all secondary education students enrolled in learning itineraries in natural sciences and math.	MEC
IR Indicator 4.4: States where the average absolute gender gap of enrollment in formative itineraries is less than 5%	This indicator measures the proportion of upper secondary education students by gender in each learning itinerary.	Annual	MEC/INEP	INEP adds question regarding the offer and enrollment by gender of itineraries in the national school census, and results are evaluated in each respective year of verification. Indicator is built by assessing the absolute gap in enrollment between	MEC

Indicator Name	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection
				male and female genders in all formative itineraries and calculating the average of these absolute gaps.	
IR Indicator 4.5: Students benefiting from direct interventions to enhance learning	This indicator measures the total number of student beneficiaries from the Operation.	Annual	MEC/INEP	Sum of all students enrolled in upper secondary education schools benefiting from the Program, as given by the school census. FTS: Number of students enrolled. NEM: Enrollment in upper secondary schools multiplied by a factor of 0.1 in 2019, 0.2 in 2020, 0.3 in 2021, and 0.4 in 2022.	MEC

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Disbursement-Linked Indicator Matrix

	Total Financing Allocated to DLI (US$, millions)	***As % of Total Financing Amount***	***DLI Baseline***	***Indicative Timeline for DLI Achievement***				
				2018	***2019***	***2020***	***2021***	***2022***
DLI 1: The MEC NEM *Portaria* regulating the support to the Upper Secondary Education Reform has been published by MEC	15	6.8	No	Published	—	—	—	—
DLI 2: Number of States that formally signed a NEM *Portaria* Commitment Agreement	12.5	5.7	0	20	25	—	—	—
DLI 3: Number of States that achieved 75% of the key objectives included in their NEM Implementation Plans	32.9475	15.2	0	—	—	10	15	22
DLI 4: Number of States that have their curricula adapted to NEM, validated and published by each State	25	11.3	0	—	10	15	25	—
DLI 5: Number of States that have trained at least 40% of school principals and school coordinators in the New State Curriculum	25	11.3	0	—	—	7	15	25
DLI 6: Number of States with schools in NEM Implementation Pilots	20	9.0	0	—	10	20	—	—

	Total Financing Allocated to DLI (US$, millions)	*As % of Total Financing Amount*	*DLI Baseline*	*Indicative Timeline for DLI Achievement*				
				2018	*2019*	*2020*	*2021*	*2022*
DLI 7: Number of States that have their revised FTS Implementation Plans approved by MEC	15	6.8	0	25	—	—	—	—
DLI 8: Evaluations and adjustment of the FTS program have been carried out.	32.5	14.7	n/a	A Preevaluation is Satisfactorily completed and its results disseminated	25 States Publish and Commit to Revised FTS Implementation Plans	A Midterm Evaluation is Satisfactorily completed and its results Disseminated	—	—
DLI 9: Percentage of agreed FTS key process targets achieved by States as included in their FTS Implementation Plans	30	13.6	0	45	60	75	—	—
DLI 10: Number of States with NEM Implementation Plans with specific strategies to implement NEM in Vulnerable Schools	12.5	5.7	0	—	20	25	—	—
Total Financing Allocated:	220.4475	100	0	55	60	59.5	25.5	20.4475

DLI Verification Protocol Table

#	*DLI*	*Definition/ Description of achievement*	*Scalability of Disbursements*	*Protocol to evaluate achievement of the DLI and data/result verification*		
				Data source/ agency	*Verification Entity*	*Procedure*
1	The MEC NEM *Portaria* regulating the support to the Upper Secondary Education Reform has been published by MEC	The MEC publishes the *Portaria* in the DOU, the document regulating the terms, conditions, and general guidelines for the NEM to support the SEE. A valid *Portaria* must include, at least (a) Implementation Plan guidelines, including minimum requirements; (b) Implementation Plan template; (c) Program and state targets; (d) Information on overall program incentives, requirements, and conditional funding transfers; (e) Specific incentives for the NEM Implementation Pilots (f) Equity- and gender-focused implementation strategies; (g) Anticorruption and antifraud terms; (h) The SEE authorization to allow DLIs Verification Entity to verify compliance in the field; (i) Guidelines for sending of state Curricular Proposals; (j) Guidelines for teacher training plan, ensuring minimum quality standards;	No	DOU/COEM/DICEI	World Bank	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI: (a) A Verification Report from the MEC, including • A copy of the published *Portaria* in the DOU (b) No-objection from the World Bank certifying the acceptable completion of Verification Report mentioned above

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
		(k) School principals and school coordinators training guidelines, including quality standards; (l) Governance plan; (m) Communication plan, and (n) Timeline				
2	Number of States that formally signed a NEM *Portaria* Commitment Agreement	The SEE send official publications of agreements signed by competent public official confirming adherence to the terms, conditions, and general guidelines defined in the NEM *Portaria.* 'Adherence': Publication of the intention to comply with the responsibilities of implementing the NEM, as described by the NEM *Portaria*, in the respective State Registers (*Diários Oficiais*). 'Terms of Commitment': Legal Agreement by which states are bound to comply with the *Portaria*. *The targets of this DLI are cumulative.*	Yes US$0.5 million per State up to the target	SIMEC/ COEM/DICEI	World Bank	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI: (a) A Verification Report from the MEC, including • Report with 5–27 copies of the signed agreements from each of the SEE, with proof of official publication in the respective State Registers (b) No-objection from the World Bank Verification Report mentioned above
3	Number of States that achieved 75% of the key objectives included in their NEM Implementation Plans	States show proof of successful accomplishment of at least 75% of their implementation targets for the NEM program. These targets must have been agreed upon between the SEE and MEC based on the NEM *Portaria*. The MEC will review the annual progress and report to the World Bank each state's percentage of success. This percentage	Yes US$1.5 million per State up to the target for DLR 3 (2020) US$0.5 million per State up to	SIMEC/ COEM/DICEI	Third Party Entity	The following items, submitted to the WB, will be considered as proof of the accomplishment of the DLI. (c) A Verification Report from MEC, including, for each state:

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
		is calculated as: Total number of accomplished annual objectives / total number of annual objectives. Any state where this percentage is at least above 75 will be eligible for disbursement.	the target for DLR 4 (2021) US$0.497613 million per State up to the target for DLR 5 (2022)			o A copy of the state's NEM implementation plan o A summary of the achieved and not-achieved objectives o Summarized proof of completion of the "achieved" objectives (d) No-objection from the World Bank Verification Report mentioned above
4	Number of States that have their curricula adapted to NEM, validated and published by each State	Based on the NEM Portaria, the BNCC guidelines and the TA to the SEE, each state will develop a Curricular Proposal, validate this proposal with the competent educational entity, and publish the approved document using official channels. 'Adapted' means that the curricular proposal follows the BNCC and the NEM *Portaria* guidelines. 'Validated' means that it has received a no-objection or equivalent from the competent educational entity. 'Published' means that this new curricular proposal has been disseminated in the State's Education Councils or made available publicly (online, for example).	Yes US$1 million per State up to the target	SIMEC/ COEM/D ICEI	World Bank	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI: (a) A Verification Report from the MEC, including • Copies of 5–27 state's Curricular Proposals; • A no-objection from the MEC to each state's (satisfactory) Curricular Proposal; and • Proof of publication of the approved Curricular Proposal

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
		The targets of this DLI are cumulative.				in the State Education Councils (b) No-objection from the World Bank Verification Report mentioned above
5	Number of States that have trained at least 40% of school principals and school coordinators in the New State Curriculum	Number of states that have trained at least 40% of school directors and coordinators on the state curriculum proposal. Only individuals with official titles of school principals (*diretores*) and school coordinators (*coordenadores*) will be eligible for the accomplishment of this DLI. A valid training will be that specified in the NEM *Portaria* (as defined in DLI 1). *The targets of this DLI are cumulative.*	Yes US$1 million per State up to the target	SIMEC/ COEM/D ICEI	Third-party entity	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI: (a) A Verification Report from the MEC, including a list of all training participants, including, at least, full name, titles/job position, ID number, schools where they are principals or school coordinators, school national code, and signature (b) No-objection from the World Bank Verification Report mentioned above The SEE update SIMEC with general training information (dates, venues, and number of participants) and official document(s) that provide the attendance list with participants' information such as full name, ID number, school where participant is allocated, school national code, job position, and signature. The MEC performs sample evaluations by states

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
						to check the veracity of information provided by the SEE.
6	Number of States with schools in NEM Implementation Pilots	'The NEM Implementation Pilots' are pilot schools defined by the SEE that satisfactorily follow the guidelines in the revised NEM *Portaria*. The MEC monitors the implementation remotely through reports provided by the SEE—as defined in the *Portaria*—and by visiting a sample of schools where the pilots have been implemented. 'School' refers to any public school under the responsibility of the respective SEE. *The targets of this DLI are cumulative.*	Yes US$1 million per State up to the target for DLR 2 (2019) US$0.66 million per State up to the target for DLR 3 (2020)	SIMEC/ COEM/D ICEI	Third-party entity	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI: (a) A Verification Report from the MEC, including • A list of at least 1,000 pilot schools nationwide and at least 2 pilot schools per state that the MEC certifies can be satisfactorily considered 'NEM Implementation Pilots' according to the guidelines of the NEM *Portaria* and • A list of pilot schools' pedagogic plan (*PPP - Projeto Político Pedagógico*). (b) No-objection from the World Bank Verification Report mentioned above
7	Number of States that have their revised FTS Implementation Plans approved by MEC	States revise their Original FTS Implementation Plans based on the Revised FTS *Portaria* and submit to SIMEC the information on the schools that are to be added to the program. The 'Revised FTS *Portaria'* is any *Portaria* for the FTS program that has been published after October 2017. The MEC	Yes US$0.6 million per State up to the target	SIMEC/ COEM/D ICEI	World Bank	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI: (a) A Verification Report from the MEC, including

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
		evaluates each state's plans and approves those that are in accordance with the most recent agreed guidelines, terms, and conditions. After approval, the MEC transfers funds to states according to the number of approved schools in each state. 'Original FTS Implementation Plans' are those agreed before October 2017. 'Revised FTS Implementation Plans' are those differing from the Original FTS Implementation Plans, published after October 2017, in accordance to the Revised FTS *Portaria.*				• A copy of each state's Original FTS Implementation Plan; • A copy of each state's Revised FTS Implementation Plan with changes from the Original FTS Implementation Plan highlights or tracked; and • A letter from the MEC to the World Bank certifying which states have satisfactorily adjusted their Revised FTS Implementation Plans in alignment with the Revised FTS *Portaria.* (b) No-objection from the World Bank Verification Report mentioned above
8	Evaluations and adjustment of the FTS program have been carried out	This DLI includes three key actions: 1. A pre-evaluation of the performance of the FTS model so far. To be considered "Satisfactory", the pre-evaluation must fulfill the following conditions: (a) Conducted by a firm or entity with TOR validated by the World Bank through a no-objection (b) Analyze rigorously processes, outputs, and, if available, outcomes (IDEB,	No	SIMEC / COEM/ DICEI	World Bank	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI. *For action 1* (a) A Verification Report from the MEC, including: • TOR of the entity conducting the pre-evaluation's and its

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
		completion rates, and so on) of existing interventions of FTS models (c) Highlights practices that are associated with especially positive or negative results (d) Summarized findings into clear and actionable recommendations (for each state) 2. The official publishing and commitment of each state's revised FTS Implementation Plans taking into account the conclusions of the pre-evaluation: (a) 'Commit' means Signature of the Commitment Agreement between the MEC and the States. (b) 'Publish' means that the state has disseminated the new Implementation Plans through official channels (that is, the State's Education Councils) or made available publicly (online, for example). 3. Completion and dissemination of a FTS Program midterm evaluation. To be considered "Satisfactory", the pre-evaluation must fulfill the following conditions: (a) Conducted by a firm or entity with TOR validated by the World Bank through a no-objection				specific no-objection from the World Bank • A comprehensive Pre-evaluation report including conditions b., c., and d. from the key action description (b) No-objection from the World Bank Verification Report mentioned above. *For action 2* (c) A Verification Report from the MEC, including: • Copies of the signed Terms of Agreement for the Commitment Agreements • A letter from the MEC outlining which revised Implementation Plans are deemed satisfactorily adjusted (d) No-objection from the World Bank Verification Report mentioned above. *For action 3* (e) A Verification Report from the MEC, including: • TOR of the entity conducting the mid-term evaluation and

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
		(b) Analyze rigorously processes, outputs, and outcomes of existing interventions of FTS models, including outcome data (IDEB, completion rates, and so on) (c) Preferably includes an impact evaluation (d) Highlights practices that produced especially positive or negative results (e) Summarized findings into clear and actionable recommendations [for each state]				its specific no-objection from the World Bank • A comprehensive mid-term evaluation including conditions b., c., d., and e. from the key action description (f) No-objection from the World Bank Verification Report mentioned above.
9	Percentage of agreed FTS key process targets achieved by States as included in their FTS Implementation Plans	Number of SEE that show proof of successful accomplishment of 60% of all Process Targets defined in their FTS Implementation Plans for each given year. These targets must have been agreed between the SEE and MEC, as outlined in DLI 7. The MEC will review the annual progress and report to the World Bank each state's percentage of success. This percentage is calculated as: Total number of accomplished annual objectives / total number of annual objectives. Any state where this percentage is at least above 60 will be eligible for disbursement. 'Process Targets' do *not* include outcome indicators (for example, learning outcomes, retention, and completion rates) but do include, among others • Communication Plan;	Yes US$1 million per each percentage from a minimum 40% accomplishment onward, up to the target	SIMEC/ COEM/D ICEI	Third-party entity	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI: (a) A Verification Report from the MEC, including • A copy of each state's FTS Implementation Plan, • A summary of the achieved and not-achieved objectives, and • Summarized proof of completion of the "achieved" objectives.

#	DLI	Definition/ Description of achievement	Scalability of Disbursements	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure
		• Legal milestone for the selection of school directors; • Legal milestone for the selection of students; • School Pedagogic Plan; • Legal milestone for the definition of official implementation team; • Finance Plan; • Infrastructure milestones; • Enrollment milestones. *The targets of this DLI are cumulative.*				(b) No-objection from the World Bank Verification Report mentioned above
10	Number of States with NEM Implementation Plans with specific strategies to implement NEM in Vulnerable Schools	The Implementation Plans refers to the same as in DLI 3. "Vulnerable" refers to schools in the bottom 40 percent in the distribution INSE, calculated every year by INEP/MEC. "Specific strategies" means any of the following menu of options established in the NEM *Portaria*. 'School' refers to any public school under the responsibility of the respective SEE. *The targets of this DLI are cumulative.*	Yes US$0.5 million per State up to the target	SIMEC/ COEM/D ICEI	Third-party entity	The following items, submitted to the World Bank, will be considered as proof of the accomplishment of the DLI. (a) A Verification Report from the MEC, including, for each state: • A copy of the state's NEM Implementation Plan highlighting the specific strategies and targets focused on vulnerable schools (b) No-objection from the World Bank Verification Report mentioned above.

Bank Disbursement Table

#	*DLI*	*Bank financing allocated to the DLI*	*Of which Financing available for Prior results*	*Deadline for DLI Achievement*	*Minimum DLI value to be achieved to trigger disbursements of Bank Financing*	*Maximum DLI value(s) expected to be achieved for Bank disbursements purposes*	*Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)*
1	The MEC NEM *Portaria* regulating the support to the Upper Secondary Education Reform has been published by MEC	15	100%	Closing date	-	-	**Pass/fail**
2	Number of States that formally signed a NEM *Portaria* Commitment Agreement	12.5	50%	Closing date	20%	100%	**Linear**
3	Number of States that achieved 75% of the key objectives included in their NEM Implementation Plans	32.9475	0%	Closing date	20%	100%	**Linear**
4	Number of States that have their curricula adapted to NEM, validated and published by each State	25	0%	Closing date	20%	100%	**Linear**
5	Number of States that have trained at least 40% of school principals and school coordinators in the New State Curriculum	25	0%	Closing date	20%	100%	**Linear**
6	Number of States with schools in the NEM Implementation Pilots	20	0%	Closing date	20%	100%	**Linear**
7	Number of States have their revised FTS Implementation Plans approved by the MEC	15	50%	Closing date	20%	100%	**Linear**
8	Evaluations and adjustment of the FTS program have been carried out	32.5	0%	Closing date	-	-	**Pass/fail**

#	*DLI*	*Bank financing allocated to the DLI*	*Of which Financing available for Prior results*	*Deadline for DLI Achievement*	*Minimum DLI value to be achieved to trigger disbursements of Bank Financing*	*Maximum DLI value(s) expected to be achieved for Bank disbursements purposes*	*Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)*
9	Percentage of agreed FTS key process targets achieved by States as included in their FTS Implementation Plans	30	0%	Closing date	15%	100%	**Linear**
10	Number of States with NEM Implementation Plans with specific strategies to implement NEM in Vulnerable Schools	12.5	0%	Closing date	20%	100%	**Linear**

Annex 4: Technical Assessment

Strategic Relevance

1. The upper secondary reform, with the objectives of increasing completion and education quality, is highly justified, based on the Brazil's current stagnated upper secondary education model and critical need to increase its labor productivity through fostering relevant skills that cement sustainable growth and decrease high inequalities in outcomes among states and socioeconomic groups. To achieve these long-term objectives, the reform entails the following three-fold implementation approach: (a) a sound and comprehensive technical strategy, through the introduction of flexible, competence-based curriculum and gradually expanding the time of teaching (including FTSs); (b) the creation of results-based accountability mechanisms between the Federal Government and the states with the purpose of providing incentives and responsibilities for a proper implementation of the reform and a more efficient allocation of resources, and (c) strong federal support to states to strength the institutional capacity of the SEE, with the objective of ensuring a proper planning, implementation, and monitoring of the reform.

Technical Soundness

Results Area 1. Support the implementation of the new curriculum

2. The main aspects and strategies designed for the curriculum reform under this results area are aligned with the associated national and international studies. A competence-based and more flexible curriculum can significantly contribute to increase the relevance and therefore the attractiveness of upper secondary education to the Brazilian youth. The design and implementation of this upper secondary reform is technically sound and comprehensive and is based on recent and successful experiences worldwide. The experiences of Mexico and other OECD countries, such as Poland, were taken as valuable references and lessons learned in the implementation of a flexible and competence-based curriculum.

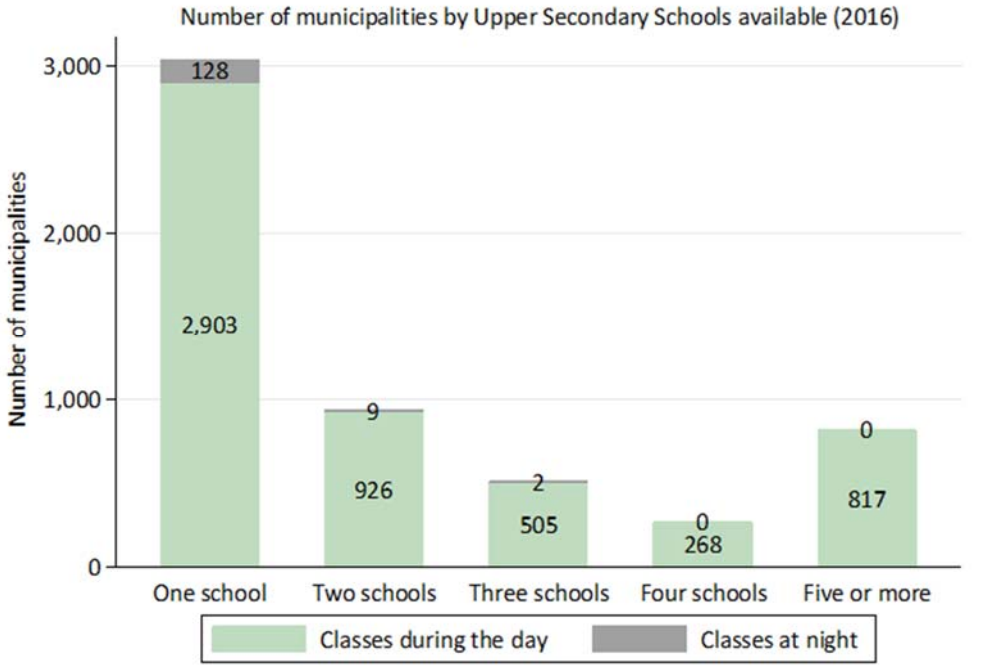
3. The adequate, timely, and equitable implementation of a flexible and competence-based curriculum can substantially increase the relevance of upper secondary education to the youth, not only by increasing their employability in the labor market, but also to build the skills for their everyday lives. By moving away from a rigid, broad and shallow curriculum to a flexible model in which students choose the area of knowledge they want to focus, provides an opportunity for deeper and more substantial teaching and learning processes that can considerably increase the school engagement of the youth, affecting student retention and learning. The priority of the support for the implementation for vulnerable schools and poorer states allows that the improvements in education outcomes occur in an equitable manner.

4. The design of the curriculum reform seeks to provide the tools and resources to the SEE to effectively implement this shift of paradigm in Brazilian upper secondary education. The MEC will issue a Regulatory Instrument (*Portaria*) that will regulate the NEM implementation, establishing a set of guidelines, institutional arrangements governing rules and mechanisms by which the SEE and schools will be technically and financially supported. The SEB has committed that the *Portaria* will also define results agreements and targets associated with the implementation of the reform that will be done through Implementation Plans submitted by the SEE and approved by the MEC. This *Portaria*, as well as many details of the new curriculum implementation are under discussion between the MEC and the SEE. The fact that *Portaria* will also incentivize states to have subsets of schools implementing the flexible itineraries before the Program starts in all schools will provide critical lessons for the most challenging aspect of the NEM implementation. As these pilots, will also include FTSs, the early implementation can also create important synergies with Results Area 2, strengthening and diversifying the instructional time of those schools.

5. The activities that are being planned for the curriculum reform consider the main associated challenges in the Brazilian education system and tackle the main critical aspects for successful implementation. The MEC has also rich experience in implementing similar activities, such as the in-service training of the SEE officials, technical staff, school principals, pedagogic coordinators, and school teachers for the implementation of national programs.[47] Some other activities will involve the exploration of uncharted territory for the national government, such as: (a) the reorganization of the state curricula (including the design and implementation of flexible learning itineraries and the development of socioemotional skills); (b) support to the SEE for teacher redeployment and reorganization of the school spaces to adapt to the new upper secondary education demand for disciplines and contents, and (c) adaptation of the PNLD to the new education framework. The World Bank task team and the TA component will provide support to mitigate the risk associated with the execution of those activities.

6. A critical risk that has been identified during preparation is the ability of some schools to provide more than on learning itinerary. The fact that most Brazilian municipalities (3,031 out of 5,570) have only one public upper secondary school, generally with only one classroom for every grade, with 128 of those municipalities providing public education at that level only during a night shift (in schools that provide fundamental education during the day) affects their ability to provide more than one learning itinerary without creating new classroom groups and hiring more teachers. Figure 4.1 displays the distribution of municipalities by the number of public upper secondary schools, where it can be observed that less than 20 percent of the Brazilian municipalities have four upper secondary schools or more.

Figure 4.1. Distribution of Brazilian Municipalities by the Number of Public Upper Secondary Schools



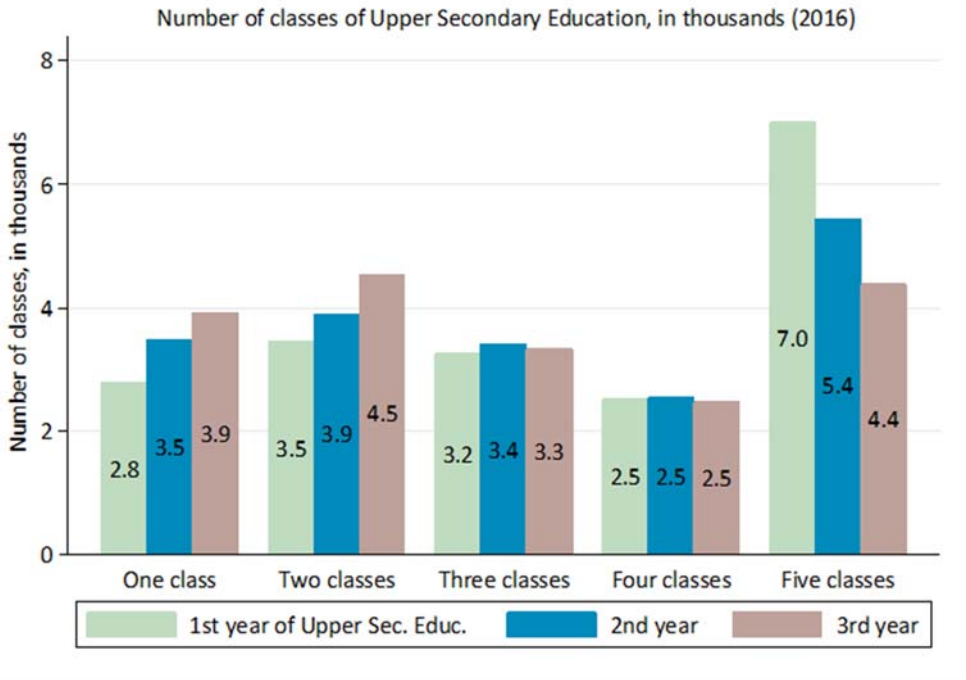
Source: School census, 2016.

7. The distribution of schools by number of classrooms/student groups and grades is shown in figure 4.2, revealing that 2,800 schools (or 14.6 percent of schools) have only one group of students in the first

[47] Such as the National Pact for Literacy in the Right Age (*Pacto Nacional pela Alfabetização na Idade Certa*, PNAIC), that has been implemented since 2008.

grade. To mitigate the risk that those schools will not be able to provide more than one learning itinerary without creating new classroom groups and hiring more teachers, the TA component will finance studies and consultancies to provide support to the SEE and schools to design learning itineraries in more restrictive conditions. In addition, the pilot implementation of the NEM with a strong emphasis on the creation of multiple learning itineraries will provide critical lessons to the MEC and the SEE on how to implement the new model in those schools. Allowing that at least a subset of those pilots in each state will also include technical education itineraries will provide critical inputs to tackle the challenges associated with the implementation of the fully integrated technical education model in upper secondary.

Figure 4.2. Distribution of Schools by Number of Classrooms/Student Groups and Grades



Source: School Census, 2016.

8. The Program and the selected DLIs also include some features with a high potential to increase its effectiveness and promote (regional, socioeconomic, and gender) equity and mitigate the risks of the curriculum reform exacerbating inequalities. By providing customized support according to the SEE needs, the Program will ensure a minimum level of the curriculum implementation across the states. The promotion and support to the SEE for the implementation of gender-specific interventions has the potential to substantially increase the education engagement of girls and boys,[48] such as strategies to inspire, engage, and empower girls in natural sciences, technology, and mathematics (STEM education) can also mitigate the risk of assortative selection in a way that mostly boys take STEM itineraries and girls mostly focus on language and social science itineraries.[49] The Innovative and Solidary School (*Escola Inovadora e*

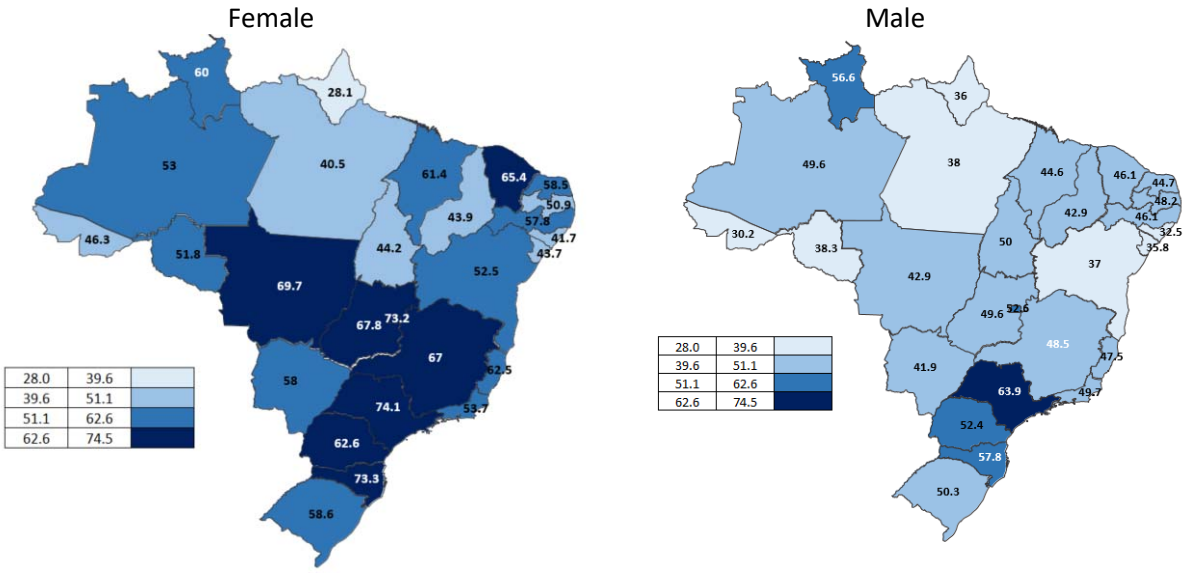
[48] The national and international evidence point to distinct causes for school dropout for girls and boys. While girls usually abandon their studies most commonly due to teen pregnancy, boys tend to leave school to seek employment or due to their involvement in criminal activities. Gender-specific interventions have the potential to significantly increase the effectiveness of the Program.

[49] To capture the evolution of key results associated with gender-specific interventions supported by the Program, the following indicators were included in the Results Framework: IR Indicator 4.2: Number of SEE with school-based interventions to promote gender equality in at least 40 percent of their schools; IR Indicator 4.3: Percentage of

Solidária) and incentives for the SEE having interventions focused on vulnerable schools (low socioeconomic index—INSE) will also contribute, so that schools that are lagging in the implementation of the reform can catch up and can swiftly implement the flexible curriculum.

9. **The average 19-year-old Brazilian who does not complete upper secondary education tends to be male, attend public school, and live in a rural area of the country.** Women are significantly more likely to complete upper secondary education: the completion rate for 19-year old Brazilians girls is 63.4 against 52.3 percent for boys, an astounding 10 percentage point differential (overall average rate is 58.2). One hypothesis is that this gap reflects differences in academic readiness, as PISA scores show a growing learning outcome gap among genders. Another is that different attainment may reflect greater difficulties for women in penetrating the labor market, who instead choose to invest in human capital in order to increase their competitiveness. Moreover, there is significant regional heterogeneity, with female completion rates as low as 28 percent among women in Amapá but as high as 74 percent for those in São Paulo (Figure 4.3).

Figure 4.3: Percentage of 19-year-olds with an upper secondary education degree, Brazilian States -2015



Source: World Bank, with data from PNAD/IBGE

Results Area 2. Promoting the expansion of full-time schools

10. The overall technical design is sound and based on recent international and national experience and evidence-based literature, which points out that this type of intervention—if well designed—can improve student learning and decrease school dropout rates in upper secondary education, especially when coupled with the development of socioemotional skills. There is some evidence that well-designed programs can also potentially increase the labor force participation of women and reduce crime and violence among youth. There is also evidence that interventions to increase school engagement are likely to address the most specific factors governing the decisions of boys and girls to attend school.

11. The FTS Program's design introduces incentives at the state level to gradually implement FTS, with the ultimate development objective of improving education outcomes, both at the quantitative level

female students enrolled in natural sciences and math itineraries; IR Indicator 4.4: States where the average absolute gender gap of enrollment in formative itineraries is less than 5 percent.

(enrollment, completion) and the quality level (learning outcomes). The FTS Program's design provides the right set of incentives for states: in addition to the financing, the FTS Program includes a set of guidelines, institutional arrangements, and technical support from the SEB/MEC to strength the management capacity at the state level. An important angle of the FTS Program is its condition of 'pilot' Program, (only include around 8 percent of upper secondary students/schools), which provides a valuable opportunity, after being properly evaluated, for the lessons learned to lead to its improvement before it is expanded further. Finally, the FTS Program is established and funded for a ten-year time frame that provides enough time for improvements along the way and for adequately planning its long-term sustainability.

12. A crucial aspect of the FTS Program's design is that the selected schools must adapt its FTS curriculum to the basic concepts of the NEM's law, with part of the time being used in a flexible manner. However, it is important to note that the new curriculum's final design is not ready yet, so that adaptation by the SEE/school is being proposed in a 'broad' fashion, until final guidelines on the BNCC and itineraries are developed by 2018. In this context, a preliminary assessment of the curricular structure, already proposed by the states, shows a wide range of options in the organization of the BNCC, itineraries, and in the use of the extra time: proposals range from 'more of the same' to 'extracurricular activities' and optional subject or paths. Therefore, although this variety of curricular models *(Matriz Curricular*) would allow for the assessment of several approaches, it could conversely increase the risks of failure or the implementation of poor practices. To address this issue, the MEC will carry out an two assessments: (a) during 2018, a first 'pre-assessment' will be carried out, identifying good practices among the states and disseminating main recommendations through a written document and a workshop with the participation of the SEE, who will update their Implementation Plans based on the evidence from the assessments, and (b) a second in-depth assessment will be carried out during 2020, taking a sample of schools by state, which will also result in recommendations for improvements (based on the NEM/BNCC/itineraries). In addition, The MEC may issue an updated *Portaria* which would include new, revised guidelines that would prevent poor practices and incentivize good ones (based on the assessment) in line with the NEM. This *Portaria* would build on the early lessons from the implementation of the FTS Program.

13. Another key element of the FTS Program's design is its results-based approach. The Program establishes criteria for compliance with implementation and for the achievement of results by the states. No compliance or achievement implies a significant cost for the states, leaving them with partial or total financial support being canceled (annex 1). An annual evaluation will be carried out to assess the results. The *Portaria* includes reasonable provisions in the governance for M&E (in the following paragraphs the detailed assessment of M&E arrangements are presented). As data sources, the Schools' Annual Census, and data from INEP/IDEB are sufficiently robust, reliable, and available on time. With regard to outcomes, the *Portaria* rightly set the dropout and repetition rates as indicators, establishing clear targets. With regard to 'proficiency', the *Portaria* established IDEB results, though in this case, there are no targets (for instance with regard to percentage points of improvement), which are 'to be suggested' by the Strategic Monitoring Committee (FTS – Strategic Monitoring Committee), a fact that leaves its determination ambiguous on how and when it would happen. Moreover, IDEB points already gives dropout rates a 30 percent weight (it is already an indicator), which leaves 50 percent for learning outcomes.

14. The criteria for school selection is sound in promoting equity, that is, those schools with disadvantaged socioeconomic background students are prioritized, jointly with a minimum school size and poor state of infrastructure. A detailed assessment of the selected schools based on INSE will be carried out during pre-appraisal.

15. The eligible expenditures comprise almost every type of spending in the education sector, going from current expenditures (including remunerations) to infrastructure and equipment. Moreover, the FTS Program is quite flexible in the use of the funds, with the following conditions: (a) resources must be used for the eligible expenses only in the selected schools included in the Implementation Plan approved by the

SEB/MEC; (b) the amount transferred to the SEE, while calculated based on the number of participating schools/students, does not have to be spent in proportion to the number of students in each of these establishments, and (c) it is the responsibility of the SEE to define the best use while providing appropriate educational services only in the participating schools. The resources meant for civil works can only be used as established in the respective actions of the approved Implementation Plan. In this framework of high flexibility, the SEE have full responsibility for allocating the funds in a cost-effective manner. From the MEC-SEB perspective, the emphasis is placed on executing the funds and the achievement of established targets, which is, in substance, the nature of a result-based approach.

16. To support planning, implementation, and monitoring of the FTS Program, the SEB developed a web-based instrument which comprises five modules: (a) Legal: this includes legal frameworks, state's resolutions, approvals by State Council of Education, and so on; (b) Human Resources, Management, and Schools: this includes the list of staff comprising the implementation team, its positions, salaries, and the general information of each school on administrative structure (pedagogic and managerial), management tools, and school management plan; (c) Infrastructure: this includes the details of civil works financed by the FTS Program, and (d) Pedagogic: this includes the curricular proposal ('*Matriz Curricular'*), the pedagogic planning, a plan for leveling the knowledge of students *('nivelamento'*), and a plan for including the school community.

Assessment of the Implementation Arrangements

17. The activities under both results areas will be implemented based on governance institutional arrangement established in the respective *Portarias* and using the existing government systems, including the main features of intergovernmental transfers, through the FNDE. There are six key actors involved in planning, financial transfers, FM, implementation, and control of the use of the resources of the activities supported by the Program.

18. The SEB/MEC, is the national manager of the Program on behalf of the Federal Government. Its primary responsibility is to ensure that the Program meets its goals, by supporting the SEE in the process of planning and implementation. In particular, the SEB is responsible for

(a) Proceeding with the Commitment Agreement ('*Termos de Compromisso'*) with each state;

(b) Analyzing and approving the Implementation Plan of each state;

(c) Calculating the resources to be passed on to the SEE;

(d) Authorizing the FNDE to transfer the resources;

(e) Monitoring the implementation in each state, and

(f) Monitoring and evaluating analyze the achievement of the targets established in the Implementations Plans.

19. The FNDE is mainly responsible for transferring the financial resources, authorized by the SEB/MEC. (a) the FNDE opens the specific current accounts to credit the transfers related to the Program; (b) transfers the resources (previously authorized by the SEB/MEC); (c) receives the rendering of accounts and forwards it for analysis by the SEB/MEC; (d) analyzes the financial aspects, accounting, and use of funds, and (e) gives an opinion on the accounts of the SEE.

20. The SEE are directly responsible for executing the actions of the Implementation Plan with the use of resources transferred by the MEC/FNDE. Specifically, the SEE have the following responsibilities:

(a) Monitor the deposits made by the FNDE in the specific account of the FTS Program;

(b) Publicize the values received and the actions to be carried out with them;

(c) Use the resources in accordance with the guidelines of Resolution FNDE 7/2016 and the FTS Program Operational Manual;

(d) Be accountable to the FNDE for the use of resources in the actions of the Program, and

(e) Be accountable to the SEB/MEC for the execution of the Implementation Plan and the achievement of Program's targets.

21. For this purpose, the *Portaria* established that the SEE should constitute an implementation team composed of four dedicated full-time members: (a) a General Coordinator; (b) Pedagogic Specialist; (c) Management Specialist, and (d) an Infrastructure Specialist. This team will work in coordination with the respective technical areas of the SEE.

22. **Strategic Monitoring Committee**. For the purposes of oversight and M&E of the Program, the Strategic Monitoring Committee is established, composed of the following members:

(a) The Secretary of Basic Education of the MEC, who will preside over it;

(b) The Director of Curricula and FTS Education of the MEC, who will serve as the Executive Secretary;

(c) The General Coordinator of FTS Education of the MEC (in the case of the curriculum reform, the General Coordinate of Teacher Training);

(d) The General Coordinator of Upper Secondary of the MEC;

(e) The Director of Support for Basic Education;

(f) A Representative of INEP;

(g) A Representative of the National Council of Secretaries of Education (CONSED), and

(h) A Representative of the Ministry of Finance.

23. Members may appoint alternates to act in their eventual absence. The Committee's main responsibilities include: (a) monitoring and evaluating annually the implementation and achievement of results, based on the reports prepared by the SEB/MEC; (b) taking decisions on continuation or cancelation (partial or total) of the SEE and participating schools that do not achieve the results decisions, and (c) proposing the performance goals for the SEE and schools.

24. All the abovementioned entities have a key role in both results areas, but Results Area 1 (Support the implementation of the new curriculum) has two additional agents involved:

25. **SEE staff.** To ensure that there will be a trained group responsible for the reform implementation in each of the 27 SEE, the MEC will promote the assembling and training of task teams that will be

responsible for implementing the curriculum reform in their respective states. These staff will receive scholarships for participating in the training and will be responsible for disseminating their knowledge in the respective state networks.

26. **Schools.** To increase the capacity of schools that are lagging in the implementation of the reform, the MEC plans to promote partnerships between schools. In each state, schools with ex ante high performance and/or that are able to swiftly implement the flexible curriculum will receive additional funds to twin with schools that are lagging in the implementation of the new curriculum (that will also receive funds) to allow for the exchange of experiences.

27. The existing systems may be further strengthened to meet the objectives of the Programs as necessary. In particular, there is a risk that the SEB's team is not able to effectively manage, supervise, and monitor such a large a complex program. Regarding the SEE, capacity varies widely among them, with some states having strong human resources, systems, and planning and management, while others lack those means. A survey will be conducted in the first year of the Program to build a baseline on capacity by state. Moreover, actual implementation will give the SEB alerts of the performance of each state, based on which stronger SEB attention and support may be needed for poor capacity states; tasks that may be complemented with the support of the TA is necessary.

Assessment of the Program Expenditure Framework

28. The PforR operation, will support the implementation of the Federal Governments' upper secondary reform program, being implemented by the MEC, over a five-year period (2018–2023). The Program has two main pillars: (a) the implementation of new curriculum, and (b) the expansion of FTSs. The Program expenditures includes, training, goods, works, grants, consultant services, capacity building, and institutional strengthening activities, at both the central (Federal) and decentralized levels (state). The Program's operating and investment budget, totals US$1.57 billion, out of which US$250 million (16 percent) will be funded by the World Bank, through two components: The PforR component (US$221 million) and TA (US$29 million) component. The summary breakdown of expected expenditure is shown in Table 4.1.

Table 4.1. World Bank Financing - Expenditure Framework

Component/Results Area	Program Amount (US$, millions)					
	2018	**2019**	**2020**	**2021**	**2020**	**Total**
Component 1: Supporting the New Upper Secondary Education (PforR)	194 (55.5525) [50]	285 (60)	319 (59.5)	373 (25.5)	377 (20.4475)	1,548 (221)
Results Area 1. Support the implementation of the new curriculum	37 (25)	51 (32.5)	51 (39.5)	56 (25.5)	60 (20.4475)	255 (142.9475)
Results Area 2. Promoting the expansion of full-time schools	157 (30)	234 (27.5)	268 (20)	317 (0)	317 (0)	1.293 (77.5)

[50] For the first year, the total amount also includes the capitalized front-end fee of US$552,500 for Component 1 and 72,500 for Component 2.

Component 2. Technical Assistance to Implement the Upper Secondary Education Reform (IPF)	4.4475 (4.4475)	9 (9)	6 (6)	5 (5)	4.5525 (4.5525)	29 (29)
Total	**198** **(60)**	**294** **(69)**	**325** **(65.5)**	**378** **(30.5)**	**382** **(25)**	**1,577** **(250)**

Source: SEB/MEC.

29. In budget implementation, the PforR component is financed by the Federal Government, through transfers to states, and fully executed by 27 SEE. The TA component will be fully executed by the MEC, through the Project Implementation Unit. Other key actors include: (a) the FNDE, a federal authority created by Law No. 5,537, of November 21, 1968, and amended by Decree-Law no. 872, of September 15, 1969, and responsible for the execution of the Federal Government's public education programs, and transfers to the states, and (b) the Office of the Controller General of the Union (*Controladoria Geral da União,* CGU), supported by its local offices.

30. **Planning and budgeting**. The Program's budget is realistic, prepared with due regard to the Brazilian Government's policy, and implemented in an orderly and predictable manner. The budget estimates of the Program are included in the Government budget and there is a reasonable expectation that the required resources will be appropriated in the financial years when required. However, in case of insufficiency of revenues, at the beginning of each year, the Federal Government issues a decree limiting the amounts authorized in the Annual Budget Law (*Lei de Orçamento Annual,* LOA), related to discretionary or nonlegally obligatory expenses (investments and costing in general), which wouldalso apply to the Program expenditures, resulting in possible delays in implementation at the decentralized level.

31. A robust mechanism for annual budget preparation is in place. The Program's planning and budgeting is guided by the Brazilian budget model, defined in the 1988 Constitution of Brazil, that underpins the management of public finances at all levels of government. The budget cycle is composed of three main instruments: (a) the Multiyear Action Plan (*Plano de Ação Plurianual*, PPA), valid for four years, which aims to establish the medium-term guidelines, objectives, and targets of the public administration; (b) the Budgetary Guidelines Law (*Lei de Diretrizes Orçamentárias*, LDO), which annually reflects public policies and their priorities for the following year, and (c) the LOA which estimates revenues and sets the expenditure limits for the financial year.

32. In addition to following the LDO, the LOA must also comply with a series of laws to ensure that resources are not diverted or applied in a way that is detrimental to public finances. The most important of these laws are; (a) Complementary Law 101, also known as the Fiscal Responsibility Law of 2000, which established particular requirements for macroeconomic and fiscal discipline (for example, to respect the personnel expenditure limit, not to generate expenses without a corresponding budget, and to prohibit the creation of continuing expenditures without a secure source of revenue, and (b) the Public Accountability Law (*Lei* 4.320 of 1964) which regulates financial controls, budgeting, and reporting at the federal, state, and municipal levels.

33. The MEC, through its budget unit (Sub-secretariat of Planning and Budget [*Subsecretaria de Planejamento e Orçamento*, SPO]), acts as the focal point for preparation of the budget documentation to be sent to the Ministry of Planning for review (PPA, LDO, and LOA draft *Portarias*). Consequently, there is due process between the implementing agency and the Ministry of Planning for negotiating the annual budget.

34. The MEC's detailed planning and budgeting activities encompass the following: (a) planning and providing TA to the various budget sector units (strategic guidelines, quantitative parameters, manuals,

training, and assistance on the use of the Integrated System of Financial Administration [*Sistema Integrado de Administração Financeira*, SIAFI]); (b) analysis and adjustment of proposed programs with priorities and budget availabilities, and (c) consolidation and preparation of the final budget documentation. Staff (at both the federal and state levels) are familiar with the budget cycle and respective rules and regulations. However, sometimes, there is a lack of proper understanding of the various and distinct program regulations and deadlines during budget implementation. To address this risk, consultants will be hired to provide daily support at the decentralized level.

35. The presentation of revenues and expenditures in the LOA is consistent with those used in the approved PPA and LDO. Both the PPA and LOA require exact identification names and codes for activities and programs. Programs are also linked to a responsible budget unit ('*Unidade Orçamentária*'). The LOA, states the description of the corresponding actions (projects, activities, or special operations), specifies the funding source (treasury or other), and lists the main economic expenditure categories (personnel, maintenance, investments, transfers, debt services, and financial applications). The Program can be identified in the Federal Government's budget, under the following Federal Program budget lines: 0515 (Money Direct to School), 0509 (Support to Basic Education), and 00O0 (Scholarships).

36. **Budget execution.** The Federal Government, through the National Treasury Secretariat (*Secretaria do Tesouro Nacional*, STN) of the Ministry of Finance, uses a Single Treasury Account (STA) (which is maintained at the Central Bank of Brazil (*Banco Central do Brasil*, BACEN) to manage all federal financial resources. Treasury balances are calculated and consolidated every business day. The STA operation is tracked through SIAFI. SIAFI is the main instrument used for recording, monitoring, and controlling the budget and tracking the financial execution of Federal Government expenditures and revenues. SIAFI can provide accurate, comprehensive, and understandable information to allow for the monitoring of progress against the budget. To execute payments and receive receipts, the Federal Government uses the *Banco do Brasil* S/A as its financial agent (or any other bank, as authorized by the Ministry of Finance).

37. Upon budget approval, funds will be available to be used by the MEC (through the FNDE), following stablished monthly budget parameters. The MEC is responsible for comparing actual expenditures with the approved budget (though SIAFI), on a daily basis, ensuring sufficient budget allocation and financial availability to the program.

38. At the decentralized level, all states have functional computerized Financial Management Information Systems (FMIS) which facilitate fund flows and the management of funds. The states follow a centrally mandated classification system for budgeting, accounting, and reporting, which allows for the tracking of Program expenditures. However, there is an inadequacy associated with the lack of FMIS integration between the centralized and decentralized level, with delays in budget implementation at the decentralized level, which is expected to be mitigated though capacity building provided through the TA component.

39. **Program flow of funds.** The processing cycle includes the following: STN processes electronic transfers to the FNDE through SIAFI; the FNDE, upon authorization from the SEB/MEC, will transfer funds to lower levels, as explained in the following paragraphs, though SIAFI and thereafter monitor the transfers though the Financial Management System (*Sistema de Gestão Financeira*, SIGEF), (the FNDE's FMIS). There will be no separate or specific bank account maintained at STN for the Program and all the transfers to the FNDE will be made through the STA. Funds will be available to the FNDE in an orderly and predictable manner. The flow of funds at the decentralized level for the three separate budget lines, will be as follows:

(a) **Grants.** Grants under the Program (budget code 00O0) will be accounted for using a specific chart of accounts, using the FNDE's FMIS, called SIGEF (which is integrated with SIAFI)

and will also be monitored through the SGB (Scholarship Management) information management system. Monthly, upon confirmation by the SEB of services rendered, the MEC provides the FNDE with a list of eligible grantee names and amounts and authorizes the FNDE to make payments to the specific individuals. Deposits are made directly into the specific beneficiary's bank account, opened at the *Banco do Brasil* by the FNDE, to receive the related payment. All support documentation is properly retained and archived by the FNDE.

(b) **Transfers to the SEE** for further transfers to schools will follow the current EMTI (FTS Program) flow of funds arrangements. These expenditures will be identified as a sub-item under budget code 0509, and will be accounted for using a specific chart of accounts, using SIGEF and will also be monitored through the SAPE information management system *(Sistema de Assistência a Programas e Projetos)*. The amounts to be transferred to the SEE, are predefined based on the number of students and the funds transferred to the SEE are earmarked either for investment and/or recurrent expenditures. The SEE however, can only use the funds once the funds have been included and approved within the respective state's own budget (which normally results in a four-month delay in the program execution cycle). *Portaria* No. 727 of June 13, 2017 specifies the norms and regulations applicable to these expenditures, but the nature of the expenditures will depend on each school's annual plan and needs. Following the current ETI regulations, on a yearly basis, the MEC (SEB) authorizes the FNDE to open, at the *Banco do Brasil*, a specific bank account, in the name of each SEE, to which the ETI transfers are credited. All payments should be made from this bank account, as determined by the FNDE resolution No. 7/2016. The documentation of the use of funds/transfers must be made to the FNDE using the SiGPC Monitoring System (*Sistema de Gestão de Prestação de Contas*) and all support documentation is maintained at the decentralized level. The time required to adjust or include the transfers in the state budget poses a risk and may delay implementation. Mitigation measures to address this risk, include improving the FNDE's monitoring system to ensure that the funds are included in the budget on time. Nevertheless, the inclusion of these funds with the state budgets is not completely within the span of control of the Federal Government.

(c) **Transfers directly to the school's bank accounts** will follow the current PDDE flow of funds arrangements. These expenditures will be identified as a subitem under budget code 0515, and will be accounted for using a specific chart of accounts, using SIGEF and will also be monitored through the PDDE information management system. The amounts to be transferred to the schools are predetermined based on the 'school census' formula, detailed under the specific norms and regulations applicable to PDDE. The MEC is responsible for providing the FNDE with a list of eligible schools. The deposits are made directly to each school's bank account, normally under the name of an association (teachers and student's parents), opened at the *Banco do Brasil* by the FNDE, to receive the related payment. A consolidated report on use of funds by all schools at the state level is then provided to the FNDE, by the SEE, and all supporting documentation is maintained by the Association. There are constant delays in documenting the use of funds with the associated lack of clarity on the proper use of funds. Mitigation measures to address this risk include activities under the TA component to strengthen and expedite decentralized execution and reporting. Although the volume of payments is expected to be significant, the respective individual amounts transferred to the schools are relatively small, mainly related to daily administrative maintenance and small repairs of schools.

Assessment of the Program Results Chain, Results Framework, and M&E

40. The Program's results chain is coherent and aligned with the PDO.

Table 4.2. Program's Results Chain

Planned Activities	Outputs	Intermediate Outcomes	PDO Indicators	PDO
Results Area 1				
A *Portaria* regulating the support to the *Novo Ensino Medio* Reform is published (DLI 1) States formally adhere to the *Portaria* of the NEM through specific regulation (DLI 2) Analytical Reference Tools for the implementation of the NEM are developed and disseminated to the SEE	States have *Novo Ensino Medio* Implementation Plans approved by the MEC States have trained key SEE staff in the new state curriculum States have trained at school principals and pedagogic coordinators in the new state curricula (DLI 5) Number of States that have their NEM Curricular adapted to the NEM validated and published (DLI 4) The NEM pedagogic materials have been developed by the MEC and disseminated to the schools by the SEE States with schools in the NEM Implementation Pilots (DLI 6)	States that accomplish 75% of their NEM Implementation Plans' (annual) main objectives (DLI 3) States with Implementation Plans with specific strategies to implement the NEM in vulnerable schools (DLI 10) States have M&E systems measuring the effectiveness of the reform the accomplishment of objectives Learning assessments have been Adapted to reflect the NEM competencies and itineraries States with a satisfactory level in a Curricular Reform Implementation and Monitoring Capacity Index	States with at least 40 percent of schools have implemented the New Curricula States with at least 50 percent of Vulnerable schools have implemented the New Curricula	The capacity of the SEE to implement the upper secondary reform, prioritizing vulnerable schools, is strengthened
Results Area 2				
A *Portaria* regulating the support to the FTS Program is published States that have Revised FTS Implementation Plans approved by the MEC (DLI 7)	Evaluations and adjustment of the FTS Program (DLI 8)	Percentage of agreed FTS process targets that are achieved by all the states (DLI 9)	Percent variation in IDEB in Targeted FTSs	Higher IDEB in targeted full-time upper secondary schools.

41. The full Results Framework for the PforR component is fully aligned with the Program's design and proposed activities. The Program will be monitored through the use of existing systems and specific M&E tools. Brazil has one of the largest and most organized basic education M&E systems in the world, with more than 164,000 schools (approximately 28,000 schools providing upper secondary education, with about 20,000 being public) across 5,602 municipal and state school networks, as well as the private system. INEP manages this system, which includes two main pillars: (a) an annual school census that covers all

public and private schools across the country and collects information about school organization, infrastructure, management, principals, teachers and students, and (b) biannual student learning assessment of all students attending public schools and a sample of students enrolled in private schools. Based on the student progression rates and test scores, INEP calculates an index (IDEB) that seeks to measure education quality for public and private systems at the national, state, and municipal school levels. IDEB is coupled with targets established by INEP/MEC that provide a strong results-based accountability system. Moreover, in the specific case of FTS Program, the tool developed by the SEB/MEC will serve for M&E purposes.

Lessons Learned

42. The preparation of this Program will also benefit from several recent relevant pieces of analytical work in education done in Brazil, such as an ASA that, with the FNDE/MEC (P162334), is supporting the design of a results-based grants scheme to contribute to the achievement of better quality outcomes—it seeks to achieve these goals by providing incentive mechanisms for municipal and state secretariats to diversify their education interventions. Another active and relevant ASA is a two-year analytical task focused on skills and jobs in Brazil (P156683), which examines the performance of education, workforce development, and labor market policies from the perspective of Brazil's youth. A recently completed ASA for the Rio de Janeiro Education studies (P157908) analyzed innovative policies in the Brazilian context and provided valuable lessons not only for Rio de Janeiro but also for other municipal and state networks, many of which have already indicated interest in rolling out similar programs. One such policy was a well-designed and implemented FTS Program, with robust impacts on school dropout rates and student learning, as measured by test scores.[51] The Program design also benefits from the World Bank experience in the design and implementation of FUNDESCOLA I (FY1998, Loan 4311-BR), FUNDESCOLA II (FY2000, Loan 4487-BR), FUNDESCOLA III (Loan 7122-BR), and earlier World Bank's experience in Brazil.

- **State incentives and social mobilization in the implementation of the new secondary education model**. The Operation will incorporate prior World Bank experiences in Brazil that were successful in achieving their intended objectives. Lessons include the need to assign greater priority to social mobilization and communication efforts in promoting the new secondary education model, providing an incentive for states and schools to remain focused on the issue of quality improvements and to practice the planning skills they will learn, and providing incentives for states to expand FTSs.

- **Recognition of the role of different levels of government**. This Operation incorporates lessons from several national and subnational projects. A key success of the FUNDESCOLA Program was its recognition of the importance of the state and municipal governments in improving education quality. The Federal government recognized this and retained for itself the role of setting overarching policies and goals for the sector and providing instruments to the SEE to enable them to pursue quality improvements in their systems. Likewise, the MEC will provide extensive TA to the weaker secretariats. However, the Federal Government did not intervene in state and municipal decisions, nor did it impose its instruments on them. This approach is consistent with Brazil's Constitution and also avoids resistance on the part of local governments. Conscious of the FUNDESCOLA program's good results in obtaining state ownership of the program, this Project will adopt the same strategies of recognizing the role of the states in carrying out the secondary education reform.

[51] See Cruz, Tassia De Souza, Andre Loureiro, and Eduardo Sa. 2017. "Full-time Teachers, Students, and Curriculum: The Single-shift Model in Rio de Janeiro." Policy Research Working Paper 8086, Impact Evaluation Series, World Bank, Washington, DC.

- **The role of the Federal Government in implementation.** Experience from FUNDESCOLA shows that the greatest challenge in implementing projects will be to develop mechanisms and systems for both the public sector (federal and state governments) and the private sector (manufacturers of school inputs, such as books, furniture, and so on). These will ensure the progress and ongoing improvement of actions financed by the program. It will be the role of the Federal Government to support the design of systems and mechanisms for planning, financing, and monitoring and evaluating the implementation of the new secondary education under the framework of the models defined by the secondary education reform to strengthen schools. It will also be the role of the Federal Government, through the MEC, to create a formal structure of institutional arrangements to ensure the expansion and progress of the secondary education reform. Following these lessons, this Project will provide strong program TA to support the MEC and state secretariats to successfully implement the new secondary education model.

- **Seeking strategies to mobilize support, generate local demand and ensure sustainability**. By promoting instruments and interventions at the state and school levels, where the school community can see and feel the immediate benefits, the project generated immediate support for some of its key interventions. Based on the lessons learned from other projects, the MEC will use communication campaigns to disseminate the benefits of many of its activities under the New Secondary Education Program through different media for spreading information among schools, students and other stakeholders, thereby generating greater demand for interventions in secondary education. Stakeholders' 'buy-in' increases the long-term sustainability of the Secondary Education Reform initiated under the project.

- **Varying levels of state institutional capacity to implement the new secondary education model**. Institutional capacity to implement the new Secondary Education Reform varies greatly across Brazil's 27 states. Weaker states have problems not only in the implementation of the new secondary education model. The Project will put in place a structure under which the federal level can provide TA, budget support, and a mechanism of incentives for the state governments to implement the necessary reforms themselves. At the same time, additional efforts will be required to engage parents and the general public as empowered individuals to maintain checks and balances on their children's educational process. Additional lessons from other projects indicate that when financing is linked to performance, there is a need to increase monitoring, supervision, training, and TA to support weaker states in improving their capacity to deliver results.

- **Reporting and staffing arrangements affect performance.** The MEC and SEE have been affected by staffing constraints, including staff turnover at all levels during transition periods. Due to this Project's complexity and the State Secretariats' inadequate institutional capacity, the MEC has decided to expedite Project implementation by granting contracting agencies access to a greater pool of consultants. However, the staffing and reporting arrangement may affect the MEC, especially during the administration change. At the federal level, there has been a need to hire an increasing number of personnel on a contractual basis. (The MEC's last '*concurso*' process for public services was in 2005). Although bringing outsiders on board has yielded benefits, such as introducing new approaches to addressing the implementation of the MEC activities, it may also have disadvantages in: (a) providing continuity and institutional memory, and (b) periodic understaffing resulting from delays in bringing newly contracted staff on board due to the need to follow appropriate procurement and contracting procedures. Special arrangements have been put in place in the project design to avoid delays in staffing the project unit and expedite project implementation, as well as balancing consultants with permanent staff.

- **Selecting and monitoring indicators and DLIs.** Lessons from the Ceará PforR indicate the need to place special attention on the selection of indicators and the development of a culture of results. When new systems are established, indicators should be kept simple. It is probably best to avoid composite indicators, because it can become difficult to establish realistic targets when the denominator increases dramatically for reasons that cannot be controlled by the Program. In general, it may be best to adopt indicators that are identical to those that the government uses for its own internal monitoring purposes, because this avoids an unnecessary additional burden on borrowers who otherwise need to establish separate monitoring systems to track both Program progress and progress for official government reporting purposes. Lessons from the Ceará PforR stressed the need to avoid the use of indicators that: (a) are beyond government control; (b) depend on a sequence of events, and (c) require the implementation of recommendations or study results that may need subjective evaluations of whether performance can be deemed 'satisfactory'. The lessons from the Ceará PforR also indicate that the operation should minimize the use of DLIs that are beyond the government's influence. It signals that the Program should: (a) establish a balance between flexibility and discipline in assessing DLI compliance; (b) permit DLIs to be renegotiated only at midterm review; (c) allow for scalability and flexibility in the timing of disbursements; (d) contribute to improving the capacity of participating sector agencies to plan, execute, evaluate, and adjust the content of their programs, and (e) encourage a greater focus on results, awareness of the potential for collaboration across implementation agencies, and a more flexible approach to resolving difficulties in implementation.

- **Political changes and management.** The 2018 elections, which will usher in new federal- and state-level administrations, may result in changes in technical staff of the MEC and SEE. Preparation teams tend to be overly optimistic, particularly when faced with effective and reformist counterparts, and forget that periodic changes in government administrations also bring changes in priorities and staffing. These changes may have the effect of slowing implementation. Although the Operation design and preparations are intended to ensure a smooth transition between government administrations, the Operation cannot be entirely shielded from the political climate and associated changes in government structures. The World Bank understands that it will play an important role in ensuring a smooth transition and supporting the new technical staff in carrying out further implementation. The Operation places special attention on more precisely identifying the types of risks and agreeing on different types of mitigation measures to minimize disruptions in implementation.

Economic Justification

43. This section provides details on the economic analysis of the Brazil Upper Secondary Reform Program, using cost-benefit analysis. By reducing dropouts, repetitions rates, and increasing graduation rates, improvements in future employability and wages of these students are expected. This analysis focuses on monetary private returns. The total benefit of the Operation is likely to be much higher if non-monetary returns are accounted for (see Acemoglu and Angrist 2000, and Moretti 2004, for more on social returns to education). Specifically, Components 1 and 2 of the Support to the Upper Secondary Edcuation Reform Operation (supporting the implementation of the new curriculum and the expansion of FTSs) are amenable to a cost-benefit analysis because the benefits of activities under these two components can be reasonably appraised from existing evidence. In all instances, the estimates attempted to be conservative.

44. The economic analysis is organized as follows. The Operation's costs are estimated using federal expenditure per student in FTS; additional state costs of increasing the number of class-hours per day (students and teachers will spend more time at school); and the estimate of the expenditure in supporting the implementation of the new curriculum. The Operation's benefits were estimated considering

international evidence of the impact of similar interventions on graduation rates and using existing evidence of the returns to completing upper secondary education in Brazil. Then a cost-benefit analysis, including both components is conducted. Finally, a response is provided to whether public sector provision or financing is the appropriate vehicle, as well as what s the World Bank's value added is.

Operation's Costs

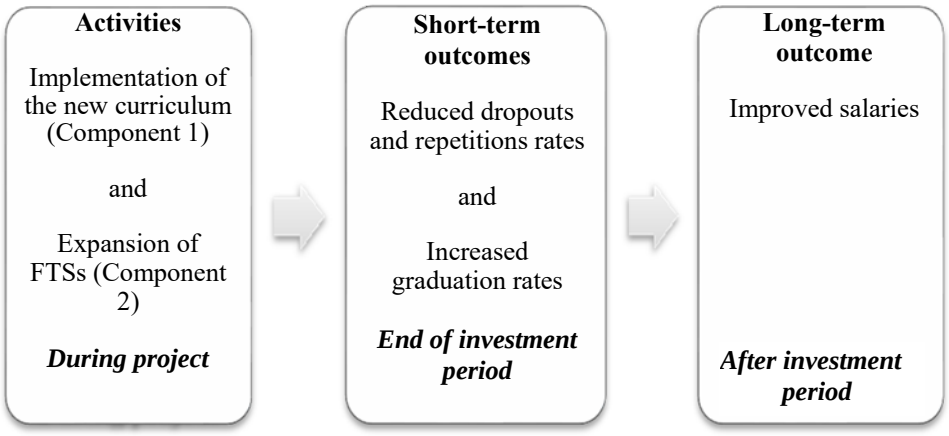
Step 1: Calculating the Operation's Costs

45. To obtain the cost of Component 1 (new curriculum), the numbers from the PAD were used, which add up to US$86.7 million. Besides that, expenditure data of the state governments were used to estimate the additional costs of maintaining teachers and students for more hours per day at school. With the data available it was possible to estimate the expenditure per upper secondary student per hour and the average wage of teachers per hour. Assuming that the states will increase the number of class-hours gradually in the next 10 years, an average increase in total expenditure of about US$1.8 billion per year is estimated. To calculate the total expenditure on the FTS during the five years of the Program, the estimate of the upper secondary education students enrolled in these schools was multiplied by US$613, which is the annual cost the Federal Government will have per student. Overall the total cost of the Program is approximately US$13 billion.

Operation's Benefits

46. The benefits from the Support to the Upper Secondary Reform Operation are expected to be as follows:

Table 4. 3 A Framework of Benefits from the Operation



47. Another expected benefit in the framework includes improved management capacity in the MEC and Secretaries of Education. This has not been incorporated in the following economic analysis. If it were, even higher returns would be expected as future reforms would also be affected by this increase in efficiency. Thus, the numbers presented in this economic analysis should be considered as a lower-bound estimate of the Operation's benefits.

Step 2: Estimating Operation Impact on Short-term Outcomes

48. To calculate the impact of the new curriculum, the number of students who would not finish upper secondary education without the reform was estimated. This number can be obtained by multiplying the

number of upper secondary students enrolled in public schools in the next five years by the increase in the graduation rates due to the Operation.

49. While there is some heterogeneity in methods and findings across the studies that investigate the impact of new curricula, there is broad support for the fact that this type of intervention has a positive impact on graduation rates (table 4.4). Two scenarios were adopted: in the optimistic scenario, the impact is equal to 18.5 percent (average of the studies) and in the conservative scenario is equal to 11 percent (the lowest impact found). It was considered that the number of students enrolled in upper secondary schools will decrease between 2018 to 2022 according to IBGE's estimates for the population between 15 and 17 years old (which is decreasing). The estimates are conservative as the new curriculum is likely to have a positive impact on the number of students enrolled.

Table 4.4. Summary of Evaluations of the Impact of New Curriculums on Graduation Rates

Study	Effect (%)
Berger, A., **et al. (2013). Texas-USA***Early college, early success: Early College High School initiative impact study*. Washington, DC: American Institutes for Research**.**	22
Edmunds et al., J., Unlu, F., Glennie, E., Bernstein, L., Fesler, L., Furey, J., & Arshavsky, N. **(2015).** *Smoothing the transition to postsecondary education: The impact of the early college model*. **North Carolina-USA.**	16
Heller et al. (2013). Chicago-USA.Heller, S., Pollack, H. A., Ander, R., & Ludwig, J. (2013). *Preventing youth violence and dropout: A randomized field experiment*. Cambridge, MA: National Bureau of Economic Research.	19
Johnson, V. L., Simon, andP., & Mun, E. (2014). Mid Atlantic State – USA*A peer-led high school transition program increases graduation rates among Latino males*. Journal of Educational Research, 107(3), 186–196.	27
Nelld, Neild, R. C., Boccanfuso and, C., & Byrnes, V. (2015). *Academic impacts of career and technical schools*. Philadelphia/Pennsylvania - USA, PA: Career and Technical Education Research, 40(1), 28–47.	11
Warner et al. (2015). California-USA. Warner, M., Caspary, K., Arshan, N., Stites, R., Padilla, C., Park, C., Adelman, N. (2015). *Taking stock of the California Linked Learning District Initiative. Sixth-year evaluation report*. Menlo Park, CA: SRI International.	16

Source: Institute of Education Sciences. National Center for Education Evaluation and Regional Assistance (2017).

50. To calculate the impact of FTS, the number of students who without this intervention would not finish upper secondary education was also estimated. Similar to Component 1, this number can be obtained by multiplying the number of upper secondary students enrolled in those schools in the next five years by the increase in the graduation rates.

51. The assumption is that FTS will decrease the sum of dropout and repetition rates by 3.5 percentage points per year during the five years of the Operation. According to *Portaria* 727, FTS need to reduce the sum of dropout and repetition rates by 3.5 percentage points in the first and second years of reform. In the third year, the sum of these indicators should not be higher than 5 percent. The targets are similar for the new schools, except that in the first year the sum of dropout and repetition should be below 15 percent. A more conservative scenario was adopted, which considers that the sum of dropout and repetition rates will decrease by 3.5 percentage points per year during the five years of the Operation.

Table 4.5. Targets for FTS

Schools of Upper Secondary Education in FTS	Sum of Dropout and Repetition Rates
First year	Need to be reduced by 3.5 percentage points
Second year	Need to be reduced by 3.5 percentage points
Third year	Less than 5%
New schools of upper secondary education in FTS	**Sum of Dropout and Repetition Rates**
First year	Less than 15%
Second year	Need to be reduced by 3.5 percentage points
Third year	Less than 5%

Source: Portaria 727, June 13, 2017.

Step 3: Estimating the Operation's Impacts on Future Income

52. Both components are associated with an increase of the number of students that will finish upper secondary education. Because the returns to completing upper secondary education and the number of students who without the new curriculum and FTS would not finish this level of education was estimated, the monetary benefits of the Operation can be calculated.

53. The rate of return of upper secondary graduation was computed using the standard labor economics model of estimating the returns of education, the Mincer (1974) equation:

$$log_{w_i} = \alpha + \beta X' + \gamma_1 incomplete\ primary + \gamma_2 complete\ primary + \gamma_3 incomplete\ upper\ secondary + \gamma_4 complete\ upper\ secondary + \gamma_5 incomplete\ tertiary + \gamma_6 complete\ tertary + \mu_i$$

In which w_i is the real wage of individual i, X' is a vector of covariates such as number of hours worked per year, age, color of the skin, gender, sector of activity, formality, state and year dummies and μ_i is an error term. The main outcomes of interest are γ_4, the coefficient of complete upper secondary education, and γ_3, the coefficient of incomplete upper secondary education.

54. According to the calculations, using the PNAD from 2008 to 2015, on average a person who finishes upper secondary education receives 15 percent more per month than someone with incomplete upper secondary education, which means US$45.05 more per month (15 percent multiplied by the average wage of a person with incomplete upper secondary education). This estimate takes into account the Heckman correction in which the first step estimates the probability of being employed and the second step estimates the impact of education attainment on wages, considering as a control variable the probability of being employed. If it is considered that some of the students will pursue tertiary education, the returns are even higher as there is evidence that a person who finishes this level of education receives 70 percent more on average.

55. For 30 years, the number of students who in the next five years will finish upper secondary education due to the new curriculum or FTS was followed. The total benefits of the Operation were obtained by multiplying this number by the annual increase in the income of these students.

Cost-Benefit Analysis

Step 4: Calculating NPV and ERR

56. The final stage of the analysis is to compare costs and benefits. Using a discount rate of 10 percent, the benefits of the Support to the Upper Secondary Education Reform Operation far exceed its costs, with

NPV ranges between US$2.9 billion and US$8.6 billion in the conservative and optimist scenarios, respectively. Using a discount rate of 5 percent, the NPV ranges between US$13.3 billion and US$ 24.3 billion, in the conservative and optimist scenarios, respectively. The associated ERR, which is the rate of return that brings the net present value to 0, is 13–19 percent, in the conservative and optimistic scenarios, respectively.

Is Public Sector Provision or Financing the Appropriate Vehicle?

57. The economic rationale for public sector financing of fundamental education is based on three pillars: (a) Human capital is built at the individual level, but the associated benefits to the society are higher than the individual benefits; (b) Given the low average income and high poverty rate in many states in Brazil, public investment in education will allow the children of poorer families to access quality education, and (c) Some parents would not invest in education even if they had the resources to do so as people in the bottom of the income distribution generally discount the future more highly, affecting the ability to make investments with returns perceived only in the long run.[52] This is particularly true for FTS, which entail higher costs. As individuals do not take these benefits into account when making investment decisions, government funding can increase the overall investment in education of the society and consequently the level of human capital in the economy.

What is the World Bank's Value Added?

58. The World Bank provides added value in this Operation through its financing, convening power, and technical expertise. During implementation of the Operation, the World Bank will develop the capacity of the government through a big component of technical support. In addition, the World Bank will continue to focus on innovation and learning, including providing feedback to improve the ministry's capacity and other studies in the TA component. These studies will strengthen the culture of evidence-based decision making within the government. The global experience of the World Bank in implementation of FTS and competency-based curricula would contribute to enhancing the impact of those programs. The involvement of the World Bank through a results-based investment operation will also allow a greater continuity of the policies for the state, mitigating possible abrupt modifications, or the extinction of programs frequently observed when a new government takes over the administration.

59. The upper secondary education reform requires preparatory work that can be compromised if there is no careful planning of its implementation. Although the Executive Secretariat and the SEB at the MEC have competent teams, their technical and operational capacities are limited and need to be strengthened. To implement the reform, the MEC must play a stewardship role and lead activities to improve the states' planning, managerial, and implementation capacity. The World Bank would bring important value added to the quality and speed of such interventions, which might be compromised in the absence of the operation.

60. The World Bank could also serve as a technical and operational liaison during government transitions. Besides the economic challenges faced in the last three years, Brazil has been exposed to an unprecedented political crisis that could hamper the progress of the secondary education reform. The continued technical and operational dialogue with the Federal Government and states, through the proposed operation and ongoing ones, could mitigate uncertainties and disruptions.

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Annex 5: Fiduciary Systems Assessment

1. Conclusions

1.1 Reasonable Assurance

1. The Procurement and FM systems' capacity and performance, with the implementation of the proposed mitigating measures and agreed actions to strengthen the systems (which are reflected in the PAP), are adequate to provide reasonable assurance that the Program funds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

1.2 Risk Assessment

2. The overall fiduciary risk rating is considered Substantial. The key fiduciary risks to the development outcomes of the Program that underpin the Substantial risk rating are as follows: (a) the Program will be implemented at a decentralized level, which will require the federal transfers to be included in the various states' budgets (and be approved within their respective budget cycles), that may cause delays, together with delays at the school level, in providing adequate support documentation, and (b) due to the numerous implementing agencies involved in the Program execution, particularly at the decentralized level, there is a risk that contracts will be awarded to firms and/or individuals debarred or suspended by the World Bank.

3. The proposed systems- and capacity-strengthening and/or mitigation measures, to address the above risks include the following: (a) the MEC will hire consultants to provide support at the state level, to expedite implementation and ensure the proper use and documentation of funds, and (b) all implementing agencies, both at the federal and state level (including schools), will be instructed/required by official decree to comply with the World Bank's ACG, to ensure that no contract will be awarded to a firm or individual which is on the World Bank's debarred list. In addition, the TORs for the external auditors will include a requirement to review Program expenditures for such ineligible contracts.

1.3 Procurement Exclusions

4. There are no potential high-value contracts identified under the Program at this moment.

2. Scope

5. The PforR operation will support the implementation of the Federal Government's upper secondary reform program, which is being implemented by the MEC, over a five-year period (2018–2023). The Program has two main pillars: (a) the implementation of new curriculum, and (b) the expansion of FTSs. The Program expenditures includes training, goods, works, grants, consultant services, capacity building and institutional strengthening activities, at both the central (federal) and decentralized levels (state). The Program's operating and investment budget totals US$1.57 billion, including the TA component, out of which US$250 million (16 percent) will be funded by the World Bank, through two components: The PforR component (US$221 million) and the TA component (US$29 million).

6. For implementation, the MEC (through the SEB) will be responsible for the overall Program design, coordination, and monitoring, as well as for the implementation of the TA component. Other key implementation institutions would include 27 SEE, the FNDE (a federal authority created by Law No. 5,537, of November 21, 1968, and amended by Decree-Law no. 872, of September 15, 1969, and responsible for the execution of the Federal Government's public education programs) and the Office of the CGU, supported by its local offices. A Project Implementation Unit will be established at the SEB to

support the fiduciary, safeguards and monitoring responsibilities to manage the Program and the PMU would hire specialists to boost the capacity of the MEC, based on specific needs assessments carried out during preparation and implementation.

7. Pursuant to the World Bank's policy and directives for PforR Financing, the World Bank's fiduciary team, comprising FM and procurement specialists, conducted an integrated Fiduciary Systems Assessment (FSA) of the federal- and state-level fiduciary systems and entities involved in the Program. The overall objective of the FSA was to determine whether the fiduciary systems of the Program provide reasonable assurance that the Program financing proceeds will be used with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability. The FSA focused on the implementing agencies at the federal level, that is, the MEC, the SEB and FNDE, and a sample of state-level SEE, that is, Bahia, Ceará, Pernambuco, Distrito Federal, and São Paulo.

3. Review of the Public Financial Management Cycle

3.1 Planning and Budgeting

3.1.1 Adequacy of Budgets

8. The Program's budget is realistic, prepared with due regard to the Brazilian Government's policy, and implemented in an orderly and predictable manner. The budget estimates of the Program are included in the Government budget and there is a reasonable expectation that the required resources will be appropriated in the financial years when required. However, in case of insufficiency of revenues, at the beginning of each year, the Federal Government issues a decree limiting the amounts authorized in the LOA, related to discretionary or nonlegally obligatory expenses (investments and costing in general) and these limitations would also apply to the Program expenditures, resulting in possible delays in implementation at the decentralized level.

9. The Program's overall cost has been determined and totals US$1.57 billion.

10. A robust mechanism for annual budget preparation is in place. The Program's planning and budgeting is guided by the Brazilian budget model, defined in the 1988 Constitution of Brazil, that underpins the management of public finances at all levels of government. The budget cycle is composed of three main instruments: (a) the PPA, valid for four years, which aims to establish the medium-term guidelines, objectives, and targets of the public administration; (b) the LDO, which annually reflects the public policies and their priorities for the following year, and (c) the LOA, which estimates revenues and sets the expenditure limits for the financial year.

11. In addition to following the LDO, the LOA must also comply with a series of laws to ensure that the resources are not diverted or applied in a way detrimental to public finances. The most important of these laws are: (a) Complementary Law 101, also known as the Fiscal Responsibility Law of 2000, which established particular requirements for macroeconomic and fiscal discipline (for example, respect for the personnel expenditure limit, not generating expenses without a corresponding budget, and prohibiting the creation of continuing expenditures without a secure source of revenue), and (b) the Public Accountability Law (*Lei* 4.320 of 1964), which regulates financial controls, budgeting and reporting at the federal, state and municipal levels.

12. The MEC, through its budget unit (SPO), acts as the focal point for preparation of the budget documentation to be sent for Ministry of Planning for review (PPA, LDO, and LOA draft resolutions). Consequently, there is due process between the implementing agency and the Ministry of Planning for negotiating the annual budget.

13. The MEC's detailed planning and budgeting activities encompass the following: (a) planning and providing TA to the various budget sector units (strategic guidelines, quantitative parameters, manuals, training and assistance on the use of the SIAFI); (b) analysis and adjustment of proposed programs with priorities and budget availabilities, and (c) consolidation and preparation of the final budget documentation. Staff (at both the federal and state levels) are familiar with the budget cycle and respective rules and regulations. However, sometimes there is a lack of proper understanding of the various and distinct program regulations and deadlines during budget implementation. To address this risk, consultants will be hired to provide daily support at the decentralized level.

14. The presentation of revenues and expenditures in the LOA is consistent with those used in the approved PPA and LDO. Both the PPA and LOA require exact identification names and codes for activities and programs. Programs are also linked to a responsible budget unit ('*Unidade Orçamentária*'). The LOA, states the description of the corresponding actions (projects, activities or special operations), specifies the funding source (treasury or other), and lists the main economic expenditure categories (personnel, maintenance, investments, transfers, debt services, and financial applications). The Program can be identified in the Federal Government's budget, under the following Federal Program budget lines: 00O0 (Scholarships), 0509 (Support to Basic Education), and 0515 (Money Direct to School).

3.1.2 Procurement Planning

15. The federal framework of laws and regulations is solid and transparent and is familiar to both public officials and the private sector. These laws and regulations take precedence over those at the subnational levels. States and municipalities may complement federal legislation but not contradict it, nor may they create new procurement methods. Open competitive bidding is the default procurement method, as defined by Article 37 of the Constitution and provides fair opportunities for bidders to contest decisions, including through appeal to an independent entity. All procurement opportunities, regardless of estimated cost, are published via the internet and official gazettes. Companies are required to have local representation to bid on government contracts. This involves establishing a local office or designating a local agent to serve as the local representative and obtaining a taxpayer identification number (*Cadastro Nacional de Pessoas Jurídicas,* CNPJ). Once incorporated in Brazil, foreign companies are treated as locals and subject to the same rules and conditions as domestic companies.

16. The provisions in the federal Brazilian legal framework governing fraud and corruption are also binding on state and municipal public administrations. The World Bank's assessment is that they are adequate. The Federal Constitution and Laws to combat fraud and corruption define various categories of misconduct and provide for such sanctions as the suspension of political rights, removal from public office, freezing of assets, and financial compensation for damages caused to public treasury for personal and firms. The Constitution also stipulates that there is no statute of limitations when seeking reparations for damages caused to the public treasury by government officials. Legal action can be filed in court by the public entity that suffered the losses or by the *Ministério Público (Agency for Law Enforcement)*; in practice, it is almost always the *Ministério Público* that initiates. Any person can file a complaint requesting an investigation of suspected wrongdoing. The Constitution and Anticorruption Laws have been complemented by other federal and state legislation inter alia regulating citizens' access to information and establishing a code of ethics for state officials.

3.1.3 Procurement Profile of the Program

17. Procurement under the Program involves goods, works, consultant services, and non-consulting services (for the Brazilian Law, consultant and non-consulting services are considered as services only):

(a) TA and information technology systems for the reorganization of the state curricula (based on the BNCC and NEM legal framework), including the design and implementation of flexible learning itineraries;

(b) Training of SEE officials, technical staff, school principals, pedagogic coordinators and ultimately school teachers in the main elements and implementation of the NEM (including pedagogical practices toward competencies, better use of teaching time, and socioemotional skills);

(c) Studies and in-service teacher training to adapt to the new upper secondary education demand for disciplines and contents;

(d) Studies and small-scale civil works for the reorganization of the school spaces, and

(e) Consulting services to improve capacity building of the MEC and SEE to plan, implement and monitor the reform.

18. These consultant services, goods, works and non-consulting services are not expected to have a significant adverse impact on the environment and/or affected people, as defined in the Policy and Directives on PforR Financing, and the resulting contracts are below the OPRC thresholds (high risk activities). During the implementation, the World Bank will screen Program execution to ensure compliance with the PforR policy requirements.

19. Procurement under Component 1 is the responsibility of the MEC, specifically the SEB/SAA and FNDE, which implements the competitive bidding processes for the program and a state-level SEE, in the case of transfers. Its activities include preparing and issuing bidding documents and request for proposals, responding to bidders' questions, and reviewing the bid/proposal evaluation reports.

20. At the SEB, the COEM, under DICEI, will be the main interlocutor for the technical aspects of the Program and the Program coordinator. Within the SEB/DICEI, the COEM will continue working with the CGEI to implement the Program. The centralized procurement and financial transfers to states, schools, and beneficiaries of scholarships will be done by the FNDE through its specific units.

21. The shared management of purchases between the FNDE and MEC, regulated by Resolution CD/FNDE no. 20/2014, transfers to the FNDE the responsibility for government purchases to meet the demands of educational programs and projects. Due to the guidance contained in Decree No. 5,450/2005 and Resolution CD/FNDE No. 20/2014, the FNDE presents a large volume of contracts, specifically via the modality of e-reverse auction—'*Pregão eletrônico'*. In 2015, there were 46 electronic sessions, of which 13 were to prepare a framework agreement—'*Registro de Preços'*.

22. Regarding the amount executed in noncompetitive procurement[53] (*inexigibilidade*), approximately 90 percent occurred within the framework of the 20RQ action - Production, Acquisition and Distribution of Books, and Didactic Materials. In relation to the other noncompetitive procurement (*dispensa*), approximately 54 percent of the value was executed under budget line 2000 and 45 percent in the budget line 20RQ.

23. In the aggregate numbers for 2015 and 2016, the FNDE had, at the time of the assessment, 56 '*Pregões Eletrônicos'* with a contract amount of around BRL 2.2 billion, and based on the data available,

[53] *dispensa*: competition exists and bidding is possible but it is not mandatory (Articles 17 and 24, Law 8666); *inexegibilidade:* there is no competition and bidding is not possible (Article 25, Law 8666).

the difference between the estimated costs and the contracted value was around 27 percent (BRL 800 million).

24. Of a total of 68 processes 82 percent (56) were awarded while 18 percent (12) failed in some way. The Brazilian law is very restricted and it is common that the processes are declared unsuccessful due to a formal or bureaucratic issue.

25. The FNDE is one of the Federal Government's most recognized government procurement institution and has previously worked on World Bank-funded operations. Based on the assessment and their performance, they are considered to have demonstrated sufficient capacity to exercise their functions for the purposes of this Operation.

26. In 2015, the SEB/SAA was responsible for procurement processes for a total amount of around BRL 140 million, of which around 31 percent was made by a noncompetitive method (*dispensa* or *inexigibilidade*), 12 percent via framework agreements (*adesão*) and around 55 percent by a competitive method.

27. In comparison with the FNDE, the SEB/SAA is a small agency in terms of procurement; the goods and non-consulting services under the SEB's responsibilities are more linked to current expenses and simple services for day-to-day operations, for example, office supplies, training, maintenance services, vehicle rental, fuel, and so on.

28. It should be noted that these figures include utilities, such as power, water and payment of postal services, which are recurrent costs that are not subject to competitive bidding. The technical sectors are responsible for steps in the process, including securing budget allocation, preparing TOR or technical specifications and cost estimates, providing technical opinions during bid evaluations, managing contracts, receiving goods, works and services, and paying suppliers, contractors and consultants.

29. Both the FNDE and SEB/SAA provide regular training for staff and the control systems are constantly being updated.

Procurement Performance

30. The procurement system of the Federal Government is a combination of centralized procurement processes and decentralized contract management, supported by multiple information systems. The capacity assessment indicates that it functions efficiently. The World Bank did not find any significant complaints about the FNDE and SEB performance. The Federal Government is making robust investments in systems for controls and bidding.

31. The portal 'comprasgovernamentais.gov.br' is a tool to aggregate all the information and control systems for federal biddings. The Integrated System of Administration of General Services (*Sistema Integrado de Administração de Serviços Gerais,* SIASG) is the system to support the operational activities of the General Service System (*Sistema Geral de Serviços*, SISG). Its purpose is to integrate the organs of the Federal Public Administration that are autarchic and foundational for government procurement operations. The system includes: (a) publicizing and conducting bids; (b) issuance of notes of commitment; (c) registration of administrative contracts; (d) cataloging of materials and services, and (e) supplier registration.

32. Although the MEC's procurement arrangements appear sufficient in general, there are some inadequacies that need to be addressed. The first concerns cost estimates for the procurement of goods and non-consulting services. Because there is no current database available, the contract estimates are made

with reliance on three quotations from prospective suppliers, and this may not be the best way to determine the estimates. The '*Painel de Compras'* at www.paineldecompras.planejamento.gov.br is a new tool (introduced around six months ago) developed by the Ministry of Planning. The '*Painel de Compras'* is an application that presents, in a single place, the main figures of public contracts and aims to provide an overview of public spending and bidding behavior in the field of Federal Public Administration. It was developed to contain information from all the organs that make up the integrated SISG.

33. Beyond the visual statistical information to aid in the decision making of public managers, the panel, which presents data on licenses, contracts, prices, and prices practiced, is also intended to be an important tool in government transparency, allowing everybody to create customized indicators and queries, as well as export data in various formats. The panel has developed a series of actions and improvements in the availability of information from structured systems that are maintained by the Ministry of Planning. Such initiatives seek to broaden access to information and consequently improve public governance.

34. The panel enables any agency to consult the average costs involved in each contract made with the Federal Public Administration, including proposals, prices and final prices. The panel is an excellent tool to confirm and guide the cost estimates, which are not based on the three quotations or official tables anymore, but on a system that allows costs to be filtered by regions, dates, and agencies, among several others filters. The shortcoming of the panel at this moment is that the panel is too new, (with only six months in operation), and based on this, the cost estimates issue remains, but with a tool that will be able to mitigate the impact of the issue.

3.2 Budget Execution

3.2.1 Treasury Management and Funds Flow

35. The Federal Government, through the STN of the Ministry of Finance, uses an STA (which is administered and controlled by the BACEN to manage all federal financial resources. Treasury balances are calculated and consolidated on every business day. The operation of the STA is tracked through the SIAFI information system. SIAFI is the main instrument used for recording, monitoring and controlling the budget, and for tracking the financial execution of Federal Government expenditures and revenues. SIAFI can provide accurate, comprehensive, and understandable information to allow for the monitoring of progress against the budget. To execute payments and receive receipts, the Federal Government uses the *Banco do Brasil* S/A as its financial agent (or any other bank, as authorized by the Ministry of Finance).

36. Upon budget approval, funds will be available to be used by the MEC (through the FNDE), following stablished monthly budget parameters. The MEC is responsible for comparing actual expenditures to the approved budget (though SIAFI), on a daily basis, ensuring sufficient budget allocation and financial availability to the Program.

37. At the decentralized level, all states have functional computerized FMIS which facilitate fund flows and the management of funds. The states follow a centrally mandated classification system for budgeting, accounting, and reporting, which allows for the tracking of Program expenditures. However, there is an inadequacy associated with the lack of FMIS integration between the centralized and decentralized level, with delays in budget implementation at the decentralized level, which is expected to be mitigated though capacity building provided through the TA component.

Program Flow of Funds

38. The processing cycle includes the following: STN processes electronic transfers to the FNDE through SIAFI upon approval from the SEB/MEC; the FNDE, upon authorization from the SEB/MEC, will transfer funds to lower levels, as set out below, though SIAFI and thereafter monitor the transfers though SIGEF (the FNDE's FMIS). There will be no separate or specific bank account maintained at STN for the Program and all the transfers to the FNDE will be made through the STA. Funds will be available to the FNDE in an orderly and predictable manner.

39. *The flow of funds at decentralized level*, for the three separate budget lines, will be as follows:

(a) **Grants.** Grants under the Program (budget line 00O0) will be accounted for using a specific chart of accounts, using the FNDE's FMIS, called SIGEF (which is integrated with SIAFI) and will also be monitored through the **SGB (Scholarship Management) information management system**. Every month, upon confirmation by the SEB of services rendered, the MEC provides the FNDE with a list of eligible grantee names and amounts, and authorizes the FNDE to make payments to the specific individuals. Deposits are made directly into the specific beneficiary's bank account, opened at the *Banco do Brasil* by the FNDE, to receive the related payment. All support documentation is properly retained and archived by the FNDE.

(b) **Transfers to the SEE** for further transfer to schools will follow the current ETI (FTS Program) flow of funds arrangements. These expenditures will be identified as a sub-item under budget line 0509, and will be accounted for using a specific chart of accounts, using SIGEF and will also be monitored through the SAPE information management system (*Sistema de Assistência a Programas e Projetos)*. The amounts to be transferred to the SEE, are predefined based on the number of students and the funds transferred to the SEE are earmarked either for investment and/or recurrent expenditures. The SEE however, can only use the funds once the funds have been included and approved within the respective State's own budget (which normally results in a four-month delay in the program execution cycle). *Portaria* No. 727 of June 13, 2017 specifies the norms and regulations applicable to these expenditures, but the nature of the expenditures will depend on each school's annual plan and needs. Following the current ETI regulations, on a yearly basis, the MEC (SEB) authorizes the FNDE to open, at the *Banco do Brasil*, a specific bank account in the name of each SEE, to which the ETI transfers are credited. All payments should be made from this bank account, as determined by FNDE resolution No. 7/2016. The documentation of the use of funds/transfers must be made to the FNDE using the SiGPC Monitoring System (*Sistema de Gestão de Prestação de Contas*) and all supporting documentation is maintained at the decentralized level. The time required to adjust or include the transfers in the state budget poses a risk and may delay implementation. Mitigation measures to address this risk, include improving the FNDE's monitoring system to ensure that the funds are included in the budget on time. Nevertheless, the inclusion of these funds with the state budgets, is not completely within the span of control of the Federal Government.

(c) **Transfers directly to the school's bank accounts** will follow the current PDDE flow of funds arrangements. These expenditures will be identified as a sub-item under budget line 0515, and will be accounted for using a specific chart of accounts, using SIGEF and will also be monitored through the **PDDE information management system**. The amounts to be transferred to the schools are predetermined based on the 'school census' formula, detailed under the specific norms and regulations applicable to PDDE. The MEC is responsible for providing the FNDE with a list of eligible schools. The deposits are made directly to each

school's bank account, normally under the name of an association (teachers and students' parents), opened at the *Banco do Brasil* by the FNDE, to receive the related payment. A consolidated report on use of funds by all schools at the state level is then provided to the FNDE, by the SEE, and all supporting documentation is maintained by the Association. There are constant delays in documenting the use of funds with the associated lack of clarity on the proper use of funds. Mitigation measures to address this risk include activities under the TA component to strengthen and expedite decentralized execution and reporting. Although the volume of payments is expected to be significant, the respective individual amounts transferred to the schools are relatively small, mainly related to daily administrative maintenance and small repairs at schools.

40. Under the PforR component, funds will be disbursed in U.S. dollars into an account indicated by the Borrower and acceptable to the World Bank based on achieved DLI's. An amount of US$30 million of the PforR component will be disbursed on account of the DLIs met by the Borrower between the date of the Program Concept Review and the date of the Legal Agreement. To provide a borrower with resources to allow the Program to start or to facilitate the achievement of DLIs, the World Bank may agree to make an advance payment (following the effectiveness of the Legal Agreement) of up to 25 percent of the PforR component for one or more DLIs that have not yet been met ('advance'). When the DLI(s) for which an advance has been disbursed are achieved, the amount of the advance is deducted (recovered) from the amount due to be disbursed under such DLI(s). The advance amount recovered by the World Bank is then available for additional advances ('revolving advance'). The World Bank requires that the borrower refund any advances (or portion of advances) if the DLIs have not been met (or have been only partially met) by the Program closing date.

41. The World Bank may decide, without formally extending the closing date, to disburse or approve the use of proceeds of the loan for withdrawal applications received within six months after the closing date for DLIs achieved by the borrower before the closing date. Sometimes, upon the borrower's request, the World Bank may decide to extend the period for receipt of such withdrawal applications.

42. The general conditions state that if after the closing date the borrower fails to provide the World Bank evidence satisfactory to the World Bank that the withdrawn loan balance does not exceed the total amount of Program Expenditures (payments made on or after July 13, 2017 for expenditures incurred on or before the closing date), the borrower shall, upon notice from the World Bank, promptly refund to the World Bank such excess amount of withdrawn balances.

3.2.2 Accounting and Financial Reporting

43. Brazil is in the process of fully implementing International Public Sector Accounting Standards (IPSAS) in all spheres of Government—federal, state, and municipal, simultaneously. The first five standards began to apply as of January 1, 2017, and there is a work plan (STN Ordinance Implementation Plan No. 548/2015) in progress, that will culminate in the convergence of 35 IPSAS currently in force by 2021, with the STN subsequently verifying the data of the respective entities of the Federation by 2024. The Brazilian Accounting Standards Applied to the Public Sector edited by the Federal Accounting Council and the Accounting Manual Applied to the Public Sector, incorporate the text of the relevant IPSAS, with adaptations to the Brazilian reality. Although implementation challenges remain, especially at the subnational level, progress has been noted especially during the last three years, as many states/municipalities have established working groups to coordinate the preparation efforts, promote the adoption of relevant guidelines and manuals, and undertake training for staff.

44. The Federal Government's annual financial statements are prepared by the Accountant General (STN) based on information from SIAFI using a modified accrual basis. The annual financial statements include budget, financial, balance sheets, the execution of public revenue and expenditure information.

45. SIAFI (and the respective state FMISs) enables the adequate recording of financial transactions and the production of monthly financial statements on time. In each of the last three years, the Federal Government's annual financial statements have been prepared within 90 days after the end of the fiscal year. However, until IPSAS is fully adopted, the Federal Government's balance sheet does not capture 100 percent of all assets and liabilities in one consolidated report.

46. The FNDE's FMIS, SIGEF, has an accounting module based on budget approval and accounting classification interactions. An accounting record is prepared for every financial transaction. Transactions are recorded on an accrual accounting basis. SIGEF can generate a comprehensive bimonthly and annual financial statement. The annual financial statements of the FNDE are produced on time and are widely published.

47. The system for preparing the annual financial statements for the Program will consist of preparing unaudited IFRs every semester, with the final semester's IFR for each year serving as the Program's annual financial statement. The IFRs will be prepared on a cash accounting basis in the currency of Brazil (Brazil real) and in U.S. dollars (amounts should be reported using the closing sell rate of each semester) available at the BACEN website (www.bcb.gov.br), and will need to be submitted to the World Bank within 60 days after the end of each semester. The IFRs, designed and predicated on the expenditure framework, will be prepared by the SEB/MEC, using information captured in SIAFI and SIGEF. These systems can capture the Program expenditures by budget code/classification and a specific chart of accounts (*Plano Interno,* PI) will be prepared for each different decentralized program financed under the budget lines. The Budget Classification system allows expenditure tracking by administrative unit, with economic, functional, and program classification. The functional classification is derived from national guidelines issued by the Federal Government (*Portaria No. 42* issued on April 14, 1999) and is composed of 28 primary functions and 109 subfunctions. They are consistent with international standards and are used by the three levels of Brazilian public administration.

3.2.3 Procurement Processes and Procedures

48. **Goods and non-consulting services**. Goods and non-consulting services are usually procured by reverse auction, either electronically or offline. In the case of electronic reverse auctions, participating bidders must be registered in the government supplier database. Based on value thresholds, auctions must be must be advertised in the official gazette and through the procurement web portal or the advertisement must also appear in a local newspaper; and, for high-value thresholds it must also appear in a regional or national newspaper. All offline reverse auctions must be advertised in the official gazette, but only optionally through the procurement web portal and a newspaper of 'wide circulation'. In practice, all offline reverse auctions are published through the procurement web portal (*Compras net*).

49. **Works and engineering services.** The non-auction open competitive bidding procurement method required by Law 8.666/93 applies equally to all processes, regardless of size or the type of item. In practice, however, it is used mainly for works and consulting services. The mode of invitation varies by size of award.

50. **Consulting services**. The Brazilian procurement framework does not distinguish between goods, works and consultants. The same rules apply to all, except for reverse auctions, from which consultants and works are excluded. For consultants, the legal framework provides for award criteria based on 'quality and cost' or 'quality only'. Under these methods, bidding documents always require the proposal to be an

integral part of the bid package and bidders must submit three sealed envelopes: the first contains the legal, financial, fiscal, and technical qualification documents; the second the technical proposal; and the third the price proposal. Qualification envelopes are opened first. Only qualified bidders move to the second stage of technical evaluation. Technical proposals are scored based on objective criteria and only those which attain a minimum predefined score move to the third and final price stage. The price of the winner is negotiated taking into account that received from the lowest qualified bidding consultant.

3.2.4 Contract Administration

51. There are several controls to ensure that goods, works, and services delivered comply with bid specifications. The TOR used as technical inputs for the bidding documents provide a means of comparison with what is delivered. For procurement of goods, usually samples are requested, which are sent to sectors as a benchmark for verification upon delivery. When items do not comply with bid terms, suppliers are subject to monetary penalties and can be debarred. However, most of the mechanisms for quality control revolve around the bidding process. Tools for correcting supplier performance post-award are limited to penalties and sanctions.

52. Contract disputes are either settled following administrative procedures described in the procurement law or else are referred to the judiciary. The mechanisms are well-known to government officials and to the private sector and function in a predictable manner. For contracts that are already under implementation, a firm's first step is to file an administrative petition. If this is insufficient, it may take the dispute to court. Article 79 of the procurement law provides three grounds for rescinding a contract: (a) unilaterally by the hiring agency because malfeasance or non-delivery, for reasons of public interest or force majeure; (b) by agreement, and (iii) by judicial act or order.

3.2.5 Complaint Mechanisms

53. The procurement complaint mechanism in Brazil is regulated by Federal law 8.666/93. Complaints by bidding firms or individual members of the public may be directed to: (a) the bid evaluation committee, in which case a decision is taken by the '*ordenador de despesa*'; (b) the Supreme Audit Institution (*Tribunal de Contas da União*, TCU), which can stop a procurement process by special order if it finds strong evidence of wrongdoing, or (c) the courts. Whichever the channel, it is unusual for a procurement process to be interrupted unless there is a strong suspicion of fraud.

3.2.6 Procurement Risks

54. The procurement system provides reasonable assurance that the fiduciary principles of transparency, economy, efficiency, effectiveness, and accountability will be met. It also provides an adequate mechanism to ensure fairness and guarantees the right to appeal decisions on individual bidding processes.

55. **Transparency.** All competitive procurement processes are published online at the federal open-access procurement website 'www.comprasgovernamentais.gov.br'. The procurement regulatory body at the Ministry of Planning carries out periodic workshops with private sector companies to explain how to become a supplier of the government. The initiative aims at expanding the base of suppliers and at encouraging the participation of small and medium enterprises. The procurement website was designed with the objective of becoming a one-stop shop for state government procurement and, as a result, facilitating private sector companies to supply to the government. On the portal, companies can enroll on the state's database of suppliers (*Sistema de Cadastramento Unificado de Fornecedores*, SICAF). Once enrolled at SICAF, the government is able to verify, in the SICAF, if bidders are legally and technically qualified, thereby speeding up a process known in Brazil as '*habilitação*'. A manual explaining how to

become a supplier of the Government and how to register at the SICAF is available at the procurement web portal.

56. **Economy and efficiency.** The Ministry of Transparency and the CGU announced a study on the efficiency of the '*Pregões eletrônicos'* conducted by the Federal Government.[54] The study analyzed 16,188 trading sessions in 2016, with the objective of measuring the administrative costs resulting from these processes and comparing them with the economy generated by the event (difference between the estimated price and the final price). The results show that, in the current bidding model, 85 percent of federal agencies are making a loss, which means that more than 30 percent of the bidding processes carried out by them have administrative costs higher than the reduction in the price resulting from the dispute. From this perspective, the FNDE and SEB/SAA are more efficient than the other agencies of the Federal Government in their procedures in the data analyzed. The number of noncompetitive procedures is still high; however, it is more a legal/institutional issue than a specific issue related to the agencies of the Operation.

57. **Accountability.** The processes and procedures supporting the implementation of procurement in Brazil assign very clear roles and responsibilities for all steps of the process. The '*Ordenador de Despesa*' is responsible for authorizing expenditures and he or she will perform this function with the advice of specialized teams in budget and planning, procurement, bid evaluation, legal issues, and FM. Each of these specialized teams is individually accountable for their specific contribution. Oversight of this operation is performed by control agencies, such as the CGU and TCU, which rely on different information systems to ensure compliance with legislation. For instance, the procurement system will only allow a bidding process to move forward if the required budget appropriation had been previously made in the budgetary information system. Any payment can only be made if a contract had been duly awarded and recorded in the contract information system.

58. **Fairness.** The procurement legal framework in Brazil is mature, solid, and very well known to all stakeholders. This is a result of the constant evolution of the regulatory framework since 1993, when the landmark procurement law was enacted. Also, there are four ways through which bidders and any citizen can voice complaints during a bidding process: directly to the implementing agency, to the TCU, to the CGU, or to the judiciary. The channels are free of charge and TCU is independent from the implementing agency.

59. **Risks and mitigation measures.** The key risks for procurement identified in the assessment are: (a) ineffective national procedures for selecting highly qualified consultants; (b) lack of a robust price database for goods and services; (c) some inadequacies in contract management, and (d) quality of TOR and technical specifications. The mitigations measures are proposed in the PAP.

3.3 Internal Controls

3.3.1 Internal Controls

60. The MEC, through the SEB, will be responsible for overall Program coordination and implementation with the assistance of the FNDE and the SEE. At the FNDE, there are specific units responsible for carrying out, managing and monitoring each of the different program variations (grants, transfers to the SEE, transfers directly to schools) with specific monitoring systems used for each, following detailed norms and regulations. At the state level, the SEE will be responsible for ensuring adherence to the

[54] http://www.cgu.gov.br/noticias/2017/07/cgu-divulga-estudo-sobre-eficiencia-dos-pregoes-realizados-pelo-governo-federal/nota-tecnica-no-1-081-2017-cgplag-dg-sfc-1.pdf.

Program's rules and regulations. Thus, there is adequate control over and stewardship of Program funds, with a well-defined delegation of authority.

61. The three stages in the budget execution cycle: commitment (*empenho*), verification (*liquidação*), and payment (*pagamento*) are reflected as separate stages/control points within SIAFI, and thereby ensure adequate segregation of duties. SIAFI contains a series of controls, which effectively limit expenditure commitments and payments to cash availability and approved budget appropriations. The primary requirement to initiate any expenditure transaction is that the expenditure item should have a corresponding allocation or budget in the LOA, as approved by the Congress. Financial quotas are set for each quarter and released in monthly installments. To secure proper authorization, budget units must remain within their financial limits when processing commitments. Once the delivery of goods or services is formally acknowledged by the purchasing unit, the entity then approves payment to the supplier through the issuance of a payment authorization called a '*Nota de Liquidação'*. The *Nota de Liquidação* triggers the generation of a bank order authorizing payment to the supplier in the form of electronic bank transfers from the STA. At the FNDE, the Financial Department will monitor Program implementation through SIGEF together with the various other information management systems highlighted earlier. Thus, there are effective cash flow planning, management, and monitoring arrangements.

62. The Access to Information Law (*Lei* 12.527/11) regulates the right of access to public information. The Law provides procedures for processing information requests, covering obligations concerning disclosure, and the duty to provide data in an open format. The law also envisages sanctions for those who deny access to information and determines exceptions that normally comply with international standards of freedom of information. The wide use of the internet in Brazil also facilitates public access to information regarding the management of public resources at a very detailed level. Information that is publicly available in the transparency portal (website-http://transparencia.cgu.gov.br) includes annual budget documentation (PPA, LDO, and LOA); in-year budget execution reports; contract bidding status and awards; mandatory bimonthly and quarterly FRL reports; and reports on the implementation of specific programs.

63. The codes of ethics, both federal and municipal, are a set of rules that pertain to the conduct of public servants and include penalties to be applied for non-compliance with these standards. The codes inform the principles and duties of public servants as decorum, dignity, efficacy and honor, as well as other qualities of the public servants, his/her obligations toward the well-being of the population, as well as the prohibitions and punishments derived from the irregular service of his/her functions that recall the fundamental principles of public administration. Both have an Ethics Commission responsible for judging ethics cases in the public service. The Code of Ethics for Public Servants of the Federal Executive Power was approved by Decree No. 1,171 of June 22, 1994. Enforcements are at the administrative level.

64. During the last years, an increasing effort has been made to improve the ombudsman function at all Governmental levels, with greater participation by civil society. The CGU (and their state counterparts called CGEs) and FNDE have adequate extensive complaint-handling systems that can record and track citizen complaints.

65. Because SIAFI is not interconnected to the various state's FMIS, the FNDE will need to play an important role to ensure that funds transferred and to be implemented at the state level are adequately managed. In addition, there is a need to provide training at the decentralized level to better demonstrate the use of and documentation of Program funds, exacerbated by the increasing staff shortages at the FNDE over the last years, with a direct impact/increase in the backlog of proof of expenditures/activities to be reviewed and followed up. Mitigation measures include providing training to staff at the state level on Program implementation and use of funds and including activities within the TA component to assist the FNDE in expanding its capacity.

3.3.2 Internal Audit

66. The internal audit function of the Program, will be carried out by the FNDE's internal audit department, which was established through Decree No. 7.691 / 2012 and consists of the following units: (a) Audit Coordination, which conducts internal audits of the FNDE; (b) Program Monitoring Coordination, which reviews programs involving decentralized entities that receive funds from the FNDE; and (c) Coordination of Planning and Follow-up of Control Actions, which coordinates planning and evaluation activities, manages external demands from other control bodies, and publicizes the actions carried out by the FNDE.

67. The FNDE's internal audit activities are guided by the Annual Internal Audit Plan, which aims to comply with the Normative Instructions 07/2006-CGU and 01/2007-SFC/CGU issued by the CGU. Entities and programs to be assisted, are selected based on indices of implementation problems being faced, requests received from the other supervisory bodies, and the judgments issued by the TCU.

68. The Annual Report on Internal Audit Activities follows the same Normative Instructions. It serves as the basis for the progressive creation of indicators to monitor and evaluate the work routines performed, and aims to improve transparency pertaining to the actions and results of the internal audit function, making information available to all stakeholders about the internal audit activities carried out and those actions that are scheduled, but have not yet been completed.

69. In addition, the CGU at the federal level and the CGEs at the state level, are responsible for evaluating the execution of the union's/state's budgets, supervising the implementation of Government programs, and conducting audits on the management of federal/state public resources. Any minor exceptions detected during the internal audits are noted in reports and shared with the TCU at the federal level or TCE at the subnational level. The CGU's last audit reports (2014) pertaining to the FNDE, expressed an unmodified audit opinion with respect to the FNDE being in compliance, and most internal control inadequacies identified are being addressed by the FNDE.

70. All internal audit reports are available for public consultation on the FNDE website. The latest audit reports were reviewed and, in most cases, corrective actions were taken by the FNDE. The CGU also recognized the strong performance of the internal audit department. Consequently, the internal audit function for the Program has adequate capacity.

3.3.3 Program Governance and Anticorruption Arrangements

71. The Brazilian AntiCorruption Law (Federal Law 12,846) establishes civil and administrative liability for legal entities in relation to acts of corruption. The Law implements the OECD Anti-Bribery Convention, strengthens anticorruption enforcement and is broadly in line with (and, in some respects, even stricter than) similar legislation found in other jurisdictions—such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. Brazil's Law represents a significant step, exposing companies—not just individuals—to liability and fines for the first time.

72. Despite the above law improving the anticorruption environment, it does not include some of the ACG clauses. In accordance with the World Bank's Anti-Corruption guidelines for PforR operations, the Borrower needs to ensure that "any person or entity debarred or suspended by the World Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension." The Borrower will implement its commitment to comply with this abovementioned requirement through the inclusion of clauses in the various *Portarias* governing the Program. Specifically: (a) for the expansion of FTSs component, (budget line 0509), the following clause will be included in the *Portaria No. 727 of June 13, 2017*: "Through the Adhesion Agreements (*Termo de*

Compromisso), and in the model Adhesion Agreement (*Termo de Compromisso*) included as Annex I to *Portaria* No. 727 of June 13, 2017, the SEE shall ensure that their respective activities under the EMTI Program (Full-time Upper Secondary School Expansion Support Program) are carried out in accordance with the 'Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing', dated February 1, 2012 and revised July 10, 2015, and (b) for the implementation of the new curriculum component, (budget lines 00O0, 0509, and 0515), a clause in the upcoming *Portaria* stating the following will be inserted: "The [SEE or School, as applicable] agrees to ensure that its activities under the Curriculum Reform Program are carried out in accordance with the 'Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing'.

73. Due to the numerous implementing agencies involved in Program execution related to Results Area 1,[55] particularly at the decentralized level, there is a risk that contracts will be awarded to firms and/or individuals debarred or suspended by the World Bank. To mitigate this risk, the external auditors' TOR will include a requirement to review Program expenditure for such ineligible contracts.

74. Reporting of fraud and corruptions practices has increased in recent years, mainly through phone calls to the federal police and/or directly to the institution's ombudsman. To raise awareness about existing program mechanisms to handle any allegations of fraud and corruption, the MEC (SEB) and FNDE should agree with the SEE on adequate measures to be introduced by the SEE and schools, including the insertion of a link to their websites. The SEB/MEC will immediately report any allegation of fraud and corruption to the World Bank, through exchange of letter, and every semester (together with the IFRs) a report will be prepared containing all alleged cases with an updated status of the respective actions taken.

75. Although the Brazilian procurement legal framework is well developed, public agencies that oversee the execution of public contracts do not necessarily respond to instances of corruption with the necessary promptness and expediency. Fraud in contracts is frequently identified only after it has happened and once payment has been made. The most common form of malfeasance involves the use of substandard materials and techniques by contractors or, even worse, the delivery of unfinished projects. Even after identification and investigation, itself a lengthy process in these cases, the inefficiency of the justice system can make it impossible to obtain reparations or punish perpetrators. An exception to this is the use of negotiated settlements or plea bargaining. Both the federal agency tasked with investigating and prosecuting economic crimes, the Agency for Economic Security (*Conselho Administrativo de Defesa Econômica*, CADE), and the *Ministério Público* can use plea bargaining to enforce compliance and extract restitution.

76. The *Operação Lava Jato* (Car Wash Operation)[56] is a milestone in the combat against fraud and corruption in Brazil. It is expected that the consequences of the operation will lead to a new paradigm for the entire legal framework in policy and concrete action in combating fraud and corruption.

3.4 Auditing

3.4.1 Program Audit

77. For purposes of the Program, the external audit will be conducted by the CGU due to its mandate to audit externally financed projects at the federal level, taking advantage of its presence at the decentralized

[55] For activities under Results Area 2, which concentrates the bulk of the Program budget execution, the 27 SEE are the only implementing agencies.

[56] The Car Wash Operation is the largest corruption and money laundering investigation Brazil has ever had. It is estimated that the volume of resources diverted from the public treasury, is in the billions of BRL. Add to this the economic and political expression of those suspected of participating in the corruption scheme. As it is still in the execution phase, this operation is likely to present even more significant results against corruption in the country.

level, through its regional branches. The CGU is the current financial statement auditor for all federal-level projects being financed by the World Bank. The CGU has the capacity to deliver a quality audit on time.

78. The CGU will follow agreed TOR acceptable to the World Bank and will conduct the audit in accordance with International Standards on Auditing (issued by The International Auditing and Assurance Standards Board of the International Federation of Accountants) or national auditing standards if, as determined by the World Bank, these do not significantly depart from international standards.

79. The audited Program financial statements (that is, the fiscal years' last semester IFR) will also be prepared in accordance with accounting standards acceptable to the World Bank (that is, IPSAS issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants or national accounting standards where, as determined by the World Bank, they do not significantly depart from international standards).

80. The auditors will be required to issue an opinion on the Operation's annual financial statements and produce a management letter in which any internal control weaknesses are identified, with a view to contributing to the strengthening of the control environment. The auditor's report will be submitted to the World Bank no later than nine months after the end of the fiscal year. The World Bank will review the audit report and will periodically determine whether the audit recommendations are satisfactorily implemented. The World Bank also requires that the Borrower disclose the audited Program financial statements in a manner acceptable to the World Bank and following the World Bank's formal receipt of these statements from the Borrower, the World Bank will also make them available to the public in accordance with the World Bank Policy on Access to Information.

3.5 Procurement and FM Capacity

3.5.1 Staffing Should be Adequate in Both Numbers and Experience

81. The MEC (SEB/SAA) has a team of fiduciary staff (FM and procurement) and is responsible for monitoring the implementation of the Program's integrated fiduciary aspects at the FNDE, SEE, and lower level. Staff are professional, experienced, and knowledgeable on governmental policies and procedures but do not have prior experience in implementing World Bank projects. At the FNDE and SEE level, there is a staff shortage, especially in reviewing supporting documentation for the transfers. The MEC (SEB/SAA) will hire consultants to work at the decentralized level and provide implementation support.

4. Program Systems and Capacity Improvements

Table 5.1.: Summary of Program Systems and Capacity Improvements

Risk	Mitigation Action	Timing	Type of Action
Implementation delays at decentralized level.	The MEC will hire consultants to work at the State level to provide capacity building through the TA component to expedite implementation and ensure the proper use and documentation of funds.	Prior to decentralization of funds.	PAP
Risk that contracts will be awarded to firms and/or individuals debarred or suspended by the World Bank	All implementing agencies, both at the federal and state level (including schools), will be instructed/required by official decree, to comply with the World Bank's ACG, to ensure that no contract will be awarded to a firm or individual on the World Bank's debarred list. In addition, the TOR for the external auditors will	Before and during implementation	Legal Covenants

	include a requirement to review Program expenditures for such ineligible contracts.		
Contract management	Members of the team with responsibility for formal control of the execution of contracts willcontrol and monitor the progress of the contracts, as well as the milestones for their development, such as deadlines, readjustments (when applicable), and so on.	During implementation	PAP
Quality of TOR and Technical Specifications	Obtaining expert advice on the definitions of the TOR and Technical Specifications. Technical no objections to technical documents will be issued by the World Bank.	Before and during implementation	PAP
Ineffective national procedures for selecting high qualified consultants	High quality consultants will be selected following the Bank's procedures under the TA component.	During implementation	PAP
Weak and imprecise cost estimates	Look for budgeting based on data that reflects the market and not just on official tables issued by various spheres of government.	Before and during implementation	PAP

5. Technical Assistance Component Fiduciary Arrangements

82. The TA component fiduciary arrangements will rely on the same procedures and systems of planning and budgeting, accounting, internal controls, funds flow, financial reporting and auditing highlighted earlier for the PforR component. The disbursement of TA funds will be processed in accordance with World Bank procedures as stipulated in the Legal Agreement and Disbursement and Financial Information Letter. During Project implementation, the following disbursement methods will be available for use under the TA component: Reimbursement and Advances. The flow of funds for the primary disbursement method, Advances, will be as follows:

(a) Funds will be transferred to a specific segregated bank account (Designated Account) for the Project administered by the FNDE. This account will be opened at a commercial bank (*Banco do Brasil* S/A) acceptable to the World Bank. The account will be denominated in U.S. dollars (US$).

(b) Payments and invoices will be registered in the accounting system SIGEF once incurred, received and paid, and the records will be reconciled at the end of each month.

83. The advances will be made to a Designated Account up to a fixed ceiling of US$3,000,000. The minimum application size for reimbursement withdrawal applications will be US$500,000 equivalent. The documentation of the use of advances and reimbursement requests will be through Statement of Expenditures, specified in the Disbursement and Financial Information Letter. The MEC will be responsible for preparing and sending withdrawal applications to the World Bank. The Project will also have a four-month grace period to document expenditures incurred before the closing date. The frequency for the presentation of eligible expenditures paid from the Designated Account is at least once every three months.

84. The following schedules, specific to the TA component, will need to be included in the overall semiannual IFRs (prepared in Brazilian real):

(a) IFR 1: Sources and Uses of funds by Category (period-to-date, year-to-date, Project-to-date) showing budgeted amounts versus actual expenditures, (that is, documented expenditures), including a variance analysis;

(b) IFR 2: Uses of Funds by Project Component (period-to-date, year-to-date, Project-to-date) showing budgeted amounts versus actual expenditures, (that is, documented expenditures), including a variance analysis, and

(c) IFR 3: Designated Account bank reconciliation and forecast of expenditures for the next six-month period.

85. The general conditions require the borrower to retain all records (contracts, orders, invoices, bills, receipts, and other documents) evidencing eligible expenditures and to enable the World Bank's representative to examine such records. They also require the records to be retained for at least one year following receipt by the World Bank of the final audited financial statement required in accordance with the Legal Agreement or two years after the closing date, whichever is later. Borrowers are responsible for ensuring that document retention beyond the period required by the Legal Agreement complies with their government's regulations.

86. The TA procurement activities will be carried out by a Special Bidding Committee under SAA under PMU and Executive Secretary overall coordination and monitoring. UGP responsibilities will include, but will not be limited to, procurement planning, implementation and monitoring, ensuring quality of bidding documents, and participating in bid evaluations. The World Bank will review and supervise the organizational structure for project implementation and the interaction between the project's staff responsible for technical aspects and SBC, staff skills, quality and adequacy of supporting and control systems, and the appropriate application of Bank rules and guidelines.

87. Procurement under the TA component (consulting services, non-consulting services, goods, and works) will follow the World Bank Procurement Regulations for IPF Borrowers, dated July 2016 and the provisions stipulated in the Legal Agreement.

88. Goods procured under the TA will include, among others, software packages, communications services, educational materials, vehicles, information technology equipment and other tools required to put in place an integrated client system control.

89. Non-consulting services under the TA will include, among others, capacity-building support to the implementation and beneficiary agencies; monitoring-, reporting-, and evaluation-related services; events of various natures, which include training, workshops, and seminars; logistics, such as hotel services, catering, and travel services; printing services, videoconferencing materials, brochures, magazines, intranet, and videos; and communication and education campaigns and events, and so on.

90. Goods and non-consulting services may be carried out in accordance with the method known as *Pregão Eletrônico*, as set forth in the Brazilian Law No. 10.520, dated July 17, 2002, provided that: (a) documents are acceptable to the World Bank; (b) documents include anticorruption clauses, and (c) the process is carried out under an e-procurement system previously approved by the World Bank.

91. Consulting services under the Project will include TA and advisory services of various natures and purposes, among which diagnostics and impact assessments, software and system development-related services, and so on. Contracts estimated to cost US$500,000 equivalent or more will be advertised internationally. Short-lists of consultants for services estimated to cost less than US$1,500,000 equivalent per contract may be composed entirely of national consultants. During Project preparation, it was agreed that operating costs will include staff related expenses, supplies and miscellaneous expenses.

92. The operating costs to be financed by the project will be procured, when/if applicable, using the implementing agency's administrative procedures and should be described in the Procurement Plan.

93. The borrower has developed a Procurement Plan for the first 18 months of Project implementation, which provides the basis for the procurement processes. This plan is expected to be agreed upon between the borrower and the World Bank team before decision meeting. The Procurement Plan will be updated in agreement with the World Bank on an annual basis or as required to reflect the current Project implementation needs and improvements in institutional capacity.

6. Implementation Support

94. The proposed fiduciary implementation support includes the following:

1. Reviewing the implementation progress, focusing on the achievement of program results and implementation of the Action Plan;

2. Monitoring the performance of fiduciary systems and audit reports, including implementation of the PAP and application of the PforR ACG;

3. Monitoring the PforR financial statement reporting process and assisting the client as necessary;

4. Monitoring changes in fiduciary risks of the program and, as relevant, compliance with the fiduciary provisions of legal covenants;

5. Reviewing the Program implementation with the sector team to assess the timeliness and adequacy of the Program funds appropriation;

6. Helping the borrowers with institutional FM and procurement capacity building, and

7. Continually assessing and monitoring the performance of the FM and procurement systems under the Program and providing suggestions for improvement.

Annex 6: Summary Environmental and Social Systems Assessment

1. PforR operations employ a risk management approach to environmental and social management in which the World Bank assesses—at the Program level—the institutional and organizational capacity of the borrower to achieve the objectives against the potential social and environmental impacts that may be associated with the Program. The methodology of this evaluation considers six guiding principles for the analysis of socioenvironmental management systems, which address issues related to the capacity of socioenvironmental management procedures and processes to: (a) promote environmental sustainability; (b) avoid, minimize, and mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program; (c) protect the safety and health of the community and workers against the potential risks associated with: (i) construction and/or operations of facilities or other operating practices developed or promoted under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other hazardous materials, and (iii) reconstruction or rehabilitation of infrastructures located in areas prone to natural hazards; (d) avoid or minimize displacement due to land acquisition processes or loss of access to natural resources; (e) give due consideration to cultural adequacy and equitable access to the benefits of the Program, paying particular attention to the rights and interests of indigenous peoples and the needs or concerns of vulnerable groups, and (f) avoid exacerbating social conflicts, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

Potential Socioenvironmental Effects of the Program

2. The socioenvironmental benefits and risks of the Program were analyzed in relation to its two results areas and their respective disbursement indicators, as well as in relation to the six guiding principles of the evaluation. The Program has the potential to generate significant benefits, considering the new curriculum and the improvement of the physical and structural conditions of schools.

3. Concerning the promotion of socioenvironmental sustainability, the Program will have small and insignificant environmental impacts. With regard to impacts on natural habitats, physical cultural resources, and the health and safety of workers and the community (second and third guiding principles), the Program will have a limited and insignificant effect. The overall environmental impact of the Program is expected to be positive as it will promote improved environmental quality in schools, with a safer learning environment and better health conditions.

4. Adverse impacts related to land acquisition and involuntary resettlement processes are not expected. The Program aims to reduce inequalities in educational opportunities by enabling vulnerable social groups to access higher-quality secondary education. The NEM does not change the national curricular guidelines of special modalities of education and, therefore, does not harm the rights of indigenous peoples, *quilombolas,* and traditional communities or young people from rural areas. Finally, while the NEM proposal has sparked heated debate and opposition from some stakeholders, a sound strategy is being adopted to address this risk and minimize its potential adverse impacts. This strategy encompasses three central elements: (a) strengthening stakeholder consultation processes for deliberation on the BNCC and on the state, municipal, and school curriculum proposals; (b) the intensification of the participation of school communities in everyday situations and in the management of secondary schools, and (c) the operationalization of an effective system of grievance redress (information requests, suggestions, complaints, and so on) from the secondary school community. The risk of exacerbation of social conflicts is considered low.

5. Table 6.1 presents a summary of the assessment of the probability, magnitude, and reversibility of the impacts associated with the Program and the degree of risk, according to the PforR approach.

Table 6.1. Matrix of Probability, Magnitude, and Reversibility of Impacts and Degree of Risk by Guiding Principle

Guiding Principle	Impacts								Degree of Risk
	Probability/ Nature	Scale	Incidence	Reversibility	Duration	Temporality	Significance	Magnitude	
1. Procedures and processes of socioenvironmental management	Low/Adverse	Local	Direct	Reversible	Temporary	Immediately	Low	Low	Moderate
2. Procedures and processes for managing impacts on natural habitats and physical cultural resources	Low/ Adverse	Local	Direct	Reversible	Temporary	Immediately	Low	Low	Low
3. Procedures and processes for managing impacts on the health and safety of workers and communities	Low/ Adverse	Local	Direct	Reversible	Temporary	Immediately	Low	Low	Moderate
4. Acquisition of land and loss of access to natural resources	Low/ Adverse	Local	Direct	Reversible	Temporary	Immediately	Low	Low	Low
5. Cultural appropriateness and equitable access to the benefits of the Program, (indigenous peoples and other vulnerable social groups)	Substantial/ Positive	Nacional	Direct	Irreversible	Permanent	Medium-term	Significant	High	Low
6. Social conflicts - fragile states, post-conflict areas, or areas subject to territorial disputes	Low/ Adverse	Local	Direct	Reversible	Temporary	Immediately	Moderate	Low	Low

Description of the analysis criteria:

- Probability/Nature - Affirms the probability and nature of the impacts related to the guiding principle under consideration, classifying the probability into four levels (low, moderate, substantial, and high), and nature in two (positive and adverse).
- Scale - Affirms the geographical scope of impacts that may be caused by the Program, classifying it as local, state, regional, and national.
- Incidence - Assesses whether the impact is direct or indirect.
- Reversibility - Determines whether the impact is reversible or irreversible.
- Duration - Assesses whether the impact is temporary, cyclical, or permanent.

Guiding Principle	Impacts								Degree of Risk
	Probability/ Nature	Scale	Incidence	Reversibility	Duration	Temporality	Significance	Magnitude	
• Temporality - Assesses whether the impact occurs immediately after the actions of the Program, in the medium or long term. • Significance - Takes into account the probability, scale, incidence, reversibility, and temporality of the impacts, classifying them as negligible, moderate, or significant. • Magnitude - Takes into account the significance and duration of impacts, classifying them as low, medium, and high. • Degree of Risk - Takes into account the magnitude and positive or negative nature of the impacts, classifying the Program's risk in relation to the guiding principle considered low, moderate, substantial, or high.									

Regulatory and Institutional Framework for Management of Environmental Aspects

6. The Brazilian Government has advanced environmental laws and construction regulations (including standards to ensure overall accessibility), reflecting a political culture of strong environmental protection. Federal and state practice includes standard early consideration of environmental assessment in Program design for the types of civil works planned under the PforR. The country law includes robust and comprehensive federal and state environmental assessment guidelines, analytical tools, and measures that must be complied with to ensure the environmental licensing for the implementation and operation of public facilities. The operation of public schools also has to comply with robust safety measures and accessibility standards. Concerning environmental issues, the main challenge foreseen is the wide variation in the institutional environmental capacity to ensure the enforcement of environmental protection legislation among state environmental agencies—due to staffing, budgetary resources and political commitment. However, the overall risks and potential adverse impacts are considered minor.

7. The analysis of the environmental, health, and safety management system has shown that there is no significant difference in the standards to be used in the Program and the PforR Core Principles 1, 2, and 3. Brazilian environmental legislation is one of the most comprehensive in the world. Brazil has a series of specific guidelines for assessing environmental impacts, licensing of potentially polluting activities, and mandatory environmental standards throughout the country. The Brazilian legal and regulatory framework is extensive and complex, and the themes defined in the World Bank's basic policy principles are addressed by various types of instruments. Several environmental issues are governed in a complementary way by the state and municipal legislation. Brazil has a well-developed regulatory framework for the protection of natural habitats, but the monitoring and enforcement capacity of these normative instruments varies greatly between states and municipalities. The protection of historical and cultural heritage, within the Brazilian legal system, is supported by specific laws, such as Decree-Law No. 25 of November 30, 1937, and even in the Federal Constitution itself and in international treaties. Brazil has a series of policies, instruments, and regulations related to environment, health, and safety management. The safety of work during the execution phase of the works as well as the functioning of schools is governed by various legal provisions issued by the Ministry of Labor. Phytosanitary products (agrochemicals, agricultural pesticides, or pesticides) are governed by Law No. 7,802/1989 with regard to research, experimentation, production, packaging, labeling, transportation, storage, commercialization, commercial advertisement, use, import, export, final destination of waste and packaging, product registration, classification, control, and inspection. The legislation also establishes measures to prevent natural disasters and protect the population. The FNDE will be in charge of carrying out the on-lending and monitoring of the use of resources for the EMTI Program (Full-Time Upper Secondary School Expansion Support Program). The institutional capacity of

the FNDE is high. However, the execution of the works will be carried out by 27 SEE, with different institutional capacity.

8. The Program proposed by the MEC has been broadly and thoroughly consulted with key stakeholders and the civil society as a whole. The education sector has well developed mechanisms of civil society participation in policy decision-making, democratic school management, and social control operating from the local (school) level up to the federal one. Robust legislation, together with efficient and widely known mechanisms of grievance redress, are also in place and these mechanisms will be strengthened by the Program. Policy changes introduced by the Program with the BNCC do not interfere with the previous regulatory framework ruling special modalities of school education—such as indigenous and *quilombola* school education national curriculum guidelines—that ensure the prior, free, and informed consultation of indigenous peoples and other vulnerable groups in all matters related to education policies directed to them as well as their continued participation in the management of schools and the full respect of cultural and social diversity. The Program proposed by the MEC faced early opposition from some key stakeholders—representative organizations of students, teachers, and scholars. This opposition diminished significantly following extensive dialogue with the MEC and SEEs across the country. Opposition may occasionally resurface, but can be greatly mitigated by the implementation strategy planned in the NEM Portaria that will involve consulations with the school communities (students, parents, teachers, principals, etc), as well as transparency about the program's activities and results, and the availability of grievance redress mechanisms, The main gap between the Brazilian social and environmental legislation and the World Bank's Safeguard Operational Policies relates to how to deal with adverse impacts caused by land acquisition leading to involuntary resettlement. Nevertheless, civil works required to adapt the schools' network to an FTS system are not expected to require land acquisition. Therefore, risks associated with land acquisition and involuntary resettlement are considered low.

Normative and Institutional Framework for Management of Social Aspects

9. Democratic management is a basic element of the legal and political normative of the Brazilian educational system. The Federal Constitution of 1988 defined "democratic management" as one of the Core Principles of public education (article 206, section VI). The Law on the Guidelines and Bases of Education (LDB - Law 9.394 / 1996) provides (in its Article 3, section VIII, and in its Article 14) that education will be administered based on the principle of democratic management and that education systems (federal, state and municipal) will define the norms of the democratic management of public education in basic education, according to their particularities and according to the principles of participation of: (i) education professionals in the elaboration of the pedagogical project of the school, and (ii) of school and local communities on school boards and equivalents. The General National Curricular Guidelines for Basic Education reiterate that democratic management in public education is mandatory, which implies collective decisions and presupposes the participation of the school community in the management of the school and requires that, in its exercise, the school must strive to constitute a space of differences and plurality.

10. Mechanisms of control and social participation are equally fundamental in the organization of Brazilian education and there are several instances of participation and social control. The Education and Guidance Law establishes the existence of a National Education Council (*Conselho Nacional de Educação* - CNE) as part of the organizational structure of national education (Article 9, § 1) and of school or equivalent councils (Article 14, Subsection II). This council has regulatory and supervisory functions, as well as permanent activity. In all states and in the Federal District, State (District) Education Councils are also constituted with attributions similar to those of the national council and governability at the state level. About 85% of the municipalities in the country rely on Municipal Education Councils. Another relevant instance of control and social participation is the National Education Forum (*Fórum Nacional de Educação* - FNE) that was created by Ministry of Education Ordinance nº 1,407/2010. It is a permanent forum and is composed of 50 entities representing civil society and government. Its attributions are linked to the

organization of the National Conferences of Education and to the monitoring of national 10-year education plans. In the school context, participation and social control take place through the formation of school councils. School councils are a principle and condition of the democratic management of public education in basic education in Brazil.

11. The Brazilian educational system includes several channels of civil society participation that are very active. The National Education Council is composed of the Chambers of Basic Education and Higher Education, each formed by twelve councilors, who are chosen and appointed by the President of the Republic, observing the need to represent all regions of the country and different types of education. At the federal level, the National Education Forum is also active as a space for dialogue between civil society and the Brazilian State, because of the deliberation of the National Education Conference 2010. In the school context, the participation of the school and local community in the school is promoted and the formation of the school councils is required. The elaboration of the BNCC followed a widely participatory process with online consultation channels - which collected more than 12 million comments and suggestions - and 27 state seminars that brought together more than nine thousand people.

12. There are hundreds of Ombudsman offices of federal agencies and agencies that are integrated into a digital system (e-OUV) managed by the Federal General Ombudsman. The e-OUV system is an integrated electronic platform that is available 24 hours a day, seven days a week, to receive citizens' manifestations and direct them to the competent agencies for resolution. The deadline for replies is twenty days, extendable for another ten days, when justified. The Ombudsman's Offices periodically publish reports on the pages of the institutions to which they belong. Mechanisms of transparency, citizen engagement and grievance redress will be reinforced by the Ministry of Education with a dedicated channel for the Upper Secondary Reform.

13. Brazil does not have specific national legislation addressing involuntary resettlement issues. The acquisition of land through the exercise of the power of eminent domain of the State continues to be governed by two main instruments: Federal Decree-Law 3,365/1941 on expropriation for public purposes and Federal Law 4,132 / 1962. Previous assessments highlight the gaps between Brazilian legislation and the World Bank's involuntary resettlement policy (OP / BP 4.12). There is no specific strategy to deal with the acquisition of land that may be necessary for improvements in the infrastructure of schools that will participate in the EMTI Program. However, land acquisitions are not expected under the Program.

14. Brazilian legislation and education policy pay special attention to vulnerable groups - including the poor, people with disabilities, women, the elderly, or ethnic groups and marginalized minorities. The National Education Plan 2014-2024 (Law 13,005/2014) emphasizes respect for regional, state and local diversity and the need for a federative agreement to establish pedagogical guidelines for elementary education. Respect for cultural and social diversity and attention to vulnerable groups and ethnic minorities are also part of the BNCC currently under discussion. Special procedures targeting investment were adopted to ensure respect for the principles of social inclusion and reduction of inequalities in educational opportunities in the EMTI Program.

15. Indigenous school education is based on the right of indigenous peoples to differentiated school education, which takes place through the organization of ethno-educational territories. Indigenous school education is defined as a specific modality of the national education system, which was consolidated through the establishment of National Curricular Guidelines for Indigenous School Education of a mandatory nature. Among others, it includes the following objectives: (i) to ensure that the principles of specificity, bilingualism and multilingualism, community organization and interculturality underpin the educational projects of indigenous communities, valuing their traditional languages and knowledge; (ii) ensure that the model of organization and management of indigenous schools takes into account the socio-cultural and economic practices of the respective communities, as well as their forms of knowledge

production, their own teaching and learning processes and corporate projects; (iii) to strengthen the system of collaboration between the education systems of the Union, the States, the Federal District and the Municipalities, providing guidelines for the organization of Indigenous School Education in Basic Education within the ethno-educational territories; (iv) to regulate provisions contained in Convention 169 of the International Labor Organization, ratified in Brazil, through Legislative Decree No. 143/2003, regarding education and the media, as well as mechanisms for free, prior and informed consultation, and (v) ensure that the right to differentiated school education is guaranteed to indigenous communities with social quality and pedagogical, cultural, linguistic, environmental and territorial relevance, respecting the logics, knowledge and perspectives of indigenous peoples themselves.

16. Brazil has comprehensive and advanced legislation on the accessibility and social inclusion of persons with disabilities. This legislation comprises two main legal instruments: Law 10,098/2000 and Law 13,146/2015. The first of these laws sets the general standards and key criteria for promoting the accessibility of people with disabilities by removing obstacles and barriers in public spaces, urban facilities, modes of transport and communication. The second law expands the first law and relates issues of accessibility to the human rights of people with disabilities.

Operational Performance and Institutional Capacity Assessment for Management of Environmental and Social Impacts

17. The ESSA identifies the Brazilian legal and political normative framework of the education sector as one of its strongest points. It also highlights the broad process of prior and informed consultation that presided over the preparation of the BNCC and the solid mechanism for focusing the investments of the EMTI Program in communities of higher levels of socioeconomic vulnerability. The institutional capacity of the FNDE (responsible for making on-lending and monitoring the use of resources of this Program) is also high. There is a robust system in operation for accessing information and addressing complaints, which will still be strengthened by the MEC. The Program does not interfere with the National Curricular Guidelines for Special Forms of Education (including those of indigenous school education).

18. The most important weaknesses in the management of the socioenvironmental impacts of the Program relate to the great heterogeneity that the implementing agencies present in terms of their institutional capacity to enforce a normative framework that is broad, detailed, and of great complexity. The low institutional capacity of some federated entities can compromise the evaluation of socioenvironmental impacts and consequently, the adoption of the necessary preventive, minimizing, mitigating, and compensatory measures.

19. The Program can be an important instrument for improving socioenvironmental, health, and safety management capacity in the SEE, and the adoption of natural risk assessment and mitigation procedures in schools. To this end, the assessment proposes the adoption of the measures summarized in its Action Plan.

Stakeholder Consultation and Disclosure

20. The elaboration of the ESSA resorted to the analysis of opinions previously and publicly expressed by the interested parties. As a result of these consultations, activities related to: (i) ensuring the continuation of consultations on the National Curricular Common Core of High School, and (ii) strengthening of transparency, communication and grievance redressing mechanisms, were incorporated into the Action Plan for Social and Environmental Management of the Program.

21. Thematic meetings on social and environmental aspects were also held with relevant government agencies. These included consultations with the State Secretariats of Education of Minas Gerais, Espirito Santo, Goias, Mato Grosso do Sul, Pernambuco, Parana, Roraima, Rondonia, Santa Catarina and the

Federal District. This information corroborated the expectation that there is a great heterogeneity in terms of the institutional capacity to manage social and environmental impacts and risks between the different units of the federation. They led, therefore, to include in the Action Plan: (i) the elaboration of a Guide to Socio-Environmental Management, and (ii) Institutional strengthening of the Implementing Entities through a training program for the engineering, environmental and health management teams and State Departments of Education with less institutional capacity. They also included meetings with representatives of the Secretariat for Continuing Education, Literacy, Diversity and Inclusion (SECADI) and the National Fund for Education Development (FNDE), which resulted in confirmation of the need to include the following activities in the Plan of Action: (i) enhance the Project Management Unit capacity of offering technical assistance to the states and the Federal District regarding the implementation of socio-environmental, health and safety requirements, and (ii) adoption of specific procedures for evaluating and coping with risks.

22. In support of the elaboration of the Evaluation, the Ministry of Basic Education (SEB) of the MEC called a meeting inviting 30 entities representing the interested parties. Specifically, the invitation to the meeting underscored its objective of addressing key issues to improve the results of the Evaluation and the measures it proposes to improve the Program's Socio-Environmental Management System. The invitation for this meeting was also disclosed through the website http://portal.mec.gov.br/component/content/article?id=55951. A preliminary version of the Evaluation was made available and the invitation indicated that comments, criticisms and suggestions could also be sent to the e-mail address cgei@mec.gov.br. Meeting confirmation messages were sent to all invitees two days prior to the meeting date. Despite all these efforts, there was no attendance at the meeting.

23. Invitations were made again and a meeting was held the day after, counting with the presence and participation of representatives of the Educational and Environmental Programs Directorates of the National Confederation of Industry (CNI), Industry Social Service (SESI), and the National Industrial Learning Service (SENAI). Participants agreed with the main points presented in the Evaluation and proposed to carry out a mapping of the available network of institutions able to provide the learning itineraries and alignment between the offer of learning itineraries and the demand of the local labor markets. They were informed that the Program includes the following activities of technical assistance: (i) a study on potential partnerships to offer learning itineraries; (ii) mapping of the available offer of technical education for each state, and (iii) the support for the development of a technical curriculum in line with labor market demand.

Table 6.2. Proposed Action Plan for the Improvement of Environmental and Social Performance

Action	Responsible	Period	Verification Method
1. Improvement of the Institutional Arrangement of the Program: - Revision of complementary rules for transfer of financial resources (Resolution MEC/FNDE 07/2016), including socio-environmental, health and safety aspects of the Program's conditionality; - Implementation of a unit in the Program with the specific mission of offering technical assistance to the states and the Federal District regarding the implementation of socio-environmental, health and safety requirements. Definition of the structure, institutional responsibilities and budget the unit.	MEC/SEB/ FNDE	Program Effectiveness	Enhanced institutional arrangement of the Program to explicitly include the Core Principles of the PforR financing
2. Elaboration of an Environmental and Social Management Guide and application of the verification form, including the formulation of Guidelines and Manuals for each of the themes listed below: a) Preservation of the patrimony of archaeological, paleontological, historical, cultural or religious value, following the applicable legislation; b) Preservation of the vegetation of legally protected areas, following the applicable legislation; c) Environmental impact assessment; d) Use of toxic chemicals to control pests; e) Management of environmental, health and safety risks; f) Environmental management of works and buildings; g) Best practices in projects and reform and expansion of schools (considering the sustainability of buildings); h) Assessment and mitigation of risks of natural disasters; The necessary elements to ensure the accessibility of the reformed and/or expanded school buildings	MEC/SEB/ FNDE	First year of Program implementation	Environmental and Social Management Guide revised and cleared by the Bank Guidelines and Manuals approved by the Bank and distributed to the implementing agencies
3. Implementation of Environmental Screening Procedures with the application of the Screening Form	SEB/FNDE	Program Effectiveness	Approval of the draft screening form to be used by the Program and forms filled up
4. Institutional Strengthening of Implementing Agencies: Training program for engineering, environmental management and health and safety teams of state secretariats of education with lower institutional capacity.	SEB/FNDE	First year of Program implementation	Training program defined and implemented
5. Implementation of the Monitoring System for Socio-Environmental issues, including the system for monitoring and evaluating the participation of school communities in the reform of the upper secondary education	SEB/FNDE/ SEE	First year of Program implementation	Monitoring System implemented. Regular Monitoring Reports issued

6. Incentives to the Environmental Certification of sustainable buildings	SEB/FNDE	First year of Program implementation	Dissemination of the Manual for sustainable buildings.
7. Adoption of specific procedures for assessment and response to natural disasters	SEB/FNDE/ SEE	During Program implementation	Monitoring reports
8. Operationalization of the dedicated grievance redress mechanism	SEB/SEE	First year of Program implementation	Grievance redress mechanism reports
9. Land inventory of the schools participating in the PFEMTI Program and elaboration of a mitigation plan of adverse impacts related to the acquisition of land in the cases of identification irregular settlings.	SEE/SEB	First year of Program implementation	Land inventory concluded
10. Study related to the provision of learning itineraries	SEB	First year of Program implementation	Study conducted
11. Targeting investments in socially vulnerable school communities. The State Secretaries of Education should be encouraged to consider the set of socioeconomic and cultural factors that determine school dropout - income, race, ethnic identity, gender, rates of youth victimization and early pregnancy among young people, etc. - when elaborating the PFEMTI Implementation Plans.	SEB/SEE	First year of Program implementation	State Plans for the implementation of the PFEMTI Program
12. Mainstreaming gender and race equality. Diagnostic of the determining factors of gender inequalities in education, which are particularly pronounced among Afro-descendant youth.	SEB	Third year of Program implementation	Diagnostic elaborated
13. Carrying out appropriate consultation to all the interested parties on the BNCC for the upper secondary schools	MEC	First year of Program implementation	Consultation carried out

Annex 7: Systematic Operations Risk Rating (SORT)

BRAZIL: Support to the Upper Secondary Education Reform Operation

Stage: Appraisal

Systematic Operations Risk-Rating Tool (SORT)	
Risk Category	**Rating (H, S, M, L)**
1. Political and Governance	High
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	High
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Substantial
9. Other	
OVERALL	**Substantial**

1. The overall risk is 'Substantial'. The Political and Governance, the Institutional Capacity for Implementation and Sustainability, and the Technical Design risks are assessed to be High, mainly due to the complexity for the Federal Government of promoting major curricular and school attendance reforms across multiple states in an area (upper secondary education) that is the responsibility of the states, which have varying levels of capacity. Moreover, the Program requires additional coordination between federal and state governments in enforcing a result based accountability framework. This is complemented by high political risks associated with implementation delays due to government transitions that will take place in January 2019 after the presidential and governors elections in October 2018. To mitigate these risks, the operation includes provisions for significant communications campaigns, continuous dialogue between MEC and SEEs with teachers and other key stakeholders, outreach and capacity building, as well as the structuring of results based commitment agreements between the federal and states governments, including financial incentives towards achieving the intended results.

2. **Technical Design** risk is considered High. On the one hand, it will be the first PforR operation in the education sector, requiring a proper coordination between the federal and state governments in a complex environment in terms of implementation, achievement of results, and accountability. On the other hand, a key challenge for implementation of the reform remains the issuance of a NEM *Portaria* by the MEC, regulating existing activities for Results Area 1 in a comprehensive and results-based manner. These risks are mitigated by strong GoB ownership and commitment and the overall Program design (including a specific DLI) which entails adequate incentives for the states to participate and strong and comprehensive instruments to support its implementation capacity.

3. **Institutional Capacity for Implementation and Sustainability** risk is High due to the lack of management and implementation capacity, mainly at the state level, but also with some specific needs for TA at the federal level, due to the wide range of complex studies and planning, management, and M&E activities to be carried out. To mitigate these risks, the operation includes an important component of TA, to strengthen the institutional capacity of the MEC and the SEE to ensure a proper implementation of the reform, including: (a) technical cooperation between the MEC and the SEE; (b) periodic monitoring and evaluation of the implementation and results of the reform; and (c) optimizing existing resources and establishing accountability between the MEC and the SEE. For this purpose, TA would provide highly specialized consulting services.

4. **Macroeconomic** risk is rated Substantial due to potential cuts in federal transfers in the context of the fiscal crisis. This risk is alleviated by the fact that budget estimates of the Program are included in the Government's annual budget, and there is a reasonable expectation that the required resources will be appropriated in the financial years when required. Most DLIs are scalable, which will also facilitate adjustments to Program implementation if needed.

5. The integrated fiduciary risk is 'Substantial', mainly due to Program design involving decentralization of funds, possible delays by the FNDE in adjusting its management information system to monitor the program and run Interim Financial Reports (IFRs) on time, and possible delays at the decentralized level for executing Program funds. Moreover, it is possible that contracts will be awarded to firms and/or individuals debarred or suspended by the World Bank. The proposed systems- and capacity-strengthening and mitigation measures to address the above risks include: (a) the MEC hiring consultants to support states, expedite implementation, and ensure proper use and documentation of funds, and (b) all implementing agencies, both at the federal and state levels including schools, being required by official decree to comply with the World Bank's ACG, to ensure that no contract will be awarded to a firm or individual that is on the World Bank's debarred list. In addition, external auditors' TOR include a review of the Program expenditure for such ineligible contracts.

6. Sector Strategy and Policies and Stakeholder risks are Substantial. Overall, upper secondary reform has a reasonable stakeholder and political consensus, and has not experienced significant political opposition. However, there are still possible risks based on: (a) the change in Government next year, which may lead to changes or delays (as mentioned earlier); and (b) opposition by teacher unions due to resistance to possible redeployment and reassignment. These risks are mitigated by the solid legal basis of the reform and the incentives included to ensure commitment at the states' level. In terms of teachers, although opposition to the reform from teachers' unions had been strong at the time of the debate of the new law in the Congress, it has eased lately due to the broad overall support from the population in general (the last survey indicates that 72% of the population supports the reform). Moreover, a comprehensive and solid dialogue promoted by MEC with key stakeholders has dissipated most of remaining opposition and currently the debate is focused on the best strategy to implement the reform. MEC has planned to continue with this strategy in 2018, with an implementation strategy of NEM that will involve consulations with the school communities (students, parents, teachers, principals, etc), strengthening communication campaigns, consultation and, importantly, re-training of teachers for adapting them to the new, pedagogic and content needs to minimize the risk of implementation delays.

7. **Social and environment risks are Moderate.** Main risks and impacts refer to two core principles and more work is needed to address issues related to the complexity of the institutional arrangements involved in the management of environmental and social risks. The critical core principles refer to: (a) giving due consideration to cultural appropriateness of, and equitable access to, program benefits, and (b) avoiding exacerbating social conflict, paying special attention to aspects related to citizen engagement and stakeholder participation in the Program.

Annex 8: Program Action Plan

Action Description	DLI	Covenant	Due Date	Responsible Party	Completion Measurement**
Publishing of a *NEM Portaria* regulating the support to the Upper Secondary Education Reform	☒	☒	No later than 30 days after loan effectiveness	SEB	*Portaria* is published
Number of states that signed a *NEM Portaria* Commitment Agreement	☒	☐	No later than 12 months after loan effectiveness	SEB, states	Adhesion instruments completed and effective
Development of models of flexible curricula (BNCC and flexible itineraries)	☐	☐	No later than 18 months after loan effectiveness	SEB/COEM	Curricula and flexible itineraries developed
Strengthening of the MEC institutional capacity for design and management of the implementation of the reform	☐	☐	During Program implementation	SEB/COEM	Reform implemented in most states (20)
Training of technical staff at the MEC and the SEE responsible for the design and implementation of the reform	☐	☐	No later than 12 months after loan effectiveness	SEB/COEM	Staff trained
Establishment of the Special Bidding Committee	☐	☐	By negotiations	SEB/CPAG	Legal document establishing the Committee, including name of key staff, roles, and functions
TOR for technical, fiduciary, and safeguard functions for the PMU	☐	☐	By negotiations	SEB/COEM and CPAG	TOR vetted by the World Bank
Establishment of the PMU with key staff as defined in the Program Operational Manual (POM) appointed	☐	☒	No later than 90 days after loan effectiveness	SEB/COEM and CPAG	Key staff appointed and fully operational
Provision of procurement, FM, and disbursement training to the SEB and the PMU staff	☐	☐	No later than 30 days after the PMU has been established	World Bank	Staff trained
Preparation of POM	☐	☐	By negotiations	SEB	POM ready
TOR for the studies and consultancies to be selected during the first eight months of implementation	☐	☐	By signing	SEB	TOR vetted by the World Bank
Need to observe the World Bank ACG in a legal/binding document	☐	☒	By negotiations	SEB	Legal instrument published
Definition of a communication, consultation, and negotiation strategy to mitigate risks of creating or exacerbating social conflict with key stakeholders (teachers and labor unions)	☐	☐	No later than three months after effectiveness	SEB/PMU	Strategy developed and implemented

Action Description	DLI	Covenant	Due Date	Responsible Party	Completion Measurement**
Preparation of the TOR for financial audits	☐	☐	No later than four months before the end of the calendar year	SEB	TOR vetted by the World Bank
Development of a Gender Plan, based on in-depth diagnosis, including successful national and international experiences	☐	☐	No later than four months after effectiveness		Gender Plan developed
Support of activities (guidelines, awareness, technical support) to implement the Gender Plan and good practices	☐	☐	During Program implementation	SEB/CPAG	Activities implemented as indicated in the Procurement Plan to be approved by the World Bank annually
Look for budgeting based on data that reflects the market and not just on official tables issued by various spheres of Government	☐	☐	Before and during implementation	SEB	Difference between estimated costs and contracted prices
Contract management improvement	☐	☐	During Program implementation	SEB	Staff trained and operational systems of control
Hire consultants to work at the state level to provide capacity building through the TA component, expedite implementation, and ensure the proper use and documentation of funds	☐	☐	Before decentralization of funds	SEB	Consultants hired, trained, and fully operational
Revision of complementary rules for transfer of financial resources (Resolution MEC/FNDE 07/2016), including socioenvironmental, health, and safety aspects of the Program's conditionality	☐	☐	Program effectiveness	MEC	Updated Regulatory Instrument
Implementation of a unit in the Program with the specific mission of offering TA to the states and the Federal District regarding the implementation of socioenvironmental, health, and safety requirements	☐	☐	First year of Program implementation	MEC	Unit established
Institutional Strengthening of Implementing Agencies: Training program for engineering, environmental, management, and health and safety teams of the SEE with lower institutional capacity	☐	☐	First year of Program implementation	MEC	Training program defined and implemented
Operationalization of the dedicated grievance redress mechanism	☐	☐	First year of Program implementation	MEC	Grievance redress mechanism reports

Action Description	DLI	Covenant	Due Date	Responsible Party	Completion Measurement**
Elaboration of an Environmental and Social Management Framework and application of the verification form, including the formulation of guidelines and manuals for each of the themes listed below: (a) Preservation of the patrimony of archaeological, paleontological, historical, cultural, or religious value, following the applicable legislation; (b) Preservation of the vegetation of legally protected areas, following the applicable legislation; (c) Environmental impact assessment; (d) Use of toxic chemicals to control pests; (e) Management of environmental, health, and safety risks; (f) Environmental management of works and buildings; (g) Best practices in projects and reform and expansion of schools (considering the sustainability of buildings); (h) Assessment and mitigation of risks of natural disasters; (i) The necessary elements to ensure the accessibility of the reformed and/or expanded school buildings	☐	☐	First year of Program implementation	MEC	Environmental and Social Management Framework in place and guidelines and manuals distributed to the implementing agencies

Note: CPAG = Coordination for Planning and Management Support (*Coordenação de Planejamento e Apoio à Gestão*).

Annex 9: Implementation Support Plan

1. The Implementation Support Plan is based on the Program's risk profile (Substantial), the lessons learned from the implementation of previous education projects with the Federal Government, and other operations involving a results-based approach and a substantial TA component. It also draws upon the implementation experience from education projects in different states of Brazil.

2. The Implementation Support Plan considers the current structure of the SEB and its COEM to implement a new model of the upper secondary education nationwide, which involves working with and assisting 26 SEE and the Federal District. In addition to the technical challenges and the varied capacity among states, the SEB—the Project Coordinator and main implementing unit—has no experience in implementing World Bank-financed projects and is not sufficiently staffed for this endeavor. This fact is particularly relevant for Component 2, estimated at US$29 million, to be implemented in six years. It is also important to note that 2018 is an election year in Brazil, in which both federal- and state-level administrations will change.

3. The World Bank biannual formal implementation reviews will cover technical and non-technical aspects of the support, including FM, procurement, implementation arrangements, and safeguards for Component 2 of the Operation. The World Bank team will be particularly attentive to the progress on expected results and the M&E capacity, as well as to how the Government is executing the agreed studies and assessments, and how they are being disseminated and informing the SEB's activities and decisions.

4. Given the number of activities to be conducted under Component 2, it is expected that a great deal of effort will be devoted to reviewing and providing inputs to the TOR for selecting consulting services, especially during the first two and half years of Program implementation, when the technical support from the World Bank team will probably be most needed, also because of the administration change. It will also require close assistance from the World Bank procurement team to orient and train newcomers to the PMU and the Special Bidding Committee. Each implementation review mission will produce a joint aide memoire that will be discussed at a wrap-up meeting to be chaired by the SEB's Secretary. Such an aide memoire is envisaged to provide an overall view of the implementation of the Program, and to agree on corrective and mitigation measures to address identified bottlenecks.

5. The Implementation Support Plan will be reviewed annually to ensure that it continues to meet the implementation support needs of the Program. At the half way point of the Program period, a 'mid-term review' will be undertaken with a view to making any changes to the support, including any requirements necessitating restructuring which may be necessary, based on the implementation experience. The World Bank task team will work with the PMU and designated officials to clarify the requirements necessary to effect any changes. It is understood that any changes to the Program that require amendments to the Loan Agreement will require a formal request from the Government's signatory to the Legal Agreement.

6. Six months before the closing date of the Operation, the Government will commence preparation of its Implementation Completion and Results Report (ICR). The ICR author from the World Bank will participate in the final implementation review and gather the necessary information to prepare its ICR.

Main Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First 12 months	Technical, implementation, and fiduciary	Education specialists; M&E specialists; economist; operational, fiduciary, and safeguard specialists	—	—
12–48 months	Technical, implementation, and fiduciary	Education specialists; M&E specialists; economist; operational, fiduciary, and safeguard specialists	—	—
Other	Technical, implementation, and fiduciary	Education specialists; M&E specialists; economist; operational, fiduciary, and safeguard specialists	—	—

Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks (per Year)	Number of Trips (per Year)
Task Team Leader	10	2
Co-Task Team Leader	10	2
FTS Specialist	6	2
Curricula Specialist	6	2
Economist	6	2
Other specialized education areas on an as needed basis	4–6	—
M&E Specialist	4	2
Operations Officer	4	—
Procurement Specialist	4–6	2
FM Specialist	4–6	2
Disbursement Analyst	4–6	—
Environmental and Social Safeguards Specialist	4–6	2
Assistant	8	—