

PROGRAM LOAN NUMBER 8812-BR

PROJECT LOAN NUMBER 8813-BR

# Loan Agreement

(Support to the Upper Secondary Education Reform Operation -  
*Projeto de Apoio à Implementação do Novo Ensino Médio*)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT



## LOAN AGREEMENT

Agreement dated as of the Signature Date, between FEDERATIVE REPUBLIC OF BRAZIL ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

### ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to, and form a part of, this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred fifty million Dollars (\$250,000,000) (**Operation Loan**) to assist in financing, out of which: (a) the amount of two hundred twenty one million Dollars (\$ 221,000,000) allocated to the Program described in Part 1 of Schedule 1 to this Agreement (the **Program**) which constitutes an integral part of the Operation (**Program Loan**); and (b) the amount of twenty-nine million Dollars (\$ 29,000,000) shall be allocated to the Project described in Part 2 of Schedule 1 to this Agreement (the **Project**), which constitutes an integral part of the Operation (**Project Loan**) as any of such amounts may be converted from time to time through a Currency Conversion, to assist in financing the Operation.
- 2.02. The Borrower may withdraw the proceeds of the Operation Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Program Loan Account (to which the amounts of the Loan allocated for the Program and for the Project are credited) shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank. The Borrower's Representatives for purposes of taking any action required or permitted to be taken pursuant to this Section are: (a) the Borrower's Secretary of the National Treasury of the Ministry of Finance or any person or persons whom he/she shall designate; and (b) the Borrower's Minister of Education or any person or persons whom he/she shall designate.
- 2.03. The Front-end Fee, payable by the borrower, is equal to one quarter of one percent (0.25%) of the Program Loan amount; and one quarter of one percent (0.25%) of the Project Loan Amount.
- 2.04. The Commitment Charge is equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Program Loan Balance, and one quarter of one percent (0.25%) per annum on the Unwithdrawn Project Loan Balance.



- 2.05. The interest is the Reference Rate plus the Fixed Spread; or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are June 15 and December 15 in each year.
- 2.07. The principal amount of the Program Loan and Project Loan shall be repaid in accordance with the Schedule 3 to this Agreement.
- 2.08. (a) If, on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.
- (b) For purposes of this Section the following terms have the meanings set forth below:
- (i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all or, if the Bank so determines, a portion of the Program Loan and/or Project Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower, and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.
- (ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower which, if exceeded, would subject the Program Loan and/or Project Loan to the Exposure Surcharge, as determined from time to time by the Bank.
- (iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

### ARTICLE III — OPERATION

- 3.01. The Borrower declares its commitment to the objectives of the Operation. To this end, the Borrower shall carry out the Operation through MEC, with the assistance of the FNDE and the SEEs for activities under the Operation that falls under their administrative jurisdiction, as follows: (i) FNDE, within its legal mandate, to carry out selected activities under Part 1 of the Operation; and (ii) SEEs to carry out selected activities under Part 1 of the Operation; all in accordance with the provisions of Article V of the respective General Conditions, and the NEM *Portaria* Commitment Agreements and the FTS *Portaria* Commitment Agreements.



#### ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) the NEM Legal Framework shall have been amended, suspended, abrogated, repealed or waived so as to affect, materially and adversely, in the opinion of the Bank and in consultation with the Borrower, the ability of the Borrower, FNDE or any SEE to perform any of their obligations under this Agreement, under any NEM *Portaria* Commitment Agreements or FTS *Portaria* Commitment Agreements.
  - (b) the MEC *Portarias* shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank in consultation with the Borrower, the ability of the Borrower, FNDE or any SEE to perform any of their obligations under this Agreement, the NEM *Portaria* Commitment Agreements or the FTS *Portaria* Commitment Agreements.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that any of the events specified in paragraph 4.01 of this Agreement occurs and are continuing for a period of ninety (90) days after notice of the event has been given by the Bank to the Borrower.

#### ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consist of the following, namely that 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.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 9.05 (b) of the General Conditions, the obligations of the Borrower under this Agreement (other than those providing for payment obligations) shall terminate twenty (20) years after the Signature Date.

#### ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Minister of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions,
- (a) the Borrower's address is:

Ministério da Fazenda  
Procuradoria-Geral da Fazenda Nacional  
Esplanada dos Ministérios, Bloco "P" - 8º andar  
Brasília, DF, 70048-900 - Brazil



With copies to:

SEAIN - Secretaria de Assuntos Internacionais do  
Ministério do Planejamento, Desenvolvimento e Gestão  
Esplanada dos Ministérios - Bloco K - 5º andar  
Brasília, DF, 70040-906 - Brazil

And to:

Ministério da Educação – MEC  
*Secretaria da Educação Básica*  
Esplanada dos Ministérios - Bloco L - 5º andar  
Brasília, DF, 70047-900 - Brazil; and

(b) the Borrower's Electronic Address is:

Facsimile:                      E-mail:  
(55-61) 3412-1740              gabinete-seb@mec.gov.br

6.03. For purposes of Section 10.01 of the General Conditions,

(a) the Bank's address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Bank's Electronic Address is:

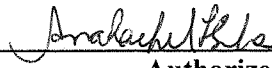
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248423(MCI) or                  1-202-477-6391                  mraiser@worldbank.org  
64145(MCI)



AGREED at the Signature Date.

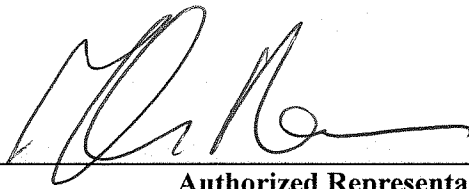
**FEDERATIVE REPUBLIC OF BRAZIL**

By

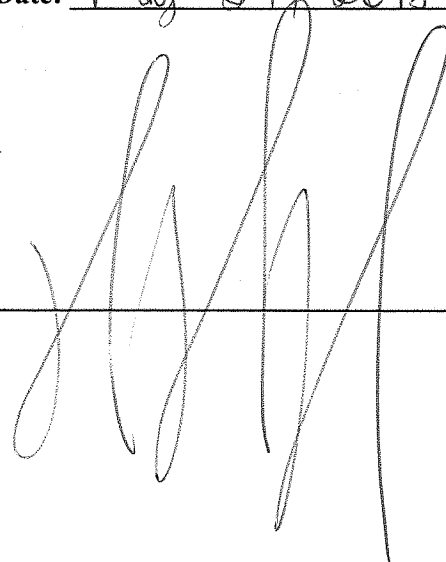
  
\_\_\_\_\_  
**Authorized Representative**  
Name: Ana Rachel Freitas de Silva  
Title: Procuradora  
Date: May 24, 2018

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By

  
\_\_\_\_\_  
**Authorized Representative**  
Name: Martin Raiser  
Title: Director  
Date: May 24, 2018

WITNESSED BY

  
\_\_\_\_\_

## SCHEDULE 1

### Operation Description

The objectives of the Operation are to: (i) strengthen the capacity of the SEEs to implement the Upper Secondary Education Reform, prioritizing Vulnerable Schools; and (ii) increase the Index of Basic Education Development in targeted full-time upper secondary schools in the Borrower's territory.

The Operation consists of the Program (Part 1) and the Project (Part 2), as follows:

#### **Part 1: Support to the Upper Secondary Education Reform (the Program)**

The Program consists of the following selected result areas and activities:

- a) **Supporting the implementation of the new curriculum to increase the relevance of Upper Secondary Education, through the NEM *Portaria* Commitment Agreements, to:**
  - (i) reorganize the States' curricula (based on the BNCC and the NEM Legal Framework), including the design and implementation of learning itineraries and implementation strategies focused on social and gender equity;
  - (ii) train SEEs officials, technical staff, school principals, and pedagogic coordinators and ultimately school teachers in the main elements and implementation of the NEM (including pedagogical practices towards competencies and socioemotional skills); and
  - (iii) build capacity for SEEs to plan, implement and monitor the Upper Secondary Education Reform, including guidelines for curricular proposals, planning governance, communication and teacher training.
  
- b) **Promoting the expansion of FTS to decrease dropouts and repetition rates in targeted Upper Secondary Education schools, through the FTS *Portaria* Commitment Agreements, to:**
  - (i) introduce a FTS system based on the basic concepts of the NEM Legal Framework, including BNCC and formative itineraries;
  - (ii) develop and execute an implementation plan for the expansion of the FTS;
  - (iii) support the implementation of the FTS system through a per capita basis transfers to help States to, *inter alia*, train teachers and personnel, build new or rehabilitate infrastructure and purchase equipment;
  - (iv) carry out an in-depth assessment of the FTS system with recommendations for improvements (based on NEM, BNCC and the new learning itineraries) and guidelines to promote best practices; and



- (v) monitor and evaluate the results of the Program, based on set targets as per the MEC *Portarias*.

## **Part 2: Technical Assistance to Implement the Upper Secondary Education Reform (the Project)**

Strengthening the institutional capacity of MEC and SEEs to ensure a proper implementation of the Upper Secondary Reform, through: (i) the design to implement the new Upper Secondary Education curriculum based on the BNCC and the NEM Legal Framework, including learning itineraries; (ii) the technical cooperation between MEC and SEEs; (iii) the periodic monitoring and evaluation of the implementation and results of the Upper Secondary Reform; and (iv) the optimization of existing resources and strengthening of accountability mechanisms between MEC and SEEs in the implementation of the Upper Secondary Reform, to ensure proper implementation standards, as further described below:

- a) **Strengthening the technical and operational capacity of MEC to support and monitor the SEEs in the implementation of the Upper Secondary Education Reform** within the context of the BNCC and the flexible curriculum approach, in order to provide general guidance, set goals and priorities to the implementation of said reform at the schools' level, based on the international experiences, and through the carrying out of the following activities: (i) an analysis of potential and specific challenges related to the implementation of the reform for selected SEEs as well as recommendations based on this analysis; and (ii) the establishment of a system to evaluate and adapt the implementation of the Upper Secondary Education Reform.
- b) **Establishing a Staff Development and Training Program for MEC and SEEs** for both central administrators and local implementers, to strengthen the technical capacity and relevant knowledge of the actors involved in the implementation of the Upper Secondary Education Reform, including: (i) exchange experiences among States; and (ii) design and implementation of training programs.
- c) **Building capacity at SEEs to improve planning, implementation, and monitoring of the Upper Secondary Education Reform** to respond to key challenges, such as, *inter alia*: (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 a teacher professional development initiatives for schools; (iv) the determination of potential partners to deliver the new learnings paths; and (v) the design of an incentive mechanism for the States to implement the necessary reforms, including the design of instruments and monitoring systems for the implementation of the various elements of the Upper Secondary Education Reform.
- d) **Developing instruments, models and studies** to support MEC and the States to implement and monitor the Upper Secondary Education Reform and make changes accordingly using evidence, tools, and quality standards, including, *inter alia*: (i) studies and tools to support the design of curricula and management of the Upper Secondary Education Reform and assess their results; (ii) design of innovative tools to support the implementation of the Upper Secondary Education Reform; (iii) design of a platform





providing data, studies and tools for SEEs; (iv) the carrying out of a study about gender associated enrollment and drop-out rates, and based on said study, preparation and implementation of an action plan; and (v) inputs to improve quality of the new curricula.

- e) **Carrying out of communication campaigns** among the various units of MEC and other Borrower's entities to facilitate the implementation of the new Upper Secondary Education Reform by developing a series of strategies to guarantee education agents' participation in the education reform process through an effective communication strategy, including, *inter alia*: (i) public support for education innovations; and (ii) the strengthening of the communication system to provide a permanent information channel within MEC, and among MEC, SEEs and the public, including parents, students and stakeholders.
- f) **Strengthen the capacity of SEEs for managing social and environmental effects of the Program** through the elaboration of an environmental and social management guide, including, *inter alia* : preservation of archaeological, paleontological, historical, cultural or religious patrimony, management of environmental, health and safety risks; environmental management of works and buildings; best practices related to reform and expansion of schools; assessment and mitigation of risks of natural disasters; capacity building program for engineering, environmental management and health and safety of SEEs teams; sustainability of school buildings for energy efficiency, rational use of water and solid waste management.
- g) **Establishing a Management Unit to strengthen the institutional capacity of SEB** to manage, administer, and supervise the implementation of the Operation, including support on: (i) procurement, financial management, monitoring, evaluation, social and environmental aspects, as well as technical aspects; (ii) the carrying out of the Operation audits; and (iii) DLR compliance.



## SCHEDULE 2

### Operation Execution

#### Section I. Implementation Arrangements

##### A. Operational Manual

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.

##### B. Institutional and Safeguard Arrangements

1. Operation Institutions:
  - (a) Without limitation to 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.
  - (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.

2. NEM *Portaria* Commitment Agreements and FTS *Portaria* Commitment Agreements:

- (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.
- (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 in writing, 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.

3. Safeguards:

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.

**Section II. Excluded Activities**

The Borrower through MEC shall ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (a) works, estimated to cost \$50,000,000 equivalent or more per contract; (b) goods, estimated to cost \$30,000,000 equivalent or more per contract; (c) non-consulting services, estimated to cost \$20,000,000 equivalent or more per contract; or (d) consulting services, estimated to cost \$15,000,000 equivalent or more per contract.

**Section III. Program Monitoring, Reporting and Evaluation**

**A. Program and Project Reports**



The Borrower through MEC shall furnish to the Bank each Program Report and Project Report not later than three (3) months after the end of each Fiscal Year, covering said Fiscal Year.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. Without limitation upon the provisions of Article II of the Program General Conditions and Article II of the Project General Conditions, and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Program Loan and Project Loan to:
  - (a) with respect to the **Program**: (i) finance the results (“Disbursement Linked Results” or “DLRs”) achieved by the Borrower, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”) in the amounts allocated against Categories (1) through (10); (ii) pay the Front-end Fee; and (iii) pay the Interest Rate Cap or Interest Rate Collar premium, all as set forth in the table in paragraph 2 of this Part A; and
  - (b) with respect to the **Project**: (i) finance the Eligible Expenditures in the amount allocated or, if applicable, up to the percentage set forth against said Category; (ii) pay the Front-end Fee; and (iii) pay the Interest Rate Cap or Interest Rate Collar premium, all as set forth in the table in paragraph 2 of this Part A.
  
2. The following table specifies: (a) each category of withdrawal of the proceeds of the Program Loan (including the Disbursement Linked Indicators as applicable) (“Category”), and the allocation of the amounts of the Program Loan to each Category; and (b) the categories of Eligible Expenditures that may be financed out of the proceeds of the Project Loan (“Category”), the allocations of the amounts of the Project Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each said Category:

Category (including Disbursement Linked Indicator as applicable)	Amount of the Program Loan Allocated to DLRs (expressed in USD)	Amount of the Project Loan Allocated (expressed in USD)	Percentage of Eligible Expenditures to be financed (inclusive of Taxes)
(1) DLI #1: The MEC <i>NEM Portaria</i> regulating the support to the Upper Secondary Education Reform has been published by MEC	15,000,000	0	N/A
(2) DLI #2: Number of States that formally			



signed a NEM <i>Portaria</i> Commitment Agreement	12,500,000	0	N/A
(3) DLI #3: Number of States that achieved 75% of the key objectives included in their NEM Implementation Plans	32,947,500	0	N/A
(4) DLI #4: Number of States that have their curricula adapted to NEM, validated and published by each State	25,000,000	0	N/A
(5) DLI #5: Number of States that have trained at least 40% of school principals and school coordinators in the New State Curriculum	25,000,000	0	N/A
(6) DLI #6: Number of States with schools in NEM Implementation Pilots	20,000,000	0	N/A
(7) DLI #7: Number of States that have their revised FTS Implementation Plans approved by MEC	15,000,000	0	N/A
(8) DLI #8: Evaluations and adjustment of the FTS program have been carried out.	32,500,000	0	N/A
(9) DLI #9: Percentage of agreed FTS key process targets achieved by States as included in their FTS Implementation Plans	30,000,000	0	N/A



(10) DLI #10: Number of States with NEM Implementation Plans with specific strategies to implement NEM in Vulnerable Schools	12,500,000	0	N/A
(11) Goods, non-consulting services, consulting services, Operating Costs and Training for the Project	0	28,927,500	100%
(12) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.05 (b) of the Program General Conditions and Section 2.07 (b) of the Project General Conditions	552,500	72,500	100%
(13) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 4.05 (c) of the General Conditions	0	0	100%
<b>Total Amount of the Program Loan</b>	<b>221,000,000</b>	-	-
<b>Total Amount of the Project Loan</b>	-	<b>29,000,000</b>	-
<b>Total Amount of the Operation Loan</b>		<b>250,000,000</b>	

**B. Withdrawal Conditions for the Program**

1. 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 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 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, are 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 allocated to said Category which, in the opinion of the Bank, corresponds 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 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.

**C. Withdrawal Conditions for the Project**

Notwithstanding the provisions of paragraph B.1 of this Section, no withdrawal shall be made for payments made prior to the Signature Date.

**D. Operation Withdrawal Period**

The Closing Date is December 31, 2023. The Bank may grant an extension of the Closing Date only after the Borrower's Ministry of Finance has informed the Bank that it agrees with such extension.



**SCHEDULE 3**

The Borrower shall repay the principal amount of the Operation Loan in full on December 15, 2037.





## APPENDIX

### Section I. Definitions

1. “Annual Targets and Protocols for DLIs and DLRs” means the milestones/values to be achieved under each DLI and DLR, including scalability criteria and detailed protocols to assess compliance of said DLIs and DLRs, in form and substance satisfactory to the Bank and attached to the Operational Manual, as said targets and protocols may be amended from time to time with the prior and written agreement of the Bank.
2. “Anti-corruption Guidelines” means: (a) for purposes of paragraph 5 of the Appendix to the General Conditions for the Program, the Bank’s “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 purposes of paragraph 5 of the Appendix to the General Conditions for the Project, the Bank’s “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” dated February 1, 2012, and revised as of July 1, 2016.
3. “Bank’s Safeguards Policies” means the Bank’s operational policies and procedures, set forth in the Bank’s operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36 and 4.37, as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual).
4. “BNCC” means *Base Nacional Comum Curricular*, the Borrower’s national common core curriculum, established under the Borrower’s Law No 9.394 dated December 20, 1996.
5. “Category” means any of the disbursement categories set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
6. “Disbursement Linked Indicator” or “DLI” means, in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. “Disbursement Linked Result” or “DLR” means in respect of a given Category under the table in Section IV.A.1 of Schedule 2 to this Agreement, the result under said Category as set forth in the Disbursement and Financial Information Letter on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Disbursement and Financial Information Letter.
8. “ENEM” means “*Exame Nacional do Ensino Médio*”, the Borrower’s upper secondary education national test, as established under the Borrower’s Law No 9.394, dated December 20, 1996.
9. “Fiscal Year” means the Borrower’s fiscal year commencing every 1<sup>st</sup> of January and finishing every 31<sup>st</sup> of December each calendar year.
10. “FNDE” means “*Fundo Nacional de Desenvolvimento da Educação*”, the Borrower’s National Fund for the Development of Education, as established and operating under the Borrower’s Law No. 5.537 dated November 21, 1968.



11. "FTS" means "Full-Time Schools", as defined in the NEM Legal Framework.
12. "FTS Implementation Plans" means the plans to be prepared by SEEs for the implementation of NEM under the FTS *Portaria* Commitment Agreements.
13. "FTS *Portaria* Commitment Agreement" means any of the agreements referred to in Section I.B.2 of Schedule 2 of this Agreement, as signed between the States and the Borrower in accordance with the MEC FTS *Portaria*, and "FTS *Portaria* Commitment Agreements" means several or all such agreements.
14. "General Conditions" means the General Conditions for the Program and the General Conditions for the Project.
15. "General Conditions for the Program" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Program-for-Results Financing", dated July 14, 2017 applicable to the Program Loan, with the modifications set forth in Section II of this Appendix.
16. "General Conditions for the Project" means "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated July 14, 2017, applicable to the Project Loan with the modifications set forth in Section III of this Appendix.
17. "Index of Basic Education Development" means *Índice de Desenvolvimento da Educação Básica*, the Borrower's index of basic education development calculated by MEC every two years based on students' performance in Portuguese and in mathematics and on student's pass rates and retention rates.
18. "MEC" means "*Ministério da Educação*", the Borrower's Ministry of Education.
19. "MEC FTS *Portaria*" means MEC regulation No. 727 dated June 13, 2017, establishing new directives, parameters and criteria for the implementation of FTS; in line with the NEM Legal Framework.
20. "MEC NEM *Portaria*" means the regulation to be adopted by MEC under DLI #1 in order to establish the guidelines, parameters and criteria for the NEM implementation and to be interpreted in conjunction with the resolution to be adopted and published by FNDE in order to define disbursement aspects of said MEC regulation; both in line with the NEM Legal Framework.
21. "MEC *Portarias*" means collectively the MEC NEM *Portaria* and MEC FTS *Portaria*.
22. "NEM" means *Novo Ensino Médio*, the Borrower's new Upper Secondary Education system, as established and operating under the NEM Legal Framework.



23. "NEM Implementation Pilots" means the initiatives to be carried out by SEEs for the implementation of NEM in selected pilot schools under the NEM *Portaria* Commitment Agreements.
24. "NEM Implementation Plans" means the plans to be prepared by SEEs for the implementation of NEM under the NEM *Portaria* Commitment Agreements.
25. "NEM Legal Framework" means the Borrower's Law No. 13.415 dated February 16, 2017.
26. "NEM *Portaria* Commitment Agreement" means any of the agreements referred to in Section I.B.2 of Schedule 2 of this Agreement, as signed between the States and the Borrower in accordance with the MEC NEM *Portaria* and "NEM *Portaria* Commitment Agreements" means several or all such agreements.
27. "New State Curriculum" means the curriculum defined by each State, in accordance with the NEM Legal Framework.
28. "Non-Scalable DLRs" means the DLRs that cannot be achieved partially and which require full attainment to trigger a disbursement, as further detailed in the Disbursement and Financial Information Letter.
29. "Operating Costs" means the reasonable incremental operational costs related to technical and administrative management, preparation, monitoring and supervision required under the Project, including *inter alia*, office equipment, supplies, travel costs (including accommodations, transportation costs and *per diem*), printing services, communication costs, utilities, maintenance of office equipment and facilities, vehicle operation and maintenance costs, and logistics services.
30. "Operation" means collectively the Program and the Project.
31. "Operational Manual" means the manual dated November 14, 2017 in form and substance satisfactory to the Bank, as approved by the Borrower, and referred to in Section I.A of Schedule 2 to this Agreement, as said manual may be amended from time to time with the prior and written agreement of the Bank.
32. "PMU" means "Project Management Unit", the unit to be established within SEB in order to implement, monitor and manage the Operation, or any successor to said PMU acceptable to the Bank.
33. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions for the Project, the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.
34. "Program Action Plan" means the Borrower's plan in form and substance satisfactory to the Bank and referred to in Section I.A.1 of Schedule 2 to this Agreement, and attached to the Operational Manual, as said plan may be amended from time to time with the prior and written agreement of the Bank.



35. "Program Fiduciary, Environmental and Social Systems" means the Borrower's systems for the Program referred to in Section I.A.1 of Schedule 2 to this Agreement, and attached to the Operational Manual, as said systems may be amended from time to time with the prior and written agreement of the Bank.
36. "Result Monitoring Framework" means the Borrower's monitoring framework including the performance indicators for the Program and attached to the Operational Manual, as said indicators may be amended from time to time with the prior and written agreement of the Bank.
37. "Scalable DLRs" means the DLRs that can be achieved partially and which do not require full attainment to trigger a disbursement, as further detailed in the Disbursement and Financial Information Letter.
38. "SEB" means *Secretaria da Educação Básica*, the Borrower's Secretariat of Basic Education within MEC, or any successor thereto acceptable to the Bank.
39. "SEE" means *Secretaria Estadual ou Distrital da Educação*, any State or Federal District secretariat for education, and "SEEs" means several such secretariats.
40. "Signature Date" means the latest of the two dates on which the Borrower and the Bank signed this Agreement and such definition applied to all references to "the date of the Loan Agreement" in the Program General Conditions and in the Project General Conditions.
41. "State" means any of the Borrower's 26 States and the Federal District which has signed a NEM *Portaria* Commitment Agreement or a FTS *Portaria* Commitment Agreements with MEC for the implementation by the SEEs of the Program.
42. "Training" means expenditures (other than those for consulting services) incurred in connection with the carrying out of training, seminars, and workshops, including the reasonable travel costs (e.g. accommodations, transportation costs and per diem) of trainees and trainers (if applicable), catering, rental of training facilities and equipment, logistics and printing services, as well as training materials and equipment under the Project.
43. "Upper Secondary Education" means the last three years of the secondary education system in the Borrower's territory, as established under the Law No 9.394, dated December 20, 1996.
44. "Upper Secondary Education Reform" means the Borrower's upper secondary education reform, as established and operating under the NEM Legal Framework and supported through the Program.
45. "Verification Protocols" means the protocol agreed by the Bank and the Borrower to verify the data and other evidence supporting the achievement of one or more DLIs and DLRs as specified in the Operational Manual. Such protocols may be modified from time to time with the agreement of the Bank.



46. "Vulnerable School" means schools in the Borrower's territory which are in the bottom 40 percent in the State socio-economic level indicator ranking, as calculated by the Borrower's *Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira* each Fiscal Year.

**Section II. Modifications to the General Conditions for the Program**

The General Conditions for the **Program** are hereby modified as follows:

- (a) The definition of the term "Loan Payment" in paragraph 74 of the Appendix is modified to include "Exposure Surcharge" and read as follows:

"74. "Loan Payment" means any amount payable by the Program Loan Parties to the Bank pursuant to the Legal Agreements or these Program General Conditions, including (but not limited to) any amount of the Withdrawn Program Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, any Unwinding Amount payable by the Borrower; and the Exposure Surcharge."

**Section III. Modifications to the General Conditions for the Project**

The General Conditions for the **Project** are hereby modified as follows:

- (a) The definition of the term "Loan Payment" in Paragraph 75 of the Appendix is modified to include "Exposure Surcharge" and read as follows:

"75. "Loan Payment" means any amount payable by the Project Loan Parties to the Bank pursuant to the Legal Agreements or these Project General Conditions, including (but not limited to) any amount of the Withdrawn Project Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, any Unwinding Amount payable by the Borrower; and the Exposure Surcharge."



