

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.:PIDA0136494

Program Name	Upper Secondary Reform Program
Region	Latin America and the Caribbean
Country	Brazil
Sector	Education
Financing Instrument	HYBRID (PforR + IPF)
Program ID	P163868
Borrower(s)	Republic of Brazil
Implementing Agency	Ministry of Education
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I. Country Context

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 is expected to resume in 2017 but the strength of the recovery remains unclear.

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 poorer 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 13.6 percent in April 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 now at risk of being reversed. Indeed, in only two years poverty increased from 7.4 percent in 2014 to 9.7 percent in 2016.

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

¹ The constitutional amendment (PEC 241) was approved by the Brazilian Senate in December 2016. It limits the growth of Federal Government’s public expenditures, corrected by inflation, for up to 20 years. Limits for the education sector are valid starting in 2018.

(*Ensino Médio*) and tackling the system's low internal efficiency.

II. Sectoral and Institutional Context

Brazil exhibits an intricate and multi-layered education system. The Brazilian constitution establishes clear education attributions for each layer of government. Fundamental education² 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 who establishes the norms for the functioning of all levels of education, including for instance the 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 Básica* - SEB) within the Ministry of Education (*Ministério da Educação* - MEC), has a crucial role in leading the process, through setting guidelines, giving technical support and creating capacity into the states.

Public expenditure in education mimics the complex distribution of responsibilities among government levels and has grown dramatically over the past decade. Between 2005 and 2014, expenditure in education rose from 4.5 percent to almost 6.6 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's levels, with roughly similar percentage for the three levels of government.³ 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 the transfers from the Basic Education National Fund (*Fundo Nacional para Educação Básica* – FUNDEB), created in 2007 to equalize funding within regions via a 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, 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)⁴, transfers to subnational governments and directly to schools, with most of those transfers being non-discretionary, as they are mandated by the national educational legal framework (in 2015, MEC transferred more than US\$7.4 billion).

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 Assessment⁵ (PISA) of all participating countries between 2003 and 2012. Despite this progress, Brazil performs below all other participating Latin America and Caribbean (LAC) countries 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 at LAC and BRICS⁶ peers. According to the next World Development Report, if

² Fundamental education encompasses primary education and lower secondary education, grades 1 to 9.

³ In 2014, municipal governments were responsible for 35.8 percent of all public expenditures in education (mostly focused on primary education), state government 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).

⁴ FNDE is the financial arm of MEC responsible for all financial transfers to states, municipalities and schools.

⁵ A worldwide standardized student assessment of 15-year-old' performance in mathematics, science, and reading.

⁶ Brazil, Russia, India, China and South Africa.

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.

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.⁷ Brazil has some of the highest levels of repetition and dropout in the world, resulting in an average of 15 years of schooling to produce one high school graduate (should be 12 years). 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 p.p.), the majority drop out during the last cycle of basic education⁸ (15 p.p.)⁹. 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 much older than students in OECD and most LAC countries. 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 pp differential (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 on inequality in education outcomes from a both an income and 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 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 to provide quality public education.

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 have currently 13 mandatory subject matters that in most public schools are instructed in 4 daily hours. There is evidence that the main reason why students drop out of upper secondary education in Brazil is 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.¹⁰ 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, as they have to compete with better-prepared private schools' 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 (*Novo Ensino Medio Reform*, NEM) and extending the school day (FTS program).

III. Program Scope

⁷ In addition to contributing to the decision of dropping out of school, high grade repetition rates are associated with inefficiencies in the educational system, since repeaters are required to spend many hours in class for marginal returns in learning (Bruns, Evans and Luque, 2012). Thus, repetition often leads to wasting student time and school resources.

⁸ Basic education includes the cycles of fundamental education (primary education and lower secondary education, grades 1 to 9) and upper secondary education (grades 10 to 12).

⁹ As shown by Simões (2016), who examines the moment of dropout school during the life of a cohort of 19-year-olds.

¹⁰ See Neri, Marcelo. "Motivos da evasão escolar." Brasília: Fundação Getulio Vargas (2009).

The Federal Government has proposed a substantial overhaul of the upper secondary education system. This reform involves 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; (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. **Extending 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.

IV. Program Development Objective(s)

The Program Development Objective (PDO) is to strengthen the capacity of the state secretariats of education to implement the upper secondary reform, including in disadvantaged schools, and to increase the Index of Basic Education Development in targeted full-time upper secondary schools.

To track the achievement of the PDO, the Program has four key indicators:

- I. Number of States where at least 40 percent of schools have implemented the New Curricula¹¹
- II. Number of States where at least 50 percent of Vulnerable¹² schools have implemented the New Curricula
- III. Percentage change in the Basic Education Development Index (IDEB) in targeted full-time schools

V. Environmental and Social Effects

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 potentialized and its few risks minimized.

Environmental – The team assessed the Program proposed by 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 full-time school 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 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-

¹¹ The New Curricula’s implementation includes, at least, (i) incorporating the mandated BNCC common core, (ii) having at least 5 daily hours of instruction, and (iii) having at least two ‘learning itineraries’.

¹² ‘Vulnerable’ refers to schools in the bottom 40 percent in the ranking given by School Socioeconomic Level Indicator (INSE), calculated every year by INEP/MEC.

specific, timely bounded and reversible.

The ESSA finds that 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 project 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. Operation of public schools has also to comply with robust safety measures and accessibility standards. Concerning environmental issues, the main roadblock foreseen is the wide variation in the institutional environmental capacity to ensure the enforcement of environmental protection legislation that is found among state environmental agencies - due to staffing, budgetary resources and political commitment. However, the overall risks and potential adverse impacts are considered minor.

Social –The findings of ESSA also show that the Program has a huge potential to benefit the most young men and women from vulnerable social groups, widening 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 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, 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 National Common Core Curriculum 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 with 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 MEC faced early opposition of some key stakeholders – representative organizations of students, teachers and scholars. This opposition may occasionally resurface, but a robust communication strategy, further consultation rounds envisaged for the discussion of the National Common Core Curriculum 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. Adverse impacts associated with land acquisition and involuntary resettlement are not expected.

Technical Assistance component – This component is focused on straightforward institutional capacity building activities without a physical footprint. They are not expected to have any potential adverse downstream implications or risks. Following the WB’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”, the team proposes these activities are classified as Type 1, an indicative EA category C. These Technical Assistance activities will not have a physical footprint and they may not trigger any of the environmental safeguard policies.

Gender – The implementation of gender-specific interventions, 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 boys mostly take STEM itineraries and girls mostly focus on language and social science itineraries. In addition, a broader gender assessment seeking to identify promising avenues for intervention within the framework of the reform will also be conducted during preparation. During implementation, a Gender Plan will be developed, based on in-depth diagnosis, including successful national and international experiences. The TA component would support both the development of the plan and some key dissemination activities (guidelines, awareness, technical support)

to implement good practices.

Citizen Engagement and Grievance Redress Mechanism. Transparency, citizen engagement and grievance redressing mechanisms are being reinforced. Measures taken by MEC to ensure social accountability have been discussed during the preparation. These measures have the potential to promote citizen engagement and stakeholders' participation. Hence, MEC is also developing a module of social control (*Painel Público*) within its Management System of the Full-Time Secondary Education Fostering Program (*Ensino Médio em Tempo Integral*, SIMEC). This module will allow the visualization and oversight of the program's implementation and achievement of its goals by the civil society. *Painel Público* aims to give transparency to the program's activities and results. MEC will make available specific channels for receiving and responding questions, comments, suggestions and complaints about the SIMEC and the New Secondary Education in its website. Finally, the Program will monitor and evaluate an indicator on citizen engagement.

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.

VI. Financing

(Table from Section II A of the PAD)

Source:	(\$m.)
Borrower/Recipient	1.327
IBRD	250
Total	1.577

VII. Program Institutional and Implementation Arrangements

The Program will be implemented over a five-year period, with the effectiveness expected [April 1, 2018], and the closing date [March 31, 2023]. Efforts to implement the new upper secondary education will require concerted and coordinated participation from a wide range of stakeholders, including MEC and FNDE, SEEs, teachers, students, parents' associations, and decision-makers at different levels of government.

Oversight Responsibility. The oversight responsibility for Program activities and results rests with SEB at MEC. 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 – DARE*). In general, SEB will have the following roles and responsibilities: (i) coordination, monitoring and evaluation of the Program; (ii) technical and operational decision-making; (iii) promoting a results-based culture; (iv) supporting SEEs to implement the new secondary education model; (v) liaison with other secretariats and departments within and outside MEC to

ensure Program's proper implementation; and (vi) World Bank's interlocutor for the execution of the Program. The following arrangements for Program implementation, by component, are envisaged.

Component 1 – [Supporting the New Upper Secondary Education]. By complementing MEC programs and resources, Component 1 will support activities nationwide through a PforR lending instrument. It will be implemented by SEB and FNDE in accordance with the current arrangements for the execution of activities under the budget lines included in the operation. At 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 Program, and the Program coordinator. Within SEB/DICEI, COEM will continue working with the General Coordination of Full-time School (*Coordenação-Geral de Educação Integral – CGEI*) to implement the Program. The centralized procurement and financial transfers to states, schools and beneficiaries of scholarships will be done by FNDE, through its specific units.¹³

Component 2 – [Technical Assistance to implement the Upper Secondary Education Reform]. This component will follow traditional operational and fiduciary arrangements as preconized by an Investment Project Financing (IPF). The unit at SEB responsible for implementing Component 2 is 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 Program 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 operational point of view, the Coordination for Planning and Management Support (*Coordenação de Planejamento e Apoio à Gestão - CPAG*) will support COEM to implement activities under this component.

Both COEM and CPAG will need to be strengthened to assume the expected roles and responsibilities associated to the Program design, implementation, monitoring and evaluation, support to states, and fiduciary and safeguards compliance. To this end, a Project Management Unit (PMU) and a Special Bidding Committee will be established at SEB. The PMU will be formed by at least 10 technical specialists, a monitoring and evaluation (M&E) specialist, and four procurement and financial management specialists/analysts. 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 WB procurement rules that are substantially different from the national law. The Program Operational Manual (OM) will detail PMU structure and organization and flow of documents amongst the different units involved in Program implementation. It is expected that the PMU's key operational and fiduciary staff, as agreed with the WB, be hired no later than 60 days after loan effectiveness.

Project Management Unit. The PMU will support COEM and CPAG in:

- (a) Ensuring proper and timely implementation of Program activities;
- (b) Assisting in the preparation of Terms of Reference;
- (c) Ensuring that procurement is carried out in the most expeditious manner, with technical input provided by relevant departments and/or in-country expertise in the relevant area being financed, following World Bank rules;
- (d) Assisting CPAG in monitoring contracts under the Program;

¹³ The FNDE's main units involved in the Program will be: General Coordination to Support School Maintenance (*Coordenação-Geral de Apoio à Manutenção Escolar – CGAME*), General Coordination for Management of Scholarships and Benefits (*Coordenação-Geral de Gestão de Bolsas e Auxílios – CGAUX*), General Coordination of Market, Quality and Procurement (*Coordenação-Geral de Mercado, Qualidade e Compras – CGCOM*), General Coordination for Implementation and Financing (*Coordenação-Geral de Execução e Operação Financeira – CGEOF*) and General Coordination for Planning and Budget (*Coordenação-Geral de Planejamento e Orçamento – CGPLO*).

- (e) Presenting of Project progress and financial reports on a timely basis 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 Program or studies and recommendations; and
- (g) Hosting and facilitating World Bank support review missions and working with the WB to optimize the operation's results and impact.

VIII. Contact point

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