EXECUTIVE SUMMARY
LETRUS: Using Technology and AI to Improve Literacy
(BR-Q0028)

Functional literacy continues to be a challenge in Brazil and the rest of Latin America. A national survey by Brazil's Indicador de Afabetismo Funcional (INAF) in 2018 demonstrated that only 12% of the Brazilians between 15-64 years old could functionally comprehend written Portuguese.[1] Another 2018 survey points out that only 50% of Brazilian students reach the expected reading proficiency by age 15.[2]

This problem is the most prominent in public, low-income schools due to unequal resource distribution, inefficient teaching methods, and lack of digitization. The result is a persistent performance gap – the achievement disparity between private and public school students for the National High School Exam has reached a whopping 32%[3], and white and black children have a literacy gap of over 12 percentage points.[4] While some digital Edtech solutions appeared in the past years, very few address the K-12 issue, let alone include a viable business-to-government model for 38.2 million public school students in Brazil.

In order to tackle this issue, IDB Lab is supporting the expansion of Letrus, a Brazilian company providing an Artificial Intelligence-based literacy platform for K12 education for both private and public schools. By 2027, with this project, Letrus aims to benefit 1,216,000 students enrolled in public schools and 1,863,000 students enrolled in private schools targeting predominantly low-income population. From these, 75% are expected perform at least 5 writing assignments in Letrus' platform and 70% are expected improve literacy outcomes.

For this operation, IDB Lab is approving a total ticket of US$3.M to be used across two occurrences. On the one hand, IDB Lab will invest US$1,000,000 from MIF core resources in 2022 through a convertible note or equity towards the extension of Letrus's Series A round, which will be financed by current investors such as Potencia Ventures and Peninsula, and by new investors such as the Lemann Foundation. On the other hand, IDB Lab is including up to an additional US$ 2,000,000 from MIF core funding as a reserve in case of future follow-on investment in the Company. The eligibility for the follow-on investment will be determined upon review of the Company's performance.

[1] INAF 2018.
[2] PISA (International Student Assessment Program), 2018.
[3] INEP 2019. ARCO Prospectus: A wide gap in the quality of education exists between public and private K-12 institutions in Brazil, and within the private school market itself. Test performance is significantly better in private primary and secondary education, as illustrated by the average quality index differential of the primary and secondary education development index (Índice de Desenvolvimento da Educação Básica), or IDEB. As of December 31, 2017, private K-12 education schools had an average education quality index score 47% higher than that of public primary and secondary schools across all school years according to the IDEB quality index differential. Also, ENEM 2019 data shows a 32% educational gap in writing between public and private schools.
[4] PNAD Contínua report, 2022. The statistics measures basic literacy rate for children between six to seven across Brazil.